Prestige Brands Holdings, Inc.
Form 10-K
May 13, 2011

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

FORM 10-K

x	ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED MARCH 31, 2011

OR

o	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: 001-32433

PRESTIGE BRANDS HOLDINGS, INC.
(Exact name of Registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)		20-1297589 (I.R.S. Employer Identification No.)
	90 North Broadway Irvington, New York 10533 (914) 524-6810	

Securities registered pursuant to Section 12(b) of the Act:

Title of each class:	Name of each exchange on which registered:
Common Stock, par value $.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No x

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

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 and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant’s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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

Large accelerated filer o Accelerated filer x Non-accelerated filer o Smaller reporting company o

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

The aggregate market value of voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold as of the last business day of the Registrant's most recently completed second fiscal quarter ended September 30, 2010 was $490.5 million.

As of April 29, 2011, the Registrant had 50,284,147 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Definitive Proxy Statement for the 2011 Annual Meeting of Stockholders (the "2011 Proxy Statement") presently scheduled for August 2, 2011 are incorporated by reference into Part III of this Annual Report on Form 10-K to the extent described herein.

TABLE OF CONTENTS

TRADEMARKS AND TRADE NAMES

Trademarks and trade names used in this Annual Report on Form 10-K are the property of Prestige Brands Holdings, Inc. or its subsidiaries, as the case may be. We have italicized our trademarks or trade names when they appear in this Annual Report on Form 10-K.

Part I.

ITEM 1. BUSINESS

Note About Forward-Looking Statements

Certain statements in this report, including estimates, projections, statements relating to our business plans, objectives and expected operating results, and the assumptions upon which those statements are based, are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements may appear throughout this report, including without limitation, in the following sections: “Business”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, and “Risk Factors.” These forward-looking statements generally are identified by the words “believe,” “project,” “expect,” “anticipate,” “estimate,” “intend,” “strategy,” “future,” “op “plan,” “may,” “should,” “will,” “would,” “will be,” “will continue,” “will likely result,” and similar expressions. Forward-lool statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. A detailed discussion of risks and uncertainties that could cause actual results and events to differ materially from such forward-looking statements is included in the section entitled “Risk Factors” (refer to Part I, Item 1A). We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events, or otherwise.

Overview

Unless otherwise indicated by the context, all references in this Annual Report on Form 10-K to “we”, “us”, “our”, “Company” or “Prestige” refer to Prestige Brands Holdings, Inc. and our subsidiaries. Similarly, reference to a year (e.g. “2011”) refers to our fiscal year ended March 31 of that year.

We sell well-recognized, brand name Over-the-Counter ("OTC") Healthcare and Household Cleaning products largely in North America. We use the strength of our brands, our established retail distribution network, a low-cost operating model and our experienced management team to our competitive advantage to compete in these categories, and as a result, grow our sales and profits. Our ultimate success is dependent on several factors, including our ability to:

- Develop effective sales, advertising and marketing programs,
- Integrate our acquired brands,
- Grow our existing product lines,
- Develop innovative new products,
- Respond to the technological advances and product introductions of our competitors, and
- Continue to grow our presence in international markets.

2011 Acquisitions

In 2011, we acquired six brands, which we believe are key to our growth strategy in the OTC Healthcare category and complementary to our existing OTC Healthcare brands. On November 1, 2010, we acquired 100% of the capital stock of Blacksmith Brands Holdings, Inc. ("Blacksmith"), which owned five brands; Efferdent®, Effergrip®, PediaCare®, Luden's® and NasalCrom®. On January 6, 2011, we completed the acquisition of certain assets comprising the Dramamine® brand in the United States.

1

Major Brands

Our major brands, set forth in the table below, have strong levels of consumer awareness and retail distribution across all major channels. These brands accounted for approximately 93.0%, 97.0% and 96.9% of our net revenues for 2011, 2010 and 2009, respectively.

Major Brands	Market Position(1)	Market Segment(2)	Market Share(3) (%)	ACV(4) (%)
Over-the-Counter Healthcare:				
Chloraseptic®	#1	Sore Throat Liquids/Lozenges	40.7	92.3
Luden's®	#3	Cough Drops/Lozenges	5.5	94.3
Clear Eyes®	#2	Eye Allergy/Redness Relief	16.2	87.7
Compound W®	#2	Wart Removal	36.0	91.0
Efferdent®	#2	Denture Cleanser Tablets	31.6	95.2
Wartner®	#3	Wart Removal	4.0	29.5
The Doctor’s® NightGuard®	#2	Bruxism (Teeth Grinding)	28.3	30.6
The Doctor’s® Brushpicks®	#2	Disposable Dental Picks	17.0	43.3
Little Remedies®	#3	Pediatric Healthcare	4.0	85.2
PediaCare®	#6	Pediatric Healthcare	3.5	85.1
Murine®	#2	Personal Ear Care	11.2	69.8
New-Skin®	#1	Liquid Bandages	55.8	84.1
Dermoplast®	#3	Pain Relief Sprays	14.8	62.8
Dramamine®	#1	Motion Sickness	39.2	93.5
Household Cleaning:				
Comet®	#2	Abrasive Tub and Tile Cleaner	34.2	98.8
Chore Boy®	#1	Soap Free Metal Scrubbers	25.9	32.1
Spic and Span®	#6	Dilutable All Purpose Cleaner	3.3	64.0

(1) We have prepared the information included in this Annual Report on Form 10-K with regard to the market share and ranking for our brands based in part on data generated by Symphony IRI Group, Inc., an independent market research firm ("IRI"). IRI reports retail sales data in the food, drug and mass merchandise markets. However, IRI data does not include Walmart point of sale data, as Walmart ceased providing sales data to the industry in 2001. Although Walmart represents a significant portion of the mass merchandise market for us, as well as our competitors, we believe that Walmart's exclusion from the data analyzed by the Company above does not significantly change our market share or ranking relative to our competitors.

(2) “Market segment” is defined by us and is based on our product offerings and the categories in which we compete.

(3) “Market share” is based on sales dollars in the United States, as calculated by IRI for the 52 weeks ended March 20, 2011.

(4) “ACV” refers to the All Commodity Volume Food Drug Mass Index, as calculated by IRI for the 52 weeks ended March 20, 2011. ACV measures the ratio of the weighted sales volume of stores that sell a particular product to all the stores that sell products in that market segment generally. For example, if a product is sold by 50% of the stores that sell products in that market segment, but those stores account for 85% of the sales volume in that market segment, that product would have an ACV of 85%. We believe that a high ACV evidences a product’s attractiveness to consumers, as major national and regional retailers will carry products that are attractive to their

customers. Lower ACV measures would indicate that a product is not as available to consumers because the major retailers generally would not carry products for which consumer demand may not be as high. For these reasons, we believe that ACV is an important measure for investors to gauge consumer awareness of the Company's product offerings and of the importance of those products to major retailers.

2

Our products are sold through multiple channels, including mass merchandisers, drug, grocery, dollar and club stores, which reduces our exposure to any single distribution channel.

While we perform the production planning and oversee the quality control aspects of the manufacturing, warehousing and distribution of our products, we outsource the operating elements of these functions to entities that offer expertise in these areas and cost efficiencies due to economies of scale. Our operating model allows us to focus on our sales and marketing programs and product development and innovation, which we believe enables us to achieve attractive margins while minimizing capital expenditures and working capital requirements.

We have developed our brand portfolio through the acquisition of strong and well-recognized brands from larger consumer products and pharmaceutical companies, as well as other brands from smaller private companies. While the brands we have purchased from larger consumer products and pharmaceutical companies have long histories of support and brand development, we believe that at the time we acquired them they were considered “non-core” by their previous owners. Consequently, these brands did not benefit from the focus of senior level personnel or strong marketing support. We also believe that the brands we have purchased from smaller private companies were constrained by the limited financial resources of their prior owners. After adding a brand to our portfolio, we seek to increase its sales, market share and distribution in both new and existing channels through our established retail distribution network. We pursue this growth through increased advertising and promotion, new sales and marketing strategies, improved packaging and formulations and innovative new products. Our business, business model and the following competitive strengths and growth strategy, however, face various risks that are described in “Risk Factors” in Part I, Item 1A of this Annual Report on Form 10-K.

Competitive Strengths

Diversified Portfolio of Well-Recognized and Established Consumer Brands

We own and market well-recognized consumer brands, many of which were established over 60 years ago. Our diverse portfolio of products provides us with multiple sources of growth and minimizes our reliance on any one product or category. We provide significant marketing support to our core brands that is designed to enhance our sales growth and our long-term profitability. The markets in which we sell our products, however, are highly competitive and include numerous national and global manufacturers, distributors, marketers and retailers. Many of these competitors have greater research and development and financial resources than us and may be able to spend more aggressively on sales, advertising and marketing programs and research and development, which may have an adverse effect on our competitive position.

Strong Competitor in Attractive Categories

We compete in product categories that address recurring consumer needs. We believe we are well positioned in these categories due to the long history and consumer awareness of our brands, our strong market positions and our low-cost operating model. However, a significant increase in the number of product introductions or increased advertising, marketing and trade support by our competitors in these markets could have a material adverse effect on our business, financial condition and results from operations.

Proven Ability to Develop and Introduce New Products

We focus our marketing and product development efforts on the identification of under-served consumer needs, the design of products that directly address those needs and the ability to extend our highly recognizable brand names to other products. Demonstrative of this philosophy, in 2011, we launched Little Fevers® Fever Reducer and Little Colds® Honey Elixir under our Little Remedies line in addition to Clear Eyes Cooling Comfort Redness Relief and Itchy Eye Relief. Further, as a result of our acquisitions, we introduced PediaCare 24 Hour Allergy Relief and Efferdent PM overnight denture cleanser.

In 2010 we restaged our entire Chloraseptic lozenge product line with a new soothing liquid center formula. Although line extensions and new product introductions are important to the overall growth of a brand, our efforts may reduce sales of existing products within that brand. In addition, certain of our product introductions may not be successful and may be discontinued.

Efficient Operating Model

To gain operating efficiencies, we oversee the production planning and quality control aspects of the manufacturing, warehousing and distribution of our products, while we outsource the operating elements of these functions to well-established third-party providers. This approach allows us to benefit from their core competencies and maintain a highly variable cost structure, with low overhead, limited working capital requirements and minimal investment in capital expenditures as evidenced by the following:

	Gross Margin %	G&A % To Total Revenues	CapEx % To Total Revenues
2011	50.8	12.5	0.2
2010	52.4	11.7	0.2
2009	52.8	10.8	0.2

In 2011, our gross margin percentage decreased 160 basis points due primarily to the brands we acquired in the Blacksmith acquisition as such brands have higher costs to produce. In 2010, our gross margin percentage decreased 40 basis points due to unfavorable product mix and transition costs associated with transferring manufacturing in one of our household product lines to a new supplier. General and administrative costs, as a percentage of total revenues, increased 80 basis points in 2011 versus 2010, primarily as a result of costs associated with the acquisitions of Blacksmith and Dramamine. General and administrative costs, as a percentage of total revenues, increased 90 basis points in 2010 versus 2009 as a result of the severance and related expenses associated with the August 2009 reduction in force, the CEO transition in September 2009 and an increase in incentive compensation as a result of our achieving 2010 performance targets.

On September 1, 2010, we sold certain assets related to the nail polish remover brand, Cutex®, and on October 28, 2009, we divested our three shampoo brands, Denorex®, Prell® and Zincon®. (See Note 2 to our Consolidated Financial Statements.) In accordance with the Discontinued Operations Topic of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"), we reclassified the assets related to Cutex as assets held for sale in the Consolidated Balance Sheet as of March 31, 2010. In addition, Denorex, Prell, Zincon and Cutex are presented as discontinued operations in the Consolidated Financial Statements for all periods presented. Unless otherwise noted, this Annual Report on Form 10-K, exclusive of the Consolidated Financial Statements, relates only to results from continuing operations.

Management Team with Proven Ability to Acquire, Integrate and Grow Brands

Our business has grown through acquisition, integration and expansion of the many brands we have purchased. Our management team has significant experience in consumer product marketing, sales, legal and regulatory compliance, product development and customer service. Unlike many larger consumer products companies, which we believe often entrust their smaller brands to successive junior employees, we dedicate experienced managers to specific brands. Since we have approximately 100 employees, we seek more experienced personnel to bear the substantial responsibility of brand management and effectuate our growth strategy. These managers nurture the brands as they grow and evolve.

Growth Strategy

In order to continue to enhance our brands and drive growth we focus our growth strategy on our core competencies:

- Effective Marketing and Advertising,
- Sales Excellence,
- Extraordinary Customer Service, and
- Innovation and Product Development.

We execute this strategy through:

- Investments in Advertising and Promotion

We invest in advertising and promotion to drive the growth of our core brands. Our marketing strategy is focused primarily on consumer-oriented programs that include media advertising, targeted coupon programs and in-store advertising. While the absolute level of marketing expenditures differs by brand and category, we have often increased the amount of investment in our brands after acquiring them. For example, in 2011, after acquiring Efferdent, Effergrip, PediaCare, Luden's, NasalCrom and Dramamine, we spent approximately 28.4% of the corresponding revenues associated with these combined brands in order to drive future growth. Additionally, in 2011, we increased our advertising and promotion spend by approximately 37.9% compared to 2010 for our five legacy core OTC Healthcare products. Given the competition in our industry and the contraction of the U.S. economy, there is a risk that our marketing efforts may not result in increased sales and profitability. Additionally, no assurance can be given that we can maintain these increased sales and profitability levels once attained.

•Growing our Categories and Market Share with Innovative New Products

One of our strategies is to broaden the categories in which we participate and increase our share within those categories through ongoing product innovation. In 2011, we launched Little Fevers Fever Reducer and Little Colds Honey Elixir under our Little Remedies line in addition to Clear Eyes Cooling Comfort Redness Relief and Itchy Eye Relief. Further, as a result of our acquisitions, we introduced PediaCare 24 Hour Allergy Relief and Efferdent PM overnight denture cleanser. In 2010, we restaged the Chloraseptic solid lozenge product line and introduced a soothing liquid center lozenge. While there is always a risk that sales of existing products may be reduced by new product introductions, our goal is to grow the overall sales of our brands.

•Increasing Distribution Across Multiple Channels

Our broad distribution base ensures that our products are well positioned across all available channels and that we are able to participate in changing consumer retail trends. To ensure continued sales growth, we have altered our focus and have expanded our reliance on direct sales while reducing our reliance on brokers. This philosophy allows us to better:

•Know our customer,

•Service our customer, and

•Support our customer.

While we make great efforts to both maintain our customer base and grow in new markets, there is a risk that we may not be able to maintain or enhance our relationships across distribution channels, which could adversely impact our sales, business, financial condition and results from operations.

•Growing Our International Business

International sales beyond the borders of North America represented 4.2%, 4.3% and 3.6% of revenues in 2011, 2010, and 2009, respectively. We have designed and developed both product and packaging for specific international markets and expect that our international revenues will grow as a percentage of total revenues. In addition to Clear Eyes, Murine and Chloraseptic, which are currently sold internationally, we license a large multinational Company to market the Comet brand in Eastern Europe. Since a number of our other brands have previously been sold internationally, we seek to expand the number of brands sold through our existing international distribution network and continue to identify additional distribution partners for further expansion into other international markets.

•Pursuing Strategic Acquisitions

Acquisitions are an important part of our overall strategy for growing revenue. We have a history of growth through acquisition (see Our History and Accomplishments below). In 2011, we acquired Blacksmith and Dramamine. Prior to these two acquisitions, our last acquisition was our 2007 acquisition of the Wartner brand of over-the-counter wart treatment products. While we believe that there will continue to be a pipeline of acquisition candidates for us to investigate, a strategic fit and relative cost are of the utmost importance in our decision to pursue such opportunities. We believe our business model allows us to integrate any future acquisitions in an efficient manner, while also providing opportunities to realize significant cost savings. However, there is a risk that our operating results could be adversely affected in the event we (i) do not realize all of the anticipated operating synergies and cost savings from future acquisitions, (ii) we do not successfully integrate such acquisitions or (iii) we pay too much for these acquisitions. In 2010, we refinanced our long-term debt and significantly improved our liquidity position, debt maturities and covenants, all of which better positioned us and allowed us to pursue the Blacksmith and Dramamine acquisitions and potential future acquisition targets.

