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

Form 10-K

(Mark One)

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended September 30, 2012

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission file number 1-11593

The Scotts Miracle-Gro Company

(Exact name of registrant as specified in its charter)

Ohio	**31-1414921**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
14111 Scottslawn Road, Marysville, Ohio	**43041**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code:
937-644-0011
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Shares, without par value	New York Stock Exchange

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

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

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑

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

Large accelerated filer	☑	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐

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

The aggregate market value of Common Shares (the only common equity of the registrant) held by non-affiliates as of March 31, 2012 (the last business day of the most recently completed second quarter) was approximately $2,271,305,320.

There were 61,357,418 Common Shares of the registrant outstanding as of November 13, 2012.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the definitive Proxy Statement for the registrant's 2013 Annual Meeting of Shareholders are incorporated by reference into Part III of this Annual Report on Form 10-K.

PART I

ITEM 1. *BUSINESS*

Company Description and Development of the Business

The discussion below provides a brief description of the business conducted by The Scotts Miracle-Gro Company ("Scotts Miracle-Gro" and, together with its subsidiaries, the "Company," "we" or "us"), including general developments in the Company's business during the fiscal year ended September 30, 2012 ("fiscal 2012"). For additional information on recent business developments, see "ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS" of this Annual Report on Form 10-K.

We are a leading manufacturer and marketer of branded consumer lawn and garden products. Our products are marketed under some of the most recognized brand names in the industry, including, in North America, Scotts® and Turf Builder® lawn and grass seed products, including the Scotts® LawnPro® Annual 4 Step® Program; Miracle-Gro®, Scotts®, Liquafeed® and Osmocote®[1] gardening and landscape products; Ortho®, Roundup®[2] and Home Defense® branded insect control, weed control and rodenticide products; and Scotts® and Morning Song® wild bird food products. In the United Kingdom, key brands include Miracle-Gro® plant fertilizers; Weedol® and Pathclear® herbicides; EverGreen® lawn fertilizers; and Levington® gardening and landscape products. Other significant brands in Europe include KB® and Fertiligène® in France; Celaflor®, Nexa Lotte® and Substral® in Germany and Austria; and ASEF®, KB® and Substral® in Belgium, the Netherlands and Luxembourg. We also operate the Scotts LawnService® business, which provides residential and commercial lawn care, tree and shrub care and limited pest control services in the United States.

Our heritage is tied to the 1995 merger of The Scotts Company, which traces its roots to a company founded by O.M. Scott in Marysville, Ohio in 1868, and Stern's Miracle-Gro Products, Inc., which was formed on Long Island, New York by Horace Hagedorn and Otto Stern in 1951. Scotts Miracle-Gro is an Ohio corporation.

We are dedicated to delivering strong, long-term financial results and outstanding shareholder returns by providing products of superior quality and value to enhance consumers' outdoor lawn and garden environments. During fiscal 2012, we focused on taking the steps we believe were critical to driving growth of the overall lawn and garden industry while also improving the market share of the Company's brands. We were specifically focused on the following:

- ***Increasing our advertising investment and introducing new marketing messages to consumers.*** We planned for a significant increase in our investment in paid media in the United States in order to support a more aggressive marketing effort. The changes we implemented included new advertising campaigns to support both the Scotts® and Miracle-Gro® brands. We also focused on significantly improving our digital advertising and marketing efforts. The analysis conducted throughout the season indicates the campaigns had a high level of consumer awareness and strong persuasion scores. Additionally, we made significant improvements in the amount of traffic driven to our web site and other digital content.

- ***Continuing to support consumer-focused innovation with global growth potential***. History has repeatedly demonstrated that consumer-focused innovation is a key to growth in the lawn and garden industry. Consumers are seeking products that are easier to use, require them to devote less time to lawn and garden activities but still deliver the desired outcome. To that end, we focused on two specific programs in 2012:
  - Introduction of Snap®, a fully integrated fertilizer and spreader system. This product was successfully test marketed in fiscal 2010 and 2011 in select markets in the U.S. and introduced nationally in 2012. It will be introduced in select European markets in 2013. Snap® allows consumers to feed their grass without having to open bags, determine appropriate spreader settings or deal with unused or unwanted product at the end of the feeding process. Because the fertilizer packaging and Snap® spreader use a proprietary interface, we believe consumers who use the system are making a long-term commitment to our brand. We supported the introduction of Snap® with extensive television, radio, print and online advertising as well as impactful point-of-purchase displays.
  - The introduction of a battery operated application device in certain Ortho® liquid pest control products. The sprayer system was introduced throughout the U.S. in 2012 and will be extended to other products and geographies in 2013 and beyond. The application device allows for easy and on-target consumer

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1 Osmocote® is a registered trademark of Everris International B.V., a subsidiary of Israel Chemicals Ltd.
2 Roundup® is a registered trademark of Monsanto Technology LLC, a company affiliated with Monsanto Company ("Monsanto")

use. The product was supported by a national advertising campaign and strong in-store merchandising and sales support.

- ***Continuing to refine our regional operating model in order to get closer to the consumer and accelerate category growth and market share gains***. During fiscal 2012 we continued to make adjustments to the regional sales, marketing, manufacturing and distribution initiatives that were launched during the fiscal year ended September 30, 2009 ("fiscal 2009"):
  - We consolidated the regional sales and marketing offices from five to three. The regions are now divided as North, South, and West with offices located in Port Washington, NY, West Palm Beach, FL, and Houston, TX, respectively. The regional offices are focused on better understanding and meeting the needs of consumers at the local level, thereby increasing both the overall participation rate in lawn and garden activities and our market share. Our headquarters in Marysville, Ohio continues to support the regional offices with programs and services designed to attract more consumers, enhance support to retailers, and drive innovation in our products, services, programs and operations in order to keep consumers engaged in lawn and garden activities and accelerate category growth.
  - We developed plans to improve the operations at regional manufacturing sites, especially those where mulch is produced. Through these efforts we anticipate driving gross margin improvement through a combination of lower manufacturing costs, reduced freight and inventory investments. We also completed our second full year of operations at our second U.S. liquids manufacturing facility, enabling us to better serve southern U.S. markets.

Business Segments

We divide our business into the following reportable segments:

- Global Consumer
- Scotts LawnService®

This division of reportable segments is consistent with how the segments report to and are managed by our Chief Executive Officer (the chief operating decision maker of the Company). Financial information about these segments for each of the three years ended September 30 is presented in "NOTE 22. SEGMENT INFORMATION" of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K. The reportable segments have been revised from prior periods to reflect the wind down of our professional seed business, which is now reported in discontinued operations. See "NOTE 2. DISCONTINUED OPERATIONS" of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information regarding the wind down of the professional seed business.

Principal Products and Services

Global Consumer

In our Global Consumer segment, we manufacture and market consumer lawn and garden products in the following categories:

Lawn Care: The lawn care category is designed to help consumers obtain and enjoy the lawn they want. In the United States, products within this category include fertilizer products under the Scotts® and Turf Builder® brand names, grass seed products under the Scotts®, Turf Builder®, EZ Seed®, Water Smart® and PatchMaster® brand names and lawn-related weed, pest and disease control products primarily under the Scotts® and Lawn Pro® brand names, including sub-brands such as GrubEx®. A similar range of products is marketed in Europe under a variety of brands such as EverGreen®, Fertiligène®, Substral®, Miracle-Gro Patch Magic®, Weedol®, Pathclear®, KB® and Celaflor®. The lawn care category also includes spreaders and other durables under the Scotts® brand name, including Turf Builder® EdgeGuard® spreaders, Snap® spreaders, AccuGreen® drop spreaders and Handy Green®II handheld spreaders.

Gardening and Landscape: The gardening and landscape category is designed to help consumers grow and enjoy flower and vegetable gardens and beautify landscaped areas. In the United States, products within this category include a complete line of water soluble plant foods under the Miracle-Gro® brand and sub-brands such as LiquaFeed®, continuous-release plant foods under the Osmocote® and Shake 'N Feed® brand names, potting mixes and garden soils under the Miracle-Gro®, Scotts®, Hyponex®, Earthgro® and SuperSoil® brand names, mulch and decorative groundcover products under the Scotts® brand, including the Nature Scapes® sub-brand, landscape weed prevention products under the Ortho® brand, plant-related pest and disease control products under the Ortho® brand, wild bird food and bird feeder products under the Scotts Songbird Selections®, Morning Song® and Country Pride® brand names, and organic garden products under the Miracle-Gro Organic Choice®, Scotts® and Whitney Farms® brand names. Internationally, similar products are marketed under the Miracle-Gro®, Fertiligène®, Substral®, KB®, Celaflor®, ASEF®, Scotts®, Morning Melodies®, Scotts EcoSense®, Fertiligène Naturen®, Substral Naturen®, KB Naturen®, Carre Vert® and Miracle-Gro Organic Choice® brand names.

Home Protection: The home protection category is designed to help consumers protect their homes from pests and maintain external home areas. In the United States, insect control and rodenticide products are marketed under the Ortho® brand name, including Ortho Max®, Home Defense Max® and Bug B Gon Max® sub-brands, selective weed control products are marketed under the Ortho® Weed B Gon® sub-brand, while non-selective weed control products are marketed under the Roundup® and Groundclear® brand names. Internationally, products within this category are marketed under the Nexa Lotte®, Fertiligène®, KB®, Home Defence®, Weedol®, Pathclear® and Roundup® brands.

Since 1999, we have served as Monsanto's exclusive agent for the marketing and distribution of consumer Roundup® products in the consumer lawn and garden market within the United States and other specified countries, including Australia, Austria, Belgium, Canada, France, Germany, the Netherlands and the United Kingdom. Under the terms of the Amended and Restated Exclusive Agency and Marketing Agreement (the "Marketing Agreement") between the Company and Monsanto, we are jointly responsible with Monsanto for developing global consumer and trade marketing programs for consumer Roundup®. We have responsibility for manufacturing conversion, distribution and logistics, and selling and marketing support for consumer Roundup®. Monsanto continues to own the consumer Roundup® business and provides significant oversight of the brand. In addition, Monsanto continues to own and operate the agricultural Roundup® business. For additional details regarding the Marketing Agreement, see "NOTE 7. MARKETING AGREEMENT" of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K.

Scotts LawnService®

The Scotts LawnService® segment provides residential and commercial lawn care, tree and shrub care and limited pest control services in the United States through periodic applications of fertilizer and control products. As of September 30, 2012, Scotts LawnService® had 84 Company-operated locations as well as 90 locations operated by independent franchisees.

Discontinued Operations

In the fourth quarter of fiscal 2012, we completed the wind down of our professional seed business. As a result, effective in our fourth quarter of fiscal 2012, we classified our results of operations for all periods presented to reflect the professional seed business as a discontinued operation. See "NOTE 2. DISCONTINUED OPERATIONS" of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information regarding the wind down of the professional seed business.

Principal Markets and Methods of Distribution

We sell our consumer products primarily to home centers, mass merchandisers, warehouse clubs, large hardware chains, independent hardware stores, nurseries, garden centers and food and drug stores through both a direct sales force and our network of brokers and distributors. In addition, during fiscal 2012, we employed approximately 2,800 full-time and seasonal in-store associates within the U.S. to help our retail partners merchandise their lawn and garden departments directly to consumers of our products.

The majority of shipments to customers are made via common carriers or through distributors in the United States and through a network of public warehouses and distributors in Europe. We primarily utilize third parties to manage the key distribution centers for our Global Consumer business in North America, which are strategically placed across the United States and Canada. The primary distribution centers for our Global Consumer business internationally are located in the United Kingdom, France, Germany, Austria and Australia and are also managed by third-party logistics providers. Growing media products are generally shipped direct-to-store without passing through a distribution center. Fiscal 2012 marked year four of our multi-year plan to co-distribute lawn fertilizer and growing media products directly to our retail customers, which to date has helped eliminate the need for approximately 25% of our third-party warehouse space.

Raw Materials

We purchase raw materials for our products from various sources. We are subject to market risk as a result of the fluctuating prices of raw materials such as urea and other fertilizer inputs, resins, diesel, gasoline, sphagnum peat, bark, grass seed and wild bird food grains. Our objectives surrounding the procurement of these materials are to ensure continuous supply, to minimize costs and to improve predictability. We seek to achieve these objectives through negotiation of contracts with favorable terms directly with vendors. When appropriate, we commit to purchase a certain percentage of our needs in advance of the season to secure pre-determined prices. We also hedge certain commodities, particularly diesel, gasoline and urea, to improve predictability and control costs. Sufficient raw materials were available during fiscal 2012.

Trademarks, Patents and Licenses

We consider our trademarks, patents and licenses to be key competitive advantages. We pursue a vigorous trademark protection strategy consisting of registration and maintenance of key trademarks and proactive monitoring and enforcement activities to protect against infringement. The Scotts®, Miracle-Gro®, Ortho®, Scotts LawnService®, Hyponex® and Earthgro® brand names and logos, as well as a number of product trademarks, including Turf Builder®, EZ Seed®, Snap®, Organic Choice®, Home Defense Max®, Nature Scapes®and Weed B Gon Max®, are registered in the United States and/or internationally and are considered material to our business.

In addition, we actively develop and maintain a vast portfolio of utility and design patents covering subject matter such as fertilizer, chemical and growing media compositions and processes; grass seed varieties; and mechanical dispensing devices such as applicators, spreaders and sprayers. Our utility patents provide protection generally extending to 20 years from the date of filing, and many of our patents will continue well into the next decade. We also hold exclusive and non-exclusive patent licenses and supply arrangements, permitting the use and sale of additional patented fertilizers, pesticides and mechanical devices. Although our portfolio of patents and patent licenses is important to our success, no single patent or group of related patents is considered significant to any of our business segments or the business as a whole.

Seasonality and Backlog

Our business is highly seasonal, with approximately 75% of our annual net sales occurring in our second and third fiscal quarters combined. Our annual sales are further concentrated in our 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.

We anticipate significant orders for the upcoming spring season will start to be received late in the winter and continue through the spring season. Historically, substantially all orders are received and shipped within the same fiscal year with minimal carryover of open orders at the end of the fiscal year.

Significant Customers

Approximately 89.8% of our worldwide net sales in fiscal 2012 were made by our Global Consumer segment. Our three largest customers are reported within the Global Consumer segment and are the only customers that individually represent more than 10% of reported consolidated net sales. Approximately 32.2% of our net sales in fiscal 2012 were made to Home Depot, 18.4% to Lowe's and 14.7% to Walmart. We face strong competition for the business of these significant customers. The loss of any of these customers or a substantial decrease in the volume or profitability of our business with any of these customers could have a material effect on our financial condition, results of operations or cash flows.

Competitive Marketplace

The markets in which we sell our products are highly competitive. In the United States lawn and garden and pest control markets, our products compete against private-label as well as branded products. Primary competitors include Spectrum Brands, Bayer AG, Central Garden & Pet Company, Enforcer Products, Inc., Kellogg Garden Products, Old Castle Retail, Inc., Infinity Lawn and Garden Inc. and Lebanon Seaboard Corporation. In addition, we face competition from regional competitors who compete primarily on the basis of price for commodity growing media products.

Internationally, we face strong competition in the lawn and garden market, particularly in Europe. Our competitors in the European Union include Bayer AG, Compo GmbH, Westland Horticulture and a variety of local companies.

We have the second largest market share position in the fragmented U.S. lawn care service market. We compete against TruGreen®, a division of ServiceMaster®, which has a substantially larger share of this market than Scotts LawnService®, as well as numerous regional and local lawn care service operations and national and regional franchisors.

Research and Development

We continually invest in research and development, both in the laboratory and at the consumer level, to improve our products, manufacturing processes, packaging and delivery systems. Spending on research and development was $50.8 million, $50.9 million and $47.3 million in fiscal 2012, fiscal 2011 and fiscal 2010, respectively, including product registration costs of $14.0 million, $14.6 million and $12.1 million, respectively. In addition to the benefits of our own research and development, we actively seek ways to leverage the research and development activities of our suppliers and other business partners.

Regulatory Considerations

Local, state, federal and foreign laws and regulations affect the manufacture, sale and application of our products in several ways. For example, in the United States, products containing pesticides must comply with the Federal Insecticide, Fungicide, and Rodenticide Act of 1947, as amended ("FIFRA"), and be registered with the U.S. Environmental Protection Agency (the "U.S. EPA") and similar state agencies before they can be sold or distributed. Fertilizer and growing media products are subject to state and foreign labeling regulations. Our manufacturing operations are subject to waste, water and air quality permitting and other regulatory requirements of federal, state and foreign agencies. Our wild bird food business is subject to regulation by the U.S. Food and Drug Administration and various state regulations. Our grass seed products are regulated by the Federal Seed Act and various state regulations. Most states require our Scotts LawnService® business locations and/or technicians to comply with strict licensing requirements prior to applying many of our products. The failure to comply with any of these laws or regulations could have an adverse effect on our business.

In addition, the use of certain pesticide and fertilizer products is regulated by various local, state, federal and foreign environmental and public health agencies. These regulations may include requirements that only certified or professional users apply the product or that certain products be used only on certain types of locations (such as "not for use on sod farms or golf courses"), may require users to post notices on properties to which products have been or will be applied, may require notification to individuals in the vicinity that products will be applied in the future or may ban the use of certain ingredients.

State, federal and foreign authorities generally require growing media facilities to obtain permits (sometimes on an annual basis) in order to harvest peat and to discharge storm water run-off or water pumped from peat deposits. The permits typically specify the condition in which the property must be left after the peat is fully harvested, with the residual use typically being natural wetland habitats combined with open water areas. We are generally required by these permits to limit our harvesting and to restore the property consistent with the intended residual use. In some locations, these facilities have been required to create water retention ponds to control the sediment content of discharged water.

For more information regarding how compliance with federal, state, local and foreign laws and regulations may affect us, see "ITEM 1A. RISK FACTORS — Compliance with environmental and other public health regulations could increase our costs of doing business or limit our ability to market all of our products" of this Annual Report on Form 10-K.

FIFRA Compliance, the Corresponding Governmental Investigations and Similar Matters

In April 2008, we became aware that a former associate circumvented our policies and U.S. EPA regulations under FIFRA by failing to obtain valid registrations for certain products and/or causing certain invalid product registration forms to be submitted to regulators. Since that time, we have been cooperating with both the U.S. EPA and the U.S. Department of Justice (the "U.S. DOJ") in related civil and criminal investigations into our pesticide product registration issues as well as a state civil investigation into related allegations arising under state pesticide registration laws and regulations.

In late April 2008, in connection with the U.S. EPA's investigation, we conducted a consumer-level recall of certain consumer lawn and garden products and a Scotts LawnService® product. Subsequently, the Company and the U.S. EPA agreed upon a Compliance Review Plan for conducting a comprehensive, independent review of our product registration records. Pursuant to the Compliance Review Plan, an independent third-party firm, Quality Associates Incorporated ("QAI"), reviewed substantially all of our U.S. pesticide product registrations and associated advertisements, some of which were historical in nature and no longer related to sales of our products. The U.S. EPA investigation and the QAI review process resulted in the temporary suspension of sales and shipments of certain products. In addition, as the QAI review process or our internal review identified potential FIFRA registration issues (some of which appear unrelated to the actions of the former associate), we endeavored to stop selling or distributing the affected products until the issues could be resolved. QAI's review of our U.S. pesticide product registrations and associated advertisements is now complete, and the results of the QAI review process did not materially affect our fiscal 2010, fiscal 2011 or fiscal 2012 sales.

In fiscal 2008, we conducted a voluntary recall of certain of our wild bird food products due to a formulation issue. Certain wild bird food products had been treated with pest control additives to avoid insect infestation, especially at retail stores. While the pest control additives had been labeled for use on certain stored grains that can be processed for human and/or animal consumption, they were not labeled for use on wild bird food products. In October 2008, the U.S. Food & Drug Administration concluded that the recall had been completed and that there had been proper disposition of the recalled products. The results of the wild bird food recall did not materially affect our fiscal 2010, fiscal 2011 or fiscal 2012 financial condition, results of operations or cash flows.

Settlement discussions relating to potential fines and/or penalties are a frequent outgrowth of governmental investigations. In that regard, on or about June 30, 2011, we received a Notice of Intent to File Administrative Complaint ("Notice") from the U.S. EPA Region 5 with respect to the alleged FIFRA violations. The Notice, which did not set forth a proposed penalty amount, offered us an opportunity to present any information we believed the U.S. EPA should consider prior to filing the complaint and indicated that the U.S. EPA was prepared to meet with us to discuss the alleged violations. We made a timely response to the Notice and engaged in settlement meetings culminating in the signing of a Consent Agreement and Final Order ("CAFO"), in September, 2012 in which the Company neither admitted nor denied the allegations in the CAFO. The government's transmittal letter stated that the CAFO concluded the government civil investigation and enforcement action. Pursuant to the CAFO, we were required to pay a civil penalty in the amount of $6.05 million and agreed to pay an additional $2.0 million for a Supplemental Environmental Project (“SEP”), paid to the Black Swamp Conservancy, for conservation efforts on three separate parcels of land. The Scotts Miracle-Gro Company undertook these projects as part of a settlement of the United States Environmental Protection Agency's enforcement action against it for alleged violations of Sections 12(a)(1)(A),(B),(C) and (E) of FIFRA, 7 U.S.C. § 136j(a)(1)(A),(B), (C) and (E). As part of the CAFO, the Company must monitor the conservation efforts of the Black Swamp Conservancy and submit a completion report to the U.S. EPA by February 28, 2014, designating the conclusion of all agreed to conservation efforts. Our accrual as of September 30, 2012 includes the full amount of the civil penalty and other amounts payable under the CAFO.

As previously disclosed, we engaged in settlement discussions with the U.S. DOJ regarding its criminal investigation. On January 25, 2012, a Plea Agreement, executed by us and the U.S. DOJ, was filed with the United States District Court for the Southern District of Ohio. Under the terms of the Plea Agreement, we agreed to plead guilty to ten misdemeanor FIFRA counts in connection with the former employee's conduct and one misdemeanor FIFRA count in connection with the misapplication of insecticide to wild bird food products. As part of the agreement, Scotts Miracle-Gro was required to pay a $4.0 million penalty to the United States and to provide $0.1 million to each of five programs designed to enhance and protect the natural environment, particularly habitats for the bird populations that the U.S. EPA’s regulation of pesticides is designed to protect. As part of the Plea Agreement, the U.S. DOJ agreed not to criminally prosecute us for any other federal crimes relating to any potential FIFRA violations known to the government as of the date of the Plea Agreement. The United States District Court for the Southern District of Ohio accepted the plea on March 13, 2012, and the sentence was imposed on September 7, 2012, resolving the U.S. DOJ investigation into pesticide product registration issues. Our accrual as of September 30, 2012 includes the full amount of the criminal penalty and other amounts payable under the Plea Agreement.

Additionally, in connection with the sale of wild bird food products that were the subject of the recall discussed above, 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. The plaintiffs seek on behalf of themselves and various purported class members monetary damages, restitution, injunctive relief, declaratory relief, attorney's fees, interest and costs. The Company intends to vigorously defend the consolidated action. Given the early stages of the action, the Company cannot make a determination as to whether it could have a material effect on the Company's financial condition, results of operations or cash flows and has not created any accruals or accounting reserves with respect thereto.

Other Regulatory Matters

On or about October 28, 2011, the Pennsylvania Department of Environmental Protection (the “Department”) sent a letter to EG Systems, Inc., d/b/a Scotts LawnService (“SLS”), a wholly-owned, indirect subsidiary of Scotts Miracle-Gro, alleging that on June 30 and July 1, 2010, an SLS employee discharged industrial waste into the waters of the Commonwealth in violation of the Clean Streams Law and the Solid Waste Management Act. The letter indicated that the Department was willing to accept a civil penalty of $200,000 to resolve the matter in lieu of a civil penalty action. SLS made a timely response, and on February 22, 2012, SLS and the Department entered into a Consent Assessment of Civil Penalty pursuant to which SLS agreed to pay a civil penalty of $160,000 to resolve the matter.

At September 30, 2012, $4.9 million was accrued for non-FIFRA compliance-related environmental actions, the majority of which is for site remediation. During fiscal 2012, fiscal 2011 and fiscal 2010, we expensed $0.8 million, $2.4 million and $0.5 million, respectively, for non-FIFRA compliance-related environmental matters. We had no material capital expenditures during the last three fiscal years related to environmental or regulatory matters.

Employees

As of September 30, 2012, we employed approximately 6,100 employees. During peak sales and production periods, we employ approximately 9,000 employees, including seasonal and temporary labor.

Financial Information About Geographic Areas

For certain information concerning our international revenues and long-lived assets, see “NOTE 22. SEGMENT INFORMATION” of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K.

General Information

We maintain a website at http://investor.scotts.com (this uniform resource locator, or URL, is an inactive textual reference only and is not intended to incorporate our website into this Annual Report on Form 10-K). We file reports with the Securities and Exchange Commission (the “SEC”) and make available, free of charge, on or through our website, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as well as our proxy and information statements, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

ITEM 1A. *RISK FACTORS*

Cautionary Note Regarding Forward-Looking Statements

This Annual Report on Form 10-K, including the exhibits hereto and the information incorporated by reference herein, as well as our 2012 Annual Report to Shareholders (our “2012 Annual Report”), 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 Scotts Miracle-Gro common shares. Forward-looking statements generally can be identified through the use of words such as “guidance,” “outlook,” “projected,” “believe,” “target,” “predict,” “estimate,” “forecast,” “strategy,” “may,” “goal,” “expect,” “anticipate,” “intend,” “plan,” “foresee,” “likely,” “will,” “should” and other similar words and variations.

Forward-looking statements contained in this Annual Report on Form 10-K and our 2012 Annual Report are predictions only and actual results could differ materially from management’s expectations due to a variety of factors, including those described below. 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 Annual Report on Form 10-K and our 2012 Annual Report 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.

Compliance with environmental and other public health regulations or changes in such regulations or regulatory enforcement priorities could increase our costs of doing business or limit our ability to market all of our products.

Local, state, federal and foreign laws and regulations relating to environmental matters affect us in several ways. In the United States, all products containing pesticides must comply with FIFRA and be registered with the U.S. EPA and similar state agencies before they can be sold or distributed. The inability to obtain or maintain such compliance, or the cancellation of any such registration, could have an adverse effect on our business, the severity of which would depend on the products involved, whether another product could be substituted and whether our competitors were similarly affected. We attempt to anticipate regulatory developments and maintain registrations of, and access to, substitute active ingredients, but there can be no assurance that we will be able to avoid or reduce these risks. In the European Union (the “EU”), the European Parliament has adopted various forms of regulation which may substantially restrict or eliminate our ability to market and sell certain of our consumer pesticide products in their current form in the EU. In addition, in Canada, regulations have been adopted by several provinces that substantially restrict our ability to market and sell certain of our consumer pesticide products.

Under the Food Quality Protection Act, enacted by the U.S. Congress in 1996, food-use pesticides are evaluated to determine whether there is reasonable certainty that no harm will result from the cumulative effects of pesticide exposures. Under this Act, the U.S. EPA is evaluating the cumulative risks from dietary and non-dietary exposures to pesticides. The pesticides in our products, certain of which may be used on crops processed into various food products, are typically manufactured by independent third parties and continue to be evaluated by the U.S. EPA as part of this exposure risk assessment. The U.S. EPA or the third-party registrant may decide that a pesticide we use in our products will be limited or made unavailable to us. We cannot predict the outcome or the severity of the effect of continuing evaluations.

In addition, the use of certain pesticide and fertilizer products is regulated by various local, state, federal and foreign environmental and public health agencies. These regulations may include requirements that only certified or professional users apply the product or that certain products be used only on certain types of locations, may require users to post notices on properties to which products have been or will be applied, may require notification to individuals in the vicinity that products will be applied in the future or may ban the use of certain ingredients. Most states require our Scotts LawnService® business locations and/or technicians to comply with strict licensing requirements prior to applying many of our products. Even if we are able to comply with all such regulations and obtain all necessary registrations and licenses, we cannot provide assurance that our products, particularly pesticide products, will not cause injury to the environment or to people under all circumstances. The costs of compliance, remediation or products liability have adversely affected operating results in the past and could materially adversely affect future quarterly or annual operating results.

The harvesting of peat for our growing media business has come under increasing regulatory and environmental scrutiny. In the United States, state regulations frequently require us to limit our harvesting and to restore the property to an agreed-upon condition. In some locations, we have been required to create water retention ponds to control the sediment content of discharged water. In the United Kingdom, our peat extraction efforts are also the subject of regulation.

In addition to the regulations already described, local, state, federal and foreign agencies regulate the disposal, transport, handling and storage of waste, remediation of contaminated sites, air and water discharges from our facilities, and workplace health and safety.

Under certain environmental laws, we may be liable for the costs of investigation regarding and remediation of the presence of certain regulated materials, as well as related costs of investigation and remediation of damage to natural resources, at various properties, including our current and former properties as well as offsite waste handling or disposal sites that we have used. Liability may be imposed upon us without regard to whether we knew of or caused the presence of such materials and, under certain circumstances, on a joint and several basis. There can be no assurances that the presence of such regulated materials at any such locations, or locations that we may acquire in the future, will not result in liability to us under such laws or expose us to third-party actions such as tort suits based on alleged conduct or environmental conditions.

The adequacy of our current non-FIFRA compliance-related environmental reserves and future provisions depends upon our operating in substantial compliance with applicable environmental and public health laws and regulations, as well as the assumptions that we have both identified all of the significant sites that must be remediated and that there are no significant conditions of potential contamination that are unknown to us. A significant change in the facts and circumstances surrounding these assumptions or in current enforcement policies or requirements, or a finding that we are not in substantial compliance with applicable environmental and public health laws and regulations, could have a material adverse effect on future environmental capital expenditures and other environmental expenses, as well as our financial condition, results of operations or cash flows.

Damage to our reputation could have an adverse effect on our business.

Maintaining our strong reputation with both consumers and our retail customers is a key component in our success. Product recalls, our inability to ship, sell or transport affected products and governmental investigations may harm our reputation and acceptance of our products by our retail customers and consumers, which may materially and adversely affect our business operations, decrease sales and increase costs.

In addition, perceptions that the products we produce and market are not safe could adversely affect us and contribute to the risk we will be subjected to legal action. We manufacture and market a variety of products, such as fertilizers, certain growing media, herbicides and pesticides. On occasion, allegations are made that some of our products have failed to perform up to expectations or have caused damage or injury to individuals or property. Based on reports of contamination at a third-party supplier’s vermiculite mine, the public may perceive that some of our products manufactured in the past using vermiculite are or may be contaminated. Public perception that our products are not safe, whether justified or not, could impair our reputation, involve us in litigation, damage our brand names and have a material adverse effect on our business.

Our marketing activities may not be successful.

We invest substantial resources in advertising, consumer promotions and other marketing activities in order to maintain, extend and expand our brand image. There can be no assurances that our marketing strategies will be effective or that the amount we invest in advertising activities will result in a corresponding increase in sales of our products. If our marketing initiatives are not successful, we will have incurred significant expenses without the benefit of higher revenues.

Disruptions in availability or increases in the prices of raw materials or fuel costs could adversely affect our results of operations.

We source many of our commodities and other raw materials on a global basis. The general availability and price of those raw materials, particularly urea, can be affected by numerous forces beyond our control, including political instability, trade restrictions and other government regulations, duties and tariffs, price controls, changes in currency exchange rates and weather.

A significant disruption in the availability of any of our key raw materials could negatively impact our business. In addition, increases in the prices of key commodities and other raw materials could adversely affect our ability to manage our cost structure. Market conditions may limit our ability to raise selling prices to offset increases in our raw material costs. Our proprietary technologies can limit our ability to locate or utilize alternative inputs for certain products. For certain inputs, new sources of supply may have to be qualified under regulatory standards, which can require additional investment and delay bringing a product to market.

We utilize hedge agreements periodically to fix the prices of a portion of our urea and fuel needs. The hedge agreements are designed to mitigate the earnings and cash flow fluctuations associated with the costs of urea and fuel. In periods of declining urea and fuel prices, utilizing hedge agreements may effectively increase our expenditures for these raw materials.

Our hedging arrangements expose us to certain counterparty risks.

In addition to commodity hedge agreements, we utilize interest rate swap agreements as a means to hedge our variable interest rate exposure on debt instruments as well as foreign currency swap contracts to manage the exchange rate risk associated with certain intercompany loans with foreign subsidiaries. Utilizing these hedge agreements exposes us to certain counterparty risks. The failure of one or more of these counterparties to fulfill their obligations under the hedge agreements, whether as a result of weakening financial stability or otherwise, could adversely affect our financial condition, results of operations or cash flows.

Economic conditions could adversely affect our business.

Uncertain global economic conditions could adversely affect our business. Negative global economic trends, such as decreased consumer and business spending, high unemployment levels, reduced rates of home ownership and housing starts, high foreclosure rates and declining consumer and business confidence, pose challenges to our business and could result in declining revenues, profitability and cash flow. Although we continue to devote significant resources to support our brands, unfavorable economic conditions may negatively affect consumer demand for our products. Consumers may reduce discretionary spending during periods of economic uncertainty, which could reduce sales volumes of our products or result in a shift in our product mix from higher margin to lower margin products.

The highly competitive nature of our markets could adversely affect our ability to maintain or grow revenues.

Each of our operating segments participates in markets that are highly competitive. Our products compete against national and regional products and private label products produced by various suppliers. Many of our competitors sell their products at prices lower than ours. Our most price sensitive customers may trade down to lower priced products during challenging economic times or if current economic conditions worsen. We compete primarily on the basis of product innovation, product quality, product performance, value, brand strength, supply chain competency, field sales support, in-store sales support, the strength of our relationships with major retailers and advertising. Some of our competitors have significant financial resources. The strong competition that we face in all of our markets may prevent us from achieving our revenue goals, which may have a material adverse effect on our financial condition, results of operations or cash flows. Our inability to continue to develop and grow brands with leading market positions, maintain our relationships with key retailers and deliver products on a reliable basis at competitive prices could have a material adverse effect on us.

We may not successfully develop new products or improve existing products or maintain our effectiveness in reaching consumers through rapidly evolving communication vehicles.

Our future success depends, in part, upon our ability to improve our existing products and to develop, manufacture and market new, innovative products to meet evolving consumer needs, as well as our ability to leverage new mediums such as digital media and social networks to reach existing and potential consumers. We cannot be certain that we will be successful in the development, manufacturing and marketing of new products or product innovations which satisfy consumer needs or achieve market acceptance, or that we will develop and market new products or product innovations in a timely manner. If we fail to successfully develop, manufacture and market new or enhanced products or develop product innovations, or if we fail to reach existing and potential consumers, our ability to maintain or grow our market share may be adversely affected, which in turn could materially adversely affect our business, financial condition and results of operations. In addition, the development and introduction of new products and product innovations require substantial research, development and marketing expenditures, which we may be unable to recoup if such new products or innovations do not achieve market acceptance.

Many of the products we manufacture and market contain active ingredients that are subject to regulatory approval. The need to obtain such approval could delay the launch of new products or product innovations that contain active ingredients or otherwise prevent us from developing and manufacturing certain products and innovations, further exacerbating the risks to our business.

Because of the concentration of our sales to a small number of retail customers, the loss of one or more of, or significant reduction in orders from, our top customers could adversely affect our financial results.

Global Consumer net sales represented approximately 89.8% of our worldwide net sales in fiscal 2012. Our top three retail customers together accounted for 65.3% of our fiscal 2012 net sales and 50.9% of our outstanding accounts receivable as of September 30, 2012. Home Depot, Lowe's and Walmart represented approximately 32.2%, 18.4% and 14.7%, respectively, of our fiscal 2012 net sales. The loss of, or reduction in orders from, Home Depot, Lowe's, Walmart or any other significant customer could have a material adverse effect on our business, financial condition, results of operations or cash flows, as could customer disputes regarding shipments, fees, merchandise condition or related matters. Our inability to collect accounts receivable from one of our major customers, or a significant deterioration in the financial condition of one of these customers, including a bankruptcy filing or a liquidation, could also have a material adverse effect on our financial condition, results of operations or cash flows.

We do not have long-term sales agreements with, or other contractual assurances as to future sales to, any of our major retail customers. In addition, continued consolidation in the retail industry has resulted in an increasingly concentrated retail base, and as a result, we are significantly dependent upon key retailers whose bargaining strength is strong. To the extent such concentration continues to occur, our net sales and income from operations may be increasingly sensitive to deterioration in the financial condition of, or other adverse developments involving our relationship with, one or more of our customers. In addition, our business may be negatively affected by changes in the policies of our retailers, such as inventory destocking, limitations on access to shelf space, price demands and other conditions.

Our reliance on third-party manufacturers could harm our business.

We rely on third-party service providers to manufacture certain of our products. This reliance generates a number of risks, including decreased control over the production process, which could lead to production delays or interruptions, and inferior product quality control. In addition, performance problems at these third-party providers could lead to cost overruns, shortages or other problems, which could increase our costs of production or result in service delays to our customers.

If one or more of our third-party manufacturers becomes insolvent or unwilling to continue to manufacture products of acceptable quality, at acceptable costs, in a timely manner, our ability to deliver products to our customers could be significantly impaired. Substitute manufacturers might not be available or, if available, might be unwilling or unable to manufacture the products we need on acceptable terms. Moreover, if customer demand for our products increases, we may be unable to secure sufficient additional capacity from our current third-party manufacturers, or others, on commercially reasonable terms, or at all.

Our reliance on a limited base of suppliers may result in disruptions to our business and adversely affect our financial results.

We rely on a limited number of suppliers for certain of our raw materials, product components and other necessary supplies, including certain active ingredients used in our products. If we are unable to maintain supplier arrangements and relationships, if we are unable to contract with suppliers at the quantity and quality levels needed for our business, or if any of our key suppliers becomes insolvent or experiences other financial distress, we could experience disruptions in production, which could have a material adverse effect on our financial results.

A significant interruption in the operation of our or our suppliers' facilities could impact our capacity to produce products and service our customers, which could adversely affect revenues and earnings.

Operations at our and our suppliers' facilities are subject to disruption for a variety of reasons, including fire, flooding or other natural disasters, disease outbreaks or pandemics, acts of war, terrorism and work stoppages. A significant interruption in the operation of our or our suppliers' facilities could significantly impact our capacity to produce products and service our retail customers in a timely manner, which could have a material adverse effect on our revenues, earnings and financial position. This is especially true for those products that we manufacture at a limited number of facilities, such as our fertilizer and liquid products in both the United States and Europe.

Adverse weather conditions could adversely impact financial results.

Weather conditions in North America and Europe can have a significant impact on the timing of sales in the spring selling season and overall annual sales. An abnormally wet and/or cold spring throughout North America or Europe, abnormally dry periods or droughts, and other severe weather conditions or events could adversely affect fertilizer, pesticide and insecticide sales and, therefore, our financial results.

Our indebtedness could limit our flexibility and adversely affect our financial condition.

As of September 30, 2012, we had $782.6 million of debt. Our inability to meet restrictive financial and non-financial covenants associated with that debt could adversely affect our financial condition.

Our ability to make payments on our indebtedness, fund planned capital expenditures and acquisitions, pay dividends and make share repurchases depends on our ability to generate cash in the future. This, to some extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. We cannot assure you that our business will generate sufficient cash flow from operating activities or that future borrowings will be available to us under our credit facility in amounts sufficient to enable us to pay our indebtedness or to fund our other liquidity needs.

Our credit facility, the indenture governing our 7.25% Senior Notes due 2018 (the "7.25% Senior Notes") and the indenture governing our 6.625% Senior Notes due 2020 (the "6.625% Senior Notes" and, collectively with the 7.25% Senior Notes, the "Senior Notes") contain restrictive covenants and cross-default provisions. In addition, our credit facility requires us to maintain specified financial ratios. Our ability to comply with those covenants and satisfy those financial ratios can be affected by events beyond our control. A breach of any of those financial ratio covenants or other covenants could result in a default. Upon the occurrence of such an event of default, the lenders could elect to declare all of the outstanding indebtedness immediately due and payable and terminate all commitments to extend further credit. We cannot assure you that our lenders would waive a default or that we could pay the indebtedness in full if it were accelerated.

Subject to compliance with certain covenants under our credit facility and the indentures governing our Senior Notes, we may incur additional debt in the future. If we incur additional debt, the risks described above could intensify.

Our postretirement-related costs and funding requirements could increase as a result of volatility in the financial markets, changes in interest rates and actuarial assumptions.

We sponsor a number of defined benefit pension plans associated with our U.S. and international businesses, as well as a postretirement medical plan in the U.S. for certain retired associates and their dependents. The performance of the financial markets and changes in interest rates impact the funded status of these plans and cause volatility in our postretirement-related costs and future funding requirements. If the financial markets do not provide the expected long-term returns on invested assets, we could be required to make significant pension contributions. Additionally, changes in interest rates and legislation enacted by governmental authorities can impact the timing and amounts of contribution requirements.

We utilize third-party actuaries to evaluate assumptions used in determining projected benefit obligations and the fair value of plan assets for our pension and other postretirement benefit plans. In the event we determine that our assumptions should be revised, such as the discount rate, the expected long-term rate or expected return on assets, our future pension and postretirement benefit expenses could increase or decrease. The assumptions we use may differ from actual results, which could have a significant impact on our pension and postretirement liabilities and related costs and funding requirements.

Our international operations make us susceptible to the costs and risks associated with operating internationally.

We currently operate manufacturing, sales and service facilities outside of the United States, particularly in Canada, France, the United Kingdom and Germany. In fiscal 2012, international net sales, including Canada, accounted for approximately 17.2% of our total net sales. Accordingly, we are subject to risks associated with operating in foreign countries, including:

- fluctuations in currency exchange rates;
- limitations on the remittance of dividends and other payments by foreign subsidiaries;
- additional costs of compliance with local regulations;
- historically, in certain countries, higher rates of inflation than in the United States;
- changes in the economic conditions or consumer preferences or demand for our products in these markets;
- restrictive actions by multi-national governing bodies, foreign governments or subdivisions thereof;

- changes in foreign labor laws and regulations affecting our ability to hire and retain employees;
- changes in U.S. and foreign laws regarding trade and investment;
- less robust protection of our intellectual property under foreign laws; and
- difficulty in obtaining distribution and support for our products.

In addition, our operations outside the United States are subject to the risk of new and different legal and regulatory requirements in local jurisdictions, potential difficulties in staffing and managing local operations and potentially adverse tax consequences. The costs associated with operating our international business could adversely affect our results of operations, financial condition or cash flows in the future.

Failure of our key information technology systems could adversely impact our ability to conduct business.

We rely on information technology systems in order to conduct business, including communicating with employees and our key retail customers, ordering and managing materials from suppliers, shipping products to customers and analyzing and reporting results of operations. While we have taken steps to ensure the security of our information technology systems, our systems may nevertheless be vulnerable to computer viruses, security breaches and other disruptions from unauthorized users. If our information technology systems are damaged or cease to function properly for an extended period of time, whether as a result of a significant cyber incident or otherwise, our ability to communicate internally as well as with our retail customers could be significantly impaired, which may adversely impact our business.

We may not be able to adequately protect our intellectual property and other proprietary rights that are material to our business.

Our ability to compete effectively depends in part on our rights to service marks, trademarks, trade names and other intellectual property rights we own or license, particularly our registered brand names and issued patents. We have not sought to register every one of our marks either in the United States or in every country in which they are used. Furthermore, because of the differences in foreign trademark, patent and other intellectual property or proprietary rights laws, we may not receive the same protection in other countries as we would in the United States with respect to the registered brand names and issued patents we hold. If we are unable to protect our intellectual property, proprietary information and/or brand names, we could suffer a material adverse effect on our business, financial condition or results of operations.

Litigation may be necessary to enforce our intellectual property rights and protect our proprietary information, or to defend against claims by third parties that our products or services infringe their intellectual property rights. Any litigation or claims brought by or against us could result in substantial costs and diversion of our resources. A successful claim of trademark, patent or other intellectual property infringement against us, or any other successful challenge to the use of our intellectual property, could subject us to damages or prevent us from providing certain products or services under our recognized brand names, which could have a material adverse effect on our business, financial condition or results of operations.

If Monsanto were to terminate the Marketing Agreement for consumer Roundup® products, we would lose a substantial source of future earnings and overhead expense absorption.

If we were to commit a serious default under the Marketing Agreement with Monsanto for consumer Roundup® products, Monsanto may have the right to terminate the Marketing Agreement. If Monsanto were to terminate the Marketing Agreement for cause, we would not be entitled to any termination fee. Monsanto may also be able to terminate the Marketing Agreement within a given region, including North America, without paying us a termination fee if unit volume sales to consumers in that region decline: (i) over a cumulative three-fiscal-year period; or (ii) by more than 5% for each of two consecutive years. If the Marketing Agreement was terminated for any reason, we would also lose all, or a substantial portion, of the significant source of earnings and overhead expense absorption the Marketing Agreement provides.

Hagedorn Partnership, L.P. beneficially owns approximately 30% of our common shares and can significantly influence decisions that require the approval of shareholders.

Hagedorn Partnership, L.P. beneficially owned approximately 30% of our outstanding common shares on a fully diluted basis as of November 13, 2012. As a result, it has sufficient voting power to significantly influence the election of directors and the approval of other actions requiring the approval of our shareholders, including the entering into of certain business combination transactions. In addition, because of the percentage of ownership and voting concentration in Hagedorn Partnership, L.P., elections of our board of directors will generally be within the control of Hagedorn Partnership, L.P. While all of our shareholders are entitled to vote on matters submitted to our shareholders for approval, the concentration of shares and voting control presently lies with Hagedorn Partnership, L.P. As such, it would be difficult for shareholders to propose and have approved proposals not supported by Hagedorn Partnership, L.P. Hagedorn Partnership, L.P. may have an interest in our pursuing transactions that it believes may enhance the value of its equity investment in us, even though such transactions may involve certain risks.

We may pursue acquisitions, dispositions, investments, dividends, share repurchases and/or other corporate transactions that we believe will maximize equity returns of our shareholders but may involve risks.

From time to time, we consider opportunities for acquisitions of businesses, product lines or other assets, potential dispositions and other strategic transactions. These types of transactions may involve risks, such as risks of integration of acquired businesses and loss of cash flows and market positions of disposed businesses, the possibility that anticipated synergies from strategic acquisitions may not materialize, and the risk that sales of acquired products may not meet expectations.

In addition, if our business performs according to our financial plan, subject to the discretion of our Board of Directors and to market and other conditions we may, over time, significantly increase the rate of dividends on, and the amount of repurchases of, our common shares. For example, in the fourth quarter of fiscal 2010 we doubled the amount of our quarterly cash dividend, and our Board of Directors authorized the repurchase of up to $500 million of Scotts Miracle-Gro common shares. In fiscal 2011 we increased the amount of our dividend by an additional 20% and our Board of Directors authorized the repurchase of up to an additional $200 million of our common shares. We increased the amount of our dividend again in fiscal 2012, and we may further increase the rate of dividends on, and the amount of repurchases of, our common shares in the future.

There can be no assurance that we will effect any of these transactions or activities, but, if we do, certain risks may be increased, possibly materially.

ITEM 1B. *UNRESOLVED STAFF COMMENTS*

None.

ITEM 2. *PROPERTIES*

We own or lease numerous facilities throughout the world to support our business operations:

- *Global Consumer* — We own manufacturing, distribution, research and development and office facilities in Marysville, Ohio; research facilities in Apopka, Florida and Gervais, Oregon; and manufacturing facilities in Pearl, Mississippi, Fort Madison, Iowa and Honea Path, South Carolina. We lease a spreader and other durable components manufacturing facility in Temecula, California. In addition, we operate 29 stand-alone growing media facilities in North America—24 of which are owned by the Company and five of which are leased. Most of these facilities include production lines, warehouses, offices and field processing areas. We also lease a fertilizer and growing media manufacturing facility and distribution center in Orrville, Ohio. We own three manufacturing facilities for our wild bird food operations in Indiana, South Dakota and Texas. We own a grass seed blending and bagging facility in Albany, Oregon.

  We lease facilities for the headquarters of our international business (which also serves as our local French operations office) in Ecully (Lyon), France. We own a blending and bagging facility for growing media in Hautmont, France and a plant in Bourth, France that we use for formulating, blending and packaging plant protection products. We own manufacturing facilities in Howden (East Yorkshire), Hatfield (South Yorkshire), Gretna Green (Gretna) and Sutton Bridge (Spalding), all in the United Kingdom. We own three peat extraction facilities in Scotland and we lease land for peat extraction at two additional locations across the United Kingdom. We lease research and development facilities in Morance (Rhone), France and Cobbitty (NSW), Australia, and we own a research and development facility in Levington (Ipswich), United Kingdom.

- *Scotts LawnService®* — We lease facilities for each of our 84 Company-operated Scotts LawnService® locations. The facilities are primarily located in industrial parks.

Our corporate headquarters are located in Marysville, Ohio, where we own or lease approximately 730 acres. We also lease office space for sales, marketing and general operating activities as well as distribution center and warehouse space throughout North America and continental Europe as needed. We believe that our facilities are adequate to serve their intended purposes and that our property leasing arrangements are satisfactory.

ITEM 3. *LEGAL PROCEEDINGS*

As noted in the discussion in "ITEM 1. BUSINESS — Regulatory Considerations" of this Annual Report on Form 10-K, we are involved in several pending environmental and regulatory matters. We believe that our assessment of contingencies is reasonable and that related reserves, in the aggregate, are adequate; however, there can be no assurance that the final resolution of these matters will not have a material effect on our financial condition, results of operations or cash flows.

FIFRA Compliance, the Corresponding Governmental Investigations and Similar Matters

Information with respect to the resolution of the U.S. EPA and U.S. DOJ investigations into our pesticide product registration matters and a discussion of the costs and expenses related thereto is hereby incorporated by reference to "NOTE 3. PRODUCT REGISTRATION AND RECALL MATTERS" of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K.

Other Regulatory Matters

On or about October 28, 2011, the Pennsylvania Department of Environmental Protection sent a letter to SLS alleging that on June 30 and July 1, 2010, an SLS employee discharged industrial waste into the waters of the Commonwealth in violation of the Clean Streams Law and the Solid Waste Management Act. The letter indicated that the Department was willing to accept a civil penalty of $200,000 to resolve the matter in lieu of a civil penalty action. SLS made a timely response, and on February 22, 2012, SLS and the Department entered into a Consent Assessment of Civil Penalty pursuant to which SLS agreed to pay a civil penalty of $160,000 to resolve the matter.

Other Pending Significant Legal Proceedings

We have 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 our historic use of vermiculite in certain of our products. In many of these cases, the complaints are not specific about the plaintiffs' contacts with us or our products. None of the cases seek damages from us alone. We believe that the claims against us are without merit and are vigorously defending against them. It is not currently possible to reasonably estimate a probable loss, if any, associated with the cases and, accordingly, no accrual or reserves have been recorded in our consolidated financial statements. We are reviewing agreements and policies that may provide insurance coverage or indemnity as to these claims and are 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 our financial condition, results of operations or cash flows.

As noted in the discussion in "ITEM 1. BUSINESS — Regulatory Considerations" of this Annual Report on Form 10-K, we have been named as a defendant in four putative class actions associated with the Company's sale of wild bird food, which have now been consolidated in one action.

We are involved in other lawsuits and claims which arise in the normal course of our business. In our opinion, these claims individually and in the aggregate are not expected to result in a material effect on our financial condition, results of operations or cash flows.

ITEM 4. ***MINE SAFETY DISCLOSURE***

Not Applicable.

SUPPLEMENTAL ITEM. ***EXECUTIVE OFFICERS OF THE REGISTRANT***

The executive officers of Scotts Miracle-Gro, their positions and, as of November 13, 2012, their ages and years with Scotts Miracle-Gro (and its predecessors) are set forth below.

Name	Age	Position(s) Held	Years with Company
James Hagedorn	57	Chief Executive Officer and Chairman of the Board	25
Barry W. Sanders	48	President and Chief Operating Officer	11
David C. Evans	49	Chief Financial Officer and Executive Vice President, Strategy and Business Development	19
Denise S. Stump	58	Executive Vice President, Global Human Resources	12
Vincent C. Brockman	49	Executive Vice President, General Counsel, Corporate Secretary and Chief Ethics & Compliance Officer	10
James R. Lyski	49	Executive Vice President, Chief Marketing Officer	2

Executive officers serve at the discretion of the Board of Directors of Scotts Miracle-Gro and pursuant to employment agreements or other arrangements.

The business experience of each of the individuals listed above during at least the past five years is as follows:

Mr. Hagedorn was named Chairman of the Board of Scotts Miracle-Gro's predecessor in January 2003 and named Chief Executive Officer of Scotts Miracle-Gro's predecessor in May 2001. He also served as President of Scotts Miracle-Gro (or its predecessor) from November 2006 until October 2008 and from April 2000 until December 2005. Mr. Hagedorn serves on Scotts Miracle-Gro's Board of Directors, a position he has held with Scotts Miracle-Gro (or its predecessor) since 1995. Mr. Hagedorn is the brother of Katherine Hagedorn Littlefield, a director of Scotts Miracle-Gro.

Mr. Sanders was named President of Scotts Miracle-Gro in October 2010 and named Chief Operating Officer of Scotts Miracle-Gro in January 2012. In this position, Mr. Sanders oversees all business unit and operating functions at the Company. Prior to his election as President and Chief Operating Officer, Mr. Sanders had served as the Company's Executive Vice President, Global Consumer since June 2010. Previously, he served as Executive Vice President, North America of Scotts Miracle-Gro from October 2007 until June 2010. He served as Executive Vice President of Global Technology and Operations of Scotts Miracle-Gro from January to October 2007, where he was responsible for the Company's supply chain and information systems, as well as research and development efforts. Before January 2007, he led the North American and global supply chain organizations as well as the North American sales force.

Mr. Evans was named Chief Financial Officer and Executive Vice President, Strategy and Business Development of Scotts Miracle-Gro in January 2011. Prior to that, he had served as Executive Vice President and Chief Financial Officer of Scotts Miracle-Gro since September 2006. From October 2005 to September 2006, he served as Senior Vice President, Finance and Global Shared Services of The Scotts Company LLC ("Scotts LLC").

Ms. Stump has served as Executive Vice President, Global Human Resources of Scotts Miracle-Gro (or its predecessor) since February 2003.

Mr. Brockman was named Executive Vice President, General Counsel and Corporate Secretary of Scotts Miracle-Gro in January 2008 and was also named Chief Ethics & Compliance Officer in May 2009. From April 2006 until January 2008, he served as Chief Ethics & Compliance Officer and Chief Administrative Officer of Scotts LLC. Prior to April 2006, he had served as Chief Ethics & Compliance Officer of Scotts LLC (or its predecessor) since 2004.

Mr. Lyski was named Executive Vice President, Chief Marketing Officer of Scotts Miracle-Gro in April 2011. He had previously served as interim Chief Marketing Officer since February 2011. Prior to joining Scotts Miracle-Gro, Mr. Lyski served as Executive Vice President, Chief Marketing Officer for Nationwide Mutual Insurance Company from October 2006 until January 2011, where he was responsible for corporate strategy, corporate marketing, brand management, advertising and communications. Mr. Lyski serves as President of the Board of Trustees for the Wexner Center Foundation.

PART II

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

The common shares of Scotts Miracle-Gro (the "Common Shares") trade on the New York Stock Exchange under the symbol "SMG." The quarterly high and low sale prices for the fiscal years ended September 30, 2012 and 2011 were as follows:

	Sale Prices	
	High	Low
FISCAL 2012		
First quarter	$ 50.85	$ 40.57
Second quarter	$ 55.58	$ 46.17
Third quarter	$ 55.95	$ 35.49
Fourth quarter	$ 45.00	$ 37.97
FISCAL 2011		
First quarter	$ 54.99	$ 49.25
Second quarter	$ 58.74	$ 48.99
Third quarter	$ 60.62	$ 48.52
Fourth quarter	$ 52.17	$ 39.99

A quarterly dividend of $0.25 per Common Share was paid in December, March and June of fiscal 2011. On August 8, 2011, Scotts Miracle-Gro announced that its Board of Directors had increased the quarterly cash dividend to $0.30 per Common Share, which was paid in September of fiscal 2011 and December, March and June of fiscal 2012. On August 9, 2012, Scotts Miracle-Gro announced that its Board of Directors had further increased the quarterly cash dividend to $0.325 per Common Share, which was first paid in September of fiscal 2012. 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 $125 million annually through fiscal 2013 and $150 million annually beginning in fiscal 2014 if our leverage ratio, after giving effect to any such annual dividend payment, exceeds 2.50. Our leverage ratio was 2.93 at September 30, 2012. See "NOTE 11. DEBT" of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for further discussion regarding the restrictions on dividend payments.

As of November 13, 2012, there were approximately 25,800 shareholders, including holders of record and our estimate of beneficial holders.

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 of the three fiscal months in the quarter ended September 30, 2012:

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)
July 1 through July 28, 2012	168	$ 38.64	—	$ 298,816,796
July 29 through August 25, 2012	—	$ —	—	$ 298,816,796
August 26 through September 30, 2012	1,764	$ 42.85	—	$ 298,816,796
Total	1,932	$ 42.83	—	

(1) Amounts in this column represent 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 2010, the Scotts Miracle-Gro Board of Directors authorized the repurchase of up to $500 million of the Common Shares over a four-year period (through September 30, 2014). On May 4, 2011, the Scotts Miracle-Gro Board of Directors authorized the repurchase of up to an additional $200 million of the Common Shares, resulting in authority to repurchase up to a total of $700 million of the Common Shares through September 30, 2014. The dollar amounts in the "Approximate Dollar Value" column reflect the total $700 million authorized repurchase program.

ITEM 6. *SELECTED FINANCIAL DATA*

Five-Year Summary[1]

	Year Ended September 30,				
	2012	2011	2010	2009	2008
	(In millions, except per share amounts)				
OPERATING RESULTS:					
Net sales	$ 2,826.1	$ 2,799.7	$ 2,873.0	$ 2,715.3	$ 2,506.8
Gross profit	961.3	1,009.2	1,085.6	986.7	826.4
Income from operations	243.6	274.8	374.4	273.4	139.2
Income from continuing operations	113.2	139.9	207.7	140.9	40.9
Income (loss) from discontinued operations, net of tax	(6.7)	28.0	(3.6)	12.4	(51.8)
Net income (loss)	106.5	167.9	204.1	153.3	(10.9)
ADJUSTED OPERATING RESULTS[2]:					
Adjusted income from operations	$ 258.9	$ 345.3	$ 401.6	$ 302.0	$ 266.5
Adjusted income from continuing operations	124.9	187.2	226.0	159.0	123.0
FINANCIAL POSITION:					
Working capital	$ 566.4	$ 523.9	$ 381.3	$ 382.7	$ 414.5
Current ratio	2.3	2.1	1.3	1.3	1.4
Property, plant and equipment, net	$ 427.4	$ 394.7	$ 381.3	$ 356.6	$ 330.5
Total assets	2,074.4	2,052.2	2,164.0	2,220.1	2,156.2
Total debt to total book capitalization[3]	56.5%	58.7%	45.2%	58.1%	69.6%
Total debt	$ 782.6	$ 795.0	$ 631.7	$ 810.1	$ 999.5
Total shareholders' equity	601.9	559.8	764.5	584.5	436.7
CASH FLOWS:					
Cash flows from operating activities	$ 153.4	$ 122.1	$ 295.9	$ 264.6	$ 200.9
Investments in property, plant and equipment	69.4	72.7	83.4	72.0	56.1
Investments in intellectual property	—	—	—	3.4	4.1
Investments in acquisitions, net of cash acquired	7.0	7.9	0.6	10.7	2.7
Total cash dividends paid	75.4	67.9	42.6	33.4	32.5
Total purchases of common shares	17.5	358.7	25.0	—	—
PER SHARE DATA:					
Earnings per common share from continuing operations:					
Basic	$ 1.86	$ 2.16	$ 3.13	$ 2.17	$ 0.63
Diluted	1.82	2.11	3.07	2.13	0.63
Adjusted diluted[2]	2.01	2.83	3.34	2.40	1.89
Dividends per common share[4]	1.225	1.05	0.625	0.50	0.50
Stock price at year-end	43.47	44.60	51.73	42.95	23.64
Stock price range—High	55.95	60.62	52.56	44.25	46.90
Stock price range—Low	35.49	39.99	37.50	18.27	16.12
OTHER:					
Adjusted EBITDA[5]	$ 302.9	$ 393.0	$ 440.1	$ 350.5	$ 318.4
Leverage ratio[5]	2.93	1.98	2.00	3.20	3.97
Interest coverage ratio[5]	4.90	7.47	9.40	6.21	3.87
Weighted average common shares outstanding	61.0	64.7	66.3	65.0	64.5
Common shares and dilutive potential common shares used in diluted EPS calculation	62.1	66.2	67.6	66.1	65.4

(1) On July 8, 2009, Scotts Miracle-Gro announced that its wholly-owned subsidiary, Smith & Hawken, Ltd., had adopted a plan to close the Smith & Hawken business. During our first quarter of fiscal 2010, all Smith & Hawken stores were closed and substantially all operational activities of Smith & Hawken were discontinued. As a result, effective in our first quarter of fiscal 2010, we classified Smith & Hawken as discontinued operations in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Smith & Hawken® is a registered trademark of Target Brands, Inc. The Company sold the Smith & Hawken brand and certain intellectual property rights related thereto to Target Brands, Inc. on December 30, 2009, and subsequently changed the name of the subsidiary entity formerly known as Smith & Hawken, Ltd. to Teak 2, Ltd. References in this Annual Report on Form 10-K to Smith & Hawken refer to the subsidiary entity, not the brand itself.

