

Section 1: 10-Q (10-Q)

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

FORM 10-Q

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d)
of the
Securities Exchange Act of 1934
For the Quarterly Period Ended January 31, 2018

or

Transition Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934
For the transition period from _____ to _____

Commission File Number 001-12622

OIL-DRI CORPORATION OF AMERICA
(Exact name of the registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or
organization)

36-2048898
(I.R.S. Employer
Identification No.)

410 North Michigan Avenue, Suite 400
Chicago, Illinois
(Address of principal executive offices)

60611-4213
(Zip Code)

The registrant's telephone number, including area code: (312) 321-1515

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated
filer

Accelerated filer

Non-accelerated
filer

Smaller reporting
company

Emerging growth
company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of January 31, 2018.

Common Stock – 5,138,458 Shares and Class B Stock – 2,178,937 Shares

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FORWARD-LOOKING STATEMENTS

Certain statements in this report, including, but not limited to, those under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and those statements elsewhere in this report and other documents that we file with the Securities and Exchange Commission (“SEC”), contain forward-looking statements that are based on current expectations, estimates, forecasts and projections about our future performance, our business, our beliefs and our management’s assumptions. In addition, we, or others on our behalf, may make forward-looking statements in press releases or written statements, or in our communications and discussions with investors and analysts in the normal course of business through meetings, webcasts, phone calls and conference calls. Words such as “expect,” “outlook,” “forecast,” “would,” “could,” “should,” “project,” “intend,” “plan,” “continue,” “believe,” “seek,” “estimate,” “anticipate,” “may,” “assume,” and variations of such words and similar expressions are intended to identify such forward-looking statements, which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.

Such statements are subject to certain risks, uncertainties and assumptions that could cause actual results to differ materially, including those described in Item 1A, Risk Factors, of our Annual Report on Form 10-K for the fiscal year ended July 31, 2017. Should one or more of these or other risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, intended, expected, believed, estimated, projected or planned. Investors are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Except to the extent required by law, we do not have any intention or obligation to update publicly any forward-looking statements after the distribution of this report, whether as a result of new information, future events, changes in assumptions or otherwise.

TRADEMARK NOTICE

Cat’s Pride, Fresh & Light and Oil-Dri are registered trademarks of Oil-Dri Corporation of America.

PART I - FINANCIAL INFORMATION

ITEM 1. Financial Statements

OIL-DRI CORPORATION OF AMERICA
Condensed Consolidated Balance Sheet
(in thousands, except share and per share amounts)

ASSETS	(unaudited)	
	January 31, 2018	July 31, 2017
Current Assets		
Cash and cash equivalents	\$ 9,381	\$ 9,095
Short-term investments	21,894	23,576
Accounts receivable, less allowance of \$901 and \$748 at January 31, 2018 and July 31, 2017, respectively	32,309	32,750
Inventories	22,603	22,615
Prepaid repairs expense	3,827	3,890
Prepaid expenses and other assets	4,140	2,304
Total Current Assets	94,154	94,230
Property, Plant and Equipment		
Cost	229,957	224,444
Less accumulated depreciation and amortization	(145,668)	(140,411)
Total Property, Plant and Equipment, Net	84,289	84,033
Other Assets		
Goodwill	9,034	9,034
Trademarks and patents, net of accumulated amortization of \$251 and \$238 at January 31, 2018 and July 31, 2017, respectively	1,300	1,223
Customer list, net of accumulated amortization of \$5,070 and \$4,601 at January 31, 2018 and July 31, 2017, respectively	2,715	3,184
Deferred income taxes	9,106	14,396
Other	4,937	6,475
Total Other Assets	27,092	34,312
Total Assets	\$ 205,535	\$ 212,575

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

OIL-DRI CORPORATION OF AMERICA
Condensed Consolidated Balance Sheet
(in thousands, except share and per share amounts)

	(unaudited)	
	January 31, 2018	July 31, 2017
LIABILITIES & STOCKHOLDERS' EQUITY		
<u>Current Liabilities</u>		
Current maturities of notes payable	\$ 3,083	\$ 3,083
Accounts payable	8,089	9,594
Dividends payable	1,559	1,553
Accrued expenses:		
Salaries, wages and commissions	5,724	7,459
Deferred compensation	5,996	458
Trade promotions and advertising	1,074	2,253
Freight	950	1,606
Other	6,859	6,948
Total Current Liabilities	33,334	32,954
<u>Noncurrent Liabilities</u>		
Notes payable, net of unamortized debt issuance costs of \$75 and \$89 at January 31, 2018 and July 31, 2017, respectively	6,092	9,161
Deferred compensation	6,281	11,537
Pension and postretirement benefits	29,392	29,161
Other	4,174	3,725
Total Noncurrent Liabilities	45,939	53,584
Total Liabilities	79,273	86,538
<u>Stockholders' Equity</u>		
Common Stock, par value \$.10 per share, issued 8,049,050 shares at January 31, 2018 and 8,015,166 shares at July 31, 2017	805	802
Class B Stock, par value \$.10 per share, issued 2,503,678 shares at January 31, 2018 and 2,513,512 shares at July 31, 2017	250	251
Additional paid-in capital	37,253	36,242
Retained earnings	153,571	154,735
Accumulated other comprehensive loss:		
Pension and postretirement benefits	(9,909)	(10,327)
Cumulative translation adjustment	105	35
Total accumulated other comprehensive loss	(9,804)	(10,292)
Less Treasury Stock, at cost (2,910,592 Common and 324,741 Class B shares at January 31, 2018 and 2,907,370 Common and 324,741 Class B shares at July 31, 2017)	(55,813)	(55,701)
Total Stockholders' Equity	126,262	126,037
Total Liabilities & Stockholders' Equity	\$ 205,535	\$ 212,575

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

OIL-DRI CORPORATION OF AMERICA
Condensed Consolidated Statements of Income and Retained Earnings
(in thousands, except for per share amounts)

	(unaudited)	
	For the Six Months Ended January	
	31,	
	2018	2017
Net Sales	\$ 135,540	\$ 131,786
Cost of Sales	(96,931)	(91,936)
Gross Profit	38,609	39,850
Selling, General and Administrative Expenses	(29,936)	(31,217)
Income from Operations	8,673	8,633
Other Income (Expense)		
Interest expense	(400)	(489)
Interest income	119	16
Other, net	518	(237)
Total Other Income (Expense), Net	237	(710)
Income Before Income Taxes	8,910	7,923
Income Tax Expense	(6,956)	(1,664)
Net Income	1,954	6,259
Retained Earnings:		
Balance at beginning of period	154,735	149,945
Cash dividends declared and treasury stock issuances	(3,118)	(2,964)
Balance at End of Period	<u>\$ 153,571</u>	<u>\$ 153,240</u>
Net Income Per Share		
Basic Common	\$ 0.29	\$ 0.93
Basic Class B Common	\$ 0.22	\$ 0.70
Diluted Common	\$ 0.26	\$ 0.86
Average Shares Outstanding		
Basic Common	5,030	5,011
Basic Class B Common	2,097	2,077
Diluted Common	7,215	7,145
Dividends Declared Per Share		
Basic Common	\$ 0.4600	\$ 0.4400
Basic Class B Common	\$ 0.3460	\$ 0.3300

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

OIL-DRI CORPORATION OF AMERICA
Condensed Consolidated Statements of Comprehensive Income
(in thousands of dollars)

	(unaudited)	
	For the Six Months Ended January	
	31,	
	2018	2017
Net Income	\$ 1,954	\$ 6,259
Other Comprehensive Income:		
Pension and postretirement benefits (net of tax)	418	578
Cumulative translation adjustment	70	49
Other Comprehensive Income	488	627
Total Comprehensive Income	\$ 2,442	\$ 6,886

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

OIL-DRI CORPORATION OF AMERICA
Condensed Consolidated Statements of Income and Retained Earnings
(in thousands, except for per share amounts)

	(unaudited)	
	For the Three Months Ended January 31,	
	2018	2017
Net Sales	\$ 68,894	\$ 65,174
Cost of Sales	(49,254)	(46,049)
Gross Profit	19,640	19,125
Selling, General and Administrative Expenses	(14,883)	(13,538)
Income from Operations	4,757	5,587
Other Income (Expense)		
Interest expense	(199)	(238)
Interest income	65	8
Other, net	448	(113)
Total Other Income (Expense), Net	314	(343)
Income Before Income Taxes	5,071	5,244
Income Tax Expense	(6,167)	(994)
Net (Loss) Income	(1,096)	4,250
Net (Loss) Income Per Share		
Basic Common	\$ (0.17)	\$ 0.63
Basic Class B	\$ (0.12)	\$ 0.47
Diluted Common	\$ (0.15)	\$ 0.58
Average Shares Outstanding		
Basic Common	5,035	5,019
Basic Class B	2,104	2,088
Diluted Common	7,139	7,155
Dividends Declared Per Share		
Basic Common	\$ 0.2300	\$ 0.2200
Basic Class B	\$ 0.1730	\$ 0.1650

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

OIL-DRI CORPORATION OF AMERICA
Condensed Consolidated Statements of Comprehensive Income
(in thousands of dollars)

	(unaudited)	
	For the Three Months Ended January	
	31,	
	2018	2017
Net (Loss) Income	\$ (1,096)	\$ 4,250
Other Comprehensive Income:		
Pension and postretirement benefits (net of tax)	237	309
Cumulative translation adjustment	144	63
Other Comprehensive Income	381	372
Total Comprehensive (Loss) Income	\$ (715)	\$ 4,622

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

OIL-DRI CORPORATION OF AMERICA
Condensed Consolidated Statements of Cash Flows
(in thousands)

	(unaudited)	
	For the Six Months Ended January 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 1,954	\$ 6,259
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	6,413	6,389
Amortization of investment net discount	(57)	(5)
Stock-based compensation	770	777
Excess tax benefits for share-based payments	—	(207)
Deferred income taxes	5,312	354
Provision for bad debts and cash discounts	155	131
Loss on the sale of fixed assets	31	276
Life insurance benefits	(334)	—
(Increase) Decrease in assets:		
Accounts receivable	362	(1,829)
Inventories	75	11
Prepaid expenses	(51)	(3,784)
Other assets	55	(156)
Increase (Decrease) in liabilities:		
Accounts payable	(743)	852
Accrued expenses	(3,637)	(1,698)
Deferred compensation	268	487
Pension and postretirement benefits	649	1,001
Other liabilities	407	235
Total Adjustments	9,675	2,834
Net Cash Provided by Operating Activities	11,629	9,093
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(6,850)	(7,279)
Proceeds from sale of property, plant and equipment	11	2
Purchases of short-term investments	(24,101)	(11,555)
Dispositions of short-term investments	25,840	14,386
Net Cash Used in Investing Activities	(5,100)	(4,446)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable	(3,083)	(3,083)
Dividends paid	(3,112)	(2,956)
Purchase of treasury stock	(27)	(122)
Proceeds from issuance of common stock	—	170
Excess tax benefits for share-based payments	—	207
Net Cash Used in Financing Activities	(6,222)	(5,784)
Effect of exchange rate changes on cash and cash equivalents	(21)	68
Net Increase (Decrease) in Cash and Cash Equivalents	286	(1,069)
Cash and Cash Equivalents, Beginning of Period	9,095	18,629
Cash and Cash Equivalents, End of Period	\$ 9,381	\$ 17,560

OIL-DRI CORPORATION OF AMERICA
Condensed Consolidated Statements of Cash Flows - Continued
(in thousands)

	(unaudited)	
	For the Six Months Ended January	
	31,	
	2018	2017
Supplemental disclosure of non-cash investing and financing activities:		
Capital expenditures accrued, but not paid	\$ 890	\$ 657
Cash dividends declared and accrued, but not paid	\$ 1,559	\$ 1,485

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

OIL-DRI CORPORATION OF AMERICA
Notes To Condensed Consolidated Financial Statements
(Unaudited)

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information and in compliance with instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. The financial statements and the related notes are condensed and should be read in conjunction with the Consolidated Financial Statements and related notes for the fiscal year ended July 31, 2017 included in our Annual Report on Form 10-K filed with the SEC.

The unaudited Condensed Consolidated Financial Statements include the accounts of Oil-Dri Corporation of America and its subsidiaries. All significant intercompany transactions are eliminated. Except as otherwise indicated herein or as the context otherwise requires, references to “Oil-Dri,” the “Company,” “we,” “us” or “our” refer to Oil-Dri Corporation of America and its subsidiaries.

The unaudited Condensed Consolidated Financial Statements reflect all adjustments, consisting of normal recurring accruals and reclassifications which are, in the opinion of management, necessary for a fair presentation of the statements contained herein. In addition, certain prior year reclassifications were made to conform to the current year presentation. Operating results for the three and six months ended January 31, 2018 are not necessarily an indication of the results that may be expected for the fiscal year ending July 31, 2018.

Management Use of Estimates

The preparation of the unaudited Condensed Consolidated Financial Statements in conformity with U.S. GAAP requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses during the reporting period, as well as the related disclosures. See Note 10 for additional discussion regarding tax legislation enacted by the U.S. government in December 2017, the impact of which may affect the estimates and assumptions used to determine the expected future tax consequences of events recognized in our consolidated financial statements. All of our estimates and assumptions are revised periodically. Actual results could differ from these estimates.

Summary of Significant Accounting Policies

Except as described herein, our significant accounting policies, which are detailed in our Annual Report on Form 10-K for the fiscal year ended July 31, 2017, have not materially changed. However, the unaudited Condensed Consolidated Financial Statements reflect changes required upon adoption of new accounting guidance, as described in Note 2, and the effects of changes from recent U.S. tax legislation, as described in Note 10. The following is a description of certain of our significant accounting policies.

Revenue Recognition. We recognize revenue when risk of loss and title are transferred under the terms of our sales agreements with customers at a fixed and determinable price and collection of payment is probable. Trade promotion reserves are provided for sales incentives made directly to consumers, such as coupons, and sales incentives made to customers, such as slotting, discounts based on sales volume, cooperative marketing programs and other arrangements. Such trade promotion costs are netted against sales. Sales returns and allowances are not material.

Selling, General and Administrative Expenses. Selling, general and administrative expenses include salaries, wages and benefits associated with staff outside the manufacturing and distribution functions, all marketing related costs, any miscellaneous trade spending expenses not required to be included in net sales, research and development costs, depreciation and amortization related to assets outside the manufacturing and distribution process and all other non-manufacturing and non-distribution expenses.

Trade Receivables. We record an allowance for doubtful accounts based on our historical experience and a periodic review of our accounts receivable, including a review of the overall aging of accounts, consideration of customer credit risk and analysis of facts and circumstances about specific customer accounts. A customer account is determined to be uncollectible when it is probable that a loss will be incurred after we have completed our internal collection procedures, including termination of shipments, direct customer contact and formal demand of payment.

