NEWTEK BUSINESS SERVICES INC
Form S-3/A
August 15, 2003
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As filed with the Securities and Exchange Commission on August 15, 2003

Registration No. 333-81610

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM S-3

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

Amendment No. 3

NEWTEK BUSINESS SERVICES, INC.

(Exact name of registrant as specified in its charter)

NEW YORK	**11-3504638**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

100 QUENTIN ROOSEVELT BLVD.

SUITE 408

GARDEN CITY, NEW YORK 11530

(516) 390-2260

(Address, including zip code, and telephone number, including area code, of Registrant s principal executive offices)

BARRY SLOANE

CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER

NEWTEK BUSINESS SERVICES, INC.

462 SEVENTH AVENUE, 14TH FLOOR

NEW YORK, NEW YORK 10018

(212) 356-9500

(Name, address, including zip code, and telephone number, including area code, of agent for service of process)

Copies To:

MATTHEW G. ASH, ESQ.

COZEN O CONNOR

1667 K STREET, NW

WASHINGTON, DC 2006

(202) 912-4800 (PHONE)

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APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE OF SECURITIES TO THE PUBLIC: As soon as practicable after the effective date of this Registration Statement.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. ¨

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. x

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If the delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. ¨

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The registrant hereby amends this registration statement on such date or dates as maybe necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall there after become effective in accordance with section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said section 8(a), may determine.

1,511,817 SHARES

NEWTEK BUSINESS SERVICES, INC.

COMMON STOCK

This prospectus relates to the offering of 1,511,817 shares of our common stock, par value $0.02 per share. These shares may be sold from time to time by our current stockholders, who acquired these shares from us through private transactions.

The selling stockholders may sell the shares at prices determined by the prevailing market price for the shares or in negotiated transactions. We will not receive any proceeds from the sale of these shares.

Our common stock is traded on the American Stock Exchange under the symbol NKC . On August , 2003, the last reported sale price of our common stock was $______ per share.

BEFORE BUYING ANY SHARES YOU SHOULD READ THE DISCUSSION OF MATERIAL RISKS OF INVESTING IN OUR COMMON STOCK IN RISK FACTORS BEGINNING ON PAGE 4.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES, OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is August__, 2003.

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PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. It is not complete and does not contain all of the information that you should consider before investing in the shares. You should read the entire prospectus carefully and you should consider the information set forth under Risk Factors .

Newtek Business Services, Inc., which changed its name from that of Newtek Capital, Inc. in November 2002 in order to emphasize its current business objectives, is engaged in the business of

- owning, operating or coordinating 8 businesses lines which serve small businesses and

- organizing certified capital companies (capcos) and investing funds made available under the capco programs in small businesses including, those in which it holds an equity position.

During 2002, direct business operations of its businesses resulted in revenue of approximately $4 Million or 12% of total revenue and the operation of the capcos resulted in non-cash revenues related to the capco tax credits of approximately $30 Million, or 88% of total revenue. The chart on the following page depicts how these revenues are generated. During the same period, Newtek realized net income (exclusive of extraordinary gains) of approximately $4.5 Million, substantially all of which is attributable to the non-cash income related to the capco programs.

Business & Business Strategy. Newtek s strategy is to operate the capcos and utilize resources available under the programs to develop businesses that emphasize serving other small businesses. During 2002 and 2003 Newtek has reduced the number of business lines that it is investing in and operating and currently Newtek is placing primary emphasis on 8 such lines.

Newtek Small Business Finance *small business loans available under programs of the United States Small Business Administration*

Newtek Merchant Solutions *small business electronic payment processing*

Newtek Financial Information Services *small business financial and management reporting and planning*

Newtek Business Exchange *small business brokerage and M & A services*

Newtek Tax Services *small business tax preparation services (currently being organized)*

Secondary emphasis has been placed on the following:

Newtek IT Services *software development and systems integration for small business*

Newtek Securities *small business capital formation assistance of a broker-dealer*

Newtek Strategies *small business strategic marketing planning and advise*

Capco programs are enacted by states wishing to stimulate investment in small and new businesses in the state. Typically, a state will provide a 100 percent tax credit (in Louisiana, 110%) in exchange for a debt or equity investment by an insurance company into a capco. The capco is then obligated to invest the funds pursuant to the statutory requirements (i.e., size of business, location, number of employees, certain businesses are to be avoided, etc.) The states typically provide that the tax credits are, for a period of 3-5 years, subject to cancellation or recapture if the capco fails to meet the minimum investments required, typically 50 percent within 5 years. Thereafter, the investment obligations remain, but the tax credits are beyond loss to the investors. Newtek now owns and manages ten capcos (aggregate funds raised totaling approximately $169 million) and, to the extent consistent with the specific state statutory requirements, is able to use the funds for debt and/or equity investments in small businesses which fit its investment criteria. Newtek has structured the capco obligations to the insurance company investors so as to provide interest payments largely through use of the tax credits by the insurance companies and arranged for principal repayment by either National Union Fire Insurance Company of Pittsburgh, Inc. or American International Specialty Lines Insurance Company, Inc., both triple-A rated insurance companies and subsidiaries of The American International Group, Inc. Typically, the cost of this insurance and the defeasance of the repayment obligations is approximately 56% of the respective capco s initial cash. See Business Capco Insurance. On a cumulative basis, Newtek s capcos have received insurance company funds of $169.1 Million (representing an equal amount of tax credits), received other initial cash receipts of $33.8 Million, paid $113.3 Million for capco insurance, had $69.9 Million in cash to begin operations in order to meet aggregate minimum investment requirements of $74.7 Million (without consideration of reinvestment of funds), and as of June 30, 2003 had yet to invest $14.3 Million in order to satisfy all minimum investment requirements.

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In 2002 all of the consolidated companies that we invested in generated a net loss of $3.4 Million on revenues of $3.7 Million. In addition, Newtek recorded approximately $729,000 in equity in losses of affiliates and determined that an other than temporary impairment in value of $1.57 Million had been incurred for all other investments.

Newtek and its capcos do not generate any revenue for goods or services from the companies in which it invests. The partner companies and others in which the capcos invest do provide services, and to a much lesser degree goods, to each other. However, the effect of such inter-company revenues and expenses are eliminated in consolidation of the financial results. The parent company, Newtek itself, generates most of its cash from statutorily fixed management fees of 2.5% of certified capital. The services provided range from advice and assistance with strategic relationships to direct and daily involvement in policy making and management consulting with the companies.

RESALE REGISTRATION

Newtek is registering these securities for resale by the selling stockholders and will receive no proceeds from their disposition. A substantial portion of the registered securities are subject to contractual restrictions on transfer for up to three years. See Selling Stockholders.

HOW TO CONTACT US

Our principal executive offices are located at 100 Quentin Roosevelt Boulevard, Garden City, New York and our telephone number is (516) 794-0100. We were incorporated in 1999 in New York.

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[GRAPHIC APPEARS HERE]

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RISK FACTORS

In addition to the other information in this prospectus, you should carefully consider the following factors in evaluating an investment in the shares of our common stock.

Risks Relating to Us:

This section describes risks relating to us and our business operations. Other material risks relating to investments and our major investments, or partner companies, are more fully described below under Risks Relating to our Partner Companies .

Newtek s business focuses on the acquisition and development of, and investment in, small businesses which have a high rate of failure and may take some time to become profitable, and may never become profitable.

Newtek has a major focus on the acquisition of and investment in small businesses with the objective of developing a network of successful and profitable businesses, most of which will serve the small business market generally. Such small businesses have an historically higher rate of failure than larger businesses and many, if not failing, will have only limited profitability. Moreover, profit generated by any of our investments could be offset by losses generated by others. The profitability of Newtek resulting from the operations of its investments in small businesses may be delayed for the foreseeable future.

For example, Newtek s consolidated subsidiaries experienced aggregate net losses of approximately $3,420,000 during the year ended December 31, 2002 and a net loss of approximately $1,889,000 for the year ended December 31, 2001; Newtek recorded net losses from equity method investees of approximately $729,000 and $4,401,000 in the years ended December 31, 2002 and 2001, respectively. In addition, during 2002 Newtek wrote off $1,574,000 of investments in small businesses, compared to $372,000 in 2001, representing management s best estimate as to the amount of the other than temporary decline in the value of the investments.

Each of our major investments and partner companies may be impacted by a variety of adverse economic, governmental, industrial and internal company factors unique to that business and outside our control. If our investments and partner companies do not succeed in overcoming these adverse factors, the value of our assets and the price of our stock would fall.

Because our capcos are subject to minimum investment and other requirements under state law, a failure of any of them to meet these requirements could subject the capco and our stockholders to the loss of one or more capcos and would preclude participation in future capco programs.

Involuntary decertification of all or substantially all of our capcos would result in material loss to Newtek and its stockholders. In general, capcos issue debt and equity instruments, generally warrants, to insurance company investors and the capcos then acquire interests in companies in accordance with applicable state statutes. In return, the states issue tax credits to the capcos, which are available to and used by the insurance company investors to reduce their state tax liabilities. In order to maintain its status as a capco and to avoid the recapture of the tax credits

granted, each capco must meet a number of state requirements. A key requirement in order to continue capco certification is that a capco must comply with minimum investment schedules that benchmark both the timing and type of required investments. A final involuntary loss of capco status, that is, decertification as a capco, will result in loss of the tax credits for us and our insurance company investors; it would also enable the capco insurer, which has the obligation to make compensatory payments to offset the lost tax credits, to take control of one or more capcos and manage or liquidate the capco investments to offset its losses. This would deprive Newtek of the value of the investments and make participation in future capco progams highly unlikely. See Certified Capital Companies capcos Newtek s Record of Compliance for details on the manner in which Newtek s capcos have met all applicable investment schedules in advance of the statutory deadlines.

The ability of Newtek s capcos to meet minimum investment requirements is materially and adversely effected by the cost of the capco insurance.

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Each of Newtek s capcos, following their organization and payment for capco insurance, begin operations with cash approximately equal to 45% of certified capital, the amount on which the minimum investment requirement is based. In order to avoid decertification, and remain in compliance with applicable rules, each capco must invest an amount at least equal to 50% of certified capital in qualified investments. The capcos receive full credit in the minimum investment calculation for the reinvestment of funds returned to the capco by the repayment, sale or liquidation of investments, but the use of over one-half of the initial funds available for capco insurance makes compliance with this requirement more difficult. As of June 30, 2003, five of Newtek s ten capcos have met the minimum investment requirements, however, five remain to do so, having to invest $14.3 million in the aggregate. Failure to do so within the prescribed time frams would lead to decertification of a capco.

The capco programs and the tax credits they provide are created by state legislation; such laws are subject to possible action to repeal or retroactively revise the programs for political, economic or other reasons. Such an attempted repeal would create substantial difficulty for the capco programs and could, if ultimately successful, cause material financial harm to Newtek.

The tax credits associated with the capco programs and provided to Newtek s capco investors are to be utilized by the investors over eight or ten years. Much can change during such a period and it is possible that one or more states may attempt to revise or eliminate the tax credits for one reason or another. Newtek views such an action as unlikely and probably unconstitutional in the jurisdictions in which it operates capcos. Nonetheless, if such a repeal is successful, the repeal could have a material adverse economic on Newtek, either directly or as a result of the actions of the capco s insurer s actions. During 2002 a single legislator in Louisiana did introduce such a proposed bill, on which no action was taken, nor is Newtek aware of any other such legislative proposals prior to or since then with respect to existing, final programs. Newtek operates three capco funds, representing tax credits of $29.4 Million in total, and is currently marketing a fourth under the Louisiana capco program.

Losses by the capcos due to investments in riskier early-stage, start up and potentially high growth businesses could make it significantly more difficult for the capcos to meet minimum state statutory investment benchmarks and thus subject the capcos to decertification as a capco and further financial loss.

In accordance with our investment objectives, Newtek and the capcos will acquire interests in early-stage companies which are riskier than some other investments. If significant losses occur due to these investments, one or more of the capcos could find that it has diminished resources with which to meet applicable minimum investment benchmarks. If we fail to meet minimum investment benchmarks it is likely that the capco s certified status would be withdrawn and our stockholders would experience significant losses. Decertification could require that the capco make compensatory payments to its investors or suffer the assumption of control of the capco by the capco s financial insurer.

In the event of a threat of decertification by a state, the capco financial insurer is authorized (absent appropriate corrective action by the capco) to assume up to complete control of a capco which would likely result in financial loss to the capco and possibly us and our stockholders.

Under the terms of insurance policies purchased by all but one of the capcos for the benefit of the investors, the capco insurer is authorized, in the event of a threat of decertification by a state, and absent appropriate corrective action by the capco, to assume up to complete control of a capco so as to avoid final decertification and compensatory interest payments. While avoiding final decertification, control by the insurer would result in significant disruption of the capco s business and likely result in financial loss to the capco and possibly us and our stockholders.

We must rely on the capco programs for funding our investments.

Our ability to invest in or acquire partner companies has in the past and is expected to be in the future limited to investments permissible to the various capcos. This limitation may require us to forego attractive or desirable investments, which could adversely affect or prevent implementation of our business strategy. In the programs under which the capcos operate, investments by a capco may only be made in the state in which the particular capco operates and the target company must meet certain requirements as to size, employment of state residents and possible relocation.

In the absence of the adoption of new capco programs, we will be unable to derive any new income from tax credits, which to date represents substantially all of our income.

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Virtually all of our income for each of the years since inception in 1998 was derived from the recognition of income related to tax credits available under current certified capital company programs. We will recognize additional income related to tax credits from the current capco programs over the next four to ten years. Thereafter, unless additional capco programs are adopted and we are able to participate in them, we will derive no income from additional capco programs.

Our method of recognition of income derived from the capco tax credits causes most or all such income to be received in the first five (5) years of the programs. In the absence of income from Newtek s investments and other sources, Newtek would sustain material losses in later years.

In all capco programs we recognize the majority of our income from the tax credits in the early years of the programs because income recognition is tied to the schedule by which the tax credits become irrevocable and beyond recapture (approximately 5 Years) For example, we recognize the majority of our income from ten year capco programs in the first 5 years. In the absence of income from other sources, such as our investments in small businesses and partner companies, we would likely sustain material losses. Although we will not be recognizing significant tax credit income in the latter part of the program, we will continue to incur costs for the administration of the capcos. Currently five of Newtek s capcos have been operation for three or four years, four have been in operation for one or two years, and two more are expected to begin operations later this year.

Because our business strategy requires partner companies to share relevant information which may be confidential, we and competing partner companies may be unable to benefit from the sharing of relevant information, and our business strategy may be negatively affected.

Our business strategy depends in part on our ability to share relevant information within our network of partner companies, while at the same time maintaining appropriate confidentiality. There could arise a situation where we compete with some of our partner companies or some of our partner companies compete with each other. If competition develops among our partner companies, we and our partners may be unable to benefit fully from the sharing of information. If we cannot convince partner companies of the value of this business model, our ability to attract new companies may be adversely affected, and our strategy of building a collaborative network may not succeed.

Because we depend on our ability and the ability of our partner companies to attract and retain key personnel, any loss of, or inability to attract these personnel could adversely affect us. This is particularly true for small businesses such as our partner companies and other investments.

Our success depends upon the ability of our partner companies and other investments to attract and retain qualified personnel and our ability to supplement those capabilities with our senior management personnel.. Competition for qualified employees is intense. If we or our partner companies lose the services of key personnel or officers, or are unable to attract additional qualified personnel, the business, financial condition, results of operations and cash flows of us or one or more of our partner companies, could be materially adversely affected. It can take a significant period of time to identify and hire personnel with the combination of skills and attributes required in carrying out our strategy. We have employment agreements only with Messrs. Sloane, Wasserman and Rubin, and we do not currently maintain key-man life insurance policies on any of these individuals.

Because expenses are expected to increase as we build an infrastructure and implement our business strategy, we may incur additional losses in the future.

Because our expenses are expected to increase as we build an infrastructure and implement our business strategy, we will likely incur significant additional losses in the near future. We expect the additional expenses to result primarily from our plans to:

- expand existing systems;
- broaden partner company support capabilities;
- continue to explore acquisition opportunities and alliances; and
- facilitate business arrangements among partner companies.

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If we are deemed to be an investment company under the Investment Company Act of 1940, we will not be able to execute successfully our business strategy.

There is a risk that the Securities and Exchange Commission or a court might conclude that we fall within the definition of investment company, and unless an exclusion were available, we would be required to register under the Investment Company Act of 1940. Compliance with the Investment Company Act, as a registered investment company, would cause us to alter significantly our business strategy, impair our ability to operate as planned and seriously harm our business. If we fail to comply with the requirements of this Act, we would be prohibited from engaging in business or selling securities, and could be subject to civil and criminal actions for doing so. In addition, our contracts would be voidable and a court could appoint a receiver to take control of and liquidate our business. However, registration under the Investment Company Act would make us subject to the significant operations which are inconsistent with our strategy of participating in the management and development of partner companies.

The SEC has adopted Rule 3a-1 that provides an exclusion from registration as an investment company if a company meets both an asset and an income test and is not otherwise primarily engaged in an investment company business by, among other things, holding itself out to the public as such or by taking controlling interests in companies with a view to realizing profits through subsequent sales of these interests. A company satisfies the asset test of Rule 3a-1 if it has no more than 45% of the value of its total assets (adjusted to exclude U.S. Government securities and cash) in the form of securities other than interests in majority-owned subsidiaries and companies which it primarily and actively controls. A company satisfies the income test of Rule 3a-1 if it has derived no more than 45% of its net income for its last four fiscal quarters combined from securities other than interests in majority owned subsidiaries and primarily and actively controlled companies.

If to avoid registration under the Investment Company Act we are forced to sell, buy or retain certain assets that we would not otherwise sell, buy or retain, the successful execution of our business strategy may be delayed or prevented and the strength of our collaborative network could be adversely affected.

To avoid registration under the Investment Company Act, we may need to sell assets which we would otherwise want to retain and may be unable to sell assets which we would otherwise want to sell. If we were forced to sell assets, we may not receive maximum value for our interest. If we were forced to acquire additional, or to retain existing, income-generating or loss-generating assets which we would not otherwise have acquired or retained, we may need to forego opportunities to acquire interests in attractive companies that would benefit our business. If we were forced to sell, buy or retain assets in this manner, we may be prevented from successfully executing our current business strategy and the strength of our collaborative network could be adversely affected.

Our ability to sell partner company interests to generate income or to avoid regulation under the Investment Company Act may be limited especially where there is no public market for a partner company s stock. Market, regulatory, contractual and other conditions largely beyond our control will affect:

- our ability to sell our interests in partner companies;
- the timing of these sales; and
- the amount of proceeds from these sales.

If we divest all or part of our interest in a partner company, we may not receive maximum value for that interest, and we may sell the interest for less than the amount we paid to acquire it or at less than its maximum value. Even if a partner company has publicly-traded stock, we may be unable to sell our interest in that company at then-quoted market prices. In addition, we may be required to buy assets in order to avoid excessive income from non-controlled businesses, or we may be required to ensure that we retain a more than 25% ownership interest in a partner company after an equity offering.

Newtek is the sole sponsor and operator of capcos that is a public company and where the capco program constitutes a material part of its business. As such, there are no other companies against which investors may compare Newtek s capco business, operations, results of operations and financial and accounting structures.

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In the absence of any meaningful peer group comparisons for Newtek s capco business, individual investors as well as institutional investors may have a harder time understanding and judging the strength of Newtek s business and this, in turn, may have a depressing effect on the value of Newtek s stock.

Risks Relating to our Partner Companies

If Newtek and its partner companies are unable to obtain the resources required by the partner companies for their growth and development, the partner companies will be highly susceptible to failure, which would directly affect our profitability and value.

If Newtek and its partner companies are unable to obtain the resources the partner companies require for their growth and development, the partner companies will be highly susceptible to failure, which would directly affect our profitability and value. Early-stage businesses often fail due to their limited material and human resources. The success of our business model is dependent upon the ability of the partner companies, with assistance from us, to arrange for the managerial, capital and other resources which they usually require in order to become and remain profitable.

We may require additional capital beyond the capco programs, which may not be available on satisfactory terms, or at all.

To the extent permissible under applicable state laws, we intend to utilize the capco programs to fund the growth and operations of our partner companies. If these funds are not available or are available but not sufficient, Newtek or its partner companies will have to access the private or public capital markets from which they may be excluded. In recent months, the capital markets generally have weakened and may remain so for an extended period of time. If access to these markets is not available or is available but on unacceptable terms, Newtek and its partner companies may lack the funds necessary to expand their operations, become profitable or execute their business strategy. The inability to raise funds in the capital markets may result in a material loss to us and our partner companies.

To the extent that our partner companies grow rapidly, and as we acquire more and larger interests in partner companies, the resources we allocate to assist our partner companies may become strained.

We have made a number of strategic acquisitions, and we intend to continue to make acquisitions in furtherance of our business plan. We may not, however, be able to identify or complete acquisitions that we believe will achieve these goals at prices that we deem acceptable. Additionally, each acquisition involves a number of risks. These risks include:

- the diversion of our management s attention to the assimilation and ongoing assistance with the operations and personnel of the acquired business, which could strain the management resources we have available;
- the potential for our partner companies to grow rapidly and adversely effect our ability to assist our partner companies as intended;
- possible adverse effects on our results of operations; and

possible inability by us to achieve the intended objective of the acquisition.

