WSI INDUSTRIES, INC.
Form 10QSB
March 28, 2007

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

FORM 10-QSB

(Mark One)

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

For the quarterly period ended February 25, 2007

OR

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

For the transition period from ______ to ______

Commission File Number 0-619

WSI Industries, Inc.
(Exact Name of Small Business Issuer, as Specified in Its Charter)

Minnesota	41-0691607
(State or other jurisdiction of incorporation of organization)	(I. R. S. Employer Identification No.)
213 Chelsea Road Monticello, Minnesota	55362
(Address of principal executive offices)	(Zip Code)

(763) 295-9202
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No X

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. 2,698,519 shares of common stock were outstanding as of March 23, 2007.

WSI INDUSTRIES, INC.

AND SUBSIDIARIES

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Part I. Financial Information

Item I. Financial Statements

WSI INDUSTRIES, INC.
AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

ASSETS	FEBRUARY 25, 2007
CURRENT ASSETS:	
Cash and cash equivalents	$ 1,371,970
Accounts receivable	2,712,135
Inventories	1,281,032
Prepaid and other current assets	75,721
Deferred tax assets	152,352
Total Current Assets	5,593,210
Property, Plant and Equipment -- Net	3,612,229
Deferred tax assets	1,127,377
Intangible assets, net	2,382,779
	$ 12,715,595
LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES:	
Trade accounts payable	$ 1,522,510
Accrued compensation and employee withholdings	435,930
Miscellaneous accrued expenses	37,181
Current portion of long-term debt	417,182
Total Current Liabilities	2,412,803

Long term debt, less current portion	2,672,028
STOCKHOLDERS' EQUITY:	
Common stock, par value $.10 a share; authorized 10,000,000 shares; issued and outstanding 2,698,519 shares and 2,680,630, respectively	269,852
Capital in excess of par value	2,202,319
Prepaid stock compensation	(26,025)
Retained earnings	5,184,618
Total Stockholders' Equity	7,630,764
	$ 12,715,595

See notes to condensed consolidated financial statements

WSI INDUSTRIES, INC.
AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	13 weeks ended		26 w
	February 25, 2007	February 26, 2006	February 25, 2007
Net sales	$ 4,440,158	$ 3,573,617	$ 8,569,537
Cost of products sold	3,669,393	3,043,416	7,087,508
Gross margin	770,765	530,201	1,482,029
Selling and administrative expense	510,212	383,866	972,456
Interest and other income	(33,363)	(10,930)	(49,578
Interest expense	43,353	45,188	88,285
Earnings from operations before income taxes	250,563	112,077	470,866
Income tax expense	95,214	42,589	178,929
Net earnings	$ 155,349	$ 69,488	$ 291,937

Basic earnings per share	$ .06	$ .03	$ .11
Diluted earnings per share	$ .06	$ .03	$ .11
Cash dividend per share	$ .0375	$ .0375	$ .075
Weighted average number of common shares	2,686,567	2,677,289	2,683,599
Weighted average number of common and dilutive potential common shares	2,717,049	2,720,546	2,716,213

See notes to condensed consolidated financial statements.

WSI INDUSTRIES, INC.
AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	26 weeks ende	
	February 25, 2007	Feb
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	$ 291,937	$
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	227,439	
Amortization	3,306	
Gain on disposal of equipment	(18,000)	
Deferred taxes	174,659	
Stock option compensation expense	34,511	
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(364,641)	
(Increase) decrease in inventories	(57,190)	
Decrease in prepaid expenses	39,518	
Decrease (increase) in accounts payable and accrued expenses	160,432	

Net cash provided by operations	491,971	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of equipment	18,000	
Purchase of property, plant and equipment	(45,630)	
Net cash used in investing activities	(27,630)	
CASH FLOWS FROM FINANCING ACTIVITIES:		
Stock options exercised	14,405	
Payments of long-term debt	(188,129)	
Dividends paid	(201,364)	
Net cash used in financing activities	(375,088)	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	89,253	
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,282,717	
CASH AND CASH EQUIVALENTS AT END OF REPORTING PERIOD	$ 1,371,970	$
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 88,726	$
Income taxes	$ 4,270	$
Non cash investing and financing activities:		
Acquisition of equipment through capital lease	$ 191,455	$

See notes to condensed consolidated financial statements.

WSI INDUSTRIES, INC.
AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS:

The condensed consolidated balance sheet as of February 25, 2007, the condensed consolidated statements of income for the thirteen and twenty-six weeks ended February 25, 2007 and February 26, 2006 and the condensed consolidated statements of cash flows for the twenty-six weeks then ended, respectively, have been prepared by the Company without audit. In the opinion of management, all adjustments (which include normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows for all periods presented have been made.