Market Position

During 2011, approximately 73.0% of our net revenues were from brands with a number one or number two market position, compared with approximately 76.3% and 82.8% during 2010 and 2009, respectively. Such brands include Chloraseptic, Clear Eyes, Chore Boy, Comet, Compound W, The Doctor's, Murine and New-Skin for each of the above periods and Dramamine and Efferdent in 2011 as a result of a recent acquisitions.

See the "Business" section on page 1 of this document for information regarding market share and ACV calculations.

Our History and Accomplishments

We were originally formed in 1996 as a joint venture of Medtech Labs and The Shansby Group (a private equity firm), to acquire certain OTC drug brands from American Home Products. Since 2001, our portfolio of brand name products has expanded from OTC brands to include household cleaning products. We have added brands to our portfolio principally by acquiring strong and well-recognized brands from larger consumer products and pharmaceutical companies. In February 2004, GTCR Golder Rauner II, LLC (“GTCR”), a private equity firm, acquired our business from the owners of Medtech Labs and The Shansby Group. In addition, we acquired the Spic and Span business in March 2004.

In April 2004, we acquired Bonita Bay Holdings, Inc. ("Bonita Bay"), the parent holding company of Prestige Brands International, Inc., which conducted its business under the “Prestige” name. After we completed the Bonita Bay acquisition, we began to conduct our business under the “Prestige” name as well. The Bonita Bay brand portfolio included Chloraseptic, Comet, Clear Eyes and Murine.

In October 2004, we acquired the Little Remedies brand of pediatric OTC products through our purchase of Vetco, Inc. Products offered under the Little Remedies brand included Little Noses® nasal products, Little Tummys® digestive health products, Little Colds® cough/cold remedies and Little Remedies New Parents Survival Kit. The Little Remedies products deliver relief from common childhood ailments without unnecessary additives such as saccharin, alcohol, artificial flavors, coloring dyes or harmful preservatives.

In February 2005, we raised $448.0 million through an initial public offering of 28.0 million shares of common stock. We used the net proceeds of the offering ($416.8 million), plus $3.0 million from our revolving credit facility and $8.8 million of cash on hand to (i) repay $100.0 million of our existing senior indebtedness, (ii) redeem $84.0 million in aggregate principal amount of our existing 9.25% senior subordinated notes, (iii) repurchase an aggregate of 4.7 million shares of our common stock held by the investment funds affiliated with GTCR and TCW/Crescent Mezzanine, LLC (“TWC/Crescent”) for $30.2 million, and (iv) redeem all outstanding senior preferred units and class B preferred units of one of our subsidiaries for $199.8 million.

In October 2005, we acquired the Chore Boy brand of metal cleaning pads, scrubbing sponges, and non-metal soap pads. The brand has over 84 years of history in the scouring pad and cleaning accessories categories.

In November 2005, we acquired Dental Concepts LLC (“Dental Concepts”), a marketer of therapeutic oral care products sold under The Doctor’s brand. The business is driven primarily by two niche segments, bruxism (nighttime teeth grinding) and interdental cleaning. Products marketed under The Doctor’s brand include The Doctor’s NightGuard Dental Protector, the first Food and Drug Administration (“FDA”) cleared OTC treatment for bruxism, and The Doctor’s BrushPicks, disposable interdental toothpicks.

In September 2006, we acquired Wartner USA B.V. (“Wartner”), the owner of the Wartner brand of OTC wart treatment products in the U.S. and Canada. The Wartner brand, which is the number three brand in the United States OTC wart treatment category, has enhanced and we expect will continue to enhance our market position in the category, complementing Compound W.

On October 28, 2009, we sold our three shampoo brands - Prell Shampoo, Denorex Dandruff Shampoo and Zincon Dandruff Shampoo. The terms of the sale included an upfront receipt of $8.0 million in cash, with a subsequent receipt of $1.0 million on October 28, 2010. We used the proceeds from the sale to reduce outstanding bank indebtedness.

In March 2010, we refinanced our outstanding long-term indebtedness through entry into a $150.0 million senior term loan facility due April 1, 2016, and the issuance of $150.0 million in senior notes with an 8.25% interest rate due 2018. Proceeds from the new indebtedness were used to retire our senior term loan facility originally due April 1, 2011 and 9.25% senior subordinated notes originally due April 15, 2012. Additionally, our new credit agreement included a $30.0 million revolving credit facility due April 1, 2015. The refinancing and new credit facility improved our liquidity, extended maturities and improved covenant ratios, all of which better positioned us to pursue strategic acquisitions.

On September 1, 2010, we sold certain assets related to the Cutex nail polish remover brand for $4.1 million.

On November 1, 2010, we acquired Blacksmith for $190.0 million in cash, plus a working capital adjustment of $13.4 million. Additionally, we paid $1.1 million on behalf of Blacksmith for the sellers' transaction costs. In connection with this acquisition, we acquired five OTC brands: Efferdent, Effergrip, PediaCare, Luden's and NasalCrom. In connection with the acquisition of Blacksmith, in November 2010, we (i) executed an Increase Joinder to our existing credit agreement pursuant to which we entered into an incremental term loan in the amount of $115.0 million and increased our revolving credit facility by $10.0 million to $40.0

million; and (ii) issued 8.25% senior notes due 2018 in an aggregate principal amount of $100.0 million. The purchase price was funded from the incremental term loan and the issuance of 8.25% senior notes and cash on hand.

On January 6, 2011, we completed the acquisition of certain assets comprising the Dramamine brand in the United States for $77.1 million in cash, including transaction costs incurred in the acquisition of $1.2 million. The purchase price was funded from cash on hand. The Dramamine brand is complementary to our existing OTC brands.

Products

We conduct our operations through two principal business segments:

- Over-the-Counter Healthcare; and

- Household Cleaning

Over-the-Counter Healthcare Segment

Our portfolio of OTC products includes nine core OTC brands: Chloraseptic sore throat remedies, Clear Eyes eye drops, Compound W wart removers, Dramamine motion sickness products, Efferdent and Effergrip denture products, Little Remedies pediatric healthcare products, Luden's cough drops, PediaCare pediatric healthcare products and The Doctor’s brand of oral care products. Our other significant brands in the category include Dermoplast first-aid products, Murine eye and ear care products, NasalCrom allergy relief product, New-Skin liquid bandage, and Wartner wart removers.   In 2011, the OTC Healthcare segment accounted for 69.7% of our net revenues compared to 62.2% and 60.6% in 2010 and 2009, respectively.

Chloraseptic

Chloraseptic was originally developed by a dentist in 1957 to relieve sore throats and mouth pain. Chloraseptic’s 6 oz. cherry liquid sore throat spray is the number one selling product in the sore throat liquids/sprays segment. The Chloraseptic brand has an ACV of 92.3% and is number one in sore throat liquids/lozenges with a 40.7% market share.

Clear Eyes

Clear Eyes, with an ACV of 87.7%, has been marketed as an effective eye care product that helps take redness away and helps moisturize the eye. Clear Eyes is among the leading brands in the OTC personal eye care category. The 0.5 oz. size of Clear Eyes redness relief eye drops is the number two selling product in the eye allergy redness relief category and Clear Eyes is the number two brand in that category with 16.2% market share.

Compound W

Compound W has a long heritage; its wart removal products having been introduced almost 50 years ago. Compound W products are specially designed to provide relief from common and plantar warts and are sold in multiple forms of treatment depending on the consumer’s need, including Fast-Acting Liquid, Fast-Acting Gel, One Step Pads for Kids, One Step Pads for Adults and Freeze Off®, a cryogenic-based wart removal system. We believe that Compound W is one of the most trusted names in wart removal.

Compound W is the number two wart removal brand in the United States with a 36.0% market share and an ACV of 91.0%.

Dramamine

Dramamine is the number one brand in the $48.7 million Motion Sickness Tablets category with a 39.2% share and distribution in over 93.5% ACV. The product line includes a Less Drowsy formula and Chewable form in addition to the top selling Dramamine Original product.

Efferdent

Efferdent Denture Cleanser holds a 31.6% share and the number two position in the $75.8 million Denture Cleanser Tablets category. The January 2011 introduction of Efferdent PM extended the brand into the growing overnight cleanser segment. Efferdent enjoys distribution on over 95.2% ACV. Effergrip denture adhesive competes in the $148.4 million adhesives category and holds a 0.7% share.

Little Remedies

Little Remedies is a full line of pediatric OTC products that contain no alcohol, saccharin, artificial flavors or coloring dyes including: (i) Little Noses, a product line consisting of an assortment of nasal saline products, (ii) Little Colds, a product line consisting of a multi-symptom cold relief formula, sore throat relief products, a cough relief formula, a decongestant and a combined decongestant plus cough relief formula, (iii) Little Tummys, a product line consisting of gas relief drops, laxative drops and gripe water, an herbal supplement used to ease discomfort often associated with colic and hiccups, and (iv) Little Teethers, a product line offering teething relief.

Luden's

Luden's throat drops heritage spans more than 120 years. Among the fastest growing brands in the $399.4 million cough drops category, Luden's has a 5.5% share of market and distribution in more than 94.3% ACV. Luden's Wild Cherry is the number one selling item in the cough drop category and a Sugar Free line extension was launched in 2011.

PediaCare

PediaCare is a full line of pediatric multi-symptom cough, cold and allergy products. In 2011, the brand launched a comprehensive line of pain relievers and fever reducers for both children and infants in addition to a new 24 Hour Allergy Relief offering. PediaCare currently holds a 3.5% share and the number six position in the $664.2 million Pediatric Healthcare market. All PediaCare products combined have distribution in 85.1% ACV.

The Doctor’s

The Doctor’s is a line of products designed to help consumers that are highly motivated to maintain good oral hygiene in between dental office visits. The market is driven primarily by two niche segments, bruxism (nighttime teeth grinding) and interdental cleaning. The Doctor’s NightGuard dental protector was the first FDA cleared OTC treatment for bruxism.

Household Cleaning Segment

Our portfolio of Household Cleaning brands includes the Chore Boy, Comet and Spic and Span brands. During 2011, the Household Cleaning segment accounted for 30.3% of our revenues, compared with 37.8% and 39.4% in 2010 and 2009, respectively.

Chore Boy

Chore Boy scrubbing pads and sponges were initially launched in the 1920's. Over the years the line has grown to include metal and non-metal scrubbers that are used for a variety of household cleaning tasks. Chore Boy products are currently sold in food and drug stores, mass merchandisers, and in hardware and convenience stores.

Comet

Comet was originally introduced in 1956 and is one of the most widely recognized Household Cleaning brands, with an ACV of 98.8%. Comet competes in the abrasive and non-abrasive tub and tile cleaner sub-category of the Household Cleaning category that includes abrasive powders, creams, liquids and non-abrasive sprays. Comet products include several varieties of cleaning powders, spray and cream, both abrasive and non-abrasive.

Spic and Span

Spic and Span was introduced in 1925 and is marketed as the complete home cleaner with three product lines consisting of (i) dilutables, (ii) an anti-bacterial hard surface spray for counter tops and (iii) glass cleaners. Each of these products can be used for multi-room and multi-surface cleaning.

For additional information concerning our business segments, please refer to Part II, Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations and Note 18 to the Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K.

Marketing and Sales

Our marketing strategy is based upon the acquisition and the rejuvenation of established consumer brands that possess what we believe to be significant brand value and unrealized potential. Our marketing objective is to increase sales and market share by developing innovative new products and line extensions and executing professionally designed, creative and cost-effective advertising and promotional programs. After we acquire a brand, we implement a brand building strategy that uses the brand's existing consumer awareness to maximize sales of current products and provides a vehicle to drive growth through product innovation. This brand building process involves the evaluation of the existing brand name, the development and introduction of innovative new products and the execution of professionally designed support programs. Recognizing that financial resources are limited, we allocate our resources to focus on our core brands that we believe have the greatest opportunities for growth and financial success. Brand priorities vary from year-to-year and generally revolve around new product introductions.

Customers

Our senior management team and dedicated sales force strive to maintain long-standing relationships with our top 50 domestic customers, which accounted for approximately 74.4%, 79.6% and 80.7% of our combined gross sales for 2011, 2010 and 2009, respectively. Our sales management team has grown to 26 people in order to focus on our key customer relationships. We also contract with third-party sales management enterprises that interface directly with our remaining customers and report directly to members of our sales management team.

We enjoy broad distribution across each of the major retail channels, including mass merchandisers, drug, food, dollar and club stores. The following table sets forth the percentage of gross sales across our five major distribution channels during each of the three-years ended March 31:

	Percentage of Gross Sales(1)					
Channel of Distribution	2011		2010		2009	
Mass	33.0	%	34.9	%	36.3	%
Food	21.8		21.0		21.7	
Drug	25.0		24.1		24.7	
Dollar	9.8		10.7		9.9	
Club	2.3		2.3		2.4	
Other	8.1		7.0		5.0	

(1) Includes estimates for some of our wholesale customers that service more than one distribution channel.

Due to the diversity of our product line, we believe that each of these channels is important to our business and we continue to seek opportunities for growth in each channel.

Our principal customer relationships include Walmart, Walgreens, CVS, Target and Dollar Tree. Sales to our top five and ten customers accounted for approximately 41.7% and 53.0% of total gross sales, respectively, in 2011 compared with approximately 45.6% and 57.3%, respectively, in 2010 and approximately 47.1% and 58.5%, respectively, in 2009. No single customer other than Walmart accounted for more than 10% of our gross sales in any of those years and none of our other top five customers accounted for less than 3% of our gross sales in any of those years.

Our strong customer relationships and product recognition provide us with a number of important benefits including (i) minimization of slotting fees, (ii) maximization of new product introductions, (iii) maximization of shelf space prominence and (iv) minimization of cash collection days. We believe that management's emphasis on strong customer relationships, speed and flexibility and leading sales technology capabilities, combined with consistent marketing support programs and ongoing product innovation, will continue to maximize our competitiveness in the increasingly complex retail environment.

The following table sets forth a list of our primary distribution channels and our principal customers for each channel:

Distribution Channel	Customers	Distribution Channel	Customers
Mass	Kmart	Drug	CVS
	Meijer		Rite Aid
	Target		Walgreens
	Walmart		
		Dollar	Dollar General
Food	Ahold		Dollar Tree
	Kroger		Family Dollar
	Publix		
	Safeway	Club	BJ's Wholesale Club
	Supervalu		Costco
			Sam's Club

Outsourcing and Manufacturing

In order to maximize our competitiveness and efficiently allocate our resources, third-party manufacturers fulfill all of our manufacturing needs. We have found that contract manufacturing maximizes our flexibility and responsiveness to industry and consumer trends while minimizing the need for capital expenditures. We select contract manufacturers based on their core competencies and our perception of the best overall value, including factors such as (i) depth of services, (ii) professionalism and integrity of the management team, (iii) manufacturing flexibility, (iv) regulatory compliance and (v) competitive pricing. We also conduct thorough reviews of each potential manufacturer's facilities, quality standards, capacity and financial stability. We generally purchase only finished products from our manufacturers.

Our primary contract manufacturers provide comprehensive services from product development through the manufacturing of finished goods. They are responsible for such matters as (i) production planning, (ii) product research and development, (iii) procurement, (iv) production, (v) quality testing, and (vi) almost all capital expenditures. In most instances, we provide our contract manufacturers with guidance in the areas of (i) product development, (ii) performance criteria, (iii) regulatory guidance, (iv) sourcing of packaging materials and (v) monthly master production schedules. This management approach results in minimal capital expenditures and maximizes our cash flow, which is reinvested to support our marketing initiatives, used to fund brand acquisitions or to repay outstanding indebtedness.

At March 31, 2011, we had relationships with over 40 third-party manufacturers. Of those, we had long-term contracts with 11 manufacturers that produced items that accounted for approximately 52.9% of our gross sales for each of 2011 and 2010 compared to 10 manufacturers with long-term contracts that produced approximately 53.3% of gross sales in 2009. The fact that we do not have long-term contracts with certain manufacturers means that they could cease manufacturing these products at any time and for any reason, or initiate arbitrary and costly price increases which could have a material adverse effect on our business, financial condition and results from operations.

At March 31, 2011, suppliers for our key brands included (i) Fitzpatrick Bros. Inc., (ii) Access Business Group, (iii) Aspen Pharmacare, (iv) Altaire Pharmaceuticals, Inc., (v) BestSweet, Inc., and (vi) Pharma Tech Industries. We enter into manufacturing agreements for a majority of our products by sales volume, each of which vary based on the capabilities of the third-party manufacturer and the products being supplied. These agreements explicitly outline the manufacturer's obligations and product specifications with respect to the brand or brands being produced. The purchase price of products under these agreements is subject to change pursuant to the terms of these agreements due to fluctuations in raw material, packaging and labor costs. All of our other products are manufactured on a purchase order basis which is generally based on batch sizes and results in no long-term obligations or commitments.