Any strain on our ability to assist our partner companies as intended or to successfully acquire and integrate businesses under our business plan would likely have a negative impact on our operations.

WHERE YOU CAN FIND MORE INFORMATION;

INCORPORATION BY REFERENCE

We file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission. Our file number under the Securities Exchange Act is 1-16123. You may read and copy, upon payment of a fee set by the SEC, any document that we file with the SEC at its public reference rooms in Washington, D.C. (450 Fifth Street, N.W., 20549) and Chicago, Illinois (Citicorp Center, 500 West Madison Street, 14th Floor, Suite 1400, 60661). You may also call the SEC at 1-800-432-0330 for more information on the public reference rooms. Our

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filings are also available to the public on the Internet, through the SEC s EDGAR database. You may access the EDGAR database at the SEC s web site at http://www.sec.gov.

The SEC allows us to incorporate by reference into this prospectus the information we file with them. This means that we can disclose important business, financial and other information in our SEC filings by referring you to the documents containing this information. All information incorporated by reference is part of this prospectus, unless that information is updated and superseded by the information contained in this prospectus or by any information filed subsequently that is incorporated by reference or by any prospectus supplement. Any prospectus supplement or any information that we subsequently file with the SEC that is incorporated by reference will automatically supersede any prior information that is part of this prospectus or any prior prospectus supplement. We incorporate by reference the documents listed below and any future filings made with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 until the termination of this offering:

Current Report on Form 8-K filed on January 15, 2003 and amended on March 17, 2003.

Annual Report on Form 10-KSB for the year ended December 31, 2002, filed March 31, 2003.

Proxy Statement filed April 30, 2003.

Quarterly Report on Form 10-QSB for the three months ended March 31, 2003.

the description of our Common Stock contained in our Registration Statement on Form 8-A, filed September 18, 2000, which registered our common stock under Section 12(b) of the Securities Exchange Act of 1934.

This prospectus is part of a Registration Statement on Form S-3 we have filed with the SEC relating to our common stock registered under the Securities Act of 1933. As permitted by SEC rules, this prospectus does not contain all of the information contained in the Registration Statement and accompanying exhibits and schedules we file with the SEC. You may refer to the registration statement, the exhibits and schedules for more information about us and our common stock. The registration statement, exhibits and schedules are also available at the SEC s public reference rooms or through its EDGAR database on the internet.

You may obtain a copy of these filings at no cost by writing to us at Newtek Business Services, Inc., 100 Quentin Roosevelt Boulevard, Suite 408, Garden City, New York, Attention: Ellen Merryman, or by telephoning us at (516) 794-0100. In order to obtain timely delivery, you must request the information no later than five business days prior to the date you decide to invest in our common stock.

You should rely only on the information incorporated by reference or provided in this prospectus or any prospectus supplement. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information in this prospectus or any prospectus supplement is accurate as of any date other than the date on the front of this prospectus.

SPECIAL NOTE OF CAUTION REGARDING

FORWARD-LOOKING STATEMENTS

Certain statements contained in (i) this prospectus, (ii) any applicable prospectus supplement and (iii) the documents incorporated by reference into this prospectus, may constitute forward-looking statements within the meaning of the federal securities laws. Forward-looking statements are based on our management s beliefs, assumptions and expectations of our future economic performance, taking into account the information currently available to them. These statements are not statements of historical fact. Forward-looking statements involve risks and uncertainties that may cause our actual results, performance or financial condition to be materially different from the expectations of future results, performance or financial condition we express or imply in any forward-looking statements. Some of the important factors that could cause our actual results, performance or financial condition to differ materially from our expectations are:

The performance of our partner companies, aspects of which are outside our control.

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Losses by the capcos due to investments in riskier early-stage and start up businesses could make it significantly more difficult for the capcos to meet minimum state statutory investment benchmarks and thus subject the capcos to decertification and further financial loss.

The degree and nature of our competition and that of our partner companies.

The lack of widespread acceptance of the commercial use of the Internet, which may be material to one or more of our partner companies.

Our ability, and that of our partner companies, to attract and retain key managerial and technical personnel.

Changes in government regulation of our business and those of our partner companies.

When used in our documents or oral presentations, the words anticipate , estimate , expect , objective , projection , forecast , goal , or simil are intended to identify forward-looking statements. We qualify any such forward-looking statements entirely by these cautionary factors.

PLAN OF DISTRIBUTION

We are registering all 1,511,817 shares on behalf of the selling stockholders. The selling stockholders named in the table below or pledgees, donees, transferees or other successors-in-interest selling shares received from the named selling stockholders as a gift or other non-sale-related transfer after the date of this prospectus may sell the shares from time to time. The selling stockholders may also decide not to sell all the shares they are allowed to sell under this prospectus. The selling stockholders will act independently of us in making decisions with respect to the timing, manner and size of each sale. The sales may be made on one or more exchanges or in the over-the-counter market or otherwise, at prices and at terms then prevailing or at prices related to the then current market price, or in negotiated transactions. The selling stockholders may effect such transactions by selling the shares to or through broker-dealers. Our common stock may be sold by the selling stockholders in one or more of, or a combination of, the following transactions:

a block trade in which the broker-dealer so engaged will attempt to sell our common stock as agent but may position and resell a portion of the block as principal to facilitate the transaction,

purchases by a broker-dealer as principal and resale by such broker-dealer for its account pursuant to this prospectus,

an exchange distribution in accordance with the rules of such exchange,

ordinary brokerage transactions and transactions in which the broker solicits purchasers, and

in privately negotiated transactions.

To the extent required, this prospectus may be amended or supplemented from time to time to describe a specific plan of distribution. In effecting sales, broker-dealers engaged by the selling stockholders may arrange for other broker-dealers to participate in the resales.

The selling stockholders may enter into hedging transactions with broker-dealers in connection with distributions of our common stock or otherwise. In such transactions, broker-dealers may engage in short sales of the shares in the course of hedging the positions they assume with the selling stockholders. The selling stockholders also may sell shares short and redeliver our common stock to close out such short positions. The selling stockholders may enter into option or other transactions with broker-dealers which require the delivery to the broker-dealer of our common stock. The broker-dealer may then resell or otherwise transfer such shares pursuant to this prospectus. The selling stockholders also may loan or pledge the shares to a broker-dealer. The broker-dealer may sell our common stock so loaned, or upon a default the broker-dealer may sell the pledged shares pursuant to this prospectus.

Broker-dealers or agents may receive compensation in the form of commissions, discounts or concessions from the selling stockholders. Broker-dealers or agents may also receive compensation from the purchasers of our common stock for whom they act as agents or to whom they sell as principals, or both. Compensation as to a particular broker-dealer might be in excess of customary commissions and will be in amounts to be negotiated in connection with our common stock. Broker-dealers or agents and any other participating broker-dealers or the selling stockholders may be deemed to be an underwriter within the meaning of Section 2(11) of the Securities Act of 1933 in connection with sales of

the shares. Accordingly, any such commission, discount or concession received by it and any profit on the resale of our common stock purchased by it may be deemed to be underwriting discounts or commissions under the Securities Act of 1933. Because a selling stockholder may be deemed to be an underwriter within the meaning of Section 2(11) of the Securities Act of 1933, the selling stockholders will be subject to the prospectus delivery requirements of the Securities Act of 1933. In addition, any securities covered by this prospectus which qualify for sale pursuant to Rule 144 promulgated under the Securities Act of 1933 may be sold under Rule 144 rather than pursuant to this prospectus. The selling stockholders have advised us that they have not entered into any agreements, understandings or arrangements with any underwriters or broker-dealers regarding the sale of their securities. There is no underwriter or coordinating broker acting in connection with the proposed sale of shares by the selling stockholders.

Our common stock will be sold only through registered or licensed brokers or dealers if required under applicable state securities laws. In addition, in certain states our common stock may not be sold unless they have been registered or qualified for sale in the applicable state or an exemption from the registration or qualification requirement is available and is complied with.

Under applicable rules and regulations under the Securities Exchange Act of 1934, any person engaged in the distribution of our common stock may not simultaneously engage in market making activities with respect to our common stock for a period of two business days prior to the commencement of such distribution. In addition, the selling stockholders will be subject to applicable provisions of the Securities Exchange Act of 1934 and the associated rules and regulations under the Securities Exchange Act of 1934, including Regulation M, which provisions may limit the timing of purchases and sales of shares of our common stock by the selling stockholders. We will make copies of this prospectus available to the selling stockholders and have informed them of the need for delivery of copies of this prospectus to purchasers at or prior to the time of any sale of our common stock.

We will file a supplement to this prospectus, if required, pursuant to Rule 424(b) under the Securities Act of 1933 upon being notified by the selling stockholders that any material arrangement has been entered into with a broker-dealer for the sale of shares through a block trade, special offering, exchange distribution or secondary distribution or a purchase by a broker or dealer. Such supplement will disclose:

- the name of such selling stockholder(s) and of the participating broker-dealer(s),
- the number of shares involved,
- the price at which such shares were sold,
- the commissions paid or discounts or concessions allowed to such broker-dealer(s), if any,
- that such broker-dealer(s) did not conduct any investigation to verify the information set out or incorporated by reference in this prospectus, and
- other facts material to the transaction.

We will bear all costs, expenses and fees in connection with the registration of our common stock. The selling stockholders will bear all commissions and discounts, if any, attributable to the sales of the shares. The selling stockholders may agree to indemnify any broker-dealer or agent that participates in transactions involving sales of the shares against certain liabilities, including liabilities arising under the Securities Act

of 1933.

SELLING STOCKHOLDERS

The following table sets forth the name of the selling stockholders, the number of shares owned by the selling stockholders as of June 10, 2003, and the number of shares of our common stock expected to be owned by selling stockholders after this offering is completed. The number of shares in the column Number of Shares Being Offered represents all of the shares the selling stockholders may offer under this prospectus. We do not know how many shares or how long the selling stockholders may continue to offer under this prospectus. We do not know how long the selling stockholders will hold the shares before selling them, and we currently have no agreements, arrangements or understandings with the selling stockholders regarding the sale of any of the shares, except as indicated below. The shares being offered by this prospectus may be offered from time to time by the selling stockholders named below.

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Name of Stockholders	Shares Beneficially Owned Prior to Offering		Number of Shares Being Offered	Shares Beneficially Owned After Offering**	
	Number	Percent		Number	Percent
National Union Fire Ins. Co. of Pittsburgh, Pa.	621,333	2.4	597,333**	24,000	0
American Int. Speciality Lines Ins. Co.	378,000	1.5	378,000**	0	0
First SunAmerica Life Insurance Co.	34,000	*	34,000**	0	0
Northwestern Mutual Life Insurance Co.	53,959	*	53,959**	0	0
American Family Mutual Insurance Co.	53,723	*	53,723**	0	0
Massachusetts Mutual Insurance Co.	212,449	*	192,449**	20,000	0
Pacific Life Ins. Co.	52,444	*	52,444**	0	0
Principal Life Ins. Co.	149,909	*	149,909**	0	0

* Less than 1 percent.

** A substantial portion of these shares (1,160,484 shares, or 76.8 percent) are subject to contractual restrictions on transfer, one third for each of one, two or three years.

USE OF PROCEEDS

Newtek Business Services, Inc. will not receive any of the proceeds from the sale of the shares by the selling stockholders.

BUSINESS

Newtek s business originated in 1998 and initially focused exclusively on developing income opportunities related to the capco programs. Through the June 2003, it has established and/or manages 10 capcos or capco funds and provided the initial required capitalization for them of approximately $3.8 Million. Conceived as venture capital funds, it has become very apparent both to Newtek and state governments, that additional funds through the capco programs are only one element of successful business strategies for new and growing small businesses. After its first year of operations, Newtek determined that it would take a hands-on approach to its investments and provide the other elements necessary for the businesses to survive and succeed. Through 2001 and 2002, this trend to greater participation in the businesses in which it has invested has led Newtek to the determination to focus on the types of businesses in which it will primarily (but not exclusively) invest, as described above, and to take a very active role in the management of these businesses.

Newtek continues to distinguish between its partner companies (those where it takes a greater role in ownership and management) and the other investments (those where it has a lesser role, or lesser equity or only a loan to the business). Marketing strategies have been developed during 2002 to enable the partner companies, operating in different markets and with overlapping but not identical ownership and management, to benefit from the unified market presence as a NEWTEK-branded business service or financial product.

Also, since the beginning of 2002 Newtek completed the acquisition of a company that manages an operating capco in New York and organized and marketed the notes of its ninth and tenth capcos under new legislation in Colorado and Louisiana.* The New York entity owns and manages a minority interest in the operating capco and operates out of offices in Albany and Syracuse, New York. The net current asset value of Exponential is small but Newtek believes that the increased presence in the up-state New York region will be beneficial to its overall business.

* In Louisiana, due to the structure of the capco legislation, Newtek has one capco which operates three separate funds. Because the funds are organized and funded separately, Newtek considers them and here refers to them as three separate capcos.

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Subsequent to a capco investment made in September 2002 in a partner company, SBA, Inc., in December Newtek added its own non-cash resources to those of SBA, Inc. and facilitated the acquisition of Commercial Capital Corporation, one of only 14 licensees of the US Small Business Administration permitted to originate SBA guaranteed loans nationwide. This company had made approximately $370 Million in such loans since its inception in 1994, and held a current loan servicing portfolio of approximately $196 Million including loans serviced for others of $141 Million. Newtek has licensed the use of the Newtek brand name at no cost and the acquired company now operates as Newtek Small Business Finance. In conjunction with Newtek s participation in the acquisition, and its corporate guaranty, the principal warehouse lender for Commercial Capital, a Deutsche Bank affiliate, agreed to renew its $75 Million revolving credit facility and agreed to exchange $1.5 million of borrowings for $1.5 Million in preferred stock in the lender. In addition, in January 2003, Newtek was instrumental in arranging for the strategic investment in Newtek Small Business Finance by an affiliate of Credit Suisse First Boston Corporation of an additional $2 Million. Newtek completed the transaction with an 80% ownership of the lender and its holding company (SBA, Inc.), of which 60% is held directly and 20% is held by the capco. Newtek received no other consideration from any party in this transaction. This addition to the business of Newtek will greatly supplement the services which Newtek can provide to the small business market.

In 2002 all of the consolidated companies that Newtek s capcos invested in generated a net loss of $3.4 Million on revenues of $3.7 Million. During the year 2002, Newtek s capcos invested an aggregate of $16.2 Million and determined that investments totalling $1.57 had incurred an other than temporary impairment in value; since inception, Newtek s capcos have invested an aggregate of $63.6 Million against which $3.14 has been determined to be impaired. During the first six months of 2003, Newtek invested an additional $4,783,000 and determined the existence of $1,734,000 in other than temporary impairments in its investments. During the same period, Newtek made one equity method investment of $983,000 and experienced $118,000 in losses from previous equity method investments.

Newtek and its capcos do not generate any revenue for goods or services from the companies in which it invests. The partner companies and others in which the capcos invest do provide services, and to a much lesser degree goods, to each other. However, the effect of such inter-company revenues and expenses are eliminated in consolidation of the financial results. The parent company, Newtek itself, generates most of its cash from management fees of 2.5% of certified capital, as fixed by the capco statutes. This covers all supportive services generally provided by Newtek to its partner and other investee companies. The services range from advice and assistance with strategic relationships to direct and daily involvement in policy making and management consulting with the companies.

Certified Capital Companies capcos

Overview. A capco is either a corporation or a limited liability company, established in and chartered by one of the six states currently with authorizing legislation (Florida, Louisiana, Missouri, Colorado, New York and Wisconsin). Aside from seed capital provided by an organizer such as Newtek, usually $500,000 per capco, a capco will issue debt and equity instruments exclusively to insurance companies, and the capcos then are authorized under the respective state statutes to make targeted acquisitions of interests in companies which may be majority-owned or primarily controlled by the capcos after the acquisition is consummated, and which may or may not be in conjunction with loans to such companies. In most cases, the tax credits provided by the states are equal to the amount of investment by the insurance companies in the securities of the capcos, which can be utilized by them over no less than ten years, or approximately 10% per year. These credits are unaffected by the returns or lack of returns on investments made by the capcos.

The Role of Capcos in Newtek s Business Strategy. Management of Newtek has determined that the features of the capco programs facilitate the use of the capco funds in the support of its development as a holding company for a network of small business service providers. The authorizing statutes in each of the states in which Newtek s capcos operate explicitly allow and encourage the capcos to take equity interests, which in some cases may include majority or controlling interests, in companies. Consequently, Newtek may, consistent with its business objectives, acquire interests in companies through its capcos and provide management and other services to these companies. The investments by the capcos create jobs and foster economic development consistent with the objectives of the programs as stated in most capco statutes. Furthermore, because Newtek s capcos have arranged for the repayment of the principal portion of their notes (by the AIG affiliate) and the interest payment of the notes is paid through the use of tax credits, Newtek s capcos are under no pressure to generate short-term profits and may invest for long-term profitability. All of Newtek s current majority-owned companies are less than three years old, some are less than one year

old, and all but one have produced a loss for 2002. Because of the nature of the capco program, Newtek may accept the higher level of losses common to

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start up companies, as it has the ability to devote the time, attention and resources to these companies which they require to become successful.

These capco programs are, in the view of Newtek s management, a complement to Newtek s long-term strategy of acquiring, developing and operating companies that provide business products and financial services to small businesses. Based upon the experience of its management, Newtek determined early in the operations of the capcos that the targeted new and small businesses required much more than just the funds available in the capcos. These businesses also require administrative, managerial, technical, legal and financial management assistance that Newtek provided in structuring and building the businesses. This hands-on management approach facilitates the general objectives of the capco programs of economic development, while at the same time permitting Newtek to develop its long-term investments.

Management of Newtek believes that it has built upon the resources of the capco programs to enhance the development of small businesses by significantly more than investing or loaning capco funds to an entrepreneur. Passive investment may have worked often enough in the business climate of the 1990 s, but businesses today, particularly small businesses, require much more than funds to succeed. In order to make the capco investments successful, and thus to fulfill the public policy objectives of the capco programs, Newtek has attempted to take the next step with the active addition of management resources, technical and professional expertise and non-capco funds. This has included during 2002 the development of the zero-cost NEWTEK branding for the partner companies, as well as the material and significant assistance that Newtek provided to its partner company, Newtek Small Business Finance, in the negotiation of an extension of a $75 Million credit line, which included an $3 Million debt forgiveness and conversion of $1.5 Million into preferred stock of the partner company. This was followed by the subsequent sale in January 2003 by the partner company of $2 Million in preferred stock to a unit of Credit Suisse First Boston Corporation in conjunction with a referral agreement for lending business. These are good examples of the other types of possible benefits available to the partner companies by association with a larger business such as Newtek.

The Capco Programs; Tax Credits. The recognition of revenue by the capcos organized by Newtek at present represents the largest single source of revenue to Newtek, or approximately 88% of gross revenue in 2002. Such revenue has been the principal contribution to Newtek s net income in 2002 and 2001.

In return for the capcos making investments in the targeted companies, the states provide tax credits that are available for use by insurance companies that provide the funds to the capcos. In order to maintain its status as a capco, and to avoid recapture or forfeiture of the tax credits, each capco must meet a number of specific investment requirements, including a minimum investment schedule. A final loss of capco status, that is decertification as a capco, could result in loss or possible recapture of the tax credit. Newtek s capcos have agreed with their funding insurance companies to provide, in the event of decertification, payments by the capco or, as described below, by the capco insurer to the insurance companies in the nature of compensatory payments, to replace the lost tax credits.

Investment Requirements. Each of the state capco programs has a requirement that a capco, in order to maintain its certified status, must meet certain investment requirements, both qualitative and quantitative benchmarks.

Quantitative Requirements: For example in the state of New York, a capco must invest at least 25% of its certified capital (the amount of the original funding of the capco by the insurance companies) by 24 months from the initial investment date, 40% by 36 months and 50% by 48 months. The minimum investment requirements and time periods, along with the related tax credit recapture requirements are set out in detail below. See, also, Management s Discussion and Analysis -Income from Tax Credits and Note 1 of Notes to Consolidated Financial Statements Revenue Recognition contained in the December 31, 2002 Form 10-KSB. The minimum requirements are calculated on a cumulative basis and allow the capcos to receive a return of an investment and re-invest the funds for full additional credit towards the minimum requirements.

Qualitative Requirements: These include limitations on the initial size of the recipients of the capco funds, including the number of their employees, the location within the respective state of the recipients and the recipients   commitment to remain therein for a specified period of time, the types of business conducted by the recipients, and the terms of the investments in the recipients. Most significant for Newtek s business is the fact that the capco programs generally do not pose any obstacle to investments in qualified businesses which result in significant, majority or, in some cases, controlling ownership positions. This enables Newtek to achieve both public policy objectives of the capco programs, of increasing the number of small businesses and job opportunities in the state, as well as its own objectives of

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developing a number of small business service companies which may become profitable and return a meaningful return both to Newtek s stockholders and to the local participants in the businesses. In addition, because the businesses that Newtek is building themselves provide needed, and in management s judgment cost effective, goods and services to other small businesses, the growth of this important segment of a state s economy may be accelerated.