The condensed consolidated balance sheet at August 27, 2006 is derived from the audited consolidated balance sheet as of that date. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. Therefore, these condensed consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's 2006 annual report to shareholders. The results of operations for interim periods are not necessarily indicative of the operating results for the full year.

2. DEBT AND LINE OF CREDIT:

The Company has renewed its revolving credit agreement in the maximum amount of $1 million with its bank. Interest on the renewed agreement is at the bank's prime rate. It contains restrictive provisions concerning yearly capital expenditures, maximum debt to net worth and minimum current ratios, as well as a minimum debt service coverage ratio. The Company is in compliance with all of the provisions. The credit agreement is secured by all non-real property assets of the Company and expires January 31, 2008.

3. INVENTORIES

Inventories consist primarily of raw material, work-in-progress (WIP) and finished goods. The following table breaks out the values in each category net of the inventory valuation allowances of $171,471 and $168,782 at February 25, 2007 and August 27, 2006, respectively.

	February 25, 2007	August 27, 2006
Raw material	$ 531,099	$ 569,799
WIP	391,303	380,521
Finished goods	358,630	273,522
	$ 1,281,032	$ 1,223,842

The Company did not dispose of any significant inventory during the quarter ended February 25, 2007 and therefore there was no material effect on gross margin from any dispositions.

4. GOODWILL AND INTANGIBLE ASSETS

Goodwill and other intangible assets consist of costs resulting from business acquisitions which total $2,368,452 (net of accumulated amortization of $344,812). The Company assesses the valuation or potential impairment of its goodwill by utilizing a present value technique to measure fair value by estimating future cash flows. The Company constructs a discounted cash flow analysis based on various sales and cost assumptions to estimate the fair value of the Company (which is the only reporting unit). The result of the analysis performed in the fiscal 2006 fourth quarter did not show an impairment of goodwill. The Company will analyze goodwill more frequently should changes in events or circumstances, including reductions in anticipated cash flows generated by our operations, occur.

The Company recorded $33,063 of deferred financing costs incurred in connection with mortgages entered into in order to purchase the Company's facility in Monticello, Minnesota. The costs are being amortized over five years on a straight-line basis with the Company incurring $1,653 of amortization expense for the quarters ended February 25, 2007 and February 26, 2006, respectively. Accumulated amortization on the deferred financing costs amounted to $18,735 and $15,429 at February 25, 2007 and August 27, 2006, respectively.

5. EARNINGS PER SHARE:

The following table sets forth the computation of basic and diluted earnings per share:

	Thirteen weeks ended		Tw
	February 25, 2007	February 26, 2006	Febr
Numerator for basic and diluted earnings per share:			
Net earnings	$ 155,349	$ 69,488	$
Denominator			
Denominator for basic earnings per share -- weighted average shares	2,686,567	2,677,289	2,
Effect of dilutive securities:			
Employee and non-employee options	30,482	43,257	
Dilutive common shares Denominator for diluted earnings Per share	2,717,049	2,720,546	2,
Basic earnings per share	$ .06	$ .03	$
Diluted earnings per share	$ .06	$ .03	$

6. STOCK BASED COMPENSATION

Effective August 28, 2006, the Company adopted the provisions of SFAS No. 123(R), "Share-Based Payment," which establishes accounting for equity instruments exchanged for employee services. Under the provisions of SFAS 123(R), stock-based compensation cost is measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense over the employees' requisite service period (generally the vesting period of the equity grant). Before August 28, 2006, the Company accounted for stock-based compensation to employees in accordance with Accounting Principles Board Opinion

No. 25, "Accounting for Stock Issued to Employees," and complied with the disclosure requirements of SFAS No. 123, "Accounting for Stock-Based Compensation." The Company adopted SFAS 123(R) using the modified prospective method, which requires the Company to record compensation expense over the vesting period for all awards granted after the date of adoption, and for the unvested portion of previously granted awards that remain outstanding at the date of adoption. Accordingly, financial statements for the periods prior to August 28, 2006 have not been restated to reflect the fair value method of expensing share-based compensation. For the thirteen and twenty-six weeks ended February 25, 2007, the Company recognized share based compensation cost of $18,002 and $34,511, respectively. The compensation cost is included in selling and administrative expense.