Warehousing and Distribution

We receive orders from retailers and/or brokers primarily by electronic data interchange, which automatically enters each order into our computer systems and then routes the order to our distribution center. The distribution center will, in turn, send a confirmation that the order was received, fill the order and ship the order to the customer, while sending a shipment confirmation to us. Upon receipt of the confirmation, we send an invoice to the customer.

We manage product distribution in the mainland United States primarily through one facility located in St. Louis, owned and operated by a third-party provider. Our warehouse provider provides warehouse services, including without limitation, storage, handling and shipping with respect to our full line of products, as well as transportation services, including without limitation, (i) complete management services, (ii) claims administration, (iii) proof of delivery, (iv) procurement, (v) report generation, and (vi) automation and freight payment services with respect to our full line of products.

If our warehouse provider abruptly stopped providing warehousing or transportation services to us, our business operations could suffer a temporary disruption while new service providers are engaged. We believe this process could be completed quickly and any temporary disruption resulting therefrom would not be likely to have a significant effect on our operating results and financial condition. However, a serious disruption, such as a flood or fire, to our distribution center could damage our inventory and could materially impair our ability to distribute our products to customers in a timely manner or at a reasonable cost. We could incur significantly higher costs and experience longer lead times associated with the distribution of our products to our customers during the time required to reopen or replace our distribution center. As a result, any such serious or prolonged disruption could have a material adverse effect on our business, financial condition and results from operations.

Competition

The business of selling brand name consumer products in the OTC Healthcare and Household Cleaning categories is highly competitive. These markets include numerous national and global manufacturers, distributors, marketers and retailers that actively compete for consumers' business both in the United States and abroad. Many of these competitors are larger and have substantially greater research and development and financial resources than we do. Consequently, they may have the ability to spend more aggressively on advertising and marketing and research and development, and to respond more effectively to changing business and economic conditions. If this were to occur, our sales, operating results and profitability could be adversely affected. In addition, we are experiencing increased competition from so called "private label" products introduced by major retail chains. While we believe that our branded products provide superior quality and benefits, we are unable to predict whether consumers will continue to purchase “private label” products at increasing rates after the conclusion of the current economic downturn.

Our principal competitors vary by industry category. Competitors in the OTC Healthcare category include: Johnson & Johnson, maker of Visine®, which competes with our Clear Eyes and Murine brands; McNeil-PPC (owned by Johnson & Johnson), maker of Children's Tylenol® and Novartis Consumer Healthcare, maker of Triaminic®, each of which competes with our PediaCare and Little Remedies brands; The Procter & Gamble Company, maker of Vicks®, and Reckitt Benckiser, maker of Cepacol®, each of which competes with our Chloraseptic brand; Kraft Foods, maker of Halls®, which competes with our Luden's brand; The Procter & Gamble Company, maker of Fixodent®, and GlaxoSmithKline, maker of Polident®, each of which competes with our Efferdent brand; and Insight Pharmaceuticals, Inc. maker of Bonine®, which competes with our Dramamine brand. Other competitors in the OTC category include: Merck, maker of Dr. Scholl’s®, which competes with our Compound W and Wartner brands; GlaxoSmithKline, maker of Debrox®, which competes with our Murine ear care brand; Sunstar America, Inc., maker of the GUM® line of oral care products, as well as DenTek® Oral Care, Inc., which markets a dental protector for nighttime teeth grinding and interdental toothpicks, each of which competes with our The Doctor’s oral care brand.

Competitors in the household cleaning category include: Henkel AG & Co., maker of Soft Scrub®, Colgate-Palmolive Company, maker of Ajax Cleanser, and The Clorox Company, maker of Tilex®, each of which competes with our Comet brand. Additionally, Clorox’s Pine Sol® and Procter & Gamble’s Mr. Clean® compete with our Spic and Span brand, while 3M Company, maker of Scotch-Brite®, O-Cel-O® and Dobie® brands, and Clorox’s SOS®, compete with our Chore Boy brand.

We compete on the basis of numerous factors, including brand recognition, product quality, performance, price and product availability at the retail level. Advertising, promotion, merchandising and packaging, the timing of new product introductions and line extensions also have a significant impact on customers’ buying decisions and, as a result, on our sales. The structure and quality of our sales force, as well as sell-through of our products, affects in-store position, wall display space and inventory levels in retail outlets. If we are unable to maintain the inventory levels and in-store positioning of our products in retail stores, our sales and operating results will be adversely affected. Our markets are also highly sensitive to the introduction of new products, which may rapidly capture a significant share of the market. An increase in the amount of new product introductions and the levels of advertising spending by our competitors could have a material adverse effect on our business, financial condition and results from operations.

Regulation

Product Regulation

The formulation, manufacturing, packaging, labeling, distribution, importation, sale and storage of our products are subject to extensive regulation by various federal agencies, including the FDA, the Federal Trade Commission (“FTC”), the Consumer Product Safety Commission (“CPSC”), and the Environmental Protection Agency (“EPA”), and various agencies of the states, localities and foreign countries in which our products are manufactured, distributed and sold. Our Regulatory Team is guided by a senior member of management and staffed by individuals with appropriate legal and regulatory experience. Our Regulatory and Operations teams work closely with our third-party manufacturers on quality related matters while we monitor their compliance with FDA regulations and perform periodic audits to ensure such compliance. This continual evaluation process ensures that our manufacturing processes and products are of the highest quality and in compliance with all known regulatory requirements. When and if the FDA chooses to audit a particular manufacturing facility, we are required to be notified immediately and updated on the progress of the audit as it proceeds. If we or our manufacturers fail to comply with applicable regulations, we could become subject to significant claims or penalties or be required to discontinue the sale of the non-compliant product, which could have a material adverse effect our business, financial condition and results from operations. In addition, the adoption of new regulations or changes in the interpretations of existing regulations may result in significant additional compliance costs or discontinuation of product sales and may also have a material adverse effect on our business, financial condition and results from operations.

Most of our OTC drug products are regulated pursuant to the FDA's monograph system. The monographs set out the active ingredients and labeling indications that are permitted for certain broad categories of OTC drug products. When the FDA has finalized a particular monograph, it has concluded that a properly labeled product formulation is generally recognized as safe and effective and not misbranded. A tentative final monograph indicates that the FDA has not made a final determination about products in a category to establish safety and efficacy for a product and its uses. However, unless there is a serious safety or efficacy issue, the FDA typically will exercise enforcement discretion and permit companies to sell products conforming to a tentative final monograph until the final monograph is published. Products that comply with either final or tentative final monograph standards do not require pre-market approval from the FDA.

Certain of our OTC drug products are Abbreviated New Drug Applications ("ANDA") products and are manufactured and labeled in accordance with a FDA-approved submission. These products are subject to reporting requirements as set forth in FDA regulations.

Certain of our OTC Healthcare products are medical devices which are regulated by the FDA through a system which usually involves pre-market clearance. During the review process, the FDA makes an affirmative determination as to the sufficiency of the label directions, cautions and warnings for the medical devices in question.

In accordance with the Federal Food, Drug and Cosmetic Act ("FDC Act") and FDA regulations, the Company and its drug and device manufacturers must also comply with the FDA's current Good Manufacturing Practices ("GMPs"). The FDA inspects our facilities and those of our third-party manufacturers periodically to determine that both the Company and our third-party manufacturers are complying with GMPs.

A number of our products are regulated by the CPSC under the Federal Hazardous Substances Act (the "FHSA"), the Poison Prevention Packaging Act of 1970 (the "PPPA") and the Consumer Products Safety Improvement Act of 2008 (the "CPSIA"). Certain of our household products are considered to be hazardous substances under the FHSA and therefore require specific cautionary warnings to be included in their labeling for such products to be legally marketed. In addition, a small number of our products are subject to regulation under the PPPA and can only be legally marketed if they are dispensed in child-resistant packaging or labeled for use in households where there are no children. The CPSIA requires us to make available to our customers certificates stating that we are in compliance with any applicable regulation administered by the CPSC.

Certain of our Household Cleaning products are considered pesticides under the Federal Insecticide, Fungicide, and Rodenticide Act ("FIFRA"). Generally speaking, any substance intended for preventing, destroying, repelling, or mitigating any pest is considered to be a pesticide under FIFRA. We market and distribute certain household products under our Comet and Spic and Span brands which make antibacterial and/or disinfectant claims governed by FIFRA. Due to the antibacterial and/or disinfectant claims on certain of the Comet and Spic and Span products, such products are considered to be pesticides under FIFRA and are required to be registered with the EPA and contain certain disclosures on the product labels. In addition, the contract manufacturers from which we source these products must be registered with the EPA. Our Comet and Spic and Span products that make antibacterial and/or disinfectant claims are also subject to state regulations and the rules and regulations of the various jurisdictions where these products are sold.

Other Regulations

We are also subject to a variety of other regulations in various foreign markets, including regulations pertaining to import/export regulations and antitrust issues. To the extent we decide to commence or expand operations in additional countries, we may be required to obtain an approval, license or certification from the country's ministry of health or comparable agency. We must also comply with product labeling and packaging regulations that may vary from country-to-country. Government regulations in both our domestic and international markets can delay or prevent the introduction, or require the reformulation or withdrawal, of some of our products. Our failure to comply with these regulations can result in a product being removed from sale in a particular market, either temporarily or permanently. In addition, we are subject to FTC and state regulations, as well as foreign regulations, relating to our product claims and advertising. If we fail to comply with these regulations, we could be subject to enforcement actions and the imposition of penalties which could have a material adverse effect on our business, financial condition and results from operations.

Intellectual Property

We own a number of trademark registrations and applications in the United States, Canada and other foreign countries. The following are some of the most important registered trademarks we own in the United States and/or

Canada: Chloraseptic, Chore Boy, Cinch®, Clear Eyes, Comet, Compound W, Dermoplast, Dramamine, Efferdent, Effergrip, Freeze Off, Little Remedies, Longlast®, Luden's, Momentum®, Murine, NasalCrom, New-Skin, PediaCare, Percogesic®, Spic and Span, The Doctor's Brushpicks, The Doctor's NightGuard, and Wartner.

Our trademarks and trade names are how we convey that the products we sell are "brand name" products. Our ownership of these trademarks and trade names is very important to our business as it allows us to compete based on the value and goodwill associated with these marks. We may also license others to use these marks. Additionally, we own or license patents on innovative and proprietary technology. Such patents evidence the unique nature of our products, provide us with exclusivity and afford us protection from the encroachment of others. None of our patents that we own or license, however, is material to us on a consolidated basis. Enforcing our rights, or the rights of any of our licensors, represented by these trademarks, trade names and patents is critical to our business, but is expensive. If we are not able to effectively enforce our rights, others may be able to dilute our trademarks, trade names and patents and diminish the value associated with our brands and technologies, which could have a material adverse effect on our business, financial condition and results from operations.

We do not own all of the intellectual property rights applicable to our products. In those cases where our third-party manufacturers own patents that protect our products, we are dependent on them as a source of supply for our products. Unless other non-infringing technologies are available, we must continue to purchase patented products from our suppliers who sell patented products to us. In addition, we rely on our suppliers for their enforcement of their intellectual property rights against infringing products.

We have licensed to The Procter & Gamble Company the right to use the Comet, Spic and Span and Chlorinol® trademarks in the commercial/institutional/industrial segment in the United States and Canada until 2019. We have also licensed to The Procter & Gamble Company the Comet and Chlorinol brands in Russia and specified Eastern European countries until 2015.

Seasonality

The first quarter of our fiscal year typically has the lowest level of revenue due to the seasonal nature of certain of our brands relative to the summer and winter months. In addition, the first quarter is the least profitable quarter due to the increased advertising and promotional spending to support those brands with a summer selling season, such as Clear Eyes products, Compound W, Wartner and New-Skin. The increased level of advertising and promotional campaigns in the third quarter influence sales of our cough/cold products such as Chloraseptic, Little Remedies, Luden's and PediaCare during the fourth quarter cough/cold winter months. Additionally, the fourth quarter typically has the lowest level of advertising and promotional spending as a percent of revenue.

Employees

We employed approximately 100 full time individuals at March 31, 2011. None of our employees is a party to a collective bargaining agreement. Management believes that our relations with our employees are good.

Backlog Orders

We had no backlog orders at March 31, 2011 or 2010.

Available Information

Our Internet address is www.prestigebrands.com. We make available free of charge on or through our Internet website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports, and the Proxy Statement for our annual stockholders' meetings, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission (the "SEC"). The information found on our website shall not be deemed incorporated by reference by any general statement incorporating by reference this Annual Report on Form 10-K into any filing under the Securities Act of 1933, as amended (the "Securities Act"), or under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and shall not otherwise be deemed filed under such Acts. Information on our Internet website does not constitute a part of this Annual Report on Form 10-K and is not incorporated herein by reference.

The public may read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site (http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

We have adopted a Code of Conduct Policy, Code of Ethics for Senior Financial Employees, Complaint Procedures for Accounting and Auditing Matters, Corporate Governance Guidelines, Audit Committee Pre-Approval Policy, and Charters for our Audit, Compensation and Nominating and Governance Committees, as well as a Related Persons Transaction Policy and Stock Ownership Guidelines. We will provide to any person without charge, upon request, a copy of the foregoing materials. Any requests for the foregoing documents from us should be made in writing to:

Prestige Brands Holdings, Inc.
90 North Broadway
Irvington, New York 10533
Attention: Secretary

We intend to disclose future amendments to the provisions of the foregoing documents, policies and guidelines and waivers therefrom, if any, on our Internet website and/or through the filing of a Current Report on Form 8-K with the SEC to the extent required under the Exchange Act.

ITEM 1A. RISK FACTORS

The high level of competition in our industry, much of which comes from competitors with greater resources, could adversely affect our business, financial condition and results from operations.

The business of selling brand name consumer products in the OTC Healthcare and Household Cleaning categories is highly competitive. These markets include numerous manufacturers, distributors, marketers and retailers that actively compete for consumers' business both in the United States and abroad. Many of these competitors are larger and have substantially greater resources than we do, and may therefore have the ability to spend more aggressively on research and development, advertising and marketing, and to respond more effectively to changing business and economic conditions. If this were to occur, it could have a material adverse effect on our business, financial condition and results from operations.

Certain of our product lines that account for a large percentage of our sales have a small market share relative to our competitors. For example, while Clear Eyes has a number two market share position of 16.2% within the allergy/redness eye drop segment, its top competitor, Visine®, has a market share of 31.4% in the same segment. In contrast, certain of our brands with number two market positions have a similar market share relative to our competitors. For example, Compound W has a number two market position of 36.0% and its top competitor, Dr. Scholl's®, has a market position of 40.4% in the same category. Finally, while our New-Skin liquid bandage product has a number one market position of 55.8%, the size of the liquid bandage market is relatively small, particularly when compared to the much larger bandage category. See "Part I, Item 1. Business" section on page 1 of this Annual Report on Form 10-K for information regarding market share calculations.

We compete for customers' attention based on a number of factors, including brand recognition, product quality, performance, price and product availability at the retail level. Advertising, promotion, merchandising and packaging, the timing of new product introductions and line extensions also have a significant impact on consumer buying decisions and, as a result, on our sales. The structure and quality of our sales force, as well as sell-through of our products affect in-store position, wall display space and inventory levels in retail stores. If we are unable to maintain our current distribution network, inventory levels and in-store positioning of our products at our customers, our sales and operating results will be adversely affected. Our markets also are highly sensitive to the introduction of new products, which may rapidly capture a significant share of the market. An increase in the number of product innovations by our competitors or the failure of a new product launch by the Company could have a material adverse effect on our business, financial condition and results from operations.

In addition, competitors may attempt to gain market share by offering products at prices at or below those typically offered by us. Competitive pricing may require us to reduce prices which may result in lost sales or a reduction of our profit margins. Future price adjustments, product changes or new product introductions by our competitors or our inability to react with price adjustments, product changes or new product introductions of our own could result in a loss of market share which could have a material adverse effect on our business, financial condition and results from operations.

We depend on a limited number of customers with whom we have no long-term agreements for a large portion of our gross sales and the loss of one or more of these customers could reduce our gross sales and have a material adverse effect on our business, financial condition and results of operations.