Enforcement of Requirements: The various states, which administer these programs through their insurance, banking or commerce departments, conduct periodic reviews and on site examinations of the capcos in order to verify that the capcos have met applicceeff;">

$
1.350

$
1.313

See notes to condensed consolidated financial statements.

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THE SCOTTS MIRACLE-GRO COMPANY
Condensed Consolidated Statements of Comprehensive Income (Loss)
(In millions)
(Unaudited)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	JUNE 27, 2015	JUNE 28, 2014	JUNE 27, 2015	JUNE 28, 2014
Net income	$133.0	$121.7	$183.3	$181.7
Other comprehensive (loss) income, net of tax:				
Net foreign currency translation adjustment	2.5	4.2	(8.8)	0.1
Net unrealized gain (loss) on derivative instruments, net of tax of $0.3, $2.4, $2.7, and $4.2 respectively	0.5	(3.9)	(4.4)	(6.8)
Reclassification of net unrealized loss on derivatives to net income, net of tax of $1.4, $2.0, $3.5, and $6.3, respectively	2.3	3.2	5.6	10.2
Net unrealized loss in pension and other post-retirement benefits, net of tax of $0.0, $0.0, $0.0 and $0.2, respectively	—	—	—	(0.3)
Reclassification of net pension and post-retirement benefit loss to net income, net of tax of $0.5, $0.5, $1.4, and $1.4, respectively	0.8	0.8	2.3	2.3
Total other comprehensive (loss) income	6.1	4.3	(5.3)	5.5
Comprehensive income	$139.1	$126.0	$178.0	$187.2

See notes to condensed consolidated financial statements.

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THE SCOTTS MIRACLE-GRO COMPANY
Condensed Consolidated Statements of Cash Flows
(In millions)
(Unaudited)

	NINE MONTHS ENDED	
	JUNE 27, 2015	JUNE 28, 2014
OPERATING ACTIVITIES		
Net income	$183.3	$181.7
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Impairment, restructuring and other	4.3	33.7
Costs related to refinancing	—	3.5
Share-based compensation expense	11.4	8.7
Depreciation	38.2	37.8
Amortization	12.3	10.2
Loss (gain) on sale of assets	0.6	(1.3)
Equity in net loss of unconsolidated affiliates	—	(1.8)
Changes in assets and liabilities, net of acquired businesses:		
Accounts receivable	(475.6)	(433.7)
Inventories	(21.1)	(63.3)
Prepaid and other assets	(15.7)	(15.0)
Accounts payable	125.8	145.8
Other current liabilities	114.4	147.1
Restructuring reserves	37.0	2.6
Other non-current items	3.2	(22.8)
Other, net	6.1	1.1
Net cash provided by operating activities	24.2	34.3
INVESTING ACTIVITIES		
Proceeds from sale of long-lived assets	5.3	0.2
Proceeds from sale of business, net of transaction costs	—	7.2
Investments in property, plant and equipment	(41.2)	(68.5)
Investments in acquired businesses, net of cash acquired	(179.1)	(60.0)
Net cash used in investing activities	(215.0)	(121.1)
FINANCING ACTIVITIES		
Borrowings under revolving and bank lines of credit	1,440.7	1,740.5
Repayments under revolving and bank lines of credit	(1,175.9)	(1,282.4)
Repayment of 7.25% Senior Notes	—	(200.0)
Financing and issuance fees	—	(6.1)
Dividends paid	(82.4)	(81.3)
Purchase of common shares	(14.8)	(89.5)
Payments on seller notes	(0.8)	(0.8)
Excess tax benefits from share-based payment arrangements	2.9	5.4
Cash received from the exercise of stock options	16.5	14.3
Net cash provided by financing activities	186.2	100.1
Effect of exchange rate changes on cash	(4.8)	4.1

Net (decrease) increase in cash and cash equivalents	(9.4)	17.4
Cash and cash equivalents, beginning of period	89.3	129.8
Cash and cash equivalents, end of period	$79.9	$147.2
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	$(39.3)	$(42.4)
Call premium on 7.25% Senior Notes	—	(7.3)
Income taxes (paid) refunded	(53.7)	(14.5)

See notes to condensed consolidated financial statements.

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THE SCOTTS MIRACLE-GRO COMPANY
Condensed Consolidated Balance Sheets
(In millions, except stated value per share)
(Unaudited)

	JUNE 27, 2015	JUNE 28, 2014	SEPTEMBER 30, 2014
ASSETS			
Current assets:			
Cash and cash equivalents	$79.9	$147.2	$ 89.3
Accounts receivable, less allowances of $10.0, $11.4 and $7.5, respectively	436.5	512.3	224.0
Accounts receivable pledged	376.4	237.8	113.7
Inventories	415.8	387.8	385.1
Prepaid and other current assets	131.6	125.9	122.9
Total current assets	1,440.2	1,411.0	935.0
Property, plant and equipment, net of accumulated depreciation of $625.7, $606.4 and $597.2, respectively	447.9	443.4	437.0
Goodwill	430.6	333.3	350.9
Intangible assets, net	671.2	281.3	302.7
Other assets	28.2	37.4	32.7
Total assets	$3,018.1	$2,506.4	$ 2,058.3
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Current portion of debt	$316.4	$200.5	$ 91.9
Accounts payable	315.7	279.3	193.3
Marketing and license agreement obligation	300.0	—	—
Other current liabilities	410.8	428.6	259.5
Total current liabilities	1,342.9	908.4	544.7
Long term debt	738.4	628.7	692.4
Other liabilities	243.4	214.1	254.0
Total liabilities	2,324.7	1,751.2	1,491.1
Contingencies (note 11)			
Shareholders' equity:			
Common shares and capital in excess of $.01 stated value per share; 61.3, 61.2 and 60.7 shares issued and outstanding, respectively	403.9	390.5	395.3
Retained earnings	737.1	803.0	636.9
Treasury shares, at cost; 6.9, 7.0 and 7.4 shares, respectively	(369.5)	(366.0)	(392.3)
Accumulated other comprehensive loss	(91.5)	(72.3)	(86.2)
Total shareholders' equity - controlling interest	680.0	755.2	553.7
Noncontrolling interest	13.4	—	13.5
Total equity	693.4	755.2	567.2
Total liabilities and shareholders' equity	$3,018.1	$2,506.4	$ 2,058.3

See notes to condensed consolidated financial statements.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Scotts Miracle-Gro Company ("Scotts Miracle-Gro" or "Parent") and its subsidiaries (collectively, together with Scotts Miracle-Gro, the "Company") are engaged in the manufacturing, marketing and sale of consumer branded products for lawn and garden care. The Company's primary customers include home centers, mass merchandisers, warehouse clubs, large hardware chains, independent hardware stores, nurseries, garden centers and food and drug stores. The Company's products are sold primarily in North America and the European Union. The Company also operates the Scotts LawnService® business, which provides residential and commercial lawn care, tree and shrub care and limited pest control services in the United States.

Organization and Basis of Presentation

The Company's unaudited condensed consolidated financial statements for the three and nine months ended June 27, 2015 and June 28, 2014 are presented in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The condensed consolidated financial statements include the accounts of Scotts Miracle-Gro and its subsidiaries. All intercompany transactions and accounts have been eliminated in consolidation. The Company's consolidation criteria are based on majority ownership (as evidenced by a majority voting interest in the entity) and an objective evaluation and determination of effective management control. AeroGrow International, Inc. ("AeroGrow"), in which the Company has controlling interest, is consolidated with the equity owned by other shareholders shown as noncontrolling interest in the consolidated balance sheets, and the other shareholders' portion of net earnings and other comprehensive income is shown as net earnings or comprehensive income attributable to noncontrolling interest in the consolidated statement of operations and consolidated statements of comprehensive income (loss), respectively. In the opinion of management, interim results reflect all normal and recurring adjustments and are not necessarily indicative of results for a full year.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been omitted or condensed pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Accordingly, this report should be read in conjunction with Scotts Miracle-Gro's Annual Report on Form 10-K for the fiscal year ended September 30, 2014 (the "2014 Annual Report"), which includes a complete set of footnote disclosures, including the Company's significant accounting policies.

The Company's Condensed Consolidated Balance Sheet at September 30, 2014 has been derived from the Company's audited Consolidated Balance Sheet at that date, but does not include all of the information and footnotes required by GAAP for complete financial statements.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported and related disclosures. Although these estimates are based on management's best knowledge of current events and actions the Company may undertake in the future, actual results ultimately may differ from the estimates.

Long-lived Assets

The Company had noncash investing activities of $1.6 million and $1.5 million representing unpaid liabilities incurred during the nine months ended June 27, 2015 and June 28, 2014, respectively, to acquire property, plant and equipment.

RECENT ACCOUNTING PRONOUNCEMENTS

Revenue Recognition from Contracts with Customers

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers. This guidance requires companies to recognize revenue in a manner that depicts the transfer of promised goods or services to customers in amounts that reflect the consideration to which a company expects to be entitled in exchange for those goods or services. The new standard also will result in enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The provisions are effective for the Company's financial statements for the fiscal year

beginning October 1, 2018. The standard allows for either a full retrospective or a modified retrospective transition method. The Company is currently evaluating the impact of this standard on its consolidated results of operations, financial position and cash flows.

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Discontinued Operations Reporting

In April 2014, the FASB issued an accounting standard update that amends the accounting guidance related to discontinued operations. This amendment defines discontinued operations as a component or group of components that is disposed of or is classified as held for sale and represents a strategic shift that has or will have a major effect on an entity's operations and financial results. This amendment also introduces new disclosures for disposals that do not meet the criteria of discontinued operations. The provisions are effective for fiscal years beginning after December 15, 2014 and apply to new disposals and new classifications of disposal groups as held for sale after the effective date. The adoption of the amended guidance impacts presentation and disclosure of future divestitures and did not have a significant impact on the Company's consolidated financial position, results of operations or cash flows as of June 27, 2015.

Going Concern

In August 2014, the FASB issued a new accounting standard that requires management to assess if there is substantial doubt about an entity's ability to continue as a going concern for each annual and interim period. If conditions or events give rise to substantial doubt, disclosures are required. The new accounting standard will be effective as of December 31, 2016 and is not expected to have an impact on the Company's financial statement disclosures.

Debt Issuance Costs

In April 2015, the FASB issued an accounting standard update that requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the corresponding debt liability rather than as an asset. The provisions are effective for fiscal years beginning after December 15, 2015 and require retrospective application. The adoption of the amended guidance impacts presentation and disclosure of debt issuance costs and is not expected to have a significant impact on the Company's consolidated financial position, results of operations or cash flows.

Cloud Computing Arrangements

In April 2015, the FASB issued an accounting standard update that clarifies how customers in cloud computing arrangements should determine whether the arrangement includes a software license, and requires acquired software licenses to be accounted for as licenses of intangible assets. The provisions are effective for fiscal years beginning after December 15, 2015 and are not expected to have a significant impact on the Company's consolidated financial position, results of operations or cash flows.

NOTE 2. DISCONTINUED OPERATIONS

In March 2014, the Company completed the sale of its U.S. and Canadian wild bird food business, including intangible assets, certain on-hand inventory and fixed assets, for $4.1 million in cash and an estimated $1.0 million in future earn-out payments. As a result, effective in the second quarter of fiscal 2014, the Company classified its results of operations for all periods presented to reflect the wild bird food business as a discontinued operation. In addition, in the third quarter of fiscal 2014, the Company received $3.1 million for the sale of the remaining wild bird food manufacturing facilities resulting in a gain of $1.2 million.

The following table summarizes the results of the wild bird food business within discontinued operations for the periods presented:

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	JUNE 27, 2015	JUNE 28, 2014	JUNE 27, 2015	JUNE 28, 2014
	(In millions)			
Net sales	$—	$—	$—	$18.0
Operating (income) costs	—	(0.3)	—	17.3
Gain on sale of assets	—	(1.2)	—	(1.4)
Income from discontinued operations before income taxes	—	1.5	—	2.1
Income tax expense from discontinued operations	—	0.5	—	1.0
Income from discontinued operations, net of tax	$—	$1.0	$—	$1.1

NOTE 3. ACQUISITIONS

Fiscal 2015

On October 16, 2014, Scotts LawnService® acquired the assets of Action Pest Control, Inc. (“Action Pest”), a residential and commercial pest control provider in the Midwest, for $21.7 million. Action Pest provides residential and commercial pest control services to homeowners and businesses throughout Indiana, Kentucky, and Illinois. This transaction provides Scotts

LawnService® an entry into the pest control market. Included in the purchase price of $21.7 million is non-cash investing activity of $4.0 million representing the deferral of a portion of the purchase price into subsequent fiscal periods. During the third quarter of fiscal 2015, the valuation of certain acquired assets was updated based on further analysis, which resulted in an increase in finite-lived identifiable intangible assets of $0.1 million and an increase in tax deductible goodwill of $0.5 million. The adjusted valuation of acquired assets included finite-lived identifiable intangible assets of $6.1 million and tax deductible goodwill of $14.1 million. Identifiable intangible assets included tradename, customer relationships and non-compete agreements with useful lives ranging between 1 to 12 years. The estimated fair values of the identifiable intangible assets were determined using an income-based approach, which includes market participant expectations of cash flows that an asset will generate over the remaining useful life discounted to present value using an appropriate rate of return. Net sales for Action Pest included in the Scotts LawnService® segment for the three and nine months ended June 27, 2015 were $3.4 million and $7.9 million, respectively.

During the nine months ended June 27, 2015, the Company completed four acquisitions of growing media operations within the Global Consumer segment for an aggregate estimated purchase price of $40.7 million. These acquisitions expand the Company's growing media operations and distribution capabilities within its Global Consumer segment. During the third quarter of fiscal 2015, the valuation of certain acquired assets was updated based on further analysis, which resulted in a decrease in the valuation of finite-lived identifiable intangible assets of $4.3 million, an increase in fixed assets of $1.0 million, an increase in inventory and accounts receivable of $0.2 million, and an increase in tax deductible goodwill of $3.8 million. The adjusted valuation of acquired assets for the transactions included (i) $10.1 million in finite-lived identifiable intangible assets, (ii) $11.9 million in fixed assets, (iii) $9.3 million in tax deductible goodwill, and (iv) $10.2 million of inventory and accounts receivable. Identifiable intangible assets include tradenames and customer relationships with useful lives ranging between 7 to 20 years. The estimated fair values of the identifiable intangible assets were determined using an income-based approach, which includes market participant expectations of cash flows that an asset will generate over the remaining useful life discounted to present value using an appropriate rate of return. Net sales for these acquired businesses included in the Global Consumer segment for the three and nine months ended June 27, 2015 were $13.7 million and $15.9 million.

On March 30, 2015, the Company acquired the assets of General Hydroponics, Inc. ("General Hydroponics") and Bio-Organic Solutions, Inc. ("Vermicrop") for $120.0 million and $15.0 million, respectively. This transaction provides the Company's Global Consumer segment with an additional entry in the indoor and urban gardening market, which is a part of the Global Consumer segment's long-term growth strategy. Based in California, General Hydroponics and Vermicrop are leading producers of liquid plant food products, growing media, and accessories for the hydroponics markets. The General Hydroponics purchase price includes non-cash investing activity of $1.0 million representing the deferral of a portion of the purchase price into fiscal 2016. Included in the Vermicrop purchase price is $5.0 million of contingent consideration, the payment of which will depend on the performance of the business through calendar year 2015. Additionally, the Vermicrop purchase price was paid in common shares of Scotts Miracle-Gro ("Common Shares") based on the average share price at the time of payment. The preliminary valuation of acquired assets was determined during the third quarter of 2015 and included (i) $14.4 million of inventory and accounts receivable, (ii) $5.7 million in fixed assets, (iii) $65.0 million of finite-lived identifiable intangible assets, and (iv) $53.0 million of tax-deductible goodwill. Identifiable intangible assets included tradenames, customer relationships and non-compete arrangements with useful lives ranging between 5 to 26 years. The estimated fair values of the identifiable intangible assets were determined using an income-based approach, which includes market participant expectations of cash flows that an asset will generate over the remaining useful life discounted to present value using an appropriate rate of return. Net sales for General Hydroponics and Vermicrop included within the Global Consumer segment for the three months ended June 27, 2015 were $16.8 million.

Fiscal 2014

During the three months ended September 30, 2014, the Company obtained control of the operations of AeroGrow through its increased involvement, influence, and working capital loan of $4.5 million provided in July 2014. AeroGrow is a developer, marketer, direct-seller, and wholesaler of advanced indoor garden systems designed for consumer use in gardening, cooking, healthy eating, and home and office décor markets. AeroGrow operates primarily

in the United States and Canada, as well as Australia and select countries in Europe and Asia. The preliminary valuation of acquired assets included finite-lived identifiable intangible assets of $13.7 million, and goodwill of $11.6 million. Identifiable intangible assets included tradename and customer relationships with useful lives ranging between 9 to 20 years. The estimated fair values of the identifiable intangible assets were determined using an income-based approach, which includes market participant expectations of cash flows that an asset will generate over the remaining useful life discounted to present value using an appropriate rate of return. Net sales for AeroGrow included in the Global Consumer segment for the three and nine months ended June 27, 2015 were $1.7 million and $16.0 million, respectively.

The Company completed an acquisition of the assets of the U.K. based Solus Garden and Leisure Limited (“Solus”) in the fourth quarter of fiscal 2014 within its Global Consumer segment for $7.4 million, $1.1 million of which was paid in cash and $6.3 million of which was paid through the forgiveness of outstanding accounts receivable owed by Solus to the Company. Solus is a supplier of garden and leisure products and offers a diverse mix of brands. Net sales for Solus included in the Global Consumer segment for the three and nine months ended June 27, 2015 were $8.4 million and $16.3 million, respectively.

On September 30, 2014, Scotts Miracle-Gro's wholly-owned subsidiary, Scotts Canada Ltd., acquired Fafard & Brothers Ltd. ("Fafard") for $59.8 million. Fafard is a Canadian based producer of peat moss and growing media products for the consumer and professional markets, including peat-based and bark-based mixes, composts and premium soils. The acquisition of Fafard increases the Company's presence within Canada as Fafard serves customers primarily across Ontario, Quebec and New Brunswick. During the third quarter of fiscal 2015, the valuation of certain acquired assets was updated based on further analysis. The adjusted valuation of acquired assets included working capital of $17.6 million, property, plant, and equipment of $23.4 million, finite-lived identifiable intangible assets of $12.6 million, and tax deductible goodwill of $7.9 million. Working capital included accounts receivable of $4.7 million, inventory of $17.7 million, and accounts payable of $4.8 million. Identifiable intangible assets included tradename, customer relationships, non-compete agreements, and peat harvesting rights with useful lives ranging between 1 to 20 years. The estimated fair values of the identifiable intangible assets were determined using an income-based approach, which includes market participant expectations of cash flows that an asset will generate over the remaining useful life discounted to present value using an appropriate rate of return. Included in the purchase price of Fafard is $7.1 million of contingent consideration, the payment of which will depend on the performance of the business through fiscal 2016. Net sales for Fafard included in the Global Consumer segment for the three and nine months ended June 27, 2015 were $20.0 million and $32.0 million, respectively.

The condensed consolidated financial statements include the results of operations for these business combinations from the date of each acquisition.

NOTE 4. IMPAIRMENT, RESTRUCTURING AND OTHER

Activity described herein is classified within the "Impairment, restructuring and other" lines in the Condensed Consolidated Statements of Operations.

The following table details impairment, restructuring and other for the periods presented:

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	JUNE 27, 2015	JUNE 28, 2014	JUNE 27, 2015	JUNE 28, 2014
	(In millions)			
Restructuring and other	$44.3	$5.5	$59.0	$11.9
Goodwill and intangible asset impairments	—	33.7	—	33.7
Total impairment, restructuring and other	$44.3	$39.2	$59.0	$45.6

The following table summarizes the activity related to liabilities associated with the restructuring and other charges during the nine months ended June 27, 2015 (in millions):

Amounts reserved for restructuring and other charges at September 30, 2014	$16.0
Restructuring and other charges	59.0
Payments and other	(22.0)
Amounts reserved for restructuring and other charges at June 27, 2015	$53.0

Included in the restructuring reserves as of June 27, 2015 is $5.3 million that is classified as long-term. Payments against the long-term reserves will be incurred as the employees covered by the restructuring plan retire or through the passage of time. The remaining amounts reserved will continue to be paid out over the course of the next twelve months.