Overburden Removal and Mining Costs. We mine sorbent materials on property that we either own or lease as part of our overall operations. A significant part of our overall mining cost is incurred during the process of removing the overburden (non-usable material) from the mine site, thus exposing the sorbent material used in a majority of our production processes. These stripping costs are treated as a variable inventory production cost and are included in cost of sales in the period they are incurred. We defer and amortize the pre-production overburden removal costs associated with opening a new mine.

Additionally, it is our policy to capitalize the purchase cost of land and mineral rights, including associated legal fees, survey fees and real estate fees. The costs of obtaining mineral patents, including legal fees and drilling expenses, are also capitalized. Pre-production development costs on new mines and any prepaid royalties that may be offset against future royalties due upon extraction of the minerals are also capitalized. All exploration related costs are expensed as incurred.

We perform ongoing reclamation activities during the normal course of our overburden removal. As overburden is removed from a mine site, it is hauled to previously mined sites and is used to refill older sites. This process allows us to continuously reclaim older mine sites and dispose of overburden simultaneously, therefore minimizing the costs associated with the reclamation process.

2. NEW ACCOUNTING PRONOUNCEMENTS AND REGULATIONS

Recently Issued Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued guidance under Accounting Standards Codification (“ASC”) 606, *Revenue from Contracts with Customers*, which establishes a single comprehensive revenue recognition model for all contracts with customers and will supersede most existing revenue guidance. This guidance was subsequently amended several times to further clarify the principles for recognizing revenue. The guidance requires entities to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to receive in exchange. Oil-Dri’s revenue is generated from the sale of finished goods to customers. Those sales predominantly contain a single delivery obligation. Under Oil-Dri’s current accounting policy, revenue is recognized at a single point in time when ownership, risks and rewards transfer. We are currently in the process of performing a comprehensive evaluation of the revenue requirements, including the impact on how we record certain incentives and advertising arrangements, as well as significant new disclosure requirements. We plan to adopt the standard at the beginning of our first quarter of fiscal year 2019. Transition options to implement this guidance include either a full or modified retrospective approach and early adoption is permitted. We expect to use the modified retrospective implementation method.

In January 2016, the FASB issued guidance under ASC 825, *Recognition and Measurement of Financial Assets and Financial Liabilities*. This guidance addresses certain aspects of recognition, measurement, presentation and disclosure of financial instruments. The provisions relevant to us at this time require the use of the exit price notion when measuring the fair value of financial instruments for disclosure purposes, as well as eliminates the requirement to disclose the method and significant assumptions used to estimate the fair value in such disclosure. This guidance is effective for our first quarter of fiscal year 2019 and early adoption is generally not permitted. We are currently evaluating the impact of the adoption of this requirement on our Consolidated Financial Statements.

In February 2016, the FASB issued guidance under ASC 842, *Leases*, which provides that, for leases with a term greater than 12 months, a lessee must recognize in the statement of financial position both a liability to make lease payments and an asset representing its right to use the underlying asset. Other requirements describe expense recognition, as well as financial statement presentation and disclosure. This guidance is effective for our first quarter of fiscal year 2020 using a modified retrospective approach, which includes a number of optional practical expedients. Early adoption is permitted. We are currently evaluating the impact of the adoption of this requirement on our Consolidated Financial Statements.

In June 2016, the FASB issued guidance under ASC 326, *Financial Instruments-Credit Losses*, which requires companies to utilize an impairment model for most financial assets measured at amortized cost and certain other financial instruments, which include trade and other receivables, loans and held-to-maturity debt securities, to record an allowance for credit risk based on expected losses rather than incurred losses. In addition, this new guidance changes the recognition method for credit losses on available-for-sale debt securities, which can occur as a result of market and credit risk, as well as additional disclosures. In general, this guidance will require modified retrospective adoption for all outstanding instruments that fall under this guidance. This guidance is effective for our first quarter of fiscal year 2021. We are currently evaluating the impact of the adoption of this requirement on our Consolidated Financial Statements.

In March 2017, the FASB issued guidance under ASC 715, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which requires presenting the service cost component of net periodic benefit cost in the

same income statement line item(s) as other employee compensation costs arising from services rendered during the period. This standard also requires that other components of the net periodic benefit cost be presented separately from the line item(s) that includes service costs and outside of any subtotal of operating income, if one is presented, on a retrospective basis. Additionally, the new guidance limits the components that are eligible for capitalization in assets to only the service cost component. The new guidance is effective for our first quarter of fiscal year 2019, with early adoption permitted. We are currently evaluating the impact of the adoption of this requirement on our Consolidated Financial Statements.

In February 2018, the FASB issued guidance under ASC 220, *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. Current U.S. GAAP requires deferred tax liabilities and assets to be adjusted for a change in tax laws or rates with the effect included in income from continuing operations, even when the deferred taxes being remeasured were established through other comprehensive income. As a result, a disproportionate tax effect may remain in accumulation other comprehensive income. The new guidance under ASC 220 provides an option to reclassify from accumulated other comprehensive income to retained earnings these stranded tax effects resulting from the Tax Cuts and Jobs Act (the “2017 Tax Act”), which was enacted on December 22, 2017. This guidance is effective for our first quarter of fiscal year 2019, with early adoption permitted. We are currently evaluating the impact of the adoption of this requirement on our Consolidated Financial Statements. See Note 10 for further information about the impact of the 2017 Tax Act.

There have been no other accounting pronouncements issued but not yet adopted by us which are expected to have a material impact on our Consolidated Financial Statements.

Recently Adopted Pronouncements

In the first quarter of fiscal year 2018, we adopted the FASB guidance under ASC 718, *Compensation-Stock Compensation* that simplified several aspects of the accounting for share-based payment transactions, including accounting for income taxes and classification of excess tax benefits in the statement of cash flows. As a result of implementing this guidance, we recognized \$14,000 and \$157,000 of excess tax benefits as a reduction of income tax expense for the second quarter and first six months of fiscal year 2018, respectively, rather than in Stockholders' Equity on the unaudited Condensed Consolidated Balance Sheet, and classified in operating activities on the unaudited Condensed Consolidated Statements of Cash Flows. These changes have been applied prospectively in accordance with the guidance and prior period presentations have not been adjusted. The adoption resulted in approximately a 0% and 2% benefit to our effective tax rate for the second quarter and first six months of fiscal year 2018, respectively. In addition, we excluded the excess tax benefits from the assumed proceeds available to repurchase shares under the treasury stock method for the computation of diluted earnings per share. This change did not have a material impact on our diluted earnings per share for the second quarter or first six months of fiscal year 2018. The guidance allows for a policy election to either use estimated forfeitures or account for them as they occur to determine the amount of compensation cost to be recognized each period. We have elected to continue to account for forfeitures on an estimated basis. No other material changes resulted from the adoption of this standard.

In the first quarter of fiscal year 2018, we adopted the FASB guidance under ASC 740, *Balance Sheet Classification of Deferred Taxes*, which required deferred tax liabilities and assets to be classified as noncurrent in a classified statement of financial position. Prior periods presented were also restated. We reclassified \$2,787,000 from Total Current Assets to Total Other Assets on the unaudited Condensed Consolidated Balance Sheet as of July 31, 2017.

In the first quarter of fiscal year 2018, we adopted the FASB guidance under ASC 330, *Simplifying the Measurement of Inventory*. The new guidance required inventory to be measured at the lower of cost and net realizable value, which is defined as the estimated selling price in the ordinary course of business less reasonably predictable costs of completion, disposal and transportation. Adoption of this guidance did not have a material impact on our unaudited Condensed Consolidated Financial Statements.

3. INVENTORIES

The composition of inventories is as follows (in thousands):

	January 31, 2018	July 31, 2017
Finished goods	\$ 14,037	\$ 14,704
Packaging	5,635	4,988
Other	2,931	2,923
Total Inventories	<u>\$ 22,603</u>	<u>\$ 22,615</u>

Inventories are valued at the lower of cost (first-in, first-out) or net realizable value. Inventory costs include the cost of raw materials, packaging supplies, labor and other overhead costs. We perform a detailed review of our inventory items to determine if an obsolescence reserve adjustment is necessary. The review surveys all of our operating facilities and sales groups to ensure that both historical issues and new market trends are considered. The obsolescence reserve not only considers specific items, but also takes into consideration the overall value of the inventory as of the balance sheet date. The inventory obsolescence reserve values at January 31, 2018 and July 31, 2017 were \$1,080,000 and \$619,000, respectively.

4. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The inputs used to measure fair value are prioritized into categories based on the lowest level of input that is significant to the fair value measurement. The categories in the fair value hierarchy are as follows:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs for similar assets or liabilities or valuation models whose inputs are observable, directly or indirectly.

Level 3: Unobservable inputs.

Cash equivalents of \$3,281,000 and \$3,814,000 as of January 31, 2018 and July 31, 2017, respectively, were classified as Level 1. These cash instruments are primarily money market mutual funds and are included in cash and cash equivalents on the unaudited Condensed Consolidated Balance Sheet.

Short-term investments included U.S. Treasury securities and certificates of deposit. We intend and have the ability to hold our short-term investments to maturity; therefore, these investments were reported at amortized cost, which approximated fair value as of January 31, 2018 and July 31, 2017.

Accounts receivable and accounts payable balances approximated their fair values at January 31, 2018 and July 31, 2017 due to the short maturity and nature of those balances.

Notes payable are reported at the face amount of future maturities. The estimated fair value of notes payable, including current maturities, was \$9,680,000 and \$13,001,000 as of January 31, 2018 and July 31, 2017, respectively. Our debt does not trade on a daily basis in an active market, therefore the fair value estimate is based on market observable borrowing rates currently available for debt with similar terms and average maturities and is classified as Level 2.

We apply fair value techniques on at least an annual basis associated with: (1) valuing potential impairment loss related to goodwill, trademarks and other indefinite-lived intangible assets and (2) valuing potential impairment loss related to long-lived assets. See Note 5 for further information about goodwill and other intangible assets.

5. GOODWILL AND OTHER INTANGIBLE ASSETS

Intangible amortization expense was \$253,000 and \$307,000 in the second quarter of fiscal years 2018 and 2017, respectively. Intangible amortization expense was \$507,000 and \$612,000 for the first six months of fiscal years 2018 and 2017, respectively. Estimated intangible amortization for the remainder of fiscal year 2018 is \$510,000. Estimated intangible amortization for the next five fiscal years is as follows (in thousands):

2019	\$	835
2020	\$	666
2021	\$	482
2022	\$	332
2023	\$	200

We have one acquired trademark recorded at a cost of \$376,000 that was determined to have an indefinite life and is not amortized.

We performed our annual goodwill impairment analysis in the fourth quarter of fiscal year 2017 and no impairment was identified. There have been no triggering events that would indicate a new impairment analysis is needed.

6. PENSION AND OTHER POSTRETIREMENT BENEFITS

The components of net periodic pension and postretirement health benefit costs were as follows:

	Pension Benefits			
	(in thousands)			
	For the Three Months Ended January 31,		For the Six Months Ended January 31,	
	2018	2017	2018	2017
Service cost	\$ 438	\$ 446	\$ 862	\$ 913
Interest cost	517	474	1,014	931
Expected return on plan assets	(485)	(411)	(971)	(887)
Amortization of:				
Prior service costs	—	—	1	1
Other actuarial loss	354	485	641	914
Net periodic benefit cost	\$ 824	\$ 994	\$ 1,547	\$ 1,872

	Postretirement Health Benefits			
	(in thousands)			
	For the Three Months Ended January 31,		For the Six Months Ended January 31,	
	2018	2017	2018	2017
Service cost	\$ 25	\$ 33	\$ 54	\$ 63
Interest cost	19	21	43	39
Amortization of:				
Prior service costs	(1)	(1)	(3)	(3)
Other actuarial (gain) loss	(5)	14	—	20
Net periodic benefit cost	\$ 38	\$ 67	\$ 94	\$ 119

The postretirement health plan is an unfunded plan. We pay insurance premiums and claims from our assets.

The pension plan is funded based upon actuarially determined contributions that take into account the amount deductible for income tax purposes, the normal cost and the minimum contribution required and the maximum contribution allowed under applicable regulations. We contributed \$435,000 and \$770,000 to our pension plan during the second quarter and first six months of fiscal year 2018, respectively. We estimate contributions will be \$1,372,000 for the remainder of fiscal year 2018. See Item 3. “Quantitative and Qualitative Disclosures About Market Risk” for a discussion of the potential impact of financial market fluctuations on pension plan assets and future funding contributions.

Assumptions used in the previous calculations were as follows:

	Pension Benefits		Postretirement Health Benefits	
	For the Three and Six Months Ended January 31,			
	2018	2017	2018	2017
Discount rate for net periodic benefit cost	3.75%	3.36%	3.26%	2.71%
Rate of increase in compensation levels	3.50%	3.50%	—	—
Long-term expected rate of return on assets	7.00%	7.00%	—	—

The medical cost trend assumption for postretirement health benefits was 7.20%. The graded trend rate is expected to decrease to an ultimate rate of 4.50% in fiscal year 2036.

7. OPERATING SEGMENTS

We have two operating segments: (1) Retail and Wholesale Products Group and (2) Business to Business Products Group. These operating segments are managed separately and each segment's major customers have different characteristics. The Retail and Wholesale Products Group customers include: mass merchandisers; wholesale clubs; drugstore chains; pet specialty retail outlets; dollar stores; retail grocery stores; distributors of industrial cleanup and automotive products; environmental service companies; and sports field product users. The Business to Business Products Group customers include: processors and refiners of edible oils, petroleum-based oils and biodiesel fuel; manufacturers of animal feed and agricultural chemicals; distributors of animal health and nutrition products; and marketers of consumer products.

Our operating segments are also our reportable segments. Net sales and operating income for each segment are provided below. Revenues by product line are not provided because it would be impracticable to do so. The accounting policies of the segments are the same as those described in Note 1 of the Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended July 31, 2017.

We do not rely on any segment asset allocations and we do not consider them meaningful because of the shared nature of our production facilities; however, we have estimated the segment asset allocations below for those assets for which we can reasonably determine. The unallocated asset category is the remainder of our total assets. The asset allocation is estimated and is not a measure used by our chief operating decision maker about allocating resources to the operating segments or in assessing their performance. The corporate expenses line includes certain unallocated expenses, including primarily salaries, wages and benefits, purchased services, rent, utilities and depreciation and amortization associated with corporate functions such as research and development, information systems, finance, legal, human resources and customer service. Corporate expenses also include the estimated annual incentive plan bonus accrual.