On February 28, 2011, we completed the sale of Global Pro to ICL. In conjunction with the transaction, Scotts LLC and ICL entered into several product supply agreements which are generally up to five years in duration, as well as various trademark and technology licensing agreements with varying durations. Our continuing cash inflows and outflows related to these agreements are not considered to be significant in relation to the overall cash flows of Global Pro. Furthermore, none of these agreements permit us to influence the operating or financial policies of Global Pro under the ownership of ICL. Therefore, Global Pro met the criteria for presentation as discontinued operations. As such, effective in the first quarter of fiscal 2011, we classified Global Pro as discontinued operations in accordance with GAAP.

In the fourth quarter of fiscal year 2012, the Company completed the wind down of the Company's professional seed business ("Pro Seed"). As a result, effective in its fourth quarter of fiscal 2012, we classified Pro Seed as discontinued operations in accordance with GAAP.

The Selected Financial Data has been retrospectively updated to recast Smith & Hawken, Global Pro and Pro Seed as discontinued operations for each period presented.

(2) The Five-Year Summary includes non-GAAP financial measures, as defined in Item 10(e) of SEC Regulation S-K, of adjusted operating income, adjusted income from continuing operations and adjusted diluted earnings per share from continuing operations, which exclude costs or gains related to discrete projects or transactions. Items excluded during the five-year period ended September 30, 2012 consisted of charges or credits relating to refinancings, impairments, restructurings, product registration and recall matters, discontinued operations, and other unusual items such as costs or gains related to discrete projects or transactions that are apart from and not indicative of the results of the operations of the business. The comparable GAAP measures are reported operating income, reported income from continuing operations and reported diluted earnings per share from continuing operations. Our management believes that these non-GAAP measures are the most indicative of our earnings capabilities and that disclosure of these non-GAAP financial measures therefore provides useful information to investors or other users of the financial statements, such as lenders. A reconciliation of the non-GAAP to the most directly comparable GAAP measures is presented in the following tables:

	Year Ended September 30,				
	2012	2011	2010	2009	2008
	(In millions, except per share data)				
Income from operations	$ 243.6	$ 274.8	$ 374.4	$ 273.4	$ 139.2
Impairment, restructuring and other charges	7.1	55.9	18.5	—	76.2
Product registration and recall matters	8.2	14.6	8.7	28.6	51.1
Adjusted income from operations	$ 258.9	$ 345.3	$ 401.6	$ 302.0	$ 266.5
Income from continuing operations	$ 113.2	$ 139.9	$ 207.7	$ 140.9	$ 40.9
Impairment, restructuring and other charges, net of tax	4.3	35.3	12.7	—	48.8
Product registration and recall matters, net of tax	7.4	12.0	5.6	18.1	33.3
Adjusted income from continuing operations	$ 124.9	$ 187.2	$ 226.0	$ 159.0	$ 123.0
Diluted earnings per share from continuing operations	$ 1.82	$ 2.11	$ 3.07	$ 2.13	$ 0.63
Impairment, restructuring and other charges, net of tax	0.07	0.53	0.19	—	0.75
Product registration and recall matters, net of tax	0.12	0.19	0.08	0.27	0.51
Adjusted diluted earnings per share from continuing operations	$ 2.01	$ 2.83	$ 3.34	$ 2.40	$ 1.89

(3) The total debt to total book capitalization percentage is calculated by dividing total debt by total debt plus shareholders' equity.

(4) Scotts Miracle-Gro began paying a quarterly dividend of $0.125 per Common Share in the fourth quarter of fiscal 2005. On August 10, 2010, Scotts Miracle-Gro announced that its Board of Directors had increased the quarterly cash dividend to $0.25 per Common Share, which was first paid in the fourth quarter of fiscal 2010. On August 8, 2011, Scotts Miracle-Gro announced that its Board of Directors had increased the quarterly cash dividend to $0.30 per Common Share, which was first paid in the fourth quarter of fiscal 2011. On August 9, 2012, Scotts Miracle-Gro announced that its Board of Directors had further increased the quarterly cash dividend to $0.325 per Common Share, which was first paid in the fourth quarter of fiscal 2012.

(5) We view our credit facility as material to our ability to fund operations, particularly in light of our seasonality. Please refer to “ITEM 1A. RISK FACTORS—Our indebtedness could limit our flexibility and adversely affect our financial condition” of this Annual Report on Form 10-K for a more complete discussion of the risks associated with our debt and our credit facility and the restrictive covenants therein. Our ability to generate cash flows sufficient to cover our debt service costs is essential to our ability to maintain our borrowing capacity. We believe that Adjusted EBITDA provides additional information for determining our ability to meet debt service requirements. The presentation of Adjusted EBITDA herein is intended to be consistent with the calculation of that measure as required by our borrowing arrangements, and used to calculate a leverage ratio (maximum of 3.50 at September 30, 2012) and an interest coverage ratio (minimum of 3.50 for the year ended September 30, 2012). Leverage ratio is calculated as average total indebtedness, as described in our credit facility, relative to Adjusted EBITDA. Interest coverage ratio is calculated as Adjusted EBITDA divided by interest expense, as described in our credit facility, and excludes costs related to refinancings. Our leverage ratio was 2.93 at September 30, 2012 and our interest coverage ratio was 4.90 for the year ended September 30, 2012. Please refer to “ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS—Liquidity and Capital Resources” of this Annual Report on Form 10-K for a discussion of our credit facility.

In accordance with the terms of our credit facility, Adjusted EBITDA is calculated as net income or loss before interest, taxes, depreciation and amortization as well as certain other items such as the impact of the cumulative effect of changes in accounting, costs associated with debt refinancing and other non-recurring, non-cash items affecting net income. In addition, non-recurring cash items affecting net income that are incurred between April 3, 2011 and June 30, 2012 in an aggregate amount not to exceed $40 million are also excluded from the determination of Adjusted EBITDA. Our calculation of Adjusted EBITDA does not represent and should not be considered as an alternative to net income or cash flows from operating activities as determined by GAAP. We make no representation or assertion that Adjusted EBITDA is indicative of our cash flows from operating activities or results of operations. We have provided a reconciliation of Adjusted EBITDA to income from continuing operations solely for the purpose of complying with SEC regulations and not as an indication that Adjusted EBITDA is a substitute measure for income from continuing operations.

A numeric reconciliation of Adjusted EBITDA to income from continuing operations is as follows:

	Year Ended September 30,				
	2012	2011	2010	2009	2008
	(In millions, except per share data)				
Income from continuing operations	$ 113.2	$ 139.9	$ 207.7	$ 140.9	$ 40.9
Income tax expense from continuing operations	68.6	82.7	123.5	80.2	20.7
Income (loss) from discontinued operations, net of tax (excluding Global Pro sale)	(5.0)	(11.5)	(3.6)	12.4	(51.8)
Income tax expense (benefit) from discontinued operations	(2.0)	(7.2)	3.1	(22.8)	6.0
Costs related to refinancings	—	1.2	—	—	—
Interest	61.8	51.0	43.2	52.4	77.6
Interest expense from discontinued operations	—	1.7	3.7	4.0	4.6
Depreciation	51.5	50.3	48.5	47.9	53.9
Amortization	10.9	11.4	10.9	12.5	16.4
Loss on impairment and other charges	4.7	64.3	18.5	7.4	136.8
Product registration and recall matters, non-cash portion	0.2	8.7	1.0	2.9	13.3
Mark-to-market adjustments on derivatives	(1.0)	0.5	—	—	—
Smith & Hawken closure process, non-cash portion	—	—	(16.4)	12.7	—
Adjusted EBITDA	$ 302.9	$ 393.0	$ 440.1	$ 350.5	$ 318.4

ITEM 7. *MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS*

The purpose of this discussion is to provide an understanding of our financial condition and results of operations by focusing on changes in certain key measures from year-to-year. Management's Discussion and Analysis ("MD&A") is divided into the following sections:

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

Executive Summary

We are dedicated to delivering strong, long-term financial results and outstanding shareholder returns by providing products of superior quality and value to enhance consumers' outdoor lawn and garden environments. 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 U.S. lawn care service business. Our operations are divided into the following reportable segments: Global Consumer and Scotts LawnService®.

We undertook a number of important initiatives in fiscal 2012 to stimulate growth in the lawn and garden category and increase our market share. The most significant of those initiatives were: (1) increased support of our brands through increased advertising and marketing investments, and (2) a decision to take minimal customer pricing, despite increased commodity costs. While we have seen some response to our initiatives, the resulting growth in consumer demand, and sales in our Global Consumer segment, have fallen short of expectations. At the beginning of the year, income from operations in fiscal 2012 was expected to remain relatively flat to prior year, with expected growth in sales offsetting the impact of our initiatives. Management has moderated expectations for near-term growth and is planning actions which are designed to drive a significant recovery in operating earnings without reliance on unit volume growth. These actions include price increases, product cost optimization and SG&A productivity.

Effective in our fourth quarter of fiscal 2012, we classified our professional seed business as discontinued operations. Prior to being reported as discontinued operations, our professional seed business was included as part of Corporate & Other. On February 28, 2011, we completed the sale of a significant majority of the assets of our Global Professional business (excluding our non-European professional seed business, "Global Pro") to Israel Chemicals Ltd. ("ICL") for $270 million in an all-cash transaction, subject to certain adjustments, resulting in $270.9 million net proceeds. For additional information regarding the use of proceeds from the sale of Global Pro, see "NOTE 2. DISCONTINUED OPERATIONS" of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K. Effective in our first quarter of fiscal 2011, we classified Global Pro as discontinued operations. Prior to being reported as discontinued operations, Global Pro was included as part of our former Global Professional business segment. During our first quarter of fiscal 2010, all Smith & Hawken stores were closed and substantially all operational activities of Smith & Hawken were discontinued. As a result, effective in our first quarter of fiscal 2010, we classified Smith & Hawken as discontinued operations. Prior to being reported as discontinued operations, our Smith & Hawken business was included as part of Corporate & Other.

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 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.

Our sales in any one year are susceptible to weather conditions in the markets in which our products are sold. For instance, periods of abnormally wet or dry weather can adversely impact sale of certain products, while increasing demand for other products. We believe that our diversified product line and our broad geographic diversification reduce this risk, although to a lesser extent in a year where unfavorable weather is geographically wide-spread and extends across a significant portion of the lawn and garden season. We also believe that weather conditions in any one year, positive or negative, do not materially alter longer-term category growth trends.

Due to the 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		
	2012	2011	2010
First Quarter	7.1%	8.1%	8.6%
Second Quarter	41.4%	40.1%	36.4%
Third Quarter	37.3%	37.4%	40.6%
Fourth Quarter	14.2%	14.4%	14.4%

Management focuses on a variety of key indicators and operating metrics to monitor the financial condition and performance of the continuing operations of our business. These metrics include consumer purchases (point-of-sale data), market share, category growth, net sales (including unit volume, pricing, and foreign exchange movements), gross profit margins, advertising to net sales ratios, income from operations, income from continuing operations, net income and earnings per share. To the extent applicable, these measures are evaluated with and without impairment, restructuring and other charges as well as product registration and recall matters, which management believes are not indicative of the earnings capabilities of our businesses. We also focus on measures to optimize cash flow and return on invested capital, including the management of working capital and capital expenditures.

The Scotts Miracle-Gro Board of Directors has authorized the repurchase of up to $700 million of our common shares through September 30, 2014. Further, on August 9, 2012, we announced that the Scotts Miracle-Gro Board of Directors increased our quarterly dividend from $0.30 to $0.325 per common share. The decisions to increase the amount of cash we intend to return to our shareholders reflects our continued confidence in the long-term health of the business. From the inception of the share repurchase program in the fourth quarter of fiscal 2010 through the fourth quarter of fiscal 2012, we have repurchased approximately 7.8 million of our common shares for $401.2 million.

Product Registration and Recall Matters

In April 2008, we became aware that a former associate circumvented our policies and U.S. Environmental Protection Agency ("U.S. EPA") regulations under the Federal Insecticide, Fungicide, and Rodenticide Act of 1947, as amended ("FIFRA"), by failing to obtain valid registrations for certain products and/or causing certain invalid product registration forms to be submitted to regulators. Since that time, we have been cooperating with both the U.S. EPA and the U.S. Department of Justice (the "U.S. DOJ") in related civil and criminal investigations into the pesticide product registration issues as well as a state civil investigation into related allegations arising under state pesticide registration laws and regulations.

In late April 2008, in connection with the U.S. EPA's investigation, we conducted a consumer-level recall of certain consumer lawn and garden products and a Scotts LawnService® product. Subsequently, the Company and the U.S. EPA agreed upon a Compliance Review Plan for conducting a comprehensive, independent review of our product registration records. Pursuant to the Compliance Review Plan, an independent third-party firm, Quality Associates Incorporated ("QAI"), reviewed substantially all of our U.S. pesticide product registrations and associated advertisements, some of which were historical in nature and no longer related to sales of our products. The U.S. EPA investigation and the QAI review process resulted in the temporary suspension of sales and shipments of certain products. In addition, as the QAI review process or our internal review identified potential FIFRA registration issues (some of which appear unrelated to the actions of the former associate), we endeavored to stop selling or distributing the affected products until the issues could be resolved. QAI's review of our U.S. pesticide product registrations and associated advertisements is now complete, and the results of the QAI review process did not materially affect our fiscal 2010, fiscal 2011 or fiscal 2012 sales.

In fiscal 2008, we conducted a voluntary recall of certain of our wild bird food products due to a formulation issue. Certain wild bird food products had been treated with pest control additives to avoid insect infestation, especially at retail stores. While the pest control additives had been labeled for use on certain stored grains that can be processed for human and/or animal consumption, they were not labeled for use on wild bird food products. In October 2008, the U.S. Food & Drug Administration concluded that the recall had been completed and that there had been proper disposition of the recalled products. The results of the wild bird food recall did not materially affect our fiscal 2010, fiscal 2011 or fiscal 2012 financial condition, results of operations or cash flows.

Settlement discussions relating to potential fines and/or penalties are a frequent outgrowth of governmental investigations. In that regard, on or about June 30, 2011, we received a Notice of Intent to File Administrative Complaint (“Notice”) from the U.S. EPA Region 5 with respect to the alleged FIFRA violations. The Notice, which did not set forth a proposed penalty amount, offered us an opportunity to present any information we believed the U.S. EPA should consider prior to filing the complaint and indicated that the U.S. EPA was prepared to meet with us to discuss the alleged violations. We made a timely response to the Notice and engaged in settlement meetings culminating in the signing of a Consent Agreement and Final Order ("CAFO"), in September, 2012 in which the Company neither admitted nor denied the allegations in the CAFO. The government's transmittal letter stated that the CAFO concluded the government's civil investigation and enforcement action. Pursuant to the CAFO, we were required to pay a civil penalty in the amount of $6.05 million and agreed to pay an additional $2.0 million for a Supplemental Environmental Project (“SEP”), paid to the Black Swamp Conservancy, for conservation efforts on three separate parcels of land. The Scotts Miracle-Gro Company undertook these projects as part of a settlement of the United States Environmental Protection Agency's enforcement action against it for alleged violations of Sections 12(a)(1)(A),(B),(C) and (E) of FIFRA, 7 U.S.C. § 136j(a)(1)(A),(B), (C) and (E). As part of the CAFO, the Company must monitor the conservation efforts of the Black Swamp Conservancy and submit a completion report to the U.S. EPA by February 28, 2014, designating the conclusion of all agreed to conservation efforts. Our accrual as of September 30, 2012 includes the full amount of the civil penalty and other amounts payable under the CAFO.

As previously disclosed, we have also been engaged in settlement discussions with the U.S. DOJ regarding its criminal investigation. On January 25, 2012, a Plea Agreement was filed with the United States District Court for the Southern District of Ohio. Under the terms of the Plea Agreement, we agreed to plead guilty to ten misdemeanor FIFRA counts in connection with the former employee's conduct and one misdemeanor FIFRA count in connection with the misapplication of insecticide to wild bird food products. As part of the agreement, Scotts Miracle-Gro was required to pay a $4.0 million penalty to the United States and to provide $0.1 million to each of five programs designed to enhance and protect the natural environment, particularly habitats for the bird populations that the U.S. EPA’s regulation of pesticides is designed to protect. As part of the Plea Agreement, the U.S. DOJ agreed not to criminally prosecute us for any other federal crimes relating to any potential FIFRA violations known to the government as of the date of the Plea Agreement. The United States District Court for the Southern District of Ohio accepted the plea on March 13, 2012, and the sentence was imposed on September 7, 2012, resolving the U.S. DOJ investigation into our pesticide product registration issues. Our accrual as of September 30, 2012 includes the full amount of the criminal penalty and other amounts payable under the Plea Agreement.

As a result of these registration and recall matters, we have recorded charges for affected inventory and other registration and recall-related costs. The effects of these adjustments, including the accrual noted above, were pre-tax charges of $8.2 million, $14.6 million and $8.7 million for the fiscal years ended September 30, 2012, 2011 and 2010, respectively. We may be subject to additional judgments, settlements, fines and/or penalties as a result of state or private actions. No reserves have been established for any such potential liabilities related to state or private actions arising in connection with the product registration and recall issues at this time.

Additionally, in connection with the sale of wild bird food products that were the subject of the recall discussed in “ITEM 1. BUSINESS - Regulatory Considerations”, 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. The plaintiffs seek on behalf of themselves and various purported class members monetary damages, restitution, injunctive relief, declaratory relief, attorney's fees, interest and costs. The Company intends to vigorously defend the consolidated action. Given the early stages of the action, the Company cannot make a determination as to whether it could have a material effect on the Company's financial condition, results of operations or cash flows and has not created any accruals or accounting reserves with respect thereto.

We are committed to providing our customers and consumers with products of superior quality and value to enhance their lawns, gardens and overall outdoor living environments. We believe consumers have come to trust our brands based on the superior quality and value they deliver, and that trust is highly valued. We also are committed to conducting business with the highest degree of ethical standards and in adherence to the law. While we are disappointed in these events, we believe we have made significant progress in addressing the issues and restoring customer and consumer confidence in our products.

Results of Operations

We classified our professional seed business, Global Pro and Smith & Hawken as discontinued operations, for all periods presented, beginning in our fourth quarter of fiscal 2012, our first quarter of fiscal 2011 and our first quarter of fiscal 2010, respectively. As a result, and unless specifically stated, all discussions regarding results for the fiscal years ended September 30, 2012, 2011 and 2010 reflect results from our continuing operations.

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

	Year Ended September 30,		
	2012	2011	2010
Net sales	100.0 %	100.0 %	100.0 %
Cost of sales	66.0	63.2	62.1
Cost of sales—impairment, restructuring and other charges	—	0.7	—
Cost of sales – product registration and recall matters	—	0.1	0.1
Gross profit	34.0	36.0	37.8
Operating expenses:			
Selling, general and administrative	25.0	24.4	24.1
Impairment, restructuring and other charges	0.3	1.3	0.6
Product registration and recall matters	0.3	0.4	0.2
Other income, net	(0.1)	—	(0.2)
Income from operations	8.5	9.9	13.1
Costs related to refinancing	—	0.1	—
Interest expense	2.2	1.8	1.5
Income from continuing operations before income taxes	6.3	8.0	11.6
Income tax expense from continuing operations	2.4	3.0	4.3
Income from continuing operations	3.9	5.0	7.3
Income (loss) from discontinued operations, net of tax	(0.2)	1.0	(0.1)
Net income	3.7 %	6.0 %	7.2 %

Net Sales

Net sales for fiscal 2012 increased 0.9% to $2.83 billion from $2.80 billion in fiscal 2011. Net sales for fiscal 2011 decreased 2.6% from $2.87 billion in fiscal 2010. The change in net sales was attributable to the following:

	Year Ended September 30,	
	2012	2011
Volume	0.7 %	(4.6)%
Pricing	0.7	1.0
Foreign exchange rates	(0.7)	0.9
Acquisitions	0.2	0.1
Change in net sales	0.9 %	(2.6)%

The increase in net sales for the year ended September 30, 2012 was primarily driven by;

- increased volume in our Global Consumer segment, driven by an increase in sales within the U.S. of mulch and controls products, offset by declines within the U.S. of wild bird food, grass seed and plant food products; international sales were flat to fiscal 2011, excluding changes in foreign exchange rates;
- increased volume within our Scotts LawnService® segment driven by higher customer count;
- increased sales in Corporate & Other related to ICL supply agreements, which were entered into in connection with the sale of Global Pro in February 2011;
- 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.

The decrease in net sales for the year ended September 30, 2011 was primarily driven by;

- decreased volume in our Global Consumer segment, driven by a decrease in U.S. Consumer sales as a result of poor weather in the peak weeks of spring and fall lawn and garden seasons as well as lower sales in the mass merchant retail channel;
- partially offset by favorable impact of foreign exchange rates as a result of the weakening of the U.S. dollar relative to other currencies;
- increases in sales in Corporate & Other, related to ICL supply agreements, which were entered into in connection with the sale of Global Pro in February 2011;
- an increase in sales within our International Consumer business associated with product innovation.

Cost of Sales

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

	Year Ended September 30,		
	2012	2011	2010
	(In millions)		
Materials	$ 1,142.2	$ 1,079.5	$ 1,093.8
Manufacturing labor and overhead	321.9	319.3	323.5
Distribution and warehousing	320.7	306.5	302.1
Roundup® reimbursements	79.6	63.7	65.0
	1,864.4	1,769.0	1,784.4
Impairment, restructuring and other charges	—	18.3	—
Product registration and recall matters	0.4	3.2	3.0
	$ 1,864.8	$ 1,790.5	$ 1,787.4

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

	Year Ended September 30,	
	2012	2011
	(In millions)	
Material costs	$ 68.3	$ 10.1
Volume and product mix	25.4	(42.4)
Roundup® reimbursements	15.9	(1.3)
Foreign exchange rates	(14.2)	18.2
	95.4	(15.4)
Impairment, restructuring and other charges	(18.3)	18.3
Product registration and recall matters	(2.9)	0.2
Change in cost of sales	$ 74.3	$ 3.1

The increase in cost of sales, excluding impairment, restructuring and other charges, and product registration and recall matters for fiscal 2012 was primarily driven by:

- the increase in material costs primarily related to packaging for products and fertilizer inputs;
- the impact of higher sales volume, including increased distribution costs resulting from an early season surge in consumer activity and continued and unplanned surge in mulch volume;
- higher reimbursements attributable to our marketing agreement with Monsanto;
- partially offset by the favorable impact of foreign exchange rates as a result of the strengthening of the U.S. dollar relative to other currencies.

The decrease in cost of sales, excluding impairment, restructuring and other charges, and product registration and recall matters for fiscal 2011 was primarily driven by:

- impact of decreased net sales;
- lower reimbursements attributable to our marketing agreement with Monsanto;

- partially offset by increased material costs primarily related to wild bird food grains, diesel and gasoline;
- favorable impact of foreign exchange rate as a result of the weakening of the U.S dollar relative to other currencies.

Gross Profit

As a percentage of net sales, our gross profit rate was 34.0% for fiscal 2012 compared to 36.0% for fiscal 2011. As a percentage of net sales, our gross profit rate was 36.0% for fiscal 2011 compared to 37.8% for fiscal 2010. Factors contributing to the change in gross profit rate are outlined in the following table:

	Year Ended September 30,	
	2012	2011
Pricing	0.5 %	0.3 %
Material costs	(2.5)	(0.3)
Product mix and volume:		
Roundup® commissions and reimbursements	(0.1)	(0.2)
Corporate & Other	(0.2)	(0.4)
Global Consumer mix and volume	(0.5)	(0.5)
	(2.8)	(1.1)
Impairment, restructuring and other charges	0.7	(0.7)
Product registration and recall matters	0.1	—
Change in gross profit rate	(2.0)%	(1.8)%

The decrease in the gross profit rate, excluding impairment, restructuring and other charges and product registration and recall matters, for fiscal 2012, was primarily driven by:

- increased material costs attributable primarily to packaging for products and fertilizer inputs;
- negative product mix, driven by increased sales of our mulch products within the U.S., and international;
- increased costs for distribution as a result of an early season surge in consumer activity and continued and unplanned surge in mulch volume;
- increased sales associated with our supply agreements with ICL, which commenced with the sale of Global Pro in February 2011 and do not generate profit.

The decrease in the gross profit rate, excluding impairment, restructuring and other charges and product registration and recall matters, for fiscal 2011, was primarily driven by:

- unfavorable product mix as a a result of increased sales within Corporate & Other at reduced margin rates (including sales attributed to ICL supply agreements at zero margin), reduced Roundup® commissions and lower sales of high margin lawn care products;
- increased material costs;
- reduced leverage of fixed manufacturing and warehousing costs driven by lower volume within U.S. Consumer;
- partially offset by increased pricing, net of higher cost consumer promotional programs through our trade partners.

Selling, General and Administrative Expenses

The following table shows the major components of Selling, General and Administrative expenses ("SG&A"):

	Year Ended September 30,		
	2012	2011	2010
	(In millions, except percentage figures)		
Advertising	$ 168.9	$ 140.7	$ 140.7
Advertising as a percentage of net sales	6.0%	5.0%	4.9%
Share-based compensation	12.5	15.9	16.1
Research and development	50.8	50.9	47.3
Amortization of intangibles	8.2	9.5	9.8
Other selling, general and administrative	465.3	469.3	478.7
	$ 705.7	$ 686.3	$ 692.6

Advertising expense increased $28.2 million or 20.0% to $168.9 million in fiscal 2012 compared to $140.7 million in fiscal 2011. This increase was primarily attributable to our Global Consumer segment. The change in our Global Consumer segment was driven by our planned increase in media and marketing initiatives, partially offset by $1.1 million of changes in foreign currency rates. A portion of the originally planned increase was classified as trade promotion expense, which is recorded within net sales. Advertising expense in fiscal 2011 was flat compared to fiscal 2010.

Share-based compensation decreased $3.4 million or 21.4% to $12.5 million in fiscal 2012 compared to $15.9 million in fiscal 2011. The decrease in share-based compensation expense in fiscal 2012 was primarily due to the acceleration of expense in fiscal 2011 for certain terminated employees. Fiscal 2011 share-based compensation expense was roughly flat to fiscal 2010. The majority of our share-based awards vest over three years, with the associated expense recognized ratably over the vesting period. In certain cases, such as individuals who are eligible for early retirement based on their age and years of service, the vesting period is shorter than three years.

Amortization expense was $8.2 million in fiscal 2012, compared to $9.5 million and $9.8 million in fiscal 2011 and fiscal 2010, respectively. The decline in fiscal 2012 was driven by assets that became fully amortized in fiscal 2011 and due to impairment of certain intangible assets in fiscal 2011. The decline in fiscal 2011 was driven by assets that became fully amortized in fiscal 2010.

Other SG&A was roughly flat in fiscal 2012 compared to fiscal 2011, declining $4.0 million, or 0.9%. In fiscal 2011, Other SG&A spending decreased $9.4 million, or 2.0%, from fiscal 2010. The primary driver of the decrease was lower variable compensation expense, partially offset by the full year impact associated with operating two additional regional offices which opened in the second half of fiscal 2010, increased bad debt expense associated with a customer bankruptcy in fiscal 2011, and various other expenses including incremental marketing and research and development costs.

Impairment, Restructuring and Other Charges (included in SG&A)

The following tables shows the breakdown of Impairment, Restructuring and Other Charges (included in SG&A):

	Year Ended September 30,		
	2012	2011	2010
	(In millions)		
Restructuring and other charges	$ 1.8	$ 18.2	$ —
Property, plant and equipment impairments	2.1	—	—
Goodwill and intangible asset impairments	3.2	19.4	18.5
	$ 7.1	$ 37.6	$ 18.5

In fiscal 2012, in continuation of the 2011 restructuring plan, we incurred an additional $1.6 million in restructuring costs related to termination benefits provided to employees who accepted voluntary retirement and special termination benefits provided to certain employees upon future separation as well as $0.2 million related to curtailment charges for our U.S. defined benefit pension and U.S retiree medical plans. Additionally, we recognized a $5.3 million asset impairment charge as a result of issues with commercialization of products including the active ingredient MAT 28 for the Global Consumer segment. Further, we have previously expensed product development and marketing costs associated with the previously planned launch of products containing MAT 28 and are evaluating our options for recovering those costs.

In fiscal 2011 we recorded restructuring charges designed to streamline management decision making and continue the regionalization of our operating structure, with the objective of reinvesting the savings generated in innovation and growth initiatives. During fiscal 2011, we incurred $23.7 million in restructuring costs related to termination benefits provided to employees who were involuntarily terminated and special termination benefits provided to certain employees upon future separation, as well as $2.3 million related to curtailment charges for our U.S. defined benefit pension and U.S. retiree medical plans. In addition, we recognized charges of $2.3 million for other intangible asset impairments and $1.4 million for restructuring and other charges.

Our annual impairment review, which includes goodwill and indefinite-lived intangibles, is performed as of the first day of our fourth quarter. Our fourth quarter fiscal 2011 impairment analysis resulted in a non-cash charge of $17.1 million, primarily attributed to the intangible assets and goodwill associated with our wild bird food business, including the Morning Song® tradename. Losses generated by this business over the past two years combined with a revised long-term outlook have negatively impacted the value of the business.

Our fourth quarter fiscal 2010 impairment analysis resulted in a non-cash charge of $18.5 million related to discontinuing or de-emphasizing certain brands and sub-brands, which is consistent with our business strategy to increasingly concentrate our advertising and promotional spending on fewer, more significant brands to more efficiently drive growth.

Product Registration and Recall Matters (included in SG&A)

Product registration and recall costs were $7.8 million in fiscal 2012, compared to $11.4 million and $5.7 million in fiscal 2011 and fiscal 2010, respectively. Fiscal 2012 and fiscal 2011 costs include additional reserves established in connection with the U.S. EPA and U.S. DOJ investigations, as well as third-party compliance review, legal and consulting fees. Fiscal 2010 costs primarily related to third-party compliance review, legal and consulting fees.

Other Income, net

Other income, net, was $2.9 million, $0.9 million and $5.6 million in fiscal 2012, fiscal 2011 and fiscal 2010 respectively. 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 and gains/losses from the sale of non-inventory assets. The fiscal 2012 changes from fiscal 2011 were not significant. The decrease in fiscal 2011 was primarily due to the non-recurrence of gains recognized in fiscal 2010 on the sale of property and other miscellaneous asset disposals.

Income from Operations

Income from operations in fiscal 2012 was $243.6 million compared to $274.8 million in fiscal 2011, a decrease of $31.2 million, or 11.4%. Excluding impairment, restructuring and other charges and product registration and recall costs, income from operations decreased by $86.4 million, or 25.0%, in fiscal 2012, primarily driven by lower gross profit rates and additional SG&A spending.

Income from operations in fiscal 2011 was $274.8 million compared to $374.4 million in fiscal 2010, a decrease of $99.6 million, or 26.6%. Excluding impairment, restructuring and other charges and product registration and recall costs, income from operations decreased by $56.3 million, or 14.0%, in fiscal 2011, primarily driven by decreased net sales and lower gross margin rates, partially offset by a decrease in SG&A spending.

Interest Expense

Interest expense in fiscal 2012 was $61.8 million compared to $51.0 million and $43.2 million in fiscal 2011 and fiscal 2010, respectively. The increase in fiscal 2012 was primarily due to an increase in our average borrowings. Excluding the impact of foreign exchange rates, average borrowings increased by approximately $118.3 million during fiscal 2012.

The increase in fiscal 2011 was primarily due to an increase in weighted average interest rates as a result of our fiscal 2011 refinancing activities, partially offset by a decrease in average borrowings. Weighted average interest rates increased by approximately 118 basis points in fiscal 2011 compared to fiscal 2010. Excluding the impact of foreign exchange rates, average borrowings decreased by approximately $87.3 million during fiscal 2011. In fiscal 2011, we also wrote-off $1.2 million of deferred financing fees as a result of refinancing our credit facility.

Income Tax Expense

A reconciliation of the federal corporate income tax rate and the effective tax rate on income from continuing operations before income taxes is summarized below:

	Year Ended September 30,		
	2012	2011	2010
Statutory income tax rate	35.0 %	35.0 %	35.0 %
Effect of foreign operations	(0.5)	(0.3)	(0.2)
State taxes, net of federal benefit	3.1	2.8	2.9
Domestic production activities deduction permanent difference	(1.5)	(2.3)	(1.3)
Effect of other permanent differences	2.4	1.9	0.6
Research and experimentation and other federal tax credits	(0.1)	(0.2)	—
Resolution of prior tax contingencies	(0.9)	0.7	0.3
Other	0.2	(0.4)	—
Effective income tax rate	37.7 %	37.2 %	37.3 %

The effective tax rate for continuing operations was 37.7% for fiscal 2012, compared to 37.2% for fiscal 2011 and 37.3% for fiscal 2010. Excluding reserves established for product registrations and recall matters, the effective tax rate for continuing operations was 36.5% and 36.0% for fiscal 2012 and fiscal 2011 respectively. Excluding the income tax expense related to the disallowance of the Medicare Part D tax deduction, the effective tax rate for continuing operations was 36.7% for fiscal 2010. Additional factors impacting the fiscal 2010 effective tax rate were an increase in state tax rates as well as the expiration of the research and development tax credit.

Income and Earnings per Share from Continuing Operations

We reported income from continuing operations of $113.2 million, or $1.82 per diluted share, in fiscal 2012 compared to income from continuing operations of $139.9 million, or $2.11 per diluted share, in fiscal 2011. In fiscal 2012, we incurred costs of $7.1 million relating to impairment, restructuring and other charges, as well as $8.2 million in costs associated with product registration and recall matters. In fiscal 2011, we incurred $55.9 million of impairment, restructuring and other charges, as well as $14.6 million in costs associated with product registration and recall matters. Excluding these items, adjusted income from continuing operations was $124.9 million in fiscal 2012 compared to $187.2 million in fiscal 2011, a decrease of $62.3 million, primarily driven by lower gross margin rates, higher SG&A spending and interest expense. Diluted weighted-average common shares outstanding decreased from 66.2 million in fiscal 2011 to 62.1 million in fiscal 2012. The decrease was primarily driven by repurchases of our common shares and a decrease in the number of dilutive equivalent shares, partially offset by the exercise of stock options. Dilutive equivalent shares for fiscal 2012 and fiscal 2011 were 1.1 million and 1.5 million, respectively. The decrease in equivalent shares was due to a decrease in our average share price.

We reported income from continuing operations of $139.9 million, or $2.11 per diluted share, in fiscal 2011 compared to income from continuing operations of $207.7 million, or $3.07 per diluted share, in fiscal 2010. In fiscal 2011, we incurred costs of $55.9 million relating to impairment, restructuring and other charges, as well as $14.6 million in costs associated with product registration and recall matters. In fiscal 2010, we incurred $18.5 million of impairment charges, as well as $8.7 million in costs associated with product registration and recall matters. Excluding these items, adjusted income from continuing operations was $187.2 million in fiscal 2011 compared to $226.0 million in fiscal 2010, a decrease of $38.8 million, primarily driven by decreased net sales, lower gross profit rates and higher interest expense, and partially offset by a decrease in SG&A spending. Diluted weighted-average common shares outstanding decreased from 67.6 million in fiscal 2010 to 66.2 million in fiscal 2011. The decrease was primarily driven by repurchases of our common shares, partially offset by the exercise of stock options and by an increase in the number of dilutive equivalent shares. Dilutive equivalent shares for fiscal 2011 and fiscal 2010 were 1.5 million and 1.3 million, respectively. The increase in equivalent shares was due to additional equity based grants and an increase in our average share price.

Income from Discontinued Operations

In our fourth quarter of fiscal 2012, we completed the wind down of the professional seed business. As a result, we began presenting this business within discontinued operations. In our second quarter of fiscal 2011 we completed the sale of Global Pro to ICL. As a result of the then-pending sale, effective in the first quarter of fiscal 2011, we began presenting Global Pro as discontinued operations. Further, in our first quarter of fiscal 2010, we began presenting Smith & Hawken as discontinued operations. Prior periods have been reclassified to conform to these presentations.

Loss from discontinued operations, net of tax, was $6.7 million in fiscal 2012, while income of $28.0 million and a loss of $3.6 million were recognized in fiscal 2011 and fiscal 2010, respectively. Fiscal 2012 includes expenses associated with the wind down and disposal of the non-European professional seed business. Fiscal 2011 includes a net after-tax gain of $39.5 million on the sale of Global Pro to ICL. Fiscal 2010 is comprised of $11.9 million of income relating to Global Pro's operations and $18 million from the sale of the Smith & Hawken intellectual property, offset by costs associated with the final closure activities of Smith & Hawken.

Segment Results

Our continuing operations are divided into the following 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. We have made reclassifications to prior period segment amounts as a result of the change in our internal organization structure associated with the sale of a significant majority of our previously reported Global Professional segment, which is now reported in discontinued operations. Corporate & Other includes revenues and expenses associated with the Company's supply agreements with ICL and the amortization related to the Roundup® marketing agreement, as well as corporate general and administrative expenses and certain other income/expense items not allocated to the business segments.

We evaluate segment performance based on several factors, including income from continuing operations before amortization, product registration and recall costs, and impairment, restructuring and other charges. Management uses this measure of operating profit to evaluate segment performance because we believe this measure is the most indicative of performance trends and the overall earnings potential of each segment.

The following tables present segment information:

Net Sales by Segment

	Year Ended September 30,		
	2012	2011	2010
	(In millions)		
Global Consumer	$ 2,539.2	$ 2,533.2	$ 2,649.7
Scotts LawnService®	245.8	235.6	224.1
Segment total	2,785.0	2,768.8	2,873.8
Corporate & Other	41.1	30.9	(0.8)
Consolidated	$ 2,826.1	$ 2,799.7	$ 2,873.0

Income from Continuing Operations before Income Taxes by Segment

	Year Ended September 30,		
	2012	2011	2010
	(In millions)		
Global Consumer	$ 338.3	$ 425.0	$ 490.1
Scotts LawnService®	27.0	25.9	21.0
Segment total	365.3	450.9	511.1
Corporate & Other	(96.3)	(95.0)	(99.6)
Intangible asset amortization	(10.1)	(10.6)	(9.9)
Product registration and recall matters	(8.2)	(14.6)	(8.7)
Impairment, restructuring and other charges	(7.1)	(55.9)	(18.5)
Costs related to refinancing	—	(1.2)	—
Interest expense	(61.8)	(51.0)	(43.2)
Consolidated	$ 181.8	$ 222.6	$ 331.2

Global Consumer

Global Consumer segment net sales increased 0.2% from $2.53 billion in fiscal 2011 to $2.54 billion in fiscal 2012. The increase in fiscal 2012 net sales was favorably impacted by volume and pricing of 0.4% and 0.6%, respectively, offset by unfavorable foreign exchange rates of 0.8%. Net sales in the U.S. increased by 1.3%, driven by an increase in pricing, higher sales of our controls and mulch products, and the national launch of our new Scotts Snap® spreader system, partially offset by declines in sales of grass seed, wild bird food and plant food products. International Consumer net sales decreased 4.0% in fiscal 2012, primarily attributable to the unfavorable effect of foreign currency changes as a result of the strengthening of the U.S. dollar relative to other currencies. Excluding the impact of in foreign currency rates, net sales in International Consumer were roughly flat compared to fiscal 2011.

Global Consumer segment income for fiscal 2012 was $338.3 million, a decrease of $86.7 million, or 20.4%, compared to fiscal 2011. Excluding the impact of foreign exchange movements, segment income decreased by $85.6 million, or 20.1%, from fiscal 2011. The decrease in segment income for fiscal 2012 was primarily driven by a gross margin rate decline and an increase in SG&A expenses. The decreased gross profit rate was primarily the result of increased material costs primarily due to packaging and fertilizer inputs, negative product mix within the U.S. driven by increased sales of mulch products, and increased distribution and warehousing as a result of an early season surge in consumer activity and continued and unplanned surge in mulch volume. The increase in SG&A spending primarily related to costs associated with our planned increase in media and marketing initiatives.

Global Consumer segment net sales declined 4.4% from $2.65 billion in fiscal 2010 to $2.53 billion in fiscal 2011. Excluding the impact of foreign exchange movements, net sales in the Global Consumer segment decreased 5.4% in fiscal 2011, which includes a favorable impact from price increases of 1.1%. Net sales in the U.S. decreased 6.8% as a result of poor weather in the peak weeks of spring and fall lawn and garden seasons as well as lower sales in the mass merchant retail channel. The decline in net sales is also attributed to increased promotional programs through our trade partners and reduced inventories at our retailers. Excluding the impact of foreign exchange movements, International Consumer net sales increased 1.1% in fiscal 2011, primarily attributable to unit volume growth as a result of product innovation and slight increases in net pricing. The increase in International Consumer net sales was primarily driven by strong growth in Canada and Central Europe.

Global Consumer segment income for fiscal 2011 was $425.0 million, a decrease of $65.1 million, or 13.3%, compared to fiscal 2010. Excluding the impact of foreign exchange movements, segment income decreased by $73.1 million, or 14.9%, for fiscal 2011. The decrease in segment income for fiscal 2011 was primarily driven by the decrease in net sales, a gross profit rate decline of 100 basis points and an increase in SG&A expenses. The decreased gross profit rate was primarily the result of unfavorable sales mix, higher consumer promotional programs, increased material costs and reduced leverage of fixed manufacturing and warehousing costs. The increase in SG&A spending primarily related to costs associated with the full year impact of operating two additional regional offices which opened in the second half of fiscal 2010, increased expenses for marketing and research and development activities, partially offset by a decrease in variable compensation expense.

Scotts LawnService®

Scotts LawnService® net sales increased by $10.2 million, or 4.3%, to $245.8 million in fiscal 2012, primarily due to increased customer retention, fully year impact of acquisitions and new customer sales. Scotts LawnService® segment income increased $1.1 million to $27.0 million in fiscal 2012. The improved operating results were driven by higher net sales and improved labor productivity, partially offset by higher product costs and SG&A, which was primarily the outcome of higher performance based variable compensation.

Scotts LawnService® net sales increased by $11.5 million, or 5.1%, to $235.6 million in fiscal 2011, primarily due to improved sales efforts, higher customer satisfaction rates and improved customer retention. Scotts LawnService® segment income increased $4.9 million to $25.9 million in fiscal 2011. The improved operating results were driven by higher sales and lower SG&A spending, partially offset by a decline in the gross margin rate as a result of higher fuel and urea costs, investments in mobile technology for service trucks and higher benefits costs.

Corporate & Other

Net sales for Corporate & Other increased $10.2 million to $41.1 million in fiscal 2012, primarily due to our ICL supply agreements, which commenced shortly after the sale of Global Pro in our second quarter of fiscal 2011. Net expense for Corporate & Other increased by $1.3 million in fiscal 2012, driven by increased variable compensation of $1.3 million.

Net sales for Corporate & Other were $30.9 million in fiscal 2011, primarily due to our ICL supply agreements, which commenced shortly after the sale of Global Pro in our second quarter of fiscal 2011. Net expense for Corporate & Other decreased by $4.6 million in fiscal 2011, driven by a decline in variable compensation, partially offset by severance costs, consulting fees and the non-recurrence of a gain recorded on the sale of property in fiscal 2010.

Liquidity and Capital Resources

Operating Activities

Cash provided by operating activities increased by $31.3 million to $153.4 million in fiscal 2012 from $122.1 million in fiscal 2011. Excluding the impact of discontinued operations, cash provided by operating activities decreased by $48.2 million to $143.1 million in fiscal 2012 compared to a decrease of $118.1 million in fiscal 2011. Excluding discontinued operations and non-cash operating expenses, income from continuing operations decreased by approximately $24.7 million primarily due to lower gross profit rates and higher advertising expenses.

Cash provided by operating activities decreased by $173.8 million to $122.1 million in fiscal 2011 from $295.9 million in fiscal 2010. Excluding the impact of discontinued operations, cash provided by operating activities decreased by $118.1 million to $191.3 million in fiscal 2011 compared to $309.4 million in fiscal 2010. Excluding discontinued operations and non-cash operating expenses, income from continuing operations decreased by approximately $60.6 million primarily due to lower net sales and lower gross profit rates. In addition, operating cash flows were used to support higher working capital for continuing operations, which increased by approximately $57.2 million in fiscal 2011. This decrease was driven by higher inventories as a result of lower than anticipated sales and a decline in other current liabilities primarily due to lower variable compensation accruals.

The seasonal nature of our operations generally requires cash to fund significant increases in inventories during the first half of the fiscal year. Receivables and payables also build substantially in the second quarter of the fiscal year in line with the timing of sales to support our retailers' spring selling season. These balances liquidate during the June through September period as the lawn and garden season unwinds. Unlike our core Global Consumer segment, Scotts LawnService® typically has its highest receivables balance in the fourth quarter because of the seasonal timing of customer applications and service revenues.

Investing Activities

Cash used in investing activities totaled $75.7 million in fiscal 2012, as compared to cash provided by investing activities of $153.5 million for fiscal 2011. The change in our investing activities was primarily driven by the cash received from the sale of our Global Pro business, which generated $253.6 million in cash in fiscal 2011. Capital spending decreased from $72.7 million in fiscal 2011 to $69.4 million in fiscal 2012. Significant capital projects during fiscal 2012 included a new growing media plant in Texas, additional capital for our liquid production facilities in Iowa and Mississippi, improvements at various other growing media production facilities and investments in information technology. Further, during fiscal 2012 we completed an acquisition within our Global Consumer segment with total cash paid of $6.7 million.

Cash provided by investing activities totaled $153.5 million in fiscal 2011, as compared to cash used in investing activities of $58.9 million for fiscal 2010. Fiscal 2011 investing activities included net cash of $253.6 million provided by the sale of Global Pro business. In fiscal 2010, we received cash of $24.5 million for the sale of long-lived assets, primarily for the intellectual property of Smith & Hawken. Capital spending decreased from $83.4 million in fiscal 2010 to $72.7 million in fiscal 2011. Significant capital projects during fiscal 2011 included a new growing media plant in Missouri, additional capital for our liquid production facility in Mississippi, improvements at various other growing media production facilities and investments in information technology. Further, during fiscal 2011 we completed several acquisitions with total cash paid of $7.6 million.

For the three years ended September 30, 2012, our capital spending was allocated as follows: 51.6% for expansion and maintenance of existing Global Consumer productive assets; 27.1% for new productive assets supporting our Global Consumer segment; 12.1% to expand our information technology and transformation and integration capabilities; 2.0% for expansion and upgrades of Scotts LawnService® infrastructure; and 7.2% for Corporate & Other assets.

Financing Activities

Financing activities used cash of $79.3 million and $230.7 million in fiscal 2012 and fiscal 2011, respectively. Cash returned to shareholders through dividends of $75.4 million and the repurchasing of Common Shares of $17.5 million were significant elements of cash used in financing activities in fiscal 2012. Net payments under our credit facilities were $10.6 million in fiscal 2012, compared to $22.0 million in fiscal 2011. Financing activities also included a decrease in cash received from the exercise of stock options of $13.9 million in fiscal 2012 compared to fiscal 2011.

Financing activities used cash of $230.7 million and $216.3 million in fiscal 2011 and fiscal 2010, respectively. Cash returned to shareholders through Common Share repurchases of $358.7 million and dividends of $67.9 million were significant elements of cash used in financing activities in fiscal 2011. Net repayments under our credit facilities were $22.0 million in fiscal 2011, compared to $370.0 million in fiscal 2010. Financing activities in fiscal 2011 also included debt financing and issuance fees of $18.9 million attributable to the refinancing of our then existing credit facilities in June 2011 and our $200.0 million bond offering in December 2010, the proceeds of which were used to reduce outstanding borrowings under our then existing credit facilities and for general corporate purposes. In addition, cash received from the exercise of stock options increased by $9.0 million in fiscal 2011 compared to fiscal 2010.

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 $131.9 million as of September 30, 2012, compared to $130.9 million as of September 30, 2011. The cash and cash equivalents balance at September 30, 2012 included $118.6 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 if we sell or liquidate any of these foreign corporations, we may be required to pay associated taxes on the repatriation.

Borrowing Arrangements

Our primary sources of liquidity are cash generated by operations and borrowings under our credit agreement which is guaranteed by substantially all of our domestic subsidiaries. On June 30, 2011, we and certain of our subsidiaries entered into a second amended and restated senior secured credit facility, providing for revolving loans in the aggregate principal amount of up to $1.7 billion over a five years term. Borrowings may be made in various currencies including U.S. dollars, Euros, British pounds, Australian dollars and Canadian dollars. Under this credit facility, we may request up to an additional $450 million in revolving and/or term commitments, subject to certain specified conditions, including approval from the our lenders. The credit facility replaced our previous senior secured credit facilities, which were comprised of: (a) a senior secured revolving loan facility in the aggregate principal amount of up to $1.59 billion and (b) a senior secured term loan facility totaling $560 million. The previous credit facilities were scheduled to expire in February 2012.

The terms of the credit facility provide for customary representations and warranties and affirmative covenants. The credit facility also contains customary negative covenants setting forth limitations, subject to negotiated carve-outs on liens; contingent obligations; fundamental changes; acquisitions, investments, loans and advances; indebtedness; restrictions on subsidiary distributions; transactions with affiliates and officers; sales of assets; sale and leaseback transactions; changing our fiscal year end; modifications of certain debt instruments; negative pledge clauses; entering into new lines of business; and restricted payments, which are limited to an aggregate of $125 million annually through fiscal 2013 and $150 million annually beginning in fiscal 2014 if our leverage ratio, after giving effect to any such annual dividend payment, exceeds 2.50. The credit facility is secured by collateral that includes the capital stock of specified subsidiaries, substantially all domestic accounts receivable (exclusive of any "sold" receivables), inventory and equipment. The credit facility is guaranteed by substantially all of our domestic subsidiaries.

Under our credit facility, we have the ability to issue letter of credit commitments up to $75 million. At September 30, 2012, the Company had letters of credit in the aggregate face amount of $25.9 million outstanding, and $1.3 billion of availability under its credit facility. "NOTE 11. DEBT" of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K provides additional information regarding our borrowing arrangements.

On January 14, 2010, we issued $200 million aggregate principal amount of 7.25% Senior Notes due 2018 (the "7.25% Senior Notes"). The net proceeds of the offering were used to reduce outstanding borrowings under our then existing credit facilities. The 7.25% Senior Notes represent general unsecured senior obligations, and were sold to the public at 99.254% of the principal amount thereof, to yield 7.375% to maturity. The 7.25% Senior Notes have interest payment dates of January 15 and July 15 of each year, which began on July 15, 2010 and may be redeemed prior to maturity at applicable redemption premiums. The 7.25% Senior Notes contain usual and customary incurrence-based covenants, which include, but are not limited to, restrictions on the incurrence of additional indebtedness, the incurrence of liens and the issuance of certain preferred shares, and the making of certain distributions, investments and other restricted payments, as well as other usual and customary covenants, which include, but are not limited to, restrictions on sale and leaseback transactions, restrictions on purchases or redemptions of Scotts Miracle-Gro stock and prepayments of subordinated debt, limitations on asset sales and restrictions on transactions with affiliates. The 7.25% Senior Notes mature on January 15, 2018. Substantially all of our domestic subsidiaries serve as guarantors of the 7.25% Senior Notes.

On December 16, 2010, we issued $200 million aggregate principal amount of 6.625% Senior Notes due 2020 (the "6.625%" Senior Notes") in a private placement exempt from the registration requirements under the Securities Act of 1933, as amended. The net proceeds of the offering were used to repay outstanding borrowings under our then existing credit facilities and for general corporate purposes. The 6.625% Senior Notes represent general unsecured senior obligations and rank equal in right of payment with the our existing and future unsecured senior debt, including, without limitation, the 7.25% Senior Notes. The 6.625% Senior Notes have interest payment dates of June 15 and December 15 of each year, which began on June 15, 2011, and may be redeemed prior to maturity at applicable redemption premiums. The 6.625% Senior Notes contain usual and customary incurrence-based covenants, as well as other usual and customary covenants, substantially similar to those contained in the 7.25% Senior Notes. The 6.625% Senior Notes mature on December 15, 2020. Substantially all of our domestic subsidiaries serve as guarantors of the 6.625% Senior Notes.

We are in compliance with the terms of all debt covenants at September 30, 2012. The credit facility contains, among other obligations, an affirmative covenant regarding our leverage ratio, calculated as average total indebtedness, as described in the our credit facility, relative to the our EBITDA, as adjusted pursuant to the terms of the credit facility ("Adjusted EBITDA"). Under the terms of the credit facility, the maximum allowable leverage ratio was 3.50 as of September 30, 2012. Our leverage ratio was 2.93 at September 30, 2012. Our credit facility also includes an affirmative covenant regarding its interest coverage ratio. 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 allowable interest coverage ratio was 3.50 for the year ended September 30, 2012. Our interest coverage ratio was 4.90 for the year ended September 30, 2012. The weighted average interest rates on average debt were 6.0% and 5.9% for fiscal 2012 and fiscal 2011, respectively. Please see "ITEM 6. SELECTED FINANCIAL DATA" of this Annual Report on Form 10-K for further details pertaining to the calculations of the foregoing ratios.

At September 30, 2012, we had outstanding interest rate swap agreements with major financial institutions that effectively converted a portion of variable-rate debt denominated in U.S. dollars to a fixed rate. The swap agreements had a total U.S. dollar notional amount of $700 million at September 30, 2012. 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%

(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.

On November 15, 2012, we entered into a new Master Accounts Receivable Purchase Agreement (the "2012 MARP Agreement"), with an initial stated termination date of October 30, 2013, or such later date as may be mutually agreed by the Company and the banks party thereto. The 2012 MARP Agreement, which is uncommitted, provides for the discretionary sale by the Company, and the discretionary purchase by the banks, on a revolving basis, of accounts receivable generated by sales to three specified debtors in an aggregate amount not to exceed $400 million, with debtor sublimits ranging from $100 million to $200 million. Under the terms of the 2012 MARP Agreement, the banks have the opportunity, but not the obligation, to purchase those accounts receivable offered by us at a discount (from the agreed base value thereof) effectively equal to the greater of 7-day or 3-month LIBOR plus 0.75%. The 2012 MARP Agreement replaced our previous Master Accounts Receivable Purchase Agreement, which provided for the discounted sale, on an uncommitted revolving basis, of accounts receivable generated by two specified debtors in an aggregate amount not to exceed $325 million and an interest rate effectively equal to the greater of 7-day or 3-month LIBOR plus 1.05%. The previous Master Accounts Receivable Purchase Agreement expired on September 21, 2012. We account for the sale of receivables under the Master Accounts Receivable Purchase Agreements as short-term debt and continue to carry the receivables on our Consolidated Balance Sheet, primarily as a result of our right to repurchase receivables sold. There were no short-term borrowings under the Master Accounts Receivable Purchase Agreements as of September 30, 2012 and 2011.

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 2013. 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.

In our opinion, cash flows from operations and capital resources will be sufficient to meet debt service, capital expenditures and working capital needs during fiscal 2013, and thereafter 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, as further discussed in "ITEM 1A. RISK FACTORS — Our indebtedness could limit our flexibility and adversely affect our financial condition" of this Annual Report on Form 10-K.

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.

Contractual Obligations

The following table summarizes our future cash outflows for contractual obligations as of September 30, 2012:

		Payments Due by Period			
Contractual Cash Obligations	**Total**	**Less Than 1 Year**	**1-3 Years**	**4-5 Years**	**More Than 5 Years**
			(In millions)		
Debt obligations	$ 782.6	$ 1.5	$ 1.5	$ 378.1	$ 401.5
Interest expense on debt obligations	268.1	52.1	104.2	78.3	33.5
Operating lease obligations	230.3	50.8	83.3	52.1	44.1
Purchase obligations	210.4	93.7	79.9	28.1	8.7
Other, primarily retirement plan obligations	67.0	10.7	23.9	15.6	16.8
Total contractual cash obligations	$ 1,558.4	$ 208.8	$ 292.8	$ 552.2	$ 504.6

We have long-term debt obligations and interest payments due primarily under the 7.25% and 6.625% Senior Notes and our credit facility. Amounts in the table represent scheduled future maturities of long-term debt principal for the periods indicated. The interest payments for our credit facility is based on outstanding borrowings as of September 30, 2012. Actual interest expense will likely be higher due to the seasonality of our business and associated higher average borrowings.

Purchase obligations primarily represent commitments for materials used in our manufacturing processes, as well as commitments for warehouse services, seed and out-sourced information services which comprise the unconditional purchase obligations disclosed in "NOTE 18. COMMITMENTS" of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K.

Other includes actuarially determined retiree benefit payments and pension funding to comply with local funding requirements. Pension funding requirements beyond fiscal 2013 are based on preliminary estimates using actuarial assumptions determined as of September 30, 2012. The above table excludes liabilities for unrecognized tax benefits and insurance accruals as the Company is unable to estimate the timing of the payment for these items.

Off-Balance Sheet Arrangements

At September 30, 2012, the Company had letters of credit in the aggregate face amount of $25.9 million outstanding. Further, the Company has residual value guarantees on Scotts LawnService® vehicles and the corporate aircraft as disclosed in "NOTE 17. OPERATING LEASES" of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K.

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, including those described in “ITEM 3. LEGAL PROCEEDINGS” of this Annual Report on Form 10-K and “NOTE 19. CONTINGENCIES” of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K. 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 “ITEM 1. BUSINESS — Regulatory Considerations” and “ITEM 3. LEGAL PROCEEDINGS” of this Annual Report on Form 10-K.

Critical Accounting Policies and Estimates

Our discussion and analysis of financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). Certain accounting policies are particularly significant, including those related to revenue recognition, goodwill and intangibles, certain associate benefits and income taxes. We believe these accounting policies, and others set forth in “NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES” of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K, should be reviewed as they are integral to understanding our results of operations and financial position. Our critical accounting policies are reviewed periodically with the Audit Committee of the Board of Directors of Scotts Miracle-Gro.

The preparation of financial statements requires management to use judgment and make estimates that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to customer programs and incentives, product returns, bad debts, inventories, intangible assets, income taxes, restructuring, environmental matters, contingencies and litigation. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Although actual results historically have not deviated significantly from those determined using our estimates, our results of operations or financial condition could differ, perhaps materially, from these estimates under different assumptions or conditions.