For 2011, our top five and ten customers accounted for approximately 41.7% and 53.0%, respectively, of our sales, compared with approximately 45.6% and 57.3% for 2010 and 47.1% and 58.5% for 2009. Walmart, which itself accounted for approximately 20.3%, 24.4% and 25.5% of our sales in 2011, 2010 and 2009, respectively, is our only customer that accounted for 10% or more of our sales. We expect that for future periods, our top five and ten customers, including Walmart, will, in the aggregate, continue to account for a large portion of our sales. The loss of one or more of our top customers, any significant decrease in sales to these customers, or a significant decrease in our retail display space in any of these customers' stores, could reduce our sales and have a material adverse effect on our business, financial condition and results from operations.

In addition, our business is based primarily upon individual sales orders. We typically do not enter into long-term contracts with our customers. Accordingly, our customers could cease buying products from us at any time and for any reason. The fact that we do not have long-term contracts with our customers means that we have no recourse in the event a customer no longer wants to purchase products from us. If a significant number of our smaller customers, or any of our significant customers, elect not to purchase products from us, our business, financial condition and results from operations could be adversely affected.

Our business has been and could continue to be adversely affected by a prolonged recession in the United States.

The economic uncertainty surrounding the current United States recession has affected and could continue to materially affect our business because such economic challenges could adversely affect consumers, our customers and suppliers. Specifically:

- Consumer spending may continue to be curtailed resulting in downward pressure on our sales,
- Our customers may continue to rationalize the number of products that reach store shelves resulting in a reduction of the number of products that are carried at retail, particularly those that are not number one or two in their category,
- Our customers may continue to reduce overall inventory levels to strengthen their working capital positions which could result in additional sales reductions for us during those periods that our customers implement such strategies,
- Our customers may continue to increase the number and breadth of products that are sold via their "private label" to the detriment of our branded products,
- Our customers may continue to rationalize store count, closing additional marginally performing stores resulting in sales reductions, potential working capital reductions, and an inability to repay amounts owed to us, and
- Our suppliers may suffer from sales reductions which could diminish their working capital and impede their ability to provide product to us in a timely manner.

We depend on third-party manufacturers to produce the products we sell. If we are unable to maintain these manufacturing relationships or fail to enter into additional relationships, as necessary, we may be unable to meet customer demand and our sales and profitability could suffer as a result.

All of our products are produced by third-party manufacturers. Our ability to retain our current manufacturing relationships and engage in and successfully transition to new relationships is critical to our ability to deliver quality products to our customers in a timely manner. Without adequate supplies of quality merchandise, sales would decrease materially and our business would suffer. In the event that our primary third-party manufacturers are unable or unwilling to ship products to us in a timely manner, we would have to rely on secondary manufacturing relationships or identify and qualify new manufacturing relationships. We might not be able to identify or qualify such manufacturers for existing or new products in a timely manner and such manufacturers may not allocate sufficient capacity to us in order that we may meet our commitments to customers. In addition, identifying alternative manufacturers without adequate lead times can compromise required product validation and stability protocol, which may involve additional manufacturing expense, delay in production or product disadvantage in the marketplace. The consequences of not securing adequate and timely supplies of merchandise would negatively impact inventory levels, sales and gross margins, and could have a material adverse effect on our business, financial condition and results from operations.

These manufacturers may also increase the cost of the products we purchase which could adversely affect our margins in the event we are unable to pass along these increased costs to our customers. A situation such as this could also have a material adverse effect on our business, financial condition and results from operations.

At March 31, 2011, we had relationships with over 40 third-party manufacturers. Of those, we had long-term contracts with 11 manufacturers that produced items that accounted for approximately 52.9% of our gross sales for each of 2011 and 2010. The fact that we do not have long-term contracts with certain manufacturers means that they could cease manufacturing these products at any time and for any reason, or initiate arbitrary and costly price increases which could have a material adverse effect on our business, financial condition and results from operations.

Price increases for raw materials, labor, energy and transportation costs could have an adverse impact on our margins.

The costs to manufacture and distribute our products are subject to fluctuation based on a variety of factors. Increases in commodity raw material (including resins) and packaging component prices and labor, energy and fuel costs could have a significant impact on our 2012 results from operations. Consequently, if we are unable to increase the price for our products or continue to achieve cost savings in a rising cost environment, such cost increases would reduce our gross margins and could have a material adverse effect on our results from operations. If we increase the price for our products in order to maintain gross margins for our products, such increase may adversely affect demand for, and sales of, our products which could have a material adverse effect on our financial condition and results of operations.

Disruption in our St. Louis distribution center may prevent us from meeting customer demand and our sales and profitability may suffer as a result.

We manage our product distribution in the continental United States through one primary distribution center in St. Louis, Missouri. A serious disruption, such as a flood or fire, to our primary distribution center could damage our inventory and could materially impair our ability to distribute our products to customers in a timely manner or at a reasonable cost. We could incur significantly higher costs and experience longer lead times during the time required to reopen or replace our primary distribution center. As a result, any serious disruption could have a material adverse effect on our business, financial condition and results from operations.

Achievement of our strategic objectives requires the acquisition, or potentially the disposition, of certain brands or product lines. Efforts to effect and integrate such acquisitions or dispositions may divert our managerial resources away from our business operations.

The majority of our growth has been driven by acquiring other brands and companies. At any given time, we may be engaged in discussions with respect to possible acquisitions that are intended to enhance our product portfolio, enable us to realize cost savings and further diversify our category, customer and channel focus. Our ability to successfully grow through acquisitions depends on our ability to identify, negotiate, complete and integrate suitable acquisition candidates and to obtain any necessary financing. These efforts could divert the attention of our management and key personnel from our business operations. If we complete acquisitions, we may also experience:

- Difficulties achieving, or an inability to achieve, our expected returns,

- Difficulties in integrating any acquired companies, personnel and products into our existing business,

- Delays in realizing the benefits of the acquired company or products,

- Higher costs of integration than we anticipated,

- Difficulties in retaining key employees of the acquired business who are necessary to manage the business,

- Difficulties in maintaining uniform standards, controls, procedures and policies throughout our acquired companies, or

- Adverse customer or stockholder reaction to the acquisition.

In addition, any acquisition could adversely affect our operating results as a result of higher interest costs from the acquisition-related debt and higher amortization expenses related to the acquired intangible assets. The diversion of management’s attention to pursue acquisitions, or our failure to successfully integrate acquired companies into our business, could have a material adverse effect on our business, financial condition and results from operations.

In the event that we decide to sell a brand or product line, we may encounter difficulty finding, or be unable to find, a buyer on acceptable terms in a timely manner. The pursuit of divestitures could divert management's attention from our business operations and result in a delay in our efforts to achieve our strategic objectives.

Our risks associated with doing business internationally increase as we expand our international footprint.

During 2011, 2010 and 2009, approximately 4.2%, 4.3% and 3.6%, respectively, of our total revenues were attributable to our international business. We generally rely on brokers and distributors for the sale of our products in foreign countries. In addition to the risks associated with political instability, changes in the outlook for economic prosperity in these countries could adversely affect the sales of our products in these countries. Other risks of doing business internationally include:

- Changes in the legislative or regulatory requirements of the countries or regions where we do business,

- Currency controls which restrict or prohibit the payment of funds or the repatriation of earnings to the United States,
- Fluctuating foreign exchange rates could result in unfavorable increases in the price of our products or cause increases in the cost of certain products purchased from our foreign third-party manufacturers,
- Regulatory oversight and its impact on our ability to get products registered for sale in certain markets,
- Potential trade restrictions and exchange controls,
- Inability to protect our intellectual property rights in these markets, and

- Increased costs of compliance with general business and tax regulations in these countries or regions.

Regulatory matters governing our industry could have a significant negative effect on our sales and operating costs.

In both our United States and foreign markets, we are affected by extensive laws, governmental regulations, administrative determinations, court decisions and similar constraints. Such laws, regulations and other constraints exist at the federal, state or local levels in the United States and at analogous levels of government in foreign jurisdictions.

The formulation, manufacturing, packaging, labeling, distribution, importation, sale and storage of our products are subject to extensive regulation by various federal agencies, including (i) the Food and Drug Administration ("FDA"), (ii) the Federal Trade Commission ("FTC"), (iii) the Consumer Products Safety Commission ("CPSC"), (iv) the Environmental Protection Agency ("EPA"), and by (v) various agencies of the states, localities and foreign countries in which our products are manufactured, distributed, stored and sold. If we or our third-party manufacturers fail to comply with those regulations, we could become subject to enforcement actions, significant penalties or claims, which could materially adversely affect our business, financial condition and results from operations. In addition, the adoption of new regulations or changes in the interpretations of existing regulations may result in significant compliance costs or the cessation of product sales and may adversely affect the marketing of our products, resulting in a significant loss of revenues which could have a material adverse effect on our business, financial condition and results from operations.

The FDC Act and FDA regulations require that the manufacturing processes of our third-party manufacturers must also comply with the FDA's GMP. The FDA inspects our facilities and those of our third-party manufacturers periodically to determine if we and our third-party manufacturers are complying with GMPs. A history of past compliance is not a guarantee that future GMPs will not mandate other compliance steps and associated expense.

If we or our third-party manufacturers fail to comply with applicable federal, state, local or foreign regulations, we could be required to:

- Suspend manufacturing operations,

- Modify product formulations or processes,

- Suspend the sale of products with non-complying specifications,

- Initiate product recalls, or

- Change product labeling, packaging or advertising or take other corrective action.

Any of the foregoing actions could have a material adverse effect on our business, financial condition and results from operations.

In addition, our failure to comply with FTC or any other federal and state regulations, or with similar regulations in foreign markets, that cover our product claims and advertising, including direct claims and advertising by us, may result in enforcement actions and imposition of penalties or otherwise materially adversely affect the distribution and sale of our products, which could have a material adverse effect on our business, financial condition and results from operations.

Product liability claims and related negative publicity could adversely affect our sales and operating results.

We may be required to pay for losses or injuries purportedly caused by our products. From time-to-time we have been and may again be subjected to various product liability claims. Claims could be based on allegations that, among other things, our products contain contaminants, include inadequate instructions or warnings regarding their use or inadequate warnings concerning side effects and interactions with other substances. Any product liability claims may result in negative publicity that may adversely affect our sales and operating results. Also, if one of our products is found to be defective we may be required to recall it. This may result in substantial costs and negative publicity which may adversely affect our sales and operating results. Although we maintain, and require our suppliers and third-party manufacturers to maintain, product liability insurance coverage, potential product liability claims may exceed the amount of insurance coverage or potential product liability claims may be excluded under the terms of the policy, which could have a material adverse effect on our business, financial condition and results from operations. In addition, in the future we may not be able to obtain adequate insurance coverage or we may be required to pay higher premiums and accept higher deductibles in order to secure adequate insurance coverage.

If we are unable to protect our intellectual property rights our ability to compete effectively in the market for our products could be negatively impacted.

The market for our products depends to a significant extent upon the goodwill associated with our trademarks, trade names and patents. Our trademarks and trade names convey that the products we sell are “brand name” products. We believe consumers ascribe value to our brands, some of which are over 100 years old. We own or license the material trademark, trade names and patents used in connection with the packaging, marketing and sale of our products. These rights prevent our competitors or new entrants to the market from using our valuable brand names and technologies. Therefore, trademark, trade name and patent protection is critical to our business. Although most of our material intellectual property is registered in the United States and in applicable foreign countries, we may not be successful in asserting protection. If we were to lose the exclusive right to use one or more of our intellectual property rights, the loss of such exclusive right could have a material adverse effect on our business, financial condition and results from operations.

Other parties may infringe on our intellectual property rights and may thereby dilute the value of our brands in the marketplace. Brand dilution or the introduction of competitive brands could cause confusion in the marketplace and adversely affect the value that consumers associate with our brands, and thereby negatively impact our sales. Any such infringement of our intellectual property rights would also likely result in a commitment of our time and resources, financial or otherwise, to protect these rights through litigation or other means. In addition, third parties may assert claims against our intellectual property rights and we may not be able to successfully resolve those claims causing us to lose our ability to use our intellectual property that is the subject of those claims. Such loss could have a material adverse effect on our business, financial condition and results from operations. Furthermore, from time-to-time, we may be involved in litigation in which we are enforcing or defending our intellectual property rights which could require us to incur substantial fees and expenses and have a material adverse effect on our business, financial condition and results from operations.

We license certain of our trademarks to third party licensees, who are bound by their respective license agreement to protect our trademarks from infringement and adhere to defined quality requirements. If a licensee of our trademarks fails to adhere to the contractually defined quality requirements, our financial results could be negatively impacted if one of our brands suffers a substantial impairment to its reputation due to real or perceived quality issues. Further, if a licensee fails to protect one of our licensed trademarks from infringement, we might be required to take action.

Virtually all of our assets consist of goodwill and intangibles.

As our financial statements indicate, virtually all of our assets consist of goodwill and intangibles, principally the trademarks, trade names and patents that we have acquired. We recorded charges in 2010 and 2009 for impairment of those assets and in the event that the value of those assets become further impaired or our business is materially adversely affected in any way, we would not have tangible assets that could be sold to repay our liabilities. As a result, our creditors and investors may not be able to recoup the amount of the indebtedness that they have extended to us or the amount they have invested in us.

We depend on third parties for intellectual property relating to some of the products we sell, and our inability to maintain or enter into future license agreements may result in our failure to meet customer demand, which would adversely affect our operating results.

We have licenses or manufacturing agreements with third parties that own intellectual property (e.g., formulae, copyrights, trademarks, trade dress, patents and other technology) used in the manufacture and sale of certain of our products. In the event that any such license or manufacturing agreement expires or is otherwise terminated, we will lose the right to use the intellectual property covered by such license or agreement and will have to develop or obtain rights to use other intellectual property. Similarly, our rights could be reduced if the applicable licensor or third-party manufacturer fails to maintain or protect the licensed intellectual property because, in such event, our competitors could obtain the right to use the intellectual property without restriction. If this were to occur, we might not be able to develop or obtain replacement intellectual property in a timely or cost effective manner. Additionally, any modified products may not be well-received by customers. The consequences of losing the right to use or having reduced rights to such intellectual property could negatively impact our sales due to our failure to meet consumer demand for the affected products or require us to incur costs for development of new or different intellectual property, either of which could have a material adverse effect on our business, financial condition and results from operations. In addition, development of replacement products may be time-consuming and ultimately may not be feasible.

We depend on our key personnel and the loss of the services provided by any of our executive officers or other key employees could harm our business and results of operations.

Our success depends to a significant degree upon the continued contributions of our senior management, many of whom would be difficult to replace. These employees may voluntarily terminate their employment with us at any time. We may not be able to successfully retain existing personnel or identify, hire and integrate new personnel. While we believe we have developed depth and experience among our key personnel, our business may be adversely affected if one or more of these key individuals were to leave. We do not maintain any key-man or similar insurance policies covering any of our senior management or key personnel.

Our indebtedness could adversely affect our financial condition and the significant amount of cash we need to service our debt will not be available to reinvest in our business.

At March 31, 2011, our total indebtedness, including current maturities, is approximately $492.0 million.

Our indebtedness could:

- Increase our vulnerability to general adverse economic and industry conditions,
- Limit our ability to engage in strategic acquisitions,
- Require us to dedicate a substantial portion of our cash flow from operations toward repayment of our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions and investments and other general corporate purposes,
- Limit our flexibility in planning for, or reacting to, changes in our business and the markets in which we operate,
- Place us at a competitive disadvantage compared to our competitors that have less debt, and
- Limit, among other things, our ability to borrow additional funds on favorable terms or at all.

The terms of the indenture governing the 8.25% senior notes and the credit agreement governing the senior credit facility allow us to issue and incur additional debt upon satisfaction of conditions set forth in the respective agreements. If new debt is added to current debt levels, the related risks described above could increase.

At March 31, 2011, we had $40.0 million of borrowing capacity available under the Revolving Credit Facility to support our operating activities. We also have the ability to borrow up to an additional $75.0 million for acquisitions pursuant to our senior credit facility.

Our operating flexibility is limited in significant respects by the restrictive covenants in our senior credit facility and the indenture governing our senior notes.

Our senior credit facility and the indenture governing our senior notes impose restrictions that could impede our ability to enter into certain corporate transactions, as well as increase our vulnerability to adverse economic and industry conditions by limiting our flexibility in planning for, and reacting to, changes in our business and industry. These restrictions limit our ability to, among other things:

- Borrow money or issue guarantees,

- Pay dividends, repurchase stock from or make other restricted payments to stockholders,
- Make investments or acquisitions,
- Use assets as security in other transactions,
- Sell assets or merge with or into other companies,
- Enter into transactions with affiliates,
- Sell stock in our subsidiaries, and

- Direct our subsidiaries to pay dividends or make other payments to us.