	Assets	
	January 31, 2018	July 31, 2017
	(in thousands)	
Business to Business Products	\$ 62,698	\$ 65,337
Retail and Wholesale Products	90,071	90,508
Unallocated Assets	52,766	56,730
Total Assets	\$ 205,535	\$ 212,575

	For the Six Months Ended January 31,			
	Net Sales		Income	
	2018	2017	2018	2017
	(in thousands)			
Business to Business Products	\$ 54,442	\$ 50,734	\$ 18,635	\$ 17,223
Retail and Wholesale Products	81,098	81,052	4,787	4,480
Total Sales	\$ 135,540	\$ 131,786		
Corporate Expenses			(14,749)	(13,070)
Income from Operations			8,673	8,633
Total Other Income (Expense), Net			237	(710)
Income before Income Taxes			8,910	7,923
Income Tax Expense			(6,956)	(1,664)
Net Income			\$ 1,954	\$ 6,259

	For the Three Months Ended January 31,			
	Net Sales		Income (Loss)	
	2018	2017	2018	2017
	(in thousands)			
Business to Business Products	\$ 27,355	\$ 23,261	\$ 9,759	\$ 7,815
Retail and Wholesale Products	41,539	41,913	2,422	4,987
Total Sales	\$ 68,894	\$ 65,174		
Corporate Expenses			(7,424)	(7,215)
Income from Operations			4,757	5,587
Total Other Income (Expense), Net			314	(343)
Income before Income Taxes			5,071	5,244
Income Tax Expense			(6,167)	(994)
Net (Loss) Income			\$ (1,096)	\$ 4,250

8. STOCK-BASED COMPENSATION

The Oil-Dri Corporation of America 2006 Long Term Incentive Plan (the “2006 Plan”) permits the grant of stock options, stock appreciation rights, restricted stock, restricted stock units, performance awards and other stock-based and cash-based awards. Our employees and outside directors are eligible to receive grants under the 2006 Plan. The total number of shares of stock subject to grants under the 2006 Plan may not exceed 937,500.

Stock Options

No stock options were granted during the first six months of either fiscal year 2017 or 2018. There were no stock options outstanding at the end of fiscal year 2017. The amount of cash received from the exercise of stock options during the first six months of fiscal year 2017 was \$170,000 and the related tax benefit was \$80,000.

Restricted Stock

All of our non-vested restricted stock as of January 31, 2018 was issued under the 2006 Plan with vesting periods between two years and five years. We determine the fair value of restricted stock as of the grant date. We recognize the related compensation expense over the period from the date of grant to the date the shares vest.

No restricted stock was granted during the second quarter of fiscal year 2018. During the second quarter of fiscal year 2017, 18,000 restricted shares of Common Stock were granted. Stock-based compensation expense related to non-vested restricted stock for the second quarter of fiscal years 2018 and 2017 was \$426,000 and \$346,000, respectively. Stock-based compensation expense related to non-vested restricted stock for the first six months of fiscal years 2018 and 2017 was \$928,000 and \$777,000, respectively.

A summary of restricted stock transactions is shown below:

	Restricted Shares (in thousands)	Weighted Average Grant Date Fair Value
Non-vested restricted stock outstanding at July 31, 2017	185	\$ 30.96
Granted	24	\$ 42.76
Vested	(28)	\$ 29.88
Forfeitures	(3)	\$ 32.74
Non-vested restricted stock outstanding at January 31, 2018	178	\$ 32.70

9. ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME

The following table summarizes the changes in accumulated other comprehensive (loss) income by component as of January 31, 2018 (in thousands):

	Pension and Postretirement Health Benefits	Cumulative Translation Adjustment	Total Accumulated Other Comprehensive (Loss) Income
Balance as of July 31, 2017	\$ (10,327)	\$ 35	\$ (10,292)
Other comprehensive income before reclassifications, net of tax	—	70	70
Amounts reclassified from accumulated other comprehensive income, net of tax	418 a)	—	418
Net current-period other comprehensive income, net of tax	418	70	488
Balance as of January 31, 2018	\$ (9,909)	\$ 105	\$ (9,804)

a) Amount is net of tax expense of \$221,000. Amount is included in the components of net periodic benefit cost for the pension and postretirement health plans. See Note 6 for further information.

10. INCOME TAXES

On December 22, 2017, the U.S. government enacted the the 2017 Tax Act. The 2017 Tax Act included a number of changes to existing U.S. tax laws that impact us, most notably a reduction of the U.S. corporate income tax rate and acceleration of depreciation for certain assets placed into service after September 27, 2017, as well as prospective changes, including repeal of the domestic manufacturing deduction and capitalization of research and development expenditures.

Staff Accounting Bulletin No. 118 (“SAB 118”), provided further SEC staff guidance for the application of ASC 740, “Income Taxes,” in the reporting period in which the 2017 Tax Act was signed into law. SAB 118 provides that companies (i) should record the effects of the changes from the 2017 Tax Act for which the accounting is complete (not provisional), (ii) should record provisional amounts for the effects of the changes for which the accounting is not complete, and for which reasonable estimates can be determined, in the period they are identified, and (iii) should not record provisional amounts if reasonable estimates cannot be made for the effects of the changes, and should continue to apply guidance based on the tax law in effect prior to the enactment on December 22, 2017. SAB 118 also established a one-year measurement period (through December 22, 2018) where provisional amounts could be subject to adjustment, and requires certain qualitative and quantitative disclosures related to provisional amounts and accounting during the measurement period.

In accordance with ASC 740 and SAB 118, we remeasured our U.S. net deferred tax assets at the reduced U.S. federal corporate tax rate and recognized a provisional charge of \$5,091,000 as a discrete item in the provision for income taxes for the three and six months ended January 31, 2018. The measurement of deferred income taxes, as shown in Other Assets on the unaudited Condensed Consolidated Balance Sheet, is provisional. The final remeasurement cannot be determined until the underlying temporary differences are known, rather than estimated.

The 2017 Tax Act also reduced the U.S. federal corporate tax rate from 35.0% to 21.0% for all corporations effective January 1, 2018. For fiscal year companies, the change in law requires the application of a blended rate for each quarter of the fiscal year of enactment. We will apply a blended tax rate of 26.9% for the fiscal year ending July 31, 2018. Thereafter, the applicable statutory rate is 21.0%. In addition, the 2017 Tax Act included a one-time transition tax on cumulative unrepatriated foreign earnings. Based on information available, we estimate our unrepatriated foreign earnings represent a cumulative loss and therefore no additional income tax expense was recorded related to this provision of the 2017 Tax Act.

We are continuing to analyze the impact of the 2017 Tax Act. As such, our financial results reflect reasonable estimates of items for which the income tax effects of the 2017 Tax Act have not been completed as of January 31, 2018. Adjustments to the provisional charges will be recorded as discrete items in the provision for income taxes in the period in when those adjustments become reasonably estimable and/or the accounting is complete. We will complete our analysis no later than December 22, 2018.

11. RELATED PARTY TRANSACTIONS

One member of our Board of Directors is the President and Chief Executive Officer of a customer of ours. That customer was a customer of ours before the board member joined that customer and before he became a member of our Board of Directors. Total net sales to that customer, including sales to subsidiaries of that customer, were \$77,000 and \$100,000 for the second quarters of fiscal years 2018 and 2017, respectively, and were \$163,000 and \$178,000 for the first six months of fiscal years 2018 and 2017, respectively. Outstanding accounts receivable from that customer, and its subsidiaries, were \$16,000 as of January 31, 2018. There were no outstanding amounts due as of July 31, 2017.

One member of our Board of Directors, and of the Compensation Committee of our Board of Directors, is the President and Chief Executive Officer as well as a director and shareholder of a law firm that regularly provides services to us. Total payments to that vendor for fees and cost reimbursements were \$53,000 and \$54,000 for the second quarters of fiscal years 2018 and 2017, respectively, and were \$116,000 and \$68,000 for the first six months of fiscal years 2018 and 2017, respectively. Outstanding accounts payable to that vendor were \$13,000 and \$19,000 as of January 31, 2018 and July 31, 2017, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read together with the financial statements and the related notes included herein and our Consolidated Financial Statements, accompanying notes and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the fiscal year ended July 31, 2017. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from the results discussed in the forward-looking statements. Factors that might cause a difference include, but are not limited to, those discussed under "Forward-Looking Statements" and Item 1A, Risk Factors, of our Annual Report on Form 10-K for the fiscal year ended July 31, 2017.

OVERVIEW

We develop, mine, manufacture and market sorbent products principally produced from clay minerals and, to a lesser extent, other clay-like sorbent materials. Our principal products include agricultural and horticultural chemical carriers, animal health and nutrition products, bleaching clay and fluid purification aids, cat litter, industrial and automotive floor absorbents and sports field products. Our products are sold to two primary customer groups, including customers who resell our products as originally produced to the end consumer and those who use our products as part of their production process or use them as an ingredient in their final finished product. We have two reportable operating segments based on the different characteristics of our two primary customer groups: Retail and Wholesale Products Group and Business to Business Products Group, as described in Note 7 of the Notes to Condensed Consolidated Financial Statements.

RESULTS OF OPERATIONS

SIX MONTHS ENDED JANUARY 31, 2018 COMPARED TO SIX MONTHS ENDED JANUARY 31, 2017

CONSOLIDATED RESULTS

Consolidated net sales for the six months ended January 31, 2018 were \$135,540,000, compared to net sales of \$131,786,000 for the six months ended January 31, 2017. Net sales were up for our Business to Business Products Group and were flat for our Retail and Wholesale Products Group. Both operating segments also reported higher operating income, as discussed further below.

Consolidated net income for the first six months of fiscal year 2018 was \$1,954,000, a 69% decrease from net income of \$6,259,000 for the first six months of fiscal year 2017. The reduction in net income was significantly impacted by a one-time \$5,091,000 tax expense adjustment recorded in the second quarter of fiscal 2018 to reflect the impact on deferred income tax assets under the 2017 Tax Act. Diluted net income per share was \$0.26 for the first six months of fiscal year 2018, compared to \$0.86 for the first six months of fiscal year 2017. The tax expense adjustment effectively reduced diluted net income per share by \$0.69 for the first six months of fiscal year 2018.

Consolidated gross profit as a percentage of net sales for the first six months of fiscal year 2018 was 28.5%, compared to 30.2% for the first six months of fiscal year 2017. Gross profit in fiscal year 2018 was negatively impacted by higher natural gas and other manufacturing costs, as well as by increased freight and packaging costs. The cost of natural gas per manufactured ton was approximately 11% higher than the prior year. Other manufacturing costs per ton produced were up approximately 8% compared to the same period in the prior fiscal year, including higher expenses for salaries, wages, repairs and depreciation. Freight costs per ton increased approximately 5% due primarily to rising rates as demand for freight services exceeded capacity. Packaging costs were approximately 10% higher compared to the prior fiscal year. Significant amounts of our packaging purchases are subject to contractual price adjustments throughout the year based on underlying commodity prices, including both resin and paper-based packaging. The impact of these higher costs was partially offset by increased selling prices and a favorable product sales mix.

Total selling, general and administrative expenses were 4% lower for the first six months of fiscal year 2018 compared to the first six months of fiscal year 2017. The decrease was driven by lower advertising expense in the Retail and Wholesale Products Group. The discussion of the segments' operating incomes below describe the changes in the selling, general and administrative expenses that were allocated to the operating segments. The remaining unallocated corporate expenses in the first six months of fiscal year 2018 included higher costs for research and development, implementation of our new enterprise resource planning software and outside legal fees associated with ongoing litigation, as described further in Part II. Item 1. "Legal Proceedings" of this Quarterly Report on Form 10-Q. These higher corporate expenses were partially offset by a lower estimated annual incentive bonus accrual compared to the prior year. The incentive bonus accruals were based on performance targets established for each fiscal year.

Tax expense for the first six months of fiscal year 2018 was \$6,956,000, compared to \$1,664,000 for the first six months of fiscal year 2017. Excluding the one-time \$5,091,000 tax expense adjustment to reflect the provisions of the 2017 Tax Act, the effective tax rate for the first six months of fiscal year 2018 would have been 21%, the same as the first six months of fiscal year 2017. We used an estimated annual effective tax rate in determining our quarterly provision for income taxes, which is based on expected annual taxable income and the assessment of various tax deductions, including depletion. In addition, the effective tax rate for the first six months of fiscal year 2018 included a reduction of approximately 2% under new accounting guidance for the recognition of excess tax benefits for share-based compensation. See Notes 2 and 10 of the Notes to Condensed Consolidated Financial Statements for more information about new accounting pronouncements and income taxes, respectively.

BUSINESS TO BUSINESS PRODUCTS GROUP

Net sales of the Business to Business Products Group for the first six months of fiscal year 2018 were \$54,442,000, an increase of \$3,708,000, or 7%, from net sales of \$50,734,000 for the first six months of fiscal year 2017. Net sales of our traditional and engineered agricultural chemical granules increased approximately 19% due primarily to new customers and higher sales to existing customers. Net sales of our fluids purification products were up approximately 6%. Sales increased due to normal ordering fluctuations of petroleum oil and biodiesel processors. Net sales of our animal health and nutrition products were 2% higher than the first six months of fiscal year 2017, driven by increased sales in Latin America. Lower sales of animal health and nutrition products by our subsidiary in China partially offset this increase, as described in “Foreign Operations” below. Sales of our co-packaged cat litter were down slightly compared to the prior year.

Selling, general and administrative expenses for the Business to Business Products Group were approximately 2% lower due primarily to lower costs to promote our animal health and nutrition products.

The Business to Business Products Group’s operating income for the first six months of fiscal year 2018 was \$18,635,000, an increase of \$1,412,000, or 8%, from operating income of \$17,223,000 for the first six months of fiscal year 2017. Higher sales and lower selling, general and administrative expenses more than offset increased natural gas, manufacturing, freight and packaging costs. See “Consolidated Results” above for further discussion of manufacturing, freight and packaging costs.

RETAIL AND WHOLESALE PRODUCTS GROUP

Net sales of the Retail and Wholesale Products Group for the first six months of fiscal year 2018 of \$81,098,000 were essentially flat with net sales of \$81,052,000 for the first six months of fiscal year 2017. Total cat litter net sales were even with the first six months of the prior year. Branded litter sales were negatively impacted by a change in the mix and amount of products sold to a major customer. However, higher e-commerce sales of our branded litter and litter box liners lessened the overall decline. Private label coarse sales declined due primarily to the loss of a customer. Sales of our private label lightweight scoopable litter continued to grow compared to the same quarter of the prior year, due primarily to new distribution and increased sales to current customers.

Net sales of industrial and automotive absorbent products were flat compared to the first six months of fiscal year 2017. Six month sales for our subsidiary in the United Kingdom were higher, while sales for our subsidiary in Canada were slightly lower than the prior year. See “Foreign Operations” below for further discussion about the sales and types of products sold by these foreign subsidiaries.

Selling, general and administrative expenses for the Retail and Wholesale Products Group were 20% lower compared to the first six months of fiscal year 2017. The decrease was driven by approximately \$2,100,000 lower advertising expense to promote our Fresh & Light lightweight cat litter. We plan to continue promoting lightweight litter through the remainder of fiscal year 2018 and we expect advertising expense for the full year of fiscal year 2018 to be less than in fiscal year 2017.