Revenue Recognition and Promotional Allowances

Most of our revenue is derived from the sale of inventory, and we recognize revenue when title and risk of loss transfer, generally when products are received by the customer. Provisions for payment discounts, product returns and allowances are recorded as a reduction of sales at the time revenue is recognized based on historical trends and adjusted periodically as circumstances warrant. Similarly, reserves for uncollectible receivables due from customers are established based on management’s judgment as to the ultimate collectability of these balances. We offer sales incentives through various programs, consisting principally of volume rebates, cooperative advertising, consumer coupons and other trade programs. The cost of these programs is recorded as a reduction of sales. The recognition of revenues, receivables and trade programs requires the use of estimates. While we believe these estimates to be reasonable based on the then current facts and circumstances, there can be no assurance that actual amounts realized will not differ materially from estimated amounts recorded.

Income Taxes

Our annual effective tax rate is established based on our pre-tax income (loss), statutory tax rates and the tax impacts of items treated differently for tax purposes than for financial reporting purposes. We record income tax liabilities utilizing known obligations and estimates of potential obligations. A deferred tax asset or liability is recognized whenever there are future tax effects from existing temporary differences and operating loss and tax credit carryforwards. Valuation allowances are used to reduce deferred tax assets to the balance that is more likely than not to be realized. We must make estimates and judgments on future taxable income, considering feasible tax planning strategies and taking into account existing facts and circumstances, to determine the proper valuation allowances. When we determine that deferred tax assets could be realized in greater or lesser amounts than recorded, the asset balance and consolidated statement of operations reflect the change in the period such determination is made. Due to changes in facts and circumstances and the estimates and judgments that are involved in determining the proper valuation allowances, differences between actual future events and prior estimates and judgments could result in adjustments to these valuation allowances. We use an estimate of our annual effective tax rate at each interim period based on the facts and circumstances available at that time, while the actual effective tax rate is calculated at year-end.

Inventories

Inventories are stated at the lower of cost or market, principally determined by the first-in, first-out method of accounting, using an average costing approach. Inventories include the cost of raw materials, labor, manufacturing overhead and freight and in-bound handling costs incurred to pre-position goods in our warehouse network. Adjustments to net realizable value for excess and obsolete inventory are based on a variety of factors, including product changes and improvements, changes in active ingredient availability and regulatory acceptance, new product introductions and estimated future demand. The adequacy of our adjustments could be materially affected by changes in the demand for our products or regulatory actions.

Long-lived Assets, including Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is provided on the straight-line method and is based on the estimated useful economic lives of the assets. Intangible assets with finite lives, and therefore subject to amortization, include technology (e.g., patents), customer relationships and certain tradenames. These intangible assets are being amortized over their estimated useful economic lives typically ranging from 3 to 25 years. We review long-lived assets whenever circumstances change such that the indicated recorded value of an asset may not be recoverable and therefore impaired.

Goodwill and Indefinite-lived Intangible Assets

We have significant investments in intangible assets and goodwill. Our annual goodwill and indefinite-lived intangible asset testing is performed as of the first day of our fiscal fourth quarter or more frequently if circumstances indicate potential impairment. In our evaluation of goodwill and indefinite-lived intangible assets impairment, we perform either an initial qualitative or quantitative evaluation for each of our reporting units and indefinite-lived intangible assets. Factors considered in the qualitative test include operating results as well as new events and circumstances impacting the operations or cash flows of the reporting unit and indefinite-lived intangible assets. For the quantitative test, the review for impairment of goodwill and indefinite-lived intangible assets is primarily based on our estimates of discounted future cash flows, which are based upon annual budgets and longer-range strategic plans. These budgets and plans are used for internal purposes and are also the basis for communication with outside parties about future business trends. While we believe the assumptions we use to estimate future cash flows are reasonable, there can be no assurance that the expected future cash flows will be realized. As a result, impairment charges that possibly would have been recognized in earlier periods may not be recognized until later periods if actual results deviate unfavorably from earlier estimates. An asset’s value is deemed impaired if the discounted cash flows or earnings projections generated do not substantiate the carrying value of the asset. The estimation of such amounts requires management to exercise judgment with respect to revenue and expense growth rates, changes in working capital, future capital expenditure requirements and selection of an appropriate discount rate, as applicable. The use of different assumptions would increase or decrease discounted future operating cash flows or earnings projections and could, therefore, change impairment determinations.

Fair value estimates employed in our annual impairment review of indefinite-lived tradenames and goodwill were determined using discounted cash flow models involving several assumptions. Changes in our assumptions could materially impact our fair value estimates. Assumptions critical to our fair value estimates were: (i) discount rates used in determining the fair value of the reporting units and tradenames; (ii) royalty rates used in our tradename valuations; (iii) projected revenue and operating profit growth rates used in the reporting unit and tradename models; and (iv) projected long-term growth rates used in the derivation of terminal year values. These and other assumptions are impacted by economic conditions and expectations of management and may change in the future based on period specific facts and circumstances.

At September 30, 2012, goodwill totaled $309.4 million, with $182.1 million and $127.3 million of goodwill for Global Consumer and Scotts LawnService segments, respectively. No goodwill impairment was recognized as a result of the annual evaluation performed as of July 1, 2012. The estimated fair value of each reporting unit was substantially in excess of its carrying value as of the annual test date. At September 30, 2012, indefinite-lived intangible assets comprised of tradenames totaled $232.3 million. Each of these tradenames had an estimated fair value substantially in excess of its carrying value as of the annual test date, with the exception of the Ortho® tradename and French tradenames of KB® and Fertiligene®. The carrying value of the Ortho® tradename and French tradenames (KB® and Fertiligene®) at September 30, 2012 were $137.1 million and $17.7 million, respectively. The excess fair value over the carrying value of Ortho® tradename and French tradenames were 7.4% and 14.1%, respectively. If future analyses indicate that fair value has declined below carrying value, the result will be an impairment of a portion of the indefinite-lived intangible asset value.

Associate Benefits

We sponsor various post-employment benefit plans, including pension plans, both defined contribution plans and defined benefit plans, and other post-employment benefit (“OPEB”) plans, consisting primarily of health care for retirees. For accounting purposes, the defined benefit pension and OPEB plans are dependent on a variety of assumptions to estimate the projected and accumulated benefit obligations and annual expense determined by actuarial valuations. These assumptions include the following:

discount rate; expected salary increases; certain employee-related factors, such as turnover, retirement age and mortality; expected return on plan assets; and health care cost trend rates.

Assumptions are reviewed annually for appropriateness and updated as necessary. We base the discount rate assumption on investment yields available at fiscal year-end on high-quality corporate bonds that could be purchased to effectively settle the pension liabilities. The salary growth assumption reflects our long-term actual experience, the near-term outlook and assumed inflation. The expected return on plan assets assumption reflects asset allocation, investment strategy and the views of investment managers regarding the market. Retirement and mortality rates are based primarily on actual and expected plan experience. The effects of actual results that differ from our assumptions are accumulated and amortized over future periods.

Changes in the discount rate and investment returns can have a significant effect on the funded status of our pension plans and shareholders' equity. We cannot predict these discount rates or investment returns with certainty and, therefore, cannot determine whether adjustments to our shareholders' equity for pension-related activity in subsequent years will be significant. We also cannot predict future investment returns, and therefore cannot determine whether future pension plan funding requirements could materially affect our financial condition, results of operations or cash flows.

Insurance and Self-Insurance

We maintain insurance for certain risks, including workers' compensation, general liability and vehicle liability, and are self-insured for employee-related health care benefits up to a specified level for individual claims. We establish reserves for losses based on our claims experience and industry actuarial estimates of the ultimate loss amount inherent in the claims, including losses for claims incurred but not reported. Our estimate of self-insured liabilities is subject to change as new events or circumstances develop which might materially impact the ultimate cost to settle these losses.

Derivative Instruments

In the normal course of business, we are exposed to fluctuations in interest rates, the value of foreign currencies and the cost of commodities. A variety of financial instruments, including forward and swap contracts, are used to manage these exposures. Our objective in managing these exposures is to better control these elements of cost and mitigate the earnings and cash flow volatility associated with changes in the applicable rates and prices. We have established policies and procedures that encompass risk-management philosophy and objectives, guidelines for derivative-instrument usage, counterparty credit approval, and the monitoring and reporting of derivative activity. We do not enter into derivative instruments for the purpose of speculation.

Contingencies

As described more fully in "NOTE 19. CONTINGENCIES" of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K, we are involved in significant environmental and legal matters which have a high degree of uncertainty associated with them. We continually assess the likely outcomes of these matters and the adequacy of reserves, if any, provided for their resolution. There can be no assurance that the ultimate outcomes of these matters will not differ materially from our current assessment of them, nor that all matters that may currently be brought against us are known by us at this time.

Other Significant Accounting Policies

Other significant accounting policies, primarily those with lower levels of uncertainty than those discussed above, are also critical to understanding the consolidated financial statements. The Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K contain additional information related to our accounting policies, including recent accounting pronouncements, and should be read in conjunction with this discussion.

ITEM 7A. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*

As part of our ongoing business, we are exposed to certain market risks, including fluctuations in interest rates, foreign currency exchange rates and commodity prices. Financial derivative and other instruments are used to manage these risks. These instruments are not used for speculative purposes.

Interest Rate Risk

We had variable rate debt instruments outstanding at September 30, 2012 and 2011 that are impacted by changes in interest rates. As a means of managing our interest rate risk on these debt instruments, we entered into interest rate swap agreements with major financial institutions to effectively fix the LIBOR index on certain variable-rate debt obligations.

At September 30, 2012 and 2011, we had outstanding interest rate swap agreements with a total U.S. dollar equivalent notional value of $700.0 million and $900.0 million, respectively. The weighted average fixed rate of swap agreements outstanding at September 30, 2012 was 3.0%.

The following table summarizes information about our derivative financial instruments and debt instruments that are sensitive to changes in interest rates as of September 30, 2012 and 2011. For debt instruments, the table presents principal cash flows and related weighted-average interest rates by expected maturity dates. For interest rate swap agreements, the table presents expected cash flows based on notional amounts and weighted-average interest rates by contractual maturity dates. Weighted-average variable rates are based on rates in effect at September 30, 2012 and 2011. A change in our variable interest rate of 100 basis points for a full twelve-month period would have a $2.5 million impact on interest expense assuming approximately $250 million of our average fiscal 2012 variable-rate debt had not been hedged via an interest rate swap agreement. The information is presented in U.S. dollars (in millions):

	Expected Maturity Date							
2012	2013	2014	2015	2016	2017	After	Total	Fair Value
Long-term debt:								
Fixed rate debt	$ —	$ —	$ —	$ —	$ —	$ 400.0	$ 400.0	$ 429.5
Average rate	—	—	—	—	—	6.9%	6.9%	—
Variable rate debt	$ —	$ —	$ —	$ 377.1	$ —	$ —	$ 377.1	$ 377.1
Average rate	—	—	—	2.7%	—	—	2.7%	—
Interest rate derivatives:								
Interest rate swaps	$ —	$ —	$ —	$ (24.9)	$ (3.9)	$ —	$ (28.8)	$ (28.8)
Average rate	—	—	—	3.0%	3.0%	—	3.0%	—

	Expected Maturity Date							
2011	2012	2013	2014	2015	2016	After	Total	Fair Value
Long-term debt:								
Fixed rate debt	$ —	$ —	$ —	$ —	$ —	$ 400.0	$ 400.0	$ 404.1
Average rate	—	—	—	—	—	6.9%	6.9%	—
Variable rate debt	$ —	$ —	$ —	$ —	$ 387.2	$ —	$ 387.2	$ 387.2
Average rate	—	—	—	—	5.2%	—	5.2%	—
Interest rate derivatives:								
Interest rate swaps	$ (4.9)	$ —	$ —	$ —	$ (23.9)	$ (2.5)	$ (31.3)	$ (31.3)
Average rate	5.2%	—	—	—	2.8%	3.0%	3.3%	—

Excluded from the information provided above are $5.5 million and $7.8 million at September 30, 2012 and 2011, respectively, of miscellaneous debt instruments.

Other Market Risks

Through fiscal 2012, we had transactions that were denominated in currencies other than the currency of the country of origin. We use foreign currency swap contracts to manage the exchange rate risk associated with intercompany loans with foreign subsidiaries that are denominated in local currencies. At September 30, 2012, the notional amount of outstanding foreign currency swap contracts was $61.8 million with a negative fair value of $1.0 million. At September 30, 2011, the notional amount of outstanding foreign currency swap contracts was $217.9 million with a fair value of $2.7 million.

We are subject to market risk from fluctuating prices of certain raw materials, including urea, resins, diesel, gasoline, sphagnum peat, grass seed and wild bird food grains. Our objectives surrounding the procurement of these materials are to ensure continuous supply and to minimize costs. We seek to achieve these objectives through negotiation of contracts with favorable terms directly with vendors. In addition, we entered into arrangements to partially mitigate the effect of fluctuating direct and indirect fuel costs on our Global Consumer and Scotts LawnService® businesses and hedged a portion of our fuel and urea needs for fiscal 2012 and fiscal 2011. We had outstanding derivative contracts for approximately 11,984,000 gallons of fuel with a fair value of $1.2 million at September 30, 2012. We had outstanding derivative contracts for approximately 3,955,000 gallons of fuel with a negative fair value of $0.8 million at September 30, 2011. We also had outstanding derivative contracts for 34,500 and

4,500 aggregate tons of urea at September 30, 2012 and 2011, respectively. The fair value of the outstanding derivative contracts for 34,500 aggregate tons at September 30, 2012 was $0.8 million, while the fair value of the outstanding derivative contracts for 4,500 aggregate tons at September 30, 2011 was $0.1 million.

ITEM 8. *FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA*

The financial statements and other information required by this Item are contained in the Consolidated Financial Statements, Notes to Consolidated Financial Statements and Schedules Supporting the Consolidated Financial Statements listed in the "Index to Consolidated Financial Statements and Financial Statement Schedules" on page 48 of this Annual Report on Form 10-K.

ITEM 9. *CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE*

None.

ITEM 9A. *CONTROLS AND PROCEDURES*

Evaluation of Disclosure Controls and Procedures

With the participation of the principal executive officer and the principal financial officer of The Scotts Miracle-Gro Company (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 (the "Exchange Act")), as of the end of the fiscal year covered by this Annual Report on Form 10-K. 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 as of the end of the fiscal year covered by this Annual Report on Form 10-K.

Management's Annual Report on Internal Control Over Financial Reporting

The "Annual Report of Management on Internal Control Over Financial Reporting" required by Item 308(a) of SEC Regulation S-K is included on page 49 of this Annual Report on Form 10-K.

Attestation Report of Independent Registered Public Accounting Firm

The "Report of Independent Registered Public Accounting Firm" required by Item 308(b) of SEC Regulation S-K is included on page 50 of this Annual Report on Form 10-K.

Changes in Internal Control Over Financial Reporting

No changes in the Registrant's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) occurred during the Registrant's fiscal quarter ended September 30, 2012, that have materially affected, or are reasonably likely to materially affect, the Registrant's internal control over financial reporting.

ITEM 9B. *OTHER INFORMATION*

On November 15, 2012, The Scotts Miracle-Gro Company ("Scotts Miracle-Gro") and its wholly-owned subsidiary, The Scotts Company LLC ("Scotts LLC"), entered into a Master Accounts Receivable Purchase Agreement (the "Agreement") by and among Scotts LLC, Scotts Miracle-Gro, Mizuho Corporate Bank, Ltd., as Administrative Agent and as a Bank ("Mizuho"), and The Bank of Nova Scotia, RB Receivables LLC and Suntrust Bank, as Banks (collectively with Mizuho, the "Banks").

The Agreement, which is uncommitted, provides for the discretionary sale by Scotts LLC, and the discretionary purchase by the Banks, on a revolving basis, of accounts receivable generated by sales to three specified debtors in an aggregate amount not to exceed $400 million, with debtor sublimits ranging from $100 million to $200 million. Under the terms of the Agreement, the Banks have the opportunity, but not the obligation, to purchase those accounts receivable offered by Scotts LLC at a discount (from the agreed base value thereof) effectively equal to the greater of 7-day or 3-month LIBOR plus 0.75%. Scotts LLC will continue to be responsible for the servicing and administration of the receivables sold to the Banks until the occurrence of a termination event under the Agreement.

The Agreement provides that although the specified accounts receivable may be sold to the Banks, the Banks have the right to require Scotts LLC to repurchase uncollected receivables on weekly settlement dates and upon the occurrence of certain termination events, including the breach of any covenant made by Scotts LLC or Scotts Miracle-Gro with respect to such receivables. The Banks do not have the right, however, to require Scotts LLC to repurchase any uncollected receivables if the receivables are not paid when due or cannot be paid solely as a result of the applicable debtor's financial inability to pay. Scotts LLC has the right at any time to repurchase receivables which have been sold to the Banks pursuant to the Agreement.

The terms of the Agreement include customary representations, warranties, covenants and indemnities for transactions of this type. All of Scotts LLC's obligations under the Agreement are guaranteed by Scotts Miracle-Gro. The Agreement has an initial stated termination date of October 30, 2013, which may be extended by mutual agreement of Scotts LLC and the Banks. Certain of the Banks, or their affiliates, have in the past provided investment or commercial banking services to Scotts Miracle-Gro and its affiliates for which they received customary fees and expenses and they may provide similar services in the future.

The Agreement replaces the previous Master Accounts Receivable Purchase Agreement, which expired on September 21, 2012.

The foregoing summary of the material terms of the Agreement is qualified in its entirety by reference to the Agreement, which is filed as Exhibit 10.16 to this Annual Report on Form 10-K and is incorporated herein by reference.

PART III

ITEM 10. *DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE*

Directors, Executive Officers and Persons Nominated or Chosen to Become Directors or Executive Officers

The information required by Item 401 of SEC Regulation S-K concerning the directors of Scotts Miracle-Gro and the nominees for election or re-election as directors of Scotts Miracle-Gro at the Annual Meeting of Shareholders to be held on January 17, 2013 (the "2013 Annual Meeting") is incorporated herein by reference from the disclosure which will be included under the caption "PROPOSAL NUMBER 1 — ELECTION OF DIRECTORS" in Scotts Miracle-Gro's definitive Proxy Statement relating to the 2013 Annual Meeting ("Scotts Miracle-Gro's Definitive Proxy Statement"), which will be filed pursuant to SEC Regulation 14A not later than 120 days after the end of Scotts Miracle-Gro's fiscal year ended September 30, 2012.

The information required by Item 401 of SEC Regulation S-K concerning the executive officers of Scotts Miracle-Gro is incorporated herein by reference from the disclosure included under the caption "SUPPLEMENTAL ITEM. EXECUTIVE OFFICERS OF THE REGISTRANT" in Part I of this Annual Report on Form 10-K.

Compliance with Section 16(a) of the Securities Exchange Act of 1934

The information required by Item 405 of SEC Regulation S-K is incorporated herein by reference from the disclosure which will be included under the caption "SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE" in Scotts Miracle-Gro's Definitive Proxy Statement.

Procedures for Recommending Director Nominees

Information concerning the procedures by which shareholders of Scotts Miracle-Gro may recommend nominees to Scotts Miracle-Gro's Board of Directors is incorporated herein by reference from the disclosures which will be included under the captions "CORPORATE GOVERNANCE — Nominations of Directors" and "MEETINGS AND COMMITTEES OF THE BOARD — Committees of the Board — Governance and Nominating Committee" in Scotts Miracle-Gro's Definitive Proxy Statement. These procedures have not materially changed from those described in Scotts Miracle-Gro's definitive Proxy Statement for the 2012 Annual Meeting of Shareholders held on January 19, 2012.

Audit Committee

The information required by Items 407(d)(4) and 407(d)(5) of SEC Regulation S-K is incorporated herein by reference from the disclosure which will be included under the caption "MEETINGS AND COMMITTEES OF THE BOARD — Committees of the Board — Audit Committee" in Scotts Miracle-Gro's Definitive Proxy Statement.

Committee Charters; Code of Business Conduct and Ethics; Corporate Governance Guidelines

The Board of Directors of Scotts Miracle-Gro has adopted charters for each of the Audit Committee, the Governance and Nominating Committee, the Compensation and Organization Committee, the Finance Committee and the Innovation & Technology Committee, as well as Corporate Governance Guidelines, as contemplated by the applicable sections of the New York Stock Exchange Listed Company Manual.

In accordance with the requirements of Section 303A.10 of the New York Stock Exchange Listed Company Manual and Item 406 of SEC Regulation S-K, the Board of Directors of Scotts Miracle-Gro has adopted a Code of Business Conduct and Ethics covering the members of Scotts Miracle-Gro's Board of Directors and associates (employees) of Scotts Miracle-Gro and its subsidiaries, including, without limitation, Scotts Miracle-Gro's principal executive officer, principal financial officer and principal accounting officer. Scotts Miracle-Gro intends to disclose the following events, if they occur, on its Internet website located at http://investor.scotts.com within four business days following their occurrence: (A) the date and nature of any amendment to a provision of Scotts Miracle-Gro's Code of Business Conduct and Ethics that (i) applies to Scotts Miracle-Gro's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, (ii) relates to any element of the code of ethics definition enumerated in Item 406(b) of SEC Regulation S-K, and (iii) is not a technical, administrative or other non-substantive amendment; and (B) a description of any waiver (including the nature of the waiver, the name of the person to whom the waiver was granted and the date of the waiver), including an implicit waiver, from a provision of the Code of Business Conduct and Ethics granted to Scotts Miracle-Gro's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, that relates to one or more of the elements of the code of ethics definition enumerated in Item 406(b) of SEC Regulation S-K.

The text of Scotts Miracle-Gro's Code of Business Conduct and Ethics, Scotts Miracle-Gro's Corporate Governance Guidelines, the Audit Committee charter, the Governance and Nominating Committee charter, the Compensation and Organization

Committee charter, the Finance Committee charter and the Innovation & Technology Committee charter are posted under the "Corporate Governance" link on Scotts Miracle-Gro's Internet website located at http://investor.scotts.com. Interested persons and shareholders of Scotts Miracle-Gro may also obtain copies of each of these documents without charge by writing to The Scotts Miracle-Gro Company, Attention: Corporate Secretary, 14111 Scottslawn Road, Marysville, Ohio 43041. In addition, a copy of the Code of Business Conduct and Ethics, as revised effective January 18, 2012, is incorporated by reference in Exhibit 14 to this Annual Report on Form 10-K.

ITEM 11. *EXECUTIVE COMPENSATION*

The information required by Item 402 of SEC Regulation S-K is incorporated herein by reference from the disclosures which will be included under the captions "EXECUTIVE COMPENSATION" and "NON-EMPLOYEE DIRECTOR COMPENSATION" in Scotts Miracle-Gro's Definitive Proxy Statement.

The information required by Item 407(e)(4) of SEC Regulation S-K is incorporated herein by reference from the disclosure which will be included under the caption "MEETINGS AND COMMITTEES OF THE BOARD — Compensation and Organization Committee Interlocks and Insider Participation" in Scotts Miracle-Gro's Definitive Proxy Statement.

The information required by Item 407(e)(5) of SEC Regulation S-K is incorporated herein by reference from the disclosure which will be included under the caption "COMPENSATION COMMITTEE REPORT" in Scotts Miracle-Gro's Definitive Proxy Statement.

ITEM 12. *SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS*

Ownership of Common Shares of Scotts Miracle-Gro

The information required by Item 403 of SEC Regulation S-K is incorporated herein by reference from the disclosure which will be included under the caption "SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT" in Scotts Miracle-Gro's Definitive Proxy Statement.

Equity Compensation Plan Information

The information required by Item 201(d) of SEC Regulation S-K is incorporated herein by reference from the disclosure which will be included under the caption "EQUITY COMPENSATION PLAN INFORMATION" in Scotts Miracle-Gro's Definitive Proxy Statement.

ITEM 13. *CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE*

Certain Relationships and Related Person Transactions

The information required by Item 404 of SEC Regulation S-K is incorporated herein by reference from the disclosures which will be included under the caption "CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS" in Scotts Miracle-Gro's Definitive Proxy Statement.

Director Independence

The information required by Item 407(a) of SEC Regulation S-K is incorporated herein by reference from the disclosures which will be included under the captions "CORPORATE GOVERNANCE — Director Independence" and "MEETINGS AND COMMITTEES OF THE BOARD" in Scotts Miracle-Gro's Definitive Proxy Statement.

ITEM 14. *PRINCIPAL ACCOUNTING FEES AND SERVICES*

The information required by this Item 14 is incorporated herein by reference from the disclosures which will be included under the captions "AUDIT COMMITTEE MATTERS — Fees of the Independent Registered Public Accounting Firm" and "AUDIT COMMITTEE MATTERS — Pre-Approval of Services Performed by the Independent Registered Public Accounting Firm" in Scotts Miracle-Gro's Definitive Proxy Statement.

PART IV

ITEM 15. *EXHIBITS, FINANCIAL STATEMENT SCHEDULES*

(a) *LIST OF DOCUMENTS FILED AS PART OF THIS REPORT*

1 and 2. Financial Statements and Financial Statement Schedules:

The response to this portion of Item 15 is submitted as a separate section of this Annual Report on Form 10-K. Reference is made to the "Index to Consolidated Financial Statements and Financial Statement Schedules" on page 48 of this Annual Report on Form 10-K.

(b) *EXHIBITS*

The exhibits listed on the "Index to Exhibits" beginning on page 109 of this Annual Report on Form 10-K are filed or furnished with this Annual Report on Form 10-K or incorporated herein by reference as noted in the "Index to Exhibits."

(c) *FINANCIAL STATEMENT SCHEDULES*

The financial statement schedule filed with this Annual Report on Form 10-K is submitted in a separate section hereof. For a description of such financial statement schedules, see "Index to Consolidated Financial Statements and Financial Statement Schedules" on page 48 of this Annual Report on Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

By: /s/ James Hagedorn
James Hagedorn, Chief Executive Officer and Chairman of the Board

Dated: November 20, 2012

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

Signature	Title	Date
/s/ Alan H. Barry* Alan H. Barry	Director	November 20, 2012
/s/ David C. Evans David C. Evans	Chief Financial Officer and Executive Vice President, Strategy and Business Development (Principal Financial Officer and Principal Accounting Officer)	November 20, 2012
/s/ Joseph P. Flannery* Joseph P. Flannery	Director	November 20, 2012
/s/ James Hagedorn James Hagedorn	Chief Executive Officer, Chairman of the Board and Director (Principal Executive Officer)	November 20, 2012
/s/ Adam Hanft* Adam Hanft	Director	November 20, 2012
/s/ Stephen L. Johnson* Stephen L. Johnson	Director	November 20, 2012
/s/ William G. Jurgensen* William G. Jurgensen	Director	November 20, 2012
/s/ Thomas N. Kelly Jr.* Thomas N. Kelly Jr.	Director	November 20, 2012
/s/ Carl F. Kohrt, Ph.D.* Carl F. Kohrt, Ph.D.	Director	November 20, 2012
/s/ Katherine Hagedorn Littlefield* Katherine Hagedorn Littlefield	Director	November 20, 2012

Signature	Title	Date
/s/ Nancy G. Mistretta* Nancy G. Mistretta	Director	November 20, 2012
/s/ Stephanie M. Shern* Stephanie M. Shern	Director	November 20, 2012
/s/ John S. Shiely* John S. Shiely	Director	November 20, 2012

* The undersigned, by signing his name hereto, does hereby sign this Report on behalf of each of the directors of the Registrant identified above pursuant to Powers of Attorney executed by the directors identified above, which Powers of Attorney are filed with this Report as exhibits.

By: /s/ David C. Evans
David C. Evans, Attorney-in-Fact

THE SCOTTS MIRACLE-GRO COMPANY
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
AND FINANCIAL STATEMENT SCHEDULES

All other financial statement schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are omitted because they are not required or are not applicable, or the required information has been presented in the Consolidated Financial Statements or Notes thereto.

ANNUAL REPORT OF MANAGEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. Internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of The Scotts Miracle-Gro Company and our consolidated subsidiaries; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of The Scotts Miracle-Gro Company and our consolidated subsidiaries are being made only in accordance with authorizations of management and directors of The Scotts Miracle-Gro Company and our consolidated subsidiaries, as appropriate; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the assets of The Scotts Miracle-Gro Company and our consolidated subsidiaries that could have a material effect on our consolidated financial statements.

Management, with the participation of our principal executive officer and principal financial officer, assessed the effectiveness of our internal control over financial reporting as of September 30, 2012, the end of our fiscal year. Management based its assessment on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management's assessment included evaluation of such elements as the design and operating effectiveness of key financial reporting controls, process documentation, accounting policies and our overall control environment. This assessment is supported by testing and monitoring performed under the direction of management.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Accordingly, even an effective system of internal control over financial reporting will provide only reasonable assurance with respect to financial statement preparation.

Based on our assessment, management has concluded that our internal control over financial reporting was effective as of September 30, 2012, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America. We reviewed the results of management's assessment with the Audit Committee of the Board of Directors of The Scotts Miracle-Gro Company.

Our independent registered public accounting firm, Deloitte & Touche LLP, independently audited our internal control over financial reporting as of September 30, 2012 and has issued their attestation report which appears herein.

/s/ James Hagedorn	/s/ David C. Evans
James Hagedorn Chief Executive Officer and Chairman of the Board	David C. Evans Chief Financial Officer and Executive Vice President, Strategy and Business Development
Dated: November 20, 2012	Dated: November 20, 2012

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
The Scotts Miracle-Gro Company
Marysville, Ohio

We have audited the accompanying consolidated balance sheets of The Scotts Miracle-Gro Company and subsidiaries (the “Company”) as of September 30, 2012 and 2011, and the related consolidated statements of operations, shareholders’ equity, and cash flows for each of the three years in the period ended September 30, 2012. Our audits also included the financial statement schedules listed in the Index to Consolidated Financial Statements and Financial Statement Schedules. These financial statements and financial statement schedules are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2012 and 2011, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 2012, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of September 30, 2012, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated November 20, 2012 expressed an unqualified opinion on the Company’s internal control over financial reporting.

/s/ Deloitte & Touche LLP

Columbus, Ohio
November 20, 2012

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
The Scotts Miracle-Gro Company
Marysville, Ohio

We have audited the internal control over financial reporting of The Scotts Miracle-Gro Company and subsidiaries (the "Company") as of September 30, 2012, based on criteria established in *Internal Control— Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, which is included in the Annual Report of Management on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2012, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedules as of and for the year ended September 30, 2012 of the Company and our report dated November 20, 2012 expressed an unqualified opinion on those financial statements and financial statement schedules.

/s/ Deloitte & Touche LLP

Columbus, Ohio
November 20, 2012

THE SCOTTS MIRACLE-GRO COMPANY

Consolidated Statements of Operations
(In millions, except per share data)

	Year Ended September 30,		
	2012	2011	2010
Net sales	$ 2,826.1	$ 2,799.7	$ 2,873.0
Cost of sales	1,864.4	1,769.0	1,784.4
Cost of sales—impairment, restructuring and other charges	—	18.3	—
Cost of sales—product registration and recall matters	0.4	3.2	3.0
Gross profit	961.3	1,009.2	1,085.6
Operating expenses:			
Selling, general and administrative	705.7	686.3	692.6
Impairment, restructuring and other charges	7.1	37.6	18.5
Product registration and recall matters	7.8	11.4	5.7
Other income, net	(2.9)	(0.9)	(5.6)
Income from operations	243.6	274.8	374.4
Costs related to refinancing	—	1.2	—
Interest expense	61.8	51.0	43.2
Income from continuing operations before income taxes	181.8	222.6	331.2
Income tax expense from continuing operations	68.6	82.7	123.5
Income from continuing operations	113.2	139.9	207.7
Income (loss) from discontinued operations, net of tax	(6.7)	28.0	(3.6)
Net income	$ 106.5	$ 167.9	$ 204.1
Basic income per common share:			
Income from continuing operations	$ 1.86	$ 2.16	$ 3.13
Income (loss) from discontinued operations	(0.11)	0.44	(0.05)
Basic net income per common share	$ 1.75	$ 2.60	$ 3.08
Diluted income per common share:			
Income from continuing operations	$ 1.82	$ 2.11	$ 3.07
Income (loss) from discontinued operations	(0.11)	0.43	(0.05)
Diluted net income per common share	$ 1.71	$ 2.54	$ 3.02

See Notes to Consolidated Financial Statements.

THE SCOTTS MIRACLE-GRO COMPANY

Consolidated Statements of Cash Flows
(In millions)

	Year Ended September 30,		
	2012	**2011**	**2010**
OPERATING ACTIVITIES			
Net income	$ 106.5	$ 167.9	$ 204.1
Adjustments to reconcile net income to net cash provided by operating activities:			
Impairment, restructuring and other charges	5.3	31.8	18.5
Costs related to refinancing	—	1.2	—
Share-based compensation expense	12.5	16.0	16.4
Depreciation	51.5	50.3	48.5
Amortization	10.9	11.4	10.9
Deferred taxes	24.2	(11.3)	37.7
Loss (gain) on sale of long-lived assets	0.1	0.8	(22.4)
Gain on sale of business	—	(93.0)	—
Changes in assets and liabilities, net of acquired businesses:			
Accounts receivable	(6.9)	10.4	(10.7)
Inventories	(23.1)	(37.8)	50.8
Prepaid and other assets	17.3	(7.6)	(3.7)
Accounts payable	(6.9)	6.1	(31.2)
Other current liabilities	(15.9)	(76.5)	(24.1)
Restructuring reserves	(19.4)	29.1	(0.3)
Other non-current items	(9.0)	13.0	13.0
Other, net	6.3	10.3	(11.6)
Net cash provided by operating activities	153.4	122.1	295.9
INVESTING ACTIVITIES			
Proceeds from sale of long-lived assets	0.7	0.2	24.5
Proceeds from sale of business, net of transaction costs	—	253.6	—
Investments in property, plant and equipment	(69.4)	(72.7)	(83.4)
Contingent consideration and related payments	—	(20.0)	—
Investments in acquired businesses, net of cash acquired	(7.0)	(7.6)	—
Net cash provided by (used in) investing activities	(75.7)	153.5	(58.9)
FINANCING ACTIVITIES			
Borrowings under revolving and bank lines of credit and term loans	1,684.0	1,610.1	1,021.4
Repayments under revolving and bank lines of credit and term loans	(1,694.6)	(1,632.1)	(1,391.4)
Proceeds from issuance of Senior Notes, net of discount	—	200.0	198.5
Financing and issuance fees	—	(18.9)	(5.5)
Dividends paid	(75.4)	(67.9)	(42.6)
Purchase of common shares	(17.5)	(358.7)	(25.0)
Payments on sellers notes	—	(0.3)	(0.6)
Excess tax benefits from share-based payment arrangements	6.6	5.6	6.4
Cash received from exercise of stock options	17.6	31.5	22.5
Net cash used in financing activities	(79.3)	(230.7)	(216.3)
Effect of exchange rate changes on cash	2.6	(2.1)	(3.2)
Net increase in cash and cash equivalents	1.0	42.8	17.5
Cash and cash equivalents at beginning of year	130.9	88.1	70.6
Cash and cash equivalents at end of year	$ 131.9	$ 130.9	$ 88.1
SUPPLEMENTAL CASH FLOW INFORMATION			
Interest paid	$ (48.6)	$ (44.5)	$ (41.6)
Income taxes paid	(79.6)	(115.1)	(84.2)

See Notes to Consolidated Financial Statements.

THE SCOTTS MIRACLE-GRO COMPANY

Consolidated Balance Sheets
(In millions, except stated value per share)

	September 30, 2012	September 30, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 131.9	$ 130.9
Accounts receivable, less allowances of $10.5 in 2012 and $12.9 in 2011	330.9	323.5
Inventories	414.9	387.0
Prepaid and other current assets	122.3	151.1
Total current assets	1,000.0	992.5
Property, plant and equipment, net	427.4	394.7
Goodwill	309.4	309.1
Intangible assets, net	307.1	319.6
Other assets	30.5	36.3
Total assets	$ 2,074.4	$ 2,052.2
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of debt	$ 1.5	$ 3.2
Accounts payable	152.3	150.0
Other current liabilities	279.8	315.4
Total current liabilities	433.6	468.6
Long-term debt	781.1	791.8
Other liabilities	257.8	232.0
Total liabilities	1,472.5	1,492.4
Commitments and contingencies (Notes 3, 17, 18 and 19)		
Shareholders' equity:		
Common shares and capital in excess of $.01 stated value per share; shares outstanding of 61.3 in 2012 and 60.8 in 2011	408.6	427.1
Retained earnings	630.2	599.2
Treasury shares, at cost; 6.8 shares in 2012 and 7.5 shares in 2011	(349.6)	(388.5)
Accumulated other comprehensive loss	(87.3)	(78.0)
Total shareholders' equity	601.9	559.8
Total liabilities and shareholders' equity	$ 2,074.4	$ 2,052.2

See Notes to Consolidated Financial Statements.

THE SCOTTS MIRACLE-GRO COMPANY

Consolidated Statements of Shareholders' Equity
(In millions, except per share data)

	Common Shares		Capital in Excess of Stated Value	Retained Earnings	Treasury Shares		Accumulated Other Comprehensive Income (loss)	Total
	Shares	Amount			Shares	Amount		
Balance at September 30, 2009	68.1	$ 0.3	$ 451.2	$ 337.5	2.4	$ (131.7)	$ (72.8)	$ 584.5
Net income				204.1				204.1
Foreign currency translation							1.0	1.0
Gain on derivatives, net of tax of $2.9							4.6	4.6
Pension and other postretirement liabilities, net of tax of $1.0							(9.9)	(9.9)
Comprehensive income								199.8
Share-based compensation			16.4					16.4
Dividends declared ($0.625 per share)				(42.0)				(42.0)
Treasury stock purchases					0.5	(25.0)		(25.0)
Treasury stock issuances			(34.6)		(1.1)	64.7		30.1
Other			0.7					0.7
Balance at September 30, 2010	68.1	0.3	433.7	499.6	1.8	(92.0)	(77.1)	764.5
Net income				167.9				167.9
Foreign currency translation							(10.1)	(10.1)
Loss on derivatives, net of tax of $0.7							(3.0)	(3.0)
Pension and other postretirement liabilities, net of tax of $6.9							12.2	12.2
Comprehensive income								167.0
Share-based compensation			16.0					16.0
Dividends declared ($1.05 per share)				(68.3)				(68.3)
Treasury stock purchases					6.9	(358.7)		(358.7)
Treasury stock issuances			(24.3)		(1.2)	62.2		37.9
Other			1.4					1.4
Balance at September 30, 2011	68.1	0.3	426.8	599.2	7.5	(388.5)	(78.0)	559.8
Net income				106.5				106.5
Foreign currency translation							2.3	2.3
Loss on derivatives, net of tax of $0.6							(0.9)	(0.9)
Pension and other postretirement liabilities, net of tax of $2.6							(10.7)	(10.7)
Comprehensive income								97.2
Share-based compensation			12.5					12.5
Dividends declared ($1.225 per share)				(75.4)				(75.4)
Treasury stock purchases					0.4	(17.5)		(17.5)
Treasury stock issuances			(31.2)		(1.1)	56.4		25.2
Other			0.2	(0.1)				0.1
Balance at September 30, 2012	68.1	$ 0.3	$ 408.3	$ 630.2	6.8	$ (349.6)	$ (87.3)	$ 601.9

See Notes to Consolidated Financial Statements.

THE SCOTTS MIRACLE-GRO COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Scotts Miracle-Gro Company ("Scotts Miracle-Gro" and, together with its subsidiaries, the "Company") are engaged in the manufacturing, marketing and sale of branded products for consumer 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.

On July 8, 2009, Scotts Miracle-Gro announced its intention to close the Smith & Hawken business by the end of calendar 2009. During the Company's first quarter of fiscal 2010, all Smith & Hawken stores were closed and substantially all operational activities of Smith & Hawken were discontinued. As a result, effective in our first quarter of fiscal 2010, we classified Smith & Hawken as discontinued operations. Prior to being reported as discontinued operations, our Smith & Hawken business was included as part of Corporate & Other. On February 28, 2011, the Company completed the sale of a significant majority of the assets of its Global Professional business (excluding the non-European professional seed business, "Global Pro") to Israel Chemicals Ltd. ("ICL"). As a result of the then-pending sale, effective in the Company's first quarter of fiscal 2011, the Company classified Global Pro as discontinued operations. In the fourth quarter of fiscal year 2012, the Company completed the wind down of the Company's professional seed business ("Pro Seed"). As a result, effective in its fourth quarter of fiscal 2012, the Company classified Pro Seed as a discontinued operation.

Due to the nature of the consumer lawn and garden business, the majority of sales to customers occur in the Company's second and third fiscal quarters. On a combined basis, net sales for the second and third quarters of the last three fiscal years represented approximately 75% of annual net sales.

Organization and Basis of Presentation

The Company's consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The consolidated financial statements include the accounts of Scotts Miracle-Gro and all wholly-owned and majority-owned subsidiaries. All intercompany transactions and accounts are 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.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. 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.

Revenue Recognition

Revenue is recognized when title and risk of loss transfer, which generally occurs when products or services are received by the customer. Provisions for estimated returns and allowances are recorded at the time revenue is recognized based on historical rates and are periodically adjusted for known changes in return levels. Outbound shipping and handling costs are included in cost of sales.

Under the terms of the Amended and Restated Exclusive Agency and Marketing Agreement (the "Marketing Agreement") between the Company and Monsanto Company ("Monsanto"), the Company, in its role as exclusive agent, 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 by the Company on behalf of the consumer Roundup® business are recovered from Monsanto through the terms of the Marketing Agreement. The reimbursement of costs for which the Company is considered the primary obligor is included in net sales.

Promotional Allowances

The Company promotes its branded products through, among other things, cooperative advertising programs with retailers. Retailers may also be offered in-store promotional allowances and rebates based on sales volumes. Certain products are promoted with direct consumer rebate programs and special purchasing incentives. Promotion costs (including allowances and rebates) incurred during the year are expensed to interim periods in relation to revenues and are recorded as a reduction of net sales. Accruals for expected payouts under these programs are included in the “Other current liabilities” line in the Consolidated Balance Sheets.

Advertising

Advertising costs incurred during the year by our Global Consumer segment are expensed to interim periods in relation to revenues. All advertising costs, except for external production costs, are expensed within the fiscal year in which such costs are incurred. External production costs for advertising programs are deferred until the period in which the advertising is first aired.

Scotts LawnService® promotes its service offerings primarily through direct mail campaigns. External costs associated with these campaigns that qualify as direct response advertising costs are deferred and recognized as advertising expense in proportion to revenues over a period not beyond the end of the subsequent calendar year. Costs that do not qualify as direct response advertising costs are expensed within the fiscal year incurred on a monthly basis in proportion to net sales. The costs deferred at September 30, 2012 and 2011 were $1.1 million and $1.6 million, respectively.

Advertising expenses were $168.9 million in fiscal 2012, $140.7 million in fiscal 2011 and $140.7 million in fiscal 2010.

Research and Development

All costs associated with research and development are charged to expense as incurred. Expenses for fiscal 2012, fiscal 2011 and fiscal 2010 were $50.8 million, $50.9 million and $47.3 million, respectively, including product registration costs of $14.0 million, $14.6 million and $12.1 million, respectively.

Environmental Costs

The Company recognizes environmental liabilities when conditions requiring remediation are probable and the amounts can be reasonably estimated. Expenditures which extend the life of the related property or mitigate or prevent future environmental contamination are capitalized. Environmental liabilities are not discounted or reduced for possible recoveries from insurance carriers.

Share-Based Compensation Awards

The fair value of awards is expensed over the requisite service period which is typically the vesting period, generally three years, except in cases where employees are eligible for accelerated vesting based on having satisfied retirement requirements relating to age and years of service. Performance-based awards are expensed over the requisite service period based on achievement of performance criteria. The Company uses a binomial model to determine the fair value of its option grants. The Company classifies share-based compensation expense within selling, general and administrative expenses to correspond with the same line item as cash compensation paid to employees.

Earnings per Common Share

Basic earnings per common share is computed based on the weighted-average number of common shares outstanding each period. Diluted earnings per common share is computed based on the weighted-average number of common shares and dilutive potential common shares (stock options, stock appreciation rights, performance shares, restricted stock and restricted stock unit awards) outstanding each period.

Cash and Cash Equivalents

The Company considers all highly liquid financial instruments with original maturities of three months or less to be cash equivalents. The Company maintains cash deposits in banks which from time to time exceed the amount of deposit insurance available. Management periodically assesses the financial condition of the Company’s banks and believes that the risk of any potential credit loss is minimal.

Accounts Receivable and Allowances

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. Allowances for doubtful accounts reflect the Company's best estimate of amounts in its existing accounts receivable that may not be collected due to customer claims or customer inability or unwillingness to pay. The allowance is determined based on a combination of factors, including the Company's risk assessment regarding the credit worthiness of its customers, historical collection experience and length of time the receivables are past due. Account balances are charged off against the allowance when the Company believes it is probable the receivable will not be recovered.

Inventories

Inventories are stated at the lower of cost or market, principally determined by the first in, first out method of accounting, using an average costing approach. Inventories include the cost of raw materials, labor, manufacturing overhead and freight and in-bound handling costs incurred to pre-position goods in the Company's warehouse network. The Company makes provisions for obsolete or slow-moving inventories as necessary to properly reflect inventory at the lower of cost or market value. Adjustments to reflect inventories at net realizeable values were $21.0 million and $31.4 million at September 30, 2012 and 2011, respectively.

Long-lived Assets

Property, plant and equipment are stated at cost. Interest capitalized in property, plant and equipment amounted to $0.9 million, $0.1 million and $0.8 million during fiscal 2012, fiscal 2011 and fiscal 2010, respectively. Expenditures for maintenance and repairs are charged to expense as incurred. When properties are retired or otherwise disposed of, the cost of the asset and the related accumulated depreciation are removed from the accounts with the resulting gain or loss being reflected in income from operations.

Depreciation of property, plant and equipment is provided on the straight-line method and is based on the estimated useful economic lives of the assets as follows:

Land improvements	10 –25 years
Buildings	10 –40 years
Machinery and equipment	3 –15 years
Furniture and fixtures	6 –10 years
Software	3 – 8 years

Intangible assets with finite lives, and therefore subject to amortization, include technology such as patents, customer relationships, non-compete agreements and certain tradenames. These intangible assets are being amortized over their estimated useful economic lives, which typically range from 3 to 25 years. The Company's fixed assets and intangible assets subject to amortization are required to be tested for recoverability whenever events or changes in circumstances indicate that carrying amounts may not be recoverable. If an evaluation of recoverability was required, the estimated undiscounted future cash flows associated with the asset would be compared to the asset's carrying amount to determine if a write-down is required. If the undiscounted cash flows are less than the carrying amount, an impairment loss is recorded to the extent that the carrying amount exceeds fair value and classified as "Impairment, restructuring and other charges" in the Consolidated Statements of Operations.

The Company had noncash investing activities of $17.3 million and $8.7 million, respectively, representing unpaid liabilities incurred during fiscal 2012 and fiscal 2011 to acquire property, plant and equipment.

Internal Use Software

The costs of internal use software are expensed or capitalized depending on whether they are incurred in the preliminary project stage, application development stage or the post-implementation/operation stage. As of September 30, 2012 and 2011, the Company had $18.6 million and $29.6 million, respectively, in unamortized capitalized internal use computer software costs. Amortization of these costs was $8.0 million, $9.0 million and $8.1 million during fiscal 2012, fiscal 2011 and fiscal 2010, respectively.

Goodwill and Indefinite-lived Intangible Assets

Goodwill and indefinite-lived intangible assets are not subject to amortization. Goodwill and indefinite-lived intangible assets are reviewed for impairment by applying a fair-value based test on an annual basis, as of the first day of the Company’s fiscal fourth quarter, or more frequently if circumstances indicate impairment may have occurred. With respect to goodwill, the Company performs either a qualitative or quantitative evaluation for each of its reporting units. Factors considered in the qualitative test include reporting unit specific operating results as well as new events and circumstances impacting the operations of the reporting units. For the quantitative test, the Company assesses goodwill for impairment by comparing the carrying value of its reporting units to their respective fair values and reviewing the Company’s market value of invested capital. A reporting unit is defined as an operating segment or one level below an operating segment. The Company has identified four reporting units: U.S. Consumer, Wild Bird Food, International Consumer and Scotts LawnService®. The Company determines the fair value of its reporting units under the income-based approach utilizing discounted cash flows and incorporates assumptions it believes marketplace participants would utilize. The Company also uses a comparative market-based approach using market multiples and other factors to corroborate the discounted cash flow results used.

With respect to indefinite-lived intangible assets, the Company performs either a qualitative or quantitative evaluation for each of its indefinite-lived intangible assets. Factors considered in the qualitative test include indefinite-lived intangible asset specific operating results as well as new events and circumstances impacting the cash flows of the indefinite-lived intangible assets. For the quantitative test, the value of all indefinite-lived tradenames was determined using a royalty savings methodology similar to that employed when the associated businesses were acquired but using updated estimates of sales, cash flow and profitability. If it is determined that an impairment has occurred, an impairment loss is recognized for the amount by which the carrying value of the asset exceeds its estimated fair value and classified as “Impairment, restructuring and other charges” in the Consolidated Statements of Operations.

Insurance and Self-Insurance

The Company maintains insurance for certain risks, including workers’ compensation, general liability and vehicle liability, and is self-insured for employee-related health care benefits up to a specified level for individual claims. The Company accrues for the expected costs associated with these risks by considering historical claims experience, demographic factors, severity factors and other relevant information. Costs are recognized in the period the claim is incurred, and accruals include an actuarially determined estimate of claims incurred but not yet reported.

Income Taxes

The Company uses the asset and liability method to account for income taxes. Deferred tax assets and liabilities are recognized for the anticipated future tax consequences attributable to differences between financial statement amounts and their respective tax bases. Management reviews the Company’s deferred tax assets to determine whether their value can be realized based upon available evidence. A valuation allowance is established when management believes that it is more likely than not that some portion of its deferred tax assets will not be realized. Changes in valuation allowances from period to period are included in the Company’s tax provision in the period of change.

The Company establishes a liability for tax return positions in which there is uncertainty as to whether or not the position will ultimately be sustained. Amounts for uncertain tax positions are adjusted in quarters when new information becomes available or when positions are effectively settled. The Company recognizes interest expense and penalties related to these unrecognized tax benefits within income tax expense.

U.S. income tax expense and foreign withholding taxes are provided on unremitted foreign earnings that are not indefinitely reinvested at the time the earnings are generated. Where foreign earnings are indefinitely reinvested, no provision for U.S. income or foreign withholding taxes is made. When circumstances change and the Company determines that some or all of the undistributed earnings will be remitted in the foreseeable future, the Company accrues an expense in the current period for U.S. income taxes and foreign withholding taxes attributable to the anticipated remittance.

Translation of Foreign Currencies

For all foreign operations, the functional currency is the local currency. Assets and liabilities of these operations are translated at the exchange rate in effect at each year-end. Income and expense accounts are translated at the average rate of exchange prevailing during the year. Translation gains and losses arising from the use of differing exchange rates from period to period are included in accumulated other comprehensive income (loss) within shareholders’ equity. Foreign currency transaction gains and losses are included in the determination of net income and classified as "Other (income) expense, net" in the Consolidated Statements of Operations.

Derivative Instruments

In the normal course of business, the Company is exposed to fluctuations in interest rates, the value of foreign currencies and the cost of commodities. A variety of financial instruments, including forward and swap contracts, are used to manage these exposures. These financial instruments are recognized at fair value on the balance sheet, and all changes in fair value are recognized in net income or shareholders' equity through accumulated other comprehensive income (loss). The Company's objective in managing these exposures is to better control these elements of cost and mitigate the earnings and cash flow volatility associated with changes in the applicable rates and prices.

The Company has established policies and procedures that encompass risk-management philosophy and objectives, guidelines for derivative-instrument usage, counterparty credit approval, and the monitoring and reporting of derivative activity. The Company does not enter into derivative instruments for the purpose of speculation.

The Company formally designates and documents instruments at inception that qualify for hedge accounting of underlying exposures in accordance with GAAP. The Company formally assesses, both at inception and at least quarterly, whether the financial instruments used in hedging transactions are effective at offsetting changes in cash flows of the related underlying exposure. Fluctuations in the value of these instruments generally are offset by changes in the cash flows of the underlying exposures being hedged. This offset is driven by the high degree of effectiveness between the exposure being hedged and the hedging instrument. GAAP requires all derivative instruments to be recognized as either assets or liabilities at fair value in the Consolidated Balance Sheets. The Company designates commodity hedges as cash flow hedges of forecasted purchases of commodities and interest rate swap agreements as cash flow hedges of interest payments on variable rate borrowings. Any ineffective portion of a change in the fair value of a qualifying instrument is immediately recognized in earnings. The amounts recorded in earnings related to ineffectiveness of derivative hedges for the years ended September 30, 2012, 2011 and 2010 were not significant.

RECENT ACCOUNTING PRONOUNCEMENTS

Fair Value Measurement

In May 2011, the Financial Accounting Standards Board (the "FASB") issued amended accounting guidance to improve comparability of fair value measures between GAAP and the International Financial Reporting Standards. The amended guidance clarifies how to apply the existing fair value measurement and disclosure requirements. The provisions were effective for the Company's financial statements for the interim period beginning January 1, 2012. The adoption of the amended guidance did not have a significant impact on the Company's financial statements and related disclosures.

Comprehensive Income

In June 2011, the FASB issued amended accounting guidance on the presentation of comprehensive income. The amended guidance requires that all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The provisions will be effective for the Company's financial statements for the fiscal year beginning October 1, 2012. The adoption of this guidance will not impact the Company's financial position or results of operations.

Testing for Goodwill Impairment

In September 2011, the FASB issued new accounting guidance that permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. The entity is not required to calculate the fair value of a reporting unit unless the entity determines that it is more likely than not that the reporting unit's fair value is less than its carrying value. The Company adopted this guidance during fiscal 2012 for the fiscal 2012 annual impairment testing. The adoption of this guidance did not impact the Company's financial position or results of operations.

Testing for Indefinite-Lived Intangible Asset Impairment

In July 2012, the FASB issued new accounting guidance that permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount as a basis for determining whether it is necessary to calculate the fair value of the asset. The entity is not required to calculate the fair value of an indefinite-lived intangible asset unless the entity determines that it is more likely than not that the indefinite-lived intangible asset's fair value is less than its carrying value. The Company adopted this guidance during fiscal 2012 for the fiscal 2012 annual impairment testing. The adoption of this guidance did not impact the Company's financial position or results of operations.

NOTE 2. DISCONTINUED OPERATIONS

Pro Seed

In the fourth quarter of fiscal year 2012, the Company completed the wind down of the Company's professional seed business. As a result, effective in its fourth quarter of fiscal 2012, the Company classified its results of operations for all periods presented to reflect the professional seed business as a discontinued operation. The Company recorded restructuring and other charges of $0.1 million and $3.4 million in fiscal 2012 and fiscal 2011, respectively related to termination benefits provided to employees and other restructuring charges. The company also recorded a $0.5 million impairment charge related to the investment in Turf-Seed (Europe) Limited in fiscal 2012.

On May 26, 2011, the Company and the former owners of Turf-Seed, Inc. agreed to an early settlement of the contingent consideration associated with the Company's fiscal 2006 acquisition of Turf-Seed, Inc. Concurrently, several other contracts and agreements between the Company and the former owners of Turf-Seed, Inc. were terminated or amended. The Company agreed to pay a total of $21.3 million to resolve these matters, resulting in a net charge of $10.3 million after consideration of previously recorded liabilities and other aspects of the agreements. In the fourth quarter of fiscal 2011, the Company also recorded impairment and other charges of $6.5 million related to the investment in Turf-Seed (Europe) Limited.

Global Pro

On February 28, 2011, the Company completed the sale of Global Pro to ICL for $270 million. After agreed upon adjustments (including post-closing adjustments), the Company received $270.9 million net proceeds, or $253.6 million after transaction costs. Results from discontinued operations for fiscal 2011 include an after-tax gain on the sale of Global Pro of $39.5 million, which includes transaction costs. In addition, in fiscal 2012, the Company recorded an adjustment of $1.7 million as a change in estimate on the tax due on the sale of Global Pro.

Pursuant to the terms of the indenture governing the Company's 7.25% Senior Notes due 2018 and the indenture governing the Company's 6.625% Senior Notes due 2020, the Company had a period of 360 days to apply an amount equal to the net proceeds received from the sale of Global Pro to repay indebtedness, acquire equity interests in certain entities, make capital expenditures, acquire other assets useful in a related business and/or make investments in certain joint ventures. Any amount not so applied must be used to make an offer to repurchase the Senior Notes, provided that such repurchase offer may be deferred until such time as the unutilized proceeds exceed $50 million. As of September 30, 2012, the Company had applied all but approximately $45 million of the net proceeds to one or more of the uses permitted by the indentures.

The Company's decision to exit the professional ornamental horticulture, turf and specialty agriculture markets and sell Global Pro was another step in its strategy to evolve its business portfolio to better leverage growth opportunities within its Global Consumer and Scotts LawnService® business segments.

In conjunction with the transaction, The Scotts Company LLC ("Scotts LLC"), a wholly owned subsidiary of Scotts Miracle-Gro, and ICL entered into several product supply agreements which are generally up to five years in duration, as well as various trademark and technology licensing agreements with varying durations. The purpose of these agreements is to allow each party to continue leveraging existing production capabilities and intellectual property to meet customer demand for their respective products. Scotts LLC estimates that it will supply ICL with approximately $40 million of product under these agreements, as well as purchase approximately $15 million of materials from ICL, each on an annualized basis.

The Company's continuing cash inflows and outflows related to these agreements are not considered to be significant in relation to the overall cash flows of Global Pro. Furthermore, none of these agreements permit the Company to influence the operating or financial policies of Global Pro under the ownership of ICL. Therefore, Global Pro met the criteria for presentation as discontinued operations. As such, effective in the first quarter of fiscal 2011, the Company classified Global Pro as discontinued operations for all periods presented. The Global Pro results from discontinued operations include an allocation of interest expense relating to the amount of our then existing credit facilities that was required to be repaid from the sale proceeds.

Smith & Hawken Ltd.

In July 2009, Scotts Miracle-Gro announced that its wholly-owned subsidiary, Smith & Hawken, Ltd., had adopted a plan to close the Smith & Hawken business. During the Company's first quarter of fiscal 2010, all Smith & Hawken stores were closed and substantially all operational activities of Smith & Hawken were discontinued. As a result, effective in its first quarter of fiscal 2010, the Company classified Smith & Hawken as discontinued operations.

The Company recorded restructuring and other charges of $18.3 million in fiscal 2010 related to the liquidation of the Smith & Hawken business primarily associated with the termination of retail site lease obligations, third-party agency fees and severance

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and benefit commitments. These charges were partially offset by a gain of approximately $18 million from the sale of the Smith & Hawken intellectual property on December 30, 2009.

The following table summarizes the results of Pro Seed, Global Pro and Smith & Hawken as discontinued operations:

	Year Ended September 30,		
	2012	2011	2010
	(In millions)		
Net sales	$ 26.7	$ 124.7	$ 281.6
Operating costs	32.7	122.5	282.8
Impairment, restructuring and other charges	0.6	20.2	18.3
Gain on sale of Global Pro business	—	(93.0)	—
Global Pro sale related transaction costs	—	17.3	—
Other (income) expense, net	0.3	(1.0)	(22.6)
Interest expense	—	1.7	3.6
Income (loss) from discontinued operations before income taxes	(6.9)	57.0	(0.5)
Income tax expense (benefit) from discontinued operations	(0.2)	29.0	3.1
Income (loss) from discontinued operations	$ (6.7)	$ 28.0	$ (3.6)

The major classes of assets and liabilities of Pro Seed as of September 30, 2011 were as follows (in millions):

Accounts receivable, net	$ 14.5
Inventories	21.0
Prepaid and other assets	8.0
Assets of discontinued operations	$ 43.5
Accounts payable	$ 10.8
Other current liabilities	5.7
Other liabilities	0.9
Liabilities of discontinued operations	$ 17.4

NOTE 3. PRODUCT REGISTRATION AND RECALL MATTERS

In April 2008, the Company became aware that a former associate circumvented the Company’s policies and U.S. Environmental Protection Agency (“U.S. EPA”) regulations under the Federal Insecticide, Fungicide, and Rodenticide Act of 1947, as amended (“FIFRA”), by failing to obtain valid registrations for certain products and/or causing certain invalid product registration forms to be submitted to regulators. Since that time, the Company has been cooperating with both the U.S. EPA and the U.S. Department of Justice (the “U.S. DOJ”) in related civil and criminal investigations into the pesticide product registration issues as well as a state civil investigation into related allegations arising under state pesticide registration laws and regulations.