Our ability to engage in these types of transactions is generally limited by the terms of the senior credit facility and the indenture governing the senior notes, even if we believe that a specific transaction would positively contribute to our future growth, operating results or profitability. However, if we are able to enter into these types of transactions under the terms of the senior credit facility and the indenture, or if we obtain a waiver with respect to any specific transaction, that transaction may cause our indebtedness to increase, may not result in the benefits we anticipate or may cause us to incur greater costs or suffer greater disruptions in our business than we anticipate, and could therefore, have a material adverse effect on our business, financial condition and results from operations.

In addition, the senior credit facility requires us to maintain certain leverage and interest coverage ratios and not to exceed annual capital expenditures of $3.0 million. Although we believe we can continue to meet and/or maintain the financial covenants contained in our credit agreement, our ability to do so may be affected by events outside our control. Covenants in our senior credit facility also require us to use 100% of the proceeds we receive from debt issuances to repay outstanding borrowings under our senior credit facility. Any failure by us to comply with the terms and conditions of the credit agreement and the indenture governing the senior notes could have a material adverse effect on our business, financial condition and results from operations.

The senior credit facility and the indenture governing the senior notes contain cross-default provisions that could result in the acceleration of all of our indebtedness.

The senior credit facility and the indenture governing the senior notes contain provisions that allow the respective creditors to declare all outstanding borrowings under one agreement to be immediately due and payable as a result of a default under the other agreement. Consequently, under the senior credit facility, failure to make a payment required by the indenture governing the senior notes, among other things, may lead to an event of default under the senior credit facility. Similarly, an event of default or failure to make a required payment at maturity under the senior credit facility, among other things, may lead to an event of default under the indenture governing the senior notes. If the debt under the senior credit facility and indenture governing the senior notes were to both be accelerated, the aggregate amount immediately due and payable as of March 31, 2011 would have been approximately $492.0 million. We presently do not have sufficient liquidity to repay these borrowings in the event they were to be accelerated, and we may not have sufficient liquidity in the future to do so. Additionally, we may not be able to borrow money from other lenders to enable us to refinance the indebtedness. At March 31, 2011, the book value of our current assets was $107.6 million. Although the book value of our total assets was $1,056.9 million, approximately $941.3 million was in the form of intangible assets, including goodwill of $154.9 million, a significant portion of which is illiquid and may not be available to satisfy our creditors in the event our debt is accelerated.

Any failure to comply with the restrictions of the senior credit facility, the indenture governing the senior notes or any other subsequent financing agreements may result in an event of default. Such default may allow the creditors to accelerate the related debt, as well as any other debt to which the cross-acceleration or cross-default provisions apply. In addition, the lenders may be able to terminate any commitments they had made to supply us with additional funding. As a result, any default by us under our credit agreement, indenture governing the senior notes or any other financing agreement, could have a material adverse effect on our business, financial condition and results from operations.

Litigation may adversely affect our business, financial condition and results of operations.

Our business is subject to the risk of litigation by employees, customers, consumers, suppliers, stockholders or others through private actions, class actions, administrative proceedings, regulatory actions or other litigation. The outcome of litigation, particularly class action lawsuits and regulatory actions, is difficult to assess or quantify. Plaintiffs in these types of lawsuits may seek recovery of very large or indeterminate amounts, and the magnitude of the potential loss relating to such lawsuits may remain unknown for substantial periods of time. The cost to defend current and future litigation may be significant. There may also be adverse publicity associated with litigation that could decrease customer acceptance of our products, regardless of whether the allegations are valid or whether we are ultimately found liable. Conversely, we may be required to initiate litigation against others to protect the value of our intellectual property and the goodwill associated therewith or enforce an agreement or contract that has been breached. These matters are extremely time consuming and expensive, but absolutely necessary to maintain enterprise value, protect our assets and realize the benefits of the agreements and contracts that we have negotiated and safeguard our future. As a result, litigation may adversely affect our business, financial condition and results of operations.

The trading price of our common stock may be volatile.

The trading price of our common stock could be subject to significant fluctuations in response to several factors, some of which are beyond our control, including (i) general stock market volatility, (ii) variations in our quarterly operating results, (iii) our leveraged financial position, (iv) potential sales of additional shares of our common stock, (v) perceptions associated with the identification of material weaknesses in internal control over financial reporting, (vi) general trends in the consumer products industry, (vii) changes by securities analysts in their estimates or investment ratings, (viii) the relative illiquidity of our common stock, (ix) voluntary withdrawal or recall of products, (x) news regarding litigation in which we are or become involved, and (xi) general marketplace conditions brought on by economic recession.

We have no current intention of paying dividends to holders of our common stock.

We presently intend to retain our earnings, if any, for use in our operations, to facilitate strategic acquisitions, or to repay our outstanding indebtedness and have no current intention of paying dividends to holders of our common stock. In addition, our debt instruments limit our ability to declare and pay cash dividends on our common stock. As a result, your only opportunity to achieve a return on your investment in our common stock will be if the market price of our common stock appreciates and you sell your shares at a profit.

Our annual and quarterly results from operations may fluctuate significantly and could fall below the expectations of securities analysts and investors due to a number of factors, many of which are beyond our control, resulting in a decline in the price of our securities.

Our annual and quarterly results from operations may fluctuate significantly because of several factors, including:

- Increases and decreases in average quarterly revenues and profitability,
- The rate at which we make acquisitions or develop new products and successfully market them,
- Our inability to increase the sales of our existing products and expand their distribution,
- Adverse regulatory or market events in our international markets,
- Litigation matters,
- Changes in consumer preferences, spending habits and competitive conditions, including the effects of competitors' operational, promotional or expansion activities,
- Seasonality of our products,
- Fluctuations in commodity prices, product costs, utilities and energy costs, prevailing wage rates, insurance costs and other costs,
- Our ability to recruit, train and retain qualified employees, and the costs associated with those activities,
- Changes in advertising and promotional activities and expansion to new markets,
- Negative publicity relating to us and the products we sell,

- Unanticipated increases in infrastructure costs,

- Impairment of goodwill or long-lived assets,

- Changes in interest rates, and

- Changes in accounting, tax, regulatory or other rules applicable to our business.

Our quarterly operating results and revenues may fluctuate as a result of any of these or other factors. Accordingly, results for any one quarter are not necessarily indicative of results to be expected for any other quarter or for any year, and revenues for any particular future period may decrease. In the future, operating results may fall below the expectations of securities analysts and investors. In that event, the market price of our outstanding securities could be adversely impacted.

We can be adversely affected by the implementation of new, or changes in the interpretation of existing, accounting principles generally accepted in the United States of America ("GAAP").

Our financial reporting complies with GAAP which is subject to change over time. If new rules or interpretations of existing rules require us to change our financial reporting, our financial condition and results from operations could be adversely affected.

Identification of a material weakness in internal controls over financial reporting may adversely affect our financial results.

We are subject to the ongoing internal control provisions of Section 404 of the Sarbanes-Oxley Act of 2002 and the regulations promulgated thereunder. Those provisions provide for the identification and reporting of material weaknesses in our system of internal controls over financial reporting. If such a material weakness is identified, it could indicate a lack of controls adequate to generate accurate financial statements. We routinely assess our internal controls over financial reporting, but we cannot assure you that we will be able to timely remediate any material weaknesses that may be identified in future periods, or maintain all of the controls necessary for continued compliance. Likewise, we cannot assure you that we will be able to retain sufficient skilled finance and accounting personnel, especially in light of the increased demand for such personnel among publicly-traded companies.

Provisions in our amended and restated certificate of incorporation and Delaware law may discourage potential acquirers of our company, which could adversely affect the value of our securities.

Our amended and restated certificate of incorporation provides that our board of directors is authorized to issue from time to time, without further stockholder approval, up to 5.0 million shares of preferred stock in one or more series of preferred stock issuances. Our board of directors may establish the number of shares to be included in each series of preferred stock and determine, as applicable, the voting and other powers, designations, preferences, rights, qualifications, limitations and restrictions for such series of preferred stock. The shares of preferred stock could have preferences over our common stock with respect to dividends and liquidation rights. We may issue additional preferred stock in ways which may delay, defer or prevent a change in control of the Company without further action by our stockholders. The shares of preferred stock may be issued with voting rights that may adversely affect the voting power of the holders of our common stock by increasing the number of outstanding shares having voting rights, and by the creation of class or series voting rights.

Our amended and restated certificate of incorporation, as amended, contains additional provisions that may have the effect of making it more difficult for a third party to acquire or attempt to acquire control of our company. In addition, we are subject to certain provisions of Delaware law that limit, in some cases, our ability to engage in certain business combinations with significant stockholders.

These provisions, either alone, or in combination with each other, give our current directors and executive officers the ability to significantly influence the outcome of a proposed acquisition of the Company. These provisions would apply even if an acquisition or other significant corporate transaction was considered beneficial by some of our stockholders. If a change in control or change in management is delayed or prevented by these provisions, the market price of our outstanding securities could be adversely impacted.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our corporate headquarters is located in Irvington, New York, a suburb of New York City. Primary functions undertaken at the Irvington facility include senior management, marketing, sales, operations, quality control and regulatory affairs, finance and legal. The lease on our Irvington facility expires on April 30, 2014. We also have an administrative center in Jackson, Wyoming. Primary functions undertaken at the Jackson facility include back office functions, such as invoicing, credit and collection, general ledger and customer service. The lease on the Jackson facility expires on December 31, 2011; however, we have the option to renew this lease on an annual basis. We conduct business regarding all of our business segments at each of the Irvington, New York and Jackson, Wyoming facilities.

ITEM 3. LEGAL PROCEEDINGS

San Francisco Technology Inc. Litigation

On April 5, 2010, Medtech Products Inc. (“Medtech”), a wholly-owned subsidiary of the Company, was served with a Complaint filed by San Francisco Technology Inc. (“SFT”) in the U.S. District Court for the Northern District of California, San Jose Division (the “California Court”). In the Complaint, SFT asserted a qui tam action against Medtech alleging false patent markings with the intent to deceive the public regarding Medtech's two Dermoplast products. Medtech filed a Motion to Dismiss or Stay and a Motion to Sever and Transfer Venue to the U.S. District Court for the Southern District of New York (the “New York Court”). On July 19, 2010, the California Court severed the action as to each and every separate defendant (including Medtech) and transferred the action against Medtech to the New York Court. On October 25, 2010, Medtech filed with the New York Court a Motion to Dismiss, or in the Alternative, to Stay, the action brought by SFT. A decision by the New York Court regarding Medtech's Motion to Dismiss, or in the Alternative Stay is still pending.

Trutek Arbitration

On November 1, 2010, Trutek Corp. (“Trutek”) commenced an arbitration proceeding against Prestige Brands, Inc. (“Prestige Brands”), a wholly-owned subsidiary of the Company, in which Trutek alleged that Prestige Brands breached certain terms of a license agreement between Trutek and Prestige Brands providing for the license of certain intellectual property by Trutek to Prestige Brands for an allergy relief product. Prestige Brands has denied Trutek's allegations of breach of the license agreement. Discovery in the arbitration is ongoing and a hearing is scheduled to occur in October 2011.

In addition to the matters described above, we are involved from time to time in other routine legal matters and other claims incidental to our business. We review outstanding claims and proceedings internally and with external counsel as necessary to assess probability and amount of potential loss. These assessments are re-evaluated at each reporting period and as new information becomes available to determine whether a reserve should be established or if any existing reserve should be adjusted. The actual cost of resolving a claim or proceeding ultimately may be substantially different than the amount of the recorded reserve. In addition, because it is not permissible under GAAP to establish a litigation reserve until the loss is both probable and estimable, in some cases there may be insufficient time to establish a reserve prior to the actual incurrence of the loss (upon verdict and judgment at trial, for example, or in the case of a quickly negotiated settlement). We believe the resolution of routine matters and other incidental claims, taking into account reserves and insurance, will not have a material adverse effect on our business, financial condition or results from operations.

ITEM 4. [REMOVED AND RESERVED]

Part II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Part III, Item 12 of this Annual Report on Form 10-K is incorporated herein by this reference.

Market Information

Our common stock is listed on The New York Stock Exchange (“NYSE”) under the symbol “PBH.” The high and low closing prices of our common stock as reported by the NYSE for the two most recently completed fiscal years on a quarterly basis and the current year through April 29, 2011 are as follows:

	High	Low
Year Ending March 31, 2012		
April 1, 2011 - April 29, 2011	$11.90	$11.20
Year Ended March 31, 2011		
Quarter Ended:		
June 30, 2010	$9.95	$7.08
September 30, 2010	9.93	7.21
December 31, 2010	12.15	9.82
March 31, 2011	12.59	10.60
Year Ended March 31, 2010		
Quarter Ended:		
June 30, 2009	$7.24	$5.19
September 30, 2009	8.19	5.75
December 31, 2009	8.03	6.70
March 31, 2010	9.06	7.20

Unregistered Sales of Equity Securities and Use of Proceeds

There were no equity securities sold by us during the quarter ended March 31, 2011 that were not registered under the Securities Act of 1933, as amended.

There were no purchases of shares of our common stock made during the quarter ended March 31, 2011, by or on behalf of us or any “affiliated purchaser,” as defined by Rule 10b-18(a)(3) of the Exchange Act.

Holders

As of April 29, 2011, there were 37 holders of record of our common stock. The number of record holders does not include beneficial owners whose shares are held in the names of banks, brokers, nominees or other fiduciaries.

Dividend Policy

We have not in the past paid, and do not expect for the foreseeable future, to pay dividends on our common stock. Instead, we anticipate that all of our earnings in the foreseeable future will be used in our operations, to facilitate strategic acquisitions, or to pay down our outstanding indebtedness. Any future determination to pay dividends will be at the discretion of our board of directors and will depend upon, among other factors, our results from operations, financial condition, capital requirements and contractual restrictions, including restrictions under our senior credit facility and the indenture governing our 8.25% senior notes, and any other considerations our board of directors deems relevant.

PERFORMANCE GRAPH

The following graph ("Performance Graph") compares our cumulative total stockholder return since March 31, 2006, with the cumulative total stockholder return for the Standard & Poor's SmallCap 600 Index, the Russell 2000 Index and our Peer Group Index. The Company is included in each of the Standard & Poor's SmallCap 600 Index and the Russell 2000 Index. The Performance Graph assumes that the value of the investment in the Company's common stock and each index was $100.00 on March 31, 2006. The Performance Graph was also prepared based on the assumption that all dividends paid, if any, were reinvested. The Peer Group Index was established in 2011 by the Company in connection with its research and development of an executive compensation program. Based on the Company's use of the peer group for executive compensation benchmarking purposes, the Company believes the Peer Group should be included in the Performance Graph.

Company/Market/Peer Group	March 31, 2006	2007	2008	2009	2010	2011
Prestige Brands Holdings, Inc.	$100.00	$97.37	$67.21	$42.56	$73.95	$94.49
Russell 2000 Index	100.00	105.91	92.14	57.58	93.73	117.90
S&P SmallCap 600 Index	100.00	105.29	94.13	58.30	95.62	119.78
Peer Group Index (1)	100.00	110.09	98.10	55.01	97.67	126.44

(1) The Peer Group Index is a self-constructed peer group consisting of companies in the consumer products industry with comparable revenues and market capitalization, from which the Company has been excluded. The Peer Group Index was constructed in connection with the Company’s benchmark analysis of executive compensation. The Peer Group Index is comprised of: (i) Elizabeth Arden, Inc., (ii) Hain Celestial Group, Inc., (iii) Helen of Troy, Ltd., (iv) Inter Parfums, Inc., (v) Lifetime Brands, Inc., (vi) Maidenform Brands, Inc., (vii) Smart Balance, Inc., (viii) WD-40 Company, and (ix) Zep, Inc.

The Performance Graph shall not be deemed incorporated by reference by any general statement incorporating by reference this Annual Report on Form 10-K into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that we specifically incorporate this information by reference, and shall not otherwise be deemed filed under such Acts.