Fiscal 2015

During the three and nine months ended June 27, 2015, the Company recognized $6.6 million and $21.3 million, respectively, in restructuring costs related to termination benefits provided to U.S. and international personnel as part of the continuation of the fiscal 2014 restructuring initiative to eliminate management layers and streamline decision making, and the liquidation and exit of the U.K. Solus business. The restructuring charges include $0.0 million and $4.3 million of costs related to the acceleration of equity compensation expense for the three and nine months ended June 27, 2015, respectively. Included within the restructuring charges for the nine months ended June 27, 2015 were

$1.3 million for the Scotts LawnService® segment, $13.4 million for the Global Consumer segment, and $6.6 million for Corporate & Other. Costs incurred to date since the inception of the fiscal 2014 initiative are $22.9 million for Global Consumer, $1.7 million for Scotts LawnService®, and $9.2 million for Corporate & Other. The Company expects to complete its fiscal 2014 restructuring initiative by the end of fiscal 2015.

During the third quarter of fiscal 2015, the Company's Global Consumer segment began experiencing an increase in consumer complaints related to the new Bonus S lawn fertilizer product used in the southeastern United States indicating customers were

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experiencing damage to their lawns after application. During the third quarter of fiscal 2015, the Company recognized $37.7 million in costs related to resolving consumer complaints and the recognition of costs the Company expects to be incurred for current and expected consumer claims. The Company has contacted its insurers and is working through the claims process. Upon the receipt of reimbursement of these costs by its insurance carriers, the Company will record an offsetting insurance reimbursement recovery. During the third quarter of fiscal 2015, the Company has paid $5.7 million to its third party administrator to pay for lawn repairs.

Fiscal 2014

During the three and nine months ended June 28, 2014, as a result of an impairment review, the Company recognized an impairment charge for a non-recurring fair value adjustment of $33.7 million within the Global Consumer segment related to the Ortho® brand. The fair value was calculated based upon the evaluation of the historical performance and future growth expectations of the Ortho® business.

During the three and nine months ended June 28, 2014, the Company recognized $5.8 million and $9.7 million, respectively, in restructuring costs related to termination benefits provided to U.S. personnel as part of the Company's restructuring of its U.S. administrative and overhead functions. In addition, for the nine months ended June 28, 2014, the Company recognized $2.0 million in additional ongoing monitoring and remediation costs for the Company's turfgrass biotechnology program. The Company also recognized $(0.3) million and $0.2 million of international restructuring and other adjustments during the three and nine months ended June 28, 2014, respectively. The restructuring costs related to termination benefits provided to international employees as part of the profitability improvement initiative announced in December 2012, associated with the international restructuring plan to reduce headcount and streamline management decision making within the Global Consumer segment.

NOTE 5. INVENTORIES

Inventories consisted of the following for each of the periods presented:

	JUNE 27, 2015	JUNE 28, 2014	SEPTEMBER 30, 2014
	(In millions)		
Finished goods	$261.5	$257.3	$ 217.5
Work-in-process	39.3	36.4	46.2
Raw materials	115.0	94.1	121.4
Total inventories	$415.8	$387.8	$ 385.1

Adjustments to reflect inventories at net realizable values were $20.9 million at June 27, 2015, $21.0 million at June 28, 2014 and $18.4 million at September 30, 2014.

NOTE 6. MARKETING AGREEMENT

The Company is Monsanto’s exclusive agent for the marketing and distribution of consumer Roundup® herbicide products (with additional rights to new products containing glyphosate or other similar non-selective herbicides) in the consumer lawn and garden market. Under the terms of the marketing agreement the Company entered into with Monsanto (the “Marketing Agreement”), the Company is entitled to receive an annual commission from Monsanto as consideration for the performance of the Company’s duties as agent. The annual gross commission under the Marketing Agreement is calculated as a percentage of the actual earnings before interest and income taxes of the consumer Roundup® business in the markets covered by the Marketing Agreement and is based on the achievement of two earnings thresholds, as defined in the Marketing Agreement. The Marketing Agreement also requires the Company to make annual payments of $20 million to Monsanto as a contribution against the overall expenses of the consumer Roundup® business. From 1998 until May 15, 2015, the Marketing Agreement covered the United States and other specified countries, including Australia, Austria, Belgium, Canada, France, Germany, the Netherlands and the United Kingdom. Commencing on May 15, 2015, the territory was expanded to cover additional countries as outlined below.

In consideration for the rights granted to the Company under the Marketing Agreement in 1998, the Company paid a marketing fee of $32 million to Monsanto. The Company has deferred this amount on the basis that the payment will provide a future benefit through commissions that will be earned under the Marketing Agreement. The economic useful life over which the marketing fee is being amortized is 20 years, with a remaining unamortized amount of $2.6 million and remaining amortization period of less than four years as of June 27, 2015.

On May 15, 2015, the Company amended the Marketing Agreement (the "Agency Agreement Amendment") and entered into a lawn and garden brand extension agreement (the "Brand Extension Agreement"), and a commercialization and technology agreement (the "Commercialization and Technology Agreement"). In consideration for these agreements, the Company will pay Monsanto $300 million no later than August 15, 2015. A $300 million "Marketing and license agreement obligation" has been reflected in "Total current liabilities" in the Condensed Consolidated Balance Sheet as of June 27, 2015 and represents a non-cash investing activity for the nine months ended June 27, 2015. The Company expects to pay the $300 million in August 2015 using availability of borrowings under its credit facility.

Among other things, the Agency Agreement Amendment amends the Marketing Agreement in the following significant respects:

- Expands the markets in which the Company may serve as Monsanto's exclusive agent in the residential lawn and garden market to include all countries other than Japan and countries subject to a comprehensive U.S. trade embargo or certain other embargoes and trade restrictions.
- Eliminates the initial and renewal terms that the original Marketing Agreement applied to European Union ("EU") countries within the prior included markets. As amended, the term of the Marketing Agreement will now continue indefinitely for all included markets, including EU countries within the included markets, unless and until otherwise terminated in accordance with the Marketing Agreement.
- Revises the procedures of the Marketing Agreement relating to a potential Roundup® sale to (1) require Monsanto to negotiate exclusively with the Company with respect to any potential Roundup® sale for 60 days after the Company receives notice from Monsanto regarding a potential Roundup® sale and (2) provide the Company with a right of first offer and a right of last look in connection with a potential Roundup® sale to a third party. In addition, if the Company makes a bid in connection with a Roundup® sale, the then-applicable termination fee would serve as a credit against the purchase price.
- Under certain circumstances, requires the Company to provide notice and a non-exclusive negotiation period to Monsanto of proposals and processes that may result in a sale of the Company.
- Increases the minimum termination fee payable under the Marketing Agreement to the greater of (i) $200 million or (ii) four times (A) the average of the program earnings for the three trailing program years prior to the year of termination, minus (B) the 2015 program earnings.
- Amends Monsanto's termination rights and provides certain rights to the Company in the event of a termination, as follows:

delaying the effectiveness of a notice of termination given by Monsanto as a result of a change of control with respect to Monsanto or a Roundup® sale to a third party from (x) the end of the later of 12 months or the next program year to (y) the end of the fifth full program year after Monsanto gives such notice;

eliminating Monsanto's termination rights for a regional performance default, a change of significant ownership of the Company or an uncured or incurable egregious injury (as each are defined in the Agency Agreement); and

eliminating Monsanto's termination rights in connection with a change in control of the Company or Scotts Miracle-Gro as long as the Company has determined, in its reasonable commercial opinion, that the acquirer can and will fully perform the duties and obligations of the Company under the Marketing Agreement.

- Expands the Company's termination rights to include termination for a brand decline event (as defined in the Agency Agreement) occurring before program year 2023.
- Amends the Company's assignment rights to allow the Company to transfer its rights, interests and obligations under the Marketing Agreement with respect to the North America territories and with respect to up to three other assignees of one or more other included markets.

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- Amends the commission structure by eliminating the commission threshold for fiscal years 2016, 2017 and 2018; thereby increasing the amount of commission income the Company could earn. In addition, the amendment fixes the commission threshold to 50% of earnings.

The Brand Extension Agreement provides the Company a worldwide, exclusive license to use the Roundup® brand on additional products offered by the Company outside of the non-selective weed category within the residential lawn and garden markets. The application of the Roundup® brand to these additional products is subject to a product review and approval process developed between the parties and includes customary representations, warranties, covenants and indemnities regularly associated with transactions of this nature. Monsanto will maintain oversight of its brand, the handling of brand registrations covering these new products and new territories, as well as primary responsibility for brand enforcement. The Brand Extension Agreement has an initial term of 20 years, which will automatically renew for additional successive 20 year terms, at the Company's sole option, for no additional monetary consideration.

The Commercialization and Technology Agreement provides for the Company and Monsanto to further develop and commercialize new products and technology developed at Monsanto and intended for introduction into the residential lawn and garden market. Under the Commercialization and Technology Agreement, the Company receives an exclusive first look at new Monsanto technology and an annual review of Monsanto's developing products and technologies. The Commercialization and Technology Agreement has a term of 30 years (subject to early termination upon a termination event under the Marketing Agreement or the Brand Extension Agreement).

The Company has recorded the $300 million consideration as intangible assets and the related economic useful life of the assets is indefinite. The identifiable indefinite-lived intangible assets include the Agency Agreement Amendment and the Brand Extension Agreement with allocated fair value of $188 million and $112 million, respectively. The estimated fair values of the identifiable intangible assets were determined using an income-based approach, which includes market participant expectations of cash flows that an asset will generate over the remaining useful life discounted to present value using an appropriate rate of return.

Under the terms of the Marketing Agreement, the Company performs certain functions, primarily manufacturing conversion, distribution and logistics, and selling and marketing support, on behalf of Monsanto in the conduct of the consumer Roundup® business. The actual costs incurred for these activities are charged to and reimbursed by Monsanto. The Company records costs incurred under the Marketing Agreement for which the Company is the primary obligor on a gross basis, recognizing such costs in "Cost of sales" and the reimbursement of these costs in "Net sales," with no effect on gross profit dollars or net income.

The gross commission earned under the Marketing Agreement, the contribution payments to Monsanto and the amortization of the initial marketing fee paid to Monsanto in 1998 are included in the calculation of net sales in the Company's Consolidated Statements of Operations. The elements of the net commission and reimbursements earned under the Marketing Agreement and included in "Net sales" are as follows:

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	JUNE 27, 2015	JUNE 28, 2014	JUNE 27, 2015	JUNE 28, 2014
	(In millions)			
Gross commission	$42.2	$34.4	$74.8	$67.5
Contribution expenses	(5.0)	(5.0)	(15.0)	(15.0)
Amortization of marketing fee	(0.2)	(0.2)	(0.6)	(0.6)
Net commission income	37.0	29.2	59.2	51.9
Reimbursements associated with Marketing Agreement	16.2	15.5	51.7	49.3
Total net sales associated with Marketing Agreement	$53.2	$44.7	$110.9	$101.2

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NOTE 7. DEBT

The components of long-term debt are as follows:

	JUNE 27, 2015	JUNE 28, 2014	SEPTEMBER 30, 2014
	(In millions)		
Credit facility – Revolving loans	$525.6	$425.1	$481.8
Senior Notes – 6.625%	200.0	200.0	200.0
Master Accounts Receivable Purchase Agreement	301.1	190.3	84.0
Other	28.1	13.8	18.5
	1,054.8	829.2	784.3
Less current portions	316.4	200.5	91.9
Total long term debt	$738.4	$628.7	$692.4

Credit Facilities

On December 20, 2013, the Company entered into a third amended and restated senior secured credit agreement (“credit facility”), providing the Company and certain of its subsidiaries with a five-year senior secured revolving loan facility in the aggregate principal amount of up to $1.7 billion. The credit facility also provides the Company with the right to seek to increase the credit facility by an aggregate amount of up to $450.0 million, subject to certain specified conditions, including approval from lenders.

The terms of the credit facility include customary representations and warranties, affirmative and negative covenants, financial covenants and events of default. The proceeds of borrowings on the credit facility may be used: (i) to finance working capital requirements and other general corporate purposes of the Company and its subsidiaries; and (ii) to refinance the amounts outstanding under the previous credit agreement. The Company may use the credit facility for the issuance of up to $75 million of letters of credit and for borrowings under swing line loans of up to $100 million. The credit facility will terminate on December 20, 2018.

Under the terms of the credit facility, loans bear interest, at the Company’s election, at a rate per annum equal to either the ABR or LIBOR (both as defined in the credit facility) plus the applicable margin. The credit facility is guaranteed by substantially all of the Company's domestic subsidiaries. The credit facility is secured by (i) a perfected first priority security interest in all of the accounts receivable, inventory and equipment of the Company and those of the Company’s domestic subsidiaries that are guarantors and (ii) the pledge of all of the capital stock of the Company’s domestic subsidiaries that are guarantors.

As of June 27, 2015, there was $1,151.5 million of availability under the credit facility, including availability for letters of credit. As of June 27, 2015, the Company had letters of credit in the aggregate face amount of $22.9 million outstanding under the credit facility.

The credit facility contains, among other obligations, an affirmative covenant regarding the Company’s leverage ratio, calculated as average total indebtedness, divided by the Company’s earnings before interest, taxes, depreciation and amortization (“EBITDA”), as adjusted pursuant to the terms of the credit facility (“Adjusted EBITDA”). Under the terms of the credit facility, the maximum leverage ratio was 4.00 as of June 27, 2015. The Company’s leverage ratio was 2.87 at June 27, 2015. The credit facility also includes an affirmative covenant regarding its interest coverage ratio. The interest coverage ratio is calculated as Adjusted EBITDA divided by interest expense, as described in the credit facility, and excludes costs related to refinancings. Under the terms of the credit facility, the minimum interest coverage ratio was 3.50 for the twelve months ended June 27, 2015. The Company’s interest coverage ratio was 9.12 for the twelve months ended June 27, 2015. The Company may make restricted payments (as defined in the third amended and restated credit agreement); provided that if after giving effect to any such restricted payment the leverage ratio is not greater than 3.00. Otherwise the Company may only make restricted payments in an aggregate amount for each fiscal year not to exceed the amount set forth for such fiscal year ($150.0 million for 2015 and $175.0 million for 2016 and in each fiscal year thereafter).

Senior Notes - 7.25%

On January 15, 2014, the Company redeemed all of its outstanding $200.0 million aggregate principal amount of 7.25% senior notes due 2018 (the “7.25% Senior Notes”) paying a redemption price of $214.5 million, which included $7.25 million of accrued and unpaid interest, $7.25 million of call premium, and $200.0 million for outstanding principal amount. The $7.25 million call premium charge was recognized within the “Costs related to refinancing” line on the Condensed Consolidated Statement of Operations in the Company's second quarter of fiscal 2014. Additionally, the Company had $3.5 million in unamortized bond

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discount and issuance costs associated with the 7.25% Senior Notes that were written-off and recognized in the "Costs related to refinancing" line on the Condensed Consolidated Statement of Operations in the Company's second quarter of fiscal 2014.

Interest Rate Swap Agreements

The Company has outstanding interest rate swap agreements with major financial institutions that effectively convert a portion of the Company's variable-rate debt to a fixed rate. The swap agreements had a total U.S. dollar equivalent notional amount of $1,300.0 million at June 27, 2015, June 28, 2014, and September 30, 2014. Interest payments made between the effective date and expiration date are hedged by the swap agreements, except as noted below. The notional amount, effective date, expiration date and rate of each of these swap agreements are shown in the table below.

Notional Amount (in millions)		Effective Date (a)	Expiration Date	Fixed Rate
$50		2/14/2012	2/14/2016	3.78%
150	(b)	2/7/2012	5/7/2016	2.42%
150	(c)	11/16/2009	5/16/2016	3.26%
50	(b)	2/16/2010	5/16/2016	3.05%
100	(b)	2/21/2012	5/23/2016	2.40%
150	(c)	12/20/2011	6/20/2016	2.61%
50	(d)	12/6/2012	9/6/2017	2.96%
200		2/7/2014	11/7/2017	1.28%
150	(b)	2/7/2017	5/7/2019	2.12%
50	(b)	2/7/2017	5/7/2019	2.25%
200	(c)	12/20/2016	6/20/2019	2.12%

(a) The effective date refers to the date on which interest payments were, or will be, first hedged by the applicable swap agreement.

(b) Interest payments made during the three-month period of each year that begins with the month and day of the effective date are hedged by the swap agreement.

(c) Interest payments made during the six-month period of each year that begins with the month and day of the effective date are hedged by the swap agreement.

(d) Interest payments made during the nine-month period of each year that begins with the month and day of the effective date are hedged by the swap agreement.

Master Accounts Receivable Purchase Agreement

The Company accounts for the sale of receivables under the Master Accounts Receivable Purchase Agreement ("MARP Agreement") as short-term debt and continues to carry the receivables on its Consolidated Balance Sheet, primarily as a result of the Company's right to repurchase receivables sold. Refer to "NOTE 10. DEBT" in the 2014 Annual Report for more information regarding the MARP Agreement. There were $301.1 million and $190.3 million in borrowings under the MARP Agreement as of June 27, 2015 and June 28, 2014, respectively. The carrying value of the receivables pledged as collateral was $376.4 million as of June 27, 2015 and $237.8 million as of June 28, 2014. As of June 27, 2015, there was $57.1 million of availability under the MARP Agreement.

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Estimated Fair Values

A description of the methods and assumptions used to estimate the fair values of the Company’s debt instruments is as follows:

Credit Facility

The interest rate currently available to the Company fluctuates with the applicable LIBOR rate, prime rate or Federal Funds Effective Rate and thus the carrying value is a reasonable estimate of fair value. The fair value measurement for the credit facility was classified in Level 2 of the fair value hierarchy.

6.625% Senior Notes

The fair value of Scotts Miracle-Gro’s 6.625% senior notes due 2020 (the “6.625% Senior Notes”) can be determined based on the trading of the 6.625% Senior Notes in the open market. The difference between the carrying value and the fair value of the 6.625% Senior Notes represents the premium or discount on that date. Based on the trading value on or around June 27, 2015, June 28, 2014 and September 30, 2014, the fair value of the 6.625% Senior Notes was approximately $209.5 million, $216.8 million and $212.5 million, respectively. The fair value measurement for the 6.625% Senior Notes was classified in Level 1 of the fair value hierarchy.

Accounts Receivable Pledged

The interest rate on the short-term debt associated with accounts receivable pledged under the MARP Agreement fluctuates with the applicable LIBOR rate and thus the carrying value is a reasonable estimate of fair value. The fair value measurement for the MARP Agreement was classified in Level 2 of the fair value hierarchy.

Weighted Average Interest Rate

The weighted average interest rates on the Company's debt were 4.2% and 5.0% for the nine months ended June 27, 2015 and June 28, 2014, respectively. The decline in the weighted average interest rate is due to the reduced rates under the credit facility and the redemption of the 7.25% Senior Notes.

NOTE 8. RETIREMENT AND RETIREE MEDICAL PLANS

The following summarizes the components of net periodic benefit cost for the retirement and retiree medical plans sponsored by the Company:

	THREE MONTHS ENDED					
	JUNE 27, 2015			JUNE 28, 2014		
	U.S. Pension	International Pension	U.S. Medical	U.S. Pension	International Pension	U.S. Medical
	(In millions)					
Service cost	$—	$ 0.3	$0.1	$—	$ 0.5	$0.1
Interest cost	1.0	1.9	0.3	1.1	3.3	0.3
Expected return on plan assets	(1.3)	(2.3)	—	(1.3)	(3.7)	—
Net amortization	0.8	0.5	—	0.9	0.5	—
Net periodic benefit cost	$0.5	$ 0.4	$0.4	$0.7	$ 0.6	$0.4

	NINE MONTHS ENDED					
	JUNE 27, 2015			JUNE 28, 2014		
	U.S. Pension	International Pension	U.S. Medical	U.S. Pension	International Pension	U.S. Medical
	(In millions)					
Service cost	$—	$ 1.0	$0.3	$—	$ 1.3	$0.3
Interest cost	3.0	5.7	1.0	3.3	8.4	1.0
Expected return on plan assets	(4.0)	(7.0)	—	(3.9)	(9.5)	—
Net amortization	2.5	1.4	—	2.8	1.3	—
Net periodic benefit cost	$1.5	$ 1.1	$1.3	$2.2	$ 1.5	$1.3

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NOTE 9. SHAREHOLDERS' EQUITY

During the nine months ended June 27, 2015, Scotts Miracle-Gro repurchased 0.2 million of its Common Shares for $14.8 million. These repurchases were made pursuant to the $500 million share repurchase program approved by the Scotts Miracle-Gro Board of Directors in August 2014. The program allows for repurchases of Common Shares over a five-year period starting November 1, 2014 through September 30, 2019.

As of June 27, 2015 the equity attributable to noncontrolling interest was $13.4 million compared to $13.5 million as of September 30, 2014. The $0.1 million change is due to the net earnings from the Company's investment in AeroGrow. On March 30, 2015, Scotts Miracle-Gro issued 0.2 million Common Shares (which represented $8.3 million) out of its treasury shares for payment of the acquisition of Vermicrop.