The following table illustrates the effect on net income and net income per share if the Company had applied the fair value recognition provisions of SFAS No. 123 to options granted and unvested under the Plan for the thirteen and twenty-six weeks ended February 26, 2006:

	Thirteen Weeks	Twent
Net income	$ 69,488	$
Deduct: Total stock-based compensation expense determined under fair value based method for all awards, net of related tax effects	(12,966)	
Pro forma net income	$ 56,522	$
Basic and diluted net income per share:		
As reported	$ .03	$
As reported	$ .02	$

SFAS No. 123 (R) also requires the benefit of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow, rather than an operating cash flow under current accounting literature. Since we do not have the benefit of tax deductions in excess of recognized compensation cost because of our net operating loss position, the change will have no immediate impact on our consolidated financial statements.

The Company granted shares of restricted stock to various employees during the quarter. The restricted stock vests over three years, however the grantees of the restricted stock are entitled to receive dividends which also vest yearly and to voting rights for the shares. The shares are accounted for under SFAS No. 123(R) as expense over the period that they vest. The shares are also reflected in stockholder's equity as prepaid stock compensation which is calculated at the value of the shares at the date of the grant.

Item 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

and

RESULTS OF OPERATIONS

Critical Accounting Policies and Estimates

Management's Discussion and Analysis of Financial Condition and Results of Operations discusses the Company's condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities.

The Company believes that the estimates, assumptions and judgments involved in the accounting policies described below have the greatest potential impact on our financial statements, so the Company considers these to be its critical accounting policies. Because of the uncertainty inherent in these matters, actual results could differ from the estimates the Company uses in applying the critical accounting policies. Within the context of these critical accounting policies, the Company is not currently aware of any reasonably likely event that would result in materially different amounts being reported.

Allowance for Excess and Obsolete Inventory:

Inventories, which are composed of raw materials, work in process and finished goods, are valued at the lower of cost or market by comparing the cost of each item in inventory to its most recent sales price or sales order price. Any excess of cost over the net realizable value of inventory components is included in the allowance for obsolete inventory.

In addition, the Company determines the reserve for excess and obsolete inventory by analyzing the sales history of its inventory, sales orders on hand and indications from the Company's customers as to the future of various parts or programs. If, in the Company's determination, the inventory value has become impaired, the Company establishes an obsolescence reserve at the amount the Company estimates as the ultimate net realizable value for that inventory. The obsolescence reserve remains on the Company's books until the inventory is disposed of or sold. Actual customer requirements in any future periods are inherently uncertain and thus may differ from our estimates. If actual or expected customer requirements were significantly lower than the established reserves, the Company would record an increase to the obsolescence allowance in the period in which the Company made such a determination. The Company performs its lower of cost or market testing as well as its excess or obsolete inventory analyses, quarterly.

The Company's allowance for obsolete inventory consists of the following at February 25, 2007 and August 27, 2006:

	February 25, 2007	August 27, 20
Obsolete finished goods	$99,177	$87,9
Obsolete work-in-process	6,900	6,9
Cost exceeding market value	65,394	73,9
	$171,471	$168,7

The Company has no specific timeline to dispose of its obsolete inventory and intends to sell this obsolete inventory from time to time, as market conditions allow.

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Goodwill Impairment:

The Company evaluates the valuation of its goodwill according to the provisions of SFAS 142 to determine if the current value of goodwill has been impaired. The Company believes that its stock price is not necessarily an indicator of the Company's value given its limited trading volume and its wide price fluctuations. The Company follows the guidance provided by SFAS 142 and utilizes a present value technique to measure fair value by estimating future cash flows. The major assumptions in this analysis include: (a) sales estimates for the Company provided, in part, with guidance from the Company's customers; and (b) material and labor costs of the Company's major programs. The Company constructs a discounted cash flow analysis based on these assumptions to estimate the fair value of the Company (which is the only reporting unit). The result of the analysis performed in the fiscal 2006 fourth quarter did not show an impairment of goodwill. If the Company has changes in events or circumstances, including reductions in anticipated cash flows generated by our operations, goodwill could become impaired which would result in a charge to earnings.

Deferred Taxes:

The Company accounts for income taxes using the liability method. Deferred income taxes are provided for temporary difference between the financial reporting and tax bases of assets and liabilities. A valuation allowance would be set up should the realization of any deferred taxes become less likely than not to occur. The valuation allowance is analyzed periodically by the Company and may result in income tax expense different than statutory rates. The Company has not established a valuation allowance as it believes it is more likely than not that it will fully realize the benefit of its tax assets. Currently, the Company's deferred tax assets have two major components which relate to the Company's NOL and the Company's AMT tax credit carryforwards. The Company's AMT tax credit carryforward does not expire. The Company's NOL carryforward has $112,000 expiring in fiscal year 2009, $415,000 in fiscal 2011 and $3.1 million expiring in fiscal 2021 and after. The Company believes that its current rate of growth will be sufficient to fully utilize its NOL carryforwards before they expire. However, a significant loss of a customer or a change in the Company's business could affect the realization of the deferred tax assets. If a major program were discontinued, the Company would immediately assess the impact of the loss of the program on the realization of the deferred tax assets.