The Retail and Wholesale Products Group's operating income for the first six months of fiscal year 2018 was \$4,787,000, an increase of \$307,000, or 7%, from operating income of \$4,480,000 for the first six months of fiscal year 2017. The reduction in selling, general and administrative expenses, as discussed above, more than offset increased natural gas, manufacturing, freight and packaging costs. See “Consolidated Results” above for further discussion of manufacturing, freight and packaging costs.

FOREIGN OPERATIONS

Foreign operations include our subsidiaries in Canada and the United Kingdom, which are included in the Retail and Wholesale Products Group, and our subsidiary in China, which is included in the Business to Business Products Group. Net sales by our foreign subsidiaries during the first six months of fiscal year 2018 were \$6,047,000, a 7% decrease compared to net sales of \$6,475,000 during the first six months of fiscal year 2017. This decrease was driven by approximately 22% fewer tons of animal health and nutrition products sold by our subsidiary in China, primarily as the result of lower sales to the succeeding business after

the merger of two customers. Partially offsetting these lower sales were increased sales of fluids purification products by our subsidiary in the United Kingdom. Sales by our subsidiary in Canada were essentially even with the same period of the prior year. Net sales by our foreign subsidiaries represented 4% and 5% of our consolidated net sales during the first six months of fiscal years 2018 and 2017, respectively.

Our foreign subsidiaries reported net income of \$635,000 for the first six months of fiscal 2018 compared to net income of \$298,000 for the first six months of fiscal 2017. The improved profitability was driven primarily by both a favorable product sales mix and positive changes in foreign currency exchange rates.

Identifiable assets of our foreign subsidiaries as of January 31, 2018 were \$8,343,000, compared to \$7,822,000 as of January 31, 2017. The increase was due primarily to higher cash, cash equivalents and accounts receivable.

THREE MONTHS ENDED JANUARY 31, 2018 COMPARED TO THREE MONTHS ENDED JANUARY 31, 2017

CONSOLIDATED RESULTS

Consolidated net sales for the three months ended January 31, 2018 were \$68,894,000, compared to \$65,174,000 for the three months ended January 31, 2017. Net sales were up for the Business to Business Products Group, but were down for the Retail and Wholesale Products Group. Second quarter operating income increased for the Business to Business Products Group, but decreased for the Retail and Wholesale Products Group, as discussed further below.

A consolidated net loss of \$1,096,000 was reported for the second quarter of fiscal year 2018, compared to net income of \$4,250,000 for the second quarter of fiscal year 2017. The results for the second quarter of fiscal 2018 were significantly impacted by a one-time \$5,091,000 tax expense adjustment to reflect the impact on deferred income tax assets under the 2017 Tax Act. A diluted net loss per share of \$0.15 was reported for the second quarter of fiscal year 2018, compared to diluted net income per share of \$0.58 for the second quarter of fiscal year 2017. The tax expense adjustment effectively reduced diluted net income per share by \$0.69 for the second quarter of fiscal year 2018.

Consolidated gross profit as a percentage of net sales for the second quarter of fiscal year 2018 was 28.5%, which was slightly lower than the 29.3% for the second quarter of fiscal year 2017. Gross profit was negatively impacted by higher natural gas and other manufacturing costs, as well as by increased freight and packaging costs. The cost per manufactured ton for natural gas used to operate kilns that dry our clay was approximately 11% higher in the second quarter of fiscal year 2018 compared to the second quarter of fiscal year 2017. Other manufacturing costs per ton produced were up approximately 9%, including higher expenses for salaries, wages, benefits, repairs and depreciation. Freight costs per ton increased approximately 10% due primarily to rising rates as demand for freight services exceeded capacity. Packaging costs were approximately 7% higher compared to the second quarter of the prior fiscal year. Significant amounts of our packaging purchases are subject to contractual price adjustments throughout the year based on underlying commodity prices, including both resin and paper-based packaging. The impact of these higher costs was partially offset by increased selling prices and a favorable product sales mix.

Total selling, general and administrative expenses were 10% higher for the second quarter of fiscal year 2018 compared to the second quarter of fiscal year 2017. The discussion below describes the selling, general and administrative expenses allocated to the operating segments, particularly higher advertising expense in the Retail and Wholesale Products Group. The remaining unallocated corporate expenses in the second quarter of fiscal year 2018 included higher costs for research and development, implementation of our new enterprise resource planning software and outside legal fees associated with ongoing litigation, as described further in Part II. Item 1. "Legal Proceedings" of this Quarterly Report on Form 10-Q. These higher corporate expenses were partially offset by a lower estimated annual incentive bonus accrual for the second quarter of fiscal year 2018 compared to the same period of fiscal year 2017. The bonus accruals were based on performance targets established for each fiscal year.

Tax expense for the second quarter of fiscal year 2018 was \$6,167,000, compared to \$994,000 for the second quarter of fiscal year 2017. Excluding the one-time \$5,091,000 tax expense adjustment to reflect the provisions of the 2017 Tax Act, the effective tax rate for the second quarter of fiscal year 2018 would have been 21%, compared to 19% for the same period of the prior year. We used an estimated annual effective tax rate in determining our quarterly provision for income taxes, which is based on expected annual taxable income and the assessment of various tax deductions, including depletion. See Note 10 of the Notes to Condensed Consolidated Financial Statements for more information about income taxes.

BUSINESS TO BUSINESS PRODUCTS GROUP

Net sales of the Business to Business Products Group for the second quarter of fiscal year 2018 were \$27,355,000, an increase of \$4,094,000, or 18%, from net sales of \$23,261,000 for the second quarter of fiscal year 2017. Net sales of our traditional and engineered granules used as agricultural chemical carriers increased approximately 50% due primarily to new customers and higher sales to existing customers. Net sales of fluids purification products were up approximately 12%, including increased sales to edible oil producers and higher sales to petroleum oil and biodiesel processors due to normal ordering fluctuations. Net sales of our animal health and nutrition products were approximately 15% higher than the second quarter of the prior year, driven primarily by sales in Latin America. Sales of animal health and nutrition products by our subsidiary in China are described in “Foreign Operations” below. Sales of our co-packaged cat litter were slightly lower than the prior year.

Selling, general and administrative expenses for the Business to Business Products Group were 5% higher compared to the second quarter of fiscal year 2017. Expenditures increased for travel and advertising costs to promote our products.

The Business to Business Products Group’s operating income for the second quarter of fiscal year 2018 was \$9,759,000, an increase of \$1,944,000, or 25%, from operating income of \$7,815,000 in the second quarter of fiscal year 2017. Higher sales more than offset increased natural gas, manufacturing, freight, packaging and selling, general and administrative costs. See “Consolidated Results” above for further discussion of manufacturing, freight and packaging costs.

RETAIL AND WHOLESALE PRODUCTS GROUP

Net sales of the Retail and Wholesale Products Group for the second quarter of fiscal year 2018 were \$41,539,000, a small decrease of \$374,000, or 1%, from net sales of \$41,913,000 for the second quarter of fiscal year 2017. Total cat litter net sales were slightly lower compared to the second quarter of fiscal year 2017. Lower sales of branded litters were partially offset by higher sales of private label litter. Branded litter sales were negatively impacted by a change in the mix and amount of products sold to a major customer. However, growth in e-commerce sales lessened the overall branded litter decline. Sales of our private label lightweight scoopable litter continued to grow compared to the same quarter of the prior year, due primarily to new distribution and increased sales to current customers. Private label coarse sales declined to a lesser extent due to the loss of a customer.

Net sales of industrial and automotive absorbent products were also slightly lower compare to the second quarter of fiscal year 2017. Sales for our subsidiary in the United Kingdom were slightly higher, while sales for our subsidiary in Canada were lower than the second quarter of the prior year. See “Foreign Operations” below for further discussion about the sales and types of products sold by these foreign subsidiaries.

Selling, general and administrative expenses for the Retail and Wholesale Products Group were 27% higher compared to the second quarter of fiscal year 2017. The increase was driven by approximately \$1,100,000 higher advertising expense to promote our Fresh & Light lightweight cat litter. We plan to continue promoting lightweight litter through the remainder of fiscal year 2018; however, we expect advertising expense for the full year of fiscal year 2018 to be less than in fiscal year 2017.

The Retail and Wholesale Products Group's operating income for the second quarter of fiscal year 2018 was \$2,422,000, a decrease of \$2,565,000, or 51%, compared to operating income of \$4,987,000 for the second quarter of fiscal year 2017. The decrease in operating income was driven by increased natural gas, manufacturing, freight and packaging costs, as well as the higher selling, general and administrative expenses discussed above. See “Consolidated Results” above for further discussion of manufacturing, freight and packaging costs.

FOREIGN OPERATIONS

Foreign operations include our subsidiaries in Canada and the United Kingdom, which are included in the Retail and Wholesale Products Group, and our subsidiary in China, which is included in the Business to Business Products Group. Net sales by our foreign subsidiaries during the second quarter of fiscal year 2018 were \$3,110,000, a 6% decrease compared to net sales of \$3,324,000 in the second quarter of fiscal year 2017. This decrease was driven by approximately 13% fewer tons of animal health and nutrition products sold by our subsidiary in China, primarily as the result of lower sales to the succeeding business after the merger of two customers. Sales were also lower for cat litter and industrial absorbent products sold by our subsidiary in Canada. Partially offsetting these lower sales were increased sales of fluids purification products by our subsidiary in the United Kingdom. Net sales by our foreign subsidiaries represented approximately 5% of consolidated net sales during the second quarters of both fiscal years 2018 and 2017.

Our foreign subsidiaries reported net income of \$436,000 for the second quarter of fiscal year 2018 compared to net income of \$267,000 for the second quarter of fiscal year 2017. The improved profitability was driven primarily by both a favorable product sales mix and positive changes in foreign currency exchange rates.

LIQUIDITY AND CAPITAL RESOURCES

Our principal capital requirements include: funding working capital needs; purchasing and upgrading equipment, facilities, information systems and real estate; supporting new product development; investing in infrastructure; repurchasing Common Stock; paying dividends; and business acquisitions. During the first six months of fiscal year 2018, we principally used cash generated from operations to fund these requirements. We also have the ability to borrow under our revolving credit agreement with BMO Harris Bank N.A. (“BMO Harris”), as described further below, however we have not borrowed under the credit agreement in recent years.

The following table sets forth certain elements of our unaudited Condensed Consolidated Statements of Cash Flows (in thousands):

	For the Six Months Ended January 31,	
	2018	2017
Net cash provided by operating activities	\$ 11,629	\$ 9,093
Net cash used in investing activities	(5,100)	(4,446)
Net cash used in financing activities	(6,222)	(5,784)
Effect of exchange rate changes on cash and cash equivalents	(21)	68
Net increase (decrease) in cash and cash equivalents	<u>\$ 286</u>	<u>\$ (1,069)</u>

Net cash provided by operating activities

Both net income and the adjustment to net income for deferred income taxes reflect a one-time, non-cash \$5,091,000 adjustment recorded in the second quarter of fiscal 2018 to reflect the provisions of the 2017 Tax Act. See Note 10 of the Notes to Condensed Consolidated Financial Statements for more information about income taxes.

In addition to net income, as adjusted for depreciation and amortization and other non-cash operating activities, the primary sources and uses of operating cash flows for the first six months of fiscal years 2018 and 2017 were as follows:

Accounts receivable, less allowance for doubtful accounts, decreased \$517,000 in the first six months of fiscal year 2018 compared to an increase of \$1,698,000 in the first six months of fiscal year 2017. The change in accounts receivable balances reflected differences in the level and timing of sales and collections, as well as the payment terms provided to various customers.

Prepaid expenses increased \$51,000 in the first six months of fiscal year 2018 compared to an increase of \$3,784,000 in the first six months of fiscal year 2017. Prepayments of annual insurance premiums and computer software licenses contributed to the increase in both fiscal years. The increase in the first six months of fiscal year 2018 was moderated by a decrease in prepaid advertising expense, but higher prepaid advertising expenses contributed to the increase in the first six months of fiscal year 2017.

Accounts payable decreased \$743,000 in the first six months of fiscal year 2018 compared to an increase of \$852,000 in the first six months of fiscal year 2017. Trade and freight payable varied in both periods due to timing of payments, fluctuations in the cost of goods and services we purchased, production volume levels and vendor payment terms. Current accrued estimated income taxes are also included in accounts payable balances for both years.

Accrued expenses decreased \$3,637,000 in the first six months of fiscal year 2018 compared to a decrease of \$1,698,000 in the first six months of fiscal year 2017. The payout of the prior fiscal year's discretionary incentive bonus drove lower accrued salaries in the first six months of both fiscal years 2018 and 2017. Accrued plant expenses fluctuated in the first six months of both fiscal years due to timing of payments, changes in the cost of goods and services we purchased, production volume levels and vendor payment terms. In addition, accrued trade promotions and advertising varied due to the timing of marketing programs.

Net cash used in investing activities

Cash used in investing activities was \$5,100,000 in the first six months of fiscal year 2018 compared to cash used in investing activities of \$4,446,000 in the first six months of fiscal year 2017. Cash used for capital expenditures was \$6,850,000 and \$7,279,000 in the first six months of fiscal years 2018 and 2017, respectively. Capital expenditures in both periods included spending for an

enterprise resource planning system implementation, as well as equipment additions and replacement at our manufacturing facilities. Net dispositions of short-term investments provided cash of \$1,739,000 and \$2,831,000 in the first six months of fiscal years 2018 and 2017, respectively. Purchases and dispositions of investment securities in both periods are impacted by variations in the timing of investment maturities, the operating cash needs of the Company and the availability of investment options.

Net cash used in financing activities

Cash used in financing activities was \$6,222,000 in the first six months of fiscal year 2018 compared to cash used in financing activities of \$5,784,000 in the first six months of fiscal year 2017. Scheduled payments on long-term debt were \$3,083,000 in the first six months of both fiscal years 2018 and 2017. Dividend payments in the first six months of fiscal year 2018 were \$3,112,000 compared to \$2,956,000 paid during the same period of fiscal year 2017 due to a dividend increase.

Other

Total cash and investment balances held by our foreign subsidiaries of \$2,000,000 as of January 31, 2018 were higher than the January 31, 2017 balances of \$1,653,000. See further discussion in “Foreign Operations” above.

We have a \$25,000,000 unsecured revolving credit agreement with BMO Harris which expires on December 4, 2019. The agreement also provides for a maximum of \$5,000,000 for foreign letters of credit. Under the agreement we may select a variable interest rate based on either the BMO Harris prime rate or a LIBOR-based rate, plus a margin which varies depending on our debt to earnings ratio, or a fixed rate as agreed between us and BMO Harris. At January 31, 2018, the variable rates would have been 4.50% for the BMO Harris prime-based rate or 2.73% for the LIBOR-based rate. The credit agreement contains restrictive covenants that, among other things and under various conditions, limit our ability to incur additional indebtedness or to dispose of assets. The agreement also requires us to maintain a minimum fixed coverage ratio and a minimum consolidated net worth. We did not borrow under the credit agreement during the six months ended January 31, 2018 and 2017, and we were in compliance with its covenants.