Share-Based Awards

The following is a summary of the share-based awards granted during the periods indicated:

	NINE MONTHS ENDED	
	JUNE 27, 2015	JUNE 28, 2014
Employees		
Stock options	440,690	—
Restricted stock units	78,463	112,311
Performance units	78,352	161,229
Board of Directors		
Deferred stock units	28,553	32,071
Total share-based awards	626,058	305,611
Aggregate fair value at grant dates (in millions)	$16.9	$18.2

Total share-based compensation was as follows for the periods indicated:

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	JUNE 27, 2015	JUNE 28, 2014	JUNE 27, 2015	JUNE 28, 2014
	(In millions)			
Share-based compensation	$2.1	$2.3	$11.4	$8.7
Tax benefit recognized	0.8	0.9	4.3	3.3

NOTE 10. INCOME TAXES

The effective tax rate related to continuing operations for the nine months ended June 27, 2015 was 35.0%, compared to 35.2% for the nine months ended June 28, 2014. The effective tax rate used for interim reporting purposes is based on management’s best estimate of factors impacting the effective tax rate for the full fiscal year. An allocation of the income tax expense has been separately determined to report the discontinued operations, net of tax. There can be no assurance that the effective tax rate estimated for interim financial reporting purposes will approximate the effective tax rate determined at fiscal year end.

Scotts Miracle-Gro or one of its subsidiaries files income tax returns in the U.S. federal jurisdiction and various state, local and foreign jurisdictions. With few exceptions, which are discussed further below, the Company is no longer subject to examination by these tax authorities for fiscal years prior to 2012. The Company is currently under examination by the Internal Revenue Service and certain foreign and U.S. state and local tax authorities. The U.S. federal examination is limited to fiscal year 2011. Regarding the foreign jurisdictions, a German audit commenced in the third quarter of 2015 covering fiscal years 2009 through 2012. In regard to the multiple U.S., state and local audits, the tax periods under examination are limited to fiscal years 2009 through 2013. In addition to the aforementioned audits, certain other tax deficiency notices and refund claims for previous years remain unresolved.

The Company anticipates that few of its open and active audits will be resolved within the next 12 months. The Company is unable to make a reasonably reliable estimate as to when or if cash settlements with taxing authorities may occur. Although audit outcomes and the timing of audit payments are subject to significant uncertainty, the Company does not anticipate that the resolution of these tax matters or any events related thereto will result in a material change to its consolidated financial position, results of operations or cash flows.

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NOTE 11. CONTINGENCIES
Management regularly evaluates the Company's contingencies, including various lawsuits and claims which arise in the normal course of business, product and general liabilities, workers' compensation, property losses and other liabilities for which the Company is self-insured or retains a high exposure limit. Self-insurance reserves are established based on actuarial loss estimates for specific individual claims plus actuarially estimated amounts for incurred but not reported claims and adverse development factors applied to existing claims. Legal costs incurred in connection with the resolution of claims, lawsuits and other contingencies generally are expensed as incurred. In the opinion of management, the assessment of contingencies is reasonable and related reserves, in the aggregate, are adequate; however, there can be no assurance that final resolution of these matters will not have a material effect on the Company's financial condition, results of operations or cash flows.
Regulatory Matters
As of June 27, 2015, $5.7 million was accrued in the "Other liabilities" line in the Consolidated Balance Sheet for environmental actions, the majority of which are for site remediation. The amounts accrued are believed to be adequate to cover such known environmental exposures based on current facts and estimates of likely outcomes. Although it is reasonably possible that the costs to resolve such known environmental exposures will exceed the amounts accrued, any variation from accrued amounts is not expected to be material.
Other

The Company has been named as a defendant in a number of cases alleging injuries that the lawsuits claim resulted from exposure to asbestos-containing products, apparently based on the Company's historic use of vermiculite in certain of its products. In many of these cases, the complaints are not specific about the plaintiffs' contacts with the Company or its products. The cases vary but complaints in these cases generally seek unspecified monetary damages (actual, compensatory, consequential and punitive) from multiple defendants. The Company believes that the claims against it are without merit and is vigorously defending against them. It is not currently possible to reasonably estimate a probable loss, if any, associated with these cases and, accordingly, no reserves have been recorded in the Company's Consolidated Financial Statements. The Company is reviewing agreements and policies that may provide insurance coverage or indemnity as to these claims and is pursuing coverage under some of these agreements and policies, although there can be no assurance of the results of these efforts. There can be no assurance that these cases, whether as a result of adverse outcomes or as a result of significant defense costs, will not have a material effect on the Company's financial condition, results of operations or cash flows.

In connection with the sale of wild bird food products that were the subject of a voluntary recall in 2008, the Company has been named as a defendant in four putative class actions filed on and after June 27, 2012, which have now been consolidated in the United States District Court for the Southern District of California as In re Morning Song Bird Food Litigation, Lead Case No. 3:12-cv-01592-JAH-RBB. The plaintiffs allege various statutory and common law claims associated with the Company's sale of wild bird food products and a plea agreement entered into in previously pending government proceedings associated with such sales. The plaintiffs allege, among other things, a purported class action on behalf of all persons and entities in the United States who purchased certain bird food products. The plaintiffs assert hundreds of millions of dollars in monetary damages (actual, compensatory, consequential, punitive, and treble); reimbursement, restitution, and disgorgement for benefits unjustly conferred; injunctive and declaratory relief; pre-judgment and post-judgment interest; and costs and attorneys' fees. The Company disputes the plaintiffs' assertions and intends to vigorously defend the consolidated action. Given the early stages of the action, it is not currently possible to reasonably estimate a probable loss, if any, associated with the action and, accordingly, no reserves have been recorded in the Company's Consolidated Financial Statements with respect to the action. There can be no assurance that this action, whether as a result of an adverse outcome or as a result of significant defense costs, will not have a material adverse effect on the Company's financial condition, results of operations or cash flows.
The Company is involved in other lawsuits and claims which arise in the normal course of business. These claims individually and in the aggregate are not expected to result in a material effect on the Company's financial condition, results of operations or cash flows.

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NOTE 12. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES
The Company is exposed to market risks, such as changes in interest rates, currency exchange rates and commodity prices. To manage a portion of the volatility related to these exposures, the Company enters into various financial transactions. The utilization of these financial transactions is governed by policies covering acceptable counterparty exposure, instrument types and other hedging practices. The Company does not hold or issue derivative financial instruments for speculative trading purposes.
Exchange Rate Risk Management
The Company uses currency forward contracts to manage the exchange rate risk associated with intercompany loans with foreign subsidiaries that are denominated in local currencies. At June 27, 2015, the notional amount of outstanding currency forward contracts was $65.2 million, with a fair value of $1.2 million. At June 28, 2014, the notional amount of outstanding currency forward contracts was $68.0 million, with a negative fair value of $0.2 million. At September 30, 2014, the notional amount of outstanding currency forward contracts was $149.0 million, with a negative fair value of $0.1 million. The fair value of currency forward contracts is determined based on changes in spot rates. The outstanding contracts will mature over the next fiscal year.
Interest Rate Risk Management
The Company enters into interest rate swap agreements as a means to hedge its variable interest rate risk on debt instruments. The fair values are reflected in the Company’s Condensed Consolidated Balance Sheets. Net amounts to be received or paid under the swap agreements are reflected as adjustments to interest expense. Since the interest rate swap agreements have been designated as hedging instruments, unrealized gains or losses resulting from adjusting these swaps to fair value are recorded as elements of accumulated other comprehensive income (loss) (“AOCI”) within the Condensed Consolidated Balance Sheets except for any ineffective portion of the change in fair value, which is immediately recorded in interest expense. The fair value of the swap agreements is determined based on the present value of the estimated future net cash flows using implied rates in the applicable yield curve as of the valuation date. On December 20, 2013, in conjunction with entering into the third amended and restated senior secured credit facility, the Company recognized hedge ineffectiveness of $2.0 million which was recorded to interest expense.
The Company has outstanding interest rate swap agreements with major financial institutions that effectively convert a portion of the Company’s variable-rate debt to a fixed rate. The swap agreements had a total U.S. dollar equivalent notional amount of $1,300.0 million at June 27, 2015, June 28, 2014, and September 30, 2014. Included in the AOCI balance at June 27, 2015 was a loss of $5.2 million related to interest rate swap agreements that is expected to be reclassified to earnings during the next 12 months, consistent with the timing of the underlying hedged transactions.
Commodity Price Risk Management
The Company had outstanding hedging arrangements at June 27, 2015 designed to fix the price of a portion of its projected future urea requirements. The contracts are designated as hedges of the Company’s exposure to future cash flow fluctuations associated with the cost of urea. The objective of the hedges is to mitigate the earnings and cash flow volatility attributable to the risk of changing prices. Unrealized gains or losses in the fair value of these contracts are recorded to AOCI within the Condensed Consolidated Balance Sheets. Realized gains or losses remain as a component of AOCI until the related inventory is sold. Upon sale of the underlying inventory, the gain or loss is reclassified to cost of sales. Included in the AOCI balance at June 27, 2015 was a loss of $0.2 million related to urea derivatives that is expected to be reclassified to earnings during the next 12 months, consistent with the timing of the underlying hedged transactions.
The Company also uses derivatives to partially mitigate the effect of fluctuating diesel and gasoline costs on operating results. Any such derivatives that do not qualify for hedge accounting treatment in accordance with GAAP are recorded at fair value, with unrealized gains and losses on open contracts and realized gains or losses on settled contracts recorded as an element of cost of sales. Unrealized gains or losses in the fair value of contracts that do qualify for hedge accounting are recorded in AOCI except for any ineffective portion of the change in fair value, which is immediately recorded in earnings. For the effective portion of the change in fair value, realized gains or losses remain as a component of AOCI until the related fuel is consumed. Upon consumption of the fuel, the gain or loss is reclassified to cost of sales. At June 27, 2015 there were no amounts included within AOCI.

The Company had the following outstanding commodity contracts that were entered into to hedge forecasted purchases:

Commodity	JUNE 27, 2015	JUNE 28, 2014	SEPTEMBER 30, 2014
Urea	34,500 tons	19,000 tons	58,500 tons
Diesel	4,410,000 gallons	2,394,000 gallons	5,250,000 gallons
Gasoline	462,000 gallons	672,000 gallons	462,000 gallons
Heating Oil	3,318,000 gallons	1,428,000 gallons	4,494,000 gallons

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Fair Values of Derivative Instruments

The fair values of the Company's derivative instruments were as follows:

DERIVATIVES DESIGNATED AS HEDGING INSTRUMENTS	BALANCE SHEET LOCATION	ASSETS / (LIABILITIES) JUNE 27, 2015	JUNE 28, 2014	SEPTEMBER 30, 2014
		FAIR VALUE (In millions)		
Interest rate swap agreements	Other assets	$0.1	$2.6	$ 4.0
	Other current liabilities	(8.8)	(10.4)	(10.3)
	Other liabilities	(0.7)	(6.6)	(5.2)
Commodity hedging instruments	Prepaid and other current assets	—	0.5	—
	Other current liabilities	—	—	(0.6)
Total derivatives designated as hedging instruments		$(9.4)	$(13.9)	$ (12.1)
DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS	BALANCE SHEET LOCATION			
Currency forward contracts	Prepaid and other current assets	$1.2	$—	$ —
	Other current liabilities	—	(0.2)	(0.1)
Commodity hedging instruments	Prepaid and other current assets	—	0.1	—
	Other current liabilities	(2.9)	—	(1.3)
Total derivatives not designated as hedging instruments		$(1.7)	$(0.1)	$ (1.4)
Total derivatives		$(11.1)	$(14.0)	$ (13.5)

The effect of derivative instruments on AOCI and the Condensed Consolidated Statements of Operations was as follows:

DERIVATIVES IN CASH FLOW HEDGING RELATIONSHIPS	AMOUNT OF GAIN / (LOSS) RECOGNIZED IN AOCI THREE MONTHS ENDED JUNE 27, 2015	JUNE 28, 2014	NINE MONTHS ENDED JUNE 27, 2015	JUNE 28, 2014
	(In millions)			
Interest rate swap agreements	$0.2	$(4.1)	$(4.3)	$(8.9)
Commodity hedging instruments	0.3	0.2	(0.1)	2.1
Total	$0.5	$(3.9)	$(4.4)	$(6.8)

DERIVATIVES IN CASH FLOW HEDGING RELATIONSHIPS	RECLASSIFIED FROM AOCI INTO STATEMENT OF OPERATIONS	AMOUNT OF GAIN / (LOSS) THREE MONTHS ENDED JUNE 27, 2015	JUNE 28, 2014	NINE MONTHS ENDED JUNE 27, 2015	JUNE 28, 2014
		(In millions)			
Interest rate swap agreements	Interest expense	$(2.2)	$(3.6)	$(5.7)	$(10.7)
Commodity hedging instruments	Cost of sales	(0.1)	0.4	0.1	0.5
Total		$(2.3)	$(3.2)	$(5.6)	$(10.2)

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DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS	RECOGNIZED IN STATEMENT OF OPERATIONS	AMOUNT OF GAIN / (LOSS) THREE MONTHS ENDED		NINE MONTHS ENDED	
		JUNE 27, 2015	JUNE 28, 2014	JUNE 27, 2015	JUNE 28, 2014
		(In millions)			
Currency forward contracts	Other income, net	$1.0	$0.3	$6.3	$(2.1)
Commodity hedging instruments	Cost of sales	1.0	0.1	(9.0)	0.4
Total		$2.0	$0.4	$(2.7)	$(1.7)

NOTE 13. FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or the most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. A three-level fair value hierarchy prioritizes the inputs used to measure fair value. The hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

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

Level 2 — Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The following describes the valuation methodologies used for financial assets and liabilities measured at fair value on a recurring basis, as well as the general classification within the valuation hierarchy.

Derivatives

Derivatives consist of currency, interest rate and commodity derivative instruments. Currency forward contracts are valued using observable forward rates in commonly quoted intervals for the full term of the contracts. Interest rate swap agreements are valued based on the present value of the estimated future net cash flows using implied rates in the applicable yield curve as of the valuation date. Commodity contracts are measured using observable commodity exchange prices in active markets.

These derivative instruments are classified within Level 2 of the valuation hierarchy and are included within other assets and other liabilities in the Company's Condensed Consolidated Balance Sheets, except for derivative instruments expected to be settled within the next 12 months, which are included within prepaid and other current assets and other current liabilities.

Cash Equivalents

Cash equivalents consist of highly liquid investments with original maturities of three months or less. The carrying value of these cash equivalents approximates fair value due to their short-term maturities.

Other

Other financial assets consist of investment securities in non-qualified retirement plan assets. These securities are valued using observable market prices in active markets.

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The following table presents the Company's financial assets and liabilities measured at fair value on a recurring basis at June 27, 2015:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
	(In millions)			
Assets				
Cash equivalents	$14.3	$—	$—	$14.3
Derivatives				
Interest rate swap agreements	—	0.1	—	0.1
Currency forward contracts	—	1.2	—	1.2
Other	10.4	—	—	10.4
Total	$24.7	$1.3	$—	$26.0
Liabilities				
Derivatives				
Interest rate swap agreements	$—	$(9.5)	$—	$(9.5)
Commodity hedging instruments	—	(2.9)	—	(2.9)
Total	$—	$(12.4)	$—	$(12.4)

The following table presents the Company's financial assets and liabilities measured at fair value on a recurring basis at June 28, 2014:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
	(In millions)			
Assets				
Cash equivalents	$88.8	$—	$—	$88.8
Derivatives				
Interest rate swap agreements	—	2.6	—	2.6
Commodity hedging instruments	—	0.6	—	0.6
Other	8.8	—	—	8.8
Total	$97.6	$3.2	$—	$100.8
Liabilities				
Derivatives				
Interest rate swap agreements	$—	$(17.0)	$—	$(17.0)
Currency forward contracts	—	(0.2)	—	(0.2)
Total	$—	$(17.2)	$—	$(17.2)

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The following table presents the Company's financial assets and liabilities measured at fair value on a recurring basis at September 30, 2014:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
	(In millions)			
Assets				
Cash equivalents	$32.0	$—	$—	$32.0
Derivatives				
Interest rate swap agreements	—	4.0	—	4.0
Other	8.9	—	—	8.9
Total	$40.9	$4.0	$—	$44.9
Liabilities				
Derivatives				
Interest rate swap agreements	$—	$(15.5)	$—	$(15.5)
Foreign currency forward contracts	—	(0.1)	—	(0.1)
Commodity hedging instruments	—	(1.9)	—	(1.9)
Total	$—	$(17.5)	$—	$(17.5)

NOTE 14. SEGMENT INFORMATION

The Company divides its business into two segments — Global Consumer and Scotts LawnService®. This division of reportable segments is consistent with how the segments report to and are managed by the chief operating decision maker of the Company.

Segment performance is evaluated on several factors, including income from continuing operations before amortization and impairment, restructuring and other charges, which is not a GAAP measure. Senior management uses this measure of operating profit to gauge segment performance because the Company believes this measure is the most indicative of performance trends and the overall earnings potential of each segment.

Corporate & Other consists of revenues and expenses associated with the Company's supply agreements with Israel Chemicals, Ltd. ("ICL") and the amortization related to the Marketing Agreement for consumer Roundup®, as well as corporate, general and administrative expenses and certain other income/expense items not allocated to the business segments. Corporate & Other assets primarily include deferred financing and debt issuance costs and corporate intangible assets, as well as deferred tax assets.

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The following tables present summarized financial information concerning the Company’s reportable segments for the periods indicated:

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	JUNE 27, 2015	JUNE 28, 2014	JUNE 27, 2015	JUNE 28, 2014
	(In millions)			
Net sales:				
Global Consumer	$1,102.5	$1,012.8	$2,330.4	$2,197.2
Scotts LawnService®	103.7	92.8	180.8	168.0
Segment total	1,206.2	1,105.6	2,511.2	2,365.2
Corporate & Other	8.6	10.8	22.1	21.8
Consolidated	$1,214.8	$1,116.4	$2,533.3	$2,387.0
Income (loss) from continuing operations before income taxes:				
Global Consumer	$269.2	$244.5	$467.0	$446.6
Scotts LawnService®	26.4	20.7	5.3	3.0
Segment total	295.6	265.2	472.3	449.6
Corporate & Other	(21.2)	(21.4)	(73.2)	(66.1)
Intangible asset amortization	(5.0)	(3.7)	(11.7)	(9.6)
Impairment, restructuring and other	(51.7)	(39.2)	(66.4)	(45.6)
Costs related to refinancing	—	—	—	(10.7)
Interest expense	(14.3)	(12.8)	(39.0)	(38.7)
Consolidated	$203.4	$188.1	$282.0	$278.9

	JUNE 27, 2015	JUNE 28, 2014	SEPTEMBER 30, 2014
	(In millions)		
Total assets:			
Global Consumer	$2,623.2	$2,140.1	$1,690.7
Scotts LawnService®	225.2	194.8	191.3
Corporate & Other	169.7	171.5	176.3
Consolidated	$3,018.1	$2,506.4	$2,058.3

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NOTE 15. FINANCIAL INFORMATION FOR SUBSIDIARY GUARANTORS AND NON-GUARANTORS

The 6.625% Senior Notes were issued on December 16, 2010 and are guaranteed by certain of the Company's domestic subsidiaries and, therefore, the Company reports condensed consolidating financial information in accordance with SEC Regulation S-X Rule 3-10, Financial Statements of Guarantors and Issuers of Guaranteed Securities Registered or Being Registered. On January 15, 2014, the Company redeemed all of its outstanding $200 million aggregate principal amount of 7.25% Senior Notes which were previously guaranteed by certain of its domestic subsidiaries. The guarantees are "full and unconditional," as those terms are used in Regulation S-X Rule 3-10, except that a subsidiary's guarantee will be automatically released in certain customary circumstances, such as (1) upon any sale or other disposition of all or substantially all of the assets of the subsidiary (including by way of merger or consolidation) to any person other than Scotts Miracle-Gro or any "restricted subsidiary" under the applicable indenture; (2) if the subsidiary merges with and into Scotts Miracle-Gro, with Scotts Miracle-Gro surviving such merger; (3) if the subsidiary is designated an "unrestricted subsidiary" in accordance with the applicable indenture or otherwise ceases to be a "restricted subsidiary" (including by way of liquidation or dissolution) in a transaction permitted by such indenture; (4) upon legal or covenant defeasance; (5) upon satisfaction and discharge of the 6.625% Senior Notes; or (6) if the subsidiary ceases to be a "wholly owned restricted subsidiary" and the subsidiary is not otherwise required to provide a guarantee of the 6.625% Senior Notes pursuant to the applicable indenture. The Hawthorne Gardening Company and Hawthorne Hydroponics LLC were added as guarantors effective in the three month period ending March 28, 2015 and all periods presented. The following 100% directly or indirectly owned subsidiaries fully and unconditionally guarantee at June 27, 2015 the 6.625% Senior Notes on a joint and several basis: EG Systems, Inc.; Gutwein & Co., Inc.; Hyponex Corporation; Miracle-Gro Lawn Products, Inc.; OMS Investments, Inc.; Rod McLellan Company; Sanford Scientific, Inc.; Scotts Temecula Operations, LLC; Scotts Manufacturing Company; Scotts Products Co.; Scotts Professional Products Co.; Scotts-Sierra Investments LLC; SMG Growing Media, Inc.; Swiss Farms Products, Inc.; SMGM LLC; SLS Franchise Systems LLC; The Scotts Company LLC; The Hawthorne Gardening Company; and Hawthorne Hydroponics LLC (collectively, the "Guarantors").