ITEM 6. SELECTED FINANCIAL DATA

Prestige Brands Holdings, Inc. (In thousands, except per share data)	Year Ended March 31,				
	2011	2010	2009	2008	2007
Income Statement Data					
Total revenues	$336,510	$292,602	$294,346	$306,571	$296,042
Cost of sales (1)	165,632	139,158	138,909	145,968	139,939
Gross profit	170,878	153,444	155,437	160,603	156,103
Advertising and promotion expenses	42,897	30,923	37,376	33,733	30,972
Depreciation and amortization	9,876	10,001	8,872	8,667	8,037
General and administrative (2)	41,960	34,195	31,888	31,414	28,416
Impairment of goodwill and intangibles	—	—	249,285	—	—
Interest expense, net	27,317	22,935	28,436	37,393	39,536
Other expense (income)	300	2,656	—	(187)	(30)
Income (loss) from continuing operations before income taxes	48,528	52,734	(200,420)	49,583	49,172
Provision (benefit) for income taxes	19,349	20,664	(10,876)	18,558	17,020
Income (loss) from continuing operations	29,179	32,070	(189,544)	31,025	32,152
Discontinued Operations					
Income (loss) from	591	(112)	2,768	2,894	3,927

discontinued operations, net of income tax					
(Loss) gain on sale of discontinued operations, net of income tax	(550)	157	—	—	—
Net income (loss) available to common stockholders	$29,220	$32,115	$(186,776)	$33,919	$36,079
Basic earnings per share:					
Income (loss) from continuing operations	$0.58	$0.64	$		

			$ -	$ -	$ -	$ 307
Net income	-	-	-	-	4,856	
Balance at December 31, 1996	10,497,300	10,497	296,833	-	4,856	
Shares issued for cash, net of issue costs	187,416	187	46,850	-	-	
Net loss	-	-	-	-	(96,386)	
Unrealized foreign exchange gain	-	-	-	-	-	8
Balance at December 31, 1997	10,684,716	10,684	343,683	-	(91,530)	8
Stock reverse split 3:1	(7,123,094)	(7,123)	7,123	-	-	
Shares issued	7,773,026	7,773	1,980,833	-	-	
Unrealized foreign exchange loss	-	-	-	-	-	(8
Net loss	-	-	-	-	(1,798,830)	
Balance at December 31, 1998	11,334,648	11,334	2,331,639	-	(1,890,360)	
1998 issuance cancelled	(4,800,000)	(4,800)	(1,339,200)	-	-	
Share issue costs	500,000	500	85,000	-	-	

Net loss	-	-	-	-	(307,331)	
Balance at December 31, 1999	7,034,648	7,034	1,077,439	-	(2,197,691)	
Shares issued	4,435,570	-	1,083,791	-	-	
Finders' fees	-	-	48,000	-	-	
Share purchase warrants	-	-	80,000	-	-	
Net loss	-	-	-	-	(547,097)	
Balance at December 31, 2000	11,470,218	7,034	2,289,230	-	(2,744,788)	
Stock reverse split 10:1	(10,323,196)	(5,887)	5,887	-	-	
Shares issued	4,253,617	4,254	552,106	-	-	
Net loss	-	-	-	-	(297,352)	
Balance at December 31, 2001	5,400,639	5,401	2,847,223	-	(3,042,140)	
Shares issued	220,000	220	21,780	-	-	
Net loss	-	-	-	-	(29,664)	
Balance at December 31, 2002	5,620,639	5,621	2,869,003	-	(3,071,804)	
Shares issued	430,000	430	25,370	-	-	
Other comprehensive loss	-	-	-	-	17,920	(17
Net loss	-	-	-	-	(57,652)	
Balance at December 31, 2003	6,050,639	6,051	2,894,373	-	(3,111,536)	(17
Shares issued for services rendered	475,000	475	56,525	-	-	
Other comprehensive loss	-	-	-	-	-	(9
Net loss	-	-	-	-	(134,058)	
Balance at December 31, 2004	6,525,639	6,526	2,950,898	-	(3,245,594)	(27
Shares issued for services rendered	-	-	-	-	-	

Shares issued for cash	1,739,380	1,739	85,230	-	-	
Other comprehensive loss	-	-	-	-	-	(6
Net loss	-	-	-	-	(70,711)	
Balance at December 31, 2005	8,265,019	8,265	3,036,128	-	(3,316,305)	(33
Other comprehensive loss	-	-	-	-	-	(6
Net loss	-	-	-	-	(72,398)	
Balance at December 31, 2006	8,265,019	8,265	3,036,128	-	(3,388,703)	(40
Other comprehensive loss	-	-	-	-	-	(49
Share subscription received in advance	-	-	-	60,000	-	
Net loss	-	-	-	-	(107,554)	
Balance at December 31, 2007	8,265,019	8,265	3,036,128	60,000	(3,496,257)	(89
Share issued for subscription recd in 07	1,200,000	1,200	58,800	(60,000)	-	
Common stock sold at $0.05 per share	600,000	600	29,400	-	-	
Share subscription received in 2008	-	-	-	40,000	-	
Other comprehensive gain	-	-	-	-	-	81
Net loss	-	-	-	-	(123,823)	
Balance at December 31, 2008	10,065,019	10,065	3,124,328	40,000	(3,620,080)	(8
Shares owed at December 31, 2008 issued	800,000	800	39,200	(40,000)	-	

Shares issued for cash	2,250,000	2,250	42,750	-	-	
Shares issued for accts payable conversion	8,254,088	8,254	156,828	-		
Shares issued for notes payable conversion	879,454	880	218,984	-	-	
Warrants issued for services	-	-	238,227	-	-	
Warrant exercise	1,500,000	1,500	223,500	-	-	
Shares sold for cash, not issued at year-end	-	-	66,310	190	-	
Warrant exercise, not issued yet at year-end	-	-	418,883	1,641	-	
Warrants issued with debt	-	-	581,626	-	-	
Net loss	-	-	-	-	(1,655,978)	
Balance at December 31, 2009	23,748,561	$ 23,749	$ 5,110,636	$ 1,831	$ (5,276,058)	$ (8
Shares issued for executive compensation	250,000	250	169,750			
Shares issued from shares to be issued	1,830,825	1,831		(1,831)		
Exercise of Warrants	231,175	231	34,445			
Shares issued for convertible debt	1,000,000	1,000	349,000			
Shares sold for cash			154,557	443		
Exercise of Warrants			14,900	100		
Net loss					(2,074,123)	
Balance at September 30, 2010	27,060,561	$ 27,061	$ 5,833,288	$ 543	$ (7,350,181)	$ (8

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

American Petro-Hunter Inc.
(A Development Stage Company)
Notes to Financial Statements
September 30, 2010

1. Nature and Continuance of Operations

American Petro-Hunter Inc. (the "Company") was incorporated in the State of Nevada on January 24, 1996 as Wolf Exploration Inc. On March 17, 1997, Wolf Exploration Inc. changed its name to Wolf Industries Inc.; on November 21, 2000, they changed its name to Travelport Systems Inc., and on August 17, 2001, changed its name to American Petro-Hunter Inc.

The Company is evaluating the acquisition of certain natural resource projects with the intent of developing such projects. The Company focus is currently in locating and assessing potential acquisition targets, including real property, oil and gas companies.

Going Concern

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The Company is at a development stage and has minimal revenues, has limited assets and has accumulated deficit and comprehensive losses during the development period of $7,350,181 and requires additional funds to maintain its operations. Management's plan in this regard is to raise equity financing as required. There can be no assurance that sufficient funding will be obtained. The foregoing matters raise substantial doubt about the Company's ability to continue as a going concern. The condensed financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts of and classification of liabilities that might be necessary in the event the Company cannot continue in existence.

Development Stage Activities

The Company is in the development stage. We have had minimal revenue from our current operations. To generate revenue, our new business plan is to focus development of our natural resource projects. Based upon our business plan, we are a development stage enterprise. Accordingly, we present our financial statements in conformity with the accounting principles generally accepted in the United States of America that apply in establishing operating enterprises. As a development stage enterprise, we disclose the deficit accumulated during the development stage and the cumulative statements of operations and cash flows from our inception to the current balance sheet date.

2. Significant Accounting Policies

The following is a summary of significant accounting policies used in the preparation of these financial statements.

Principles of accounting

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

Income taxes

The Company accounts for income taxes under FASB Codification Topic 740-10-25 ("ASC 740-10-5"). Under ASC 740-10-25, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under ASC 740-10-25, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Revenue Recognition

It is our policy that revenues will be recognized in accordance with ASC subtopic 605-10 (formerly SEC Staff Accounting Bulletin (SAB) No. 104, “Revenue Recognition.”). Under ASC 605-10, product revenues are recognized when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed and determinable and collectability is reasonably assured.

Use of estimates
The preparation of financial statements, in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net loss per share
In accordance with ASC subtopic 260-10, the basic loss per common share is computed by dividing net loss available to common stockholders by the weighted average number of common shares outstanding. Diluted loss per common share is computed similar to basic loss per common share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive.

Financial instruments
The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, notes payable and loan guarantee. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values because of their relatively short-term maturities. See Note 5 for further details.

Reclassifications
Certain comparative figures have been reclassified to conform to the current period's presentation.

Oil and Gas Properties
We follow the full-cost method of accounting under which all costs associated with property acquisition, exploration and development activities are capitalized. Under the full-cost method, capitalized costs are amortized on a composite unit-of-production method based on estimated gas and oil reserves. To date we do not have third party engineering reports to substantiate our estimates of reserves from our two producing wells; Lutters 1 & 2 at Poston in Kansas. Depreciation, depletion and amortization expense are also based on the amount of estimated reserves. In the event of the sale of any of our properties the proceeds will be accounted for as reductions to capitalized costs.

The costs of unproved properties are excluded from amortization until the properties are evaluated. Unevaluated properties are assessed individually when drilling and flow testing results indicate whether we have an economic resource or not. All capitalized costs associated with properties that have been determined to be a "dry-hole" are impaired when that determination is made.

We review the carrying value of our gas and oil properties under the full-cost accounting rules of the SEC on a quarterly basis. This quarterly review is referred to as a ceiling test. Under the ceiling test, capitalized costs, less accumulated amortization and related deferred income taxes, may not exceed an amount equal to the sum of the present value of estimated future net revenues less estimated future expenditures to be incurred in developing and producing the estimated reserves, less any related income tax effects. In calculating future net revenues, current SEC regulations require us to utilize prices at the end of the appropriate quarterly period.

3. Recent Accounting Pronouncements

The FASB issued ASC subtopic 855-10 (formerly SFAS 165 "Subsequent Events"), incorporating guidance on subsequent events into authoritative accounting literature and clarifying the time following the balance sheet date which management reviewed for events and transactions that may require disclosure in the financial statements. The Company has adopted this standard. The standard increased our disclosure by requiring disclosure reviewing subsequent events. ASC 855-10 is included in the "Subsequent Events" accounting guidance.

9

In April 2009, the FASB issued ASC subtopic 820-10 (formerly Staff Position No. FAS 157-4, Determining Fair Value When Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly"). ASC 820-10 provides guidance on how to determine the fair value of assets and liabilities when the volume and level of activity for the asset/liability has significantly decreased. FSP 157-4 also provides guidance on identifying circumstances that indicate a transaction is not orderly. In addition, FSP 157-4 requires disclosure in interim and annual periods of the inputs and valuation techniques used to measure fair value and a discussion of changes in valuation techniques. The Company determined that adoption of FSP 157-4 did not have a material impact on its results of operations and financial position.

In July 2006, the FASB issued ASC subtopic 740-10 (formerly Interpretation No. ("FIN") 48, "Accounting for Uncertainty in Income Taxes"). ASC 740-10 sets forth a recognition threshold and valuation method to recognize and measure an income tax position taken, or expected to be taken, in a tax return. The evaluation is based on a two-step approach. The first step requires an entity to evaluate whether the tax position would "more likely than not," based upon its technical merits, be sustained upon examination by the appropriate taxing authority. The second step requires the tax position to be measured at the largest amount of tax benefit that is greater than 50 percent likely of being realized upon ultimate settlement. In addition, previously recognized benefits from tax positions that no longer meet the new criteria would no longer be recognized. The application of this Interpretation will be considered a change in accounting principle with the cumulative effect of the change recorded to the opening balance of retained earnings in the period of adoption. Adoption of this new standard did not have a material impact on our financial position, results of operations or cash flows.

In April 2008, the FASB issued ASC 815-40 (formerly Emerging Issues Task Force ("EITF") 07-05, "Determining whether an Instrument (or Embedded Feature) Is Indexed to an Entity's Own Stock"). ASC815-40 applies to any freestanding financial instruments or embedded features that have the characteristics of a derivative, and to any freestanding financial instruments that are potentially settled in an entity's own common stock. ASC 815-40 is effective for financial statements issued for fiscal years beginning after December 15, 2008. The adoption of this pronouncement did not have a material impact on its financial position, results of operations or cash flows.

In June 2009, the FASB issued ASC 105 Accounting Standards Codification TM and the Hierarchy of Generally Accepted Accounting Principles. The FASB Accounting Standards Codification TM (the "Codification") has become the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in accordance with Generally Accepted Accounting Principles ("GAAP"). All existing accounting standard documents are superseded by the Codification and any accounting literature not included in the Codification will not be authoritative. Rules and interpretive releases of the SEC issued under the authority of federal securities laws, however, will continue to be the source of authoritative generally accepted accounting principles for SEC registrants. Effective September 30, 2009, all references made to GAAP in our consolidated financial statements will include references to the new Codification. The Codification does not change or alter existing GAAP and, therefore, will not have an impact on our financial position, results of operations or cash flows.

In June 2009, the FASB issued changes to the consolidation guidance applicable to a variable interest entity (VIE). FASB ASC Topic 810, "Consolidation," amends the guidance governing the determination of whether an enterprise is the primary beneficiary of a VIE, and is, therefore, required to consolidate an entity, by requiring a qualitative analysis rather than a quantitative analysis. The qualitative analysis will include, among other things, consideration of who has the power to direct the activities of the entity that most significantly impact the entity's economic performance and who has the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. This standard also requires continuous reassessments of whether an enterprise is the primary beneficiary of a VIE. FASB ASC 810 also requires enhanced disclosures about an enterprise's involvement with a VIE. Topic 810 is effective as of the beginning of interim and annual reporting periods that begin after November 15, 2009. This will not have an impact on the Company's financial position, results of operations or cash flows.

In June 2009, the FASB issued Financial Accounting Standards Codification No. 860 - Transfers and Servicing. FASB ASC No. 860 improves the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement, if any, in transferred financial assets. FASB ASC No. 860 is effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. The adoption of FASB ASC No. 860 will not have an impact on the Company’s financial statements.

International Financial Reporting Standards

In November 2008, the Securities and Exchange Commission ("SEC") issued for comment a proposed roadmap regarding potential use of financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. Under the proposed roadmap, the Company would be required to prepare financial statements in accordance with IFRS in fiscal year 2014, including comparative information also prepared under IFRS for fiscal 2013 and 2012. The Company is currently assessing the potential impact of IFRS on its financial statements and will continue to follow the proposed roadmap for future developments.

4. Investments in Mineral Properties

During the nine months ended September 30, 2010, the Company made eight investments in the amount of $981,689. During the year ended December 31, 2009, the Company made nine investments in natural resource projects in the amount of $1,473,663. Several of those investments produced "dry holes" and were therefore fully impaired. During the period ended September 30, 2010 and December 31, 2009, impairment expense related to these "dry holes" was $116,900 and $765,229, respectively. During the period ended September 30, 2010, an additional $642,260 of impairment expense was taken in relation to a property that was sold at a loss subsequent to September 30, 2010. The property was impaired down to its subsequent sales price in order to realize the loss in valuation during this period. Total impairment expense for the nine months ended September 30, 2010 was $759,160. As of September 30, 2010 and December 31, 2009, the Company has investments, valued at cost, of $930,964 and $708,434, respectively. Management evaluates all investments for impairment at the end of each period. A summary of investments follows:

S&W Oil & Gas, LLC - Poston Prospect

On May 4, 2009, the Company entered into a binding Letter of Intent ("LOI") with S&W Oil & Gas, LLC ("S&W") to participate in the drilling for oil in the Poston Prospect #1 Lutters in Southwest Trego County, Kansas (the "Poston Prospect"). Pursuant to the LOI, the Company paid S&W $64,500 in exchange for a 25% working interest in the 81.5% net revenue interest in the Poston Prospect. During the year ended December 31, 2009, an additional $44,624 was paid for completion of the oil well and for the purchase of necessary equipment. During the nine months ended September 30, 2010, the Company paid an additional $106,167 for drilling and completion costs of a second well on this property.