As of January 31, 2018, we had remaining authority to repurchase 300,822 shares of Common Stock under a repurchase plan approved by our Board of Directors. These repurchases may be made on the open market (pursuant to Rule 10b5-1 plans or otherwise) or in negotiated transactions. The timing and number of shares repurchased will be determined by our management.

We believe that cash flow from operations, availability under our revolving credit facility, current cash and investment balances and our ability to obtain other financing, if necessary, will provide adequate cash funds for foreseeable working capital needs, capital expenditures at existing facilities, deferred compensation payouts, dividend payments and debt service obligations for at least the next 12 months. We plan to continue promoting our lightweight products, although we expect advertising expense in fiscal year 2018 to be less than in fiscal year 2017. We anticipate that our capital expenditures in fiscal year 2018 will be higher than in fiscal year 2017, including costs related to our enterprise resource planning software implementation. In addition, approximately \$5,996,000 of deferred compensation is payable within the next year. We do not believe that these increased cash outflows will dramatically impact our cash position; however our cash requirements are subject to change as business conditions warrant and opportunities arise.

We continually evaluate our liquidity position and anticipated cash needs, as well as the financing options available to obtain additional cash reserves. Our ability to fund operations, to make planned capital expenditures, to make scheduled debt payments and to remain in compliance with all financial covenants under debt agreements, including, but not limited to, the current credit agreement, depends on our future operating performance, which, in turn, is subject to prevailing economic conditions and to financial, business and other factors. The timing and size of any new business ventures or acquisitions that we complete may also impact our cash requirements.

The following tables summarize our contractual obligations and commercial commitments (in thousands) as of January 31, 2018 for the time-frames indicated.

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

Contractual Obligations	Payments Due by Period				
	Total	Less Than 1 Year	1 – 3 Years	4 – 5 Years	After 5 Years
Notes Payable	\$ 9,250	\$ 3,083	\$ 6,167	\$ —	\$ —
Interest on Notes Payable	733	366	367	—	—
Operating Leases	15,437	2,099	3,105	2,024	8,209
Total Contractual Cash Obligations	<u>\$ 25,420</u>	<u>\$ 5,548</u>	<u>\$ 9,639</u>	<u>\$ 2,024</u>	<u>\$ 8,209</u>

We made total contributions to our defined benefit pension plan of \$770,000 during the first six months of fiscal year 2018. We estimate contributions of approximately \$1,372,000 will be made during the remainder of fiscal year 2018. We have not presented this obligation for future years in the table above because the funding requirement can vary from year to year based on changes in the fair value of plan assets and actuarial assumptions. See “Item 3. Quantitative and Qualitative Disclosures About Market Risk” below for a discussion of the potential impact of financial market fluctuations on pension plan assets and future funding contributions.

	Amount of Commitment Expiration Per Period				
	Total	Less Than 1 Year	1 – 3 Years	4 – 5 Years	After 5 Years
Other Commercial Commitments	<u>\$ 25,263</u>	<u>\$ 25,263</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

The other commercial commitments in the table above represent open purchase orders, including blanket purchase orders, for items such as packaging, additives and pallets used in the normal course of operations. The expected timing of payments for these obligations is estimated based on current information. Timing of payments and actual amounts paid may be different depending on the time of receipt of goods or services, or changes to agreed-upon amounts for some obligations.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

This discussion and analysis of financial condition and results of operations is based on our unaudited Condensed Consolidated Financial Statements, which have been prepared in accordance with U.S. GAAP for interim financial information and in compliance with instructions to Form 10-Q and Article 10 of Regulation S-X. The preparation of these financial statements requires the use of estimates and assumptions related to the reporting of assets, liabilities, revenues, expenses and related disclosures. In preparing these financial statements, we have made our best estimates and judgments of certain amounts included in the financial statements. Estimates and assumptions are revised periodically. Actual results could differ from these estimates. See the information concerning our critical accounting policies included under “Management’s Discussion of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the fiscal year ended July 31, 2017.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to interest rate risk and employ policies and procedures to manage our exposure to changes in the market risk of our cash equivalents and short-term investments. We believe that the market risk arising from holdings of our financial instruments is not material.

We are exposed to foreign currency fluctuation risk, primarily the U.S. Dollar relative to the British Pound, Euro, Canadian Dollar and Chinese Yuan. This risk is related to our foreign subsidiaries' financial results, to certain accounts receivable and to our ability to sell in foreign markets. We are subject to the impact of currency fluctuation upon translation of our foreign subsidiaries' financial statements from local currencies to U.S. Dollars. In recent years, our foreign subsidiaries have not generated a substantial portion of our consolidated net sales or net income. In addition, the portion of our consolidated accounts receivable denominated in foreign currencies has not been significant. Finally, foreign sales of our products may be influenced by the relative strength of the U.S. dollar compared to various other currencies, which makes our products relatively more or less expensive than our foreign competitors' products in local marketplaces. Foreign currency fluctuations had some bearing on our operating results in the first six months of fiscal year 2018; however, historically the overall foreign currency fluctuation risk has not been material to our Consolidated Financial Statements. During the first six months of fiscal year 2018, we did not enter into any hedge contracts to offset any adverse effect of changes in currency exchange rates.

We are exposed to market risk as it relates to the investments of plan assets under our defined benefit pension plan. The fair value of these assets is subject to change due to fluctuations in the financial markets. A lower asset value may increase our pension expense and may increase the amount and accelerate the timing of future funding contributions.

We are exposed to regulatory risk in the fluid purification, animal health and agricultural markets, principally as a result of the risk of increasing regulation of the food chain throughout the world, but particularly in the United States and Europe. We actively monitor developments in this area, both directly and through trade organizations of which we are a member.

We are exposed to commodity price risk with respect to fuel. Factors that could influence the cost of natural gas used in the kilns to dry our clay include the creditworthiness of our natural gas suppliers, the overall general economy, developments in world events, general supply and demand for natural gas, seasonality and the weather patterns throughout the United States and the world. We monitor fuel market trends and, consistent with our past practice, we may contract for a portion of our anticipated fuel needs using forward purchase contracts to mitigate the volatility of our kiln fuel prices. As of January 31, 2018, we have not purchased any natural gas contracts for our planned kiln fuel needs for the remainder of fiscal year 2018.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Management conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”)) as of the end of the period covered by this Quarterly Report on Form 10-Q. The controls evaluation was conducted under the supervision and with the participation of management, including our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”). Based upon the controls evaluation, our CEO and CFO have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified by the SEC, and that such information is accumulated and communicated to management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the fiscal quarter ended January 31, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including the CEO and CFO, do not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system’s objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

PART II – OTHER INFORMATION

Items 1A, 2, 3 and 5 of this Part II are either inapplicable or are answered in the negative and are omitted pursuant to the instructions to Part II.

ITEM 1. LEGAL PROCEEDINGS

Below is a supplement to the description of the litigation under Item 3, “Legal Proceedings,” in the Annual Report on Form 10-K for the fiscal year ended July 31, 2017.

On February 3, 2015, we brought suit in the United States District Court for the Northern District of Illinois, Eastern Division, against Nestlé Purina PetCare Company (“Nestlé”) seeking monetary damages and injunctive relief based on Nestlé’s alleged infringement of a patent held by us. Discovery in this case is proceeding.

Additionally, Nestlé filed a petition for Inter Partes Review (“IPR”) with the Patent Trial and Appeal Board (“PTAB”) of the United States Patent and Trademark Office to challenge certain of the claims in our patent. The PTAB agreed to consider Nestlé’s petition, but on June 20, 2016, issued an order stating that Nestlé had not shown by a preponderance of the evidence that any of the challenged claims in our patent are unpatentable. In July 2016, Nestlé filed a motion for reconsideration of the PTAB’s decision, which was denied in February 2017. Nestlé timely filed an appeal of the PTAB’s decision to the U.S. Court of Appeals for the Federal Circuit. In November 2017, Nestlé filed a motion in that Court to remand the case to the PTAB for consideration of additional evidence that it claims should have been provided to the PTAB. In December 2017, the Court declined the request for an immediate remand and deferred Nestlé’s motion until the case is assigned to its hearing panel. Briefing is now complete.

Due to the nature and current legal standing of the litigation with Nestlé, we cannot estimate the possible damages, if any, and the total expense associated with the lawsuits. Although no assurances can be given as to the results of the lawsuits, based on the present status, management does not believe that such results will have a material adverse effect on our financial condition or results of operations.

ITEM 4. MINE SAFETY DISCLOSURES

Our mining operations are subject to regulation by the Mine Safety and Health Administration under authority of the Federal Mine Safety and Health Act of 1977, as amended. Information concerning mine safety violations or other regulatory matters required by section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K is included in Exhibit 95 to this Quarterly Report on Form 10-Q.

ITEM 6. EXHIBITS

Exhibit No.	Description	SEC Document Reference
3	By-Laws of Oil-Dri Corporation of America, as Amended and Restated on December 12, 2017	Filed herewith.
11	Statement re: Computation of Earnings per Share.	Filed herewith.
31	Certifications pursuant to Rule 13a-14(a).	Filed herewith.
32	Certifications pursuant to Section 1350 of the Sarbanes-Oxley Act of 2002.	Furnished herewith.
95	Mine Safety Disclosures	Filed herewith.
101.INS	XBRL Taxonomy Instance Document	Filed herewith.
101.SCH	XBRL Taxonomy Extension Schema Document	Filed herewith.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	Filed herewith.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	Filed herewith.
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document	Filed herewith.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	Filed herewith.

SIGNATURES

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

OIL-DRI CORPORATION OF AMERICA
(Registrant)

BY /s/ Daniel S. Jaffee
Daniel S. Jaffee
Chairman, President and Chief Executive Officer

BY /s/ Daniel T. Smith
Daniel T. Smith
Vice President and Chief Financial Officer

Dated: March 9, 2018

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101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

Note: Stockholders may receive copies of the above listed exhibits, without fee, by written request to Investor Relations, Oil-Dri Corporation of America, 410 North Michigan Avenue, Suite 400, Chicago, Illinois 60611-4213, by telephone at (312) 321-1515 or by e-mail to info@oildri.com.

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Section 2: EX-3.2 (EXHIBIT 3.2)

Exhibit 3:

As Amended and Restated on December 12, 2017

OIL-DRI CORPORATION OF AMERICA

* * * * *

BY-LAWS

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ARTICLE I

OFFICES

Section 1. Registered Office. The registered office shall be the location in the State of Delaware approved by the board of directors from time to time.

Section 2. Other Offices. The corporation may also have offices at such other places both within and without the State of Delaware as the board of directors may from time to time determine or the business of the corporation may require.

ARTICLE II

MEETINGS OF STOCKHOLDERS

Section 1. Generally. All meetings of the stockholders for the election of directors shall be held in the State of Illinois, at such place as may be fixed from time to time by the board of directors, or at such other place either within or without the State of Delaware as shall be designated from time to time by the board of directors and stated in the notice of the meeting. Meetings of stockholders for any other purpose may be held at such time and place, within or without the State of Delaware, as shall be stated in the notice of the meeting or in a duly executed waiver of notice thereof. The board of directors may, in its sole discretion, determine that the meeting shall not be held at any place, but may instead be held solely by means of remote communication as authorized by Section 211(a)(2) of the Delaware General Corporation Law, as amended (the "DGCL"). If authorized by the board of directors in its sole discretion, and subject to such guidelines and procedures as the board of directors may adopt, stockholders and proxyholders not physically present at a meeting of stockholders may, by means of remote communication: (a) participate in a meeting of stockholders and (b) be deemed present in person and vote at a meeting of stockholders whether such meeting is to be held at a designated place or solely by means of remote communication; *provided, that* (i) the corporation shall implement reasonable measures to verify that each person deemed present and permitted to vote at the meeting by means of remote communication is a stockholder or proxyholder, (ii) the corporation shall implement reasonable measures to provide such stockholders and proxyholders a reasonable opportunity to participate in the meeting and to vote on matters submitted to the stockholders, including an opportunity to read or hear the proceedings of the meeting substantially concurrently with such proceedings and (iii) if any stockholder or proxyholder votes or takes other action at the meeting by means of remote communication, a record of such vote or other action shall be maintained by the corporation.

Section 2. Annual Meeting. Annual meetings of stockholders shall be held pursuant to notice and at such date and time as shall be designated by the board of directors and stated in the notice of the meeting, at which they shall elect by a plurality vote a board of directors, and transact such other business as may properly be brought before the meeting.

Section 3. Notice. Notice of any annual or special meeting of stockholders shall be given to each stockholder entitled to vote at such meeting in accordance with Article IV of these by-laws.

Section 4. Stockholder List. The officer who has charge of the stock ledger of the corporation shall prepare and make, at least 10 days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least 10 days prior to the meeting, (a) on a reasonably accessible electronic network, *provided that* the information required to gain access to such list is provided with the notice of the meeting or (b) either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

Section 5. Special Meetings. Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by the DGCL or by the certificate of incorporation, may be called by the chief executive officer and shall be called by the chief executive officer or secretary at the request in writing of a majority of the board of directors, or at the request in writing of stockholders owning a majority of the aggregate voting power of the entire capital stock of the corporation issued and outstanding and entitled to vote. Such request shall state the purpose or purposes of the proposed meeting. Unless otherwise permitted by law and other than procedural matters and matters relating to the conduct of the meeting, business transacted at any special meeting of stockholders shall be limited to the purpose or purposes stated in the notice of special meeting.

Section 6. Business at Meetings of Stockholders.

(a) Annual Meeting. (1) Nomination of persons for election to the board of directors and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders (x) pursuant to the corporation's notice of meeting (or any supplement thereto), (y) by or at the direction of the board of directors or (z) by any stockholder of the corporation who is a stockholder of record at the time of giving of notice provided for in this Article II, Section 6, who is entitled to vote at the meeting and who complied with the notice procedures set forth in this Article II, Section 6.