The following information presents Condensed Consolidating Statements of Operations for the three and nine months ended June 27, 2015 and June 28, 2014, Condensed Consolidating Statements of Comprehensive Income (Loss) for the three and nine months ended June 27, 2015 and June 28, 2014, Condensed Consolidating Statements of Cash Flows for the nine months ended June 27, 2015 and June 28, 2014, and Condensed Consolidating Balance Sheets as of June 27, 2015, June 28, 2014 and September 30, 2014. The condensed consolidating financial information presents, in separate columns, financial information for: Scotts Miracle-Gro on a Parent-only basis, carrying its investment in subsidiaries under the equity method; Guarantors on a combined basis, carrying their investments in subsidiaries which do not guarantee the debt (collectively, the "Non-Guarantors") under the equity method; Non-Guarantors on a combined basis; and eliminating entries. The eliminating entries primarily reflect intercompany transactions, such as interest expense, accounts receivable and payable, short and long-term debt, and the elimination of equity investments, return on investments and income in subsidiaries. Because the Parent is obligated to pay the unpaid principal amount and interest on all amounts borrowed by the Guarantors or Non-Guarantors under the credit facility (and was obligated to pay the unpaid principal amount and interest on all amounts borrowed by the Guarantors and Non-Guarantors under the previous senior secured five-year revolving loan facility), the borrowings and related interest expense for the loans outstanding of the Guarantors and Non-Guarantors are also presented in the accompanying Parent-only financial information, and are then eliminated. Included in the Parent Condensed Consolidating Statement of Cash Flow for June 27, 2015 and June 28, 2014, respectively are $226.6 million and $223.3 million of dividends paid by the Guarantors to the Parent representing return on investments and as such are classified within cash flows from operating activities. Included in the Guarantors Condensed Consolidating Statements of Cash Flows for June 27, 2015 are $12.7 million of dividends paid by the Non-Guarantors to the Guarantors representing return on investments and as such are classified within cash flows from operating activities.

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THE SCOTTS MIRACLE-GRO COMPANY
Condensed Consolidating Statement of Operations
for the three months ended June 27, 2015
(In millions)
(Unaudited)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations/Consolidations	Consolidated
Net sales	$—	$998.0	$216.8	$ —	$1,214.8
Cost of sales	—	609.0	153.2	—	762.2
Cost of sales—impairment, restructuring and other	—	0.3	3.1	—	3.4
Gross profit	—	388.7	60.5	—	449.2
Operating expenses:					
Selling, general and administrative	—	147.9	45.5	0.4	193.8
Impairment, restructuring and other	—	37.7	3.2	—	40.9
Other income, net	—	(2.5)	(0.7)	—	(3.2)
Income (loss) from operations	—	205.6	12.5	(0.4)	217.7
Equity income in subsidiaries	(138.2)	(5.7)	—	143.9	—
Other non-operating income	(8.5)	—	(5.7)	14.2	—
Interest expense	15.3	12.4	0.8	(14.2)	14.3
Income from continuing operations before income taxes	131.4	198.9	17.4	(144.3)	203.4
Income tax (benefit) expense from continuing operations	(2.4)	66.8	6.0	—	70.4
Income from continuing operations	133.8	132.1	11.4	(144.3)	133.0
Income from discontinued operations, net of tax	—	—	—	—	—
Net income	$133.8	$132.1	$11.4	$ (144.3)	$133.0
Net loss attributable to noncontrolling interest	—	—	—	0.4	0.4
Net income attributable to controlling interest	$133.8	$132.1	$11.4	$ (143.9)	$133.4

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THE SCOTTS MIRACLE-GRO COMPANY
Condensed Consolidating Statement of Operations
for the nine months ended June 27, 2015
(In millions)
(Unaudited)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations/Consolidation	Consolidated
Net sales	$—	$2,075.3	$458.0	$ —	$ 2,533.3
Cost of sales	—	1,292.9	325.0	—	1,617.9
Cost of sales—impairment, restructuring and other	—	0.3	3.3	—	3.6
Gross profit	—	782.1	129.7	—	911.8
Operating expenses:					
Selling, general and administrative	—	426.8	112.3	1.3	540.4
Impairment, restructuring and other	—	49.0	6.4	—	55.4
Other income, net	—	(4.7)	(0.3)	—	(5.0)
Income (loss) from operations	—	311.0	11.3	(1.3)	321.0
Equity income in subsidiaries	(197.9)	(8.3)	—	206.2	—
Other non-operating income	(22.5)	—	(16.9)	39.4	—
Interest expense	42.8	34.1	1.5	(39.4)	39.0
Income from continuing operations before income taxes	177.6	285.2	26.7	(207.5)	282.0
Income tax (benefit) expense from continuing operations	(7.1)	96.4	9.4	—	98.7
Income from continuing operations	184.7	188.8	17.3	(207.5)	183.3
Income from discontinued operations, net of tax	—	—	—	—	—
Net income	$184.7	$188.8	$17.3	$ (207.5)	$ 183.3
Net loss attributable to noncontrolling interest	—	—	—	0.1	0.1
Net income attributable to controlling interest	$184.7	$188.8	$17.3	$ (207.4)	$ 183.4

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THE SCOTTS MIRACLE-GRO COMPANY
Condensed Consolidating Statement of Comprehensive Income (Loss)
for the three months ended June 27, 2015
(In millions)
(Unaudited)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations/Consolidation	Consolidated
Net income	$133.8	$132.1	$11.4	$ (144.3)	$ 133.0
Other comprehensive income (loss), net of tax:					
Net foreign currency translation adjustment	2.5	—	2.5	(2.5)	2.5
Net change in derivatives	2.8	0.4	—	(0.4)	2.8
Net change in pension and other post-retirement benefits	0.8	0.5	0.3	(0.8)	0.8
Total other comprehensive income (loss)	6.1	0.9	2.8	(3.7)	6.1
Comprehensive income	$139.9	$133.0	$14.2	$ (148.0)	$ 139.1

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THE SCOTTS MIRACLE-GRO COMPANY
Condensed Consolidating Statement of Comprehensive Income (Loss)
for the nine months ended June 27, 2015
(In millions)
(Unaudited)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations/Consolidations	Consolidated
Net income	$184.7	$188.8	$17.3	$ (207.5)	$183.3
Other comprehensive (loss) income, net of tax:					
Net foreign currency translation adjustment	(8.8)	—	(8.8)	8.8	(8.8)
Net change in derivatives	1.2	(0.2)	—	0.2	1.2
Net change in pension and other post-retirement benefits	2.3	1.5	0.8	(2.3)	2.3
Total other comprehensive (loss) income	(5.3)	1.3	(8.0)	6.7	(5.3)
Comprehensive income	$179.4	$190.1	$9.3	$ (200.8)	$178.0

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THE SCOTTS MIRACLE-GRO COMPANY
Condensed Consolidating Statement of Cash Flows
for the nine months ended June 27, 2015
(In millions)
(Unaudited)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations/Consolidations	Consolidated
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES (a)	$206.6	$68.0	$(11.1)	$ (239.3)	$ 24.2
INVESTING ACTIVITIES					
Proceeds from sale of long-lived assets	—	5.3	—	—	5.3
Investments in property, plant and equipment	—	(37.7)	(3.5)	—	(41.2)
Investing cash flows from (to) affiliates	(128.8)	—	—	128.8	—
Investment in acquired businesses, net of cash acquired	—	(169.6)	(9.5)	—	(179.1)
Net cash used in investing activities	(128.8)	(202.0)	(13.0)	128.8	(215.0)
FINANCING ACTIVITIES					
Borrowings under revolving and bank lines of credit	—	1,176.1	264.6	—	1,440.7
Repayments under revolving and bank lines of credit	—	(1,051.8)	(124.1)	—	(1,175.9)
Dividends paid	(82.4)	(226.6)	(12.7)	239.3	(82.4)
Purchase of common shares	(14.8)	—	—	—	(14.8)
Payments on seller notes	—	(0.8)	—	—	(0.8)
Excess tax benefits from share-based payment arrangements	2.9	—	—	—	2.9
Cash received from the exercise of stock options	16.5	—	—	—	16.5
Financing cash flows from (to) affiliates	—	221.4	(92.6)	(128.8)	—
Net cash (used in) provided by financing activities	(77.8)	118.3	35.2	110.5	186.2
Effect of exchange rate changes on cash	—	—	(4.8)	—	(4.8)
Net (decrease) increase in cash and cash equivalents	—	(15.7)	6.3	—	(9.4)
Cash and cash equivalents, beginning of period	—	23.1	66.2	—	89.3
Cash and cash equivalents, end of period	$—	$7.4	$72.5	$ —	$ 79.9

(a) Cash received by the Parent from its subsidiaries in the form of dividends in the amount of $226.6 million represent return on investments and are included in cash flows from operating activities. Cash received by the Guarantors from the Non-Guarantors in the form of dividends in the amount of $12.7 million represent return on investments and are included in the cash flows from operating activities.

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THE SCOTTS MIRACLE-GRO COMPANY
Condensed Consolidating Balance Sheet
As of June 27, 2015
(In millions)
(Unaudited)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations/Consolidations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$—	$7.4	$72.5	$ —	$79.9
Accounts receivable, net	—	221.3	215.2	—	436.5
Accounts receivable pledged	—	376.4	—	—	376.4
Inventories	—	327.9	87.9	—	415.8
Prepaid and other current assets	—	92.8	38.8	—	131.6
Total current assets	—	1,025.8	414.4	—	1,440.2
Property, plant and equipment, net	—	389.5	58.4	—	447.9
Goodwill	—	406.7	12.3	11.6	430.6
Intangible assets, net	—	593.5	65.6	12.1	671.2
Other assets	15.2	16.2	21.6	(24.8)	28.2
Equity investment in subsidiaries	515.9	—	—	(515.9)	—
Intercompany assets	887.1	—	—	(887.1)	—
Total assets	$1,418.2	$2,431.7	$572.3	$ (1,404.1)	$3,018.1
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Current portion of debt	$—	$304.4	$12.0	$ —	$316.4
Accounts payable	—	241.3	74.4	—	315.7
Marketing and license agreement obligation	—	300.0	—	—	300.0
Other current liabilities	11.9	296.0	102.9	—	410.8
Total current liabilities	11.9	1,141.7	189.3	—	1,342.9
Long term debt	725.6	389.8	148.5	(525.5)	738.4
Other liabilities	0.7	230.8	31.7	(19.8)	243.4
Equity investment in subsidiaries	—	146.1	—	(146.1)	—
Intercompany liabilities	—	267.6	75.3	(342.9)	—
Total liabilities	738.2	2,176.0	444.8	(1,034.3)	2,324.7
Total shareholders' equity - controlling interest	680.0	255.7	127.5	(383.2)	680.0
Noncontrolling interest	—	—	—	13.4	13.4
Total equity	680.0	255.7	127.5	(369.8)	693.4
Total liabilities and shareholders' equity	$1,418.2	$2,431.7	$572.3	$ (1,404.1)	$3,018.1

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THE SCOTTS MIRACLE-GRO COMPANY
Condensed Consolidating Statement of Operations
for the three months ended June 28, 2014
(In millions)
(Unaudited)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations/Consolidation	Consolidated
Net sales	$—	$ 897.0	$ 219.4	$ —	$ 1,116.4
Cost of sales	—	546.0	147.1	—	693.1
Gross profit	—	351.0	72.3	—	423.3
Operating expenses:					
Selling, general and administrative	—	144.6	44.4	—	189.0
Impairment, restructuring and other	—	39.5	(0.3)	—	39.2
Other income, net	—	(4.7)	(1.1)	—	(5.8)
Income from operations	—	171.6	29.3	—	200.9
Equity income in subsidiaries	(125.9)	(9.4)	—	135.3	—
Other non-operating income	(7.3)	—	(5.5)	12.8	—
Interest expense	13.8	11.1	0.7	(12.8)	12.8
Income from continuing operations before income taxes	119.4	169.9	34.1	(135.3)	188.1
Income tax (benefit) expense from continuing operations	(2.3)	57.8	11.9	—	67.4
Income from continuing operations	121.7	112.1	22.2	(135.3)	120.7
Income from discontinued operations, net of tax	—	0.7	0.3	—	1.0
Net income	$ 121.7	$ 112.8	$ 22.5	$ (135.3)	$ 121.7

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THE SCOTTS MIRACLE-GRO COMPANY
Condensed Consolidating Statement of Operations
for the nine months ended June 28, 2014
(In millions)
(Unaudited)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations/Consolidations	Consolidated
Net sales	$—	$1,940.6	$446.4	$ —	$ 2,387.0
Cost of sales	—	1,191.1	304.9	—	1,496.0
Gross profit	—	749.5	141.5	—	891.0
Operating expenses:					
Selling, general and administrative	—	412.9	112.7	—	525.6
Impairment, restructuring and other	—	45.5	0.1	—	45.6
Other income, net	—	(6.9)	(1.6)	—	(8.5)
Income from operations	—	298.0	30.3	—	328.3
Equity income in subsidiaries	(204.4)	(13.0)	—	217.4	—
Other non-operating income	(18.1)	—	(16.6)	34.7	—
Costs related to refinancing	10.7	—	—	—	10.7
Interest expense	42.5	29.8	1.1	(34.7)	38.7
Income from continuing operations before income taxes	169.3	281.2	45.8	(217.4)	278.9
Income tax (benefit) expense from continuing operations	(12.4)	94.9	15.8	—	98.3
Income from continuing operations	181.7	186.3	30.0	(217.4)	180.6
Income from discontinued operations, net of tax	—	0.4	0.7	—	1.1
Net income	$181.7	$186.7	$30.7	$ (217.4)	$ 181.7

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THE SCOTTS MIRACLE-GRO COMPANY
Condensed Consolidating Statement of Comprehensive Income (Loss)
for the three months ended June 28, 2014
(In millions)
(Unaudited)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations/Consolidations	Consolidated
Net income	$121.7	$112.8	$22.5	$ (135.3)	$ 121.7
Other comprehensive income (loss), net of tax:					
Net foreign currency translation adjustment	4.2	—	4.2	(4.2)	4.2
Net change in derivatives	(0.7)	0.1	—	(0.1)	(0.7)
Net change in pension and other post-retirement benefits	0.8	0.6	0.2	(0.8)	0.8
Total other comprehensive income (loss)	4.3	0.7	4.4	(5.1)	4.3
Comprehensive income	$126.0	$113.5	$26.9	$ (140.4)	$ 126.0

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THE SCOTTS MIRACLE-GRO COMPANY
Condensed Consolidating Statement of Comprehensive Income (Loss)
for the nine months ended June 28, 2014
(In millions)
(Unaudited)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations/Consolidations	Consolidated
Net income	$181.7	$186.7	$30.7	$ (217.4)	$ 181.7
Other comprehensive income (loss), net of tax:					
Net foreign currency translation adjustment	0.1	—	0.1	(0.1)	0.1
Net change in derivatives	3.4	1.9	—	(1.9)	3.4
Net change in pension and other post-retirement benefits	2.0	1.7	0.3	(2.0)	2.0
Total other comprehensive income (loss)	5.5	3.6	0.4	(4.0)	5.5
Comprehensive income	$187.2	$190.3	$31.1	$ (221.4)	$ 187.2

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THE SCOTTS MIRACLE-GRO COMPANY
Condensed Consolidating Statement of Cash Flows
for the nine months ended June 28, 2014
(In millions)
(Unaudited)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations/Consolidations	Consolidated
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES [a]	$195.6	$117.9	$(55.9)	$(223.3)	$34.3
INVESTING ACTIVITIES					
Proceeds from sale of long-lived assets	—	0.2	—	—	0.2
Proceeds from sale of business, net of transaction costs	—	6.6	0.6	—	7.2
Investments in property, plant and equipment	—	(64.1)	(4.4)	—	(68.5)
Investment in acquired businesses, net of cash acquired	—	(60.0)	—	—	(60.0)
Net cash used in investing activities	—	(117.3)	(3.8)	—	(121.1)
FINANCING ACTIVITIES					
Borrowings under revolving and bank lines of credit	—	1,407.7	332.8	—	1,740.5
Repayments under revolving and bank lines of credit	—	(1,009.9)	(272.5)	—	(1,282.4)
Repayment of 7.25% Senior Notes	(200.0)	—	—	—	(200.0)
Financing and issuance fees	(6.1)	—	—	—	(6.1)
Dividends paid	(81.3)	(223.3)	—	223.3	(81.3)
Purchase of common shares	(89.5)	—	—	—	(89.5)
Payment on seller notes	—	(0.8)	—	—	(0.8)
Excess tax benefits from share-based payment arrangements	—	5.4	—	—	5.4
Cash received from the exercise of stock options	14.3	—	—	—	14.3
Intercompany financing	167.0	(175.5)	8.5	—	—
Net cash (used in) provided by financing activities	(195.6)	3.6	68.8	223.3	100.1
Effect of exchange rate changes on cash	—	—	4.1	—	4.1
Net increase in cash and cash equivalents	—	4.2	13.2	—	17.4
Cash and cash equivalents, beginning of period	—	2.6	127.2	—	129.8
Cash and cash equivalents, end of period	$—	$6.8	$140.4	$ —	$147.2

(a) Cash received by the Parent from its subsidiaries in the form of dividends in the amount of $223.3 million represent return on investments and are included in cash flows from operating activities.

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THE SCOTTS MIRACLE-GRO COMPANY
Condensed Consolidating Balance Sheet
As of June 28, 2014
(In millions)
(Unaudited)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations/Consolidations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$—	$6.8	$140.4	$ —	$147.2
Accounts receivable, net	—	280.5	231.8	—	512.3
Accounts receivable pledged	—	237.8	—	—	237.8
Inventories	—	299.5	88.3	—	387.8
Prepaid and other current assets	—	88.7	37.2	—	125.9
Total current assets	—	913.3	497.7	—	1,411.0
Property, plant and equipment, net	—	401.1	42.3	—	443.4
Goodwill	—	332.7	0.6	—	333.3
Intangible assets, net	—	245.2	36.1	—	281.3
Other assets	23.6	19.9	26.8	(32.9)	37.4
Equity investment in subsidiaries	520.5	—	—	(520.5)	—
Intercompany assets	855.3	—	—	(855.3)	—
Total assets	$1,399.4	$1,912.2	$603.5	$ (1,408.7)	$2,506.4
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Current portion of debt	$—	$191.8	$8.7	$ —	$200.5
Accounts payable	—	196.5	82.8	—	279.3
Other current liabilities	12.7	300.8	115.1	—	428.6
Total current liabilities	12.7	689.1	206.6	—	908.4
Long term debt	625.1	360.4	68.4	(425.2)	628.7
Other liabilities	6.4	198.6	42.0	(32.9)	214.1
Equity investment in subsidiaries	—	158.4	—	(158.4)	—
Intercompany liabilities	—	270.1	160.0	(430.1)	—
Total liabilities	644.2	1,676.6	477.0	(1,046.6)	1,751.2
Shareholders' equity	755.2	235.6	126.5	(362.1)	755.2
Total liabilities and shareholders' equity	$1,399.4	$1,912.2	$603.5	$ (1,408.7)	$2,506.4

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THE SCOTTS MIRACLE-GRO COMPANY
Condensed Consolidating Balance Sheet
As of September 30, 2014
(In millions)
(Unaudited)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations/Consolidation	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$—	$23.1	$66.2	$ —	$89.3
Accounts receivable, net	—	124.6	99.4	—	224.0
Accounts receivable pledged	—	113.7	—	—	113.7
Inventories	—	282.1	103.0	—	385.1
Prepaid and other current assets	—	85.2	37.7	—	122.9
Total current assets	—	628.7	306.3	—	935.0
Property, plant and equipment, net	—	371.3	65.7	—	437.0
Goodwill	—	344.3	6.6	—	350.9
Intangible assets, net	—	256.8	45.9	—	302.7
Other assets	23.8	14.7	28.5	(34.3)	32.7
Equity investment in subsidiaries	368.3	—	—	(368.3)	—
Intercompany assets	878.8	—	—	(878.8)	—
Total assets	$1,270.9	$1,615.8	$453.0	$ (1,281.4)	$2,058.3
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Current portion of debt	$—	$85.8	$6.1	$ —	$91.9
Accounts payable	—	134.4	58.9	—	193.3
Other current liabilities	16.7	161.9	80.9	—	259.5
Total current liabilities	16.7	382.1	145.9	—	544.7
Long term debt	681.8	480.0	12.4	(481.8)	692.4
Other liabilities	5.1	235.7	47.4	(34.2)	254.0
Equity investment in subsidiaries	—	106.5	—	(106.5)	—
Intercompany liabilities	—	305.2	91.8	(397.0)	—
Total liabilities	703.6	1,509.5	297.5	(1,019.5)	1,491.1
Total shareholders' equity - controlling interest	553.8	92.8	155.5	(248.4)	553.7
Noncontrolling interest	13.5	13.5	—	(13.5)	13.5
Total equity	567.3	106.3	155.5	(261.9)	567.2
Total liabilities and shareholders' equity	$1,270.9	$1,615.8	$453.0	$ (1,281.4)	$2,058.3

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

The purpose of this discussion is to provide an understanding of the financial condition and results of operations of The Scotts Miracle-Gro Company ("Scotts Miracle-Gro") and its subsidiaries (collectively, together with Scotts Miracle-Gro, the "Company," "we" or "us") by focusing on changes in certain key measures from year-to-year. Management's Discussion and Analysis is divided into the following sections:

- Executive summary
- Results of operations
- Segment results
- Liquidity and capital resources
- Regulatory matters
- Critical accounting policies and estimates

This discussion and analysis should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in Scotts Miracle-Gro's Annual Report on Form 10-K for the fiscal year ended September 30, 2014 (the "2014 Annual Report").