In late April 2008, in connection with the U.S. EPA’s investigation, the Company conducted a consumer-level recall of certain consumer lawn and garden products and a Scotts LawnService® product. Subsequently, the Company and the U.S. EPA agreed upon a Compliance Review Plan for conducting a comprehensive, independent review of the Company’s product registration records. Pursuant to the Compliance Review Plan, an independent third-party firm, Quality Associates Incorporated (“QAI”), reviewed substantially all of the Company’s U.S. pesticide product registrations and associated advertisements, some of which were historical in nature and no longer related to sales of the Company’s products. The U.S. EPA investigation and the QAI review process resulted in the temporary suspension of sales and shipments of certain products. In addition, as the QAI review process or the Company’s internal review identified potential FIFRA registration issues (some of which appear unrelated to the actions of the former associate), the Company endeavored to stop selling or distributing the affected products until the issues could be resolved. QAI’s review of the Company’s U.S. pesticide product registrations and associated advertisements is now complete, and the results of the QAI review process did not materially affect the Company’s fiscal 2010, fiscal 2011 or fiscal 2012 sales.

In fiscal 2008, the Company conducted a voluntary recall of certain of its wild bird food products due to a formulation issue. Certain wild bird food products had been treated with pest control additives to avoid insect infestation, especially at retail stores. While the pest control additives had been labeled for use on certain stored grains that can be processed for human and/or animal consumption, they were not labeled for use on wild bird food products. In October 2008, the U.S. Food & Drug Administration concluded that the recall had been completed and that there had been proper disposition of the recalled products. The wild bird food recall did not materially affect the Company's fiscal 2010, fiscal 2011 or fiscal 2012 financial condition, result of operations or cash flows.

Settlement discussions relating to potential fines and/or penalties are a frequent outgrowth of governmental investigations. In that regard, on or about June 30, 2011, the Company received a Notice of Intent to File Administrative Complaint ("Notice") from the U.S. EPA Region 5 with respect to the alleged FIFRA violations. The Notice, which did not set forth a proposed penalty amount, offered the Company an opportunity to present any information it believed the U.S. EPA should consider prior to filing the complaint and indicated that the U.S. EPA was prepared to meet with the Company to discuss the alleged violations. The Company made a timely response to the Notice and engaged in settlement meetings culminating in the signing of a Consent Agreement and Final Order ("CAFO") in September, 2012 in which the Company neither admitted nor denied the allegations in the CAFO. The government's transmittal letter stated that the CAFO concluded the government's civil investigation and enforcement action. Pursuant to the CAFO, the Company was required to pay a civil penalty in the amount of $6.05 million, and it agreed to pay an additional $2.0 million for a Supplemental Environmental Project ("SEP"), paid to the Black Swamp Conservancy, for conservation efforts on three separate parcels of land. The Scotts Miracle-Gro Company undertook these projects as part of a settlement of the United States Environmental Protection Agency's enforcement action against it for alleged violations of Sections 12(a)(1)(A),(B),(C) and (E) of FIFRA, 7 U.S.C. § 136j(a)(1)(A),(B), (C) and (E). As part of the CAFO, the Company must monitor the conservation efforts of the Black Swamp Conservancy and submit a completion report to the U.S. EPA by February 28, 2014, designating the conclusion of all agreed to conservation efforts. The Company's accrual as of September 30, 2012 includes the full amount of the civil penalty and other amounts payable under the CAFO.

As previously disclosed, the Company has also been engaged in settlement discussions with the U.S. DOJ regarding its criminal investigation. On January 25, 2012, a Plea Agreement was filed with the United States District Court for the Southern District of Ohio. Under the terms of the Plea Agreement, the Company agreed to plead guilty to ten misdemeanor FIFRA counts in connection with the former employee's conduct and one misdemeanor FIFRA count in connection with the misapplication of insecticide to wild bird food products. As part of the agreement, Scotts Miracle-Gro was required to pay a $4.0 million penalty to the United States and to provide $0.1 million to each of five programs designed to enhance and protect the natural environment, particularly habitats for the bird populations that the U.S. EPA's regulation of pesticides is designed to protect. As part of the Plea Agreement, the U.S. DOJ agreed not to criminally prosecute the Company for any other federal crimes relating to any potential FIFRA violations known to the government as of the date of the Plea Agreement. The United States District Court for the Southern District of Ohio accepted the plea on March 13, 2012, and the sentence was imposed on September 7, 2012, resolving the U.S. DOJ investigation into pesticide product registration issues. The Company's accrual as of September 30, 2012 includes the full amount of the criminal penalty and other amounts payable under the Plea Agreement.

As a result of these registration and recall matters, the Company has recorded charges for affected inventory and other registration and recall-related costs. The following tables summarize the impact of the product registration and recall matters on the results of operations and on accrued liabilities and inventory:

	Year Ended September 30,		
	2012	2011	2010
	(In millions)		
Cost of sales—product registration and recall matters	$ 0.4	$ 3.2	$ 3.0
Gross profit	(0.4)	(3.2)	(3.0)
Selling, general and administrative	7.8	11.4	5.7
Loss from operations	(8.2)	(14.6)	(8.7)
Income tax benefit	(0.8)	(2.6)	(3.1)
Net loss	$ (7.4)	$ (12.0)	$ (5.6)

	Reserves at September 30, 2011	Additional Costs and Changes in Estimates	Accruals Used	Reserves at September 30, 2012
	(In millions)			
Cost of sales—product registration and recall matters	$ 0.7	$ 0.4	$ (0.8)	$ 0.3
Selling, general and administrative costs	7.8	7.8	(7.2)	8.4
Total cost accrued	$ 8.5	$ 8.2	$ (8.0)	$ 8.7

The Company may be subject to additional judgments, settlements, fines and/or penalties as a result of state or private actions. No reserves have been established for any such potential liabilities related to state or private actions arising in connection with the product registration and recall issues at this time. In connection with the sale of wild bird food products that were the subject of the recall discussed in "ITEM 1. BUSINESS - Regulatory Considerations", 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. The plaintiffs seek on behalf of themselves and various purported class members monetary damages, restitution, injunctive relief, declaratory relief, attorney's fees, interest and costs. The Company intends to vigorously defend the consolidated action. Given the early stages of the action, the Company cannot make a determination as to whether it could have a material effect on the Company's financial condition, results of operations or cash flows and has not created any accruals or accounting reserves with respect thereto.

NOTE 4. IMPAIRMENT, RESTRUCTURING AND OTHER CHARGES

The following table details impairment, restructuring and other charges and rolls forward the restructuring and other charges accrued in fiscal 2012, fiscal 2011 and fiscal 2010:

	Year Ended September 30,		
	2012	2011	2010
		(In millions)	
Restructuring and other charges	$ 1.8	$ 27.4	$ —
Property, plant and equipment impairments	2.1	9.1	—
Goodwill and intangible asset impairments	3.2	19.4	18.5
Total impairment, restructuring and other charges	$ 7.1	$ 55.9	$ 18.5

	Year Ended September 30,		
	2012	2011	2010
		(In millions)	
Amounts reserved for restructuring and other charges at beginning of year	$ 29.6	$ 0.5	$ 14.6
Restructuring and other charges in continuing operations	1.8	27.4	—
Restructuring and other charges in discontinued operations	0.1	20.2	18.3
Payments and other	(21.3)	(18.5)	(32.4)
Amounts reserved for restructuring and other charges at end of year (1)	$ 10.2	$ 29.6	$ 0.5

(1) - A portion of the amounts reserved as of September 30, 2012, will be paid out over the course of fiscal 2013. Included in the restructuring reserves is $4.5 million that is classified as long-term. Payments against the long-term reserves will start once the employees covered by the 2011 restructuring plan retire.

Fiscal 2012

During fiscal 2012, in continuation of the 2011 restructuring plan, the Company incurred an additional $1.6 million in restructuring costs related to termination benefits provided to employees who accepted voluntary retirement and special termination benefits provided to certain employees upon future separation as well as $0.2 million related to curtailment charges for its U.S. defined benefit pension and U.S retiree medical plans.

For the year ended September 30, 2012, the Company recognized a $5.3 million asset impairment charge as a result of issues with commercialization of products including the active ingredient MAT 28 for the Global Consumer segment.

Fiscal 2011

On August 8, 2011, the Company announced a restructuring plan designed to streamline management decision making and continue the regionalization of the Company's operating structure, with the objective of reinvesting the savings generated in innovation and growth initiatives. During fiscal 2011, the Company incurred $23.7 million in restructuring costs related to termination benefits provided to employees who were involuntarily terminated and special termination benefits provided to certain employees upon future separation, as well as $2.3 million related to curtailment charges for its U.S. defined benefit pension and U.S. retiree medical plans.

In connection with the Company's annual impairment review, the Company recognized impairment charges related to the Wild Bird Food reporting unit of $9.1 million for property, plant and equipment, $16.8 million for intangible assets and $0.3 million for goodwill, based on their respective estimated fair values. Losses generated by this business over the past two years, combined with a revised long-term outlook have negatively impacted the value of this business.

In addition, the Company recognized charges of $2.3 million for other intangible asset impairments and $1.4 million for restructuring and other charges.

Fiscal 2010

The Company's fiscal 2010 impairment review resulted in a charge of $18.5 million related to intangible assets of certain brands and sub-brands in its Global Consumer segment that have been discontinued or de-emphasized, consistent with the Company's business strategy to increasingly concentrate its advertising and promotional spending on fewer, more significant brands to more efficiently drive growth.

NOTE 5. GOODWILL AND INTANGIBLE ASSETS, NET

The following table displays a rollforward of the carrying amount of goodwill by reportable segment, as well as Corporate & Other:

	Global Consumer	Scotts LawnService®	Corporate & Other	Total
		(In millions)		
Goodwill	$ 244.6	$ 123.7	$ 24.6	$ 392.9
Accumulated impairment losses	(62.5)	—	(24.6)	(87.1)
Balance at September 30, 2010	182.1	123.7	—	305.8
Acquisitions, net of purchase price adjustments	—	3.6	—	3.6
Impairment loss	(0.3)	—	—	(0.3)
Goodwill	$ 244.6	$ 127.3	$ 24.6	$ 396.5
Accumulated impairment losses	(62.8)	—	(24.6)	(87.4)
Balance at September 30, 2011	181.8	127.3	—	309.1
Acquisitions, net of purchase price adjustments	0.3	—	—	0.3
Goodwill	$ 244.9	$ 127.3	$ 24.6	$ 396.8
Accumulated impairment losses	(62.8)	—	(24.6)	(87.4)
Balance at September 30, 2012	$ 182.1	$ 127.3	$ —	$ 309.4

The following table presents intangible assets, net:

	September 30, 2012			September 30, 2011		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	(In millions)					
Finite-lived intangible assets:						
Technology	$ 60.9	$ (47.1)	$ 13.8	$ 60.9	$ (41.9)	$ 19.0
Customer accounts	82.6	(65.6)	17.0	83.4	(63.4)	20.0
Tradenames	47.0	(22.7)	24.3	46.5	(21.3)	25.2
Other	101.2	(81.5)	19.7	99.3	(77.1)	22.2
Total finite-lived intangible assets, net			74.8			86.4
Indefinite-lived tradenames			232.3			233.2
Total intangible assets, net			$ 307.1			$ 319.6

Fiscal 2012

The Company recognized a $3.2 million impairment charge related to an intangible asset associated with the active ingredient MAT 28. The impairment charge is discussed further in "NOTE 4. IMPAIRMENT, RESTRUCTURING AND OTHER CHARGES."

During the fourth quarter of fiscal 2012, the Company completed its annual impairment analysis and determined that no additional charges for impairment of goodwill or intangible assets were required. The estimated fair value of each reporting unit was substantially in excess of its carrying value as of the annual test date. Each of the indefinite-lived tradenames had an estimated fair value substantially in excess of its carrying value as of the annual test date, with the exception of the Ortho® tradename and French tradenames of KB® and Fertiligene®. The carrying value of the Ortho® tradename and French tradenames (KB® and Fertiligene®) at September 30, 2012 were $137.1 million and $17.7 million, respectively. The excess fair value over the carrying value of Ortho® tradename and French tradenames were 7.4% and 14.1%, respectively. If future analyses indicate that fair value has declined below carrying value, the result will be an impairment of a portion of the indefinite-lived intangible asset value.

Fiscal 2011

In connection with the Company's annual impairment review, the Company recognized impairment charges related to the Wild Bird Food reporting unit of $16.8 million for intangible assets and $0.3 million for goodwill, based on their respective estimated fair values. The impairment charges are discussed further in "NOTE 4. IMPAIRMENT, RESTRUCTURING AND OTHER CHARGES."

Fiscal 2010

The Company's fiscal 2010 impairment review resulted in a charge of $18.5 million related to intangible assets of certain brands and sub-brands in its Global Consumer segment. The impairment charges are discussed further in "NOTE 4. IMPAIRMENT, RESTRUCTURING AND OTHER CHARGES."

Total amortization expense for the years ended September 30, 2012, 2011 and 2010 was $10.9 million, $11.4 million and $10.7 million, respectively. Amortization expense is estimated to be as follows for the years ending September 30 (in millions):

2013	$ 11.3
2014	10.7
2015	8.4
2016	6.4
2017	5.2

NOTE 6. DETAIL OF CERTAIN FINANCIAL STATEMENT ACCOUNTS

The following is detail of certain financial statement accounts:

	September 30, 2012	September 30, 2011
	(In millions)	
INVENTORIES:		
Finished goods	$ 224.6	$ 130.7
Work-in-progress	48.3	34.3
Raw materials	142.0	222.0
	$ 414.9	$ 387.0
PREPAID AND OTHER ASSETS:		
Deferred tax asset	$ 76.5	$ 88.1
Accounts receivable, non-trade	13.4	16.9
Other	32.4	46.1
	$ 122.3	$ 151.1

	September 30, 2012	September 30, 2011
	(In millions)	
PROPERTY, PLANT AND EQUIPMENT, NET:		
Land and improvements	$ 74.4	$ 70.1
Buildings	205.2	199.9
Machinery and equipment	462.9	437.0
Furniture and fixtures	45.1	42.9
Software	120.8	116.9
Aircraft	22.3	8.4
Construction in progress	39.3	30.0
	970.0	905.2
Less: accumulated depreciation	(542.6)	(510.5)
	$ 427.4	$ 394.7

	September 30, 2012	September 30, 2011
	(In millions)	
OTHER CURRENT LIABILITIES:		
Payroll and other compensation accruals	$ 38.9	$ 37.9
Advertising and promotional accruals	152.5	132.8
Other	88.4	144.7
	$ 279.8	$ 315.4
OTHER NON-CURRENT LIABILITIES:		
Accrued pension and postretirement liabilities	$ 118.5	$ 112.1
Deferred tax liability	71.6	65.2
Other	67.7	54.7
	$ 257.8	$ 232.0

	September 30,		
	2012	2011	2010
	(In millions)		
ACCUMULATED OTHER COMPREHENSIVE LOSS:			
Unrecognized loss on derivatives, net of tax of $10.6, $9.6 and $7.9	$ (16.6)	$ (15.7)	$ (12.7)
Pension and other postretirement liabilities, net of tax of $36.1, $33.5 and $40.4	(67.6)	(56.9)	(69.1)
Foreign currency translation adjustment	(3.1)	(5.4)	4.7
	$ (87.3)	$ (78.0)	$ (77.1)

NOTE 7. 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 within the United States and other specified countries, including Australia, Austria, Belgium, Canada, France, Germany, the Netherlands and the United Kingdom. Under the terms of 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 (EBIT) 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 to Monsanto as a contribution against the overall expenses of the consumer Roundup® business. The annual contribution payment is defined in the Marketing Agreement as $20 million.

In consideration for the rights granted to the Company under the Marketing Agreement for North America, the Company was required to pay 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 amortization period of six years as of September 30, 2012.

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 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 are included in the calculation of net sales in the Company's Consolidated Statements of Operations. The elements of the net commission earned under the Marketing Agreement and reimbursements associated with the Marketing Agreement and included in "Net sales" were as follows:

	Year Ended September 30		
	2012	2011	2010
	(In millions)		
Gross commission	$ 81.3	$ 77.9	$ 90.8
Contribution expenses	(20.0)	(20.0)	(20.0)
Amortization of marketing fee	(0.8)	(0.8)	(0.8)
Net commission income	60.5	57.1	70.0
Reimbursements associated with Marketing Agreement	79.6	63.7	65.0
Total net sales associated with Marketing Agreement	$ 140.1	$ 120.8	$ 135.0

The Marketing Agreement has no definite term except as it relates to the European Union countries (the "EU term"). The current EU term extends through September 30, 2013, with an automatic renewal period of two years, subject to non-renewal only upon the occurrence of certain performance defaults. Thereafter, the Marketing Agreement provides that the parties may agree to renew the EU term for an additional three years.

The Marketing Agreement provides Monsanto with the right to terminate the Marketing Agreement upon an event of default (as defined in the Marketing Agreement) by the Company, a change in control of Monsanto or the sale of the consumer Roundup® business. The Marketing Agreement provides the Company with the right to terminate the Marketing Agreement in certain circumstances, including an event of default by Monsanto or the sale of the consumer Roundup® business. Unless Monsanto terminates the Marketing Agreement due to an event of default by the Company, Monsanto is required to pay a termination fee to the Company that varies by program year. The termination fee is calculated as a percentage of the value of the Roundup® business exceeding a certain threshold, but in no event will the termination fee be less than $16 million. Monsanto may also be able to terminate the Marketing Agreement within a given region, including North America, without paying a termination fee if unit volume sales to consumers in that region decline: (1) over a cumulative three-fiscal-year period; or (2) by more than 5% for each of two consecutive years. If the Marketing Agreement was terminated for any reason, the Company would also lose all, or a substantial portion, of the significant source of earnings and overhead expense absorption the Marketing Agreement provides.

Under the Marketing Agreement, Monsanto must provide the Company with notice of any proposed sale of the consumer Roundup® business, allow the Company to participate in the sale process and negotiate in good faith with the Company with respect to any such proposed sale. In the event the Company acquires the consumer Roundup® business in such a sale, the Company would receive as a credit against the purchase price the amount of the termination fee that would have been paid to the Company if Monsanto had exercised its right to terminate the Marketing Agreement in connection with a sale to another party. If Monsanto decides to sell the consumer Roundup® business to another party, the Company must let Monsanto know whether the Company intends to terminate the Marketing Agreement and forfeit any right to a termination fee or whether it will agree to continue to perform under the Marketing Agreement on behalf of the purchaser.

NOTE 8. ACQUISITIONS

During fiscal 2012 and fiscal 2011, the Company completed several acquisition within its home protection, growing media and Scotts LawnService® businesses that individually and in the aggregate were not significant. The aggregate purchase price of these acquisitions was $6.7 million and $10.9 million in fiscal 2012 and fiscal 2011, respectively. The Consolidated Financial Statements include the results of operations from these business combinations from the date of each acquisition.

NOTE 9. RETIREMENT PLANS

The Company sponsors a defined contribution 401(k) plan for substantially all U.S. associates. During 2010, the Company provided a base contribution equal to 2% of compensation up to 50% of the Social Security taxable wage base plus 4% of remaining compensation. Associates could also make pretax contributions from compensation that were matched by the Company at 100% of associates' initial 3% contribution and 50% of their remaining contribution up to 5%. Beginning January 1, 2011, the Company stopped providing base contributions and began matching 150% of associates' initial 4% contribution and 50% of their remaining contribution up to 6%. The Company recorded charges of $12.9 million, $13.2 million and $14.5 million under the plan in fiscal 2012, fiscal 2011 and fiscal 2010, respectively.

The Company sponsors two defined benefit plans for certain U.S. associates. Benefits under these plans have been frozen and closed to new associates since 1997. The benefits under the primary plan are based on years of service and the associates' average final compensation or stated amounts. The Company's funding policy, consistent with statutory requirements and tax considerations, is based on actuarial computations using the Projected Unit Credit method. The second frozen plan is a non-qualified supplemental pension plan. This plan provides for incremental pension payments so that total pension payments equal amounts that would have been payable from the Company's pension plan if it were not for limitations imposed by the income tax regulations. In connection with the restructuring plan discussed in "NOTE 4. IMPAIRMENT, RESTRUCTURING AND OTHER CHARGES," the Company recognized a plan curtailment charge of $0.2 million in fiscal 2012 and 1.2 million in fiscal 2011 for an increase in the benefit obligation associated with these plans.

The Company sponsors defined benefit pension plans associated with its international businesses in the United Kingdom, Germany, France and the Netherlands. These plans generally cover all associates of the respective businesses, with retirement benefits primarily based on years of service and compensation levels. Two of the Company's previously-sponsored international defined benefit plans were transferred to ICL in connection with the sale of Global Pro on February 28, 2011.

On July 1, 2010, the Company froze its two U.K. defined benefit pension plans and transferred participants to an amended defined contribution plan. Under the frozen plans, participants are no longer credited for future service; however, future salary increases will continue to be factored into each participant's final pension benefit. As a result of the freeze, the Company measured the unfunded status of the U.K. defined benefit pension plans as of July 3, 2010. The results of the freeze and remeasurement did not affect the Company's results of operations or cash flows, and did not significantly affect the Company's financial position.

The following tables present information about benefit obligations, plan assets, annual expense, assumptions and other information about the Company's defined benefit pension plans. The defined benefit plans are valued using a September 30 measurement date.

	U.S. Defined Benefit Plans		International Defined Benefit Plans	
	2012	2011	2012	2011
	(In millions)			
Change in projected benefit obligation				
Benefit obligation at beginning of year	$ 109.6	$ 106.6	$ 159.6	$ 174.6
Service cost	—	—	1.1	1.3
Interest cost	4.6	4.8	8.6	8.9
Actuarial (gain) loss	11.5	3.5	22.2	(17.5)
Benefits paid	(7.1)	(6.5)	(6.6)	(5.9)
Curtailment loss	0.2	1.2	—	—
Other	—	—	(0.9)	(0.6)
Foreign currency translation	—	—	4.0	(1.2)
Projected benefit obligation at end of year	$ 118.8	$ 109.6	$ 188.0	$ 159.6
Accumulated benefit obligation at end of year	$ 118.8	$ 109.6	$ 179.9	$ 153.2
Change in plan assets				
Fair value of plan assets at beginning of year	$ 74.3	$ 69.7	$ 118.2	$ 115.8
Actual return on plan assets	13.0	3.5	15.3	2.5
Employer contribution	5.1	7.6	9.3	8.4
Actuarial gain (loss)	—	—	—	(0.4)
Benefits paid	(7.1)	(6.5)	(6.6)	(5.9)
Foreign currency translation	—	—	4.3	(1.1)
Other	—	—	(0.7)	(1.1)
Fair value of plan assets at end of year	$ 85.3	$ 74.3	$ 139.8	$ 118.2
Underfunded status at end of year	$ (33.5)	$ (35.3)	$ (48.2)	$ (41.4)
Information for pension plans with an accumulated benefit obligation in excess of plan assets				
Projected benefit obligation	$ 118.8	$ 109.6	$ 188.0	$ 159.6
Accumulated benefit obligation	118.8	109.6	179.9	153.2
Fair value of plan assets	85.3	74.3	139.8	118.2
Amounts recognized in the Consolidated Balance Sheets consist of:				
Current liabilities	$ (0.2)	$ (0.2)	$ (0.9)	$ (1.0)
Noncurrent liabilities	(33.4)	(35.1)	(47.3)	(40.4)
Total amount accrued	$ (33.6)	$ (35.3)	$ (48.2)	$ (41.4)
Amounts recognized in accumulated other comprehensive loss consist of:				
Actuarial loss	$ 48.8	$ 49.6	$ 55.5	$ 39.3
Prior service cost	—	—	0.5	1.1
Net amount recognized	$ 48.8	$ 49.6	$ 56.0	$ 40.4

	U.S. Defined Benefit Plans		International Defined Benefit Plans	
	2012	2011	2012	2011
	(In millions, except percentage figures)			
Total change in other comprehensive loss attributable to:				
Pension benefit gain (loss) during the period	$ 5.1	$ 5.1	$ 14.8	$ 10.8
Reclassification of pension benefit losses to net income	(5.1)	(4.9)	(0.8)	(1.2)
Foreign currency translation	—	—	1.6	—
Total change in other comprehensive loss	$ —	$ 0.2	$ 15.6	$ 9.6
Amounts in accumulated other comprehensive loss expected to be recognized as components of net periodic benefit cost in fiscal 2013 are as follows:				
Actuarial loss	$ 4.3		$ 0.7	
Prior service cost	—		0.1	
Amount to be amortized into net periodic benefit cost	$ 4.3		$ 0.8	
Weighted average assumptions used in development of projected benefit obligation				
Discount rate	3.39%	4.29%	4.45%	5.46%
Rate of compensation increase	n/a	n/a	3.4%	3.5%

	U.S. Defined Benefit Plans			International Defined Benefit Plans		
	2012	2011	2010	2012	2011	2010
	(In millions, except percentage figures)					
Components of net periodic benefit cost						
Service cost	$ —	$ —	$ —	$ 1.1	$ 1.3	$ 1.8
Interest cost	4.6	4.8	5.1	8.6	8.9	8.4
Expected return on plan assets	(5.5)	(5.1)	(5.0)	(8.4)	(8.4)	(7.3)
Net amortization	5.1	4.9	4.3	0.8	1.2	1.7
Net periodic benefit cost	4.2	4.6	4.4	2.1	3.0	4.6
Curtailment loss	0.2	1.1	—	—	—	—
Contractual termination benefits	—	—	—	0.3	—	—
Total benefit cost	$ 4.4	$ 5.7	$ 4.4	$ 2.4	$ 3.0	$ 4.6
Weighted average assumptions used in development of net periodic benefit cost						
Discount rate	4.29%	4.66%	5.23%	5.46%	5.01%	5.46%
Expected return on plan assets	7.5%	7.5%	8.0%	7.0%	7.0%	7.1%
Rate of compensation increase	n/a	n/a	n/a	3.5%	3.5%	3.8%

	U.S. Defined Benefit Plans	International Defined Benefit Plans
	(In millions, except percentage figures)	
Other information:		
Plan asset allocations:		
Target for September 30, 2013:		
Equity securities	33%	52%
Debt securities	67%	41%
Cash and cash equivalents	—%	1%
Insurance Contracts	—%	6%
September 30, 2012:		
Equity securities	36%	54%
Debt securities	61%	41%
Cash and cash equivalents	3%	—%
Insurance Contracts	—%	5%
September 30, 2011:		
Equity securities	36%	53%
Debt securities	63%	41%
Cash and cash equivalents	1%	1%
Insurance Contracts	—%	5%
Expected company contributions in fiscal 2013	$ 2.8	$ 7.2
Expected future benefit payments:		
2013	$ 7.1	$ 5.8
2014	7.1	6.2
2015	7.2	6.9
2016	7.2	7.0
2017	7.3	7.8
2018 – 2022	36.2	45.6

The following tables set forth the fair value of the Company's pension plan assets, segregated by level within the fair value hierarchy:

	September 30, 2012			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
	(In millions)			
U.S. Defined Benefit Plan Assets				
Cash and cash equivalents	$ 2.3	$ —	$ —	$ 2.3
Mutual funds—equities	30.8	—	—	30.8
Mutual funds—fixed income	52.2	—	—	52.2
Total	$ 85.3	$ —	$ —	$ 85.3
International Defined Benefit Plan Assets				
Cash and cash equivalents	$ 1.0	$ —	$ —	$ 1.0
Insurance contracts	—	3.4	4.4	7.8
Mutual funds—equities	—	73.2	—	73.2
Mutual funds—fixed income	—	57.9	—	57.9
Total	$ 1.0	$ 134.5	$ 4.4	$ 139.9

	September 30, 2011			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
	(In millions)			
U.S. Defined Benefit Plan Assets				
Cash and cash equivalents	$ 0.8	$ —	$ —	$ 0.8
Mutual funds—equities	26.9	—	—	26.9
Mutual funds—fixed income	46.6	—	—	46.6
Total	$ 74.3	$ —	$ —	$ 74.3
International Defined Benefit Plan Assets				
Cash and cash equivalents	$ 0.4	$ —	$ —	$ 0.4
Insurance contracts	—	2.6	3.7	6.3
Mutual funds—equities	—	63.1	—	63.1
Mutual funds—fixed income	—	48.4	—	48.4
Total	$ 0.4	$ 114.1	$ 3.7	$ 118.2

The fair value of the mutual funds are valued at the exchange-listed year end closing price or at the net asset value of shares held by the fund at the end of the year. Insurance contracts are valued by discounting the related cash flows using a current year end market rate or at cash surrender value, which is presumed to equal fair value. Funds of hedge funds are valued at the net asset value of shares held by the fund at the end of the year.

The table below sets forth a summary of changes in the fair value of the Company’s level 3 pension plan assets:

	Level 3 Assets Insurance contracts
	(In millions)
Balance at September 30, 2010	$ 4.1
Realized gain on plan assets	0.2
Unrealized gain on plan assets	(0.4)
Foreign currency translation	(0.1)
Purchases, sales, issuances and settlements (net)	(0.1)
Balance at September 30, 2011	3.7
Realized gain on plan assets	1.0
Unrealized gain on plan assets	—
Foreign currency translation	(0.1)
Purchases, sales, issuances and settlements (net)	(0.2)
Balance at September 30, 2012	$ 4.4

Investment Strategy

Target allocation percentages among various asset classes are maintained based on an individual investment policy established for each of the various pension plans. Asset allocations are designed to achieve long-term objectives of return while mitigating against downside risk and considering expected cash requirements necessary to fund benefit payments. However, the Company cannot predict future investment returns and therefore cannot determine whether future pension plan funding requirements could materially and adversely affect its financial condition, results of operations or cash flows.

Basis for Long-Term Rate of Return on Asset Assumptions

The Company’s expected long-term rate of return on asset assumptions are derived from studies conducted by third parties. The studies include a review of anticipated future long-term performance of individual asset classes and consideration of the appropriate asset allocation strategy given the anticipated requirements of the plans to determine the average rate of earnings expected. While the studies give appropriate consideration to recent fund performance and historical returns, the assumptions primarily represent expectations about future rates of return over the long term.

NOTE 10. ASSOCIATE MEDICAL BENEFITS

The Company provides comprehensive major medical benefits to certain of its retired associates and their dependents. Substantially all of the Company's domestic associates who were hired before January 1, 1998 become eligible for these benefits if they retire at age 55 or older with more than ten years of service. The retiree medical plan requires certain minimum contributions from retired associates and includes provisions to limit the overall cost increases the Company is required to cover. The Company funds its portion of retiree medical benefits on a pay-as-you-go basis.

The following table sets forth information about the retiree medical plan for domestic associates. The retiree medical plan is valued using a September 30 measurement date.

	2012	2011
	(In millions, except percentage figures)	
Change in Accumulated Plan Benefit Obligation (APBO)		
Benefit obligation at beginning of year	$ 34.4	$ 31.7
Service cost	0.5	0.5
Interest cost	1.6	1.6
Plan participants' contributions	1.0	0.9
Actuarial loss	1.5	1.9
Curtailment loss	—	1.1
Benefits paid (net of federal subsidy of $0.3 and $0.3)	(2.9)	(3.3)
Benefit obligation at end of year	$ 36.3	$ 34.4
Change in plan assets		
Fair value of plan assets at beginning of year	$ —	$ —
Employer contribution	2.0	2.7
Plan participants' contributions	1.0	0.9
Gross benefits paid	(3.0)	(3.6)
Fair value of plan assets at end of year	—	—
Unfunded status at end of year	$ (36.3)	$ (34.4)
Amounts recognized in the Consolidated Balance Sheets consist of:		
Current liabilities	$ (2.5)	$ (2.3)
Noncurrent liabilities	(33.8)	(32.1)
Total amount accrued	$ (36.3)	$ (34.4)
Amounts recognized in accumulated other comprehensive loss consist of:		
Actuarial loss	$ 3.4	$ 3.4
Total change in other comprehensive loss attributable to:		
Benefit losses during the period	$ 1.6	$ 2.0
Curtailment loss amortized during the year	0.1	—
Total change in other comprehensive loss	$ 1.7	$ 2.0
The estimated actuarial gain that will be amortized from accumulated loss into net periodic benefit cost over the next fiscal year is immaterial		
Discount rate used in development of APBO	3.66%	4.66%

	2012	2011	2010
Components of net periodic benefit cost			
Service cost	$ 0.6	$ 0.5	$ 0.5
Interest cost	1.6	1.6	1.7
Curtailment loss	—	1.1	—
Total postretirement benefit cost	$ 2.2	$ 3.2	$ 2.2
Discount rate used in development of net periodic benefit cost	4.66%	4.91%	5.50%

In connection with the restructuring plan discussed in "NOTE 4. IMPAIRMENT, RESTRUCTURING AND OTHER CHARGES," the Company recognized a plan curtailment charge of $1.1 million in fiscal 2011 for an increase in the benefit obligation associated with its retiree medical plan.

On December 8, 2003, the Medicare Prescription Drug, Improvement and Modernization Act (the "Act") became law. The Act provides for a federal subsidy to sponsors of retiree health care benefit plans that provide a prescription drug benefit that is at least actuarially equivalent to the benefit established by the Act. The APBO at September 30, 2012, has been reduced by a deferred actuarial gain in the amount of $0.5 million to reflect the effect of the subsidy related to benefits attributed to past service. The amortization of the actuarial gain and reduction of service and interest costs served to reduce net periodic post retirement benefit cost for fiscal 2012, fiscal 2011 and fiscal 2010 by $0.2 million, $1.1 million and $0.5 million, respectively.

The Company has historically received a federal retiree drug subsidy as it offers retiree prescription drug coverage that is at a minimum as valuable as Medicare Part D coverage. The Patient Protection and Affordable Care Act ("PPACA"), which was enacted on March 23, 2010, repealed the existing rule that permitted a tax deduction for the portion of the drug coverage expense that was offset by the Medicare Part D subsidy received by the Company. This provision of PPACA was to be effective beginning with the Company's fiscal 2012 tax year. On March 30, 2010, a companion bill, the Health Care and Education Reconciliation Act of 2010 ("HCERA"), was enacted. HCERA delayed the effective date of the reduction under PPACA until the Company's fiscal 2014 tax year. As a result of this new legislation, the Company recorded a $1.9 million charge to tax expense during its second quarter of fiscal 2010 to reduce its deferred tax asset for the portion of the subsidy that will no longer be deductible when paid after fiscal 2013.

For measurement as of September 30, 2012, management has assumed that health care costs will increase at an annual rate of 7.25% in fiscal 2012, decreasing 0.25% per year to an ultimate trend of 5.00% in 2021. A 1% increase in health cost trend rate assumptions would increase the APBO by $1.2 million as of September 30, 2012. A 1% decrease in health cost trend rate assumptions would decrease the APBO by $1.3 million as of September 30, 2012. A 1% increase or decrease in the same rate would not have a material effect on service or interest costs.

The following benefit payments under the plan are expected to be paid by the Company and the retirees for the fiscal years indicated:

	Gross Benefit Payments	Retiree Contributions	Medicare Part D Subsidy	Net Company Payments
		(In millions)		
2013	$ 4.1	$ (1.2)	$ (0.4)	$ 2.5
2014	4.4	(1.5)	(0.4)	2.5
2015	4.6	(1.7)	(0.4)	2.5
2016	4.9	(2.0)	(0.5)	2.4
2017	5.1	(2.2)	(0.5)	2.4
2018 – 2022	28.8	(14.6)	(3.1)	11.1

The Company also provides comprehensive major medical benefits to its associates. The Company is self-insured for certain health benefits up to $0.3 million per occurrence per individual. The cost of such benefits is recognized as expense in the period the claim is incurred. This cost was $28.7 million, $27.9 million and $27.6 million in fiscal 2012, fiscal 2011 and fiscal 2010, respectively.

NOTE 11. DEBT

The components of long-term debt are as follows:

	September 30, 2012	September 30, 2011
	(In millions)	
Credit Facilities:		
Revolving loans	$ 377.1	$ 387.2
Term loans	—	—
Senior Notes – 7.25%	200.0	200.0
Senior Notes – 6.625%	200.0	200.0
Other	5.5	7.8
	782.6	795.0
Less current portions	1.5	3.2
Long term debt	$ 781.1	$ 791.8

The Company’s debt matures as follows for each of the next five fiscal years and thereafter (in millions):

2013	$ 1.5
2014	1.0
2015	0.5
2016	377.6
2017	0.5
Thereafter	401.5
	$ 782.6

Credit Facilities

On June 30, 2011, Scotts Miracle-Gro and certain of its subsidiaries entered into a second amended and restated senior secured credit facility, providing for revolving loans in the aggregate principal amount of up to $1.7 billion over a five-year term. Borrowings may be made in various currencies including U.S. dollars, Euros, British pounds, Australian dollars and Canadian dollars. Under this credit facility, the Company may request up to an additional $450 million in revolving and/or term commitments, subject to certain specified conditions, including approval from the Company’s lenders. The credit facility replaced the Company’s previous senior secured credit facilities, which were comprised of: (a) a senior secured revolving loan facility in the aggregate principal amount of up to $1.59 billion and (b) a senior secured term loan facility totaling $560 million. The previous credit facilities were scheduled to expire in February 2012.

The terms of the credit facility provide for customary representations and warranties and affirmative covenants. The credit facility also contains customary negative covenants setting forth limitations, subject to negotiated carve-outs on liens; contingent obligations; fundamental changes; acquisitions, investments, loans and advances; indebtedness; restrictions on subsidiary distributions; transactions with affiliates and officers; sales of assets; sale and leaseback transactions; changing the Company’s fiscal year end; modifications of certain debt instruments; negative pledge clauses; entering into new lines of business; and restricted payments, which are limited to an aggregate of $125 million annually through fiscal 2013 and $150 million annually beginning in fiscal 2014 if our leverage ratio, after giving effect to any such annual dividend payment, exceeds 2.50. The credit facility is secured by collateral that includes the capital stock of specified subsidiaries of Scotts Miracle-Gro, substantially all domestic accounts receivable (exclusive of any “sold” receivables), inventory and equipment. The credit facility is guaranteed by substantially all of Scotts Miracle-Gro’s domestic subsidiaries.

Loans made under the credit facility bear interest, at the Company’s election, at a rate per annum equal to either the ABR or LIBOR rate, (both as defined) plus an applicable margin. Amounts outstanding under the credit facility at September 30, 2012 were at interest rates based on LIBOR applicable to the borrowed currencies plus 225 basis points. Under the credit facility, the Company has the ability to issue letter of credit commitments up to $75 million. At September 30, 2012, the Company had letters of credit in the aggregate face amount of $25.9 million outstanding, and $1.3 billion of availability under its credit facility.

Senior Notes- 7.25%

On January 14, 2010, Scotts Miracle-Gro issued $200 million aggregate principal amount of 7.25% Senior Notes due 2018 (the “7.25% Senior Notes”). The net proceeds of the offering were used to reduce outstanding borrowings under the Company’s then existing credit facilities. The 7.25% Senior Notes represent general unsecured senior obligations of Scotts Miracle-Gro, and were sold to the public at 99.254% of the principal amount thereof, to yield 7.375% to maturity. The 7.25% Senior Notes have interest payment dates of January 15 and July 15 of each year, which began on July 15, 2010 and may be redeemed prior to maturity at applicable redemption premiums. The 7.25% Senior Notes contain usual and customary incurrence-based covenants, which include, but are not limited to, restrictions on the incurrence of additional indebtedness, the incurrence of liens and the issuance of certain preferred shares, and the making of certain distributions, investments and other restricted payments, as well as other usual and customary covenants, which include, but are not limited to, restrictions on sale and leaseback transactions, restrictions on purchases or redemptions of Scotts Miracle-Gro stock and prepayments of subordinated debt, limitations on asset sales and restrictions on transactions with affiliates. The 7.25% Senior Notes mature on January 15, 2018. Substantially all of Scotts Miracle-Gro's domestic subsidiaries serve as guarantors of the 7.25% Senior Notes.

Senior Notes- 6.625%

On December 16, 2010, Scotts Miracle-Gro issued $200 million aggregate principal amount of 6.625% Senior Notes due 2020 (the “6.625%" Senior Notes”) in a private placement exempt from the registration requirements under the Securities Act of 1933, as amended. The net proceeds of the offering were used to repay outstanding borrowings under the Company’s then existing credit facilities and for general corporate purposes. The 6.625% Senior Notes represent general unsecured senior obligations of Scotts Miracle-Gro and rank equal in right of payment with the Company’s existing and future unsecured senior debt, including, without limitation, the 7.25% Senior Notes. The 6.625% Senior Notes have interest payment dates of June 15 and December 15 of each year, which began on June 15, 2011, and may be redeemed prior to maturity at applicable redemption premiums. The 6.625% Senior Notes contain usual and customary incurrence-based covenants, as well as other usual and customary covenants, substantially similar to those contained in the 7.25% Senior Notes. The 6.625% Senior Notes mature on December 15, 2020. Substantially all of Scotts Miracle-Gro’s domestic subsidiaries serve as guarantors of the 6.625% Senior Notes.

The Company was in compliance with the terms of all debt covenants at September 30, 2012. The credit facility contains, among other obligations, an affirmative covenant regarding the Company’s leverage ratio, calculated as average total indebtedness, as described in the Company’s credit facility, relative to the Company’s 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 3.50 as of September 30, 2012. The Company’s leverage ratio was 2.93 at September 30, 2012. The Company’s credit facility also includes an affirmative covenant regarding its interest coverage ratio. 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 year ended September 30, 2012. The Company’s interest coverage ratio was 4.90 for the year ended September 30, 2012. The weighted average interest rates on average debt were 6.0% and 5.9% for fiscal 2012 and fiscal 2011, respectively.

Interest Rate Swap Agreements

At September 30, 2012, the Company had outstanding interest rate swap agreements with major financial institutions that effectively converted a portion of variable-rate debt denominated in U.S. dollars to a fixed rate. The swap agreements had a total U.S. dollar notional amount of $700 million at September 30, 2012. 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%

(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

On November 15, 2012, the Company entered into a new Master Accounts Receivable Purchase Agreement (the "2012 MARP Agreement"), with an initial stated termination date of October 30, 2013, or such later date as may be mutually agreed by the Company and the banks party thereto. The 2012 MARP Agreement, which is uncommitted, provides for the discretionary sale by the Company, 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, with debtor sublimits ranging from $100 million to $200 million. Under the terms of the 2012 MARP Agreement, the banks have the opportunity to purchase those accounts receivable offered by the Company at a discount (from the agreed base value thereof) effectively equal to the greater of 7-day or 3-month LIBOR plus 0.75%. The 2012 MARP Agreement replaced the Company's previous Master Accounts Receivable Purchase Agreement, which provided for the discounted sale, on an uncommitted, revolving basis, of accounts receivable generated by two specified account debtors in an aggregate amount not to exceed $325 million and an interest rate effectively equal to the greater of 7-day or 3-month LIBOR plus 1.05%. The previous Master Accounts Receivable Purchase Agreement expired on September 21, 2012.

The Company accounts for the sale of receivables under its Master Accounts Receivable Purchase Agreements 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. There were no short-term borrowings under the Master Accounts Receivable Purchase Agreements as of September 30, 2012 and 2011.

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.

7.25% Senior Notes

The fair value of the 7.25% Senior Notes can be determined based on the trading of the 7.25% Senior Notes in the open market. The difference between the carrying value and the fair value of the 7.25% Senior Notes represents the premium or discount on that date. Based on the trading value on or around September 30, 2012 and September 30, 2011, the fair value of the 7.25% Senior Notes was approximately $212.0 million and $206.0 million, respectively. The fair value measurement for the 7.25% Senior Notes was classified in Level 1 of the fair value hierarchy.

6.625% Senior Notes

The fair value of 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 September 30, 2012 and September 30, 2011, the fair value of the 6.625% Senior Notes was approximately $217.5 million and $198.1 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.

The estimated fair values of the Company's debt instruments are as follows:

	Year Ended September 30,			
	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In millions)			
Revolving loans	$ 377.1	$ 377.1	$ 387.2	$ 387.2
Senior Notes – 7.25%	200.0	212.0	200.0	206.0
Senior Notes – 6.625%	200.0	217.5	200.0	198.1
Other	5.5	5.5	7.8	7.8

NOTE 12. SHAREHOLDERS' EQUITY

Authorized and issued capital shares consisted of the following:

	September 30,	
	2012	2011
	(In millions)	
Preferred shares, no par value:		
Authorized	0.2 shares	0.2 shares
Issued	0.0 shares	0.0 shares
Common shares, no par value, $.01 stated value per share		
Authorized	100.0 shares	100.0 shares
Issued	68.1 shares	68.1 shares

In fiscal 1995, The Scotts Company merged with Stern's Miracle-Gro Products, Inc. ("Miracle-Gro"). At September 30, 2012, the former shareholders of Miracle-Gro, including Hagedorn Partnership L.P., owned approximately 30% of Scotts Miracle-Gro's outstanding common shares and, thus, have the ability to significantly influence the election of directors and other actions requiring the approval of Scotts Miracle-Gro's shareholders.

Under the terms of the merger agreement with Miracle-Gro, the former shareholders of Miracle-Gro may not collectively acquire, directly or indirectly, beneficial ownership of Voting Stock (as that term is defined in the Miracle-Gro merger agreement) representing more than 49% of the total voting power of the outstanding Voting Stock, except pursuant to a tender offer for 100% of that total voting power, which tender offer is made at a price per share which is not less than the market price per share on the last trading day before the announcement of the tender offer and is conditioned upon the receipt of at least 50% of the Voting Stock beneficially owned by shareholders of Scotts Miracle-Gro other than the former shareholders of Miracle-Gro and their affiliates and associates.

In August 2010, the Scotts Miracle-Gro Board of Directors authorized the repurchase of up to $500 million of Scotts Miracle-Gro's common shares (the "Common Shares") over a four-year period through September 30, 2014. On May 4, 2011, the Scotts Miracle-Gro Board of Directors authorized the repurchase of up to an additional $200 million of the Common Shares, resulting in authority to repurchase up to a total of $700 million of the Common Shares through September 30, 2014. The authorization provides the Company with flexibility to purchase the Common Shares from time to time in open market purchases or through privately negotiated transactions. All or part of the repurchases may be made under Rule 10b5-1 plans, which the Company may enter from time to time and which enable the repurchases to occur on a more regular basis, or pursuant to accelerated share repurchases. The share repurchase authorization, which expires September 30, 2014, may be suspended or discontinued at any time, and there can be no guarantee as to the timing or amount of any repurchases. Since the inception of this program in the fourth quarter of fiscal 2010 through September 30, 2012, Scotts Miracle-Gro has repurchased approximately 7.8 million Common Shares for $401.2 million to be held in treasury. Scotts Miracle-Gro repurchased 0.4 million Common Shares for $17.5 million in fiscal 2012. Common Shares held in treasury totaling 1.1 million and 1.2 million were reissued in support of share-based compensation awards and employee purchases under the employee stock purchase plan during fiscal 2012 and fiscal 2011, respectively.

Share-Based Awards

Scotts Miracle-Gro grants share-based awards annually to officers, certain other employees of the Company and non-employee directors of Scotts Miracle-Gro. The share-based awards typically consist of stock options, restricted stock, restricted stock units and deferred stock units. Performance-based awards have also been made. Stock appreciation rights ("SARs") have been granted, though not in recent years. SARs result in less dilution than stock options as the SAR holder receives a net share settlement upon exercise. All of these share-based awards have been made under plans approved by the shareholders. Generally, employee share-based awards provide for three-year cliff vesting. Vesting for non-employee director awards varies based on the length of service and age of each director at the time of the award. Vesting of performance-based awards are dependent on service and achievement of specified performance targets. Share-based awards are forfeited if a holder terminates employment or service with the Company prior to the vesting date. The Company estimates that 10-15% of its share-based awards will be forfeited based on an analysis of historical trends. This assumption is re-evaluated on an annual basis and adjusted as appropriate. Stock options and SAR awards have exercise prices equal to the market price of the underlying common shares on the date of grant with a term of 10 years. If available, Scotts Miracle-Gro will typically use treasury shares, or if not available, newly-issued Common Shares, in satisfaction of its share-based awards.

A maximum of 18 million Common Shares are available for issuance under share-based award plans. At September 30, 2012, approximately 0.1 million Common Shares were not subject to outstanding awards and were available to underlie the grant of new share-based awards.

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

	Year Ended September 30,		
	2012	2011	2010
Employees			
Options	464,061	429,700	367,600
Restricted stock units	107,373	65,939	259,353
Performance shares	—	—	4,200
Performance units	110,079	53,874	—
Board of Directors			
Deferred stock units	30,943	30,296	28,854
Total share-based awards	712,456	579,809	660,007
Aggregate fair value at grant dates (in millions)	$ 17.4	$ 13.8	$ 16.9

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

	Year Ended September 30,		
	2012	2011	2010
	(In millions)		
Share-based compensation	$ 12.5	$ 16.0	$ 16.4
Tax benefit recognized	4.8	6.2	6.3

As of September 30, 2012, total unrecognized compensation cost related to non-vested share-based awards amounted to $12.0 million. This cost is expected to be recognized over a weighted-average period of 1.9 years. The tax benefit realized from the tax deductions associated with the exercise of share-based awards and the vesting of restricted stock totaled $17.1 million for fiscal 2012.

Stock Options/SARs

Aggregate stock option and SARs activity consisted of the following for the year ended September 30, 2012 (options/SARs in millions):

	No. of Options/SARs	WTD. Avg. Exercise Price
Beginning balance	3.8	$ 33.47
Granted	0.5	47.66
Exercised	(0.9)	25.93
Forfeited	(0.1)	48.07
Ending balance	3.3	37.28
Exercisable	2.2	32.20

At September 30, 2012, the Company expects 1.0 million stock options (after forfeitures), with a weighted-average exercise price of $47.66, intrinsic value of $0.5 million and average remaining term of 8.5 years, to vest in the future. The following summarizes certain information pertaining to stock option and SAR awards outstanding and exercisable at September 30, 2012 (options/SARs in millions):

	Awards Outstanding			Awards Exercisable		
Range of Exercise Price	No. of Options/ SARs	WTD. Avg. Remaining Life	WTD. Avg. Exercise Price	No. of Options/ SARS	WTD. Avg. Remaining Life	WTD. Avg. Exercise Price
$20.12 – $21.65	0.4	5.43	$ 21.60	0.4	5.43	$ 21.60
$24.45 – $28.72	0.4	1.41	25.65	0.4	1.41	25.65
$29.01 – $31.62	0.3	2.37	29.18	0.3	2.37	29.18
$33.25 – $37.48	0.3	3.07	35.83	0.3	3.07	35.83
$37.89 – $38.90	0.7	4.59	38.57	0.7	4.59	38.57
$40.81 – $51.73	1.2	7.86	47.14	0.1	3.99	43.72
	3.3	5.24	$ 37.28	2.2	3.66	$ 32.20

The intrinsic value of the stock option and SAR awards outstanding and exercisable at September 30 were as follows (in millions):

	2012
Outstanding	$ 25.8
Exercisable	25.3

The grant date fair value of stock option awards are estimated using a binomial model and the assumptions in the following table. Expected market price volatility is based on implied volatilities from traded options on Scotts Miracle-Gro's common shares and historical volatility specific to the common shares. Historical data, including demographic factors impacting historical exercise behavior, is used to estimate stock option exercises and employee terminations within the valuation model. The risk-free rate for periods within the contractual life (normally ten years) of the stock option is based on the U.S. Treasury yield curve in effect at the time of grant. The expected life of stock options is based on historical experience and expectations for grants outstanding. The weighted average assumptions for awards granted are as follows for the periods indicated:

	Year Ended September 30,		
	2012	2011	2010
Expected market price volatility	33.2%	31.9%	32.1%
Risk-free interest rates	1.2%	2.4%	2.8%
Expected dividend yield	2.5%	1.9%	1.2%
Expected life of stock options in years	5.96	5.97	6.00
Estimated weighted-average fair value per stock option	11.50	14.06	12.90

The total intrinsic value of stock options exercised was $23.9 million, $22.4 million and $25.9 million during fiscal 2012, fiscal 2011and fiscal 2010, respectively. Cash received from the exercise of stock options for fiscal 2012 and fiscal 2011was $17.6 million and $31.5 million, respectively.

Restricted share-based awards

Restricted share-based award activity (including restricted stock, restricted stock units and deferred stock units) was as follows:

	No. of Shares	WTD. Avg. Grant Date Fair Value per Share
Awards outstanding at September 30, 2009	707,949	$ 31.32
Granted	288,207	41.53
Vested	(129,130)	41.15
Forfeited	(26,600)	27.24
Awards outstanding at September 30, 2010	840,426	33.52
Granted	96,235	51.99
Vested	(136,355)	38.44
Forfeited	(103,400)	32.76
Awards outstanding at September 30, 2011	696,906	35.22
Granted	138,316	47.53
Vested	(301,132)	22.25
Forfeited	(36,891)	45.28
Awards outstanding at September 30, 2012	497,199	45.75

The total fair value of restricted stock vested was $3.6 million, $4.6 million and $5.2 million during fiscal 2012, fiscal 2011 and fiscal 2010, respectively. The total fair value of restricted stock units vested was $3.1 million, $0.6 million and $0.4 million during fiscal 2012, fiscal 2011 and fiscal 2010, respectively.

Performance-based awards

Performance-based award activity was as follows:

	No. of Units	WTD. Avg. Grant Date Fair Value per Unit
Awards outstanding at September 30, 2009	30,000	$ 27.98
Granted	4,200	38.76
Vested	(10,000)	27.98
Forfeited	—	—
Awards outstanding at September 30, 2010	24,200	29.85
Granted	53,874	51.91
Vested	(35,774)	32.57
Forfeited	—	—
Awards outstanding at September 30, 2011	42,300	51.73
Granted	114,279	47.63
Vested	—	—
Forfeited	(2,670)	47.66
Awards outstanding at September 30, 2012	153,909	45.48

NOTE 13. EARNINGS PER COMMON SHARE

Basic earnings per common share are computed by dividing income from continuing operations, income from discontinued operations or net income by the weighted average number of common shares outstanding. Diluted earnings per common share are computed by dividing income from continuing operations, income from discontinued operations or net income by the weighted average number of common shares outstanding plus all potentially dilutive securities. Stock options with exercise prices greater than the average market price of the underlying common shares are excluded from the computation of diluted earnings per common share because they are out-of-the-money and the effect of their inclusion would be anti-dilutive. The number of common shares covered by out-of-the-money stock options was 0.7 million, 0.2 million and 0.2 million for the years ended September 30, 2012, 2011 and 2010, respectively. The following table presents information necessary to calculate basic and diluted earnings per common share.

	Year Ended September 30,		
	2012	2011	2010
	(In millions, except per share data)		
Income from continuing operations	$ 113.2	$ 139.9	$ 207.7
Income (loss) from discontinued operations	(6.7)	28.0	(3.6)
Net income	$ 106.5	$ 167.9	$ 204.1
BASIC EARNINGS PER COMMON SHARE:			
Weighted-average common shares outstanding during the period	61.0	64.7	66.3
Income from continuing operations	$ 1.86	$ 2.16	$ 3.13
Income (loss) from discontinued operations	(0.11)	0.44	(0.05)
Net income	$ 1.75	$ 2.60	$ 3.08
DILUTED EARNINGS PER COMMON SHARE:			
Weighted-average common shares outstanding during the period	61.0	64.7	66.3
Dilutive potential common shares	1.1	1.5	1.3
Weighted-average number of common shares outstanding and dilutive potential common shares	62.1	66.2	67.6
Income from continuing operations	$ 1.82	$ 2.11	$ 3.07
Income (loss) from discontinued operations	(0.11)	0.43	(0.05)
Net income	$ 1.71	$ 2.54	$ 3.02

NOTE 14. INCOME TAXES

The provision (benefit) for income taxes allocated to continuing operations consisted of the following:

	Year Ended September 30,		
	2012	2011	2010
	(In millions)		
Current:			
Federal	$ 31.0	$ 66.2	$ 87.6
State	6.0	8.3	7.7
Foreign	7.2	5.4	6.3
Total Current	44.2	79.9	101.6
Deferred:			
Federal	23.5	2.2	20.0
State	1.3	(0.1)	1.3
Foreign	(0.4)	0.7	0.6
Total Deferred	24.4	2.8	21.9
Provision for income taxes	$ 68.6	$ 82.7	$ 123.5

The domestic and foreign components of income from continuing operations before income taxes were as follows:

	Year Ended September 30,		
	2012	2011	2010
	(In millions)		
Domestic	$ 165.3	$ 205.7	$ 319.1
Foreign	16.5	16.9	12.1
Income from continuing operations before income taxes	$ 181.8	$ 222.6	$ 331.2

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A reconciliation of the federal corporate income tax rate and the effective tax rate on income from continuing operations before income taxes is summarized below:

	Year Ended September 30,		
	2012	2011	2010
Statutory income tax rate	35.0 %	35.0 %	35.0 %
Effect of foreign operations	(0.5)	(0.3)	(0.2)
State taxes, net of federal benefit	3.1	2.8	2.9
Domestic Production Activities Deduction permanent difference	(1.5)	(2.3)	(1.3)
Effect of other permanent differences	2.4	1.9	0.6
Research and Experimentation and other federal tax credits	(0.1)	(0.2)	—
Resolution of prior tax contingencies	(0.9)	0.7	0.3
Other	0.2	(0.4)	—
Effective income tax rate	37.7 %	37.2 %	37.3 %

Included in "Effect of other permanent differences" in the effective tax rate reconciliation table above are nondeductible fines and penalties of $4.8 million and $7.7 million for the fiscal years ended September 30, 2012 and September 30, 2011, respectively, from the settlement of the product registration and recall matters more fully discussed at Note 3 herein. No related penalties were recorded in the fiscal year ended September 30, 2010 and none are expected to recur in future periods.

Deferred income taxes arise from temporary differences between financial reporting and tax reporting bases of assets and liabilities, and operating loss and tax credit carryforwards for tax purposes. The components of the deferred income tax assets and liabilities were as follows:

	September 30,	
	2012	2011
	(In millions)	
DEFERRED TAX ASSETS		
Inventories	$ 17.0	$ 18.3
Accrued liabilities	61.5	70.3
Postretirement benefits	41.2	40.7
Accounts receivable	7.9	10.8
State NOL carryovers	1.9	1.6
Foreign NOL carryovers	48.2	42.7
Foreign tax credit carryovers	8.3	7.8
Interest rate swaps	11.0	10.3
Other	4.2	5.7
Gross deferred tax assets	201.2	208.2
Valuation allowance	(48.4)	(44.3)
Total deferred tax assets	152.8	163.9
DEFERRED TAX LIABILITIES		
Property, plant and equipment	(58.9)	(60.6)
Intangible assets	(85.8)	(74.5)
Other	(3.2)	(5.9)
Total deferred tax liabilities	(147.9)	(141.0)
Net deferred tax asset	$ 4.9	$ 22.9

The net current and non-current components of deferred income taxes recognized in the Consolidated Balance Sheets were:

	September 30,	
	2012	2011
	(In millions)	
Net current deferred tax assets (classified with prepaid and other assets)	$ 76.5	$ 88.1
Net non-current deferred tax liabilities (classified with other liabilities)	(71.6)	(65.2)
Net deferred tax asset	$ 4.9	$ 22.9

GAAP requires that a valuation allowance be recorded against a deferred tax asset if it is more likely than not that the tax benefit associated with the asset will not be realized in the future. As shown in the table above, valuation allowances were recorded against $48.4 million and $44.3 million of deferred tax assets as of September 30, 2012 and 2011, respectively. Most of these valuation allowances relate to certain foreign net operating losses, and the remainder relates to certain state net operating losses and a capital loss carryover. Each of these items is explained more fully below.