S&W Oil & Gas, LLC – Rooney Prospect

On June 19, 2009, the Company entered into a binding LOI with S&W to participate in the drilling for oil and natural gas in the Rooney Prospect located in southwestern Ford County, Kansas. Pursuant to the LOI, the Company paid S&W a total of $113,333 for land acquisition and leasing costs, $216,697 for the 3D seismic shoot costs, and $392,231 for completion of the oil well and the purchase of necessary equipment in exchange for a 50% working interest in the 81.5 net revenue interest of the project. As of September 30, 2010, total costs associated with this property were $722,260. Subsequent to September 30, 2010, this property was sold for $80,000. During the nine months ended September 30, 2010, an impairment charge of $642,260 was taken on this property to bring the total capitalized costs in-line with its market value.

Oklahoma

During the nine months ended September 30, 2010, the Company entered into an agreement with Bay Petroleum to purchased working interests in several properties in Oklahoma and advanced funds for lease purchases. The Company paid Bay Petroleum $647,850 in exchange for 25% to 50% working interest in the net revenue of the project.

5. Fair Value Measurements

The Company adopted ASC Topic 820-10 at the beginning of 2009 to measure the fair value of certain of its financial assets required to be measured on a recurring basis. The adoption of ASC Topic 820-10 did not impact the Company's financial condition or results of operations. ASC Topic 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). ASC Topic 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability. The three levels of the fair value hierarchy under ASC Topic 820-10 are described below:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that an entity has the ability to access.

Level 2 – Valuations based on quoted prices for similar assets and liabilities in active markets, quoted prices for identical assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities.

Level 3 – Valuations based on inputs that are supportable by little or no market activity and that are significant to the fair value of the asset or liability.

The following table presents a reconciliation of all assets and liabilities measured at fair value on a recurring basis as of September 30, 2010:

	Level 1	Level 2	Level 3	Fair Value
Cash	$ 3,307	$ -	$ -	$ 3,307
Accounts & other receivables	-	12,941	-	12,941
Prepaid expenses	-	2,200	-	2,200
Accounts payable	-	257,424	-	257,424
Notes payable	-	39,304	-	39,304
Loan Guarantee	-	94,860	-	94,860
Total	$ 3,307	406,729	$ -	$ 410,036

6. Debt and Debt Guarantee

Notes Payable

As of September 30, 2010 and December 31, 2009, the Company has a note payable of $25,000 bearing interest at 12% per annum collateralized by a general security arrangement over all of the Company's assets. The note was payable in full on May 18, 2007 and is therefore in default as of September 30, 2010. During nine months ended September 30, 2010 and the year ended December 31, 2009, the Company accrued interest expense of $3,327 and $3,855, respectively. As of September 30, 2010 and December 31, 2009, the balance of the note payable, including accrued interest, is $39,304 and $35,977, respectively.

During the year ended December 31, 2009, the Company received $218,000 from the issuance of a convertible note payable. The note paid 6% interest, was due on April 14, 2011, and was convertible at $0.25 per share. The note accrued interest of $1,863 before the principle and accrued interest balance of $219,864 was converted into 879,454 shares of common stock during the year ended December 31, 2009. As of September 30, 2010, nothing is due relating to this note payable.

Convertible Debentures

In August and September of 2009, the company received $1,000,000 from an investor to issue a convertible debenture, bearing interest at a rate of 18% per annum paid monthly on any unpaid principle balance to the investor, secured by the assets of the Company. $500,000 of the debenture was due on August 13, 2010 and the other $500,000 was due on September 15, 2010. Subsequent to September 30, 2010, the Company amended the promissory note to extend the repayment date of the first to August 13, 2011 and the second to September 15, 2011. The debenture calls for monthly interest payments to the investor until the debenture is fully paid. The holder of the convertible debenture has the right to convert any portion of the unpaid principle and/or accrued interest at any time at the lower of $0.35 per share or a 25% discount to the average closing price of the five proceeding days. In relation to the debentures, the Company issued 2,857,142 warrants to purchase common shares of the Company for $0.50 per share. The warrants have a term of two years. Interest payments continue to be made. Subsequent to September 30, 2010, the Company and Holder agreed to reduce the initial conversion price from $0.35 per share to $0.25 per share.

The warrants issued and beneficial conversion feature associated with the above convertible debentures were valued using the black scholes option pricing model and bifurcated out of the debenture proceeds and recorded as additional paid in capital in the amount of $581,626. A discount on the convertible debenture was recorded in the same amount and will be amortized into interest expense over the life of the debenture using the interest method. For the nine months ended September 30, 2010 and the year ended December 31, 2009, $384,021 and $197,605, respectively, was amortized into interest expense in relation to these discounts. In March 2010, $350,000 of the debenture balance was converted to 1,000,000 shares of stock. As of September 30, 2010 and December 31, 2009, the balance due on the convertible debentures, net of the discount of $0 and $384,021, was $633,306 and $599,285, respectively.

During the nine months ended September 30, 2010, the company received $1,334,783 from an investor to issue a convertible debenture, bearing interest at a rate of 24% per annum. The note is due May 17, 2011. The holder of the convertible debenture has the right to convert any portion of the unpaid principle and/or accrued interest at any time at the conversion price of $0.90. As of September 30, 2010, the balance due on the convertible debenture was $1,414,282, including accrued interest of $79,499. Subsequent to September 30, 2010, the Company amended the agreement to reduce the conversion price applicable to the conversion from $0.90 per share to $0.25 per share.

Loan Guarantee

In 2004, the Company received a demand for payment from Canadian Western Bank ("CWB") pursuant to a guarantee provided by the Company in favor of Calgary Chemical, a former subsidiary. The Company divested itself of Calgary Chemical in 1998 under an agreement with a former president and purchaser. The agreements included an indemnity guarantee from the purchaser of Calgary Chemical, whereby the purchaser would indemnify and save harmless the Company from any and all liability, loss, damage or expenses. Upon receipt of the demand, the Company accrued the amount of the claim since in the opinion of legal counsel it is more likely than not that CWB would prevail in this action.

Interest expense

Interest expense related to all of the above items for the nine months ended September 30, 2010 and 2009 was $634,076 and $84,784, respectively.

7. Stockholders' Equity Transactions

Common Stock

During the year ended December 31, 2009, the Company issued 800,000 shares of common stock that was owed but not issued as of December 31, 2008.

During the year ended December 31, 2009, the Company issued 2,250,000 units at a price of $0.02 per share for cash.

During the year ended December 31, 2009, the Company issued 8,254,088 shares at a price of $0.02 per share to convert $165,082 of accounts payable.

During year ended December 31, 2009, the Company issued 879,454 shares at a price of $0.25 per share to convert a note payable balance of $219,864 (See Note 6).

During year ended December 31, 2009, the Company issued 1,500,000 shares of common stock in an exercise of 1,500,000 warrants at a price of $0.15 for total proceeds of $225,000.

During the year ended December 31, 2009, the Company sold 190,000 shares of common stock for $66,500 cash. As of December 31, 2009, these shares have not been issued and are shown as common stock owed but not issued.

During the year ended December 31, 2009, the Company received $420,524 for the exercise of 1,640,825 warrants to purchase 1,640,825 shares of common stock. As of December 31, 2009, these shares have not been issued and are shown as common stock owed but not issued.

During the quarter ended March 31, 2010, the Company issued 190,000 shares of common stock that was owed but not issued as of December 31, 2009.

During the quarter ended March 31, 2010, the Company issued 1,640,825 shares of common stock that was owed but not issued as of December 31, 2009.

During the quarter ended March 31, 2010, the Company issued 250,000 shares to Directors in lieu of executive compensation of $170,000.

During the quarter ended March 31, 2010, the Company issued 231,175 shares of common stock in an exercise of 231,175 warrants at a price of $0.15 for total proceeds of $34,676.

During the quarter ended March 31, 2010, the Company issued 1,000,000 shares of common stock in exchange for $350,000 of convertible debt. (See Note 6).

During the quarter ended March 31, 2010, the Company received $155,000 for the purchase of 442,857 shares of common stock and 442,857 warrants with an exercise price of $0.50. As of June 30, 2010, these shares have not been issued and are shown as common stock owed but not issued.

During the quarter ended March 31, 2010, the Company received $15,000 for the exercise of 100,000 warrants to purchase 100,000 shares of common stock. As of June 30, 2010, these shares have not been issued and are shown as common stock owed but not issued.

There has been no stock activity in the remainder of the nine months ended September 30, 2010.

As of September 30, 2010 and December 31, 2009, there are 27,060,561 and 23,748,561 shares of common stock outstanding, respectively, and 542,857 and 1,830,825 shares of common stock owed but not issued, respectively.

Warrants
As of December 31, 2008, there were 2,600,000 warrants outstanding at an exercise price of $0.15.

During the year ended December 31, 2009, the Company issued 2,857,142 warrants with a convertible debenture. These warrants have 2 year terms expiring in August and September of 2011 and an exercise price of $0.50. See Note 6 for further details.

During the year ended December 31, 2009, the Company issued 1,672,000 warrants for services. The warrants had two-year terms and an exercise price of $0.35. The warrants were valued using the black scholes option pricing model and valued at $238,227. 800,000 of these warrants were cancelled during the year when the service was not performed.

During year ended December 31, 2009, a total of 3,140,825 warrants were exercised into common shares of the Company at a price of $0.15 and $0.35 per share to a total of $645,524 cash.

During the quarter ended March 31, 2010, a total of 331,175 warrants were exercised into common shares of the Company at a price of $0.15 per share to a total of $49,676.

During the quarter ended March 31, 2010, the Company issued 442,857 warrants with an exercise price of $0.50.

As of September 30, 2010, there are 3,299,999 warrants outstanding at an exercise price of $0.50. These warrants will expire in the year ending December 31, 2011.

8. Income Taxes

The Company follows ASC subtopic 740-10 (formerly Statement of Financial Accounting Standard No. 109, “Accounting for Income Taxes”) for recording the provision for income taxes. ASC 740-10 requires the use of the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are computed based upon the difference between the financial statement and income tax basis of assets and liabilities using the enacted marginal tax rate applicable when the related asset or liability is expected to be realized or settled. Deferred income tax expenses or benefits are based on the changes in the asset or liability each period. If available evidence suggests that it is more likely than not that some portion or all of the deferred tax assets will not be realized, a valuation allowance is required to reduce the deferred tax assets to the amount that is more likely than not to be realized. Future changes in such valuation allowance are included in the provision for deferred income taxes in the period of change.

Deferred income taxes may arise from temporary differences resulting from income and expense items reported for financial accounting and tax purposes in different periods. Deferred taxes are classified as current or non-current, depending on the classification of assets and liabilities to which they relate. Deferred taxes arising from temporary differences that are not related to an asset or liability are classified as current or non-current depending on the periods in which the temporary differences are expected to reverse.

The Company’s effective income tax rate is higher than would be expected if the federal statutory rate were applied to income before tax, primarily because of expenses deductible for financial reporting purposes that are not deductible for tax purposes during the year ended December 31, 2009. The Company’s operations for the year ended December 31, 2009 and 2008 resulted in losses, thus no income taxes have been reflected in the accompanying statements of operations.

As of September 30, 2010, the Company has net operating loss carry-forwards of approximately $7,350,000 (December 31, 2009 - $4,510,829) which may or may not be used to reduce future income taxes payable. Current Federal Tax Law limits the amount of loss available to offset against future taxable income when a substantial change in ownership occurs. Therefore, the amount available to offset future taxable income may be limited. A valuation allowance has been recorded to reduce the net benefit recorded in the financial statements related to this deferred asset. The valuation allowance is deemed necessary as a result of the uncertainty associated with the ultimate realization of these deferred tax assets.

9. Subsequent Events

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through the date the financial statements were issued. On November 13, 2010, the Company entered into a second amendment to the Convertible Debenture with Maxum whereby the parties agreed to reduce the conversion price applicable so such conversion from $0.90 per share to $0.25 per share. On November 13, 2010, The Company entered in to an amendment to Promissory notes to amend the notes to extend the repayment date of the first note to August 13, 2011 and the repayment date of the second note to September 15, 2011. The Company and Holder agreed to reduce the initial conversion price from $0.35 per share to $0.25 per share.

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

The following discussion should be read in conjunction with our financial statements and notes thereto included elsewhere in this quarterly report. Forward-looking statements are statements not based on historical information and which relate to future operations, strategies, financial results, or other developments. Forward-looking statements are based upon estimates, forecasts, and assumptions that are inherently subject to significant business, economic, and competitive uncertainties and contingencies, many of which are beyond our control and many of which, with respect to future business decisions, are subject to change. These uncertainties and contingencies can affect actual results and could cause actual results to differ materially from those expressed in any forward-looking statements made by us, or on our behalf. We disclaim any obligation to update forward-looking statements.

Background

We are an oil and natural gas exploration and production (E&P) company with current projects in California, Kansas and Oklahoma. As of September 30, 2010, we had no producing wells in California, two producing wells in Kansas and one producing well in Oklahoma, and rights for the exploration and production of oil and gas on more than an aggregate of approximately 11,613 acres in those states. Subsequent to our quarterly period ended September 30, 2010, we had a second well ready to begin production in Oklahoma. Typically, our interest in a well arises from a contract with another entity pursuant to which we provide financial support for certain costs incurred in the exploration and development of a project, which may include land costs, seismic or other exploration, and test drilling. In exchange, we typically receive an interest in the proceeds from the project's production.

We were formed on January 24, 1996 pursuant to the laws of the State of Nevada under the name Wolf Exploration, Inc. In August 2001, we changed our name to American Petro-Hunter, Inc and began focusing our business on the exploration and eventual exploitation of oil and gas.

On April 6, 2009, we entered into a Participation Agreement with Archer Exploration, Inc. ("Archer") to participate in the drilling for natural gas on a prospect located in Stanislaus County, California. Pursuant to the agreement, we agreed to pay to Archer $200,000 for all costs in connection with the acquisition and operation of the prospect until completion of an initial test well, which includes historic engineering and geological development of the prospect as well as costs for a seismic program required to finalize and define the initial well location, in exchange for a 25% working interest in the prospect. The assignment of the 25% interest will only be made upon the successful completion of the initial test well. The seismic shoot began on August 10, 2009. The results of the seismic indicate the need to reprocess the data and potentially add additional seismic lines to identify the test well locations. We are planning additional seismic shoots prior to December 2010 and the combined data packages will be used to evaluate whether there is a suitable location for a test well.

On May 4, 2009, we entered into a binding Letter of Intent with S&W Oil & Gas, LLC ("S&W") to acquire a 25% working interest and 81.5% net revenue interest on all commercial production in the 750-acre Poston Prospect #1 Lutters oilfield in Southwest Trego County, Kansas, for a purchase price of $64,536, which we have paid. On June 16, 2009, the #1 Lutters Well was completed at a total depth of 4,400 feet, encountering both oil and gas over a 46 foot interval. The oil was excellent quality 35 degree light oil and tests resulted in 65% oil cut with 10% gas and mud with no water. Oil production on the #1 Lutters Well began on June 18, 2009. Current production for the #1 Lutters Well is 20 barrels per day. The next well planned for the Poston Project was designated as the #2 Lutters Well, which was drilled to a total depth of 4,320 feet where we encountered good oil shows during drilling and in initial drill stem tests from a target zone. After further drilling, we encountered good oil shows but we did not complete drilling of the well for commercial production because of the oil's permeability and porosity. However, management believes the project itself remains viable as there are additional offset opportunities for this project. On July 1, 2010 we announced completion of the #3 Lutters Well, at a depth of 4,328 feet, as a direct-offset to the #1 Lutters Well. On July 14, 2010, we announced that the #3 Lutters Well had begun production. The current daily rate of the #3 Lutters Well is 20 barrels per day. Collectively, 40 barrels per day is going into the tanks for sale. Production is being reviewed and may increase in the future as production stabilizes. 2 offset locations are available and we plan to drill additional wells in 2011.