EXECUTIVE SUMMARY

We are a leading manufacturer and marketer of consumer branded products for lawn and garden care in North America and Europe. We are Monsanto's exclusive agent for the marketing and distribution of consumer Roundup® non-selective herbicide products within the United States and other contractually specified countries. We have a presence in similar consumer branded products in Australia, the Far East and Latin America. We also operate Scotts LawnService®, the second largest lawn care service business in the United States. Our operations are divided into two reportable segments: Global Consumer and Scotts LawnService®.

On May 15, 2015, we amended our Marketing Agreement with Monsanto and entered into a lawn and garden brand extension agreement, and a commercialization and technology agreement with Monsanto. The key highlights to the agreements provide us with the following:

- The ability to extend the Roundup® brand into other categories of lawn and garden beyond non-selective weed control globally. This includes the ability to introduce the brand into the lawn service industry for the first time.
- The opportunity to introduce the consumer Roundup® brand into geographies not included in the original Marketing Agreement, including China and Latin America. Only Japan and countries with U.S. trade embargoes are excluded from the agreement.
- The opportunity to make changes to product formulations if it is deemed necessary in order to grow and/or protect the Roundup® brand.
- A right of first offer and a significant credit to the purchase price, equal to the termination fee, in the event Monsanto were to sell the consumer Roundup® business.
- A "first look" related to Monsanto's innovation pipeline. ScottsMiracle-Gro would be provided with access to technology that can be applied in order to bring new consumer offerings to the lawn and garden marketplace.
- Enhanced security, as termination of the agreement no longer includes specific performance criteria. In the event Monsanto terminates the agreement, in certain circumstances, the Company would receive a termination fee of no less than $200 million and would retain its agency rights for at least 5 years.
- The expanded ability for the Company to transfer, and thereby monetize, its rights as marketing agent to a third party. This provision contemplates two possibilities: (1) ScottsMiracle-Gro is permitted to transfer its rights in any specific geography to a third party; and (2) The entire agreement can be transferred to a third party in the event that ScottsMiracle-Gro is acquired.

We will pay Monsanto $300 million in consideration for these agreements no later than August 15, 2015. We expect to pay the $300 million using existing availability under our credit facility.

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As a leading consumer branded lawn and garden company, our product development and marketing efforts are largely focused on providing innovative and differentiated products and on continually increasing brand and product awareness to inspire consumers and to create retail demand. We have successfully applied this model for a number of years by focusing on research and development and investing approximately 5 - 6% of our annual net sales in advertising to support and promote our products and brands. We continually explore new and innovative ways to communicate with consumers. We believe that we receive a significant return on these expenditures and anticipate a similar commitment to research and development, advertising and marketing investments in the future, with the continuing objective of driving category growth and profitably increasing market share.

Due to the seasonal nature of the lawn and garden business, significant portions of our products ship to our retail customers during our second and third fiscal quarters, as noted in the chart below. Our annual sales are further concentrated in the second and third fiscal quarters by retailers who rely on our ability to deliver products closer to when consumers buy our products, thereby reducing retailers' pre-season inventories.

	Percent of Net Sales from Continuing Operations by Quarter					
	2014		2013		2012	
First Quarter	6.7	%	7.0	%	6.7	%
Second Quarter	38.0	%	36.4	%	41.7	%
Third Quarter	39.3	%	41.0	%	37.5	%
Fourth Quarter	16.0	%	15.6	%	14.1	%

Common Shares Repurchases and Dividends

On August 11, 2014, we announced that the Scotts Miracle-Gro Board of Directors approved:

- a special one-time cash dividend of $2.00 per Common Share that was paid on September 17, 2014;
- an increase in our quarterly cash dividend from $0.4375 to $0.45 per Common Share; and
- a new share repurchase authorization effective November 1, 2014, which will expire on September 30, 2019, to repurchase up to $500 million of our Common Shares. This replaced the previous authorization which expired on September 30, 2014.

Further, on August 3, 2015, we announced that the Scotts Miracle-Gro Board of Directors approved an increase in our quarterly cash dividend from $0.45 to $0.47 per Common Share. The decision to increase the amount of cash we intend to return to our shareholders reflects our continued confidence in the business and our desire to maintain a consistent capital structure.

As of June 27, 2015, we can make additional restricted payments (as defined in the credit facility), including increased or one-time dividend payments and Common Share repurchases, if our leverage ratio is not greater than 3.00 after giving effect to the restricted payment. Otherwise, the aggregate amount of restricted payments that we may make in a fiscal year will be limited to the amount set forth in the credit facility for such fiscal year ($150.0 million for 2015 and $175.0 million for 2016 and in each fiscal year thereafter).

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RESULTS OF OPERATIONS

We classified our wild bird food business as discontinued operations, for all periods presented, beginning in our second quarter of fiscal 2014. As a result, and unless specifically stated otherwise, all discussions regarding results for the three and nine months ended June 27, 2015 and June 28, 2014, reflect results from our continuing operations.

The following table sets forth the components of income and expense as a percentage of net sales:

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	JUNE 27, 2015	JUNE 28, 2014	JUNE 27, 2015	JUNE 28, 2014
Net sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of sales	62.7	62.1	63.9	62.7
Cost of sales—impairment, restructuring and other	0.3	—	0.1	—
Gross profit	37.0	37.9	36.0	37.3
Operating expenses:				
Selling, general and administrative	16.0	16.9	21.3	22.0
Impairment, restructuring and other	3.4	3.5	2.2	1.9
Other income, net	(0.3)	(0.5)	(0.2)	(0.4)
Income from operations	17.9	18.0	12.7	13.8
Costs related to refinancing	—	—	—	0.5
Interest expense	1.2	1.2	1.6	1.6
Income from continuing operations before income taxes	16.7	16.8	11.1	11.7
Income tax expense from continuing operations	5.8	6.0	3.9	4.1
Income from continuing operations	10.9	10.8	7.2	7.6
Income from discontinued operations, net of tax	—	0.1	—	—
Net Income	10.9 %	10.9 %	7.2 %	7.6 %

Net Sales

Net sales for the three months ended June 27, 2015 were $1,214.8 million, an increase of 8.8% from net sales of $1,116.4 million for the three months ended June 28, 2014. Net sales for the nine months ended June 27, 2015 were $2,533.3 million, an increase of 6.1% from net sales of $2,387.0 million for the nine months ended June 28, 2014. The change in net sales was attributable to:

	THREE MONTHS ENDED JUNE 27, 2015	NINE MONTHS ENDED JUNE 27, 2015
Acquisitions	5.8 %	4.4 %
Volume	6.4	4.7
Pricing	(0.6)	(0.3)
Foreign exchange rates	(2.8)	(2.7)
Change in net sales	8.8 %	6.1 %

The increase in net sales for the three and nine months ended June 27, 2015, was primarily driven by:

- sales from acquisitions within our Global Consumer segment including General Hydroponics, Vermicrop, AeroGrow, and Fafard and within our Scotts LawnService® segment from Action Pest; and
- increased volume in our Global Consumer segment, driven by increased sales within the U.S. of controls, growing media, and cleaners products;
- which were partially offset by the unfavorable impact of foreign exchange rates as a result of the strengthening of the U.S. dollar relative to other currencies including Canadian dollar, Euro, and British pound; and
- an unfavorable impact of decreased pricing in the Global Consumer segment, primarily in the U.S., related to controls and growing media products.

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Cost of Sales

The following table shows the major components of cost of sales:

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	JUNE 27, 2015	JUNE 28, 2014	JUNE 27, 2015	JUNE 28, 2014
	(In millions)			
Materials	$461.6	$413.8	$957.9	$888.7
Distribution and warehousing	138.7	140.3	305.8	292.6
Manufacturing labor and overhead	145.7	123.5	302.5	265.4
Roundup® reimbursements	16.2	15.5	51.7	49.3
	$762.2	$693.1	$1,617.9	$1,496.0
Impairment, restructuring and other	3.4	—	3.6	—
	$765.6	$693.1	$1,621.5	$1,496.0

Factors contributing to the change in cost of sales are outlined in the following table:

	THREE MONTHS ENDED	NINE MONTHS ENDED
	JUNE 27, 2015	JUNE 27, 2015
	(In millions)	
Material costs	$3.3	$6.1
Volume and product mix	87.2	157.1
Roundup® reimbursements	0.7	2.4
Foreign exchange rates	(22.1)	(43.7)
	$69.1	$121.9
Impairment, restructuring and other	3.4	3.6
Change in cost of sales	$72.5	$125.5

The increase in cost of sales, for the three and nine months ended June 27, 2015, was primarily driven by:

- costs related to sales from acquisitions of $50.0 million and $84.1 million for the three and nine months ended June 27, 2015, respectively, within our Global Consumer and Scotts LawnService® segments;
- increased sales volume in our Global Consumer segment;
- an increase in net sales attributable to reimbursements under our Marketing Agreement for consumer Roundup®; and
- restructuring and liquidation costs of $3.1 million for the three and nine months ended June 27, 2015, respectively, related to the liquidation and exit of the U.K. Solus business;
- partially offset by the favorable impact of foreign exchange rates as a result of a strengthening of the U.S. dollar relative to other currencies including Canadian dollar, Euro, and British pound.

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Gross Profit

As a percentage of net sales, our gross profit rate was 37.0% and 37.9% for the three months ended June 27, 2015 and June 28, 2014, respectively. As a percentage of net sales, our gross profit rate was 36.0% and 37.3% for the nine months ended June 27, 2015 and June 28, 2014, respectively. Factors contributing to the change in gross profit rate are outlined in the following table:

	THREE MONTHS ENDED JUNE 27, 2015		NINE MONTHS ENDED JUNE 27, 2015	
Pricing	(0.3	)%	(0.2	)%
Material costs	(0.3	)	(0.2	)
Product mix and volume:				
Roundup® commissions and reimbursements	0.4		0.2	
Acquisitions	(0.9	)	(0.7	)
Corporate & Other	—		—	
Scotts LawnService®	0.6		0.2	
Global Consumer mix and volume	(0.1	)	(0.5	)
Change in gross profit rate	(0.6	)%	(1.2	)%
Impairment, restructuring and other	(0.3	)	(0.1	)
Change in gross profit rate	(0.9	)%	(1.3	)%

The decrease in the gross profit rate, for the three months ended June 27, 2015, was primarily driven by:

- net impact of the recent acquisitions within our Global Consumer segment, decreasing gross profit rate, partially offset by AeroGrow within our Global Consumer segment and Action Pest within our Scotts LawnService® segment increasing the gross profit rate;
- an unfavorable impact of decreased pricing in the Global Consumer segment, primarily in the U.S. related to controls and growing media products; and
- increased material costs within our Global Consumer segment for our grass seed and growing media products;
- partially offset by increased commission income under our Marketing Agreement for consumer Roundup®; and
- increase in sales within our Scotts LawnService® segment.

The decrease in the gross profit rate, for the nine months ended June 27, 2015, was primarily driven by:

- net impact of the recent acquisitions within our Global Consumer segment, decreasing gross profit rate, partially offset by AeroGrow within our Global Consumer segment and Action Pest within our Scotts LawnService® segment increasing the gross profit rate;
- negative product mix within our Global Consumer segment due to increased sales of growing media products;
- an unfavorable impact of decreased pricing in the Global Consumer segment, primarily in the U.S. related to controls and growing media products; and
- increased material costs within our Global Consumer segment for our grass seed and growing media products;
- partially offset by increased commission income under our Marketing Agreement for consumer Roundup®; and
- increase in sales within our Scotts LawnService® segment.

Selling, General and Administrative Expenses

The following table sets forth the components of selling, general and administrative expenses:

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	JUNE 27, 2015	JUNE 28, 2014	JUNE 27, 2015	JUNE 28, 2014
	(In millions)			
Advertising	$50.2	$53.4	$122.9	$123.4
Share-based compensation	2.1	2.3	11.4	8.7
Research and development	12.2	12.2	33.1	34.3
Amortization of intangibles	4.4	2.7	10.1	7.6
Other selling, general and administrative	124.9	118.4	362.9	351.6
	$193.8	$189.0	$540.4	$525.6

Selling, general and administrative (“SG&A”) expenses increased $4.8 million, or 2.5%, to $193.8 million for the three months ended June 27, 2015 compared to the three months ended June 28, 2014. Advertising expense decreased $3.2 million driven by timing and mix of Global Consumer media spending. The increase in amortization of intangibles of $1.7 million is due to the impact of recent acquisitions. The increase in other SG&A expenses of $6.5 million is due to the impact of recent acquisitions of $9.3 million, partially offset by foreign exchange rate impact of $3.7 million as the U.S. dollar has strengthened relative to other currencies including Canadian dollar, Euro, and British pound.

SG&A expenses increased $14.8 million, or 2.8%, to $540.4 million for the nine months ended June 27, 2015 compared to the nine months ended June 28, 2014. Advertising expense decreased $0.5 million driven by timing and mix of Global Consumer media spending. Share-based compensation expense increased $2.7 million as prior year expense was lower due to impact of forfeitures of previously recognized share-based compensation for executive departures. The increase in amortization of intangibles of $2.5 million is due to the impact of recent acquisitions. The increase in other SG&A expenses of $11.3 million is due to the impact of the recent acquisitions of $24.0 million; partially offset by foreign exchange rate impact of $8.8 million as the U.S. dollar has strengthened relative to other currencies including Canadian dollar, Euro, and British pound; and reductions in compensation including management incentives as a result of our restructuring efforts over the past year.

Impairment, Restructuring and Other

During the third quarter of fiscal 2015, we began experiencing an increase in consumer complaints related to our new Bonus S fertilizer product sold in the southeastern United States indicating customers were experiencing damage to their lawns after application. We currently are working with impacted consumers and our insurance carriers to resolve the matter over the coming months. During the three months ended June 27, 2015, we recognized $37.4 million in costs related to resolving these consumer complaints and the recognition of costs to be incurred for current and expected consumer claim. We have contacted our insurers and are working through the claims process. Upon the receipt of reimbursement of these costs by our insurance carriers, we will record an offsetting insurance reimbursement recovery.

In addition, for the three and nine months ended June 27, 2015, we recognized $3.5 million and $18.0 million, respectively, in restructuring costs related to termination benefits provided to U.S. and international personnel as part of the continuation of the fiscal 2014 restructuring initiative to eliminate management layers and streamline decision making, and the liquidation and exit of the U.K. Solus business.

During the three and nine months ended June 28, 2014, as a result of an impairment review, we recognized an impairment charge for a non-recurring fair value adjustment of $33.7 million within the Global Consumer segment related to the Ortho® brand. The fair value was calculated based upon the evaluation of the historical performance and future growth expectations of the Ortho® business. During the three and nine months ended June 28, 2014, we also recognized $5.8 million and $9.7 million, respectively, in restructuring costs related to termination benefits provided to U.S. personnel as part of our restructuring of the U.S. administrative and overhead functions. In addition, for the nine months ended June 28, 2014, we recognized $2.0 million in additional ongoing monitoring and remediation costs for the turfgrass biotechnology program.

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Other Income, net

Other income is comprised of activities outside our normal business operations, such as royalty income from the licensing of certain of our brand names, franchise fee income from our Scotts LawnService® business, foreign exchange gains/losses, equity income (loss) on unconsolidated affiliates and gains/losses from the sale of non-inventory assets. Other income was $3.2 million for the three months ended June 27, 2015 compared to $5.8 million for the three months ended June 28, 2014. Other income was $5.0 million for the nine months ended June 27, 2015 compared to $8.5 million for the nine months ended June 28, 2014. The decrease in other income for the three and nine months ended June 27, 2015 was due to recognition of investment gains in fiscal 2014 related to our investment in AeroGrow.

Interest Expense

Interest expense was $14.3 million for the three months ended June 27, 2015 compared to $12.8 million for the three months ended June 28, 2014. The increase in interest expense of $1.5 million was driven by an increase in average borrowings of $230.5 million, excluding the impact of foreign exchange rates.

Interest expense was $39.0 million for the nine months ended June 27, 2015 compared to $38.7 million for the nine months ended June 28, 2014. The increase in interest expense of $0.3 million was driven by an increase in average borrowings of $224.5 million, excluding the impact of foreign exchange rates; offset by a decrease in our weighted average interest rate of 85 basis points primarily due to the reduced rates under our credit facility. The increase in average borrowings was driven by the fiscal year 2014 special one-time dividend, common share repurchases, and acquisition activity.

Income Tax Expense

The effective tax rate related to continuing operations for the three months ended June 27, 2015 was 34.6% compared to 35.8% for the three months ended June 28, 2014. The effective tax rate related to continuing operations for the nine months ended June 27, 2015 was 35.0% compared to 35.2% for the June 28, 2014. The effective tax rate used for interim purposes was based on our best estimate of factors impacting the effective tax rate for the full fiscal year. Factors affecting the estimated effective tax rate include assumptions as to income by jurisdiction (domestic and foreign), the availability and utilization of tax credits and the existence of elements of income and expense that may not be taxable or deductible. The estimated effective tax rate is subject to revision in later interim periods and at fiscal year end as facts and circumstances change during the course of the fiscal year. There can be no assurances that the effective tax rate estimated for interim financial reporting purposes will approximate the effective tax rate determined at fiscal year end.

Income from Continuing Operations

We reported income attributable to controlling interest from continuing operations of $133.4 million, or $2.14 per diluted share, for the three months ended June 27, 2015 compared to $120.7 million, or $1.93 per diluted share, for the three months ended June 28, 2014; and $183.4 million, or $2.95 per diluted share, for the first nine months of fiscal 2015 compared to $180.6 million, or $2.88 per diluted share, for the first nine months of fiscal 2014. The increase in our income from continuing operations for the three and nine months ended June 27, 2015 was primarily driven by increased net sales and the nonrecurring of costs related to refinancing incurred during the prior year; partially offset by a lower gross profit rate and higher SG&A expenses. Also, impairment, restructuring and other was higher for the nine months ended June 27, 2015 compared to the nine months ended June 28, 2014. Diluted average common shares used in the diluted net income per common share calculation were 62.3 million for the three months ended June 27, 2015 compared to 62.4 million for the three months ended June 28, 2014. Diluted average common shares used in the diluted net income per common share calculation were 62.1 million for the nine months ended June 27, 2015 compared to 62.8 million for the nine months ended June 28, 2014. The decrease in dilutive average common shares for the three and nine months ended June 27, 2015 was a result of share repurchases, partially offset by the exercise and issuance of share-based compensation awards.

SEGMENT RESULTS

Our continuing operations are divided into two reportable segments: Global Consumer and Scotts LawnService®. This division of reportable segments is consistent with how the segments report to, and are managed by, the chief operating decision maker of the Company. Corporate & Other consists of revenues and expenses associated with our supply

agreements with ICL and amortization related to the Marketing Agreement, as well as corporate, general and administrative expenses and certain other income/expense items not allocated to the business segments.

Segment performance is evaluated on several factors, including income from continuing operations before amortization and impairment, restructuring and other charges, which is not a measure recognized under GAAP. Senior management uses this measure of operating profit to gauge segment performance because we believe this measure is most indicative of performance trends and the overall earnings potential of each segment.

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The following table sets forth net sales by segment:

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	JUNE 27, 2015	JUNE 28, 2014	JUNE 27, 2015	JUNE 28, 2014
	(In millions)			
Global Consumer	$1,102.5	$1,012.8	$2,330.4	$2,197.2
Scotts LawnService®	103.7	92.8	180.8	168.0
Segment total	1,206.2	1,105.6	2,511.2	2,365.2
Corporate & Other	8.6	10.8	22.1	21.8
Consolidated	$1,214.8	$1,116.4	$2,533.3	$2,387.0

The following table sets forth segment income (loss) from continuing operations before income taxes:

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	JUNE 27, 2015	JUNE 28, 2014	JUNE 27, 2015	JUNE 28, 2014
	(In millions)			
Global Consumer	$269.2	$244.5	$467.0	$446.6
Scotts LawnService®	26.4	20.7	5.3	3.0
Segment total	295.6	265.2	472.3	449.6
Corporate & Other	(21.2)	(21.4)	(73.2)	(66.1)
Intangible asset amortization	(5.0)	(3.7)	(11.7)	(9.6)
Impairment, restructuring and other	(51.7)	(39.2)	(66.4)	(45.6)
Costs related to refinancing	—	—	—	(10.7)
Interest expense	(14.3)	(12.8)	(39.0)	(38.7)
Consolidated	$203.4	$188.1	$282.0	$278.9

Global Consumer

Global Consumer segment net sales were $1,102.5 million in the third quarter of fiscal 2015, an increase of 8.9%, from the third quarter of fiscal 2014 sales of $1,012.8 million, and were $2,330.4 million for the first nine months of fiscal 2015, an increase of 6.1%, from the first nine months of fiscal 2014 sales of $2,197.2 million. For the three months ended June 27, 2015, favorable impacts of volume and acquisitions of 6.5% and 6.0%, respectively, were partially offset by unfavorable changes in pricing and foreign exchange rates of 0.6% and 3.1%, respectively. For the nine months ended June 27, 2015, favorable impacts of volume and acquisitions of 4.8% and 4.4%, respectively, were partially offset by unfavorable changes in pricing and foreign exchange rates of 0.3% and 2.8%, respectively.