(2) At an annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (z) of paragraph (a)(1) of this Article II, Section 6, the stockholder must have given timely notice thereof in writing to the secretary of the corporation and such other business must be a proper matter for stockholder action. To be timely, a stockholder's notice shall be delivered to the secretary at the principal executive offices of the corporation not later than the close of business on the 90th day nor earlier than the close of business on the 120th day prior to the first anniversary of the date on which the corporation first mailed its proxy materials for the preceding year's annual meeting; *provided, that* in the event that the date of the annual meeting is changed by more than 30 days from the anniversary date of the previous year's annual meeting, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the 120th day prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made. In no event shall the public announcement of an adjournment of an annual meeting commence a new time period for the giving of a stockholder's notice as described above. Such stockholder's notice shall set forth (w) as to each person whom the stockholder proposes to nominate for election or reelection as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act") including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected, a description of all arrangements or understandings between such stockholder or beneficial owner and any other person or persons (including their names) in connection with the nomination and of any material interest in such nomination of such stockholder and the beneficial owner, if any, on whose behalf the nomination is made; *provided, that* the corporation may require any proposed nominee to furnish such other information as may be reasonably required by the corporation to determine the qualifications of such nominee to serve as a director of the corporation; (x) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the text of any resolution proposed to be adopted at the meeting, the reasons for conducting such business at the meeting and a description of all arrangements or understandings between such stockholder or beneficial owner and any other person or persons (including their names) in connection with the proposal of such business, and of any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; (y) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such stockholder, as they appear on the corporation's books, and of such beneficial owner, and (ii) the class and number of shares of the corporation which are owned beneficially and of record by such stockholder and such beneficial owner and, in the case of such stockholder, his commitment to remain a stockholder through the date of the stockholders meeting with respect to which his notice was given and (z) a representation that such stockholder and, if applicable, beneficial owner, intends to appear in person or by proxy at the stockholders meeting to make such nominations or bring such business before the meeting.

(3) Notwithstanding anything in the second sentence of paragraph (a)(2) of this Article II, Section 6 to the contrary, in the event that the number of directors to be elected to the board of directors is increased and there is no public announcement naming all of the nominees for director or specifying the size of the increased board made by the corporation at least 100 days prior to the first anniversary of the mailing of proxy materials for the preceding year's annual meeting, a stockholder's notice required by this Article II, Section 6 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the secretary at the principal executive offices of the corporation not later than the close of business on the 10th day following the day on which such public announcement is first made by the corporation.

(b) Special Meetings. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the corporation's notice of meeting. Nominations of persons for election to the board of directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the corporation's notice of meeting (x) by or at the direction of the board or (y) by any stockholder of the corporation who is a stockholder of record at the time of giving of notice provided for in this Article II, Section 6, who shall be entitled to vote at the meeting and who complies with the notice procedures set forth in this Article II, Section 6. In the event the corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the board of directors, any such stockholder may nominate a person or persons (as the case may be) for election to such position(s) as specified in the corporation's notice of meeting, if the stockholder's notice required by paragraph (a)(2) of this Article II, Section 6 shall be delivered to the secretary at the principal executive offices of the corporation not earlier than the close of business on the 120th day prior to such special meeting and not later than the close of business on the later of the 90th day prior to such special meeting or the 10th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the board of directors to be elected at such meeting. In no event shall the public announcement of an adjournment of a special meeting commence a new time period for the giving of a stockholder's notice as described above.

(c) Generally. (1) Only such persons who are nominated in accordance with the procedures set forth in this Article II, Section 6 shall be eligible to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Article II, Section 6. Except as otherwise provided by law, the certificate of incorporation or these by-laws, the chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made, or proposed, as the case may be, in accordance with the procedures set forth in these by-laws and, if any proposed nomination or business is not in compliance with these by-laws, to declare that such defective proposal or nomination shall be disregarded. The chairman of the meeting of stockholders shall, if the facts warrant, determine and declare to the meeting that any nomination or business was not properly brought before the meeting and in accordance with the provisions of these by-laws, and if he should so determine, the chairman shall so declare to the meeting, and any such nomination or business not properly brought before the meeting shall not be transacted.

(2) For purposes of this Article II, Section 6, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(3) Notwithstanding the foregoing provisions of this Article II, Section 6, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Article II, Section 6. Nothing in this Article II, Section 6 shall be deemed to affect any rights of stockholders to request inclusion of proposals in the corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

Section 7. Quorum. The holders of a majority of the number of shares of capital stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by the DGCL or by the certificate of incorporation. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented any business may be transacted which might have been transacted at the meeting as originally notified. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 8. Action at Meetings. When a quorum is present at any meeting, the affirmative vote of the holders of a majority of the aggregate voting power of the capital stock present in person or represented by proxy at the meeting and entitled to vote on the subject matter shall decide any question brought before such meeting, unless the question is one upon which by express provision of the DGCL or of the certificate of incorporation or of these by-laws, a different vote is required, in which case such express provision shall govern and control the decision of such question. The election of directors shall be determined by a

plurality of the votes of the shares of capital stock present in person or represented by proxy at the meeting and entitled to vote thereon.

Section 9. Number of Votes. Unless otherwise specifically provided by the DGCL, each stockholder shall at every meeting of the stockholders be entitled to the number of votes provided by the certificate of incorporation for each share of the capital stock having voting power held by such stockholder. Unless required by the DGCL or determined by the chairman of the meeting to be advisable, the vote on any question need not be by ballot.

Section 10. Proxies. Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for him by a proxy which is in writing or transmitted as permitted by law, including, without limitation, electronically, via internet, interactive voice response system, or other means of electronic transmission executed or authorized by such stockholder or his attorney-in-fact, but no proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. Any such proxy shall be delivered to the secretary of the meeting at or prior to the time designated in the order of business for so delivering such proxies. Any proxy transmitted electronically shall set forth information from which it can be determined by the secretary of the meeting that such electronic transmission was authorized by the stockholder.

Section 11. Action by Written Consent. Whenever the vote of stockholders at a meeting thereof is required or permitted to be taken for or in connection with any corporate action, by any provision of the DGCL, the meeting and vote of stockholders may be dispensed with if all of the stockholders who would have been entitled to vote upon the action if such meeting were held shall consent in writing to such corporate action being taken, or, unless the certificate of incorporation otherwise provides, on the written consent of the stockholders having not less than the minimum percentage of the vote required by the DGCL for the proposed corporate action at a meeting at which all shares entitled to vote thereon were present and voted and such consent is delivered to the corporation's principal place of business or the officer or agent of the corporation having custody of the books and records in which proceedings of meetings of stockholders are recorded; *provided, that* prompt notice of the taking of corporate action without a meeting and by less than unanimous written consent must be given to all stockholders who, if the action had been taken at a meeting, would have been entitled to notice of the meeting if the record date of such meeting had been the date that written consents signed by a sufficient number of stockholders or members to take the action were delivered to the corporation as provided by law. Any such consent shall be delivered in accordance with Section 228(d)(1) of the DGCL.

Section 12. Inspectors. The board of directors may, in advance of any meeting of stockholders, appoint one or more inspectors, who need not be stockholders, to act at such meeting or any adjournment thereof. Such inspectors may include individuals who serve the corporation in other capacities, including, without limitation, as officers, employees, agents or representatives of the corporation. No director or candidate for the office of director shall act as an inspector of an election of directors. One or more persons may be designated by the board of directors as alternate inspectors to replace any inspector who fails to act. In case any person appointed as inspector fails to appear or fails or refuses to act, the vacancy may be filled by appointment made by the board in advance of the convening of the meeting, or at the meeting by the person or officer acting as chairman. Each inspector, before discharging his duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his ability. The inspectors shall have the duties prescribed by the DGCL. On request of the chairman of the meeting, the inspectors shall make a report in writing of any challenge, request or matter determined by them and shall execute a certificate of any fact found by them.

Section 13. Presiding Officer. All meetings of stockholders shall be called to order and presided over by the chairman of the board, or in his absence, by the vice chairman of the board, or in his absence, by the chief executive officer, or if none of these be present by a chairman designated by the board of directors. The secretary of the corporation shall act as secretary of the meeting, but in the absence of the secretary of the corporation, the presiding officer may appoint a secretary of the meeting. At each meeting of stockholders, the chairman or the secretary of the meeting shall fix and announce the date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at the meeting and shall determine the order of business and all other matters of procedure. Except to the extent inconsistent with any such rules and regulations as adopted by the board, the chairman of the meeting may establish rules, which need not be in writing, to maintain order for the conduct of the meeting, including, without limitation, restricting attendance to bona fide stockholders of record and their proxies and other persons in attendance at the invitation of the chairman and making rules governing speeches and debates. Absent manifest error, the chairman of the meeting acts in his absolute discretion and his rulings are not subject to appeal.

ARTICLE III

DIRECTORS

Section 1. Number. The number of directors which shall serve on the board shall be fixed by resolution of the board of directors from time to time and shall be not less than five nor more than 13. The directors shall be elected at the annual meeting of the stockholders, except as provided in Section 2 of this Article III, and each director elected shall hold office until his successor is elected and qualified, or until his earlier resignation or removal. Directors need not be stockholders.

Section 2. Vacancies. Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, though less than a quorum, or by a sole remaining director, and any director so chosen shall hold office until the next annual election and until his successor is duly elected and shall qualify, or until his earlier resignation or removal. If there are no directors in office, then an election of directors may be held in the manner provided by the DGCL. If, at the time of filling any vacancy or any newly created directorship, the directors then in office shall constitute less than a majority of the whole board (as constituted immediately prior to any such increase), the Court of Chancery may, upon application of any stockholder or stockholders holding at least 10% of the total number of the shares of capital stock at the time outstanding and having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in office.

Section 3. Management of the Corporation. The business of the corporation shall be managed by its board of directors which may exercise all such powers of the corporation and do all such lawful acts and things as are not by the DGCL or by the certificate of incorporation or by these by-laws directed or required to be exercised or done by the stockholders.

Section 4. Meetings Generally. The board of directors of the corporation may hold meetings, both regular and special, either within or without the State of Delaware. Unless otherwise restricted by the certificate of incorporation, members of the board of directors, or any committee designated by the board of directors, may participate in a meeting by means of conference telephone or other communications equipment in which all persons participating in the meeting can hear each other. Participation in a meeting by means of conference telephone or other communications equipment shall constitute the presence in person at such meeting.

Section 5. Annual Meeting. The annual meeting of each newly elected board of directors shall be held immediately after the close of the annual meeting of stockholders at the place fixed for the annual meeting of stockholders; *provided, that* a quorum of directors shall be present. In the event such meeting is not held immediately after the annual meeting of stockholders, the meeting may be held at such time and place as shall be specified in a notice given as hereinafter provided for special meetings of the board of directors, or as shall be specified in a written waiver signed by all of the directors.

Section 6. Regular Meetings. Regular meetings of the board of directors may be held without notice at such time and at such place as shall from time to time be determined by the board.

Section 7. Special Meetings. Special meetings of the board may be called by the chairman of the board, the chief executive officer (if such person is a director) or the president (if such person is a director) on two days' notice to each director, either personally or by mail or by electronic transmission; and special meetings shall be called by the chief executive officer or secretary in like manner and on like notice on the written request of any two directors. Notice of each special meeting shall state the time and place of the meeting. Neither the business to be transacted at, nor the purpose of, any special meeting of the board of directors need be specified in the notice of such meeting. Such notice shall be deemed to be delivered (a) four business days after deposit in the United States mail, if properly addressed with postage prepaid, (b) when given, if given by telephone or in person, and (c) when transmitted, if sent by electronic transmission. Any director may waive notice of any meeting in accordance with Article IV, Section 2 hereof.

Section 8. Quorum. At all meetings of the board, a majority of the directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the board of directors, except as may be otherwise specifically provided by the DGCL or by the certificate of incorporation. If a quorum shall not be present at any meeting of the board of directors, the directors present thereat may adjourn the meeting from time to time, without notice other than the announcement at the meeting, until a quorum shall be present.

Section 9. Action by Written Consent. Unless otherwise restricted by the certificate of incorporation or these by-laws, any action required or permitted to be taken at any meeting of the board of directors or of any committee thereof may be taken without a meeting, if all members of the board or committee, or as the case may be, consent thereto in writing or by electronic transmission, and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of

the board or committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

Section 10. Committees. The board of directors (a) may designate one or more committees, each committee to consist of one or more of the directors of the corporation, and (b) shall, during such period of time as any securities of the corporation are listed on the New York Stock Exchange (the "NYSE") or other securities exchange, designate all committees required by the rules and regulations of the NYSE or such other securities exchange (giving effect to any permitted exceptions or transition provisions of such rules and regulations). The board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the board of directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the board of directors, shall have and may exercise all of the powers and authority of the board of directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers which may require it; *provided, that* no such committee shall have the power or authority in reference (x) approving or adopting, or recommending to stockholders, any action or matter expressly required by the DGCL to be submitted to stockholders for approval or (y) adopting, amending or repealing any by-law of the corporation.

Section 11. Minutes of Committee Meetings. Each committee shall keep regular minutes of its meetings and report the same to the board of directors when required. At all committee meetings a majority of the committee members shall constitute a quorum for the transaction of business and the act of a majority of the committee members present at any committee meeting at which there is a quorum shall be the act of the committee, except as may be otherwise specifically provided by the DGCL or by the certificate of incorporation. If a quorum shall not be present at any committee meeting the committee members present thereat may adjourn the committee meeting from time to time, without notice other than announcement at the committee meeting, until a quorum shall be present.

Section 12. Compensation. The board of directors shall have the authority to fix the compensation, including fees and reimbursement of expenses, of directors for services to the corporation in any capacity. Without limiting the generality of the foregoing, the directors may be paid their expenses, if any, of attendance at each meeting of the board of directors and may be paid a fixed sum for attendance at each meeting of the board of directors or a stated salary as director. No such payment shall preclude any director from serving the corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

Section 13. Reliance on Books and Records. A member of the board of directors, or a member of any committee designated by the board of directors, shall in the performance of such person's duties be fully protected in relying in good faith upon records of the corporation and upon such information, opinions, reports or statements presented to the corporation by any of the corporation's officers or employees, or committees of the board of directors, or by any other person as to matters the member reasonably believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the corporation.

Section 14. Director Emeritus and Chairman Emeritus. The board of directors may, from time to time in its discretion, by majority vote, designate one or more of its former directors a Director Emeritus or, in the case of a former Chairman of the Board, one Chairman Emeritus. Each such designation shall be for a one-year term or until such Director Emeritus' or Chairman Emeritus' earlier death, resignation, retirement or removal (for any reason or no reason by a majority of the board of directors). Each Director Emeritus and Chairman Emeritus may be re-appointed for one or more additional one-year terms. Directors Emeritus and the Chairman Emeritus may attend board meetings as and when invited by the board and attend meetings of any committee of the board as and when invited by the committee, but they shall not be entitled to notice of any such meetings or to vote or be counted for quorum purposes at any such meetings. If present, Directors Emeritus and the Chairman Emeritus may participate in the discussions occurring at such meetings. Any person holding the position of Director Emeritus or Chairman Emeritus shall not be considered a director or officer for any purpose, including the corporation's Certificate of Incorporation and by-laws, applicable federal securities laws and the DGCL, and a Director Emeritus or Chairman Emeritus shall have no power or authority to manage the affairs of the Company. Directors Emeritus and the Chairman Emeritus shall not have any of the responsibilities or liabilities of a director or officer of the corporation under the DGCL, nor any of a director's or officer's rights, powers or privileges in their capacities as Directors Emeritus or Chairman Emeritus. Reference in these by-laws to "directors" or "officers" shall not mean or include Directors Emeritus or the Chairman Emeritus. Directors Emeritus and the Chairman Emeritus shall remain subject to the reporting requirements of Section 16 of the Securities Exchange Act of 1934, as amended, and shall remain subject to all of the corporation's policies applicable to directors. A Director Emeritus and the Chairman Emeritus shall be entitled to benefits and protections in accordance Article VII of these by-laws ("Indemnification").