On June 11, 2009, we entered into a binding Letter of Intent with S&W to participate in the drilling for oil and natural gas in the 1,760-acre Brinkman Prospect located in Clark County, Kansas, approximately 20 miles south of Dodge City. The project is proximal to historic oil production primarily from Marmaton Limestone with secondary objectives in the Morrow Sand. Of significance, over 49,000 barrels have been produced from a seismic anomaly to the northeast of the chosen drilling location as well as Langdon Sands that has produced cumulative gas production in excess of 1 BCF. We paid S&W a total of $22,833.28 for land acquisition, leasing, and seismic costs for a 25% working interest in the prospect. In addition, we agreed to pay $56,466.66 to cover dry-hole cased drilling costs associated with the first exploratory oil well and 25% of all further going forward costs such as completion and related infrastructure costs. If a successful commercial well is established, we will receive an 81.5% net revenue interest in the prospect. On July 28, 2009, drilling on the Brinkman Prospect commenced and by August 14, 2009, drilling was completed. Several oil and gas shows in the well were tested and deemed not commercially viable and were plugged and abandoned. We may engage in future exploratory drilling at the Brinkman Prospect in the future, but no drilling is currently planned for the Brinkman Prospect in 2010.

On June 19, 2009, we entered into a binding Letter of Intent with S&W to participate in the drilling for oil and natural gas in the Rooney Project located in southwestern Ford County, Kansas. The Rooney Project is located in southwestern Ford County, Kansas, which is 20 miles due south of Dodge City. The project consists of eight sections totaling 7,040 acres. The Rooney Project is directly adjacent to the north edge of existing Morrow Sand oil and gas production. An analog well designated as 3-30-25W in the Morrow pool has cumulatively produced 344,448 barrels of oil and 933,622 MCF gas. There are multiple wells within two miles of our acreage that have produced in the 35,000 to 40,000 barrel range from discrete sand channels. It is these sand channels that we attempted to identify through the completion of a 3D seismic shoot across the entire acreage. Based on the 3D seismic shoot, we developed a minimum of five target locations for new wells. Under the terms of the agreement with S&W, we paid S&W a total of $113,333.12 for land acquisition and leasing costs. We also agreed to pay up to $216,666.64 for the 3D seismic shoot costs that include processing and interpretation, as well as 50% of all further going-forward costs such as completion and related infrastructure costs. S&W has assigned a 50% of the working interest and 81.5% net revenue interest in the prospect to us.

On November 12, 2009, drilling at the #24-1 Double H Oil Well site in the Rooney Project commenced, and on December 9, 2009, we announced that a 12-foot pay zone was encountered that produced excellent quality 44 degree oil in the tubing up to the surface from 5,400 feet of depth with fluid test results returning 99% oil cut. On January 4, 2010, the #24-1 Double H well at the Rooney Prospect commenced oil production, and we entered into an oil purchase contract with the National Co-op Refinery Association of McPherson Kansas to purchase all production at the Rooney lease at a premium to Kansas common oil prices of $3.85 per barrel above the daily price. This price premium reflects the quality of the 44 degree oil being produced at Rooney. The #24-1 Double H Oil Well required a re-completion due to casing separation that allowed the Dakota Formation producing fresh water to enter the well bore. Following a re-cementing of the casing, the limestone reservoir was treated to attempt to dehydrate the clays that were causing clogging of the perforations. The reservoir at this location only may have been adversely impacted by the fresh water. In May 2010, the #2 Double H well in Kansas reached a total depth of 5,460 feet. The #2 Double H is a direct offset to the #24-1 Double H discovery well. The #2 Double H Well encountered oil shows in several formations down-hole including the targeted Morrow sand and Mississippian. Our engineering team is now assessing the results and will report on their findings and recommendations for the next step in the development program.

In February 2010, we drilled the Shelor 23-2 Well at the Rooney Project, which was drilled to a depth of 5,400 feet. The well encountered a fault that cut off the reservoir at this easterly location and, although geological information was gained, did not result in any reservoir being identified. The Shelor 23-2 Well was plugged and abandoned.

Having completed the #24-1 Double H Oil Well and drilled the #2 Double H Well and the Shelor 23-2 Well, we plan to further evaluate the Rooney Prospect as to its future potential for commercial oil for the fiscal year 2010. At this time, we have no plans for future development at Rooney and are considering sale options for our interests in the leases.

On August 25, 2009, we entered into a binding Letter of Intent with S&W to participate in the drilling for oil in the Colby Prospect located in Thomas County, Kansas. The 500 acre block has a well defined 3D seismic anomaly that includes seven potential zones to be tested. We agreed to pay S&W cash in an amount to be determined for dry-hole cased drilling costs as well as 25% of all further going forward costs such as completion and related infrastructure costs. If a successful commercial well is established, S&W will assign 25% of the working interest and 81.5% net revenue interest in the Prospect to us. On October 20, 2009, we began drilling operations at the #1 Keck Well, and on November 4, 2009, drilling operations at this well ended. While the well successfully encountered oil and gas in the target horizons, there were no adequate reservoirs in order to complete the well as a commercial producer. Management believes that Colby remains a viable prospect, and further work and analysis will be required in order to fully develop the Colby lease.

On September 8, 2009, we entered into a Participation Agreement with Archer to participate in the drilling for natural gas on the Wurster Gas Project, a prospect located in Sacramento County, California, 20 miles south of the city of Sacramento. The Wurster Prospect target lies due east of the Victory Gas Project in which we also have a 25% working interest. This project targets Winters sandstones which have, in the Sacramento Valley, accounted for over 400 BCF of gas production to-date along the Upper Cretaceous Winters "Eastside Stratigraphic Trend." Pursuant to the Participation Agreement, we have paid Archer $25,000 for costs in connection with the acquisition and operation of the prospect up to the drilling of an initial test well in exchange for a 25% working interest in the prospect. Further, we are responsible for and have paid $125,000 for dry hole costs. We are also responsible for 25% of all expenditures in connection with the development and operation of the prospect for drilling. We may elect not to participate in additional expenditures in connection with the prospect at which time we will forfeit any interests we have in the prospect. On October 8, 2009, we began drilling operations at the Wurster Gas Prospect – Archer-Tsakopoulos #2 well, which was planned as a 7,800 foot test for gas indicated by 3D seismic tests. We increased our working interest in the Archer-Tsakopoulos #2 well up to 36% by purchasing an additional 11% through the payment of a pro-rata share for the seismic reprocessing and drilling costs in the amount of $66,000. On November 4, 2009, drilling at this well ended. While the well successfully encountered oil and gas in the target horizons, there were no adequate reservoirs in order to complete the well as a commercial producer.

On April 21, 2010, we entered into an operating agreement with Bay Petroleum Corp. ("Bay") to participate in the drilling for oil in northern Oklahoma (the "Prospect"). Pursuant to operating agreement, we agreed to pay to Bay $52,125 for all costs in connection with the acquisition and operation of the Prospect up to the drilling of an initial test well in exchange for a 25% working interest and 80% net revenue interest in the Prospect. We are also responsible for 25% of all expenditures in connection with the development and operation of the Prospect for drilling. On June 1, 2010, we announced that the No. 1 well had been put into production. The current daily rates are at the 21 barrels per day level, with water in the 400 barrel range or approximately 20% oil cut. Dewatering is expected to increase the cut and barrels per day. A water disposal well has been permitted and we are disposing water to the well. On June 5, 2010 drilling commenced on the No. 2 well and on June 14, 2010, we announced that we had begun work on completion of the well. On June 23, 2010, we announced that drilling had commenced on the No. 3 well. On that date we also announced the acquisition of 3 additional blocks increasing our overall working interest participation up to 7 lease blocks currently. The No. 2 and 3 wells are currently not producing commercial quantities of hydrocarbons. On September 21, 2010, we announced that drilling commenced on the NOJ26 well at the Prospect. On September 27, 2010, the well reached a depth of 3,455 feet and completion of the well began. The NOJ26 well is being completed and has been fracture stimulated in the lower 40 foot shale zone. The upper 40 foot Mississippian zone is oil pay behind pipe and will be eventually completed and co-mingled with the shale production. Site facilities include a pumpjack, tanks and separator. We are connected to a gas line for future gas production at yet rates unknown. We believe the Prospect will involve the drilling of at least one well per month with continued drilling through 2011, which represents an investment of approximately $1.4 million.

Critical Accounting Policies

The preparation of financial statements in conformity with United States generally accepted accounting principles ("U.S. GAAP") requires management of our Company to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods.

The discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with U.S. GAAP. We believe certain critical accounting policies affect our more significant judgments and estimates used in the preparation of the financial statements. A description of our critical accounting policies is set forth in our Annual Report on Form 10-K for the year ended December 31, 2009. As of, and for the nine months ended September 30, 2010, there have been no material changes or updates to our critical accounting policies.

Results of Operations

The following discussion of the financial condition, results of operations, cash flows, and changes in our financial position should be read in conjunction with our audited consolidated financial statements and notes included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009.

The financial statements mentioned above have been prepared in conformity with U.S. GAAP and are stated in United States dollars.

Comparison of nine month periods ended September 30, 2010 and September 30, 2009

For the nine month periods ended September 30, 2010 and September 30, 2009, we incurred a comprehensive loss of $2,074,123 and $1,199,774, respectively. The increase was largely attributed to an increase in interest expense from $84,784 for the nine month period ended September 30, 2009 to $634,076 for the nine month period ended September 30, 2010.

General and administration expenses for the nine month period ended September 30, 2010 amounted to $306,319 compared to $282,225 in the same period of 2009. Executive compensation for the nine month period ended September 30, 2010 was $364,000 compared to $135,749, in the same period of 2009.

We had no foreign currency gain or loss during the nine month period ended September 30, 2010 compared to a gain of $20,221 in the same period of 2009.

Comparison of three month periods ended September 30, 2010 and September 30, 2009

For the three month periods ended September 30, 2010 and September 30, 2009, we incurred a comprehensive loss of $1,004,774 and $705,599, respectively. The increase was largely attributed to an increase in interest expense from $80,949 for the three month period ended September 30, 2009 to $179,218 for the three month period ended September 30, 2010.

General and administration expenses for the three month period ended September 30, 2010 amounted to $106,141 compared to $81,314 in the same period of 2009. Executive compensation for the three month period ended September 30, 2010 was $79,000 compared to $63,000, in the same period of 2009.

We had no foreign currency gain or loss during the three month period ended September 30, 2010 compared to a foreign currency gain of $16,497 during the same period of 2009.

Period from inception, January 24, 1996 to September 30, 2010

We have an accumulated deficit during the development stage of $7,350,181.

As a development stage company, we currently have limited operations, principally directed at potential acquisition targets and revenue-generating opportunities.

Liquidity and Capital Resources

As of September 30, 2010, we had cash of $3,307 and working capital deficiency of $2,428,367. During the nine month period ended September 30, 2010, we funded our operations from revenue received and proceeds of private sales of equity and convertible notes and the exercise of warrants. Our current cash requirements are significant due to planned exploration and development of current projects. We anticipate drilling 11 wells in Kansas and Oklahoma in 2010 which will cost approximately $2,100,000 and which will include several horizontal wells in Oklahoma and 4 vertical wells, as well as 2 wells in Kansas. Additionally, we have other obligations to drill other properties and we expect to acquire rights in additional projects. Accordingly, we expect to continue to primarily use debt and equity financing to fund operations for the next twelve months, as we look to expand our asset base and fund exploration and development of our properties. Changes in our operating plans, increased expenses, acquisitions, or other events may cause us to seek even greater equity or debt financing in the future.

For the nine month period ended September 30, 2010, we used net cash of $592,484 in operations. Net cash used in operating activities increased from $388,247 in the nine month period ended September 30, 2009.

We raised $1,539,459 during the nine month period ended September 30, 2010 from the issuance of common stock, and convertible notes and the exercise of warrants.

On May 17, 2010, the Company issued a Convertible Debenture to Maxum Overseas Fund, a foreign institutional investor (“Maxum”) in the principal amount of $1,500,000. The Debenture provides that Maxum, at any time, and the Company, on the maturity date, may convert any remaining outstanding principal balance and accrued interest under the Debenture into shares of common stock of the Company. The Company may also convert any remaining outstanding principal balance and accrued interest into common stock of the Company if the 5-day trailing volume weighted average price of the Company’s common stock is at least $1.50 per share. On November 13, 2010, the Company entered into a Second Amendment to Convertible Debenture (the “Debenture Amendment”) with Maxum whereby the parties agreed to reduce the conversion price applicable to such conversions from $0.90 per share to $0.25 per share (subject to adjustment as provided in the Debenture).

On August 13, 2009 and September 15, 2009, the Company issued certain Secured Convertible Promissory Notes to an accredited investor (the “Holder”) (the “First Note” and the “Second Note”, and together, the “Notes”) each in the principa amount of $500,000. The Notes provide that the Holder at any time, or the Company on the maturity date, may convert any remaining outstanding principal balance and accrued interest under the Notes into shares of common stock of the Company based on a per share conversion price of the lower of (i) $0.35 (the “Initial Conversion Price”), or (ii) a twenty five percent (25%) discount to the average closing trading price of a share of the Company’s common stock during the five (5) trading days prior to the conversion date. On November 13, 2010, the Company entered into an Amendment to Promissory Notes (the “Notes Amendment”) to amend the Notes to extend the repayment date of the First Note to August 13, 2011 and the repayment date of the Second Note to September 15, 2011. Pursuant to the terms of the Notes Amendment, the Company and the Holder agreed to reduce the Initial Conversion Price from $0.35 per share to $0.25 per share (subject to adjustment as provided in the Notes).

The Debenture Amendment and the Notes Amendment are attached to this Quarterly Report on Form 10-Q as Exhibits 10.1 and 10.2.

Our management believes that we will be able to generate sufficient revenue or raise sufficient amounts of working capital through debt or equity offerings, as may be required to meet our short-term and long-term obligations. However, there are no assurances that we will be able to raise the required working capital on terms favorable, or that such working capital will be available on any terms when needed.

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 4. Controls and Procedures.

Our management with the participation and under the supervision of our Principal Executive Officer and Principal Financial Officer reviewed and evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined by Rule 13a-15(e) or 15d-15(e)) of the Exchange Act Rule 13a-15 as of the end of the period covered by this report. Based upon their evaluation, our Principal Executive Officer and Principal Financial Officer concluded that, as of the end of such period, our disclosure controls and procedures are effective and sufficient to ensure that we record, process, summarize, and report information required to be disclosed in the reports we filed under the Exchange Act within the time periods specified in the Securities and Exchange Commission's rules and regulations, and that such information is accumulated and communicated to our management, including our Principal Executive Officer and Principal Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

There were no changes in our internal controls over financial reporting that occurred during the quarterly period ended September 30, 2010 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 1A. Risk Factors.

None.

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

As of November 13, 2010, the balance due on the Debenture issued May 17, 2010 was $1,334,783. Subsequent to the Debenture Amendment discussed above, the Debenture provides that Maxum, at any time, and the Company, on the maturity date, may convert any remaining outstanding principal balance and accrued interest under the Debenture into shares of common stock of the Company. The Company may also convert any remaining outstanding principal balance and accrued interest into common stock of the Company if the 5-day trailing volume weighted average price of the Company's common stock is at least $1.50 per share. The conversion price applicable to such conversions is $0.25 per share (subject to adjustment as provided in the Debenture).

As of November 13, 2010, the aggregate principal balance of the Notes issued August 13, 2009 and September 15, 2009 was an aggregate of $633,306. Subsequent to the Notes Amendment discussed above, the Notes provide that the Holder at any time, or the Company on the maturity date, may convert any remaining outstanding principal balance and accrued interest under the Notes into shares of common stock of the Company based on a per share conversion price of the lower of (i) $0.25, or (ii) a twenty five percent (25%) discount to the average closing trading price of a share of the Company's common stock during the five (5) trading days prior to the conversion date.

The issuance of the Debenture and Notes was conducted by the Company and was issued in reliance upon Rule 506 of Regulation D and/or Regulation S of the Securities Act of 1933, as amended, and comparable exemptions for sales to "accredited" investors under state securities laws.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Reserved.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit Number	Name
3.1(1)	Amended and Restated Articles of Incorporation
3.2(1)	Bylaws
10.1	Second Amendment to Convertible Debenture
10.2	Amendment to Promissory Notes
31.1	Rule 13a-14(a)/15d-14(a) Certification (Principal Executive Officer)
31.2	Rule 13a-14(d)/15d-14(d) Certification (Principal Financial Officer)
32	Section 1350 Certifications

Footnotes to Exhibits Index

(1) Incorporated by reference to Form 10-SB12G dated June 19, 1997.

SIGNATURES

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

AMERICAN PETRO-HUNTER INC.

Date: November 15, 2010	By:	/s/ Robert B McIntosh Robert B, McIntosh, President and Chief Executive Officer (Principal Executive Officer)
Date: November 15, 2010	By:	/s/ John J. Lennon John J. Lennon, Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

24