Revenue Recognition:

The Company considers its revenue recognition policy to fall under the guidance of FASB's conceptual framework for revenue recognition. The Company recognizes revenue only after: (a) The Company has received a purchase order identifying price and delivery terms or services to be rendered; (b) shipment has occurred, or in the case of services, after the service has been completed; (c) the Company's price is fixed as evidenced by the purchase order; and (d) collectibility is reasonably assured. The Company continually monitors its accounts receivable for any delinquent or slow paying accounts. The Company believes that based upon its past history with minimal bad debt write-offs, that all accounts are collectible upon shipment or delivery of services. Credit losses have been minimal and within management's expectations. Based on management's evaluation of uncollected accounts receivable, bad debts are provided for on the allowance method. Accounts are considered delinquent if they are 120 days past due. If an uncollectible account should arise during the year, it would be written-off at the point it was determined to be uncollectible. The Company mitigates its credit risk by performing periodic credit checks and actively pursuing past due accounts. The Company refers to "net sales" in its consolidated statements of operations as the Company's sales are sometimes reduced by product returned by its customers.

Results of Operations:

Net sales were $4,440,000 for the quarter ending February 25, 2007, an increase of 24% or $867,000 from the same period of the prior year. Year-to-date sales in fiscal 2007 are $8,570,000 compared to $7,744,000 in the prior year which equates to an 11 % increase.

Sales from the Company's recreational vehicle market amounted to $3,528,000 and $2,838,000 for the quarter ended February 25, 2007 and February 26, 2006, respectively. Year to date sales for the Company's recreational vehicle market were $6,870,000 and $6,399,000 for the six months ended February 25, 2007 and February 26, 2006, respectively. Sales were higher for the quarter ended February 25, 2007 as the Company experienced higher sales in both the Company's ATV market as well as the Company's motorcycle market. Year to date sales also showed an increase in both markets in fiscal 2007.

Sales from the Company's aerospace and defense markets amounted to $554,000 and $564,000 for the quarter ended February 25, 2007 and February 26, 2006, respectively. Year to date sales for the Company's aerospace and defense markets were $1,053,000 and $1,032,000 for the six months ended February 25, 2007 and February 26, 2006, respectively. The Company believes that the changes from the prior year's sales totals are not significant.

Sales from the Company's biosciences market totaled $323,000 and $117,000 for the quarter ended February 25, 2007 and February 26, 2006, respectively. Year to date sales for the biosciences market were $590,000 and $190,000 for the six months ended February 25, 2007 and February 26, 2006, respectively. The increase is attributable to the further implementation of the partnering arrangement announced in June 2005.

Sales from the Company's other revenue markets are under 1% of total sales in the current year and are immaterial to the Company's revenues as a whole.

Gross margin increased to 17% for the quarter ending February 25, 2007 versus 15% in the year ago period. The increase in gross margin is attributable to the higher volumes in the recreational vehicle markets as described previously. Year-to-date gross margins were 17% and 16% for the six-month periods ending February 25, 2007 and February 26, 2006, respectively with the higher recreational vehicle market volumes being the primary reason for the increase.

No significant sales of obsolete inventory items occurred during the year to date periods ending February 25, 2007 and February 26, 2006. Correspondingly, no significant gross margin was realized from any of those sales.

Selling and administrative expense of $510,000 for the quarter ending February 25, 2007 was $126,000 higher than in the prior year period due primarily to higher compensation and professional service expense. Year to date selling and administrative expense of $972,000 was $182,000 higher than the comparable prior year period due to the same reasons.

Interest expense in the second quarter of fiscal 2007 was $43,000, which was $2,000 less than the second quarter of fiscal 2006 amount of $45,000. Year-to-date interest expense for fiscal 2007 of $88,000 was higher than the prior year-to-date amount by $5,000.

The Company recorded income tax expense at an effective tax rate of 38% for the quarter and year to date periods ended February 25, 2007 and February 26, 2006.