ARTICLE IV

NOTICES

Section 1. Notices to Stockholders. Whenever stockholders are required or permitted to take any action at a meeting, a timely written notice or electronic transmission of notice (in the manner provided in Section 232 of the DGCL) of the meeting, which shall state the place, if any, date and time of the meeting, and the means of remote communications, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be sent (by mail, overnight courier, or facsimile transmission, or by any other means comparable to any of the foregoing) or transmitted electronically to each stockholder entitled to vote at such meeting at his address appearing on the records of the corporation not less than 10 nor more than 60 days (unless a different period of notice is required by law) before the date of the meeting. If mailed with postage prepaid, such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. When a meeting is adjourned to another date, hour or place in accordance with the DGCL, notice need not be given of the adjourned meeting if the date, hour and place thereof are announced at the meeting at which the adjournment is taken unless otherwise required by the DGCL.

Section 2. Waiver. Notice of any meeting of stockholders or of the board of directors or a committee thereof shall not be required to be given to any person who attends such meeting, except when such person attends the meeting in person (or by proxy, in the case of a meeting of stockholders) for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Whenever any notice is required to be given under the provisions of the DGCL or of the certificate of incorporation or of these by-laws, a written waiver signed by the person entitled to notice, or a waiver by electronic transmission by the person entitled to notice, whether before or after the meeting time stated in the notice, shall be deemed equivalent to notice. Neither the business to be transacted at, nor the purpose of any meeting, need be specified in any written waiver of notice or any waiver by electronic transmission.

Section 3. Electronic Transmission Defined. For purposes of these by-laws, "electronic transmission" has the meaning ascribed to that term in Section 232(c) of the DGCL, as that section may be amended, supplemented, restated or succeeded from time to time.

Section 4. Limitations on Electronic Transmission. Notwithstanding anything herein to the contrary, notice by a form of electronic transmission shall not apply to those matters specified in Section 232(e) of the DGCL, as that section may be amended, supplemented, restated or succeeded from time to time.

ARTICLE V

OFFICERS

Section 1. Generally. The officers of the corporation shall be appointed by the board of directors and shall be a chairman of the board, a vice-chairman of the board, a chief executive officer, a president, a chief financial officer, such senior vice presidents, group vice presidents and vice presidents as the board may choose, a secretary and a treasurer. The board of directors may also choose one or more assistant secretaries and assistant treasurers. Any number of offices may be held by the same person, unless the certificate of incorporation or these by-laws otherwise provide, except that none of the chairman of the board, the chief executive officer or the president shall also hold the office of secretary.

Section 2. Annual Appointments. The board of directors at its first meeting after each annual meeting of stockholders shall appoint a chairman of the board, a vice chairman of the board, a chief executive officer, a president, a chief financial officer, such senior vice presidents, group vice presidents, and vice presidents as it may decide appropriate, a secretary and a treasurer.

Section 3. Other Appointments. The board of directors may appoint from time to time such other officers and agents as it shall deem desirable, who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the board.

Section 4. Compensation. The compensation of all executive officers shall be approved by the board of directors, and no officer shall be prevented from receiving such compensation by virtue of his also being a director of the corporation; *provided, that* compensation of some or all executive officers may be determined by a committee established for that purpose if so authorized by the board of directors or as required by applicable law or regulation, including any exchange or market upon which the corporation's securities are then listed for trading or quotation.

Section 5. Term of Office and Vacancies. Each officer of the corporation shall hold office until his successor is appointed and qualified, or until his earlier resignation or removal. Any officer appointed by the board of directors may be removed, either for cause or without cause, at any time by the affirmative vote of a majority of the board of directors. Removal of an officer in accordance herewith shall be without prejudice to the contract rights, if any, of the person so removed. Any officer may resign at any time by written notice to the corporation. Unless otherwise stated in such notice of resignation, the acceptance thereof shall not be necessary to make it effective; and such resignation shall take effect at the time specified therein or, in the absence of such specification, it shall take effect upon the receipt thereof. Any vacancy occurring in any office of the corporation may be filled by the board of directors.

Section 6. Chairman. The chairman of the board shall preside at all meetings of the stockholders and the board of directors, unless otherwise determined by the board of directors. The chairman of the board shall act in a general advisory capacity in connection with the business and affairs of the corporation, and shall perform such other duties as may be prescribed to him from time to time by the board of directors or provided in these by-laws.

Section 7. Vice Chairman. In the absence of the chairman of the board, or in the event of his inability or refusal to act, the vice chairman of the board shall preside at all meetings of the stockholders and the board of directors, unless otherwise determined by the board of directors. The vice chairman of the board shall perform such other duties, and have such other powers, as may be prescribed from time to time by the board of directors or the chairman of the board.

Section 8. Chief Executive Officer. The chief executive officer shall have the powers and perform the duties incident to that position. Subject to the powers of the board of directors and any supervisory powers the board may give to the chairman of the board, the chief executive officer shall be in general and active charge of the entire business and affairs of the corporation, and shall be its chief policy making officer. The chief executive officer shall have such other powers and perform such other duties as may be prescribed from time to time by the board of directors or provided in these by-laws. The chief executive officer shall have the power to execute bonds, mortgages and other contracts requiring a seal, under the seal of the corporation, and other agreements, contracts and instruments, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the board of directors to some other officer or agent of the corporation.

Section 9. President. Within the policies and objectives prescribed by the board of directors or the chairman of the board, and under the general supervision of the chief executive officer, the president shall administer and direct all aspects of the operation of the corporation's business. The president shall have the power to execute bonds, mortgages and other contracts requiring a seal, under the seal of the corporation, and other agreements, contracts and instruments, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the board of directors to some other officer or agent of the corporation. The president shall also perform all duties incident to the office of the president and such other duties as may be prescribed by these by-laws, by the board of directors, or by the chairman of the board or the chief executive officer, from time to time.

Section 10. Chief Financial Officer. The chief financial officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of the corporation as shall be necessary or desirable in accordance with applicable law or generally accepted accounting principles; shall deposit all monies and other valuable effects in the name and to the credit of the corporation as may be ordered by the chairman of the board, the chief executive officer or the board of directors; shall cause the funds of the corporation to be disbursed when such disbursements have been duly authorized, taking proper vouchers for such disbursements; and shall render to the chief executive officer and the board of directors, whenever they request it, an account of his transactions as chief financial officer and of the financial condition of the corporation; shall have such powers and perform such duties as the board of directors, the chairman of the board, the chief executive officer, the president or these by-laws may, from time to time, prescribe. The books of account shall at all reasonable times be open to inspection by any director. The chief financial officer is authorized to execute bonds, mortgages and other contracts requiring a seal, under the seal of the corporation, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the board of directors to some other officer or agent of the corporation.

Section 11. Senior Vice Presidents. Group Vice Presidents and Vice Presidents. The senior vice presidents, group vice presidents, and the vice presidents shall perform all duties incident to their respective offices and shall perform such other duties and have such other powers as the board of directors, the chairman of the board, chief executive officer, the president, or these by-laws may from time to time prescribe.

Section 12. Secretary. The secretary shall (a) keep the minutes of the stockholders' and of the board of directors' meetings in one or more books provided for that purpose; and at the request of the board of directors shall also perform like duties

for the standing committees thereof when required; (b) see that all notices are duly given in accordance with the provisions of these by-laws or as required by law; (c) be custodian of the corporate records; (d) keep or cause to be kept a register of the post office address of each stockholder which shall be furnished to the secretary by such stockholder; (e) have general charge of the stock transfer books of the corporation; (f) sign (unless the treasurer or other proper officer thereunto duly authorized by the board of directors shall sign), with the chairman of the board or the chief executive officer, certificates for shares of the capital stock of the corporation the issue of which shall have been authorized by resolution of the board of directors, *provided, that* the signatures of the officers of the corporation thereon may be facsimile as provided in these by-laws; and (g) in general perform all duties incident to the office of secretary and such other duties as from time to time may be assigned to him by the chairman of the board, the chief executive officer or by the board of directors.

Section 13. Assistant Secretaries. The assistant secretary, or if there be more than one, the assistant secretaries in the order determined by the board of directors (or if there be no such determination, then in the order of their election), shall, in the absence of the secretary or in the event of his inability or refusal to act, perform the duties and exercise the powers of the secretary and shall perform such other duties and have such other powers as the board of directors or the chief executive officer may from time to time prescribe.

Section 14. Treasurer. If required by the board of directors, the treasurer shall give bond for the faithful discharge of his duties in such sum and with such surety or sureties as the board of directors shall determine. The treasurer shall (a) have charge and custody of and be responsible for all funds and securities of the corporation; receive and give receipts for moneys due and payable to the corporation from any source whatsoever, and deposit all such moneys in the name of the corporation in such banks, trust companies or other depositories as shall be selected by the board of directors or the chief executive officer (b) sign (unless the secretary or other proper officer thereunto duly authorized by the board of directors shall sign), with the chairman of the board or the chief executive officer, certificates for shares of the capital stock of the corporation, the issue of which shall have been authorized by resolution of the board of directors, *provided, that* the signatures of the officers of the corporation thereon may be facsimile as provided in these by-laws; and (c) in general perform all the duties incident to the office of treasurer and such other duties as from time to time may be assigned to him by the chairman of the board, the chief executive officer or the board of directors.

Section 15. Assistant Treasurers. The assistant treasurer, or if there shall be more than one, the assistant treasurers in the order determined by the board of directors (or if there be no such determination, then in the order of their election), shall, in the absence of the treasurer or in the event of his inability or refusal to act, perform the duties and exercise the powers of the treasurer and shall perform such other duties and have such other powers as the board of directors or the chief executive officer may from time to time prescribe.

Section 16. Succession of Officers. In the absence of the chairman of the board and the vice chairman of the board, or in the event of their inability or refusal to act, the chief executive officer shall exercise all powers and discharge all duties of the chairman, unless the board of directors shall designate another officer to exercise such powers and discharge such duties. In the event that the office of the chief executive officer is vacant, or in the event the chief executive officer is absent or unable to act, the officers, in the order of succession as may be designated for such purpose by the board of directors from time to time, shall perform the duties and exercise the powers of the chief executive officer. If the board of directors shall not have made such a designation, the officers, in the order of succession as may be designated for such purpose by the chief executive officer from time to time, shall perform the duties and exercise the powers of the chief executive officer. In the event any subordinate office is vacant, or in the event any subordinate officer is absent or unable to act, the board of directors or the chief executive officer may determine from time to time the appropriate succession of officers.

ARTICLE VI

INTERESTED DIRECTORS AND OFFICERS

Section 1. Generally. No contract or transaction between the corporation and one or more of its directors or officers, or between the corporation and any other corporation, partnership, association, or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the board of directors or a committee thereof which authorizes the contract or transaction, or solely because his or their votes are counted for such purpose, if:

(a) the material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the board of directors or the committee, and the board or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or

(b) the material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or

(c) the contract or transaction is fair as to the corporation as of the time it is authorized, approved or ratified by the board of directors, a committee thereof, or the stockholders.

Common or interested directors may be counted in determining the presence of a quorum at a meeting of the board of directors or of a committee which authorizes the contract or transaction.

ARTICLE VII

INDEMNIFICATION

Section 1. Right to Indemnification. Each person who was or is made a party or is threatened to be made a party to or is involved in or called as a witness or otherwise involved in any Proceeding (as defined in Section 9 of this Article VII), by reason of the fact that he, or a person of whom he is the legal representative, is, was or had agreed to become a director, officer or Delegate (as defined in Section 9 of this Article VII) of the corporation or because of his action or inaction in any such capacity shall be indemnified and held harmless by the corporation to the fullest extent not prohibited by the DGCL as the same now exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the corporation to provide broader indemnification rights than the DGCL permitted the corporation to provide prior to such amendment) against all Expenses (as defined in Section 9 of this Article VII) and all liabilities and losses (including, but not limited to, judgments, fines, excise taxes assessed on such person with respect to any employee benefit plan or otherwise, penalties and amounts paid or to be paid in settlement) incurred or suffered by such person in connection therewith; *provided, that* except as provided in Section 3 of this Article VII, the corporation shall be required under this Article VII to indemnify any such person seeking indemnity in connection with a Proceeding (or part thereof) initiated by such person only if such Proceeding (or part thereof) was authorized by the board of directors.

Section 2. Expenses. Expenses, including attorneys' fees, incurred by a person referred to in Section 1 of this Article VII in defending or otherwise being involved in a Proceeding shall be paid by the corporation in advance of the final disposition of such Proceeding, including any appeal therefrom, upon receipt of an undertaking by or on behalf of such person to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the corporation; *provided, that* in connection with a Proceeding (or part thereof) initiated by such a person, except as provided in Section 3 of this Article VII, the corporation shall pay such expenses in advance of the final disposition only if such Proceeding (or part thereof) was authorized by the board of directors. Such undertaking shall provide that if the person to whom the expenses were advanced has commenced Proceedings in a court of competent jurisdiction to secure a determination that he should be indemnified by the corporation, or with respect to the obligation of such person to repay pursuant to the undertaking, such person shall not be obligated to repay the corporation prior to the final determination (not subject to further appeal) of such Proceeding. Advances shall be unsecured and interest free. Advances shall be made without regard to the recipient's ability to repay the Expenses and without regard to the recipient's ultimate entitlement to indemnification under the other provisions of this Article VII or otherwise.

Section 3. Protection of Rights. If a claim under Section 1 of this Article VII is not promptly paid in full by the corporation after a written request has been received by the corporation, or if Expenses pursuant to Section 2 of this Article VII have not been promptly advanced after a written request for such advancement accompanied by the Undertaking has been received by the corporation, the claimant may at any time thereafter bring suit against the corporation to recover the unpaid amount of the claim or the advancement of Expenses. If successful, in whole or in part, in such suit, such claimant shall also be entitled to be paid the reasonable Expenses thereof. It shall be a defense to any such action (other than an action brought to enforce a claim for Expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking has been tendered to the corporation) that the claimant has not met the standards of conduct which make it permissible under the DGCL for the corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the corporation. Neither the failure of the corporation (including the board of directors, the corporation's independent legal counsel or its stockholders) to have made a determination that indemnification of the claimant is proper in the circumstances because he has met the applicable standard of conduct required under the DGCL, nor an actual determination by the corporation (including its board of directors, the corporation's independent legal counsel or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that claimant has not met the applicable standard of conduct.