The Company has elected to treat certain foreign entities as disregarded entities for U.S. tax purposes, which results in their net income or loss being recognized currently in the Company’s U.S. tax return. As such, the tax benefit of net operating losses available for foreign statutory tax purposes has already been recognized for U.S. purposes. Accordingly, a full valuation allowance is required on the tax benefit of these net operating losses on global consolidation. The foreign net operating losses of these foreign disregarded entities were $176.3 million at September 30, 2012, the majority of which have indefinite carryforward periods. The statutory tax benefit of these net operating loss carryovers, and related full valuation allowances thereon, amounted to $46.4 million and $41.5 million for the fiscal years ended September 30, 2012 and 2011, respectively.

Foreign net operating losses of certain controlled foreign corporations were $7.2 million as of September 30, 2012, the majority of which have indefinite carryforward periods. Due to a history of losses in these entities, a full valuation allowance has also been placed against the statutory tax benefit associated with these losses amounting to $1.8 million and $1.2 million at September 30, 2012 and 2011, respectively.

State net operating losses were $31.8 million as of September 30, 2012, with carryforward periods ranging from 5 to 20 years. Any losses not utilized within a specific state’s carryforward period will expire. State net operating loss carryforwards included $0.3 million and $0.4 million of tax benefits relating to Smith & Hawken at September 30, 2012 and 2011, respectively. As these losses may only be used against income of Smith & Hawken, and cannot be used to offset income of the consolidated group, a full valuation allowance has been recorded against this tax asset.

Tax benefits associated with state tax credits will expire if not utilized and amounted to $0.5 million at both September 30, 2012 and 2011. No valuation allowance has been placed against these credits as the Company should fully utilize the credits within their respective carryover periods.

Lastly, with respect to valuation allowances, a $1.2 million valuation allowance was placed against a capital loss carryover during the fiscal year-ended September 30, 2011 related to the Company's minority interest in the stock of Turf-Seed Europe. This capital loss was ultimately utilized against capital gains from the sale of the Company's Global Professional business in the same year. As such, the capital loss and related valuation allowance no longer exist as of September 30, 2012.

Deferred taxes have not been provided on unremitted earnings approximating $144.0 million of certain foreign subsidiaries and foreign corporate joint ventures as such earnings have been indefinitely reinvested. These foreign entities held cash and cash equivalents of $118.6 million and $121.1 million at September 30, 2012 and 2011, respectively. Our current plans do not demonstrate a need to, nor do we have plans to, repatriate the retained earnings from these subsidiaries 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 subsidiaries, we may be required to pay associated taxes on the repatriation. We may also be required to withhold foreign taxes depending on the foreign jurisdiction from which the funds are repatriated. The effective rate of tax on such repatriations may materially differ from the federal statutory tax rate, thereby having a material impact on tax expense in the year of repatriation; however, the Company cannot reasonably estimate the amount of such a tax event.

GAAP provides that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits of the position. The amount recognized is measured as the largest amount of tax benefit that is greater than 50% likely of being realized upon settlement.

The Company had $7.0 million, $8.9 million and $7.8 million of gross unrecognized tax benefits related to uncertain tax positions at September 30, 2012, 2011 and 2010, respectively. Included in the September 30, 2012, 2011 and 2010 balances were $6.9 million, $7.3 million and $6.4 million, respectively, of unrecognized tax benefits that, if recognized, would have an impact on the effective tax rate.

A reconciliation of the unrecognized tax benefits is as follows:

	Year Ended September 30,		
	2012	2011	2010
		(In millions)	
Balance at beginning of year	$ 8.9	$ 7.8	$ 6.2
Additions for tax positions of the current year	1.0	1.1	2.1
Additions for tax positions of prior years	2.9	1.9	2.4
Reductions for tax positions of the current year	—	—	(0.8)
Reductions for tax positions of prior years	(4.1)	(1.2)	(1.3)
Settlements with tax authorities	(0.5)	(0.6)	—
Expiration of statutes of limitation	(1.2)	(0.1)	(0.8)
Balance at end of year	$ 7.0	$ 8.9	$ 7.8

The Company continues to recognize accrued interest and penalties related to unrecognized tax benefits as a component of the provision for income taxes. As of September 30, 2012, 2011 and 2010, respectively, the Company had $1.8 million, $1.6 million and $1.3 million accrued for the payment of interest that, if recognized, would impact the effective tax rate. As of September 30, 2012, 2011 and 2010, respectively, the Company had $0.8 million, $0.7 million and $0.7 million accrued for the payment of penalties that, if recognized, would impact the effective tax rate. For the year ended September 30, 2012, the Company recognized $0.3 million of tax interest and tax penalties in its statement of operations.

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 below, the Company is no longer subject to examinations by these tax authorities for fiscal years prior to 2009. The Company is currently under examination by certain foreign and U.S. state and local tax authorities. Regarding the foreign jurisdictions, audits are currently underway in Austria, Belgium, and Canada. Tax years under audit range from 2008 through 2011. A German audit closed during the fiscal year ended September 30, 2012 without impact on the balance of uncertain tax positions. In regard to the U.S. state and local audits, the tax periods under examinations are limited to fiscal years 1997 through 2009. In addition to these aforementioned audits, certain other tax deficiency notices and refund claims for previous years remain unresolved.

The Company currently anticipates that few of its open and active audits will be resolved in 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.

Management judgment is required in determining tax provisions and evaluating tax positions. Management believes its tax positions and related provisions reflected in the consolidated financial statements are fully supportable and appropriate. The Company established reserves for additional income taxes that may become due if the tax positions are challenged and not sustained, and as such, the Company’s tax provision includes the impact of recording reserves and changes thereto.

NOTE 15. 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 periodically uses foreign currency swap contracts to manage the exchange rate risk associated with intercompany loans with foreign subsidiaries that are denominated in local currencies. At September 30, 2012, the notional amount of outstanding foreign currency swap contracts was $61.8 million, with a negative fair value of $1.0 million. At September 30, 2011, the notional amount of outstanding foreign currency swap contracts was $217.9 million, with a fair value of $2.7 million. The fair value of foreign currency swap contracts is determined based on changes in spot rates. The unrealized loss on the foreign currency swap contracts approximates the unrealized gain on the intercompany loans recognized by the Company's lending subsidiaries. The 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 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 loss ("AOCI") within the Consolidated Balance Sheets. 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.

At September 30, 2012 and 2011, the Company had outstanding interest rate swap agreements with major financial institutions that effectively converted 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 $700.0 million and $900.0 million at September 30, 2012 and 2011 respectively. Refer to "NOTE 11. DEBT" for the terms of the swap agreements outstanding at 2012. Included in the AOCI balance at 2012 is a loss of $5.0 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 derivative contracts at September 30, 2012 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 the AOCI component of shareholders' equity. 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 September 30, 2012 was a gain of $0.7 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.

Periodically, 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 derivative contracts that do qualify for hedge accounting are recorded in accumulated other comprehensive income (expense), 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. Included in the AOCI balance at September 30, 2012 was a gain of $0.1 million related to fuel 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 had the following outstanding commodity contracts that were entered into to hedge forecasted purchases:

	September 30,	
	2012	2011
Commodity		
Urea	34,500 tons	4,500 tons
Diesel	6,552,000 gallons	3,738,000 gallons
Gasoline	224,000 gallons	217,000 gallons
Heating Oil	5,208,000 gallons	0 gallons

Fair Values of Derivative Instruments

The following table summarizes the fair values of the Company's derivative instruments and the respective lines in which they were recorded in the Consolidated Balance Sheets at September 30:

		Assets / (Liabilities)	
		2012	2011
Derivatives Designated As Hedging Instruments	**Balance Sheet Location**	**Fair Value**	
		(In millions)	
Interest rate swap agreements	Other current liabilities	$ (8.2)	$ (10.7)
	Other liabilities	(20.6)	(17.4)
Commodity hedging instruments	Prepaid and other assets	1.0	0.1
	Other current liabilities	—	(0.3)
Total derivatives designated as hedging instruments		$ (27.8)	$ (28.3)
Derivatives Not Designated As Hedging Instruments	**Balance Sheet Location**		
Foreign currency swap contracts	Prepaid and other assets	$ —	$ 2.7
	Other current liabilities	(1.0)	—
Commodity hedging instruments	Prepaid and other assets	1.0	—
	Other current liabilities	—	(0.5)
Total derivatives not designated as hedging instruments		$ —	$ 2.2
Total derivatives		$ (27.8)	$ (26.1)

The effect of derivative instruments on AOCI and the Consolidated Statements of Operations for the year ended September 30 was as follows:

	Amount of Gain/(Loss) Recognized in AOCI	
Derivatives in Cash Flow Hedging Relationships	**2012**	**2011**
	(In millions)	
Interest rate swap agreements	$ (10.9)	$ (14.5)
Commodity hedging instruments	1.6	1.5
Total	$ (9.3)	$ (13.0)

	Reclassified From AOCI Into	Amount of Gain/(Loss)	
Derivatives in Cash Flow Hedging Relationships	**Statement of Operations**	**2012**	**2011**
		(In millions)	
Interest rate swap agreements	Interest expense	$ (10.0)	$ (12.6)
Commodity hedging instruments	Cost of sales	1.6	2.6
Total		$ (8.4)	$ (10.0)

		Amount of Gain/(Loss)	
Derivatives not Designated As Hedging Instruments	**Recognized in Statement of Operations**	**2012**	**2011**
		(In millions)	
Foreign currency swap contracts	Interest expense	$ (6.6)	$ 6.1
Commodity hedging instruments	Cost of sales	2.3	1.5
Total		$ (4.3)	$ 7.6

NOTE 16. 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 foreign currency, interest rate and commodity derivative instruments. Foreign currency swap 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 our Consolidated Balance Sheets, except for derivative instruments expected to be settled within the next 12 months, which are included within prepaid and other assets and other current liabilities.

Cash equivalents

Cash equivalents consist of highly liquid investments purchased with a maturity 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.

The following table presents the Company’s financial assets and liabilities measured at fair value on a recurring basis at September 30, 2012:

	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	$ 41.1	$ —	$ —	$ 41.1
Derivatives				
Commodity hedging instruments	—	2.0	—	2.0
Other	6.4	—	—	6.4
Total	$ 47.5	$ 2.0	$ —	$ 49.5
Liabilities				
Derivatives				
Interest rate swap agreements	$ —	$ (28.8)	$ —	$ (28.8)
Foreign currency swap contracts	—	(1.0)	—	(1.0)
Total	$ —	$ (29.8)	$ —	$ (29.8)

The following presents the Company’s non-financial assets and liabilities measured at fair value on a non-recurring basis at September 30, 2012 and describes the valuation methodologies used for non-financial assets and liabilities measured at fair value, as well as the general classification within the valuation hierarchy:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total Losses
	(In millions)			
Assets of MAT 28	$ —	$ —	$ 1.2	$ 5.3

Certain property, plant and equipment and other assets were written down to their fair value, resulting in an impairment charge of $5.3 million, which was included in earnings for the period. The value of the property, plant and equipment was determined using the market approach, which is a valuation technique based on what other purchasers and sellers in the market have agreed to as prices for comparable assets, adjusted for such factors as age, condition and location of the respective assets being valued. The intangible asset was determined to be fully impaired based on the estimated future cash flows associated with this active ingredient in relation its carrying value.

The following table presents the Company's financial assets and liabilities measured at fair value on a recurring basis at September 30, 2011:

	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	$ 83.6	$ —	$ —	$ 83.6
Derivatives				
Commodity hedging instruments	—	0.1	—	0.1
Foreign currency swap contracts	—	2.7	—	2.7
Other	6.3	—	—	6.3
Total	$ 89.9	$ 2.8	$ —	$ 92.7
Liabilities				
Derivatives				
Interest rate swap agreements	$ —	$ (28.1)	$ —	$ (28.1)
Commodity hedging instruments	—	(0.8)	—	(0.8)
Total	$ —	$ (28.9)	$ —	$ (28.9)

The following presents the Company's non-financial assets and liabilities measured at fair value on a non-recurring basis at September 30, 2011 and describes the valuation methodologies used for non-financial assets and liabilities measured at fair value, as well as the general classification within the valuation hierarchy:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total Losses
	(In millions)			
Assets of Wild Bird Food	$ —	$ —	$ 4.8	$ 26.2
Other tradenames	—	—	2.9	2.3

Certain property, plant and equipment, tradenames, goodwill and other long-lived assets were written down to their fair value, resulting in an impairment charge of 28.5 million, which was included in earnings for the period. The value of the property, plant and equipment was determined using the cost approach, which is a valuation technique based on the amounts that currently would be required to replace the service capacity of the respective assets (often referred to as current replacement cost). The value of the tradenames was determined using a royalty savings methodology similar to that employed when the associated businesses were acquired but using updated estimates of sales, cash flow and profitability. The value of the goodwill was determined under the income-based approach utilizing discounted cash flows and assumptions the Company believes marketplace participants would utilize.

NOTE 17. OPERATING LEASES

The Company leases certain property and equipment from third parties under various non-cancelable operating lease agreements. Certain lease agreements contain renewal and purchase options. The lease agreements generally require that the Company pay taxes, insurance and maintenance expenses related to the leased assets. Future minimum lease payments for non-cancelable operating leases at September 30, 2012, were as follows (in millions):

2013	$	50.8
2014		42.0
2015		41.3
2016		29.3
2017		22.8
Thereafter		44.1
Total future minimum lease payments	$	230.3

The Company also leases certain vehicles (primarily cars and light trucks) under agreements that are cancelable after the first year, but typically continue on a month-to-month basis until canceled by the Company. The vehicle leases and certain other non-cancelable operating leases contain residual value guarantees that create a contingent obligation on the part of the Company to compensate the lessor if the leased asset cannot be sold for an amount in excess of a specified minimum value at the conclusion of the lease term. If all such vehicle leases had been canceled as of September 30, 2012, the Company's residual value guarantee would have approximated $7.2 million.

Other residual value guarantee amounts that apply at the conclusion of non-cancelable lease terms are as follows:

	Amount of Guarantee		Lease Termination Date
	(In millions)		
Scotts LawnService® vehicles	$	1.7	2013
Corporate aircraft	$	14.9	2013

Rent expense for fiscal 2012, fiscal 2011 and fiscal 2010 totaled $69.0 million, $67.2 million and $65.3 million, respectively.

NOTE 18. COMMITMENTS

The Company has the following unconditional purchase obligations due during each of the next five fiscal years that have not been recognized on the Consolidated Balance Sheet at September 30, 2012 (in millions):

2013	$	93.7
2014		47.5
2015		32.4
2016		22.5
2017		5.6
Thereafter		8.7
	$	210.4

Purchase obligations primarily represent commitments for materials used in the Company's manufacturing processes, as well as commitments for warehouse services, grass seed and out-sourced information services.

In addition, the Company leases certain property and equipment from third parties under various non-cancelable operating lease agreements. Future minimum lease payments for non-cancelable operating leases not included above are included in "NOTE 17. OPERATING LEASES."

NOTE 19. 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 are expensed as incurred. In the opinion of management, its 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. The following are the more significant of the Company’s identified contingencies:

Regulatory Matters

At September 30, 2012, $4.9 million was accrued in the “Other liabilities” line in the Consolidated Balance Sheet for compliance-related environmental actions, the majority of which is 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. None of the cases seek damages from the Company alone. 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.

As noted in the discussion in "ITEM 1. BUSINESS - Regulatory Considerations" of this Annual Report on Form 10-K, we have been named as a defendant in four putative class actions associated with the Company's sale of wild bird food, which have now been consolidated in one action.

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.

NOTE 20. CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject the Company to concentration of credit risk consist principally of trade accounts receivable. The Company sells its consumer products to a wide variety of retailers, including home centers, mass merchandisers, warehouse clubs, large hardware chains, independent hardware stores, nurseries, garden centers and food and drug stores. Concentrations of accounts receivable at September 30 were as follows:

	2012	2011
Due from customers geographically located in North America	76%	77%
Applicable to the Global Consumer business	89%	89%
Applicable primarily to Scotts LawnService®	11%	11%
Top 3 customers as a percent of total North America Consumer accounts receivable	76%	69%

The remainder of the Company’s accounts receivable at September 30, 2012 and 2011 were generated from customers located outside of North America, primarily retailers, distributors and nurseries in Europe. No concentrations of these customers or individual customers within this group accounted for more than 10% of the Company's accounts receivable at either balance sheet date.

The Company's three largest customers are reported within the Global Consumer segment and are the only customers that individually represent more than 10% of reported consolidated net sales for each of the last three fiscal years. These three customers accounted for the following percentages of consolidated net sales for the fiscal years ended September 30:

	Home Depot	Lowe's	Wal-mart
2012	32.2%	18.4%	14.7%
2011	29.7%	18.0%	13.0%
2010	29.9%	18.0%	15.8%

NOTE 21. OTHER INCOME, NET

Other (income) expense consisted of the following:

	Year Ended September 30,		
	2012	2011	2010
		(In millions)	
Royalty income, net	$ (4.9)	$ (4.3)	$ (4.1)
Gain from peat transaction	—	—	(0.9)
Franchise fees	(0.3)	(0.3)	(0.5)
Foreign currency losses	(0.7)	1.4	0.3
Other	3.0	2.3	(0.4)
Total	$ (2.9)	$ (0.9)	$ (5.6)

NOTE 22. SEGMENT INFORMATION

The Company divides its business into the following 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. The Company has made reclassifications to prior period segment amounts as a result of the change in internal organization structure associated with the disposal of the Company's professional seed business, which is now reported in discontinued operations. For additional information regarding the sale, refer to "NOTE 2. DISCONTINUED OPERATIONS."

The Global Consumer segment consists of the U.S. Consumer and International Consumer business groups. The business groups comprising this segment manufacture, market and sell dry, granular slow-release lawn fertilizers, combination lawn fertilizer and control products, grass seed, spreaders, water-soluble, liquid and continuous release garden and indoor plant foods, plant care products, potting, garden and lawn soils, mulches and other growing media products, wild bird food, pesticide and rodenticide products. Products are marketed to mass merchandisers, home centers, large hardware chains, warehouse clubs, distributors, garden centers and grocers in the United States, Canada, Europe, Latin America and Australia.

The Scotts LawnService® segment provides residential and commercial lawn fertilization, disease and insect control and other related services such as core aeration, tree and shrub fertilization and limited pest control services through Company-owned branches and independent franchisees in the United States.

Segment performance is evaluated based on several factors, including income from continuing operations before amortization, product registration and recall costs, and impairment, restructuring and other charges, which is not a GAAP measure. Senior management of the Company uses this measure of operating profit to evaluate segment performance because the Company believes this measure is the most indicative of performance trends and the overall earnings potential of each segment. Total assets reported for the Company's operating segments include the intangible assets for the acquired businesses within those segments. The accounting policies of the segments are the same as those described in the "NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES."

Corporate & Other consists of the Company's revenues and expenses associated with the Company's supply agreements with ICL and the amortization related to the Roundup® Marketing Agreement, 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.

The following table presents summarized financial information concerning the Company's reportable segments:

	Year Ended September 30,		
	2012	2011	2010
	(In millions)		
Net sales:			
Global Consumer	$ 2,539.2	$ 2,533.2	$ 2,649.7
Scotts LawnService®	245.8	235.6	224.1
Segment total	2,785.0	2,768.8	2,873.8
Corporate & Other	41.1	30.9	(0.8)
Consolidated	$ 2,826.1	$ 2,799.7	$ 2,873.0
Income from continuing operations before income taxes:			
Global Consumer	$ 338.3	$ 425.0	$ 490.1
Scotts LawnService®	27.0	25.9	21.0
Segment total	365.3	450.9	511.1
Corporate & Other	(96.3)	(95.0)	(99.6)
Intangible asset amortization	(10.1)	(10.6)	(9.9)
Product registration and recall matters	(8.2)	(14.6)	(8.7)
Impairment, restructuring and other charges	(7.1)	(55.9)	(18.5)
Costs related to refinancing	—	(1.2)	—
Interest expense	(61.8)	(51.0)	(43.2)
Consolidated	$ 181.8	$ 222.6	$ 331.2
Depreciation and amortization:			
Global Consumer	$ 44.2	$ 43.6	$ 41.0
Scotts LawnService®	4.1	3.4	3.8
Corporate & Other	14.1	13.8	11.9
	$ 62.4	$ 60.8	$ 56.7
Capital expenditures:			
Global Consumer	$ 64.6	$ 59.0	$ 72.2
Scotts LawnService®	1.9	3.0	1.5
Corporate & Other	2.9	8.1	9.2
	$ 69.4	$ 70.1	$ 82.9

	September 30,	
	2012	2011
	(In millions)	
Total assets:		
Global Consumer	$ 1,676.4	$ 1,552.4
Scotts LawnService®	181.5	184.3
Corporate & Other	216.5	315.5
	$ 2,074.4	$ 2,052.2

The following table presents net sales by product category for the Global Consumer segment:

	Year Ended September 30,		
	2012	2011	2010
Net sales:			
Lawn care	34%	34%	35%
Growing media	33	31	29
Home protection	14	13	14
Roundup® Marketing Agreement	6	5	5
Wild bird food	2	3	3
Other, primarily gardening and landscape	11	14	14
Segment total product sales	100%	100%	100%

The following table presents net sales and long-lived assets (property, plant and equipment and finite-lived intangibles) by geographic area:

	Year Ended September 30,		
	2012	2011	2010
	(In millions)		
Net sales:			
United States	$ 2,340.9	$ 2,294.4	$ 2,400.5
International	485.2	505.3	472.5
	$ 2,826.1	$ 2,799.7	$ 2,873.0
Long-lived assets:			
United States	$ 432.0	$ 411.3	$ 404.4
International	70.2	69.8	73.6
	$ 502.2	$ 481.1	$ 478.0

NOTE 23. QUARTERLY CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

The following is a summary of the unaudited quarterly results of operations.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
	(In millions, except per share data)				
FISCAL 2012					
Net sales	$ 199.6	$ 1,170.4	$ 1,054.9	$ 401.2	$ 2,826.1
Gross profit	25.6	461.7	369.0	105.0	961.3
Income (loss) from continuing operations	(73.1)	126.5	96.4	(36.6)	113.2
Income (loss) from discontinued operations	(0.8)	0.7	(3.1)	(3.5)	(6.7)
Net income (loss)	(73.9)	127.2	93.3	(40.1)	106.5
Basic income (loss) per common share:					
Income (loss) from continuing operations	$ (1.20)	$ 2.08	$ 1.58	$ (0.60)	$ 1.86
Income (loss) from discontinued operations, net of tax	(0.01)	0.01	(0.05)	(0.06)	(0.11)
Basic net income (loss) per common share	$ (1.21)	$ 2.09	$ 1.53	$ (0.66)	$ 1.75
Common shares used in basic EPS calculation	60.9	60.9	61.1	61.2	61.0
Diluted income (loss) per common share:					
Income (loss) from continuing operations	$ (1.20)	$ 2.04	$ 1.55	$ (0.60)	$ 1.82
Income (loss) from discontinued operations, net of tax	(0.01)	0.01	(0.05)	(0.06)	(0.11)
Diluted net income (loss) per common share	$ (1.21)	$ 2.05	$ 1.50	$ (0.66)	$ 1.71
Common shares and dilutive potential common shares used in diluted EPS calculation	60.9	62.0	62.2	61.2	62.1
FISCAL 2011					
Net sales	$ 225.7	$ 1,122.9	$ 1,048.0	$ 403.1	$ 2,799.7
Gross profit	49.8	463.8	400.1	95.5	1,009.2
Income (loss) from continuing operations	(65.9)	149.4	118.4	(62.0)	139.9
Income (loss) from discontinued operations, net of tax	(2.0)	28.2	(6.8)	8.6	28.0
Net income (loss)	(67.9)	177.6	111.6	(53.4)	167.9
Basic income (loss) per common share:					
Income (loss) from continuing operations	$ (0.99)	$ 2.27	$ 1.84	$ (1.00)	$ 2.16
Income (loss) from discontinued operations	(0.03)	0.43	(0.11)	0.14	0.44
Basic net income (loss) per common share	$ (1.02)	$ 2.70	$ 1.73	$ (0.86)	$ 2.60
Common shares used in basic EPS calculation	66.3	65.8	64.5	62.0	64.7
Diluted income (loss) per common share:					
Income (loss) from continuing operations	$ (0.99)	$ 2.21	$ 1.79	$ (1.00)	$ 2.11
Income (loss) from discontinued operations	(0.03)	0.42	(0.10)	0.14	0.43
Diluted net income (loss) per common share	$ (1.02)	$ 2.63	$ 1.69	$ (0.86)	$ 2.54
Common shares and dilutive potential common shares used in diluted EPS calculation	66.3	67.6	66.2	62.0	66.2

Common share equivalents, such as share-based awards, are excluded from the diluted loss per common share calculation in periods where there is a loss from continuing operations because the effect of their inclusion would be anti-dilutive. The Company’s business is highly seasonal, with approximately 75% of net sales occurring in the second and third fiscal quarters.

Unusual items during fiscal 2012 consisted of product registration and recall charges and impairment, restructuring and other charges. These items are reflected in the quarterly financial information as follows: first quarter product registration and recall charges of $0.3 million and impairment, restructuring and other charges of $2.5 million; second quarter product registration and recall charges of $3.5 million and impairment, restructuring and other charges of $5.0 million; third quarter product registration and recall charges of $4.0 million and an adjustment to impairment, restructuring and other charges of $(0.4) million; and fourth quarter product registration and recall charges of $0.4 million. In the fourth quarter of fiscal year 2012, the Company completed the wind down of the Company's professional seed business. As a result, effective in its fourth quarter of fiscal 2012, the Company classified its results of operations for all periods presented to reflect the professional seed business as a discontinued operation. The Company recorded restructuring and other charges of $0.1 million and $3.4 million in fiscal 2012 and fiscal 2011, respectively related to termination benefits provided to employees and other restructuring charges. The company also recorded a $0.5 million impairment charge related to the investment in Turf-Seed (Europe) Limited in fiscal 2012.In addition, in the third quarter of fiscal 2012, the Company recorded an adjustment of $1.7 million as a change in estimate on the tax due on the sale of Global Pro.

Unusual items during fiscal 2011 consisted of impairment and product registration and recall charges. These items are reflected in the quarterly financial information as follows: first quarter product registration and recall charges of $1.7 million; second quarter product registration and recall charges of $2.5 million; third quarter product registration and recall charges of $6.8 million and impairment, restructuring and other charges of $3.6 million; and fourth quarter product registration and recall charges of $3.6 million and impairment, restructuring and other charges of $52.3 million. Unusual items in discontinued operations consisted of the sale of Global Pro to ICL for $270.9 million, net proceeds or $253.6 million after transaction costs. Results from discontinued operations for fiscal 2011 include an after-tax gain on the sale of Global Pro of $39.5 million, During the fourth quarter of 2011, an out-of-period adjustment of approximately $13.6 million was recorded to correct the tax provision recognized for discontinued operations in the second quarter of 2011.

NOTE 24. FINANCIAL INFORMATION FOR SUBSIDIARY GUARANTORS AND NON-GUARANTORS

The 7.25% and 6.625% Senior Notes (collectively, the “Senior Notes”) issued by Scotts Miracle-Gro on January 14, 2010 and December 16, 2010, respectively, are guaranteed by certain of its domestic subsidiaries and, therefore, the Company has disclosed 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.* The following 100% directly or indirectly owned subsidiaries fully and unconditionally guarantee the Senior Notes on a joint and several basis: EG Systems, Inc., dba Scotts LawnService®; 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, Inc.; SMG Brands, Inc.; SMG Growing Media, Inc.; Swiss Farms Products, Inc.; and The Scotts Company LLC (collectively, the “Guarantors”). SMG Brands, Inc. was added as a Guarantor of the Senior Notes on September 28, 2011. Accordingly, SMG Brands, Inc. has been classified as a Guarantor for all periods presented in the condensed, consolidating financial information accompanying this Note 24.

The following information presents condensed, consolidating Statements of Operations and Statements of Cash Flows for each of the three years ended September 30, 2012, and condensed, consolidating Balance Sheets as of September 30, 2012 and 2011. The 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 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 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.

THE SCOTTS MIRACLE-GRO COMPANY
Condensed, Consolidating Statement of Operations
for the fiscal year ended September 30, 2012
(in millions)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations	Consolidated
Net sales	$ —	$ 2,320.9	$ 505.2	$ —	$ 2,826.1
Cost of sales	—	1,511.2	353.2	—	1,864.4
Cost of sales - impairment, restructuring and other charges	—	—	—	—	—
Cost of sales - product registration and recall matters	—	0.4	—	—	0.4
Gross profit	—	809.3	152.0	—	961.3
Operating expenses:					
Selling, general and administrative	—	553.4	152.3	—	705.7
Impairment, restructuring and other charges	—	7.9	(0.8)	—	7.1
Product registration and recall matters	—	7.8	—	—	7.8
Other income, net	—	(1.1)	(1.8)	—	(2.9)
Income from operations	—	241.3	2.3	—	243.6
Equity income in subsidiaries	(126.4)	1.3	—	125.1	—
Other non-operating income	(24.5)	—	—	24.5	—
Interest expense	56.5	25.4	4.4	(24.5)	61.8
Income (loss) from continuing operations before income taxes	94.4	214.6	(2.1)	(125.1)	181.8
Income tax (benefit) expense from continuing operations	(12.1)	81.5	(0.8)	—	68.6
Income from continuing operations	106.5	133.1	(1.3)	(125.1)	113.2
Loss from discontinued operations, net of tax	—	(6.7)	—	—	(6.7)
Net income (loss)	$ 106.5	$ 126.4	$ (1.3)	$ (125.1)	$ 106.5

THE SCOTTS MIRACLE-GRO COMPANY
Condensed, Consolidating Statement of Cash Flows
for the fiscal year ended September 30, 2012
(in millions)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations	Consolidated
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	$ (20.0)	$ 162.4	$ 11.0	$ —	$ 153.4
INVESTING ACTIVITIES					
Proceeds from sale of long-lived assets	—	0.7	—	—	0.7
Investments in property, plant and equipment	—	(54.5)	(14.9)	—	(69.4)
Investments in acquired businesses, net of cash acquired	—	(6.7)	(0.3)	—	(7.0)
Net cash used in investing activities	—	(60.5)	(15.2)	—	(75.7)
FINANCING ACTIVITIES					
Borrowings under revolving and bank lines of credit and term loans	—	853.4	830.6	—	1,684.0
Repayments under revolving and bank lines of credit and term loans	—	(1,016.2)	(678.4)	—	(1,694.6)
Dividends paid	(75.4)	—	—	—	(75.4)
Purchase of common shares	(17.5)	—	—	—	(17.5)
Excess tax benefits from share-based payment arrangements	—	6.6	—	—	6.6
Cash received from exercise of stock options	17.6	—	—	—	17.6
Intercompany financing	95.3	52.6	(147.9)	—	—
Net cash provided by (used in) financing activities	20.0	(103.6)	4.3	—	(79.3)
Effect of exchange rate changes on cash	—	—	2.6	—	2.6
Net increase in cash and cash equivalents	—	(1.7)	2.7	—	1.0
Cash and cash equivalents at beginning of year	—	4.3	126.6	—	130.9
Cash and cash equivalents at end of year	$ —	$ 2.6	$ 129.3	$ —	$ 131.9

THE SCOTTS MIRACLE-GRO COMPANY
Condensed, Consolidating Balance Sheet
As of September 30, 2012
(in millions)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ —	$ 2.6	$ 129.3	$ —	$ 131.9
Accounts receivable, net	—	248.4	82.5	—	330.9
Inventories	—	332.1	82.8	—	414.9
Prepaid and other current assets	—	88.5	33.8	—	122.3
Total current assets	—	671.6	328.4	—	1,000.0
Property, plant and equipment, net	—	368.2	59.2	—	427.4
Goodwill	—	308.7	0.7	—	309.4
Intangible assets, net	—	264.2	42.9	—	307.1
Other assets	29.8	11.2	32.8	(43.3)	30.5
Equity investment in subsidiaries	828.5	—	—	(828.5)	—
Intercompany assets	556.6	—	—	(556.6)	—
Total assets	$ 1,414.9	$ 1,623.9	$ 464.0	$ (1,428.4)	$ 2,074.4
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Current portion of debt	$ —	$ 1.2	$ 0.3	$ —	$ 1.5
Accounts payable	—	105.4	46.9	—	152.3
Other current liabilities	15.9	177.4	86.5	—	279.8
Total current liabilities	15.9	284.0	133.7	—	433.6
Long-term debt	777.1	99.8	281.3	(377.1)	781.1
Other liabilities	20.0	227.2	54.0	(43.4)	257.8
Equity investment in subsidiaries	—	303.7	—	(303.7)	—
Intercompany liabilities	—	50.9	128.5	(179.4)	—
Total liabilities	813.0	965.6	597.5	(903.6)	1,472.5
Total shareholders' equity	601.9	658.3	(133.5)	(524.8)	601.9
Total liabilities and shareholders' equity	$ 1,414.9	$ 1,623.9	$ 464.0	$ (1,428.4)	$ 2,074.4

THE SCOTTS MIRACLE-GRO COMPANY
Condensed, Consolidating Statement of Operations
for the fiscal year ended September 30, 2011
(in millions)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations	Consolidated
Net sales	$ —	$ 2,276.6	$ 523.1	$ —	$ 2,799.7
Cost of sales	—	1,422.9	346.1	—	1,769.0
Cost of sales - impairment, restructuring and other charges	—	17.3	1.0	—	18.3
Cost of sales - product registration and recall matters	—	3.2	—	—	3.2
Gross profit	—	833.2	176.0	—	1,009.2
Operating expenses:					
Selling, general and administrative	—	523.9	162.4	—	686.3
Impairment, restructuring and other charges	—	34.1	3.5	—	37.6
Product registration and recall matters	—	11.4	—	—	11.4
Other income, net	—	(0.5)	(0.4)	—	(0.9)
Income from operations	—	264.3	10.5	—	274.8
Equity income in subsidiaries	(186.8)	(41.6)	—	228.4	—
Other non-operating income	(19.4)	—	—	19.4	—
Costs related to refinancing	1.2	—	—	—	1.2
Interest expense	48.1	20.0	2.3	(19.4)	51.0
Income from continuing operations before income taxes	156.9	285.9	8.2	(228.4)	222.6
Income tax (benefit) expense from continuing operations	(11.0)	90.6	3.1	—	82.7
Income from continuing operations	167.9	195.3	5.1	(228.4)	139.9
Income (loss) from discontinued operations, net of tax	—	(8.5)	36.5	—	28.0
Net income	$ 167.9	$ 186.8	$ 41.6	$ (228.4)	$ 167.9

THE SCOTTS MIRACLE-GRO COMPANY
Condensed, Consolidating Statement of Cash Flows
for the fiscal year ended September 30, 2011
(in millions)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations	Consolidated
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	$ (10.5)	$ 84.0	$ 48.6	$ —	$ 122.1
INVESTING ACTIVITIES					
Proceeds from sale of long-lived assets	—	0.2	—	—	0.2
Proceeds from sale of business, net of transaction costs	—	158.7	94.9	—	253.6
Investments in property, plant and equipment	—	(64.5)	(8.2)	—	(72.7)
Contingent consideration and related payments	—	(20.0)	—	—	(20.0)
Investments in acquired businesses, net of cash acquired	—	(7.6)	—	—	(7.6)
Net cash provided by investing activities	—	66.8	86.7	—	153.5
FINANCING ACTIVITIES					
Borrowings under revolving and bank lines of credit and term loans	—	908.2	701.9	—	1,610.1
Repayments under revolving and bank lines of credit and term loans	(302.4)	(660.8)	(668.9)	—	(1,632.1)
Proceeds from issuance of Senior Notes	200.0	—	—	—	200.0
Financing and issuance fees	(18.9)	—	—	—	(18.9)
Dividends paid	(67.9)	—	—	—	(67.9)
Purchase of common shares	(358.7)	—	—	—	(358.7)
Payments on seller notes	—	(0.3)	—	—	(0.3)
Excess tax benefits from share-based payment arrangements	—	5.6	—	—	5.6
Cash received from exercise of stock options	31.5	—	—	—	31.5
Intercompany financing	526.9	(404.3)	(122.6)	—	—
Net cash provided by (used in) financing activities	10.5	(151.6)	(89.6)	—	(230.7)
Effect of exchange rate changes on cash	—	—	(2.1)	—	(2.1)
Net increase (decrease) in cash and cash equivalents	—	(0.8)	43.6	—	42.8
Cash and cash equivalents at beginning of year	—	5.1	83.0	—	88.1
Cash and cash equivalents at end of year	$ —	$ 4.3	$ 126.6	$ —	$ 130.9

THE SCOTTS MIRACLE-GRO COMPANY
Condensed, Consolidating Balance Sheet
As of September 30, 2011
(in millions)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ —	$ 4.3	$ 126.6	$ —	$ 130.9
Accounts receivable, net	—	248.2	75.3	—	323.5
Inventories	—	313.7	73.3	—	387.0
Prepaid and other current assets	—	107.9	43.2	—	151.1
Total current assets	—	674.1	318.4	—	992.5
Property, plant and equipment, net	—	347.3	47.4	—	394.7
Goodwill	—	308.4	0.7	—	309.1
Intangible assets, net	—	270.3	49.3	—	319.6
Other assets	33.1	13.3	27.6	(37.7)	36.3
Equity investment in subsidiaries	794.3	—	—	(794.3)	—
Intercompany assets	553.7	115.4	—	(669.1)	—
Total assets	$ 1,381.1	$ 1,728.8	$ 443.4	$ (1,501.1)	$ 2,052.2
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Current portion of debt	$ —	$ 2.8	$ 0.4	$ —	$ 3.2
Accounts payable	—	103.9	46.1	—	150.0
Other current liabilities	17.2	202.5	95.7	—	315.4
Total current liabilities	17.2	309.2	142.2	—	468.6
Long-term debt	787.2	261.3	130.5	(387.2)	791.8
Other liabilities	16.9	205.6	47.2	(37.7)	232.0
Equity investment in subsidiaries	—	328.7	—	(328.7)	—
Intercompany liabilities	—	—	281.9	(281.9)	—
Total liabilities	821.3	1,104.8	601.8	(1,035.5)	1,492.4
Total shareholders' equity	559.8	624.0	(158.4)	(465.6)	559.8
Total liabilities and shareholders' equity	$ 1,381.1	$ 1,728.8	$ 443.4	$ (1,501.1)	$ 2,052.2

THE SCOTTS MIRACLE-GRO COMPANY
Condensed, Consolidating Statement of Operations
for the fiscal year ended September 30, 2010
(in millions)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations	Consolidated
Net sales	$ —	$ 2,404.2	$ 468.8	$ —	$ 2,873.0
Cost of sales	—	1,468.1	316.3	—	1,784.4
Cost of sales — product registration and recall matters	—	3.0	—	—	3.0
	—	933.1	152.5	—	1,085.6
Operating expenses:					
Selling, general and administrative	—	574.2	118.4	—	692.6
Impairment, restructuring and other charges	—	18.2	0.3	—	18.5
Product registration and recall matters	—	5.7	—	—	5.7
Other income, net	—	(4.7)	(0.9)	—	(5.6)
Income from operations	—	339.7	34.7	—	374.4
Equity income in subsidiaries	(212.5)	(21.9)	—	234.4	—
Other non-operating income	(24.0)	—	—	24.0	—
Interest expense	37.7	24.8	4.7	(24.0)	43.2
Income from continuing operations before income taxes	198.8	336.8	30.0	(234.4)	331.2
Income tax (benefit) expense from continuing operations	(5.3)	117.1	11.7	—	123.5
Income from continuing operations	204.1	219.7	18.3	(234.4)	207.7
Income (loss) from discontinued operations, net of tax	—	(7.2)	3.6	—	(3.6)
Net income	$ 204.1	$ 212.5	$ 21.9	$ (234.4)	$ 204.1

THE SCOTTS MIRACLE-GRO COMPANY
Condensed, Consolidating Statement of Cash Flows
for the fiscal year ended September 30, 2010
(in millions)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations	Consolidated
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	$ (5.2)	$ 272.2	$ 28.9	$ —	$ 295.9
INVESTING ACTIVITIES					
Proceeds from sale of long-lived assets	—	5.8	18.7	—	24.5
Investments in property, plant and equipment	—	(74.5)	(8.9)	—	(83.4)
Net cash provided by (used in) investing activities	—	(68.7)	9.8	—	(58.9)
FINANCING ACTIVITIES					
Borrowings under revolving and bank lines of credit and term loans	—	593.5	427.9	—	1,021.4
Repayments under revolving and bank lines of credit and term loans	—	(851.6)	(539.8)	—	(1,391.4)
Proceeds from issuance of Senior Notes, net of discount	198.5	—	—	—	198.5
Financing and issuance fees	(5.5)	—	—	—	(5.5)
Dividends paid	(42.6)	—	—	—	(42.6)
Purchase of common shares	(25.0)	—	—	—	(25.0)
Payments on seller notes	—	(0.6)	—	—	(0.6)
Excess tax benefits from share-based payment arrangements	—	6.4	—	—	6.4
Cash received from exercise of stock options	22.5	—	—	—	22.5
Intercompany financing	(142.7)	47.4	95.3	—	—
Net cash provided by (used in) financing activities	5.2	(204.9)	(16.6)	—	(216.3)
Effect of exchange rate changes on cash	—	—	(3.2)	—	(3.2)
Net (decrease) increase in cash and cash equivalents	—	(1.4)	18.9	—	17.5
Cash and cash equivalents at beginning of year	—	6.5	64.1	—	70.6
Cash and cash equivalents at end of year	$ —	$ 5.1	$ 83.0	$ —	$ 88.1

Schedule II—Valuation and Qualifying Accounts for the fiscal year ended September 30, 2012

Column A Classification	Column B Balance at Beginning of Period	Column C Reserves Acquired	Column D Additions Charged to Expense	Column E Deductions Credited and Write-Offs	Column F Balance at End of Period
			(In millions)		
Valuation and qualifying accounts deducted from the assets to which they apply:					
Allowance for doubtful accounts	$ 12.9	$ —	$ 19.1	$ (21.5)	$ 10.5
Income tax valuation allowance	44.3	—	(0.6)	4.7	48.4

Schedule II—Valuation and Qualifying Accounts for the fiscal year ended September 30, 2011

Column A Classification	Column B Balance at Beginning of Period	Column C Reserves Acquired	Column D Additions Charged to Expense	Column E Deductions Credited and Write-Offs	Column F Balance at End of Period
			(In millions)		
Valuation and qualifying accounts deducted from the assets to which they apply:					
Allowance for doubtful accounts	$ 7.7	$ 0.1	$ 9.5	$ (4.4)	$ 12.9
Income tax valuation allowance	42.3	—	(2.0)	4.0	44.3

Schedule II—Valuation and Qualifying Accounts for the fiscal year ended September 30, 2010

Column A Classification	Column B Balance at Beginning of Period	Column C Reserves Acquired	Column D Additions Charged to Expense	Column E Deductions Credited and Write-Offs	Column F Balance at End of Period
			(In millions)		
Valuation and qualifying accounts deducted from the assets to which they apply:					
Allowance for doubtful accounts	$ 7.5	$ —	$ 4.6	$ (4.4)	$ 7.7
Income tax valuation allowance	43.1	—	0.5	(1.3)	42.3

The Scotts Miracle-Gro Company

Index to Exhibits

Exhibit No.	Description	Location
3.1(a)	Initial Articles of Incorporation of The Scotts Miracle-Gro Company as filed with the Ohio Secretary of State on November 22, 2004	Incorporated herein by reference to the Current Report on Form 8-K of The Scotts Miracle-Gro Company, (the “Registrant”) filed March 24, 2005 (File No. 1-11593) [Exhibit 3.1]
3.1(b)	Certificate of Amendment by Shareholders to Articles of Incorporation of The Scotts Miracle-Gro Company as filed with the Ohio Secretary of State on March 18, 2005	Incorporated herein by reference to the Registrant’s Current Report on Form 8-K filed March 24, 2005 (File No. 1-11593) [Exhibit 3.2]
3.2	Code of Regulations of The Scotts Miracle-Gro Company	Incorporated herein by reference to the Registrant’s Current Report on Form 8-K filed March 24, 2005 (File No. 1-11593) [Exhibit 3.3]
4.1(a)	Indenture, dated January 14, 2010, among The Scotts Miracle-Gro Company, the guarantors from time to time party thereto and U.S. Bank National Association, as trustee	Incorporated herein by reference to the Registrant’s Current Report on Form 8-K filed January 14, 2010 (File No. 1-11593) [Exhibit 4.1]
4.1(b)	First Supplemental Indenture, dated January 14, 2010, among The Scotts Miracle-Gro Company, the subsidiary guarantors named therein and U.S. Bank National Association, as trustee	Incorporated herein by reference to the Registrant’s Current Report on Form 8-K filed January 14, 2010 (File No. 1-11593) [Exhibit 4.2]
4.1(c)	Second Supplemental Indenture, dated September 28, 2011, among The Scotts Miracle-Gro Company, the subsidiary guarantors named therein and U.S. Bank National Association, as trustee	Incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 2011 (File No. 1-11593) [Exhibit 4.1(c)]
4.1(d)	Form of 7.25% Senior Notes due 2018	Incorporated herein by reference to the Registrant’s Current Report on Form 8-K filed January 14, 2010 (File No. 1-11593) [Included in Exhibit 4.2]
4.2(a)	Indenture, dated as of December 16, 2010, by and among The Scotts Miracle-Gro Company, the Guarantors (as defined therein) and U.S. Bank National Association, as trustee	Incorporated herein by reference to the Registrant’s Current Report on Form 8-K filed December 16, 2010 (File No. 1-11593) [Exhibit 4.1]
4.2(b)	First Supplemental Indenture, dated as of September 28, 2011, by and among The Scotts Miracle-Gro Company, the Guarantors (as defined therein) and U.S. Bank National Association, as trustee	Incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 2011 (File No. 1-11593) [Exhibit 4.2(b)]
4.2(c)	Form of 6.625% Senior Notes due 2020	Incorporated herein by reference to the Registrant’s Current Report on Form 8-K filed December 16, 2010 (File No. 1-11593) [Included in Exhibit 4.1]
4.2(d)	Registration Rights Agreement, dated as of December 16, 2010, by and among The Scotts Miracle-Gro Company, the guarantors named therein and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative of the several initial purchasers named therein	Incorporated herein by reference to the Registrant’s Current Report on Form 8-K filed December 16, 2010 (File No. 1-11593) [Exhibit 4.3]
4.3	Agreement to furnish copies of instruments and agreements defining rights of holders of long-term debt	*

10.1(a)	Amended and Restated Agreement and Plan of Merger, dated as of May 19, 1995, among Stern's Miracle-Gro Products, Inc., Stern's Nurseries, Inc., Miracle-Gro Lawn Products Inc., Miracle-Gro Products Limited, Hagedorn Partnership, L.P., the general partners of Hagedorn Partnership, L.P., Horace Hagedorn, Community Funds, Inc., and John Kenlon, The Scotts Company and ZYX Corporation	Incorporated herein by reference to the Current Report on Form 8-K of The Scotts Company, a Delaware corporation, filed June 2, 1995 (File No. 0-19768) [Exhibit 2(b)]
10.1(b)	First Amendment to Amended and Restated Agreement and Plan of Merger, made and entered into as of October 1, 1999, among The Scotts Company, Scotts' Miracle-Gro Products, Inc. (as successor to ZYX Corporation and Stern's Miracle-Gro Products, Inc.), Miracle-Gro Lawn Products Inc., Miracle-Gro Products Limited, Hagedorn Partnership, L.P., Community Funds, Inc., Horace Hagedorn and John Kenlon, and James Hagedorn, Katherine Hagedorn Littlefield, Paul Hagedorn, Peter Hagedorn, Robert Hagedorn and Susan Hagedorn	Incorporated herein by reference to the Current Report on Form 8-K of The Scotts Company, an Ohio corporation, filed October 5, 1999 (File No. 1-13292) [Exhibit 2]
10.2	Second Amended and Restated Credit Agreement, dated as of June 30, 2011, by and among The Scotts Miracle-Gro Company as the "Borrower" the Subsidiary Borrowers (as defined in the Second Amended and Restated Credit Agreement); the several banks and other financial institutions from time to time parties to the Second Amended and Restated Credit Agreement (the "Lenders"); Bank of America, N.A., as Syndication Agent; Cobank, ACB, BNP Paribas, Credit Agricole Corporate and Investment Bank, Rabobank Nederland, Citizens Bank of Pennsylvania, The Bank of Nova Scotia and Wells Fargo Bank, N.A., as Documentation Agents; and JPMorgan Chase Bank, N.A., as Administrative Agent	Incorporated herein by reference to the Registrant's Current Report on Form 8-K filed July 1, 2011 (File No. 1-11593) [Exhibit 4.1]
10.3	Second Amended and Restated Guarantee and Collateral Agreement, dated as of June 30, 2011, made by The Scotts Miracle-Gro Company, each domestic Subsidiary Borrower under the Second Amended and Restated Credit Agreement, and certain of its and their domestic subsidiaries, in favor of JPMorgan Chase Bank, N.A., as Administrative Agent	Incorporated herein by reference to the Registrant's Current Report on Form 8-K filed July 1, 2011 (File No. 1-11593) [Exhibit 4.2]
10.4(a)†	The Scotts Miracle-Gro Company Amended and Restated 1996 Stock Option Plan (effective as of October 30, 2007)	Incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 2007 (File No. 1-11593) [Exhibit 10(d)(4)]
10.4(b)†	Specimen form of Stock Option Agreement for Non-Qualified Stock Options granted to employees under The Scotts Company 1996 Stock Option Plan (now known as The Scotts Miracle-Gro Company Amended and Restated 1996 Stock Option Plan)	Incorporated herein by reference to the Current Report on Form 8-K of The Scotts Company, an Ohio corporation, filed November 19, 2004 (File No. 1-11593) [Exhibit 10.7]
10.5(a)†	The Scotts Miracle-Gro Company Amended and Restated 2003 Stock Option and Incentive Equity Plan (effective as of October 30, 2007)	Incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 2007 (File No. 1-11593) [Exhibit 10(j)(3)]
10.5(b)(i)	Specimen form of Award Agreement for Directors used to evidence grants of Nonqualified Stock Options made under The Scotts Company 2003 Stock Option and Incentive Equity Plan (now known as The Scotts Miracle-Gro Company Amended and Restated 2003 Stock Option and Incentive Equity Plan) [2003 version]	Incorporated herein by reference to the Current Report on Form 8-K of The Scotts Company, an Ohio corporation, filed November 19, 2004 (File No. 1-11593) [Exhibit 10.9]

10.5(b)(ii)	Specimen form of Award Agreement for Directors used to evidence grants of Nonqualified Stock Options made under The Scotts Miracle-Gro Company 2003 Stock Option and Incentive Equity Plan (now known as The Scotts Miracle-Gro Company Amended and Restated 2003 Stock Option and Incentive Equity Plan) [post-2003 version]	Incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 2005 (File No. 1-11593) [Exhibit 10(v)]
10.5(c)(i)†	Specimen form of Award Agreement for Nondirectors used to evidence grants of Incentive Stock Options, Nonqualified Stock Options, Stock Appreciation Rights, Restricted Stock and Performance Stock made under The Scotts Company 2003 Stock Option and Incentive Equity Plan (now known as The Scotts Miracle-Gro Company Amended and Restated 2003 Stock Option and Incentive Equity Plan) [pre-December 1, 2004 version]	Incorporated herein by reference to the Current Report on Form 8-K of The Scotts Company, an Ohio corporation, filed November 19, 2004 (File No. 1-11593) [Exhibit 10.8]
10.5(c)(ii)†	Specimen form of Award Agreement for Nondirectors used to evidence grants of Incentive Stock Options, Nonqualified Stock Options, Stock Appreciation Rights, Restricted Stock and Performance Shares made under The Scotts Miracle-Gro Company 2003 Stock Option and Incentive Equity Plan (now known as The Scotts Miracle-Gro Company Amended and Restated 2003 Stock Option and Incentive Equity Plan) [effective December 1, 2004]	Incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 2005 (File No. 1-11593) [Exhibit 10(u)]
10.6(a)(i)†	The Scotts Miracle-Gro Company Amended and Restated 2006 Long-Term Incentive Plan (effective as of October 30, 2007)	Incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 2007 (File No. 1-11593) [Exhibit 10(r)(2)]
10.6(a)(ii)†	First Amendment to The Scotts Miracle-Gro Company Amended and Restated 2006 Long-Term Incentive Plan (effective as of January 20, 2010)	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended April 3, 2010 (File No. 1-11593) [Exhibit 10.1]
10.6(b)	Specimen form of Award Agreement for Nonemployee Directors used to evidence grants of Time-Based Nonqualified Stock Options which may be made under The Scotts Miracle-Gro Company 2006 Long-Term Incentive Plan (now known as The Scotts Miracle-Gro Company Amended and Restated 2006 Long-Term Incentive Plan)	Incorporated herein by reference to the Registrant's Current Report on Form 8-K filed February 2, 2006 (File No. 1-11593) [Exhibit 10.3]
10.6(c)(i)	Specimen form of Deferred Stock Unit Award Agreement for Nonemployee Directors (with Related Dividend Equivalents) used to evidence grants of Deferred Stock Units made under The Scotts Miracle-Gro Company Amended and Restated 2006 Long-Term Incentive Plan (February 4, 2008 through January 22, 2009 version)	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended December 29, 2007 (File No. 1-11593) [Exhibit 10(m)]
10.6(c)(ii)	Specimen form of Deferred Stock Unit Award Agreement for Nonemployee Directors (with Related Dividend Equivalents) used to evidence grants of Deferred Stock Units which may be made under The Scotts Miracle-Gro Company Amended and Restated 2006 Long-Term Incentive Plan (January 23, 2009 through January 19, 2012)	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 28, 2009 (File No. 1-11593) [Exhibit 10.1]
10.6(c)(iii)	Specimen form of Deferred Stock Unit Award Agreement for Nonemployee Directors (with Related Dividend Equivalents) used to evidence grants of Deferred Stock Units which may be made under The Scotts Miracle-Gro Company Amended and Restated 2006 Long-Term Incentive Plan (post-January 19, 2012 version)	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2011 (File No. 1-11593) [Exhibit 10.4]

10.6(c)(iv)	Specimen form of Deferred Stock Unit Award Agreement for Nonemployee Directors (with Related Dividend Equivalents) used to evidence grants of Deferred Stock Units made on January 20, 2012 to Adam Hanft and William G. Jurgensen under The Scotts Miracle-Gro Company Amended and Restated Long-Term Incentive Plan	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2011 (File No. 1-11593) [Exhibit 10.5]
10.6(d)(i)	Specimen form of Deferred Stock Unit Award Agreement for Nonemployee Directors (with Related Dividend Equivalents) used to evidence grants of Deferred Stock Units made under The Scotts Miracle-Gro Company Amended and Restated 2006 Long-Term Incentive Plan (Deferral of Cash Retainer — January 22, 2010 through January 20, 2011 version)	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended January 2, 2010 (File No. 1-11593) [Exhibit 10.1]
10.6(d)(ii)	Specimen form of Deferred Stock Unit Award Agreement for Nonemployee Directors (with Related Dividend Equivalents) used to evidence grants of Deferred Stock Units which may be made under The Scotts Miracle-Gro Company Amended and Restated 2006 Long-Term Incentive Plan (Deferral of Cash Retainer — January 21, 2011 through January 19, 2012)	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended January 1, 2011 (File No. 1-11593) [Exhibit 10.4]
10.6(d)(iii)	Specimen form of Deferred Stock Unit Award Agreement for Nonemployee Directors (with Related Dividend Equivalents) used to evidence grants of Deferred Stock Units which may be made under The Scotts Miracle-Gro Company Amended and Restated 2006 Long-Term Incentive Plan (Deferral of Cash Retainer - post-January 19, 2012 version)	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2011 (File No. 1-11593) [Exhibit 10.6]
10.6(e)†	Specimen form of Award Agreement used to evidence grants of Restricted Stock Units, Performance Shares, Nonqualified Stock Options, Incentive Stock Options, Restricted Stock and Stock Appreciation Rights made under The Scotts Miracle-Gro Company 2006 Long-Term Incentive Plan (now known as The Scotts Miracle-Gro Company Amended and Restated 2006 Long-Term Incentive Plan) [pre-October 30, 2007 version]	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2005 (File No. 1-11593) [Exhibit 10(b)]
10.6(f)(i)†	Specimen form of Restricted Stock Unit Award Agreement for Employees (with Related Dividend Equivalents) used to evidence grants of Restricted Stock Units which may be made under The Scotts Miracle-Gro Company Amended and Restated 2006 Long-Term Incentive Plan (January 20, 2010 through January 19, 2012 version)	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended January 2, 2010 (File No. 1-11593) [Exhibit 10.2]
10.6(f)(ii)†	Specimen form of Restricted Stock Unit Award Agreement for Employees (with Related Dividend Equivalents) used to evidence grants of Restricted Stock Units which may be made under The Scotts Miracle-Gro Company Amended and Restated 2006 Long-Term Incentive Plan (post-January 19, 2012 version)	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2011 (File No. 1-11593) [Exhibit 10.2]
10.6(g)(i)†	Specimen form of Performance Unit Award Agreement for Employees (with Related Dividend Equivalents) used to evidence grants of Performance Units which may be made under The Scotts Miracle-Gro Company Amended and Restated 2006 Long-Term Incentive Plan (January 21, 2011 through January 19, 2012 version)	Incorporated herein by reference to the Registrant's Current Report on Form 8-K filed January 26, 2011 (File No. 1-11593) [Exhibit 10.1]

10.6(g)(ii)†	Specimen form of Performance Unit Award Agreement for Employees (with Related Dividend Equivalents) used to evidence grants of Performance Units which may be made under The Scotts Miracle-Gro Company Amended and Restated 2006 Long-Term Incentive Plan (post-January 19, 2012 version)	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2011 (File No. 1-11593) [Exhibit 10.1]
10.6(h)(i)†	Specimen form of Nonqualified Stock Option Award Agreement for Employees used to evidence grants of Nonqualified Stock Options made under The Scotts Miracle-Gro Company 2006 Long-Term Incentive Plan (now known as The Scotts Miracle-Gro Company Amended and Restated 2006 Long-Term Incentive Plan) [October 30, 2007 through October 8, 2008 version]	Incorporated herein by reference to the Registrant’s Annual Report on Form 10-K for the fiscal year ended September 30, 2007 (File No. 1-11593) [Exhibit 10(t)(3)]
10.6(h)(ii)†	Specimen form of Nonqualified Stock Option Award Agreement for Employees used to evidence grants of Nonqualified Stock Options made under The Scotts Miracle-Gro Company Amended and Restated 2006 Long-Term Incentive Plan (October 9, 2008 through January 19, 2010 version)	Incorporated herein by reference to the Registrant’s Annual Report on Form 10-K for the fiscal year ended September 30, 2008 (File No. 1-11593) [Exhibit 10.7(f)(ii)]
10.6(h)(iii)†	Specimen form of Nonqualified Stock Option Award Agreement for Employees used to evidence grants of Nonqualified Stock Options which may be made under The Scotts Miracle-Gro Company Amended and Restated 2006 Long-Term Incentive Plan (January 20, 2010 through January 19, 2012 version)	Incorporated herein by reference to the Registrant’s Quarterly Report on Form 10-Q for the quarterly period ended January 2, 2010 (File No. 1-11593) [Exhibit 10.4]
10.6(h)(iv)†	Specimen form of Nonqualified Stock Option Award Agreement for Employees used to evidence grants of Nonqualified Stock Options which may be made under The Scotts Miracle-Gro Company Amended and Restated 2006 Long-Term Incentive Plan (post-January 19, 2012 version)	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2011 (File No. 1-11593) [Exhibit 10.3]
10.7(a)(i)†	The Scotts Company LLC Amended and Restated Executive/Management Incentive Plan (approved on November 7, 2007 and effective as of October 30, 2007)	Incorporated herein by reference to the Registrant’s Annual Report on Form 10-K for the fiscal year ended September 30, 2007 (File No. 1-11593) [Exhibit 10(b)(2)]
10.7(a)(ii)†	Amendment to The Scotts Company LLC Amended and Restated Executive/Management Incentive Plan (effective as of November 5, 2008) [amended the name of the plan to be The Scotts Company LLC Amended and Restated Executive Incentive Plan]	Incorporated herein by reference to the Registrant’s Current Report on Form 8-K filed November 12, 2008 (File No. 1-11593) [Exhibit 10.2]
10.7(b)(i)†	Specimen form of Employee Confidentiality, Noncompetition, Nonsolicitation Agreement for employees participating in The Scotts Company Executive/Management Incentive Plan (now known as The Scotts Company LLC Amended and Restated Executive Incentive Plan) [2005 version]	Incorporated herein by reference to the Registrant’s Annual Report on Form 10-K for the fiscal year ended September 30, 2008 (File No. 1-11593) [Exhibit 10.2(b)(i)]
10.7(b)(ii)†	Specimen form of Employee Confidentiality, Noncompetition, Nonsolicitation Agreement for employees participating in The Scotts Company LLC Executive/Management Incentive Plan (now known as The Scotts Company LLC Amended and Restated Executive Incentive Plan) [post-2005 version]	Incorporated herein by reference to the Registrant’s Quarterly Report on Form 10-Q for the quarterly period ended July 1, 2006 (File No. 1-11593) [Exhibit 10.1]
10.7(c)†	Executive Officers of The Scotts Miracle-Gro Company who are parties to form of Employee Confidentiality, Noncompetition, Nonsolicitation Agreement for employees participating in The Scotts Company LLC Amended and Restated Executive Incentive Plan	*

10.8(a)†	The Scotts Company LLC Executive Retirement Plan, As Amended and Restated as of January 1, 2011 (executed December 22, 2010)	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended January 1, 2011 (File No. 1-11593) [Exhibit 10.3]
10.8(b)†	Form of Executive Retirement Plan Retention Award Agreement between The Scotts Company LLC and each of David C. Evans, Barry W. Sanders, Denise S. Stump and Vincent C. Brockman (entered into on November 4, 2008)	Incorporated herein by reference to the Registrant's Current Report on Form 8-K filed October 15, 2008 (File No. 1-11593) [Exhibit 10.2]
10.9	Summary of Compensation for Nonemployee Directors of The Scotts Miracle-Gro Company (effective as of January 22, 2010)	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended April 3, 2010 (File No. 1-11593) [Exhibit 10.7]
10.10(a)†	Employment Agreement, dated as of May 19, 1995, between The Scotts Company and James Hagedorn	Incorporated herein by reference to the Annual Report on Form 10-K of The Scotts Company, an Ohio corporation, for the fiscal year ended September 30, 1995 (File No. 1-11593) [Exhibit 10(p)]
10.10(b)†	Amendments to Employment Agreement by and among The Scotts Miracle-Gro Company, The Scotts Company LLC and James Hagedorn, effective as of October 1, 2008 (executed by Mr. Hagedorn on December 22, 2008 and on behalf of The Scotts Miracle-Gro Company and The Scotts Company LLC by Denise Stump on December 22, 2008 and Vincent C. Brockman on December 30, 2008)	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended December 27, 2008 (File No. 1-11593) [Exhibit 10.16]
10.11(a)†	The Scotts Company LLC Executive Severance Plan, adopted on May 4, 2011	Incorporated herein by reference to the Registrant's Current Report on Form 8-K filed May 10, 2011 (File No. 1-11593) [Exhibit 10.1]
10.11(b)†	Form of Tier 1 Participation Agreement under The Scotts Company LLC Executive Severance Plan	Incorporated herein by reference to the Registrant's Current Report on Form 8-K filed May 10, 2011 (File No. 1-11593) [Exhibit 10.2]
10.11(c)†	Executive Officers of The Scotts Miracle-Gro Company who are parties to form of Tier 1 Participation Agreement under The Scotts Company LLC Executive Severance Plan	*
10.12(a)	Amended and Restated Exclusive Agency and Marketing Agreement, effective as of September 30, 1998, between Monsanto Company and The Scotts Company LLC (as successor to The Scotts Company)	Incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 2005 (File No. 1-11593) [Exhibit 10(x)]
10.12(b)	Letter Agreement, dated March 10, 2005, amending the Amended and Restated Exclusive Agency and Marketing Agreement, dated as of September 30, 1998, between Monsanto Company and The Scotts Company LLC (as successor to The Scotts Company)	Incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 2009 (File No. 1-11593) [Exhibit 10.17(b)]
10.12(c)	Letter Agreement, dated March 28, 2008, amending the Amended and Restated Exclusive Agency and Marketing Agreement, dated as of September 30, 1998, between Monsanto Company and The Scotts Company LLC	Incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 2008 (File No. 1-11593) [Exhibit 10.18(b)]
10.13	Purchase Agreement, dated as of December 13, 2010, among The Scotts Miracle-Gro Company, the subsidiary guarantors named therein and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative of the several initial purchasers named therein	Incorporated herein by reference to the Registrant's Current Report on Form 8-K filed December 16, 2010 (File No. 1-11593) [Exhibit 10.1]

10.14	Share and Business Sale Agreement, dated as of February 23, 2011, by and among The Scotts Company LLC, as Seller, each of the Share Sellers and Business Sellers (as defined therein), Israel Chemicals Ltd., as Purchaser, each of the Share Purchasers and Business Purchasers (as defined therein) and The Scotts Miracle-Gro Company, as Seller Guarantor	Incorporated herein by reference to the Registrant's Current Report on Form 8-K filed March 1, 2011 (File No. 1-11593) [Exhibit 10.1]
10.15	Master Accounts Receivable Purchase Agreement, dated as of September 21, 2011, by and among The Scotts Miracle-Gro Company, The Scotts Company LLC, The Bank of Nova Scotia, Suntrust Bank, Mizuho Corporate Bank, Ltd. and Crédit Agricole Corporate & Investment Bank, as Administrative Agent and as a Bank	Incorporated herein by reference to the Registrant's Current Report on Form 8-K filed September 21, 2011 (File No. 1-11593) [Exhibit 10.1]
10.16	Master Accounts Receivable Purchase Agreement, dated as of November 15, 2012, by and among The Scotts Miracle-Gro Company, The Scotts Company LLC, The Bank of Nova Scotia, Suntrust Bank, RB Receivables LLC and Mizuho Corporate Bank, Ltd., as Administrative Agent and as a Bank	*
12	Computation of Ratio of Earnings to Fixed Charges	*
14	The Scotts Miracle-Gro Company Code of Business Conduct & Ethics (as revised effective January 18, 2012)	Incorporated herein by reference to the Registrant's Current Report on Form 8-K filed January 24, 2012 (File No. 1-11593) [Exhibit 14.1]
21	Subsidiaries of The Scotts Miracle-Gro Company	*
23	Consent of Independent Registered Public Accounting Firm — Deloitte & Touche LLP	*
24	Powers of Attorney of Executive Officers and Directors 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.

** Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability.

† Management contract, compensatory plan or arrangement.

Exhibit 4.3

November 20, 2012

Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Re: The Scotts Miracle-Gro Company – Annual Report on Form 10-K for the fiscal year ended September 30, 2012

Ladies and Gentlemen:

The Scotts Miracle-Gro Company, an Ohio corporation ("Scotts Miracle-Gro"), is today filing its Annual Report on Form 10-K for the fiscal year ended September 30, 2012 (the "Form 10-K").

Neither Scotts Miracle-Gro nor any of its consolidated subsidiaries has outstanding any instrument or agreement with respect to its long-term debt, other than those filed or incorporated by reference as an exhibit to the Form 10-K, under which the total amount of long-term debt authorized exceeds ten percent (10%) of the total assets of Scotts Miracle-Gro and its subsidiaries on a consolidated basis. In accordance with the provisions of Item 601(b)(4)(iii) of SEC Regulation S-K, Scotts Miracle-Gro hereby agrees to furnish to the SEC, upon request, a copy of each such instrument or agreement defining the rights of holders of long-term debt of Scotts Miracle-Gro or the rights of holders of long-term debt of one of Scotts Miracle-Gro's consolidated subsidiaries, in each case which is not being filed or incorporated by reference as an exhibit to the Form 10-K.

Very truly yours,

THE SCOTTS MIRACLE-GRO COMPANY

/s/ David C. Evans

David C. Evans
Chief Financial Officer and Executive Vice President, Strategy and Business Development

Exhibit 10.7(c)

Executive Officers of
The Scotts Miracle-Gro Company
who are parties to form of
Employee Confidentiality, Noncompetition,
Nonsolicitation Agreement for employees
participating in The Scotts Company LLC
Amended and Restated Executive Incentive Plan

Name and Principal Position with The Scotts Miracle-Gro Company	Date of Employee Confidentiality, Noncompetition, Nonsolicitation Agreement
Barry W. Sanders, President and Chief Operating Officer	April 22, 2005
Vincent C. Brockman, Executive Vice President, General Counsel and Corporate Secretary and Chief Ethics & Compliance Officer	May 11, 2006
David C. Evans, Chief Financial Officer and Executive Vice President, Strategy and Business Development	May 20, 2006
Denise S. Stump, Executive Vice President, Global Human Resources	August 8, 2006
James R. Lyski, Executive Vice President, Chief Marketing Officer	April 6, 2011

Exhibit 10.11(c)

Executive Officers of
The Scotts Miracle-Gro Company
who are parties to form of
Tier 1 Participation Agreement under
<u>The Scotts Company LLC Executive Severance Plan</u>

Name and Principal Position with The Scotts Miracle-Gro Company	Effective Date of Employee, Tier 1 Participation Agreement
Barry W. Sanders, President and Chief Operating Officer	November 5, 2011
Vincent C. Brockman, Executive Vice President, General Counsel and Corporate Secretary and Chief Ethics & Compliance Officer	November 5, 2011
David C. Evans, Chief Financial Officer and Executive Vice President, Strategy and Business Development	November 5, 2011
Denise S. Stump, Executive Vice President, Global Human Resources	November 5, 2011
James R. Lyski, Executive Vice President, Chief Marketing Officer	November 5, 2011

Exhibit 10.16

Execution

MASTER ACCOUNTS RECEIVABLE PURCHASE AGREEMENT

among

THE SCOTTS COMPANY LLC,
as Company

THE SCOTTS MIRACLE-GRO COMPANY,
as Parent

THE BANKS PARTY HERETO

and

MIZUHO CORPORATE BANK, LTD.,
as Administrative Agent

MIZUHO CORPORATE BANK, LTD.,
as Sole Lead Arranger

Dated as of November 15, 2012

Pillsbury Winthrop Shaw Pittman LLP
1540 Broadway
New York, New York 10036

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MASTER ACCOUNTS RECEIVABLE PURCHASE AGREEMENT

MASTER ACCOUNTS RECEIVABLE PURCHASE AGREEMENT, dated as of November 15, 2012 (as amended, amended and restated, supplemented or otherwise modified from time to time, this *"Agreement"*), among THE SCOTTS COMPANY LLC, a limited liability company organized under the laws of Ohio (the *"Company"*), THE SCOTTS MIRACLE-GRO COMPANY, a company organized under the laws of Ohio (the *"Parent"*), THE BANKS PARTY HERETO, and MIZUHO CORPORATE BANK, LTD. ("*Mizuho*"), as administrative agent (together with its permitted successors in such capacity, the "*Administrative Agent*").

WHEREAS, after the date hereof and subject to the terms and conditions of this Agreement, the Company may sell to the Banks and the Banks may purchase from the Company, on a revolving and uncommitted basis, certain Receivables.

WHEREAS, the transactions hereunder shall constitute a true sale of the Purchased Receivables, providing the Banks with the full risks and benefits of ownership of the Purchased Receivables without recourse to the Company, except as may otherwise be set forth herein.

NOW, THEREFORE, in consideration of the above premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

SECTION 1. DEFINITIONS AND INTERPRETATION.

In this Agreement and each Schedule:

"Act" has the meaning ascribed to it in Section 19.9(a).

"Administrative Agent" has the meaning ascribed to it in the preamble hereto.

"Adverse Claim" means any Encumbrance on a Purchased Receivable other than those arising under this Agreement.

"Affiliate" means, as applied to any Person, any other Person directly or indirectly controlling, controlled by, or under common control with, that Person. For the purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power (i) to vote 20% or more of the voting equity interests of such Person or (ii) to direct or cause the direction of the management and policies of that Person, whether through the ownership of voting securities or by contract or otherwise.

"Agreed Base Value" shall be an amount equal to the product of (a) the Original Amount of the Receivable being purchased and (b) 100% less the Agreed Dilution Percentage.

“*Agreed Dilution Percentage*” means, with respect to a Purchased Receivable at any time, a rate equal to the greater of (a) the sum of (i) the product of (x) two (2) and (y) Historical Dilution for the applicable Approved Debtor in respect of such Purchased Receivable in the same month of the previous year, and (ii) Late Interest Percentage then in effect; and (b) 20%.

“*Agreement*” has the meaning ascribed to it in the preamble hereto.

“*Agreement Amount*” means the maximum aggregate Funded Amounts of all Purchased Receivables, which shall not exceed $400,000,000 at any time.

“*Applicable Margin*” means the applicable margin per annum for each Approved Debtor as listed on Schedule 5 hereto.

“*Approved Debtor*” means each Person listed as an Approved Debtor on Schedule 5 hereto.

“*Bank*” means each Person listed on the signature pages hereto as a Bank, and any other Person (other than a natural Person) that becomes a party hereto pursuant to an Assignment and Assumption Agreement. For the avoidance of doubt, any reference to a “Bank” or to “Banks” with respect to any Purchased Receivable shall be a reference to such Bank or Banks, as the case may be, that have purchased such Purchased Receivable hereunder.

“*Bank Termination*” has the meaning ascribed to it in Section 18.5(b).

“*Bank’s Stated Amount*” means the amount set forth under such Bank’s signature on the signature page hereto, or in the applicable assignment and assumption agreement with respect to which it became a party hereto.

“*Bankruptcy Code*” means Title 11 of the United States Code entitled “Bankruptcy,” as now and hereafter in effect, or any successor statute.

“*Beneficiaries*” means the Administrative Agent and each Bank.

“*Blocked Accounts*” means each account opened by the Company in its name for each Approved Debtor with JPMorgan Chase Bank, N.A. or such other bank approved by the Administrative Agent for the purpose of collecting the Purchased Receivables of such Approved Debtor and which shall be subject to a blocked account agreement with the Administrative Agent providing the Administrative Agent, for the benefit of the Banks, with control over such account.

“*Business Day*” means a day on which banks are open for business in Atlanta, Georgia, Chicago, Illinois and New York, New York, and which is also a day for trading by and between banks in Dollar deposits in the London interbank market.

“*Closing Date*” means the date of this Agreement or such later Business Day upon which each condition described on Schedule 2 shall be satisfied or waived in a manner acceptable to each of the Administrative Agent and each of the Banks in its reasonable discretion.

“*Code*” means the Internal Revenue Code of 1986, as amended from time to time, and any successor statute of similar import, together with the regulations thereunder, in each case as in effect from time to time. References to sections of the Internal Revenue Code also refer to any successor sections.

“*Collections*” means all payments made on each Purchased Receivable and any other payments, receipts or recoveries (including any casualty insurance proceeds) by, or on behalf of, any Debtor or otherwise with respect to any Purchased Receivable, including any deemed Collections.

“*Company*” has the meaning ascribed to it in the preamble hereto.

“*Contract*” means a contract or purchase order between the Company and a Debtor, as the same may be amended and supplemented from time to time in accordance with the terms hereof, out of which has arisen one or more Purchased Receivables.

“*Credit Agreement*” means that certain Second Amended and Restated Credit Agreement dated as of June 30, 2011, among the Parent, the subsidiary borrowers from time to time party thereto, the several lenders from time to time party thereto and JPMorgan Chase Bank, N.A., as administrative agent, as amended, restated, supplemented or modified from time to time.

“*Debtor*” means a person obligated to make payments in respect of a Receivable.

“*Debtor Default Event*” means, as of any date of determination, an Approved Debtor shall be in default due to a Financial Inability to Pay of an amount equal to or greater than $3,000,000 with respect to its payment of any of its Purchased Receivables.

“*Debtor Sublimit*” means the sublimit to the Agreement Amount for each Approved Debtor as listed on Schedule 5 hereto.

“*Defaulted Receivable*” means any Purchased Receivable which is more than 30 days past due or cannot be paid solely as a result of the applicable Approved Debtor’s Financial Inability to Pay.

“*Defaulting Bank*” has the meaning ascribed to it in Section 4.12.

“*Dilution*” means in respect of each Debtor, any discount, adjustment, set-off, counterclaim, deduction, reduction, warranty issue or refusal to pay not arising from such Debtor’s Financial Inability to Pay, which would have the effect of reducing the amount of part or all of any Purchased Receivable owed by a Debtor. For the avoidance of doubt, “Dilution” shall not include any Trade Credit Amount included in the determination of the Original Amount of any Purchased Receivable.

“*Discount*” means, with respect to each Purchased Receivable, 100% minus the product of (a) the higher of (x) the sum of LIBOR for one week as of the purchase date thereof plus the Applicable Margin with respect to the applicable Approved Debtor in respect of such Purchased Receivable, and (y) the sum of LIBOR for three months as of the purchase date thereof plus the Applicable Margin with respect to the applicable Approved Debtor in respect of such Purchased

Receivable, and (b) a fraction the numerator of which is the number of days in the applicable Settlement Period and the denominator of which is 360.

"*Dollar,*" "*USD*" and "*$*" shall mean the lawful currency of the United States of America.

"*Economic and Trade Sanctions and Anti-Terrorism Laws*" means any laws relating to economic or trade sanctions, terrorism or money laundering, including without limitation Executive Order 13224, the Patriot Act, the regulations administered by OFAC, the Trading with the Enemy Act (12 U.S.C. §95), and the International Emergency Economic Powers Act (50 U.S.C. §1701-1707).

"*Encumbrance*" means a mortgage, assignment, security interest, pledge, lien or other encumbrance securing any obligation of any person or any other type of adverse claim or preferential arrangement (including, without limitation, title transfer and retention arrangements) having a similar effect.

"*Facility Party*" means the Parent and the Company.

"*Fee Letter*" means the letter among the Administrative Agent, the Company and the Parent of even date herewith providing for the payment of certain fees by the Company to the Administrative Agent as specified therein.

"*Final Collection Date*" means the date, following the termination of purchases under this Agreement, on which all amounts to which the Banks shall be entitled in respect of Purchased Receivables and all other amounts owing to the Banks and the Administrative Agent hereunder and under the other Transaction Documents are paid in full.

"*Financial Inability to Pay*" means a Debtor's failure or inability to pay a Receivable as a result of a deterioration in such Debtor's credit quality as evidenced by an event where such Debtor (A)(i) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (ii) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due; (iii) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (iv) institutes or has instituted against it a proceeding seeking judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditor's rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (aa) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding up or liquidation or (bb) is not dismissed, discharged, stayed or restrained in each case within 60 days of the institution or presentation thereof; (v) has a resolution passed for its winding-up, official management or liquidation; (vi) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all of its assets; (vii) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 60 days thereafter, (viii) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (i) to (vii) (inclusive); (ix) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts; or (x) at any time that the long-term unenhanced, unsecured indebtedness rating of such Debtor is *"CCC"* (or its equivalent) or lower, fails to pay 10% or more of the aggregate amount of Purchased Receivables owed by it, for more than 30 days beyond the relevant Maturity Dates thereof (unless such Debtor claims, and the Company agrees and confirms in writing, such failure to pay is a result of a commercial dispute related to such Purchased Receivables), or (B) fails, after giving effect to any applicable grace period for the relevant obligation(s) of such Debtor (other than such Receivable), to make, when due, any payments equal to or exceeding $25,000,000 under such obligations.

"*Funded Amount*" means the aggregate amount of Purchase Prices paid by the Banks hereunder, less the Collections, if any, theretofore paid to and received by the Banks.

"*Governmental Authority*" means any nation or government, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"*Historical Dilution*" means, with respect to a Debtor at any time, a rate equal to a fraction the numerator of which is the value of the "*Credit Memos*" for the same month of the previous year and the denominator of which is the value of "*Sales*" for such month and year, in each case for such Debtor as indicated in the relevant Portfolio Report received by the Administrative Agent and as distributed to the Banks.

"*Indemnified Taxes*" has the meaning ascribed to in Section 7.2.

"*Invoice*" means an invoice issued by the Company to a Debtor for payment for goods or services supplied pursuant to a Contract between the Company and such Debtor.

"*Late Interest Percentage*" means, with respect to Purchased Receivables, a rate equal to the product of (a) the sum of (i) LIBOR for ninety-eight (98) days as of the relevant date, and (ii) 0.75%, and (b) a fraction the numerator of which is ninety-eight (98) and the denominator of which is 360.

"*Law*" means any law (including common law), constitution, statute, treaty, regulation, rule, ordinance, order, injunction, writ, decree or award of any Governmental Authority.

"*LIBOR*" means, for any applicable period, the rate per annum determined by the Administrative Agent on the date that is two (2) Business Days prior to the applicable Settlement Date for deposits in Dollars for a period equal to such period, which appears in the Bloomberg Financial Markets system as the composite offered rate for London interbank deposits for such period as of 11:00 a.m. (London, England time). If that rate does not appear on that display page, LIBOR for such period will be the rate per annum shown on Reuters Screen LIBOR01 Page or any successor page as the composite offered rate for London interbank deposits for such period, as shown under the heading "USD" as of 11:00 a.m. (London, England time) two (2) Business Days before the commencement of such period, or if such service is not available, by reference to the

British Bankers' Association Interest Settlement Rates for deposits in USD for a period equal to such relevant period; *provided* to the extent that an interest rate is not ascertainable pursuant to the foregoing provisions of this definition, "LIBOR" shall be the interest rate per annum determined by the Administrative Agent to be the average of the rates per annum at which deposits in USD are offered for such relevant period by the Administrative Agent in the London interbank market in London, England on the date that is two (2) Business Days prior to the beginning of such period.

"*Material Adverse Effect*" means a material adverse effect on (a) the business, operations, property or financial condition of the Parent and its subsidiaries taken as a whole or (b) the validity or enforceability of any material term of this Agreement or the rights or remedies of the Administrative Agent or the Banks hereunder or acquired hereunder.

"*Maturity Date*" means, with respect to a Purchased Receivable, the date on which such Purchased Receivable becomes due and payable by the Debtor.

"*Mizuho*" has the meaning ascribed to it in the preamble hereto.

"*Monsanto Agreement*" means the Amended and Restated Exclusive Agency and Marketing Agreement by and between The Monsanto Company and the Company.

"*Monsanto Receivables*" means accounts receivable (and all related proceeds) originated and owned by The Monsanto Company from an Approved Debtor pursuant to, and otherwise subject to the terms of, the Monsanto Agreement and collected by the Company as an agent on behalf of The Monsanto Company thereunder.

"*OFAC*" means the Office of Foreign Assets Control of the United States Department of the Treasury.

"*OFAC Lists*" has the meaning ascribed to it in Section 19.9(b).

"*OFAC Violation*" has the meaning ascribed to it in Section 19.9(c).

"*Original Amount*" means, in relation to a Receivable or a Purchased Receivable, as applicable, the amount owing from the Debtor in respect of such Receivable or Purchased Receivable, as applicable, such amount being the aggregate amount payable under the relevant Invoice, less any related Trade Credit Amount applied against such payable amount on or before the purchase date of such Receivable or Purchased Receivable, as applicable. For the avoidance of doubt, the Original Amount of any Purchased Receivable shall not be reduced as a result of any write-down or write-off of such Purchased Receivable by any Bank.

"*Other Taxes*" means any and all present or future stamp or documentary taxes or any other excise, sales, goods and services or transfer taxes, charges or similar levies arising from any payment made under any Transaction Document or from the execution, delivery or enforcement of, or otherwise with respect to, any Transaction Document.

"*Parent*" has the meaning ascribed to it in the preamble hereto.

“*Payment Account*” means the account of the Administrative Agent set forth under its signature on the signature page hereto, or such other account as the Administrative Agent may hereafter designate in writing as such to the other parties hereto.

“*Person*” means an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

“*Portfolio Report*” means a report, substantially in the form of Schedule 4, delivered in electronic form and which shall contain, inter alia, the list of Receivables which have been determined to be Purchased Receivables hereunder, with separate entries for (i) Receivables previously purchased by the Banks in accordance with Section 4.1 and (ii) Replacement Receivables, as well as a list of all relevant Invoices and for each Approved Debtor, a calculation of the Trade Credit Amount.

“*Prime Rate*” means the rate of interest per annum that Mizuho announces from time to time as its prime lending rate in the United States, as in effect from time to time. The Prime Rate is a reference rate and does not necessarily represent the lowest or best rate actually charged to any customer. Mizuho or any other Bank may make commercial loans or other loans at rates of interest at, above or below the Prime Rate.

“*Pro Rata Share*” means, with respect to any Bank, (i) with respect to any Purchased Receivable, an amount (expressed as a percentage) equal to (x) that portion of the Purchase Price of such Purchased Receivable paid by such Bank, divided by (y) the Purchase Price of such Purchased Receivable paid by all of the Banks, and (ii) for all other purposes under this Agreement, an amount (expressed as a percentage) equal to (x) the aggregate Purchase Prices of all Purchased Receivables paid by such Bank, divided by (y) the aggregate Purchase Prices of all Purchased Receivables paid by all of the Banks. For the avoidance of doubt, the Pro Rata Share of any Bank with respect to any Receivable that is required to be repurchased by such Bank in accordance with Section 4.5(e) shall be such Bank’s Pro Rata Share with respect to such Receivable as of the initial Settlement Date on which it was purchased.

“*Purchase Price*” means, in relation to any Purchased Receivable, the Agreed Base Value thereof times the applicable Discount.

“*Purchase Request*” means a request for purchase signed by an officer or other authorized signatory of the Company in the form attached hereto as Schedule 1.

“*Purchased Receivable*” means, at any time, any Receivable sold by the Company and acquired by the Banks under this Agreement.

“*Receivable*” means the indebtedness of an Approved Debtor to the Company arising under a Contract and which is evidenced by an Invoice (including the right to receive payment of any interest or finance charges or other liabilities of such Debtor under the Contract), together with all Related Assets with respect thereto and all Collections and other proceeds with respect to the foregoing.

“*Related Assets*” means, with respect to the Receivables (i) all related rights and remedies under or in connection with the Contract with respect thereto including bills of lading, bills of exchange, promissory notes and accessions, (ii) all guaranties, suretyships, letters of credit, security, liens and other arrangements supporting payment thereof, (iii) all Sales Records (including electronic records) with respect thereto, (iv) all related insurance, and (v) all proceeds of the foregoing.

“*Related Parties*” means, with respect to any Person, such Person’s Affiliates and the partners, directors, officers, employees, agents, trustees, administrators, managers, advisors and representatives of such Person and of such Person’s Affiliates.

“*Replacement Receivables*” has the meaning ascribed to it in Section 4.3 hereof.

“*Repurchase Event*” means, with respect to a Purchased Receivable:

(i) any representation or warranty made by the Company in any Transaction Document with respect to such Receivable is inaccurate, incorrect or untrue, in any material respect, on any date as of which it is made or deemed to be made; or

(ii) the Company fails to comply with any of its covenants with respect to such Receivable set forth in Section 11 of this Agreement or in any other Transaction Document; or

(iii) any Purchased Receivable becomes subject to a Dilution, or on any day the Original Amount of such Purchased Receivable (x) is reduced or adjusted as a result of any defective, rejected, returned, repossessed or foreclosed merchandise, any defective or rejected services, any discount or other adjustment by the Company (including on account of credits, rebates, chargebacks, inventory transfers, allowances for early payments and other allowances) or any obligation of the Company owed to the applicable Debtor to make such a discount or adjustment, (y) is reduced or cancelled as a result of a setoff, deduction or counterclaim in respect of any claim by the Debtor thereof against the Company (whether such claim arises out of the same or a related or an unrelated transaction) or (z) otherwise is less than the amount reported by the Company in (or for purposes of) any settlement statement delivered pursuant to this Agreement (for any reason other than receipt of Collections on such Purchased Receivable or such Purchased Receivable being written off as uncollectible based on Debtor’s Financial Inability to Pay); provided, however, that to the extent that the occurrence of any matter described in the foregoing paragraphs (x) or (y) would otherwise result in a Repurchase Event, no Repurchase Event with respect to any such Purchased Receivable shall occur if the amount of any such adjustment caused by the occurrence of such event has already been included in the calculation of the Purchase Price paid with respect to such Purchased Receivable.

“*Required Banks*” means, at any time, the Banks representing more than 50% of the then aggregate Purchase Prices of all Purchased Receivables paid by all of the Banks; *provided* the Purchased Receivables of any Defaulting Bank shall be disregarded in determining Required Banks at any time.

"*Responsible Officer*" means the Chairman, President or an Executive, Senior or other Vice President of the Company and, with respect to financial matters, the Chief Financial Officer, the Treasurer or the Controller of the Company.

"*Sales Records*" means the accounts, all sales ledgers, purchase and sales day books, sales invoices, supply contracts and other related books and records of the Company relating to a Debtor and on an individual Purchased Receivable basis for the purpose of identifying amounts paid or to be paid in respect of such Purchased Receivable.

"*Settlement Date*" means, Wednesday of each calendar week (or, if such Wednesday is not a Business Day, the immediately succeeding Business Day) or such other date as the Administrative Agent, each Bank and the Company may from time to time agree to, provided that (i) with respect to the initial purchase hereunder, the date of such purchase shall be the initial Settlement Date and (ii) on or after the Termination Date, the Administrative Agent and the Banks may select Settlement Dates by notice to the Company.

"*Settlement Period*" means (a) with respect to the initial purchase, a period from and including the date of such purchase pursuant to Section 4.2 to and including the first Tuesday following the date of the initial purchase or as otherwise agreed between the Administrative Agent, each Bank and the Company and (b) thereafter, each period from and including the Wednesday following the immediately preceding Settlement Period to and including the Tuesday of the immediately following calendar week or as otherwise agreed between the Administrative Agent, each Bank and the Company, *provided* at any time the Administrative Agent, each Bank and the Company may mutually agree to select any different period as the Settlement Period.

"*Stated Termination Date*" means October 30, 2013, or such later date as may be extended annually by mutual agreement of each Bank and the Company no later than ninety (90) days in advance of the then scheduled Stated Termination Date.

"*Tax*" means with respect to any Person any present or future taxes, charges, fees, levies, imposts, duties or assessments (including income, gross receipts, profits, withholding, excise, property, sales, use, value added, license, occupation and franchise taxes and any interest or penalty payable in connection with any failure to pay any of the same); Taxes and Taxation shall be construed accordingly.

"*Termination Date*" means the earliest to occur of (i) termination of this Agreement pursuant to Section 18, (ii) the Stated Termination Date and (iii) the Business Day designated by either the Company or the Administrative Agent and the Banks with no less than thirty (30) days prior notice to the other party.

"*Termination Event*" means any of the events set forth in Section 18.

"*Termination Interest*" means, with respect to the Total Purchased Receivables, a rate equal to the product of (a) the sum of (i) LIBOR for five (5) days and (ii) 2.75%, (b) a fraction the numerator of which is the number of days during the period referred to in clause (i) above plus fifteen (15) days, and the denominator of which is 360 and (c) the aggregate Agreed Base Value of the Total Purchased Receivables.

"Total Purchased Receivables" has the meaning ascribed to it in Section 18.5.

"Trade Credit Amount" means, with respect to a Purchased Receivable, the Dollar amount from time to time accrued on the books and records of the Company and as reported on each Portfolio Report delivered to the Administrative Agent and as distributed to the Banks as a trade credit, trade allowance, return allowance or similar arrangement between the Company and the related Approved Debtor that might result in a reduction of such Purchased Receivable in the future.

"Transaction Document" means each of this Agreement, each Purchase Request, each Portfolio Report, the blocked account agreements, and all related documents.

"UCC" means the Uniform Commercial Code as from time to time in effect in the State of New York.

SECTION 2. TERMS OF PURCHASE ON AN UNCOMMITTED BASIS.

Section 2.1. Prior to the Termination Date, subject to the terms and conditions of this Agreement, the Company may, at the Company's option, offer to sell and assign from time to time to the Banks, and the Banks hereby agree, severally and not jointly, to consider on an uncommitted basis to purchase a 100% interest in all or any portion of the present and future Receivables of each Approved Debtor as identified in the most recent Portfolio Report delivered to the Administrative Agent under this Agreement or as identified in such other manner acceptable to the Administrative Agent and the Required Banks *provided* that the Funded Amount at no time shall exceed (a) the Agreement Amount or (b) with respect to an Approved Debtor, the applicable Debtor Sublimit; *further provided*, that in any event (i) the Receivables that may be purchased and sold hereunder with respect to an Approved Debtor shall be deemed to be the Receivables of such Approved Debtor with the earliest due date (based upon their net invoice value excluding all accruals for any discounts) and (ii) the Original Amount of the Receivables offered to be purchased and sold hereunder with respect to each Approved Debtor shall represent a share of the total Original Amount of all Receivables offered to be purchased and sold hereunder of all Approved Debtors which is approximately equal (as determined by the Administrative Agent in its reasonable discretion and which shall be binding on the parties hereto, absent manifest error) to the share that the Original Amount of all Receivables of such Approved Debtor represents of the total Original Amount of all Receivables of all Approved Debtors.

SECTION 3. CONDITIONS PRECEDENT.

Section 3.1. The Company shall not be entitled to request the Banks to make the initial purchase of Purchased Receivables, unless:

(a) the Administrative Agent and each Bank have received all of the documents listed in Schedule 2 in form and substance reasonably satisfactory to each of them;

(b) the representations and warranties made by the Company in Section 10 of this Agreement and in any other Transaction Documents are true and correct as of the Closing Date;

(c) the Administrative Agent has received the fees and other amounts payable by the Company pursuant to Section 15.1;

(d) the Company shall have established the segregated Blocked Accounts for the collection of the Purchased Receivables;

(e) no Termination Event shall have occurred; and

(f) the Closing Date falls at least four Business Days after the date of the delivery of the initial Purchase Request and initial Portfolio Report to the Administrative Agent and the Banks. Such Portfolio Report shall list the Receivables requested to be purchased in a format and contain such information as shall be reasonably satisfactory to the Administrative Agent and the Banks.

SECTION 4. PURCHASE OF RECEIVABLES.

Section 4.1. No purchase shall be made hereunder except as follows:

(a) Prior to 12:00 noon New York time at least four (4) Business Days prior to a Settlement Date on which the Company wishes the Banks to purchase Receivables, the Administrative Agent shall have received a Purchase Request and a Portfolio Report in connection with such purchase, which the Administrative Agent shall promptly, and if received by 12:00 noon on the day of receipt thereof from the Company, by no later than 2:00 pm on such date, transmit to each Bank, together with an estimate prepared by the Administrative Agent of the Purchase Price for the applicable Receivables to be sold on such Settlement Date, and the Pro Rata Share of each of such Bank.

(b) No later than 10:00 a.m. New York time on the third Business Day prior to such Settlement Date, each Bank will notify the Administrative Agent of whether it has agreed, in its sole discretion, to purchase the Receivables set forth in the applicable Purchase Request on the next Settlement Date; *provided* if any Bank (a "*Non-Purchasing Bank*") notifies the Administrative Agent in accordance with the foregoing that such Bank will not purchase its share of such Receivables (provided that any such notice shall apply to all Receivables set forth in the applicable Purchase Request, and no Bank shall have the right to purchase only certain individual Receivables subject to the same Purchase Request), the Administrative Agent shall promptly notify each other Bank of such Non-Purchasing Bank's decision, and each other Bank (i) shall have the right, but not the obligation, in its sole discretion, to purchase a pro rata share of such Non-Purchasing Bank's share of such Receivables, and (ii) shall notify the Administrative Agent of whether it will make such purchase no later than 11:00 a.m. New York time on the third Business Day prior to such Settlement Date; *provided further*, (x) if any Bank fails to promptly notify the Administrative Agent of its decision to purchase any Receivable after the receipt of the applicable Purchase Request, then such Bank shall be deemed to be a Non-Purchasing Bank with respect to such Receivable, and (y) if any Bank fails to promptly notify the Administrative Agent of its decision to purchase any Receivable after receipt of notice of a Non-Purchasing Bank's decision, such Bank shall be deemed to have decided to not purchase its pro rata share of such Receivable; *provided further*, for the avoidance of doubt, this Section 4.1(b) shall not apply to any repurchase of a Receivable by a Bank required in accordance with Section 4.5(e).

(c) No later than 12:00 noon New York time three (3) Business Days prior to the Settlement Date, the Administrative Agent will notify the Company of the Banks that will purchase the applicable Receivables on such Settlement Date, and if, in accordance with Section 4.1(b), the aggregate amount of such Receivables is less than the Receivables set forth in the applicable Purchase Request, then the notice by the Administrative Agent to the Company shall set forth the applicable Receivables subject to such Purchase Request that such Banks are willing to purchase, which Receivables shall be determined by the Administrative Agent in its reasonable discretion.

(d) No later than 12:00 noon New York time two (2) Business Days prior to the Settlement Date, the Administrative Agent shall calculate the Purchase Price for the applicable Receivables to be sold on such Settlement Date and promptly send such calculation to the Company and each of the Banks, together with the Pro Rata Share of each of such Bank (giving effect to Section 4.1(b) and Section 4.5(e), as applicable).

(e) The aggregate of the Funded Amount of the Receivables referred to in the Portfolio Report (after giving effect to such purchase) as of the applicable Settlement Date will not exceed (i) the Agreement Amount or (ii) with respect to an Approved Debtor, the Debtor Sublimit. No Bank's Pro Rata Share of the aggregate of the Funded Amount of the Receivables referred to in the Portfolio Report (after giving effect to such purchase) as of the applicable Settlement Date will exceed such Bank's Stated Amount.

(f) The Invoices referred to in the Portfolio Report each shall have a date certain for payment which is no more than 90 days from the earlier of (i) the date of sale or (ii) dispatch of the goods by the Company, and are denominated in Dollars.

(g) As of such Settlement Date, the representations and warranties made by the Company in Section 10 of this Agreement are true and correct in all material respects (except for those representations and warranties that are conditioned by materiality, which shall be true and correct in all respects) and no Termination Event shall have occurred.

Section 4.2. (a) With respect to each purchase of Receivables on a Settlement Date:

(i) Each Bank that is purchasing Receivables on such Settlement Date, whether in its sole discretion in accordance with Section 4.1 or as required by Section 4.5(e), shall make its Pro Rata Share of the Purchase Price thereof available to the Administrative Agent not later than 2:00 p.m. (New York City time) on such Settlement Date, by wire transfer of same day funds in Dollars, to the Payment Account; and

(ii) Upon receipt of the amounts set forth in Section 4.2(a)(i), the Administrative Agent, on behalf of the purchasing Banks, shall pay the Purchase Price to the Company for the Purchased Receivables sold to such Banks on such Settlement Date, less any other amounts owing to the Administrative Agent and the Banks hereunder, by 4:00 p.m. New York time on such Settlement Date.

(b) If no Bank decides, in its sole discretion, to purchase any Receivables offered by the Company in accordance with Section 3 on the terms and conditions then in effect (but subject to the requirements of Section 4.5(e)), the Banks may in their discretion propose in writing to the Company modifications to the Applicable Margin, Approved Debtors, and/or Debtor Sublimits as conditions to their consent to purchase such Receivables within one Business Day of receipt of the applicable Purchase Request; if the Company agrees to such modifications, it shall so indicate in writing within one Business Day of receipt of such proposal, whereupon the Banks may decide in their discretion to purchase the Receivables listed in the relevant Purchase Request on such modified terms in accordance with clause (a) above.

(c) The Company shall be entitled, to the extent collected by the Company, to receive and retain an amount equal to Collections on the Purchased Receivables in excess of all amounts owed to the Banks as set forth in Section 4.5(d) and (e), such amount to first be applied to the delivery to the Company of any Trade Credit Amounts due to the Company, as applicable, with the remainder of such amounts to be paid to the Company as a servicing fee. Without limiting the liability and obligations of the Company hereunder, each Bank shall be entitled to offset against and deduct from such excess all amounts owing by the Company to such Bank under this Agreement and the Transaction Documents not previously distributed to such Bank. So long as the Company is acting as servicer for the Purchased Receivables, the Company will be entitled to retain such excess (less such offsets and deductions) as the Purchased Receivables are collected. Should the Administrative Agent terminate the Company's appointment as servicer, each Bank will pay to the Company its Pro Rata Share of such excess over and above the amounts which such Bank is entitled to offset, upon collection of all amounts owing in respect of the Purchased Receivables purchased thereby.

(d) The parties agree that the calculation of Agreed Base Value of Purchased Receivables includes Trade Credit Amounts which the Approved Debtors have historically been entitled to receive if certain conditions in the future are met. To the extent that such Approved Debtors are not entitled to receive any such Trade Credit Amounts, or in the event that any such Approved Debtors are entitled to receive such Trade Credit Amounts but elect not to apply the corresponding Trade Credit Amount to the reduction of any payment made on a Purchased Receivable, and the Collections with respect to such Purchased Receivable include any such corresponding Trade Credit Amount, the amount thereof shall be attributable to and paid to the Company.

Section 4.3. Until the Termination Date, with the prior consent of the Banks in accordance with Section 4.1(a) if such purchase is to occur on a Settlement Date, and without consent if such purchase is to occur between two Settlement Dates, Collections may be used by the Company, as servicer, and as agent for and on account of the Banks, to purchase from the Company Receivables of Approved Debtors that meet all of the requirements contained herein applicable to the initial Purchased Receivables (*"Replacement Receivables"*), which Replacement Receivables shall be held for the exclusive benefit and account of the Banks to the same extent as the original Purchased Receivables and shall constitute Purchased Receivables for all purposes of the Agreement. For purposes of maintaining the perfection of the Banks' interest in any Purchased Receivables and the proceeds thereof, each Bank hereby appoints the Company as its agent in respect of any Collections prior to such Collections being used to purchase Replacement Receivables, provided that the Company's sole duty as such agent shall be to hold such Collections in trust for the benefit of such Bank or to purchase Replacement Receivables as aforesaid.

Section 4.4. (a) The Company will instruct all Debtors under the Purchased Receivables to make all payments on account thereof to the relevant Blocked Accounts. Each Invoice shall also require that payments be made to the relevant Blocked Accounts. All Collections will be received and held in the Blocked Accounts in the name of the Administrative Agent, for the benefit of the Banks, as the owner thereof and, except as otherwise provided in this Agreement, will be applied in the manner set forth in (b) below. The Administrative Agent may, or at the request of the Required Banks, shall, suspend or terminate all of the Company's right, power and interest in a Blocked Account at any time upon the occurrence and during the continuance of a Termination Event.

(b) Prior to the Termination Date, all of the Collections deposited into the Blocked Accounts shall be swept daily and transferred into the Company's operating account, as designated by the Company to the financial institution maintaining such Blocked Accounts, and each Bank hereby directs the Company to, no later than on the Business Day following the day on which Collections are received in such operating account, pay, apply or reserve for payment, as the case may be, such Collections as follows:

(i) first, reserve for payment to the Banks at the next Settlement Date the amount equal to the difference between the Agreed Base Value and the Purchase Price of the Purchased Receivables (other than Defaulted Receivables);

(ii) second, reserve for payment to the Banks at the next Settlement Date (X) the amount of any Dilutions which may have accrued or been granted in relation to the relevant Purchased Receivables that were not otherwise accounted for in the calculation of Purchase Price and (Y) Collections related to any Defaulted Receivables;

(iii) third, reserve for payment to the Banks on the next Settlement Date the sum of (A) the Purchase Price of the Purchased Receivables (other than Defaulted Receivables), except for such amounts as may be used to purchase Replacement Receivables for the time remaining in the applicable Settlement Period by the Company on the Banks' behalf ("*Net Daily Collections*") at the price determined in accordance with Section 4.1(d), plus (B) in the event that a Debtor Default Event shall have occurred and then be continuing with respect to any Approved Debtor, an amount equal to the excess of (x) the Original Amount of the Purchased Receivables (other than Defaulted Receivables) of all Approved Debtors over (y) the Agreed Base Value of all Purchased Receivables (other than Defaulted Receivables), such amount not to exceed the Agreed Base Value of Defaulted Receivables of each Approved Debtor subject to a Debtor Default Event, plus (C) all other amounts which may be owing to the Administrative Agent or any Bank under this Agreement or any other Transaction Document with respect to any Collections of Purchased Receivables; and

(iv) fourth, with respect to any Collections of Purchased Receivables which include any Trade Credit Amounts owing to the Company, reserve for payment to the Company such corresponding Trade Credit Amounts subject to the last sentence of the following paragraph.

If on any Settlement Date any Bank decides in its sole discretion (but subject to the requirements of Section 4.5(e)), not to purchase Replacement Receivables title to which has not yet transferred to such Bank pursuant hereto with Collections, the Company shall remit and hold such Bank's Pro Rata Share of all Collections (including, without limitation, Collections received relating to Trade Credit Amounts) in the Blocked Accounts until the next Settlement Date, whereupon it shall follow the procedures set forth in Section 4.5(d) and (e), provided, however, that if a Termination Event has occurred or the Termination Date has been declared, on the applicable Final Collection Date the Company shall follow the procedures set forth in Section 18. The Company shall comply in all respects with each such direction of the applicable Bank. The Company's interest in any Collections relating to Trade Credit Amounts or that it would otherwise receive as its servicing fee shall at all times following the occurrence of a Termination Event be subordinate to each Bank's interest in the Collections until the Final Collection Date.

(c) While the Company is acting in the capacity of Servicer, any amounts in respect of the payment of Net Daily Collections shall be deemed to have been paid to the Company and deposited into the Blocked Account immediately upon receipt thereof by the Company.

(d) Except as set forth in Sections 4.5(e) and 21, at no time shall the Company have any right, title or interest in or to, or be the owner of, any Purchased Receivable.

(e) Each of the Administrative Agent and each Bank agrees that at no time shall either the Administrative Agent or any Bank have any rights or interest in any Monsanto Receivables and that the Company shall at all times be entitled to any collections deposited into the Blocked Accounts related to Monsanto Receivables; *provided, however,* that if at any time after the Termination Date, an Approved Debtor does not make a full payment on the Purchased Receivables and the Monsanto Receivables and the applicable Approved Debtor shall have not otherwise stated to which accounts receivable the payment should be applied and the Company has notified the Administrative Agent and the Banks that the Company has not determined pursuant to the terms of this Agreement and the Monsanto Agreement as to which accounts receivable the payment should be applied, each of the Administrative Agent and each Bank agrees that such payment shall be applied on a *pro rata* basis to the Purchased Receivables and the Monsanto Receivables of such Approved Debtor.

Section 4.5. (a) The Company and the Banks shall settle amounts owing as between them hereunder on each Settlement Date.

(b) The Company shall deliver to the Administrative Agent (for distribution to the Banks) prior to the Closing Date the initial Portfolio Report, in the form of a hard copy or electronically in a manner acceptable to the Administrative Agent, as at the last day of the immediately preceding week.

(c) Thereafter:

(i) by 12:00 noon New York time four Business Days prior to each Settlement Date; and

(ii) within five Business Days following the Termination Date, the Company shall deliver to the Administrative Agent and the Banks, in the form of a hard copy or electronically in a manner acceptable to the Administrative Agent, a Portfolio Report as at the following dates (or on the date otherwise agreed between the Company and the Administrative Agent and each Bank):

(x) as at the last day of the immediately preceding Settlement Period (in the case of paragraph (i) above);

(y) as at the Company's close of business on the day immediately preceding the Termination Date (in the case of paragraph (ii) above).

(d) On each Settlement Date by 12:00 noon New York time, to the extent available from Collections:

(i) the Company shall pay to the Administrative Agent for the benefit of the Banks at the Payment Account for prompt payment to the Banks on such Settlement Date (if received by the Administrative Agent by 12:00 noon New York time, and if not, promptly after receipt thereof) the amounts set forth in Section 4.4(b)(i) and (ii) in respect of Purchased Receivables (other than Defaulted Receivables), to the extent any part thereof has not been previously paid;

(ii) If the difference between the amount reserved pursuant to Section 4.4(b)(iii) and the Purchase Price for Replacement Receivables in accordance with Section 4.3 is positive, then the Company shall pay to the Banks by deposit to the Payment Account such difference.

(iii) If the difference between the amount reserved pursuant to Section 4.4(b)(iii) and the Purchase Price for Replacement Receivables in accordance with Section 4.3 is negative, then each Bank shall pay to the Company such Bank's Pro Rata Share of such difference, or at each Bank's discretion, the Company shall deduct from the amounts due to such Bank pursuant to clause (d)(i) above such difference.

(iv) To the extent that any Bank has received any Collections directly, so long as no Termination Event has occurred, such Bank shall pay to the Company by deposit to the Company's operating account (as designated by the Company), such amounts as may be used to purchase Replacement Receivables that such Bank has consented to purchase, as well as an amount equal to the aggregate amount of all Trade Credit Amounts that the Company is entitled to receive that have been received by such Bank from such Collections.

(e) On each Settlement Date, (i) the Company shall purchase from the Banks all Purchased Receivables other than Defaulted Receivables for a purchase price equal to the Purchase Price of such receivables minus any amounts received by the Banks as repayment of such Purchased Receivables and (ii) each Bank (x) shall repurchase any Receivables previously purchased by such Bank in accordance with Section 4.1 and any Replacement Receivables which have been purchased with such Bank's consent in accordance with Section 4.3, in each case to the extent such Receivables have not yet been paid as of such Settlement Date and such Receivables remain part of the Receivables designated as sold on Schedule I of the related Purchase Request or in the related Portfolio Report, and (y) may in such Bank's sole discretion purchase such Replacement Receivables which have been purchased by the Company without such Bank's consent during the period between the previous Settlement Date and the current Settlement Date in accordance with Section 4.3; provided that in all cases the Company may use the purchase price that it would have paid the Banks for the Purchased Receivables in accordance with clause (i) above to purchase Replacement Receivables, provided in each case that the Company complies with the limitations set forth in Section 2.1 relating to the Agreement Amount and the Debtor Sublimits; provided further that, following a Debtor Default Event relating to any Approved Debtor, which such Debtor Default Event is then continuing, with respect to any Purchased Receivables (other than Defaulted Receivables) purchased by the Company pursuant to clause (i) above and not repurchased by the Banks pursuant to clause (ii) above, the purchase price payable by the Company under clause (i) above shall be increased by an amount equal to the excess of (x) the Original Amount of such Purchased Receivables (other than Defaulted Receivables) over (y) the Agreed Base Value of such Purchased Receivables (other than Defaulted Receivables), such amount not to exceed the Agreed Base Value of Defaulted Receivables related to each Approved Debtor subject to a Debtor Default Event.

Section 4.6. (a) On each Settlement Date in respect of which the Banks have agreed or been required in accordance with Section 4.5(e) to purchase Receivables, title to all currently existing Receivables of the Approved Debtors set forth in each Portfolio Report originated by the Company shall, *ipso facto*, and without any further action on the part of the Company or the Administrative Agent or any Bank, transfer to the Banks to the extent necessary so that the Purchase Price of all Purchased Receivables is equal to the Funded Amount of such Purchased Receivables.

(b) If at any time the sale of all of the Receivables by the Company hereunder is limited by the Agreement Amount, the applicable Debtor Sublimit, or any other applicable limit set forth herein, the Receivables of such Approved Debtor originated by the Company that are otherwise purchased and sold hereunder up to such limitations shall be deemed to be the Receivables of such Approved Debtor with the earliest due date (based upon their net invoice value excluding all accruals for any discounts).

Section 4.7. (a) The Company will from time to time within five Business Days following any request, furnish the Administrative Agent and each Bank with a calculation of the amounts paid to or held in trust for such Bank by the Company under this Agreement.

(b) The Company will provide the Administrative Agent and each Bank with such other reports, information, documents, books and records as the Administrative Agent or such

Bank may reasonably request and which may be lawfully disclosed or provided to the Administrative Agent or such Bank, including, without limitation, a certificate signed by its officers attesting to (i) the balance owing on each Purchased Receivable, (ii) the Maturity Date of each Purchased Receivable and the fact that the goods sold and/or services provided under the terms of the relevant Contracts were shipped in accordance with the terms of such Contracts, (iii) a copy of the purchase order or sales order and invoices relating to each Purchased Receivable, (iv) a copy of the bill of lading and any other shipping document relating to the Purchased Receivable and all billings, statements, correspondence and memoranda directed to the customer in relation to each Purchased Receivable, and (v) after the Termination Date, a full accounting of daily Collections received.

Section 4.8. The Administrative Agent and each Bank may keep records of all purchases, which records shall be consistent with all information set forth in the Portfolio Reports delivered to the Administrative Agent and each Bank, and evidence the dates and amounts of purchases and the applicable Discount in effect from time to time. Such records shall be presumptive evidence but the failure to record any purchase shall not limit or otherwise affect any obligations of the Company hereunder or the Debtors' obligations to make payments on the Purchased Receivables when due; *provided* in the event of any inconsistency between the Administrative Agent's records and any Bank's records, the recordations in the Administrative Agent's records shall govern.

Section 4.9. The Company will, from time to time, at its expense, promptly execute and deliver all instruments and documents and take all action that may be reasonably necessary and that the Administrative Agent and each Bank may reasonably request, in order to perfect, protect or more fully evidence such Bank's ownership of the Purchased Receivables, or to enable the Administrative Agent or any Bank to exercise or enforce any of its rights hereunder.

Section 4.10. Any payment by a Debtor in respect of any indebtedness owed by it to the Company in respect of Purchased Receivables shall, except as otherwise specified by such Debtor or required by the related Contract or law, be applied, first, as a Collection of any Purchased Receivables then outstanding of such Debtor in the order of the age of such Purchased Receivables, starting with the oldest of such Purchased Receivables and, second, to any other indebtedness of such Debtor to the Company in respect of Purchased Receivables.

Section 4.11. All purchases shall be made by the Banks simultaneously and proportionately to their respective Pro Rata Shares, it being understood that no Bank shall be responsible for any default by any other Bank in such other Bank's obligation to make a purchase requested hereunder nor shall the Bank's Stated Amount of any Bank be increased or decreased as a result of a default by any other Bank in such other Bank's obligation to make a purchase requested hereunder, unless such Bank agrees to such purchase, increase or decrease, as the case may be, in writing.

Section 4.12. In the event that a Bank fails to make its Pro Rata Share of the Purchase Price (or any portion thereof) available to the Administrative Agent in accordance with section 4.2(a)(i) (such Bank, a *"Defaulting Bank"*), the Administrative Agent or a non-Defaulting Bank may, in its sole discretion, make such amount available to the Company in excess of its Pro Rata Share in such Purchased Receivable, and if more than one non-Defaulting Bank intends to make such amount available to the Company, then the amount thereof shall be allocated pro rata amongst all such non-Defaulting Banks that are willing to make such amount available to the Company. If the

Administrative Agent or non-Defaulting Bank, as the case may be, shall have made such funds available, then, to the extent that such Defaulting Bank shall not have made its Pro Rata Share of the Purchase Price available to the Company, such Defaulting Bank agrees to repay to the Administrative Agent or non-Defaulting Bank, as the case may be, forthwith on demand such corresponding amount together with interest thereon, for each day from and including such purchase date to but excluding the date such amount is repaid to the Administrative Agent or non-Defaulting Bank, as the case may be, at a rate determined by the Administrative Agent or non-Defaulting Bank, as the case may be, to represent its cost of overnight or short-term funds plus the Applicable Margin and reasonable breakage costs (which determination shall be conclusive absent manifest error). If such Defaulting Bank shall repay to the Administrative Agent or non-Defaulting Bank, as the case may be, such corresponding amount, such amount shall constitute such Defaulting Bank's Pro Rata Share of the Purchased Receivable for purposes of this Agreement. Notwithstanding anything to the contrary herein (a) the Administrative Agent shall not be liable to the Company or any other Person for the failure of a Defaulting Bank to make its Pro Rata Share of the Purchase Price (or any portion thereof) available to the Company in accordance with Section 4.2(a)(i) or otherwise and (b) no non-Defaulting Bank shall be liable to the Company or any other Person for the failure of a Defaulting Bank to make its Pro Rata Share of the Purchase Price (or any portion thereof) available to the Company in accordance with Section 4.2(a)(i) or otherwise. The Company hereby reserves any and all rights or remedies that may be available under applicable Laws against any Defaulting Bank in relation to the foregoing.

SECTION 5. LIMITED LIABILITY.

Section 5.1. Deemed Collections/Repurchase Obligation.

5.1.1 If a Repurchase Event with respect to a Purchased Receivable occurs under clause (iii) of the definition thereof and the related reduction, adjustment, cancellation or setoff relates only to a portion of the aggregate Original Amount and not the entire aggregate Original Amount, the Company shall be deemed to have received on such day a Collection on such Purchased Receivable in the amount of such reduction, adjustment, cancellation or setoff. All such Collections deemed received by the Company under this Section 5.1.1 shall be remitted by the Company to such account as shall be directed by the Administrative Agent in accordance with Section 7.1. On receipt of all amounts referred to above, the Banks shall (at the cost and expense of the Company) execute such documents as may be necessary to re-assign that portion of the applicable Purchased Receivables which represents the amounts so paid, without recourse, representation or warranty (except as to the title thereto by the Banks), to the Company.

5.1.2 Except as set forth in Section 5.1.1 with respect to partial reductions, adjustments, cancellations or setoffs of any Original Amount, if a Purchased Receivable remains unpaid and a Repurchase Event with respect to such Purchased Receivable has occurred, the Administrative Agent may, by written notice, require the Company to pay to the Banks in respect of such Purchased Receivable, as directed by the Administrative Agent, an amount equal to the Agreed Base Value of such Purchased Receivable (or so much of it as was paid by the Banks to the Company and remains unpaid as Collections), and if such Purchased Receivable is being repurchased by the Company after the Maturity Date of such Purchased Receivable, together with interest thereon at the interest rate specified in Section 7.6 from the due date to the date of the Company' payment in full thereof, and any other amounts then payable by the Company hereunder including breakage costs under Section 7.4, whereupon such amount shall become due and payable from the Company to the Banks on the date specified in such notice and shall be paid into an account specified by the Administrative Agent. On receipt of all amounts referred to above, the Banks shall (at the cost and expense of the Company) execute such documents as may be necessary to re-assign the applicable Purchased Receivables without recourse, representation or warranty (except as to the title thereto by the Banks), to the Company.

Section 5.2. True Sale. It is the intention of the parties hereto that each purchase made hereunder shall constitute a sale and assignment of the related Purchased Receivable (and not merely a pledge), which sale and assignment is absolute, irrevocable and without recourse except as set forth in Sections 4.5(e), 5.1, 7.2, 7.4, 8, 15 and 18.5 and shall provide the Banks with the full benefits of ownership of such Purchased Receivable. In the event that, notwithstanding the intent of the parties, such purchase is deemed by a court of competent jurisdiction to constitute a pledge rather than a sale and assignment, the Company does hereby grant to the Administrative Agent, for the benefit of the Banks, in order to secure all the obligations of the Company to the Banks and the Administrative Agent hereunder, a first priority security interest in, to and on, the Purchased Receivables and the products and proceeds thereof including, without limitation, all Collections, all Trade Credit Amounts, all Related Assets and all other monies, instruments, securities, documents, investment property, financial assets and other property related to the Purchased Receivables from time to time on deposit in or credited to the Blocked Accounts or any other accounts and all other such property relating to the Purchased Receivables or any of them, and, in connection therewith, the Company hereby authorizes the Administrative Agent to file UCC financing statements with respect to the transactions contemplated hereby, together with any amendments relating thereto.