Liquidity and Capital Resources:

On February 25, 2007, working capital was $3,180,000 compared to $2,891,000 at August 27, 2006. The ratio of current assets to current liabilities at February 25, 2007 and August 27, 2006 was 2.32 to 1.0 and 2.31 to 1.0, respectively. The improvement in working capital resulted from the generation of cash from operations as well as in increase in accounts receivable.

As discussed in the Notes to Condensed Consolidated Financial Statements, the Company renewed its $1,000,000 revolving credit facility with its bank during the fiscal 2007 second quarter. Interest on the new agreement is at prime.

It is the Company's belief that its current cash balance, plus future internally generated funds and its line of credit, will be sufficient to enable the Company to meet its working capital requirements through the end of calendar year 2007.

Cautionary Statement:

Statements included in this Management's Discussion and Analysis of Financial Condition and Results of Operations, in future filings by the Company with the Securities and Exchange Commission, in the Company's press releases and in oral statements made with the approval of an authorized executive officer that are not historical or current facts are "forward-looking statements." These statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and are subject to certain risks and uncertainties that could cause actual results to differ materially from historical earnings and those presently anticipated or projected. The Company wishes to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made.

The following important factors, among others, in some cases have affected and in the future could affect the Company's actual results and could cause the Company's actual financial performance to differ materially from that expressed in any forward-looking statement: (i) the Company's ability to obtain additional manufacturing programs and retain current programs; (ii) the loss of significant business from any one of its current customers could have a material adverse effect on the Company; (iii) the Company was dependent upon one customer for 81% of its revenues in fiscal year 2006 and expects that a significant portion of its future revenue will be derived from this customer; (iv) a significant downturn in the industries in which the Company participates could have an adverse effect on the demand for Company services; (v) our sales are concentrated in a limited number of highly competitive industries, each with a limited number of customers; (vi) the prices of our products are subject to downward pressure from customers and market pressure from competitors; (vii) the Company's ability to curtail its costs and expenses for new manufacturing programs, commensurate with expected revenues; (viii) the Company's ability to comply with covenants of its credit facility; (ix) fluctuations in operating results due to, among other things, changes in customer demand for our product, in our manufacturing costs and efficiently of our operations; (x) a trend among our customers toward outsourcing manufacturing to foreign operations.

The foregoing list should not be construed as exhaustive and the Company disclaims any obligation subsequently to revise any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures.

The Company's Chief Executive Officer, Michael J. Pudil, and Chief Financial Officer, Paul D. Sheely, have evaluated the Company's disclosure controls and procedures as of the end of the period covered by this report. Based upon this review, they have concluded that these controls and procedures are effective.

(b) Changes in Internal Controls over Financial Reporting.

There have been no changes in internal control financial reporting that occurred during the fiscal period covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION:

ITEM 4. Submission of Matters to a Vote of Security Holders.

The Annual Meeting of the Company Stockholders was held on January 4, 2007. Of the 2,680,630 shares were issued and outstanding and entitled to vote at the close of business on November 7, 2006 shareholders holding 2,537,952 shares were present at the meeting either in person or by proxy. The following describes the matters considered by the Company's shareholders at the Annual Meeting, as well as the results of the votes cast at the Annual Meeting:

A. To elect five (5) directors to hold office until the next Annual Meeting of Shareholders or until their respective successors have been elected and shall qualify.

Name of Nominee				
Paul Baszucki	For	2,496,639	Against	41,313
Melvin L. Katten	For	2,493,208	Against	44,744
George J. Martin	For	2,490,539	Against	47,413
Eugene J. Mora	For	2,487,266	Against	50,686
Michael J. Pudil	For	2,498,232	Against	39,720

Each director nominee was elected by the shareholders.

B. To approve appointment of Schechter Dokken Kanter Andrews & Selcer Ltd as independent auditors.

For	2,515,250	Against	12,350	Abstain	10,352

The shareholders approved the appointment.

ITEM 6. EXHIBITS

A. The following exhibits are included herein:

Exhibit 31.1 Certification of Chief Executive Officer pursuant to Rules 13a-14 and 15d-14 of the Exchange Act.

Exhibit 31.2 Certification of Chief Financial Officer pursuant to Rules 13a-14 and 15d-14 of the Exchange Act.

Exhibit 32 Certificate pursuant to 18 U.S.C. Section 1350.

SIGNATURES

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

WSI INDUSTRIES, INC.

Date: March 26, 2007

/s/ Michael J. Pudil

Michael J. Pudil, President & CEO

Date: March 26, 2007

/s/ Paul D. Sheely

Paul D. Sheely, Vice President, Finance & CFO