Section 4. Employees and Agents. The board of directors shall have the authority, by resolution, to provide for such indemnification of employees or agents of the corporation as it shall deem appropriate.

Section 5. Non-Exclusivity of Rights. The rights conferred on any person by this Article VII shall not be exclusive of any other right which such person may have or hereafter acquire under any statute, provision of the certificate of incorporation, these by-laws, agreement, vote of stockholders or disinterested directors or otherwise. The corporation is specifically authorized to enter into individual contracts with any or all of its directors, officers, Delegates, employees or agents respecting indemnification and advances, to the fullest extent not prohibited by the DGCL.

Section 6. Insurance. The corporation may maintain insurance, at its expense, to protect itself and any person required or permitted to be indemnified under this Article VII against any Expenses, liabilities or losses, whether or not the corporation would have the power to indemnify such person against such Expenses, liabilities or losses under the DGCL.

Section 7. Contractual Nature. The provisions of this Article VII shall be applicable to all Proceedings commenced after its adoption, whether such Proceedings arise out of events, acts or omissions which occurred prior or subsequent to such adoption, and shall continue as to a person who has ceased to be a director, officer or Delegate and shall inure to the benefit of the heirs and legal representatives of such person. This Article VII shall be deemed to be a contract between the corporation and each person who, at any time that this Article VII is in effect, serves or agrees to serve in any capacity which entitles him to indemnification hereunder and any repeal or other modification of this Article VII or any repeal or modification of the DGCL or any other applicable law shall not limit any rights of indemnification then existing or arising out of events, acts or omissions occurring prior to such repeal or modification, including, without limitation, the right to indemnification for Proceedings commenced after such repeal or modification to enforce this Article VII with regard to acts, omissions or events arising prior to such repeal or modification.

Section 8. Severability. If this Article VII or any portion hereof shall be invalidated or held to be unenforceable on any ground by any court of competent jurisdiction, the decision of which shall not have been reversed on appeal, such invalidity or unenforceability shall not affect the other provisions hereof, and this Article VII shall be construed in all respects as if such invalid or unenforceable provisions had been omitted therefrom.

Section 9. Definitions. As used in this Article VII:

(1) “Delegate” of the corporation shall mean any person when (A) serving as a director or officer (or in a substantially similar capacity) of an entity or enterprise (x) in which the corporation and its subsidiaries collectively own a 10% or greater equity interest or (y) the principal function of which is to service or benefit the corporation or a subsidiary of the corporation; (B) serving as a trustee or fiduciary of an employee benefit plan of the corporation or any entity or enterprise referred to in clause (A); or (C) acting at the request of the board of directors in any capacity with any entity or enterprise other than the corporation (including, but not limited to, service with respect to employee benefit plans).

(2) “Expenses” shall mean all reasonable attorneys’ fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, and all other reasonable disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a witness in, or otherwise participating in, a Proceeding, including, in the case of an appeal resulting from any Proceeding, the premium, security for, and other costs relating to any cost bond, supersedeas bond, or other appeal bond or its equivalent. Expenses, however, shall not include amounts paid in settlement or the amount of judgments, fines or penalties.

(3) A “Proceeding” is any threatened or pending action, suit, arbitration, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing or any other threatened or actual proceeding (whether formal or informal, whether brought in the right of the corporation or otherwise and whether of a civil, criminal, administrative or investigative nature), and any appeal therefrom.

ARTICLE VIII

CERTIFICATES OF STOCK

Section 1. Generally. Every holder of stock in the corporation shall be entitled to have a certificate signed by or in the name of the corporation by the chief executive officer, president or a vice president (or by the chairman or the vice-chairman of the board of directors) and by the treasurer or an assistant treasurer or the secretary or an assistant secretary of the corporation, certifying the number of shares owned by him in the corporation.

Section 2. Facsimile Signatures. Where a certificate is countersigned (a) by a transfer agent other than the corporation or its employee, or (b) by a registrar other than the corporation or its employee, any other signature on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

Section 3. Lost Certificates. The board of directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, the board of directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require and/or to give the corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

Section 4. Transfers of Certificated Stock. Upon surrender to the corporation or the transfer agent of the corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the corporation to issue a new certificate to the person entitled thereto (if so requested by that person), cancel the old certificate and record the transaction upon its books. The board of directors shall have power and authority to make such rules and regulations as it may deem necessary or proper concerning the issue, transfer and registration of certificates for shares of stock of the corporation.

Section 5. Uncertificated Ownership. Unless requested by the owner of stock of the corporation, the corporation is not required to issue certificates evidencing the ownership of stock of the corporation, and may instead maintain stock ownership information in the books and records of the corporation or of a registrar or stock transfer agent selected by the board of directors.

Section 6. Registered Stockholders. Prior to the surrender to the corporation of a share or shares of stock with a request to record the transfer of such share or shares, the corporation shall be entitled to recognize the exclusive right of a person registered on its books and records (or those of the registrar or stock transfer agent selected by the board of directors) as the owner of shares entitled to receive dividends, and to vote as such owner, to receive notifications and otherwise to exercise all the rights and powers of an owner. The corporation shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not the corporation shall have express or other notice thereof.

ARTICLE IX

GENERAL PROVISIONS

Section 1. Dividends. Dividends upon the capital stock of the corporation, subject to the provisions of the certificate of incorporation, if any, may be declared from time to time by the board of directors at any regular or special meeting, pursuant to the DGCL. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the certificate of incorporation and the DGCL. Before payment of any dividend, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the board of directors from time to time, in its absolute discretion, thinks proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purpose as the board determines to be conducive to the interest of the corporation; and the board may thereafter modify or abolish any such reserve.

Section 2. Record Dates. So that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting (including by electronic transmission in accordance with these by-laws and the DGCL), or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the board of directors may fix, in advance, a record date, which shall not be more than 60 nor less than 10 days before the date of such meeting, nor more than 60 days prior to any other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; *provided, that* the board of directors may fix a new record date for the adjourned meeting.

Section 3. Checks. All checks or demands for money and notes of the corporation shall be signed by such officer or officers or such other person or persons as the board of directors may from time to time designate.

Section 4. Fiscal Year. The fiscal year of the corporation shall begin on each August 1 and shall end on the next following July 31, or shall be such other period as the board of directors may from time to time determine.

Section 5. Seal. The corporate seal shall have inscribed thereon the name of the corporation, the year of its organization and the words “Corporate Seal, Delaware.” The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise. Notwithstanding the foregoing, the use of the corporate seal is not mandatory.

Section 6. Voting Securities Owned by the Corporation. Voting securities in any entity owned or otherwise held by the corporation shall be voted by the chairman of the board, chief executive officer or president, unless the board of directors specifically confers authority to vote with respect thereto, which authority may be general or confined to specific instances, upon some other person or officer. Any person authorized to vote securities shall have the power to appoint proxies, with general power of substitution.

Section 7. Inspection of Books and Records. The board of directors shall have power from time to time to determine to what extent and at what times and places and under what conditions and regulations the accounts and books of the corporation, or any of them, shall be open to the inspection of the stockholders; and no stockholder shall have any right to inspect any account or book or document of the corporation, except as conferred by the DGCL, unless and until authorized so to do by resolution of the board of directors or of the stockholders of the corporation.

Section 8. Construction. Unless the context requires otherwise, the general provisions, rules of construction and definitions in the DGCL shall govern the construction of these by-laws. Without limiting the generality of the immediately preceding sentence, (a) the singular number includes the plural, (b) the plural number includes the singular, (c) the masculine includes the feminine and the gender neutral and (d) the term “person” includes an entity and an organization as well as a natural person. Section headings in these by-laws are for convenience of reference only and shall not be given any substantive effect in limiting or otherwise construing any provision herein.

Section 9. Amendments. These by-laws may be altered, amended or repealed and new by-laws may be adopted by the board of directors. The fact that such power has been so conferred upon the board shall not divest the stockholders of the power, nor limit their power, to adopt, amend or repeal these by-laws.

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Section 3: EX-11 (COMPUTATION OF EARNINGS PER SHARE)

Exhibit 11:

OIL-DRI CORPORATION OF AMERICA AND SUBSIDIARIES
Computation of Earnings Per Share
(in thousands, except per share amounts)

	For the Three Months Ended January 31,		For the Six Months Ended January 31,	
	2018	2017	2018	2017
Net income available to stockholders	\$ (1,096)	\$ 4,250	\$ 1,954	\$ 6,259
Less: Distributed and undistributed earnings allocated to non-vested restricted stock	—	(100)	(46)	(145)
Earnings available to common shareholders	\$ (1,096)	\$ 4,150	\$ 1,908	\$ 6,114
Shares Calculation				
Average shares outstanding - Basic Common	5,035	5,019	5,030	5,011
Average shares outstanding - Basic Class B Common	2,104	2,088	2,097	2,077
Potential Common Stock relating to stock options and non-vested restricted stock (1)	—	48	88	57
Average shares outstanding - Assuming dilution	7,139	7,155	7,215	7,145

Net Income Per Share: Basic Common	\$	(0.17)	\$	0.63	\$	0.29	\$	0.93
Net Income Per Share: Basic Class B Common	\$	(0.12)	\$	0.47	\$	0.22	\$	0.70
Net Income Per Share: Diluted Common	\$	(0.15)	\$	0.58	\$	0.26	\$	0.86

(1) In the table above, a total of 82,000 of potential common stock relating to non-vested restricted stock were excluded from the calculation of diluted net loss per share for the three months ended January 31, 2018 since their effects were anti-dilutive.

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Section 4: EX-31 (CERTIFICATIONS PURSUANT TO RULE 13A-14(A) UNDER THE SECURITIES EXCHANGE ACT)

Exhibit 31:

CERTIFICATIONS PURSUANT TO RULE 13A -14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED Certification of Principal Executive Officer (Section 302 of the Sarbanes-Oxley Act of 2002)

I, Daniel S. Jaffee, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Oil-Dri Corporation of America (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

- b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 9, 2018

By: /s/ Daniel S. Jaffee

Daniel S. Jaffee

Chairman, President and Chief Executive Officer

**Certification of a Principal Financial Officer
(Section 302 of the Sarbanes-Oxley Act of 2002)**

I. I, Daniel T. Smith, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Oil-Dri Corporation of America (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: March 9, 2018
By: /s/ Daniel T. Smith
Daniel T. Smith
Vice President and Chief Financial Officer

Exhibit 32:

**CERTIFICATIONS PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO
THE SARBANES-OXLEY ACT OF 2002 CERTIFICATION**

Certification

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Oil-Dri Corporation of America (the “Company”) hereby certifies that to the best of my knowledge the Company’s Quarterly Report on Form 10-Q for the quarter ended January 31, 2018 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Dated: March 9, 2018

/s/ Daniel S. Jaffee

Name: Daniel S. Jaffee

Title: Chairman, President and Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the Report or as a separate disclosure document.

Certification

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Oil-Dri Corporation of America (the “Company”) hereby certifies that to the best of my knowledge the Company’s Quarterly Report on Form 10-Q for the quarter ended January 31, 2018 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Dated: March 9, 2018

/s/ Daniel T. Smith

Name: Daniel T. Smith

Title: Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the Report or as a separate disclosure document.

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Section 6: EX-95 (MINE SAFETY DISCLOSURE)

Exhibit 95

MINE SAFETY DISCLOSURES

Under section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K, each operator of a coal or other mine is required to include certain mine safety information in its periodic reports filed with the Securities and Exchange Commission. The table below includes this mine safety information for each mine facility owned and operated by Oil-Dri Corporation of America, or its subsidiaries, for the quarter ended January 31, 2018. Due to timing and other factors, our data may not agree with the mine data retrieval system maintained by the Mine Safety and Health Administration (“MSHA”). The columns in the table represent the total number of, and the proposed dollar assessment for, violations, citations and orders issued by MSHA during the period upon periodic inspection of our mine facilities in accordance with the

referenced sections of the Federal Mine Safety and Health Act of 1977, as amended (the “Mine Act”), described as follows:

Section 104 Significant and Substantial Violations: Total number of violations of mandatory health or safety standards that could significantly and substantially contribute to the cause and effect of a coal or other mine safety or health hazard.

Section 104(b) Orders: Total number of orders issued due to a failure to totally abate, within the time period prescribed by MSHA, a violation previously cited under section 104, which results in the issuance of an order requiring the mine operator to immediately withdraw all persons from the mine.

Section 104(d) Citations and Orders: Total number of citations and orders issued for unwarrantable failure of the mine operator to comply with mandatory health and safety standards. The violation could significantly and substantially contribute to the cause and effect of a safety and health hazard, but the conditions do not cause imminent danger.

Section 110(b)(2) Flagrant Violations: Total number of flagrant violations defined as a reckless or repeated failure to make reasonable efforts to eliminate a known violation of a mandatory health or safety standard that substantially and proximately caused, or reasonably could have been expected to cause, death or serious bodily injury.

Section 107(a) Imminent Danger Orders: Total number of orders issued when an imminent danger is identified which requires all persons to be withdrawn from area(s) in the mine until the imminent danger and the conditions that caused it cease to exist.

Total Dollar Value of Proposed MSHA Assessments: Each issuance of a citation or order by MSHA results in the assessment of a monetary penalty. The total dollar value presented includes any contested penalties.

Legal Actions Pending, Initiated or Resolved: Total number of cases pending legal action before the Federal Mine Safety and Health Review Commission as of the last day of the reporting period or the number of such cases initiated or resolved during the reporting period.

Mine location	Section 104 “Significant and Substantial” Violations (#)	Section 104(b) Orders (#)	Section 104 (d) Citations and Orders (#)	Section 110 (b)(2)Flagrant Violations (#)	Section 107 (a) Imminent Danger Orders (#)	Total Dollar Value of Proposed MSHA Assessments (\$)	Legal Actions		
							Pending as of Last Day of Period (#)	Initiated During Period (#)	Resolved During Period (#)
Ochlocknee, Georgia	—	—	—	—	—	—	—	—	—
Ripley, Mississippi	1	—	—	—	—	788	2	—	—
Mounds, Illinois	—	—	—	—	—	—	—	—	—
Blue Mountain, Mississippi	—	—	—	—	—	—	—	—	—
Taft, California	1	—	—	—	—	1,035	—	—	—

We had no mining-related fatalities at any of our facilities during the three months ended January 31, 2018. During this period we also received no written notices from MSHA under section 104(e) of the Mine Act of (i) a pattern of violations of mandatory health or safety standards that are of such nature as could have significantly and substantially contributed to the cause and effect of coal or other mine health or safety hazards; or (ii) the potential to have such a pattern. All legal actions pending and initiated during the period were contests of proposed penalties.