SECTION 6. THE COMPANY AS SERVICER AND AGENT OF BANKS.

Section 6.1. Appointment of Servicer. Notwithstanding the sale of Purchased Receivables pursuant to this Agreement, the Company shall continue to be responsible for the servicing and administration of the Purchased Receivables sold by it as agent and trustee for the Banks, all on the terms set out in this Agreement and subject to the right of the Banks to terminate the Company as servicer, agent and trustee pursuant to this Agreement at any time following the occurrence of a Termination Event, subject to the termination provisions of Section 6.3. In its capacity as servicer, the Company shall:

(a) direct each Approved Debtor to make all payments on all Receivables, including Purchased Receivables and Receivables not purchased by the Banks, to the Blocked Accounts;

(b) immediately pay over to the Blocked Accounts any Collections of Purchased Receivables received by the Company to the extent received other than in a Blocked Account, which shall be received in trust for the Banks;

(c) promptly upon becoming aware thereof, notify the Administrative Agent (and the Administrative Agent shall promptly notify the Banks upon such notification thereof) in the event that all or any part of any Purchased Receivable is not paid in full within seven (7) Business Days following the Maturity Date thereof;

(d) comply with the terms and provisions of Section 4 hereof with regard to Collections, actions to be taken at each Settlement Date and the purchase at each Bank’s option of Replacement Receivables; and

(e) provide the Administrative Agent (for prompt distribution to the Banks) with a weekly reconciliation and Portfolio Report setting forth the list of Purchased Receivables and reconciling Collections made to the Blocked Accounts pursuant to paragraph (a) above in form and in substance as agreed upon between the Administrative Agent, the Banks and the Company.

Section 6.2. Agency. All products or proceeds (including Collections) of any Purchased Receivable received by the Company (or the Company's agent) shall be held by the Company (or the Company's agent) in trust for the Administrative Agent and the Banks.

Section 6.3. Termination of Appointment. The Administrative Agent may, and at the request of the Required Banks, shall, at any time following the occurrence of a Termination Event, or, immediately if upon the bankruptcy or insolvency of the Company or the Parent (however evidenced), (i) at its discretion give notice to each Debtor and take any lawful action to collect any Purchased Receivable sold from the Company directly from the respective Debtor and (ii) by notice in writing terminate the appointment of the Company as the Banks’ servicer and agent for the servicing of Purchased Receivables, in which case the Company undertakes to the Administrative Agent and the Banks not to interfere with such servicing or collection of any Purchased Receivable nor attempt to receive, nor itself make collection from the Debtor in respect of such Purchased Receivables. The Company shall have the option to repurchase all, or any portion of, Purchased Receivables sold by it upon any termination of the Company as servicer at the Repurchase Price as set forth in Section 21.1, provided no bankruptcy or insolvency (however evidenced) has occurred with respect to the Company or the Parent. The Company hereby grants and conveys to the Administrative Agent on behalf of the Banks an irrevocable power of attorney (coupled with an interest) authorizing and permitting the Administrative Agent, at its option, with or without notice to the Company, to do any one of the following: (a) endorsing the name of the Company upon any checks or other Receivables, (b) endorsing the name of the Company on any freight or express bill or bill of lading relating to any Purchased Receivables; (c) taking all action as the Administrative Agent deems appropriate, including, without limitation, the execution and filing of financing statements in the name of and on behalf of the Company to perfect any of the security interests granted to the Administrative Agent, for the benefit of the Banks, herein; provided, unless and until a Termination Event shall have occurred, the Administrative Agent shall not exercise such power of attorney. The Company agrees that neither the Administrative Agent, any Bank nor the attorney-in-fact will be liable for any acts of commission or omission nor for any error of judgment or mistake of fact or law except to the extent the same constitutes gross negligence or willful misconduct. Without limiting the foregoing, in the event that a Debtor Default Event shall occur with respect to any Approved Debtor, the Administrative Agent and the Banks shall have the rights and remedies as set forth in this Section 6.3 with respect to the Purchased Receivables of such Approved Debtor, and (i) references in this Section 6.3 to “Purchased Receivables” shall be deemed to be to the Purchased Receivables of such Approved Debtor, and (ii) references in this Section 6.3 to the “Termination Date” shall be deemed to be to the determination date of the occurrence of such Debtor Default Event.

SECTION 7. PAYMENTS.

Section 7.1. Place and Time.

7.1.1 All payments to be made by the Company to the Banks pursuant to this Agreement shall be made on the date such amount is due by not later than 12:00 p.m. New York time to the Payment Account, or such other account as may be specified by the Administrative Agent. The Administrative Agent shall promptly distribute to each Bank, at such address as such Bank shall indicate in writing, such Bank’s applicable Pro Rata Share of all such payments to the extent received by the Administrative Agent.

7.1.2 All payments to be made by the Administrative Agent and/or the Banks pursuant to this Agreement shall be made on the date such amount is due by not later than 4:00 p.m. New York Time to the account of the Company notified to the Administrative Agent by the Company.

Section 7.2. Taxes: Deduction; Withholding; Grossing Up.

7.2.1 Any and all payments by the Company to or for the account of any Bank under any Transaction Document shall be made free and clear of and without deduction for any Taxes or Other Taxes; *provided*, *however* that, for this purpose, such Taxes or Other Taxes shall not include (i) overall income taxes (however determined), franchise taxes, or branch profits taxes, in each case, imposed on any Bank by the United States, the jurisdiction under whose laws such Bank is organized, the jurisdiction of such Bank’s principal place of business or the jurisdiction in which such Bank holds Receivables, or any political subdivision thereof; (ii) any backup withholding that is required by the Code to be withheld from amounts payable to any Bank that has failed to comply with Section 7.2.5, (iii) any United States withholding tax imposed with respect to any payment by the Company pursuant to any Transaction Document, but only up to the rate (if any) at which United States withholding tax would apply to such payments to such Bank at the time such Bank first becomes a party to this Agreement as more fully set forth in Section 7.2.5(b)(iv), and (iv) any and all taxes imposed pursuant to or as a result of Section 1471 through 1474 of the Code and any applicable Treasury Regulations promulgated thereunder or published administrative guidance implementing such Code sections, whether in existence on the date hereof or promulgated or published hereafter (“*FATCA*”) (all such Taxes other than those referred to in the provisos (i) through (iv) above shall hereinafter be referred to as “*Indemnified Taxes*”). If the Company shall be required by law to deduct any Indemnified Taxes from or in respect of any sum payable hereunder to any Bank, then (A) the sum payable shall be increased by the amount necessary to yield to such Bank (after payment of all Taxes) an amount equal to the sum it would have received had no such deductions been made, (B) the Company shall make such deductions, and (C) the Company shall pay the amount deducted to the relevant taxation authority or other authority in accordance with applicable law. Further, if Company is required by law to deduct any Taxes other than Indemnified Taxes from or in respect of any sum payable hereunder to any Bank, then (A) Company shall make such deductions, (B) the Company shall pay the amount deducted to the relevant taxation authority or other authority in accordance with applicable law, and (C) the amounts so deducted and paid to the relevant taxation authority shall be treated under this Agreement as made to such Bank.

7.2.2 If the Company shall be required by law to deduct any Taxes or Other Taxes (whether or not Indemnified Taxes) from or in respect of any sum payable hereunder to any Bank, as promptly as possible thereafter, the Company shall send to the Administrative Agent and the affected Bank, a certified copy of an original official receipt showing payment thereof or such other evidence of such payment as may be available to the Company and acceptable to the taxing authorities having jurisdiction over such Bank. If the Company fails to pay any Taxes or Other Taxes so deducted when due to the appropriate taxing authority or fails to remit to the affected Bank the required receipts or other required documentary evidence, the Company shall indemnify the affected Bank, as applicable, for any incremental Taxes, interest or penalties that may become payable by such party as a result of any such failure.

7.2.3 The Company shall indemnify each Bank, within twenty (20) Business Days after written demand therefor, for the full amount of any Indemnified Taxes paid by such Bank on or with respect to any payment by or on account of any obligation of the Company hereunder (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section 7.2) and any penalties, interest and reasonable expenses arising therefrom or with respect thereto. Such demand shall be made as promptly as practicable, but in any event within 90 days after such affected Bank obtains actual knowledge of such event; provided, however, that if an affected Bank fails to make such demand within 90 days after such affected Bank obtains knowledge of such event, such affected Bank shall, with respect to compensation payable in respect of such event, not be entitled to compensation in respect of the costs and losses incurred between the 90th day after such affected Bank obtains actual knowledge of such event and the date such affected Bank makes such demand.

7.2.4 If any Bank determines, in its sole discretion, that it has received a refund or credit of any Taxes or Other Taxes as to which it has been indemnified by the Company, it shall pay over such refund or credit to the Company (but only to the extent of indemnity payments made, or additional amounts paid, by the Company under this Section 7.2 with respect to the Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses of such Bank and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund net of any applicable Taxes payable in respect of such interest); *provided*, that the Company agrees to repay each such Bank, within ten (10) Business Days after the request of such Bank, the amount paid over to the Company (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event such Bank is required to repay such refund to such Governmental Authority. This Section 7.2 shall not be construed to require any Bank to make available its tax returns (or any other information relating to its Taxes which it deems confidential) to the Company or any other Person.

7.2.5 (a) Each Bank shall deliver to the Company and to the Administrative Agent, at the time or times prescribed by applicable laws or when reasonably requested by the Company or the Administrative Agent, such properly completed and executed documentation prescribed by applicable laws or by the taxing authorities of any jurisdiction and such other reasonably requested information as will permit the Company or the Administrative Agent, as the case may be, to determine (x) whether or not payments made under any Transaction Document are subject to Taxes, (y) if applicable, the required rate of withholding or deduction, and (z) such Bank's entitlement to any available exemption from, or reduction of, applicable Taxes in respect of all payments to be made to such Bank by the Company pursuant to this Agreement or otherwise to establish such Bank's status for withholding tax purposes in the applicable jurisdiction.

(b) Without limiting the generality of the foregoing:

(i) any Bank that is a "United States Person" within the meaning of Section 7701(a)(30) of the Code, and not an exempt recipient described in Section 6049(b)(4) of the Code, shall deliver to the Company and the Administrative Agent executed originals of Internal Revenue Service Form W-9 or such other documentation or information prescribed by applicable laws or reasonably requested by the Company or the Administrative Agent as will enable the Company or the Administrative Agent, as the case may be, to determine whether or not such Administrative Agent and/or any Bank is subject to backup withholding or information reporting requirements; and

(ii) each Bank that is organized under the laws of a jurisdiction other than the United States (including each State thereof and the District of Columbia) (a "Foreign Bank") that is entitled under the Code or any applicable treaty to an exemption from or reduction of withholding tax with respect to payments hereunder shall deliver to the Company and the Administrative Agent (in such number of copies as shall be reasonably requested by the recipient) on or prior to the date on which such Foreign Bank becomes a Bank under this Agreement (and from time to time thereafter upon the request of the Company or the Administrative Agent, but only if such Foreign Bank is legally entitled to do so), whichever of the following is applicable (I) executed originals of Internal Revenue Service Form W-8BEN claiming eligibility for benefits of an income tax treaty to which the United States is a party, (II) executed originals of Internal Revenue Service Form W-8ECI, (III) executed originals of Internal Revenue Service Form W-8IMY and all required supporting documentation, (IV) in the case of a Foreign Bank claiming the benefits of the exemption for portfolio interest under section 881(c) of the Internal Revenue Code, (x) a certificate to the effect that such Foreign Bank is not (A) a "bank" within the meaning of section 881(c)(3)(A) of the Code, (B) a "10 percent shareholder" of the Company within the meaning of section 881(c)(3)(B) of the Code, or (C) a "controlled foreign corporation" described in section 881(c)(3)(C) of the Code, and (y) executed originals of Internal Revenue Service Form W-8BEN, or (V) executed originals of any other form prescribed by applicable laws as a basis for claiming exemption from or a reduction in United States Federal withholding tax together with such supplementary documentation as may be prescribed by applicable laws to permit the Company or the Administrative Agent to determine the withholding or deduction required to be made.

(iii) Each Bank shall deliver to the Company and the Administrative Agent such other tax forms or other documents as shall be prescribed by applicable law, to the extent applicable, (x) to demonstrate that payments to such Bank under any Transaction Document are exempt from any United States withholding tax imposed pursuant to FATCA, and (y) to allow the Company and Administrative Agent to determine the amount to deduct or withhold under FATCA from a payment under any Transaction Document. Each Bank further agrees to complete and to deliver to the Company and the Administrative Agent from time to time, so long as it is eligible to do so, any successor or additional form required by the Internal Revenue Service or reasonably requested by the Company in order to secure an exemption from, or reduction in the rate of, withholding tax imposed pursuant to FATCA.

(b) Each Bank shall promptly notify the Company and the Administrative Agent of any change in circumstances which would modify or render invalid any claimed exemption or reduction.

(c) If the form provided by a Bank at the time such Bank first becomes a party to this Agreement indicates a United States interest withholding tax rate in excess of zero, withholding tax at such rate shall be considered excluded from Taxes unless and until such Bank provides the appropriate forms certifying that a lesser rate applies, whereupon withholding tax at such lesser rate only shall be considered excluded from Taxes for periods governed by such form.

7.2.7 For any period with respect to which a Bank has failed to provide the Company and the Administrative Agent with the appropriate form, certificate or other document described in Section 7.2.5 (other than as a result of a change in law occurring after the date such Bank becomes a Bank under this Agreement), such Bank shall not be entitled to gross up under Section 7.2.1 with respect to Taxes imposed by reason of such failure; provided, however, that should a Bank become subject to Taxes because of its failure to deliver a form, certificate or other document required hereunder, the Company shall take such steps at the Bank’s expense as the Bank shall reasonably request to assist the Bank to recover such Taxes.

7.2.8 Any Bank claiming any additional amounts payable pursuant to this Section 7.2 agrees to use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) to change the jurisdiction of its lending office if the making of such a change would avoid the need for, or reduce the amount of, any such additional amounts that may thereafter accrue and would not, in the reasonable judgment of such Bank, be otherwise disadvantageous to such Bank.

Section 7.3. Payments in Dollars. All payments to be made by the Company and the Debtors in respect of a Purchased Receivable, whether of interest, principal, or otherwise, shall be made in Dollars.

Section 7.4. Breakage Cost Indemnity. The Company agrees to indemnify each Bank on demand against any loss or expense (including, but not limited to, any loss of the Applicable Margin or any other loss or expense sustained or incurred or to be sustained or incurred by such Bank in liquidating or employing deposits acquired or contracted for to effect or maintain its acquisition of its Pro Rata Share of Purchased Receivables or any part thereof) which such Bank has sustained or incurred as a consequence of (i) a purchase of Receivables not being made following the delivery of any Purchase Request to such Bank by reason of the non-fulfillment of any of the conditions precedent or otherwise or (ii) a repurchase of Purchased Receivables by the Company prior to the end of the applicable Settlement Period, other than any such repurchase resulting from a Bank Termination.

Section 7.5. Business Days. Any amounts which but for this Section 7.5 would fall due for payment under this Agreement on a day other than a Business Day shall be payable on the succeeding Business Day unless such Business Day would fall into a new calendar month, in which case such payment shall be due on the preceding Business Day. Interest calculations shall, where necessary, be adjusted accordingly.

Section 7.6. Default Interest.

7.6.1 In the event that any amount payable by the Company hereunder or under any of the other Transaction Documents (including, without limitation, Collections received by the Company and not paid to the Administrative Agent for the benefit of the Banks when received) remains unpaid for five (5) Business Days after the Administrative Agent, at the request of the Required Banks, provides notice to the Company that such amounts are past due, the Banks shall charge, and the Company shall pay, interest (*"Default Interest"*) from time to time on any such unpaid amount to the Administrative Agent and/or the Banks during the period from (and including) the due date thereof, but excluding the date payment is received by the Administrative Agent and/or the Banks, as applicable, in full, at a rate equal to the aggregate of (i) the Prime Rate, and (ii) 2.75% per annum.

7.6.2 Such Default Interest shall be payable ON DEMAND and, if no prior demand is made, on the last Business Day of each calendar month. Each of the Administrative Agent and each Bank is authorized to charge any such amount of Default Interest due to any account of the Company on the books of the Administrative Agent or such Bank, as applicable, or any affiliate thereof and to deduct any such amount from any amount which would otherwise be due from the Administrative Agent or such Bank, as applicable, to the Company from time to time under this Agreement.

Section 7.7. Ratable Sharing. If any Bank shall, by exercising any right of setoff or counterclaim or otherwise, obtain payment in respect of any Purchased Receivable or other obligations hereunder resulting in such Bank receiving payment of a proportion of the aggregate amount payable under any Purchased Receivable to such Bank greater than its Pro Rata Share thereof as provided herein, then the Bank receiving such greater proportion shall (a) notify the Administrative Agent of such fact, and (b) purchase (for cash) participations in the other Banks' Pro Rata Shares of the Purchased Receivable (not in excess of the applicable Purchase Price thereof), or make such other adjustments as shall be equitable, so that the benefit of all such payments shall be shared by the Banks ratably in accordance with the aggregate amount owing to them; provided: (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest; and (ii) the provisions of this Section 7.7 shall not be construed to apply to (A) any payment made by the Company pursuant to and in accordance with the express terms of this Agreement (including the application of funds arising from the existence of a Defaulting Bank), or (B) any payment obtained by a Bank as consideration for the assignment of or sale of a participation in any of its Purchased Receivables to any assignee or participant, other than to any Facility Party (as to which the provisions of this Section shall apply). Each Facility Party consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Bank acquiring a participation pursuant to the foregoing arrangements may exercise against each Facility Party rights of setoff and counterclaim with respect to such participation as fully as if such Bank were a direct creditor of each Facility Party in the amount of such participation.

SECTION 8. CHANGES IN CIRCUMSTANCES.

Section 8.1. Increased Costs.

8.1.1 The Company shall, within three Business Days of a demand by any Bank, pay the amount of any Increased Costs incurred by such Bank as a result of (i) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation or (ii) compliance with any law or regulation made after the date of this Agreement.

8.1.2 In this Agreement *"Increased Costs"* means (i) a reduction in the rate of return for the applicable Bank from the transactions contemplated in the Transaction Documents or on such Bank's overall capital; (ii) an additional or increased cost imposed by regulatory or administrative action; (iii) a reduction of any amount due and payable under any Transaction Document or by the Debtor under the Purchased Receivables, which in each case is incurred or suffered by such Bank to the extent that it is attributable to such Bank having entered into any Transaction Document or funding any purchase of Purchased Receivables or being exposed to any Debtor in respect of Purchased Receivables and/or performing any of its obligations under any Transaction Document (without duplication of any amounts referred to in Section 4.4(b)(iii)(B) or the final proviso of Section 4.5(e)); or (iv) costs associated with the implementation and enforcement of the Dodd-Frank Wall Street Reform and Consumer Protection Act, including all requests, rules, guidelines or directives thereunder or issued in connection therewith and all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III.

Section 8.2. Increased Cost Claims.

8.2.1 If any Bank intends to make a claim pursuant to Section 8.1, it shall notify the Company of the event giving rise to such claim and provide a certificate confirming the amount of its Increased Costs. Failure or delay on the part of any Bank to demand compensation pursuant to Section 8.1 shall not constitute a waiver of such Bank's right to demand such compensation; *provided*, that the Company shall not be required to compensate a Bank pursuant to Section 8.1 for any Increased Costs incurred more than 180 days prior to the date that such Bank notifies the Company of the event giving rise to such claim and of such Bank's intention to claim compensation therefor.

Section 8.3. Exceptions.

8.3.1 Section 8.1 does not apply to the extent any Increased Cost is (i) attributable to a Tax Deduction required by law to be made by the Company; (ii) compensated for by Section 7.2; (iii) attributable to the breach by the applicable Bank of any law or regulation; or (iv) attributable to increased costs as a result of Taxes that are not Indemnified Taxes.

8.3.2 In this Section 8.3 a "*Tax Deduction*" means a deduction or withholding for or on account of Tax from a payment under a Transaction Document.

Section 8.4. Replacement of Banks. The Company shall be permitted to replace any Bank that (a) requests reimbursement for amounts owing pursuant to Sections 7.4 or 8.1, (b) becomes a Defaulting Bank or (c) does not consent to any proposed amendment, supplement, modification, consent or waiver of any provision of this Agreement that requires the consent of each of the Banks (so long as the consent of the Required Banks has been obtained), with a replacement financial institution; *provided*, that (i) such replacement does not conflict with any requirement of Law, (ii) no Termination Event shall have occurred and be continuing at the time of such replacement, (iii) the replacement financial institution shall be satisfactory to the Administrative Agent, (iv) the replaced Bank shall be obligated to make such replacement in accordance with the provisions of Section 19.1, (v) the Company shall have paid to the replaced Bank all amounts then due and payable from the Company to such replaced Bank under this Agreement, including amounts under Section 7.4 or 8.1, (vi) the Company shall have paid to the Administrative Agent the assignment fee (if any) specified in Section 19.1, (vii) the replacement Bank shall have purchased the replaced Bank's Pro Rata Share of all Purchased Receivables then owned thereby, and (viii) any such replacement shall not be deemed to be a waiver of any rights that the Company, the Administrative Agent or any other Bank shall have against the replaced Bank.

SECTION 9. FURTHER ASSURANCES.

Section 9.1. The Company agrees that from time to time, at its expense, it will promptly execute and deliver all further instruments and documents, and take all further action, that the Administrative Agent may reasonably request in order to perfect, protect or more fully evidence the transactions contemplated hereby, or to enable the Administrative Agent or any Bank to exercise or enforce any of its rights with respect to the Purchased Receivables. Without limiting the generality of the foregoing, upon the request of the Administrative Agent, the Company will file such financing or continuation statements, or amendments thereto or assignments thereof, or termination statements in respect of any liens granted by the Company hereunder, and such other instruments or notices as required under U.S. or local law, as may be necessary or appropriate to perfect and preserve the interests of the Banks in the Purchased Receivables, free and clear of Adverse Claims.

Section 9.2. The Company hereby authorizes the Administrative Agent or its designee to file one or more financing or continuation statements, and amendments thereto and assignments thereof and such other instruments or notices as referred to in Section 9.1, relative to all or any of the Purchased Receivables now existing or hereafter arising in the name of the Company.

SECTION 10. REPRESENTATIONS AND WARRANTIES.

Section 10.1. General Representations and Warranties. The Company hereby makes, and on each purchase date and Settlement Date shall be deemed to make, the following representations and warranties for the benefit of the Administrative Agent and each Bank as of the Closing Date and each subsequent purchase date and Settlement Date with reference to the facts and circumstances then existing (with the understanding that, with respect to any such representation or warranty which relates to any Purchased Receivable, such representations and warranties are deemed to have been made by the Company only as of the date of the purchase of such Purchased Receivable by the Banks):

(a) It is duly organized and validly existing and registered under the laws of its jurisdiction of organization and has the full right, power and authority to own its property and assets and carry on its business as it is now being conducted, to enter into the Transaction Documents, to perform and observe all of the matters and things provided for therein, including the sale to the Banks of the Purchased Receivables and it has taken all necessary steps to duly authorize the execution of this Agreement and the other Transaction Documents and the transactions contemplated hereby.

(b) This Agreement and each other Transaction Document has been duly authorized by the Company and executed and delivered by the proper officer(s) of the Company and constitutes or, as the case may be, will, when made, constitute its legal, valid and binding obligations enforceable against the Company in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights and by general equitable principles.

(c) The Company is the legal and beneficial owner of each Purchased Receivable sold by it.

(d) Each Purchased Receivable is generated from a sale to an Approved Debtor and shall be freely assignable and shall constitute amounts due and payable by the Debtor on the relevant Maturity Date (which shall not exceed 90 days from the earliest of (i) the date of sale or (ii) dispatch of the goods by the Company) and each Contract, Purchased Receivable and Invoice complies in all material respects with all applicable Laws.

(e) The making and performance of this Agreement and each Transaction Document and the transactions contemplated hereby will not (as to the knowledge of any Responsible Officer of the Company as to (i)) violate any provision of (i) any law, regulation, order or decree of any governmental authority, agency or court, except to the extent such violation could not reasonably be expected to have a Material Adverse Effect, (ii) its organizational documents or (iii) any agreement, mortgage, indenture or other agreement to which it is a party or affecting the Company or any of its assets or properties, except to the extent such violation could not reasonably be expected to have a Material Adverse Effect, nor will such making and performance with or without the passage of time or the giving of notice or other conditions, constitute an event of default or termination event (howsoever described) under any of the foregoing which could reasonably be expected to have a Material Adverse Effect or result in the creation, imposition or enforceability of any Encumbrance over any of its assets, except in favor of the Banks or the Administrative Agent for the benefit of the Banks.

(f) Each Invoice as issued in respect of each Purchased Receivable sold by it was properly issued in accordance with the Contract and evidences that the amount specified in such Invoice will be due and payable to the Company on and as of the purchase date without the need for any other action, delivery of goods or performance of services by the Company with respect to the Original Amount set forth in such Invoice.

(g) Each Contract and Receivable was originated in the ordinary course of the Company's business and in accordance with the Company's credit and collection policy.

(h) The Company has performed all of its material obligations under the Contract relating to Purchased Receivables and in particular and without limitation it has delivered all goods and services as are due and required under such Contract with respect to the face amount set forth in such Invoice.

(i) The obligations of the Debtor in respect of each Purchased Receivable have not, as of the date of the Banks' purchase thereof, been prepaid in whole or in part.

(j) As of the date of the sale of such Receivable to the Banks, the goods supplied under the Contract giving rise thereto are not subject to any retention of title or equivalent clauses exercisable by the Company or, to the knowledge of any Responsible Officer of the Company, any third parties, which may adversely affect the interests of the Banks or the Administrative Agent and at the time of sale by the Company to the Banks, no Purchased Receivable is subject to a volume or other discount (except to the extent that any Trade Credit Amount has already been taken into account in determining the Funded Amount of the Purchased Receivable as set forth in the Portfolio Report) or subject to any claim by, or dispute with, the Debtor.

(k) As of the date of the sale of such Receivable to the Banks, each applicable Contract giving rise thereto is in full force and effect, and the Company is not in breach thereof or in default thereunder in a manner that would result in the Debtor being entitled to exercise any set off rights or counterclaim or to withhold, extend or delay payment on any Purchased Receivable; and, as of such date, there are no disputes, offsets, counterclaims or defenses of the Debtor known to the Company with respect to any Purchased Receivable (if any Purchased Receivable is more than 60 days past due, other than as a result of a Debtor's Financial Inability to Pay, it shall be presumed that the Debtor has asserted a contractual claim or dispute).

(l) Under the laws of or applicable to the jurisdiction of its organization in force as at the date hereof, the claims of the Banks or the Administrative Agent against the Company in relation to each Purchased Receivable will rank at least pari passu with the claims of all its other unsecured creditors save those whose claims are preferred solely by any bankruptcy, insolvency, liquidation or other similar laws of general application.

(m) Assuming that each Bank complies with its obligation to deliver IRS forms pursuant to Section 7.2.5, under the Code, the Company will not be required to make any deduction or withholding from any payment it makes to the Banks or the Administrative Agent in respect of any Purchased Receivable or the Contract giving rise thereto, and the Company has all consents and licenses necessary to perform its obligations thereunder.

(n) As of the date of the sale of such Purchased Receivable to the Banks, neither the Company nor, to the actual knowledge of any Responsible Officer of the Company, any Approved Debtor, is insolvent nor has any insolvency or bankruptcy event occurred with respect to the Company or such Debtor, nor is the Debtor past due under any payment obligation to the Company with respect to any related Purchased Receivable nor has the Debtor rescheduled or extended the Maturity Date of any such Purchased Receivable.

(o) The transactions contemplated by this Agreement are being consummated by the Company in order to raise capital to carry out the Company's ordinary business, with no contemplation of being or becoming insolvent and with no intent to hinder, delay or defraud any of its present or future creditors. By virtue of the Company's right to receive any payment of the Purchase Price for each Purchased Receivable as provided in Section 4 hereof, the Company has received reasonably equivalent value for the Purchased Receivables sold by it.

(p) On the date of the sale of each Purchased Receivable to the Banks, the Banks shall acquire a valid ownership interest or (through the Administrative Agent for the benefit of the Banks) a first priority security interest in each Purchased Receivable (which security interest will be perfected) free and clear of any Adverse Claim, and without any need on the part of the Company or the Administrative Agent or any Bank to (i) notify the applicable Debtor or (ii) other than the UCC financing statements required to be filed hereunder, file, register or record any Transaction Document or the sale of such Receivable under the Laws applicable to the Company; and, upon transfer of ownership of, or the grant of such security interest in, such Purchased Receivable from the Company to the Banks, no financing statement or other similar instrument or other filing or recordation covering any such Purchased Receivable or any interest therein, is on file in any recording office except such as may be filed pursuant to this Agreement or except as to which a release or disclaimer in form satisfactory to the Administrative Agent has been provided, or as to which the Administrative Agent has consented.

(q) The Company's jurisdiction of organization and "location" for purposes of the UCC, or other relevant local law, is the State of Ohio (or such other location, notified to the Administrative Agent in accordance with Section 11.1(l)). Except as described in Schedule 3, (i) the Company has no trade names, fictitious names, assumed names or "doing business as" names and (ii) the Company has not changed its jurisdiction of organization or location or its name, identity or corporate structure within the four months prior to the date of this Agreement. The Company's federal taxpayer identification number or other registration number is as set forth in Schedule 3.

(r) All written information provided by the Company to the Administrative Agent and the Banks with respect to the Purchased Receivables (including without limitation information relating to the applicable Debtor's past payment history and the Company's commercial relationship with such Debtor) taken as a whole, is true and accurate in all material respects as of the date supplied and no written information has been given or withheld that would result in the written information provided being untrue or misleading in any material respect.

(s) The representations made or deemed to be made by the Company in each Transaction Document were correct in all material respects as of the date made (except for those representations and warranties that are conditioned by materiality, which shall have been correct in all respects).

(t) With respect to the Company's obligations hereunder, no consent, license, authorization, registration, legalization, notification to, declaration with, approval or permit of, any governmental authority, agency or instrumentality (including any central banking or other monetary authority) is required by the Company in connection with its execution, delivery and performance, and the validity or enforceability of the Company's obligations under the Transaction Documents, the Company's sale of the Purchased Receivables, or the transactions contemplated thereby, other than those that have been made or obtained and are in full force and effect and any filings to be made with the United States Securities and Exchange Commission in connection with the transactions contemplated by this Agreement.

(u) The obligation of the Company to remit payments received from the Debtors on the Purchased Receivables in Dollars to the Banks in the United States, either directly or through the Blocked Accounts as designated by the Administrative Agent, is legally valid under the laws applicable to the Company and no foreign exchange registrations or approvals are necessary to effectuate such Dollar payments.

SECTION 11. COVENANTS.

Section 11.1. *General Covenants*. The Company hereby agrees, at all times prior to the Final Collection Date:

(a) to duly perform its obligations under the relevant Contract in respect of each Purchased Receivable, so that each such Receivable remains a legal, valid and binding obligation of the Debtor enforceable against the Debtor in accordance with its terms, to inform the Administrative Agent (and the Administrative Agent shall promptly notify the Banks upon such notification thereof) of any material breach or default by the Company or the Debtor, within five Business Days after it becomes aware of any such breach or default, and to take measures necessary and consistent with the terms of the Contract to minimize or prevent any loss which may be incurred by the Banks in the event of nonperformance of the Contract or nonpayment of an invoice by the Company or the Debtor arising out of a dispute between the Company and the Debtor thereunder;

(b) without the prior consent in writing of the Banks, after the date of the Company's sale of the related Purchased Receivable, not to amend, modify, waive, supplement, terminate or revoke any applicable Contract (or any term or condition thereof), including by way of any dealing or other arrangement with the applicable Debtor, if the effect thereof could materially and adversely affect the collectability thereof or the financial value or economic return to the Banks in respect thereof; provided, for the avoidance of doubt, any amendment, modification, waiver, supplement, termination or revocation with respect to any payment term of any Purchased

Receivable (including the Original Amount and the Maturity Date thereof) shall be deemed to materially and adversely affect the collectability thereof and the financial value or economic return to the Banks in respect thereof (other than any extension of the Maturity Date of any Purchased Receivable by less than 30 days (so long as in no event shall such Maturity Date be extended beyond 90 days from the date of purchase of such Purchased Receivable);

(c) not to create or suffer to exist any Adverse Claim over all or any of the Company's rights, title and interest in and to any Purchased Receivable or the Contract in respect of such Purchased Receivable or any Blocked Account and not to, or purport to, assign, transfer or otherwise deal with any of its rights in respect of any such Contract or any Purchased Receivable other than in favor of the Banks (or the Administrative Agent for the benefit of the Banks), and Company shall provide the Administrative Agent (for the benefit of the Banks) with a release or disclaimer of any Adverse Claim purportedly created by any other Person over any Purchased Receivable;

(d) to ensure that it has shipped all goods in respect of each Purchased Receivable in conformity with all applicable laws and regulations (including without limitation import and export laws and regulations), except to the extent failure to comply could not reasonably be expected to have a Material Adverse Effect;

(e) to keep and maintain proper accounts and Sales Records and Invoices in connection with the Purchased Receivables, and to provide to the Administrative Agent (for distribution to the Banks):

(i) details of all Purchased Receivables which are specified in the Portfolio Reports, which Portfolio Reports will indicate as of the date thereof that the Purchased Receivables have been sold by the Company to the Banks; and

(ii) a quarterly report regarding a receivables aging, delinquency, write-offs, Receivables rolled forward and dilution report in the form attached as Schedule 4 as to the Purchased Receivables, showing a loss to liquidation ratio (monthly write-offs over collections), delinquency ratio (Receivables more than 90 days past due over closing Receivables balance) and dilution ratio (monthly credit memos over sales) within 5 days of the close of each month in a form satisfactory to the Administrative Agent, or as may otherwise be approved by the Administrative Agent, which quarterly reports will indicate as of the date thereof that the Purchased Receivables have been sold by the Company to the Banks;

(f) to devote and assure that there is devoted to the servicing of Purchased Receivables at least the same amount of time and attention and that there is exercised at least the same level of skill, care and diligence in their servicing, as if it were servicing those receivables legally and beneficially owned by it;

(g) following the occurrence of a Termination Event (or with respect to the Purchased Receivables of an Approved Debtor, following the occurrence of a Debtor Default Event with respect thereto), to comply with any reasonable directions, orders and instructions (including any procedures for the administration and commencement and continuation of legal or other proceedings against each applicable Debtor to enforce payment of the Purchased Receivables thereof) given by the Administrative Agent and to take such action on the Banks' behalf as the Administrative Agent may request to procure the ordinary course collection of such accounts as directed by the Administrative Agent;

(h) to use reasonable efforts to recover and enforce payment of any or all applicable Purchased Receivables and, following the occurrence of a Termination Event (or with respect to the Purchased Receivables of an Approved Debtor, following the occurrence of a Debtor Default Event with respect thereto), provide such reasonably requested information as to assist the Administrative Agent to recover and enforce payment of any or all such Purchased Receivables (including at the request of the Administrative Agent joining in and being a party to any legal or other action which the Administrative Agent has taken or wishes to take against the applicable Debtor with the Administrative Agent being entitled to full control of such action);

(i) to take such action as may reasonably be required by applicable law to perfect and protect or more fully evidence or implement the Banks' rights under this Agreement and the transactions contemplated hereby;

(j) to provide information and reports to the Administrative Agent (for distribution to the Banks) as reasonably requested by the Administrative Agent or the Banks reasonably related to the transactions contemplated by this Agreement, of which information and reports shall be complete and accurate in all material respects, including without limitation, annual audited financial statements for the Company and its consolidated subsidiaries within 120 days after the end of each fiscal year or as soon as available if earlier and unaudited financial statements for the Company and its consolidated subsidiaries within 60 days after the end of each fiscal quarter or as soon as available if earlier; provided, if the Company files its consolidated financial statements with the United States Securities and Exchange Commission, the Company shall be deemed to be in compliance with this clause and shall not be required to deliver the foregoing financial statements to the Administrative Agent;

(k) (i) at any time during regular business hours and upon reasonable prior notice, to permit the Administrative Agent (on behalf of the Banks) or any of its agents or representatives, (A) to examine and make copies of and abstracts from the Company's records relating to Purchased Receivables, including the Contracts and Sales Records, and (B) to visit the offices and properties of the Company for the purpose of examining such records and to discuss matters relating to Purchased Receivables or the Company's performance hereunder with any of the officers or employees of the Company having knowledge of such matters; and (ii) without limiting the provisions of clause (i), from time to time on request of the Administrative Agent, permit certified public accountants or other auditors reasonably acceptable to the Administrative Agent to conduct, at the Company's expense, a review of the Company's books and records; provided that such examinations, visits and reviews by the Administrative Agent or accountants shall occur no more than once a year during any period of time that there is no default by the Company of its obligations hereunder; and

(l) to keep its jurisdiction of organization at the location referred to in Schedule 3 or, upon 30 days' prior written notice to the Administrative Agent, at such other location in a jurisdiction where all action required by Section 9.1 shall have been completed; and not change its name except upon like notice and after all action required by Section 9.1 shall have been completed.

SECTION 12. PARTIAL INVALIDITY

If at any time any provision of the Transaction Documents shall be adjudged by any court or other competent tribunal to be illegal, invalid or unenforceable, the validity, legality, and enforceability of the remaining provisions hereof shall not in any way be affected or impaired nor shall the legality, validity or enforceability of such provisions under the law of any other jurisdiction be in any way affected or impaired thereby and the parties hereto will use their best efforts to revise the invalid provision so as to render it enforceable in accordance with the intention expressed in this Agreement.

SECTION 13. NO BANK LIABILITY FOR CONTRACT

The Company hereby acknowledges and agrees that neither any Bank nor the Administrative Agent shall be in any way responsible for the performance of any Contract and neither any Bank nor the Administrative Agent shall have any obligation to intervene in any dispute arising out of the performance of any Contract. Any claim which the Company may have against any Debtor or any other party, including any successors or assignees, and/or the failure of the Debtor to fulfill its respective obligations under each Contract shall not affect the obligations of the Company to perform its obligations and make payments under this Agreement and shall not be used as a defense or as set-off, counterclaim or cross-complaint as against the performance or payment of any of its obligations.

SECTION 14. NOTICES, ADDRESSES, LANGUAGE

Section 14.1. *Notices, Addresses*. (a) All notices, requests and demands given or made under the Transaction Documents shall be given or made in writing and unless otherwise stated shall be made by telefax or letter using the address as specified below or such other address as the party may designate to the other party:

To the Company
or the Parent: The Scotts Company LLC

Attention: Treasurer
Street Address: 14111 Scottslawn Road
Marysville, Ohio 43041

Facsimile: 937-578-5754

To the Administrative Agent: Mizuho Corporate Bank, Ltd.

Attention: Johan Andreasson
Street Address: 1251 Avenue of the Americas
New York, NY 10020

Email: johan.andreasson@mizuhocbus.com

To Each Bank: As notified in writing to
the Administrative Agent

(b) All notices, requests and demands shall be deemed to have been duly given or made when dispatched by telefax when the confirmation showing the completed transmission was received or, if mailed via a reputable international courier, when it has been left at the relevant address or five (5) Business Days after being delivered to such reputable international courier, in an envelope addressed to the applicable person at that address and to the attention of the person(s) set forth above.

(c) Each party hereto shall promptly inform the other of any changes in their respective addresses, facsimile numbers and/or email addresses specified above.

Section 14.2. English Language. Each communication and document made or delivered by one party to another pursuant to this Agreement shall be in the English language or accompanied by a translation thereof into English (certified by an officer of the person making or delivering the same) as being a true and accurate translation thereof.

SECTION 15. FEES, COSTS AND INDEMNITY.

Section 15.1. Fees. The Company shall pay to the Administrative Agent on or before the Closing Date such fees as are set forth in the Fee Letter.

Section 15.2. Costs and Expenses. All reasonable and documented, out-of-pocket costs, charges and expenses, including reasonable fees and expenses of legal counsel, audit and due diligence expenses in relation to the preparation and execution of the Transaction Documents and each Purchased Receivable by the Administrative Agent and the Banks shall be paid by the Company to the Administrative Agent and the Banks, as applicable, within five (5) Business Days of presentation of a statement of accounts whether or not any Receivables are purchased hereunder.

Section 15.3. Duties and Taxes. Without duplication of any obligation under Section 7.2, all Other Taxes (excluding Taxes referred to in clauses (i) through (iv), inclusive of Section 7.2.1), shall be paid by the Company, it being understood and agreed that each of the Administrative Agent and each Bank shall be entitled but not obliged to pay any such Other Taxes (whether or not they are its primary responsibility), and the Company shall on demand indemnify each of the Administrative Agent and each Bank against those Other Taxes and against any costs and expenses so incurred by it in discharging them.

Section 15.4. Indemnity. The Company agrees to indemnify, defend and save harmless each of the Administrative Agent and each Bank (including each of its branches, affiliates, officers, directors, employees or other agents, the *"Indemnified Party"*), other than for such Indemnified Party's own gross negligence or willful misconduct, forthwith on demand, from and against any and all related losses, claims, damages, liabilities, costs and expenses (including, without limitation, all reasonable attorneys' fees and expenses, expenses incurred by their respective credit recovery groups (or any successors thereto) and expenses of settlement, litigation or preparation therefor) which any Indemnified Party may incur or which may be asserted against any Indemnified Party by any person (including, without limitation, any Debtor or any other person whether on its own behalf or derivatively on behalf of the Company) arising from or incurred in connection with any of the following events:

(i) the failure to vest in the Banks (or through the Administrative Agent for the benefit of the Banks) a first priority perfected ownership interest or security interest in each Purchased Receivable, free and clear of any Adverse Claim;

(ii) (A) the commingling by the Company of Collections of Purchased Receivables at any time with other funds of the Company or other Person, and/or (B) the failure of the Company to direct any Debtor to make payment on Purchased Receivables to the Blocked Account; provided that each of the Administrative Agent and each Bank hereby acknowledges the lien on the Collections deposited in the Blocked Accounts of Receivables not sold under this Agreement of JPMorgan Chase Bank, N.A., as Administration Agent under the terms of the Credit Agreement;

(iii) any representation or warranty made by the Company pursuant to this Agreement is inaccurate, incorrect or untrue in any material respect;

(iv) any failure of the Company to perform any of its duties or obligations hereunder;

(v) any failure to promptly execute when reasonably requested to do so by the Administrative Agent, of any document or instrument confirming the sale to the Banks under applicable law with respect to the Purchased Receivables;

(vi) (1) any claim or dispute resulting from the sale of the merchandise or services related to any Purchased Receivable or the furnishing or failure to furnish such merchandise or services including, without limitation, any discount (other than a discount already taken into account in determining the Purchase Price of a Purchased Receivable as set forth in a Portfolio Report), (2) any adjustment, offset, withholding tax, deduction, counterclaim, warranty issue or refusal of an Approved Debtor to pay not arising from the Financial Inability to Pay of such Debtor; or (3) any products liability claim arising out of or in connection with merchandise or services that are the subject of any Purchased Receivable (if any Receivable is more than 60 days past due, other than as a result of the Financial Inability to Pay of the Debtor, it shall be presumed that such Debtor has asserted a contractual claim or dispute);

(vii) any investigation, litigation or proceeding related to any act or omission by the Company with respect to this Agreement or the transactions contemplated hereby except to the extent that such investigation, litigation or proceeding arises due to the Bank's gross negligence or willful misconduct;

(viii) any material defect in authenticity or any material discrepancy between the records at the Company in respect of the Purchased Receivables or the documents issued by the Company supporting the Purchased Receivables and the information provided to the Administrative Agent and the Banks by the Company or any failure by the Company to provide the Administrative Agent and the Banks with information regarding the Purchased Receivables;

(ix) any claim or dispute arising out of or in connection with the Monsanto Agreement; and

(x) any and all reasonable and documented out-of-pocket costs and expenses, including reasonable legal fees and court costs, incurred by the Administrative Agent and the Banks in enforcing the obligations of the Company under this Agreement and the other Transaction Documents;

provided that nothing in this Section 15.4 shall be deemed to provide indemnity to the Administrative Agent and the Banks for credit losses resulting from the Financial Inability to Pay of any Debtor.

Section 15.5. Waiver of Consequential Damages, Etc. To the fullest extent permitted by applicable law, no party hereto shall assert, and each party hereto hereby waives, any claim against any Indemnified Party, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Transaction Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby. No Indemnified Party shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Agreement, the other Transaction Documents or the transactions contemplated hereby or thereby, unless such information or materials are obtained by any unintended recipient as a result of such Indemnified Party's gross negligence or willful misconduct.

SECTION 16. CALCULATIONS AND CERTIFICATE.

Section 16.1. *Accounts*. Absent manifest error, the entries made in the accounts maintained by the Administrative Agent are presumptive evidence of the matters to which they relate.

Section 16.2. *Certificates and Determinations*. Any certification or determination by the Administrative Agent of a rate or amount under any Transaction Document is, in the absence of manifest error, conclusive evidence of the matters to which it relates.

SECTION 17. SET-OFF.

The Company hereby authorizes each Bank to apply any credit balance (in whatever currency denominated) on any account of the Company with such Bank or any affiliate of such Bank in satisfaction of any sum due and payable by the Company pursuant to the terms of this Agreement. For this purpose each Bank is authorized to purchase at its spot rate of exchange with the moneys standing to the credit of any such account Dollars as may be necessary to effect such application.

SECTION 18. TERMINATION.

Section 18.1. The following events or occurrences shall constitute Termination Events:

(a) the Company or the Parent shall fail to pay (i) any amount due by it pursuant to Section 4.5(e) or (ii) within five (5) calendar days of the date when due, any other amount then due and payable under this Agreement, including, without limitation, amounts payable by the Company in its capacity as servicer or under the indemnity for breaches of any warranties or covenants contained in this Agreement;

(b) the Company or the Parent is in default (i) beyond the period of grace, if any, in the payment of any indebtedness exceeding $75,000,000, or (ii) under any agreement or instrument relating to any such indebtedness the result of which would allow the holder thereof to accelerate the payment of such indebtedness prior to its stated maturity;

(c) the Company or the Parent (i) shall generally fail to pay its debts as they become due, (ii) has commenced against it any bankruptcy or insolvency proceeding which is not dismissed within 60 days or commences any bankruptcy or insolvency proceeding, (iii) has any receiver, trustee, liquidator or other similar person appointed for itself or a substantial portion of its property or (iv) takes any action to effectuate or authorize any of the foregoing;

(d) any Adverse Claim shall occur as to any of the Purchased Receivables or proceeds thereof, which results in Collections thereof being reduced by an amount in excess of 10% of the Funded Amount thereof;

(e) (i) the Company or Parent, as applicable, breaches any covenant set forth in Section 4 (other than as provided in Section 18.1(a)(i)), 5.1, 6.1, 9.1, 15.4 or 22(a) of this Agreement and such breach shall continue for fifteen (15) calendar days after a Responsible Officer of the Company has knowledge thereof, (ii) the Company breaches any covenant set forth in Section 11.1

(c), (g), (i), (k), (l), or (m) of this Agreement and such breach shall continue for thirty (30) calendar days after a Responsible Officer of the Company has knowledge thereof or (iii) the Company breaches any covenant set forth in Section 11.1(h) of this Agreement or any similar covenant which requires, or upon the request of the Bank would require, the Company to file or join in any lawsuit against, or take any other legal action against, any Approved Debtor and such breach shall continue for thirty (30) calendar days after a Responsible Officer of the Company has knowledge thereof, or (iv) the Company or Parent, as applicable, breaches any other covenants set forth in this Agreement or any other Transaction Document and such breach shall continue for thirty (30) calendar days after a Responsible Officer of the Company or Parent, as applicable, has knowledge thereof;

(f) the failure by the Parent to own 100% of the outstanding voting interests of the Company;

(g) default in the due observance or performance by the Parent of the covenant set forth in Section 22(b) of this Agreement; and

(h) the final termination of any blocked account agreement relating to a Blocked Account without the Administrative Agent's prior written consent.

Section 18.2. Upon the occurrence of any Termination Event, the Administrative Agent may, and at the request of the Required Banks shall, immediately terminate any agreement the Banks had made at such time to purchase additional Receivables and any authority the Banks had given the Company to purchase Replacement Receivables; *provided*, that upon the occurrence of any event (without any requirement for the passage of time or the giving of notice) described in Section 18.1(c), the Termination Date shall automatically occur and any agreement made by the Banks to purchase additional Receivables and any authority the Banks have given to the Company to purchase Replacement Receivables shall automatically terminate. Notwithstanding any other provision hereof, this Agreement shall continue in full force and effect with respect to Purchased Receivables already purchased and all other rights, benefits and entitlements of the Administrative Agent and the Banks expressed or implied shall continue after such termination until the Final Collection Date.

Section 18.3. Upon the termination of this Agreement, the Administrative Agent, for the benefit of the Banks, will have, in addition to its rights and remedies hereunder and under the other Transaction Documents, all other rights and remedies under applicable laws and otherwise, which rights and remedies will be cumulative.

Section 18.4. Without limiting the rights of the Administrative Agent and the Banks, on the Termination Date, and on each day thereafter, the Company, subject to the terms and conditions of this Agreement, will hold or deposit in trust in the Blocked Accounts, for the benefit of the Banks, the Collections of Purchased Receivables received by the Company on each such day and the Administrative Agent, at the direction of the Banks, may withdraw all such amounts from the Blocked Account upon giving the notice required under the relevant blocked account agreement. After the Administrative Agent has delivered any notice of termination under Section 18.1, the Company shall not exercise any right of set-off or compensation with respect to any sum owing to the Administrative Agent or any Bank.

Section 18.5. (a) On the Termination Date, and at all times thereafter, all Purchased Receivables described in Section 4.6, inclusive of those Purchased Receivables which are identified as Purchased Receivables in the Portfolio Report delivered by the Company, and which the Banks have funded the Purchase Price thereof as of the Company's close of business on the day immediately preceding the Termination Date, shall, subject to verification and approval by the Administrative Agent and this Section 18.5, be the Total Purchased Receivables (the *"Total Purchased Receivables"*) for all purposes of this Agreement.

(b) On the Termination Date, unless the Termination Date has been designated by the Administrative Agent in accordance with clause (iii) of the definition of Termination Date (*"Bank Termination"*), unless a Termination Event occurs following such Bank Termination, in which case the terms of this paragraph shall apply, and upon the identification of the Total Purchased Receivables, the Company shall immediately pay to the Administrative Agent for the benefit of the Banks the sum of (i) the Agreed Base Value of the Total Purchased Receivables (other than Defaulted Receivables), plus (ii) the Termination Interest and applicable Dilutions which have not otherwise been taken into account, plus (iii) in the event that a Debtor Default Event shall have occurred and then be continuing with respect to any Approved Debtor, an amount equal to the excess of (x) the Original Amount of the Total Purchased Receivables (other than Defaulted Receivables) of all Approved Debtors over (y) the Agreed Base Value of the Total Purchased Receivables (other than Defaulted Receivables), such amount not to exceed the Agreed Base Value of Defaulted Receivables of each Approved Debtor subject to a Debtor Default Event, in each case as determined by the Administrative Agent absent manifest error, and the Banks shall sell, set over, assign, transfer and convey to the Company, without recourse, all of its right, title and interest in, to and under such Total Purchased Receivables.

(c) In the event of a Bank Termination, beginning on the Termination Date, no Bank shall purchase Purchased Receivables or Replacement Receivables except to the extent provided in Section 4.5(e)(ii)(x), the Company shall cease to purchase Replacement Receivables from Collections but shall continue to purchase Receivables pursuant to Section 4.5(e)(i), and the terms of this Agreement will continue in effect until the Purchased Receivables other than Defaulted Receivables then held by the Banks have been paid or become Defaulted Receivables, or a Termination Event occurs.

(d) If the Company fails to pay such amount, the list of the Total Purchased Receivables (other than Defaulted Receivables) shall be amended to include such amount of additional Receivables from the Approved Debtors as is necessary to make the Funded Amount of the Total Purchased Receivables (other than Defaulted Receivables) equal to the aggregate Purchase Price thereof as at the Termination Date.

(e) Without limiting the foregoing, in the event that a Debtor Default Event shall occur with respect to any Approved Debtor, the Administrative Agent and the Banks shall have the rights and remedies as set forth in this Section 18.5 with respect to the Purchased Receivables of such Approved Debtor, and (i) references in this Section 18.5 to the "Total Purchased Receivables" shall be deemed to be to all of the Purchased Receivables of such Approved Debtor, and (ii) references in this Section 18.5 to the “Termination Date” shall be deemed to be to the determination date of the occurrence of such Debtor Default Event.

SECTION 19. MISCELLANEOUS

Section 19.1. *Assignments and Transfers*. (a) Each Bank may at any time assign, transfer or participate (including by way of novation) any of its rights and obligations under the Transaction Documents to another bank or financial institution; provided that, with respect to any assignment (but not, for the avoidance of doubt, in the case of any participation, for which neither notice to, nor the consent of, any party shall be required), such Bank shall notify the Administrative Agent and the Company in writing at least fifteen days prior to such assignment and (x) obtain the Administrative Agent’s written consent thereto, which consent shall not be unreasonably withheld or delayed, and (y) obtain the Company’s written consent thereto, which consent shall not be unreasonably withheld or delayed, and shall not be required at any time a Termination Event has occurred and is continuing and has not otherwise been waived or cured. So long as no Termination Event has occurred and is continuing and has not otherwise been waived or cured, if the Company so elects, the Company shall have fifteen days from the date of such notice to repurchase any outstanding Purchased Receivables from an assigning Bank at the Purchase Price as set forth in Section 21.1 with respect to any amounts outstanding from each Debtor in relation to each Purchased Receivable, plus any other amounts outstanding from the Company to such Bank under this Agreement, including breakage costs under Section 7.4. The parties to each assignment shall execute and deliver to the Administrative Agent an assignment and assumption agreement in form and substance reasonably satisfactory to the Administrative Agent, together with all forms, certificates or other evidence each assignee is required to provide pursuant to Section 7.2.5 and a processing and recordation fee of $5,000.

(b) Notwithstanding anything herein to the contrary, in the event that the Company shall purchase any Bank’s rights and obligations under the Transaction Documents in accordance with Section 19.1(a), the Company shall have no right whatsoever so long as it holds such Bank’s rights and obligations:

(i) to vote with respect to any amendment, modification, waiver, consent or other such action with respect to any of the terms of this Agreement or any other Transaction Document and it shall be deemed to have voted its interest as a Bank without discretion in the same proportion as the allocation of voting with respect to such matter by the Banks who are not the Company; *provided*, notwithstanding the foregoing, (1) the Company shall be permitted to vote if such amendment, modification, waiver, consent or other such action disproportionately affects the Company in its capacity as a Bank as compared to other Banks, and (2) no amendment, modification, waiver, consent or other action shall deprive the Company of its share of any payments which the Banks are entitled to share on a Pro Rata Basis hereunder or change any date for payment or rate of interest;

(ii) to attend (or receive any notice of) any meeting, conference call or correspondence with the Administrative Agent or any Bank or receive any information from the Administrative Agent or any other Bank (other than Purchase Requests and other administrative notices in respect of its Purchased Receivables as required to be delivered to the Banks hereunder and other than as may be required to enforce its rights under Section 19.1(b)(i)); or

(iii) to make or bring any claim, in its capacity as a Bank, against the Administrative Agent or any other Bank with respect to the duties and obligations of such Persons under the Transaction Documents (other than any such claim made in good faith and arising solely from the bad faith, gross negligence or willful misconduct of Administrative Agent or any Bank, as the case may be).

(c) The Company may not assign or otherwise transfer its rights, benefits or obligations or any of them under the Transaction Documents without the prior written consent of the Administrative Agent and each Bank.

(d) Subject to the foregoing, this Agreement shall be binding on and shall inure to the benefit of each party hereto and its successors and assigns.

Section 19.2. *Waivers, Remedies Cumulative*. No failure to exercise, nor any delay in exercising, on the part of the Administrative Agent or any Bank, any right or remedy under the Transaction Documents shall operate as a waiver thereof, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise thereof or the exercise of any other right or remedy. The rights and remedies herein provided are cumulative and not exclusive of any rights or remedies provided by law.

Section 19.3. *Accounting Treatment*. The Company agrees and acknowledges that it is a sophisticated party in relation to this Agreement and that it has taken independent legal and accounting advice in relation to the accounting treatment to be applied to this Agreement. It is agreed that the Company has not relied on any representation of the Administrative Agent or any Bank in this regard.

Section 19.4. *Third Party Rights*. Other than as approved in this Agreement, no person not a party to this Agreement shall be deemed a third party beneficiary hereof.

Section 19.5. *Counterparts*. Each Transaction Document may be executed in any number of counterparts, and by the different parties thereto on separate counterparts; each such counterpart shall be deemed an original and all of such counterparts taken together shall be deemed to constitute one and the same instrument. A facsimile or electronic copy of an executed counterpart of this Agreement shall be effective as an original for all purposes.

Section 19.6. *Entire Agreement*. This Agreement constitutes the entire Agreement between the parties hereto in relation to the Agreement and supersedes all previous proposals, agreements and other written and oral communications in relation thereto.

Section 19.7. *Exclusion of Liability*. In no event shall the Administrative Agent or any Bank be liable for any loss of profits, business, data or information or for any remote, incidental, indirect, special or consequential damages.

Section 19.8. Continuing Obligations. The Company shall remain liable to perform all obligations assumed by it under each Contract, and neither the Administrative Agent nor any Bank shall be under any obligation of any kind whatsoever thereunder or be under any liability whatsoever in the event of any failure by the Company to perform its obligations thereunder.

Section 19.9. USA Patriot Act; OFAC and Anti-Terrorism.

(a) Each Bank and the Administrative Agent (for itself and not on behalf of any Bank) hereby notifies the Company that pursuant to the requirements of the USA PATRIOT Improvement and Reauthorization Act, Title III of Pub. L. 109-177 (signed into law March 9, 2009) (the *"Act"*), it is required to obtain, verify, and record information that identifies the Company, which information includes the name and address of the Company and other information that will allow such Bank or the Administrative Agent, as applicable, to identify the Company in accordance with the Act.

(b) Neither the Company, nor the Parent, nor, to the best of their knowledge, any Persons holding any legal or beneficial interest whatsoever in the Company or the Parent (whether directly or indirectly) (i) are named on the list of Specially Designated Nationals and Blocked Persons maintained by OFAC or any list of Persons issued by OFAC pursuant to Executive Order 13224 – Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism, as in effect on the date hereof, or any similar list issued by OFAC (collectively, the *"OFAC Lists"*); (ii) are Persons determined by the Secretary of the Treasury of the United States to be owned by, controlled by, acting for or on behalf of, providing assistance, support, sponsorship, or services of any kind to, or otherwise associated with any of the Persons referred to or described in the OFAC Lists; or (iii) have conducted business with or engaged in any transaction with any Person identified in (i) or (ii) above.