Net sales in the United States increased $92.3 million, or 11.6%, and $135.0 million, or 7.7%, for the third quarter and the first nine months of fiscal 2015, respectively, as compared to the same periods in fiscal 2014. The increase in U.S. net sales for the third quarter and first nine months of fiscal 2015 was driven by increased volume of controls, growing media, and cleaners products, as well as the impact of recent acquisitions.

Excluding the impact of changes in foreign exchange rates, net sales internationally increased by $28.2 million, or 13.1%, and $60.6 million, or 13.9%, for the third quarter of fiscal 2015 and first nine months of fiscal 2015, respectively. The increase in net sales internationally was primarily driven by the acquisitions of Fafard and Solus and higher sales volume within Canada.

Global Consumer segment operating income increased by $24.7 million, or 10.1%, in the third quarter of fiscal 2015, and increased $20.4 million, or 4.6%, in the first nine months of fiscal 2015, as compared to the same periods in fiscal 2014. Excluding the impact of changes in foreign exchange rates, the increase was 11.7% for the third quarter of fiscal 2015 and the increase was 6.1% for the first nine months of fiscal 2015. The increase for the third quarter of fiscal 2015 was primarily driven by higher sales volume of controls, growing media, and cleaners products in the U.S.; higher sales volume within Canada; and increased commission income under our Marketing Agreement for consumer Roundup®; partially offset by decreased pricing, increased material costs for our grass seed and growing media products, and higher SG&A as a result of the recent acquisitions.

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Scotts LawnService®

Scotts LawnService® net sales increased by $10.9 million, or 11.7%, in the third quarter of fiscal 2015 and by $12.8 million, or 7.6%, in the first nine months of fiscal 2015, as compared to the same periods in fiscal 2014. The increase in net sales for the first nine months of fiscal 2015 was driven by the acquisition of Action Pest of $7.9 million, as well as increased customer count. The segment operating income for Scotts LawnService® increased by $5.7 million, or 27.5%, in the third quarter of fiscal 2015 and by $2.3 million, or 76.7%, in the first nine months of fiscal 2015, as compared to the same periods in fiscal 2014. The increased income was primarily driven by the acquisition of Action Pest and higher customer count, partially offset by higher SG&A expenses for planned increases in selling costs.

Corporate & Other

The net operating loss for Corporate & Other was $21.2 million in the third quarter of fiscal 2015 as compared to $21.4 million in the third quarter of fiscal 2014 and was $73.2 million for the first nine months of fiscal 2015 as compared to $66.1 million for the first nine months of fiscal 2014. The increase for the nine months ended June 27, 2015 was primarily related to higher share-based compensation expense and an increase in reserves for an ongoing state sales and use tax audit.

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

Cash provided by operating activities totaled $24.2 million and $34.3 million for the nine months ended June 27, 2015 and June 28, 2014, respectively. Cash provided by operating activities decreased $10.1 million which included the impact of impairment, restructuring and other, and an increase in cash used for working capital, partially offset by higher net income. The increase in cash used for working capital was primarily due to higher net sales and accounts receivable in the third quarter of fiscal 2015 compared to the same period in fiscal 2014.

Investing Activities

Cash used in investing activities totaled $215.0 million and $121.1 million for the nine months ended June 27, 2015 and June 28, 2014, respectively. Cash used for investments in property, plant and equipment during the first nine months of fiscal 2015 and fiscal 2014 was $41.2 million and $68.5 million, respectively. The decrease was primarily related to $35.0 million of down payments in fiscal 2014 on a purchase order to acquire a new corporate aircraft, partially offset by fiscal 2015 investments to increase efficiencies at existing production facilities. During the nine months ended June 27, 2015, our Global Consumer segment completed the acquisitions of General Hydroponics and Vermicrop for $120.0 million and $15.0 million, respectively, in addition to four acquisitions of growing media operations with an aggregate estimated purchase price of $40.7 million. Additionally, our Scotts LawnService® segment completed the acquisition of Action Pest for $21.7 million. These acquisitions included cash payments of $179.1 million during the first nine months of fiscal 2015.

Financing Activities

Financing activities provided cash of $186.2 million and $100.1 million for the nine months ended June 27, 2015 and June 28, 2014, respectively. The increase of $86.1 million in cash provided by financing activities during the first nine months of fiscal 2015 as compared to fiscal 2014 was the result of repayment of 7.25% Senior Notes of $200.0 million during fiscal 2014 and a decrease in share repurchases of our Common Shares of $74.7 million, partially offset by lower net borrowings under our credit facility of $193.3 million.

Cash and Cash Equivalents

Our cash and cash equivalents were held in cash depository accounts with major financial institutions around the world or invested in high quality, short-term liquid investments, with a balance of $79.9 million as of June 27, 2015, compared to $147.2 million as of June 28, 2014. The cash and cash equivalents balance at June 27, 2015 included $69.3 million held by controlled foreign corporations. Our current plans do not demonstrate a need to, nor do we have plans to, repatriate the retained earnings from these foreign corporations as the earnings are indefinitely reinvested. However, in the future, if we determine it is necessary to repatriate these funds, or we sell or liquidate any of these foreign corporations, we may be required to pay associated taxes on the repatriation.

Borrowing Agreements

Our primary sources of liquidity are cash generated by operations and borrowings under our credit facility, which is guaranteed by substantially all of Scotts Miracle-Gro's domestic subsidiaries. On December 20, 2013, we entered into the credit facility, providing us with a five-year senior secured revolving loan facility in the aggregate principal amount of up to $1.7 billion. The credit facility also provides us with the right to seek to increase the credit facility by an aggregate amount of up to $450 million, subject to certain specified conditions. Borrowings may be made in various currencies, including U.S. dollars, Euros, British pounds, Australian dollars, and Canadian dollars.

Under our credit facility, we have the ability to obtain letters of credit up to $75 million. At June 27, 2015, we had letters of credit in the aggregate face amount of $22.9 million outstanding and $1,151.5 million of availability under our credit facility, subject to our continued compliance with covenants discussed below. In August 2015, we intend to pay Monsanto $300 million using a combination of cash and borrowings under our credit facility.

We maintain a Master Accounts Receivable Purchase Agreement ("MARP Agreement"), which is uncommitted and provides for the discretionary sale by us, and the discretionary purchase by the banks, on a revolving basis, of accounts receivable generated by sales to three specified account debtors in an aggregate amount not to exceed $400 million. On August 29, 2014, we entered into an amendment to the existing MARP Agreement which extended the termination date to August 28, 2015, or such later date as may be mutually agreed by us and each bank party thereto. Under the amended terms of the MARP Agreement, the banks have the opportunity to purchase those accounts receivable offered by us at a discount (from the agreed base value thereof) effectively equal to the one-week LIBOR plus 0.75%. There were $301.1 million and $190.3 million in short-term borrowings under the MARP Agreement as of June 27, 2015 and June 28, 2014, respectively. As of June 27, 2015, there was $57.1 million of availability under the MARP Agreement.

On January 15, 2014, we used a portion of our available credit facility borrowings to redeem all of our outstanding $200 million aggregate principal amount of 7.25% Senior Notes, paying a redemption price of $214.5 million to extinguish the outstanding 7.25% Senior Notes, which included $7.25 million of accrued and unpaid interest, $7.25 million of call premium, and $200 million for outstanding principal amount.

As of June 27, 2015, we were in compliance with all debt covenants. Our credit facility contains, among other obligations, an affirmative covenant regarding our leverage ratio, calculated as indebtedness divided by our earnings before interest, taxes, depreciation and amortization. Under the terms of the credit facility, the maximum leverage ratio was 4.00 as of June 27, 2015. Our leverage ratio was 2.87 at June 27, 2015. Our credit facility also includes an affirmative covenant regarding our interest coverage. Under the terms of the credit facility, the minimum interest coverage ratio was 3.50 for the twelve months ended June 27, 2015. Our interest coverage ratio was 9.12 for the twelve months ended June 27, 2015. As of June 27, 2015, we can make additional restricted payments (as defined in the credit facility), including increased or one-time dividend payments and Common Share repurchases, before reaching a leverage ratio of 3.00.

We continue to monitor our compliance with the leverage ratio, interest coverage ratio and other covenants contained in the credit facility and, based upon our current operating assumptions, we expect to remain in compliance with the permissible leverage ratio and interest coverage ratio throughout fiscal 2015. However, an unanticipated charge to earnings, an increase in debt or other factors could materially affect our ability to remain in compliance with the financial or other covenants of our credit facility, potentially causing us to have to seek an amendment or waiver from our lending group which could result in repricing of our credit facility. While we believe we have good relationships with our banking group, we can provide no assurance that such a request would result in a modified or replacement credit facility on reasonable terms, if at all.

We believe that our cash flows from operations and borrowings under our credit facility will be sufficient to meet debt service and working capital needs, capital expenditures, cash dividends and purchases of our Common Shares for the foreseeable future. However, we cannot ensure that our business will generate sufficient cash flow from operations or that future borrowings will be available under our credit facility in amounts sufficient to pay indebtedness or fund other liquidity needs. Actual results of operations will depend on numerous factors, many of which are beyond our control.

Judicial and Administrative Proceedings

We are party to various pending judicial and administrative proceedings arising in the ordinary course of business, including, among others, proceedings based on accidents or product liability claims and alleged violations of environmental laws. We have reviewed these pending judicial and administrative proceedings, including the probable outcomes, reasonably anticipated costs and expenses, and the availability and limits of our insurance coverage, and have established what we believe to be appropriate reserves. We do not believe that any liabilities that may result from these pending judicial and administrative proceedings are reasonably likely to have a material effect on our financial condition, results of operations or cash flows; however, there can be no assurance that future quarterly or annual operating results will not be materially affected by final resolution of these matters.

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Contractual Obligations

There have been no material changes, with the exception of acquisition activity, outside of the ordinary course of business, in our outstanding contractual obligations since the end of fiscal 2014 and through June 27, 2015. As part of the fiscal 2015 acquisitions, we acquired operating leases with a total future minimum leases payments for non-cancelable operating leases of $17.6 million.

REGULATORY MATTERS

We are subject to local, state, federal and foreign environmental protection laws and regulations with respect to our business operations and believe we are operating in substantial compliance with, or taking actions aimed at ensuring compliance with, such laws and regulations. We are involved in several legal actions with various governmental agencies related to environmental matters. While it is difficult to quantify the potential financial impact of actions involving these environmental matters, particularly remediation costs at waste disposal sites and future capital expenditures for environmental control equipment, in the opinion of management, the ultimate liability arising from such environmental matters, taking into account established reserves, should not have a material effect on our financial condition, results of operations or cash flows. However, there can be no assurance that the resolution of these matters will not materially affect our future quarterly or annual results of operations, financial condition or cash flows. Additional information on environmental matters affecting us is provided in the 2014 Annual Report, under “ITEM 1. BUSINESS — Regulatory Considerations” and “ITEM 3. LEGAL PROCEEDINGS.”

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preceding discussion and analysis of our consolidated results of operations and financial condition should be read in conjunction with our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q. The 2014 Annual Report includes additional information about us, our operations, our financial condition, our critical accounting policies and accounting estimates, and should be read in conjunction with this Quarterly Report on Form 10-Q.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risks have not changed significantly from those disclosed in the 2014 Annual Report.

ITEM 4. CONTROLS AND PROCEDURES

The Scotts Miracle-Gro Company (the “Registrant”) maintains “disclosure controls and procedures,” as such term is defined under Exchange Act Rule 13a-15(e), that are designed to ensure that information required to be disclosed in the Registrant’s Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to the Registrant’s management, including its principal executive officer and its principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, the Registrant’s management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and in reaching a reasonable level of assurance, the Registrant’s management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

With the participation of the principal executive officer and principal financial officer of the Registrant, the Registrant’s management has evaluated the effectiveness of the Registrant’s disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of the end of the fiscal quarter covered by this Quarterly Report on Form 10-Q. Based upon that evaluation, the Registrant’s principal executive officer and principal financial officer have concluded that the Registrant’s disclosure controls and procedures were effective at the reasonable assurance level.

In addition, there were no changes in the Registrant’s internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the Registrant’s fiscal quarter ended June 27, 2015 that have materially affected, or are reasonably likely to materially affect, the Registrant’s internal control over financial reporting.

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PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Other than as discussed in “NOTE 11. CONTINGENCIES” of the Notes to Condensed Consolidated Financial Statements, pending material legal proceedings have not changed significantly since those disclosed in the 2014 Annual Report.

ITEM 1A. RISK FACTORS

Reference is made to the Risk Factors set forth in Part I, Item 1A of our Annual Report on Form 10-K for the year ended September 30, 2014 filed on November 25, 2014. The information presented below updates the applicable risk factor appearing in our 2014 Annual Report on Form 10-K.

In the event of termination of the Marketing Agreement for consumer Roundup® products, we would lose a substantial source of future earnings and overhead expense absorption.

If we were to (i) become insolvent (ii) commit a material breach, material fraud or material misconduct under the Marketing Agreement, (iii) undergo certain events resulting in change of control of the Company, or (iv) impermissibly assign or delegate our rights under the Marketing Agreement, Monsanto may have the right to terminate the Marketing Agreement without paying a termination fee. Monsanto may also be able to terminate the Marketing Agreement in the event of a change of control of Monsanto or a sale of the Roundup business, but would have to pay a termination fee to the Company. In the event the Marketing Agreement were to terminate, we would lose all, or a substantial portion, of the significant source of earnings and overhead expense absorption the Marketing Agreement provides.

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q, including the exhibits hereto and the information incorporated by reference herein, contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are subject to risks and uncertainties. Other than statements of historical fact, information regarding activities, events and developments that we expect or anticipate will or may occur in the future, including, but not limited to, information relating to our future growth and profitability targets and strategies designed to increase total shareholder value, are forward-looking statements based on management's estimates, assumptions and projections. Forward-looking statements also include, but are not limited to, statements regarding our future economic and financial condition and results of operations, the plans and objectives of management and our assumptions regarding our performance and such plans and objectives, as well as the amount and timing of repurchases of Common Shares. These forward-looking statements generally can be identified through the use of words such as “guidance,” “outlook,” “projected,” “believe,” “target,” “predict,” “estimate,” “fore “strategy,” “may,” “goal,” “expect,” “anticipate,” “intend,” “plan,” “foresee,” “likely,” “will,” “should” and other similar word variations.

Forward-looking statements contained in this Quarterly Report on Form 10-Q are predictions only and actual results could differ materially from management's expectations due to a variety of factors, including those described in “ITEM 1A. RISK FACTORS” in the 2014 Annual Report. All forward-looking statements attributable to us or persons working on our behalf are expressly qualified in their entirety by such risk factors.

The forward-looking statements that we make in this Quarterly Report on Form 10-Q are based on management's current views and assumptions regarding future events and speak only as of their dates. We disclaim any obligation to update developments of these risk factors or to announce publicly any revisions to any of the forward-looking statements that we make, or to make corrections to reflect future events or developments, except as required by the federal securities laws.

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ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The payment of future dividends, if any, on the Common Shares will be determined by the Board of Directors in light of conditions then existing, including the Company's earnings, financial condition and capital requirements, restrictions in financing agreements, business conditions and other factors. The Company's credit facility restricts future dividend payments to an aggregate of $150 million annually through fiscal 2015 and $175 million annually beginning in fiscal 2016 if our leverage ratio, after giving effect to any such annual dividend payment, exceeds 3.0. Our leverage ratio was 2.87 at June 27, 2015.

Issuer Purchases of Equity Securities

The following table shows the purchases of Common Shares made by or on behalf of Scotts Miracle-Gro or any "affiliated purchaser" (as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934, as amended) of Scotts Miracle-Gro for each fiscal month in the three months ended June 27, 2015:

Period	Total Number of Common Shares Purchased(1)	Average Price Paid per Common Share(2)	Total Number of Common Shares Purchased as Part of Publicly Announced Plans or Programs(3)	Approximate Dollar Value of Common Shares That May Yet be Purchased Under the Plans or Programs(3)
March 29, through April 25, 2015	—	$ —	—	$ 485,186,044
April 26, through May 23, 2015	2,325	$ 66.70	—	$ 485,186,044
May 24, through June 27, 2015	3,664	$ 60.90	—	$ 485,186,044
Total	5,989	$ 63.15	—	

(1) All of the Common Shares purchased during the quarter were purchased in open market transactions. The total number of Common Shares purchased during the quarter were 5,989 Common Shares purchased by the trustee of the rabbi trust established by the Company as permitted pursuant to the terms of The Scotts Company LLC Executive Retirement Plan (the "ERP"). The ERP is an unfunded, non-qualified deferred compensation plan which, among other things, provides eligible employees the opportunity to defer compensation above specified statutory limits applicable to The Scotts Company LLC Retirement Savings Plan and with respect to any Executive Management Incentive Pay (as defined in the ERP), Performance Award (as defined in the ERP) or other bonus awarded to such eligible employees. Pursuant to the terms of the ERP, each eligible employee has the right to elect an investment fund, including a fund consisting of Common Shares (the "Scotts Miracle-Gro Common Stock Fund"), against which amounts allocated to such employee's account under the ERP, including employer contributions, will be benchmarked (all ERP accounts are bookkeeping accounts only and do not represent a claim against specific assets of the Company). Amounts allocated to employee accounts under the ERP represent deferred compensation obligations of the Company. The Company established the rabbi trust in order to assist the Company in discharging such deferred compensation obligations. When an eligible employee elects to benchmark some or all of the amounts allocated to such employee's account against the Scotts Miracle-Gro Common Stock Fund, the trustee of the rabbi trust purchases the number of Common Shares equivalent to the amount so benchmarked. All Common Shares purchased by the trustee are purchased on the open market and are held in the rabbi trust until such time as they are distributed pursuant to the terms of the ERP. All assets of the rabbi trust, including any Common Shares purchased by the trustee, remain, at all times, assets of the Company, subject to the claims of its creditors. The terms of the ERP do not provide for a specified limit on the number of Common Shares that may be purchased by the trustee of the rabbi trust.

(2) The average price paid per Common Share is calculated on a settlement basis and includes commissions.

(3) In August 2014, the Scotts Miracle-Gro Board of Directors authorized the repurchase of up to $500 million of the Common Shares over a five-year period (starting November 1, 2014 through September 30, 2019). The dollar amounts in the “Approximate Dollar Value” column reflect the remaining amounts of shares that were available for repurchase under the $500 million authorized repurchase program.

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ITEM 6. EXHIBITS

See Index to Exhibits at page 54 for a list of the exhibits included herewith.

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SIGNATURES

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

	THE SCOTTS MIRACLE-GRO COMPANY
Date: August 6, 2015	/s/ THOMAS RANDAL COLEMAN Printed Name: Thomas Randal Coleman Title: Executive Vice President and Chief Financial Officer

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THE SCOTTS MIRACLE-GRO COMPANY
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED JUNE 27, 2015

INDEX TO EXHIBITS

EXHIBIT NO.	DESCRIPTION	LOCATION
10.1	Amendment to Amended and Restated Exclusive Agency and Marketing Agreement, dated as of May 15, 2015, by and between the Company and Monsanto	Incorporated herein by reference to the Registrant's Current Report on Form 8-K/A filed May 20, 2015 [Exhibit 10.2]
10.2	Lawn and Garden Brand Extension Agreement, dated as of May 15, 2015, by and between the Company and Monsanto	Incorporated herein by reference to the Registrant's Current Report on Form 8-K/A filed May 20, 2015 [Exhibit 10.3]
10.3	Commercialization and Technology Agreement, dated as of May 15, 2015, by and between the Company and Monsanto	Incorporated herein by reference to the Registrant's Current Report on Form 8-K/A filed May 20, 2015 [Exhibit 10.4]
21	Subsidiaries of The Scotts Miracle-Gro Company	*
31.1	Rule 13a-14(a)/15d-14(a) Certifications (Principal Executive Officer)	*
31.2	Rule 13a-14(a)/15d-14(a) Certifications (Principal Financial Officer)	*
32	Section 1350 Certifications (Principal Executive Officer and Principal Financial Officer)	*
101.INS	XBRL Instance Document	*
101.SCH	XBRL Taxonomy Extension Schema	*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase	*
101.DEF	XBRL Taxonomy Extension Definition Linkbase	*
101.LAB	XBRL Taxonomy Extension Label Linkbase	*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	*

* Filed or furnished herewith

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