(c) (i) Neither the Company nor the Parent will knowingly conduct business with or engage in any transaction with any Person named on any of the OFAC Lists or any Persons determined by the Secretary of the Treasury of the United States pursuant to Executive Order 13224 to be owned by, controlled by, acting for or on behalf of, providing assistance, support, sponsorship, or services of any kind to, or otherwise associated with any of the Persons referred to or described in the OFAC Lists; (ii) if the Company or the Parent obtains actual knowledge or receives any written notice that it or any Person holding any legal or beneficial interest whatsoever therein (whether directly or indirectly) is named on any of the OFAC Lists (such occurrence, an *"OFAC Violation"*), the Company or the Parent will immediately (A) give written notice to the Administrative Agent and the Banks of such OFAC Violation, and (B) comply with all applicable laws with respect to such OFAC Violation (regardless of whether the party included on any of the OFAC Lists is located within the jurisdiction of the United States of America), including, without limitation, the Economic and Trade Sanctions and Anti-Terrorism Laws. The Company and the Parent hereby authorize and consent to the Administrative Agent and each Bank taking any and all steps they deem necessary, in its sole discretion, to comply with all applicable laws with respect to any such OFAC Violation, including, without limitation, the requirements of the Economic and Trade Sanctions and Anti-Terrorism Laws (including the "freezing" and/or "blocking" of assets); and (iii) the Company and the Parent will comply at all times with the requirements of all Economic and Trade Sanctions and Anti-Terrorism Laws, and will, upon the Administrative Agent's or any Bank's request from time to time during the term of this Agreement, deliver a certification confirming its compliance with the covenants set forth in this Section 19.9.

Section 19.10. *Amendments*. No amendment, modification, waiver or supplement of any provision of this Agreement or consent to any departure by any Facility Party therefrom shall be effective unless in a writing signed by all of the Banks or, where permitted under this Agreement, the Required Banks, and then such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; *provided* no amendment or waiver of Section 24 or any other provision of this Agreement which affects the rights or obligations of the Administrative Agent shall be effective unless signed by the Administrative Agent; *provided further* any Defaulting Bank's right to approve or disapprove any amendment, modification, waiver, supplement or consent with respect to this Agreement shall be restricted as set forth in the definition of Required Banks.

SECTION 20. GOVERNING LAW

Section 20.1. This Agreement shall be governed by and construed in accordance with the laws of the State of New York without regard to the principles of conflict of laws thereof (other than Section 5-1401 of the New York General Obligations Law).

Section 20.2. ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT, MAY BE BROUGHT AND MAINTAINED IN THE COURTS OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY, NEW YORK OR IN THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK; PROVIDED THAT ANY SUIT SEEKING ENFORCEMENT AGAINST ANY RECEIVABLES OR OTHER PROPERTY MAY BE BROUGHT, AT THE APPLICABLE BANK'S OPTION, IN THE COURTS OF ANY JURISDICTION WHERE SUCH RECEIVABLES OR OTHER PROPERTY MAY BE FOUND. THE COMPANY AND THE PARENT HEREBY EXPRESSLY AND IRREVOCABLY SUBMIT TO THE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY, NEW YORK AND OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK FOR THE PURPOSE OF ANY SUCH LITIGATION. THE COMPANY AND THE PARENT FURTHER IRREVOCABLY CONSENT TO THE SERVICE OF PROCESS BY REGISTERED MAIL, POSTAGE PREPAID, TO THE ADDRESS SPECIFIED IN SECTION 14.1 OF THIS AGREEMENT (OR SUCH OTHER ADDRESS AS THEY SHALL HAVE SPECIFIED IN WRITING TO THE ADMINISTRATIVE AGENT AS THEIR ADDRESS FOR NOTICES HEREUNDER) OR BY PERSONAL SERVICE WITHIN OR WITHOUT THE STATE OF NEW YORK. THE COMPANY, THE PARENT, THE ADMINISTRATIVE AGENT AND EACH BANK EXPRESSLY AND IRREVOCABLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH THEY MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUCH LITIGATION BROUGHT IN ANY SUCH COURT AND ANY CLAIM THAT ANY SUCH LITIGATION HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

Section 20.3. TO THE EXTENT PERMITTED BY LAW, THE COMPANY, THE PARENT, THE ADMINISTRATIVE AGENT AND EACH BANK HEREBY WAIVE ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER THIS AGREEMENT OR ANY APPLICATION, INSTRUMENT, DOCUMENT, AMENDMENT OR AGREEMENT DELIVERED OR WHICH MAY IN THE FUTURE BE DELIVERED IN CONNECTION HEREWITH OR ARISING FROM ANY BANKING RELATIONSHIP EXISTING IN CONNECTION WITH THIS AGREEMENT, AND AGREE THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

SECTION 21. OPTIONAL REPURCHASE

Section 21.1. In the event that (i) the Administrative Agent gives notice to the Company of its intention to replace the Company as servicer and agent, (ii) all of the Banks inform the Company that they will not purchase any other Receivables due to a Termination Event, (iii) a Purchased Receivable is past due, or (iv) any bankruptcy or insolvency (however evidenced) of the Company or the Parent shall occur, the Company may, at its option, repurchase all of the outstanding Purchased Receivables from the Banks for an amount equal to the Agreed Base Value of such Purchased Receivables (or so much of it as was paid by the Banks to the Company and remains unpaid), less an amount equal to the product of such Agreed Base Value and Discount, where the numerator included in the calculation of Discount is the number of days from the repurchase date to the next following Settlement Date, and if such Purchased Receivable is being repurchased by the Company after the Maturity Date of such Purchased Receivable, together with interest thereon at the interest rate specified in Section 7.6 from the due date to the date of the Company's payment in full thereof, and any other amounts then payable by the Company hereunder, including, breakage costs under Section 7.4, whereupon such amount shall become due and payable from the Company to the Banks upon the occurrence of the applicable event described in the foregoing going clauses (i), (ii), (iii) or (iv), as applicable, and shall be paid into the Payment Account.

Section 21.2. In addition to the foregoing, the Company shall have the right at any time before or after a Termination Event, at its option and upon written notice to the Administrative Agent (for distribution to the Banks), to repurchase all or a portion of the outstanding Purchased Receivables from the Banks for an amount equal to the Agreed Base Value of such Purchased Receivables (or so much of it as was paid by the Banks to the Company and remains unpaid), less an amount equal to the product of such Agreed Base Value and Discount, where the numerator included in the calculation of Discount is the number of days from the repurchase date to the next following Settlement Date, and if such Purchased Receivable is being repurchased by the Company after the Maturity Date of such Purchased Receivable, together with interest thereon at the interest rate specified in Section 7.6 from the relevant Maturity Date to the date of the Company's payment in full thereof, and any other amounts then payable by the Company hereunder, including, breakage costs under Section 7.4, whereupon such amount shall become due and payable from the Company to the Banks on the date specified in such notice and shall be paid into the Payment Account.

SECTION 22. GUARANTY; PARENT COVENANT.

(a) Parent is the owner of the Company. Parent hereby unconditionally and irrevocably guarantees to the Beneficiaries the due and punctual payment, performance and observance by the Company of all of the terms, covenants, conditions, agreements, representations, warranties, indemnities and undertakings on the part of the Company to be performed or observed under this Agreement, including, without limitation, the punctual payment when due of all obligations of the Company now or hereafter existing under this Agreement, whether for indemnification payments, fees, expenses, repurchase obligations or otherwise (all of the foregoing being collectively referred to as the *"Obligations"*). In the event that the Company shall fail in any manner whatsoever to perform or observe any of the Obligations when the same shall be required to be performed or observed under this Agreement (subject to any applicable cure periods), then upon the written demand of the Administrative Agent, Parent shall perform, cause to be performed or make payment to allow such Obligations to be performed. For the avoidance of doubt, Obligations do not include, and the Parent is not hereby guaranteeing payment of any amounts due by the Debtors.

The Parent's liability under this Section 22(a) shall be irrevocable, absolute, independent and unconditional and shall not be affected by any circumstance which constitutes a legal or equitable discharge of a guarantor or surety other than payment and performance in full of the Obligations, and, without limiting the foregoing, shall be unconditional irrespective of (i) any lack of enforceability of the Obligations, and (ii) any law, regulation or rights with respect thereto. Neither Parent's obligations hereunder nor any remedy for the enforcement thereof shall be impaired, modified, changed, released or limited in any manner whatsoever by an impairment, modification, change, release or limitation of the liability of the Company or by reason of the bankruptcy or insolvency of the Company. Parent waives any and all notices of the creation, renewal, extension or accrual of or increase in any of the Obligations and notice of or proof of reliance by the Administrative Agent or any Bank upon this Section 22(a) or acceptance of this Section 22(a). This Agreement shall conclusively be deemed to have been created, contracted or incurred, or renewed, extended, amended or waived, in reliance upon this Section 22(a). All dealings between the Company and Parent, on the one hand, and the Beneficiaries, on the other hand, likewise shall be conclusively presumed to have been had or consummated in reliance upon this Section 22(a).

To the extent permitted by law, Parent hereby waives any and all presentments, demands, notices, and protests against Parent, and any requirement that the Administrative Agent or any Bank commence or exhaust any remedies against the Company or any collateral securing the Obligations. This guarantee is a guarantee of payment and performance and not of collection and shall remain in full force and effect until payment in full of the Obligations. The Obligations of Parent under this Section 22(a) does rank and will rank pari passu in priority of payment with all other unsecured and unsubordinated obligations for borrowed money of Parent.

All payments under this Section 22(a) by Parent shall be made by Parent on the date when due and shall be made in Dollars and in immediately available and freely transferable funds to the Payment Account.

(b) From and after the date hereof and so long as this Agreement is in effect, except to the extent compliance in any case or cases is waived in writing by the Administrative Agent, the Parent agrees that it will, for the benefit of the Administrative agent and the Banks, comply with, abide by, and be restricted by all the agreements, covenants, obligations and undertakings of the Parent contained in the provisions of Section 6.10 of the Credit Agreement, inclusive, regardless of whether any indebtedness is now or hereafter remains outstanding thereunder, or the Credit Agreement shall have terminated, all of which provisions, together with the related definitions, exhibits and ancillary provisions, are incorporated herein by reference, mutatis mutandis, and made a part hereof to the same extent and with the same force and effect as if the same had been herein set forth in their entirety, and will be deemed to continue in effect for the benefit of the Beneficiaries irrespective of whether the Credit Agreement remains in effect, and without regard or giving effect to any amendment or modification of such provisions or any waiver of compliance therewith, no such amendment, modification or waiver to in any manner constitute an amendment, modification or waiver of the provisions thereof as incorporated herein unless consented to in writing by the Administrative Agent; provided (i) any amendment, modification or supplement of the terms of the Credit Agreement in accordance with Section 1.2(b) thereof shall be deemed to be effective with respect to this Section 22(b) without further action by any party to this Agreement, and (ii) that said provisions for purposes of the incorporation described herein shall be amended in the following respects:

(i) the term *"Borrower"* appearing in said provisions shall mean and refer to the Parent;

(ii) the term *"Lenders"* or *"Administrative Agent"* appearing in said provisions shall mean and refer to the Beneficiaries as defined in this Agreement;

(iii) the term *"Agreement"* appearing in said provisions shall mean and refer to this Agreement; and

(iv) the term *"herein"* or *"hereof"* appearing in said provisions shall mean and refer to this Agreement.

Other than as hereinabove amended, any terms contained in the provisions of the Credit Agreement incorporated herein which are defined in the Credit Agreement shall have the same meaning herein as in the Credit Agreement.

SECTION 23. CONFIDENTIALITY.

Each party hereto agrees to hold the Transaction Documents and all non-public information received by it in connection therewith from any other party hereto or its agents or representatives in confidence and agrees not to provide any Person with copies of any Transaction Document or such non-public information other than to (i) any officers, directors, members, managers, employees or outside accountants, auditors or attorneys thereof, (ii) any prospective or actual assignee or participant which (in each case) has signed a confidentiality agreement containing provisions substantively identical to this Section 23 or has agreed to be subject to the terms of this Section 23, and (iii) Governmental Authorities with appropriate jurisdiction (including filings required under securities laws). Notwithstanding the above stated obligations, provided that the other parties hereto are, to the extent permitted by law, given notice of the intended disclosure or use, the parties hereto will not be liable for disclosure or use of such information which such Person can establish by tangible evidence: (i) was required by law, including pursuant to a valid subpoena or other legal process, (ii) was in such Person's possession or known to such Person prior to receipt or (iii) is or becomes known to the public through disclosure in a printed publication (without breach of any of such Person's obligations hereunder).

SECTION 24. ADMINISTRATIVE AGENT

Section 24.1. *Appointment and Authority.* Each of the Banks hereby irrevocably appoints Mizuho to act on its behalf as the Administrative Agent hereunder and under the other Transaction Documents and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto. Except as expressly set forth in Sections 24.6(a) and 24.6(b), the provisions of this Section are solely for the benefit of the Administrative Agent and the Banks, and neither the Company nor any other Facility Party shall have rights as a third-party beneficiary of any of such provisions. It is understood and agreed that the use of the term "agent" herein or in any other Transaction Documents (or any other similar term) with reference to the Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead such term is used as a matter of market custom, and is intended to create or reflect only an administrative relationship between contracting parties.

Section 24.2. *Rights as a Bank***.** The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Bank as any other Bank and may exercise the same as though it were not the Administrative Agent, and the term "Bank" or "Banks" shall, unless otherwise expressly indicated or unless the context otherwise requires, include the Person serving as the Administrative Agent hereunder in its individual capacity. Such Person and its Affiliates may accept deposits from, lend money to, own securities of, act as the financial advisor or in any other advisory capacity for, and generally engage in any kind of business with, the Parent, the Company or any Subsidiary or other Affiliate thereof as if such Person were not the Administrative Agent hereunder and without any duty to account therefor to the Banks.

Section 24.3. *Exculpatory Provisions.*

(a) The Administrative Agent shall not have any duties or obligations except those expressly set forth herein and in the other Transaction Documents, and its duties hereunder shall be administrative in nature. Without limiting the generality of the foregoing, the Administrative Agent shall not:

(i) be subject to any fiduciary or other implied duties, regardless of whether a Termination Event has occurred and is continuing;

(ii) have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Transaction Documents that the Administrative Agent is required to exercise as directed in writing by the Required Banks (or such other number or percentage of the Banks as shall be expressly provided for herein or in the other Transaction Documents); provided, the Administrative Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent to liability or that is contrary to any Transaction Document or applicable law, including for the avoidance of doubt any action that may be in violation of the automatic stay under any Bankruptcy Law or that may effect a forfeiture, modification or termination of property of a Defaulting Bank in violation of any Bankruptcy Law; and

(iii) except as expressly set forth herein and in the other Transaction Documents, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Company or any of its Affiliates that is communicated to or obtained by the Person serving as the Administrative Agent or any of its Affiliates in any capacity.

(b) The Administrative Agent shall not be liable for any action taken or not taken by it (i) with the consent or at the request of the Required Banks, or (ii) in the absence of its own gross negligence or willful misconduct as determined by a court of competent jurisdiction by final and nonappealable judgment. The Administrative Agent shall not be deemed to have knowledge of any Termination Event unless and until notice describing such Termination Event is given to the Administrative Agent in writing by the Company or a Bank.

(c) The Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Transaction Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Termination Event, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Transaction Document or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Section 3 or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

Section 24.4. Reliance by Administrative Agent. The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, Internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of a purchase hereunder, that by its terms must be fulfilled to the satisfaction of a Bank, the Administrative Agent may presume that such condition is satisfactory to such Bank unless the Administrative Agent shall have received notice to the contrary from such Bank prior to the making of such purchase. The Administrative Agent may consult with legal counsel (who may be counsel for the Company), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

Section 24.5. Delegation of Duties. The Administrative Agent may perform any and all of its duties and exercise its rights and powers hereunder or under any other Transaction Document by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub agent may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties. The exculpatory provisions of this Section shall apply to any such sub agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the Purchased Receivables and each Bank's Stated Amount as well as activities as the Administrative Agent. The Administrative Agent shall not be responsible for the negligence or misconduct of any sub-agents except to the extent that a court of competent jurisdiction determines in a final and non-appealable judgment that the Administrative Agent acted with gross negligence or willful misconduct in the selection of such sub-agents.

Section 24.6. Resignation of the Administrative Agent.

(a) The Administrative Agent may at any time give notice of its resignation to the Banks and the Company. Upon receipt of any such notice of resignation, the Required Banks shall have the right, with the prior written consent of the Company (provided, (x) no such consent of the Company shall be required while a Termination Event exists and (y) such consent shall not be unreasonably withheld, delayed or conditioned), to appoint a successor. If no such successor shall have been so appointed by the Required Banks and shall have accepted such appointment within thirty days after the retiring Administrative Agent gives notice of its resignation (or such earlier day as shall be agreed by the Required Banks) (the "*Resignation Effective Date*"), then the retiring Administrative Agent may (but shall not be obligated to), on behalf of the Banks, appoint a successor Administrative Agent meeting the qualifications set forth above. Whether or not a successor has been appointed, such resignation shall become effective in accordance with such notice on the Resignation Effective Date.

(b) If the Person serving as the Administrative Agent is a Defaulting Bank pursuant to clause (iv) of the definition thereof, the Required Banks may, to the extent permitted by applicable law, by notice in writing to the Company and such Person remove such Person as the Administrative Agent and, with the consent of the Company (provided, (x) no such consent of the Company shall be required while a Termination Event exists and (y) such consent shall not be unreasonably withheld, delayed or conditioned), appoint a successor. If no such successor shall have been so appointed by the Required Banks and shall have accepted such appointment within thirty days (or such earlier day as shall be agreed by the Required Banks) (the "*Removal Effective Date*"), then such removal shall nonetheless become effective in accordance with such notice on the Removal Effective Date.

(c) With effect from the Resignation Effective Date or the Removal Effective Date (as applicable) (i) the retiring or removed Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Transaction Documents, (except that in the case of any collateral held by the Administrative Agent on behalf of the Beneficiaries, the retiring or removed the Administrative Agent shall continue to hold such collateral until such time as a successor the Administrative Agent is appointed) and (ii) all payments, communications and determinations provided to be made by, to or through the Administrative Agent shall instead be made by or to each Bank directly, until such time, if any, as the Required Banks appoint a successor Administrative Agent as provided for above. Upon the acceptance of a successor's appointment as the Administrative Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring or removed Administrative Agent, and the retiring or removed Administrative Agent shall be discharged from all of its duties and obligations hereunder or under the other Transaction Documents. The fees payable by the Company to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Company and such successor. After the retiring or removed Administrative Agent's resignation or removal hereunder and under the other Transaction Documents, the provisions of this Section and Sections 15.2 and 15.4 shall continue in effect for the benefit of such retiring or removed Administrative Agent, its sub agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring or removed Administrative Agent was acting as the Administrative Agent.

Section 24.7. Non-Reliance on Administrative Agent and Other Banks. Each Bank acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Bank or any of their Related Parties and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Bank also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Bank or any of their Related Parties and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Transaction Document or any related agreement or any document furnished hereunder or thereunder.

Section 24.8. No Other Duties, Etc. Anything herein to the contrary notwithstanding, the Lead Arranger shall have no power, duty or responsibility under this Agreement or any of the other Transaction Documents, except in its capacity, as applicable, as the Administrative Agent or a Bank hereunder.

Section 24.9. Administrative Agent May File Proofs of Claim. In case of the pendency of any proceeding under any Bankruptcy Law or any other judicial proceeding relative to any Facility Party, the Administrative Agent (irrespective of whether the principal of any Purchased Receivable shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Company) shall be entitled and empowered (but not obligated) by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Purchased Receivables and all obligations hereunder that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Banks and the Administrative Agent allowed in such judicial proceeding, provided, the Banks shall retain all rights to cast votes in any such proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Bank to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Banks, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under Sections 15.2 and 15.4.

Section 24.10. No Enforcement, Etc. Anything contained in any of the Transaction Documents to the contrary notwithstanding, each Facility Party, the Administrative Agent and each Bank hereby agree that (a) no Bank shall have any right individually to realize upon any of the Purchased Receivables or to enforce the guaranty of the Parent as set forth in Section 22, it being understood and agreed that all powers, rights and remedies hereunder and under any of the Transaction Documents may be exercised solely by the Administrative Agent for the benefit of the Beneficiaries in accordance with the terms hereof and thereof and all powers, rights and remedies hereunder may be exercised solely by the Administrative Agent for the benefit of the Beneficiaries in accordance with the terms thereof, and (b) in the event of a foreclosure or similar enforcement action by the Administrative Agent on any of the Purchased Receivables pursuant to a public or private sale or other disposition (including pursuant to section 363(k), section 1129(b)(2)(a)(ii) or otherwise of the Bankruptcy Code), the Administrative Agent (or any Bank, except with respect to a “credit bid” pursuant to section 363(k), section 1129(b)(2)(a)(ii) or otherwise of the Bankruptcy Code,) may be the purchaser or licensor of any or all of such Purchased Receivables at any such sale or other disposition and the Administrative Agent, as agent for and representative of Beneficiaries (but not any Bank or Banks in its or their respective individual capacities) shall be entitled, upon instructions from Required Banks, for the purpose of bidding and making settlement or payment of the purchase price for all or any portion of the Purchased Receivables sold at any such sale or disposition, to use and apply any of the Obligations as a credit on account of the purchase price for any Purchased Receivables payable by the Administrative Agent at such sale or other disposition. The Administrative Agent shall not be responsible for or have a duty to ascertain or inquire into any representation or warranty regarding the existence, value or collectability of the Purchased Receivables, the existence, priority or perfection of the Administrative Agent’s Lien thereon, or any certificate prepared by any Facility Party in connection therewith, and the Administrative Agent shall not be responsible or liable to the Banks for any failure to monitor or maintain any portion of the Purchased Receivables.

Section 24.11. *Withholding Taxes.* To the extent required by any applicable Law, the Administrative Agent may withhold from any payment to any Bank an amount equivalent to any applicable withholding tax. If the Internal Revenue Service or any other Governmental Authority asserts a claim that the Administrative Agent did not properly withhold tax from amounts paid to or for the account of any Bank because the appropriate form was not delivered, was not properly executed or was invalid or because such Bank failed to notify the Administrative Agent of a change in circumstance which rendered the exemption from, or reduction of, withholding tax ineffective or for any other reason, such Bank shall indemnify the Administrative Agent fully for all amounts paid, directly or indirectly, by the Administrative Agent as tax or otherwise, including any penalties or interest and together with all expenses (including legal expenses, allocated internal costs and out-of-pocket expenses) incurred.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties have executed this Agreement by their undersigned, duly authorized officers on the date first above written:

THE SCOTTS COMPANY LLC

By: /s/ Mark J. Weaver
Name: Mark J. Weaver
Title: Vice President, Treasurer

THE SCOTTS MIRACLE-GRO COMPANY

By: /s/ Mark J. Weaver
Name: Mark J. Weaver
Title: Vice President and Corporate Treasurer

MIZUHO CORPORATE BANK, LTD., as Administrative Agent and a Bank

By: /s/ Tenya Mitsuboshi
Name: Tenya Mitsuboshi
Title: Deputy General Manager

Payment Account:
Pay To: Mizuho Corporate Bank, Ltd., New York Branch
Fed ABA#: 026 004 307
Account Name: LAU - ISA
A/C#: H79-740-222205
Reference: [Name of Sender] for The Scotts Company LLC - Receivables / LAU

Bank's Stated Amount: $150,000,000

THE BANK OF NOVA SCOTIA, as a Bank

By: /s/ N. Neves
Name: N. Neves
Title: Senior Relationship Manager Commodity Trade Finance

By: /s/ T.W. King
Name: T.W. King
Title: Director Commodity Trade Finance

Bank's Stated Amount: $50,000,000

SUNTRUST BANK, as a Bank

By: /s/ Emily Shields
Name: Emily Shields
Title: Vice President

Bank's Stated Amount: $100,000,000

RB RECEIVABLES LLC, as a Bank

By: /s/ Chris G. Kortland
Name: Chris G. Kortland
Title: Deputy Treasurer

By: /s/ Brett Delfino
Name: Brett Delfino
Title: Assistant Secretary

<u>Bank’s Stated Amount</u>: $100,000,000

SCHEDULE 1

PURCHASE REQUEST

______________, 20__

Mizuho Corporate Bank, Ltd.,
as Administrative Agent
1251 Avenue of the Americas
New York, NY 10020,
Attn: Johan Andreasson

Re: REQUEST FOR PURCHASE

Ladies and Gentlemen:

We refer to the Master Accounts Receivable Purchase Agreement among The Scotts Company LLC, The Scotts Miracle-Gro Company, the Banks party thereto, and Mizuho Corporate Bank, Ltd., as administrative agent, dated as of November 15, 2012 (as amended through the date hereof, the "*Purchase Agreement*"). Terms defined in the Purchase Agreement shall have the same meaning herein as defined in such Purchase Agreement.

The undersigned Company hereby requests that the Banks purchase on _____________, 20__, (the "*Purchase Date*"), the Purchased Receivables set forth in the Portfolio Report attached hereto, in accordance with, and subject to, the terms and provisions of the Purchase Agreement, with the understanding that no Bank is committed to making such purchase. The undersigned Company hereby makes the representations and warranties set forth in Section 10 of the Purchase Agreement for the benefit of the Administrative Agent and the Banks, as of the Purchase Date, and further state that such representations and warranties are true and correct as of such Purchase Date.

Executed and delivered by the undersigned Company as of the date first above written.

THE SCOTTS COMPANY LLC

By:____________
Title:__________

SCHEDULE 2

CONDITIONS PRECEDENT

The Administrative Agent and the Banks shall have received each of the following, in form and substance satisfactory to each of them:

(a) Executed counterparts of this Agreement and the other Transaction Documents.

(b) Certified copies of the Company's and the Parent's organizational documents, together with certified copies of the resolutions of the Company's and Parent's board of directors or members authorizing this Agreement and the Administrative Agent and the Banks having received executed copies of this Agreement and the other Transaction Documents and authorizing a person or persons to sign or otherwise attest the due execution of those documents including any subsequent notices and acknowledgements to be executed or delivered pursuant to this Agreement, the other Transaction Documents and any other documents to be executed or delivered by the Company pursuant hereto or thereto together with an officer incumbency and specimen signature certificate, all in form satisfactory to the Administrative Agent and the Banks.

(c) Legal opinions of outside special counsel to the Company and the Parent relating to the enforceability of the Transaction Documents, and the perfection of the security interests created hereby, and of outside special counsel or internal counsel to the Company and the Parent relating to the power and authority of Company and the Parent to enter into the Transaction Documents and its performance thereunder, in each case in form and in substance satisfactory to the Administrative Agent and the Banks.

(d) Blocked Account Agreements signed by the Company in form satisfactory to the Administrative Agent and the Banks.

(e) Acknowledgement copies of such UCC financing statements or other filings as are required under Section 9.1, such lien search reports as the Administrative Agent and the Banks shall deem advisable with respect to the Company, and releases of any Adverse Claim on the Purchased Receivables shown in such reports.

(f) An acknowledgment from JPMorgan Chase Bank, N.A., as agent under the existing working capital credit facility agreement (the "*Credit Agreement*"), that all Purchased Receivables shall be deemed to be "*Sold Receivables*" under the Credit Agreement and that this Agreement constitutes a "*Receivables Purchase Agreement*" under the Credit Agreement.

SCHEDULE 3

UCC DETAILS SCHEDULE

UCC INFORMATION

(a) Name: THE SCOTTS COMPANY LLC

(b) Chief Executive Office: 14111 Scottslawn Road Marysville, Ohio 43041

(c) State of Organization: Ohio

(d) Organizational ID No.: 1503259

(e) Tradenames: None

(f) Changes in Location, Name and Corporate Organization: None

SCHEDULE 4

FORM OF PORTFOLIO REPORT

SCHEDULE 5

APPROVED DEBTORS

Approved Debtor	**Applicable Margin**	**Debtor Sublimit**
Lowe’s Companies, Inc.	0.75%	$200 million
Wal-Mart Stores Inc.	0.75%	$100 million
The Home Depot, Inc.	0.75%	$200 million

Exhibit 12

The Scotts Miracle-Gro Company
Computation of Ratio of Earnings to Fixed Charges

($ IN MILLIONS)	For the Fiscal Year Ended September 30,				
	2012	2011	2010	2009	2008
Income from continuing operations before income taxes	$ 181.8	$ 222.6	$ 331.2	$ 221.1	$ 61.6
Fixed charges	85.7	77.2	69.4	77.7	104.2
Other [1]	0.5	0.5	0.5	0.8	0.7
Interest Capitalized	(0.9)	(0.9)	(0.8)	(0.4)	(0.4)
Total adjusted earnings available for payment of fixed charges	$ 267.1	$ 299.4	$ 400.3	$ 299.2	$ 166.1
Fixed Charges:					
Interest expense	$ 61.8	$ 53.9	$ 46.8	$ 56.4	$ 82.2
Interest Capitalized	0.9	0.9	0.8	0.4	0.4
Rental expense representative of interest factor	23.0	22.4	21.8	20.9	21.6
Total Fixed Charges	$ 85.7	$ 77.2	$ 69.4	$ 77.7	$ 104.2
Ratio of Earnings to Fixed Charges	3.1	3.9	5.8	3.9	1.6

(1) Includes amortization of capitalized interest, adjustments for minority interests in consolidated subsidiaries and distributed earnings of equity investees.

Exhibit 21

SUBSIDIARIES OF THE SCOTTS MIRACLE-GRO COMPANY
(as of September 30, 2012)

- Gutwein & Co., Inc., an Indiana corporation
- Scotts Global Investments, Inc., a Delaware corporation
  - Scotts Switzerland Holdings, SA (Switzerland)
- SMG Brands, Inc., a Delaware corporation
  - OMS Investments, Inc., a Delaware corporation
    - Scotts Temecula Operations, LLC, a Delaware limited liability company
- SMG Growing Media, Inc., an Ohio corporation
  - Rod McLellan Company, a California corporation
  - Hyponex Corporation, a Delaware corporation
- SMGM LLC, an Ohio limited liability company
- The Scotts Company LLC, an Ohio limited liability company
  - EG Systems, Inc., dba Scotts LawnService, an Indiana corporation
  - Sanford Scientific, Inc., a New York corporation
  - Scotts Global Services, Inc., an Ohio corporation
  - Scotts Manufacturing Company, a Delaware corporation
    - Miracle-Gro Lawn Products, Inc., a New York corporation
  - Scotts Products Co., an Ohio corporation
    - Scotts Servicios, S.A. de C.V. (Mexico)
  - Scotts Professional Products Co., an Ohio corporation
    - Scotts Servicios, S.A. de C.V. (Mexico)
  - Scotts-Sierra Investments, Inc., a Delaware corporation
    - ASEF BV (Netherlands)
    - Scotts Australia Pty Limited (Australia)
      - Scotts Gardening Fertilizer (Wuhan) Co., Ltd. (China)
    - Scotts Benelux BVBA (Belgium)
    - Scotts Canada Ltd. (Canada)
    - Scotts Czech s.r.o. (Czech Republic)
    - Scotts de Mexico SA de CV (Mexico)
    - Scotts France Holdings SARL (France)
      - Scotts France SAS (France)
    - Scotts Celaflor GmbH (Germany)
      - Scotts Celaflor HGmbH (Austria)
    - Scotts Holdings Limited (United Kingdom)
      - Levington Group Limited (United Kingdom)
        - The Scotts Company (UK) Limited (United Kingdom)
          - The Scotts Company (Manufacturing) Limited (United Kingdom)
          - Humax Horticulture Limited (UK)
      - O M Scott International Investments Limited (United Kingdom)
      - Scotts Horticulture Ltd. (Ireland)
    - Scotts Poland Sp.z.o.o. (Poland)
    - The Scotts Company (Nordic) A/S (Denmark)
    - Turf-Seed (Europe) Limited (Ireland)
  - Teak 2, Ltd., a Delaware corporation
  - Swiss Farms Products, Inc., a Delaware corporation

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in this Registration Statement Nos. 033−47073, 333−06061, 333−27561, 333−72715, 333−76697, 333−104490, 333−124503, 333−131466, 333−147397, 333−153925 and 333−154364 on Form S-8 and Registration Statement No. 333−163330 on Form S-3 of our reports dated November 20, 2012 relating to the consolidated financial statements and consolidated financial statement schedules of The Scotts Miracle−Gro Company and subsidiaries (the “Company”) and the effectiveness of the Company’s internal control over financial reporting, appearing in the Company’s Annual Report on Form 10-K for the year ended September 30, 2012.

/s/ DELOITTE & TOUCHE LLP

Columbus, Ohio
November 20, 2012

Exhibit 24

POWER OF ATTORNEY

The undersigned director of The Scotts Miracle-Gro Company, an Ohio corporation (the "Corporation"), which anticipates filing with the Securities and Exchange Commission, Washington, D.C., under the provisions of the Securities Exchange Act of 1934, as amended, the Annual Report of the Corporation on Form 10-K for the fiscal year ended September 30, 2012, hereby constitutes and appoints James Hagedorn, David C. Evans and Vincent C. Brockman, and each of them, with full power of substitution and resubstitution, as attorney-in-fact and agent to sign for the undersigned, in any and all capacities, such Annual Report on Form 10-K and any and all amendments thereto ("Annual Report on Form 10-K"), and any and all applications or documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K, each in such form as they or any one of them may approve, and to file the same, with all exhibits thereto and other documents in connection therewith with the Securities and Exchange Commission, and grants unto each said attorney-in-fact and agent full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that each said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney this 20th day of November, 2012.

/s/ Alan H. Barry

Alan H. Barry

POWER OF ATTORNEY

The undersigned director of The Scotts Miracle-Gro Company, an Ohio corporation (the "Corporation"), which anticipates filing with the Securities and Exchange Commission, Washington, D.C., under the provisions of the Securities Exchange Act of 1934, as amended, the Annual Report of the Corporation on Form 10-K for the fiscal year ended September 30, 2012, hereby constitutes and appoints James Hagedorn, David C. Evans and Vincent C. Brockman, and each of them, with full power of substitution and resubstitution, as attorney-in-fact and agent to sign for the undersigned, in any and all capacities, such Annual Report on Form 10-K and any and all amendments thereto ("Annual Report on Form 10-K"), and any and all applications or documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K, each in such form as they or any one of them may approve, and to file the same, with all exhibits thereto and other documents in connection therewith with the Securities and Exchange Commission, and grants unto each said attorney-in-fact and agent full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that each said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney this 20th day of November, 2012.

/s/ Joseph P. Flannery
Joseph P. Flannery

POWER OF ATTORNEY

The undersigned officer and director of The Scotts Miracle-Gro Company, an Ohio corporation (the “Corporation”), which anticipates filing with the Securities and Exchange Commission, Washington, D.C., under the provisions of the Securities Exchange Act of 1934, as amended, the Annual Report of the Corporation on Form 10-K for the fiscal year ended September 30, 2012, hereby constitutes and appoints David C. Evans and Vincent C. Brockman, and each of them, with full power of substitution and resubstitution, as attorney-in-fact and agent to sign for the undersigned, in any and all capacities, such Annual Report on Form 10-K and any and all amendments thereto (“Annual Report on Form 10-K”), and any and all applications or documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K, each in such form as they or any one of them may approve, and to file the same, with all exhibits thereto and other documents in connection therewith with the Securities and Exchange Commission, and grants unto each said attorney-in-fact and agent full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that each said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney this 20th day of November, 2012.

/s/ James Hagedorn

James Hagedorn

POWER OF ATTORNEY

The undersigned director of The Scotts Miracle-Gro Company, an Ohio corporation (the “Corporation”), which anticipates filing with the Securities and Exchange Commission, Washington, D.C., under the provisions of the Securities Exchange Act of 1934, as amended, the Annual Report of the Corporation on Form 10-K for the fiscal year ended September 30, 2012, hereby constitutes and appoints James Hagedorn, David C. Evans and Vincent C. Brockman, and each of them, with full power of substitution and resubstitution, as attorney-in-fact and agent to sign for the undersigned, in any and all capacities, such Annual Report on Form 10-K and any and all amendments thereto (“Annual Report on Form 10-K”), and any and all applications or documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K, each in such form as they or any one of them may approve, and to file the same, with all exhibits thereto and other documents in connection therewith with the Securities and Exchange Commission, and grants unto each said attorney-in-fact and agent full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that each said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney this 20th day of November, 2012.

/s/ Adam Hanft

Adam Hanft

POWER OF ATTORNEY

The undersigned director of The Scotts Miracle-Gro Company, an Ohio corporation (the “Corporation”), which anticipates filing with the Securities and Exchange Commission, Washington, D.C., under the provisions of the Securities Exchange Act of 1934, as amended, the Annual Report of the Corporation on Form 10-K for the fiscal year ended September 30, 2012, hereby constitutes and appoints James Hagedorn, David C. Evans and Vincent C. Brockman, and each of them, with full power of substitution and resubstitution, as attorney-in-fact and agent to sign for the undersigned, in any and all capacities, such Annual Report on Form 10-K and any and all amendments thereto (“Annual Report on Form 10-K”), and any and all applications or documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K, each in such form as they or any one of them may approve, and to file the same, with all exhibits thereto and other documents in connection therewith with the Securities and Exchange Commission, and grants unto each said attorney-in-fact and agent full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that each said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney this 20th day of November, 2012.

/s/ Stephen L. Johnson

Stephen L. Johnson

POWER OF ATTORNEY

The undersigned director of The Scotts Miracle-Gro Company, an Ohio corporation (the "Corporation"), which anticipates filing with the Securities and Exchange Commission, Washington, D.C., under the provisions of the Securities Exchange Act of 1934, as amended, the Annual Report of the Corporation on Form 10-K for the fiscal year ended September 30, 2012, hereby constitutes and appoints James Hagedorn, David C. Evans and Vincent C. Brockman, and each of them, with full power of substitution and resubstitution, as attorney-in-fact and agent to sign for the undersigned, in any and all capacities, such Annual Report on Form 10-K and any and all amendments thereto ("Annual Report on Form 10-K"), and any and all applications or documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K, each in such form as they or any one of them may approve, and to file the same, with all exhibits thereto and other documents in connection therewith with the Securities and Exchange Commission, and grants unto each said attorney-in-fact and agent full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that each said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney this 20th day of November, 2012.

/s/ William G. Jurgensen

William G. Jurgensen

POWER OF ATTORNEY

The undersigned director of The Scotts Miracle-Gro Company, an Ohio corporation (the "Corporation"), which anticipates filing with the Securities and Exchange Commission, Washington, D.C., under the provisions of the Securities Exchange Act of 1934, as amended, the Annual Report of the Corporation on Form 10-K for the fiscal year ended September 30, 2012, hereby constitutes and appoints James Hagedorn, David C. Evans and Vincent C. Brockman, and each of them, with full power of substitution and resubstitution, as attorney-in-fact and agent to sign for the undersigned, in any and all capacities, such Annual Report on Form 10-K and any and all amendments thereto ("Annual Report on Form 10-K"), and any and all applications or documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K, each in such form as they or any one of them may approve, and to file the same, with all exhibits thereto and other documents in connection therewith with the Securities and Exchange Commission, and grants unto each said attorney-in-fact and agent full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that each said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney this 20th day of November, 2012.

/s/ Thomas N. Kelly Jr.
Thomas N. Kelly Jr.

POWER OF ATTORNEY

The undersigned director of The Scotts Miracle-Gro Company, an Ohio corporation (the "Corporation"), which anticipates filing with the Securities and Exchange Commission, Washington, D.C., under the provisions of the Securities Exchange Act of 1934, as amended, the Annual Report of the Corporation on Form 10-K for the fiscal year ended September 30, 2012, hereby constitutes and appoints James Hagedorn, David C. Evans and Vincent C. Brockman, and each of them, with full power of substitution and resubstitution, as attorney-in-fact and agent to sign for the undersigned, in any and all capacities, such Annual Report on Form 10-K and any and all amendments thereto ("Annual Report on Form 10-K"), and any and all applications or documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K, each in such form as they or any one of them may approve, and to file the same, with all exhibits thereto and other documents in connection therewith with the Securities and Exchange Commission, and grants unto each said attorney-in-fact and agent full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that each said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney this 20th day of November, 2012.

/s/ Carl F. Kohrt, Ph.D.

Carl F. Kohrt, Ph.D.

POWER OF ATTORNEY

The undersigned director of The Scotts Miracle-Gro Company, an Ohio corporation (the “Corporation”), which anticipates filing with the Securities and Exchange Commission, Washington, D.C., under the provisions of the Securities Exchange Act of 1934, as amended, the Annual Report of the Corporation on Form 10-K for the fiscal year ended September 30, 2012, hereby constitutes and appoints James Hagedorn, David C. Evans and Vincent C. Brockman, and each of them, with full power of substitution and resubstitution, as attorney-in-fact and agent to sign for the undersigned, in any and all capacities, such Annual Report on Form 10-K and any and all amendments thereto (“Annual Report on Form 10-K”), and any and all applications or documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K, each in such form as they or any one of them may approve, and to file the same, with all exhibits thereto and other documents in connection therewith with the Securities and Exchange Commission, and grants unto each said attorney-in-fact and agent full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that each said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney this 20th day of November, 2012.

/s/ Katherine Hagedorn Littlefield

Katherine Hagedorn Littlefield

POWER OF ATTORNEY

The undersigned director of The Scotts Miracle-Gro Company, an Ohio corporation (the "Corporation"), which anticipates filing with the Securities and Exchange Commission, Washington, D.C., under the provisions of the Securities Exchange Act of 1934, as amended, the Annual Report of the Corporation on Form 10-K for the fiscal year ended September 30, 2012, hereby constitutes and appoints James Hagedorn, David C. Evans and Vincent C. Brockman, and each of them, with full power of substitution and resubstitution, as attorney-in-fact and agent to sign for the undersigned, in any and all capacities, such Annual Report on Form 10-K and any and all amendments thereto ("Annual Report on Form 10-K"), and any and all applications or documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K, each in such form as they or any one of them may approve, and to file the same, with all exhibits thereto and other documents in connection therewith with the Securities and Exchange Commission, and grants unto each said attorney-in-fact and agent full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that each said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney this 20th day of November, 2012.

/s/ Nancy G. Mistretta

Nancy G. Mistretta

POWER OF ATTORNEY

The undersigned director of The Scotts Miracle-Gro Company, an Ohio corporation (the “Corporation”), which anticipates filing with the Securities and Exchange Commission, Washington, D.C., under the provisions of the Securities Exchange Act of 1934, as amended, the Annual Report of the Corporation on Form 10-K for the fiscal year ended September 30, 2012, hereby constitutes and appoints James Hagedorn, David C. Evans and Vincent C. Brockman, and each of them, with full power of substitution and resubstitution, as attorney-in-fact and agent to sign for the undersigned, in any and all capacities, such Annual Report on Form 10-K and any and all amendments thereto (“Annual Report on Form 10-K”), and any and all applications or documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K, each in such form as they or any one of them may approve, and to file the same, with all exhibits thereto and other documents in connection therewith with the Securities and Exchange Commission, and grants unto each said attorney-in-fact and agent full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that each said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney this 20th day of November, 2012.

/s/ Stephanie M. Shern

Stephanie M. Shern

POWER OF ATTORNEY

The undersigned director of The Scotts Miracle-Gro Company, an Ohio corporation (the "Corporation"), which anticipates filing with the Securities and Exchange Commission, Washington, D.C., under the provisions of the Securities Exchange Act of 1934, as amended, the Annual Report of the Corporation on Form 10-K for the fiscal year ended September 30, 2012, hereby constitutes and appoints James Hagedorn, David C. Evans and Vincent C. Brockman, and each of them, with full power of substitution and resubstitution, as attorney-in-fact and agent to sign for the undersigned, in any and all capacities, such Annual Report on Form 10-K and any and all amendments thereto ("Annual Report on Form 10-K"), and any and all applications or documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K, each in such form as they or any one of them may approve, and to file the same, with all exhibits thereto and other documents in connection therewith with the Securities and Exchange Commission, and grants unto each said attorney-in-fact and agent full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that each said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney this 20th day of November, 2012.

/s/ John S. Shiely

John S. Shiely

POWER OF ATTORNEY

The undersigned officer of The Scotts Miracle-Gro Company, an Ohio corporation (the "Corporation"), which anticipates filing with the Securities and Exchange Commission, Washington, D.C., under the provisions of the Securities Exchange Act of 1934, as amended, the Annual Report of the Corporation on Form 10-K for the fiscal year ended September 30, 2012, hereby constitutes and appoints James Hagedorn and Vincent C. Brockman, and each of them, with full power of substitution and resubstitution, as attorney-in-fact and agent to sign for the undersigned, in any and all capacities, such Annual Report on Form 10-K and any and all amendments thereto ("Annual Report on Form 10-K"), and any and all applications or documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K, each in such form as they or any one of them may approve, and to file the same, with all exhibits thereto and other documents in connection therewith with the Securities and Exchange Commission, and grants unto each said attorney-in-fact and agent full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as he could do if personally present. The undersigned hereby ratifies and confirms all that each said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney this 20th day of November, 2012.

/s/ David C. Evans

David C. Evans

Exhibit 31.1

Rule 13a-14(a)/15d-14(a) Certifications
(Principal Executive Officer)
CERTIFICATIONS

I, James Hagedorn, certify that:

1. I have reviewed this Annual Report on Form 10-K of The Scotts Miracle-Gro Company for the fiscal year ended September 30, 2012;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 20, 2012

By: /s/ JAMES HAGEDORN
Printed Name: James Hagedorn
Title: Chief Executive Officer and Chairman of the Board

Exhibit 31.2

Rule 13a-14(a)/15d-14(a) Certifications
(Principal Financial Officer)
CERTIFICATIONS

I, David C. Evans, certify that:

1. I have reviewed this Annual Report on Form 10-K of The Scotts Miracle-Gro Company for the fiscal year ended September 30, 2012;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 20, 2012

By: /s/ DAVID C. EVANS

Printed Name: David C. Evans

Title: Chief Financial Officer and Executive Vice President, Strategy and Business Development

Exhibit 32

SECTION 1350 CERTIFICATIONS*

In connection with the Annual Report on Form 10-K of The Scotts Miracle-Gro Company (the "Company") for the fiscal year ended September 30, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned James Hagedorn, Chief Executive Officer and Chairman of the Board of the Company, and David C. Evans, Chief Financial Officer and Executive Vice President, Strategy and Business Development of the Company, certify, pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of their knowledge:

1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

2) The information contained in the Report fairly presents, in all material respects, the consolidated financial condition and results of operations of the Company and its subsidiaries.

/s/ JAMES HAGEDORN	/s/ DAVID C. EVANS
James Hagedorn	David C. Evans
Chief Executive Officer	Chief Financial Officer and Executive Vice President,
and Chairman of the Board	Strategy and Business Development
November 20, 2012	November 20, 2012

* THESE CERTIFICATIONS ARE BEING FURNISHED AS REQUIRED BY RULE 13a-14(b) UNDER THE SECURITIES EXCHANGE ACT OF 1934 (THE "EXCHANGE ACT") AND SECTION 1350 OF CHAPTER 63 OF TITLE 18 OF THE UNITED STATES CODE, AND SHALL NOT BE DEEMED "FILED" FOR PURPOSES OF SECTION 18 OF THE EXCHANGE ACT OR OTHERWISE SUBJECT TO THE LIABILITY OF THAT SECTION. THESE CERTIFICATIONS SHALL NOT BE DEEMED TO BE INCORPORATED BY REFERENCE INTO ANY FILING UNDER THE SECURITIES ACT OF 1933 OR THE EXCHANGE ACT, EXCEPT TO THE EXTENT THAT THE COMPANY SPECIFICALLY INCORPORATES THESE CERTIFICATIONS BY REFERENCE.

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

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2012

OR

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

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER: 001-11593

The Scotts Miracle-Gro Company
(Exact name of registrant as specified in its charter)

OHIO	**31-1414921**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
14111 SCOTTSLAWN ROAD, MARYSVILLE, OHIO	**43041**
(Address of principal executive offices)	**(Zip Code)**

(937) 644-0011
(Registrant's telephone number, including area code)

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

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

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

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	o (Do not check if a smaller reporting company)	Smaller reporting company	☐

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Outstanding at August 06, 2012
Common Shares, $0.01 stated value, no par value	61,156,686 common shares

THE SCOTTS MIRACLE-GRO COMPANY
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THE SCOTTS MIRACLE-GRO COMPANY

Condensed Consolidated Statements of Operations
(In Millions, Except Per Common Share Data)
(Unaudited)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPTEMBER 30, 2012	SEPTEMBER 30, 2011	SEPTEMBER 30, 2012	SEPTEMBER 30, 2011
Net sales	$ 401.2	$ 403.1	$ 2,826.1	$ 2,799.7
Cost of sales	296.2	289.3	1,864.4	1,769.0
Cost of sales – product registration and recall matters	—	—	0.4	3.2
Gross profit	105.0	95.5	961.3	1,009.2
Operating expenses:				
Selling, general and administrative	148.6	136.4	705.7	686.3
Impairment, restructuring and other charges	—	34.0	7.1	37.6
Product registration and recall matters	0.4	3.6	7.8	11.4
Other income, net	0.7	3.0	(2.9)	(0.9)
Income from operations	(44.7)	(81.5)	243.6	274.8
Costs related to refinancing	—	—	—	1.2
Interest expense	12.0	13.7	61.8	51.0
Income from continuing operations before income taxes	(56.7)	(95.2)	181.8	222.6
Income tax expense from continuing operations	(20.1)	(33.2)	68.6	82.7
Income from continuing operations	(36.6)	(62.0)	113.2	139.9
Income (loss) from discontinued operations, net of tax	(2.9)	8.7	(6.7)	28.0
Net income	$ (39.5)	$ (53.3)	$ 106.5	$ 167.9
Basic income per common share:				
Income from continuing operations	$ (0.60)	$ (1.00)	$ 1.86	$ 2.16
Income (loss) from discontinued operations	(0.05)	0.14	(0.11)	0.44
Basic income per common share	$ (0.65)	$ (0.86)	$ 1.75	$ 2.60
Weighted-average common shares outstanding during the period	61.2	62.0	61.0	64.7
Diluted income per common share:				
Income from continuing operations	$ (0.60)	$ (1.00)	$ 1.82	$ 2.11
Income (loss) from discontinued operations	(0.05)	0.14	(0.11)	0.43
Diluted income per common share	$ (0.65)	$ (0.86)	$ 1.71	$ 2.54
Weighted-average common shares outstanding during the period plus dilutive potential common shares	61.2	62.0	62.1	66.2
Dividends declared per common share	$ 0.30	$ 0.25	$ 0.90	$ 0.75

See notes to condensed consolidated financial statements.

THE SCOTTS MIRACLE-GRO COMPANY

Condensed Consolidated Statements of Cash Flows
(In Millions)
(Unaudited)

	NINE MONTHS ENDED SEPTEMBER 30, 2012	NINE MONTHS ENDED SEPTEMBER 30, 2011
OPERATING ACTIVITIES		
Net income	$ 146.6	$ 221.3
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Impairment and other charges	5.3	12.4
Costs related to refinancing	—	1.2
Share-based compensation expense	10.6	14.3
Depreciation	39.6	37.3
Amortization	7.3	8.7
Gain on sale of long-lived assets	(0.1)	(0.1)
Gain on sale of business	—	(93.0)
Changes in assets and liabilities, net of acquired businesses:		
Accounts receivable	(293.5)	(352.9)
Inventories	(79.5)	(87.8)
Prepaid and other assets	12.2	(8.0)
Accounts payable	97.6	113.9
Other current liabilities	178.4	121.8
Restructuring reserves	(14.2)	(0.3)
Other non-current items	(4.8)	(2.7)
Other, net	9.6	0.4
Net cash provided by (used in) operating activities	115.1	(13.5)
INVESTING ACTIVITIES		
Proceeds from sale of long-lived assets	0.5	0.2
Proceeds from sale of business, net of transaction costs	—	253.9
Investments in property, plant and equipment	(39.0)	(53.3)
Payment of contingent consideration and related	—	(20.0)
Investment in acquired business, net of cash acquired	(7.0)	(0.8)
Net cash (used in) provided by investing activities	(45.5)	180.0
FINANCING ACTIVITIES		
Borrowings under revolving and bank lines of credit	1,531.9	1,419.2
Repayments under revolving and bank lines of credit	(1,549.4)	(1,459.2)
Proceeds from issuance of Senior Notes	—	200.0
Financing and issuance fees	—	(18.5)
Dividends paid	(55.5)	(49.4)
Purchase of common shares	(17.5)	(218.7)
Excess tax benefits from share-based payment arrangements	5.0	5.4
Cash received from the exercise of stock options	16.6	29.4
Net cash used in financing activities	(68.9)	(91.8)
Effect of exchange rate changes on cash	0.7	1.5
Net increase in cash and cash equivalents	1.4	76.2
Cash and cash equivalents, beginning of period	130.9	88.1
Cash and cash equivalents, end of period	$ 132.3	$ 164.3
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	$ (48.8)	$ (33.6)
Income taxes paid	(18.6)	(63.1)

See notes to condensed consolidated financial statements.

THE SCOTTS MIRACLE-GRO COMPANY

Condensed Consolidated Balance Sheets
(In Millions, Except Stated Value Per Share)

	SEPTEMBER 30, 2012	SEPTEMBER 30, 2011	SEPTEMBER 30, 2012
	(UNAUDITED)		
ASSETS			
Current assets:			
Cash and cash equivalents	$ 132.3	$ 164.3	$ 130.9
Accounts receivable, less allowances of $6.2, $13.6 and $12.9, respectively	516.7	693.9	323.5
Accounts receivable pledged	97.2	—	—
Inventories	469.3	442.2	387.0
Prepaid and other current assets	130.6	137.3	151.1
Total current assets	1,346.1	1,437.7	992.5
Property, plant and equipment, net of accumulated depreciation of $533.7, $496.8 and $510.5, respectively	387.7	394.3	394.7
Goodwill	309.1	306.5	309.1
Intangible assets, net	308.7	343.2	319.6
Other assets	32.5	45.5	36.3
Total assets	$ 2,384.1	$ 2,527.2	$ 2,052.2
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Current portion of debt	$ 90.8	$ 2.1	$ 3.2
Accounts payable	242.8	258.8	150.0
Other current liabilities	476.6	490.2	315.4
Total current liabilities	810.2	751.1	468.6
Long-term debt	680.4	782.1	791.8
Other liabilities	219.5	225.7	232.0
Total liabilities	1,710.1	1,758.9	1,492.4
Commitments and contingencies (notes 3 and 12)			
Shareholders' equity:			
Common shares and capital in excess of $.01 stated value per share, 61.2, 63.7 and 60.8 shares issued and outstanding, respectively	413.6	426.7	427.1
Retained earnings	690.3	671.3	599.2
Treasury shares, at cost: 7.0, 4.6 and 7.5 shares, respectively	(359.2)	(252.6)	(388.5)
Accumulated other comprehensive loss	(70.7)	(77.1)	(78.0)
Total shareholders' equity	674.0	768.3	559.8
Total liabilities and shareholders' equity	$ 2,384.1	$ 2,527.2	$ 2,052.2

See notes to condensed consolidated financial statements.

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") 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.

On February 28, 2011, the Company completed the sale of a significant majority of the assets of its Global Professional business (excluding the non-European professional seed business, "Global Pro") to Israel Chemicals Ltd. ("ICL"). As a result of the then-pending sale, effective in the Company's first quarter of fiscal 2011, the Company classified Global Pro as discontinued operations. See "NOTE 2. DISCONTINUED OPERATIONS" for additional details regarding the sale of Global Pro.

Organization and Basis of Presentation

The Company's unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2012 and September 30, 2011 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. 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, 2012, which includes a complete set of footnote disclosures, including the Company's significant accounting policies.

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.

RECENT ACCOUNTING PRONOUNCEMENTS

Fair Value Measurement

In May 2011, the Financial Accounting Standards Board (the "FASB") issued amended accounting guidance to improve comparability of fair value measures between GAAP and the International Financial Reporting Standards. The amended guidance clarifies how to apply the existing fair value measurement and disclosure requirements. The provisions were effective for the Company's financial statements for the interim period beginning January 1, 2012. The adoption of the amended guidance did not have a significant impact on the Company's financial statements and related disclosures.

Comprehensive Income

In June 2011, the FASB issued amended accounting guidance on the presentation of comprehensive income. The amended guidance requires that all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The provisions will be effective for the Company's financial statements for the fiscal year beginning October 1, 2012. The Company is in the process of evaluating the impact that the amended guidance may have on its financial statements and related disclosures.

Testing for Goodwill Impairment

In September 2011, the FASB issued new accounting guidance that permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. The entity is not required to calculate the fair value of a reporting unit unless the entity determines that it is more likely than not that the reporting unit's fair value is less than its carrying value. The guidance will be effective for the Company's financial statements for the fiscal year beginning October 1, 2012. The Company is in the process of evaluating the impact that the guidance may have on its financial statements and related disclosures.

Testing for Indefinite-Lived Intangible Asset Impairment

In July 2012, the FASB issued new accounting guidance that permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount as a basis for determining whether it is necessary to calculate the fair value of the asset. The entity is not required to calculate the fair value of an indefinite-lived intangible asset unless the entity determines that it is more likely than not that the indefinite-lived intangible asset's fair value is less than its carrying value. The guidance will be effective for the Company's financial statements for the fiscal year beginning October 1, 2012. The Company is in the process of evaluating the impact that the guidance may have on its financial statements and related disclosures.

NOTE 2. DISCONTINUED OPERATIONS

On February 28, 2011, the Company completed the sale of Global Pro to ICL for $270 million. After agreed upon adjustments (including post-closing adjustments), the Company received $270.9 million net proceeds, or $253.6 million after transaction costs. Results from discontinued operations for fiscal 2011 include an after-tax gain on the sale of Global Pro of $39.5 million, which includes transaction costs. In addition, in the third quarter of fiscal 2012, the Company recorded an adjustment of $(0.2) million as a change in estimate on the tax due on the sale of Global Pro.

Pursuant to the terms of the indenture governing the Company's 7.25% Senior Notes due 2018 and the indenture governing the Company's 6.625% Senior Notes due 2020, the Company had a period of P360D days to apply an amount equal to the net proceeds received from the sale of Global Pro to repay indebtedness, acquire equity interests in certain entities, make capital expenditures, acquire other assets useful in a related business and/or make investments in certain joint ventures. Any amount not so applied must be used to make an offer to repurchase the Senior Notes, provided that such repurchase offer may be deferred until such time as the unutilized proceeds exceed $50 million. As of September 30, 2012, the Company had applied all but approximately $45 million of the net proceeds to one or more of the uses permitted by the indentures.

The Company's decision to exit the professional ornamental horticulture, turf and specialty agriculture markets and sell Global Pro was another step in its strategy to evolve its business portfolio to better leverage growth opportunities within its Global Consumer and Scotts LawnService® business segments.

In conjunction with the transaction, The Scotts Company LLC ("Scotts LLC"), a wholly owned subsidiary of Scotts Miracle-Gro, and ICL entered into several product supply agreements which are generally up to P5Y years in duration, as well as various trademark and technology licensing agreements with varying durations. The purpose of these agreements is to allow each party to continue leveraging existing production capabilities and intellectual property to meet customer demand for their respective products. Scotts LLC estimates that it will supply ICL with approximately $40 million of product under these agreements, as well as purchase approximately $15 million of materials from ICL, each on an annualized basis.

The Company's continuing cash inflows and outflows related to these agreements are not considered to be significant in relation to the overall cash flows of Global Pro. Furthermore, none of these agreements permit the Company to influence the operating or financial policies of Global Pro under the ownership of ICL. Therefore, Global Pro met the criteria for presentation as discontinued operations. As such, effective in the first quarter of fiscal 2011, the Company classified Global Pro as discontinued operations for all periods presented. The Global Pro results from discontinued operations include an allocation of interest expense relating to the amount of our then existing credit facilities that was required to be repaid from the sale proceeds.

The following table summarizes the results of Global Pro within discontinued operations for the periods presented (in millions):

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	JUNE 30, 2012	JULY 2, 2011	JUNE 30, 2012	JULY 2, 2011
Net sales	$ 26.7	$ 281.6	$ 124.7	$ 88.7
Operating costs	32.7	282.8	122.5	78.1
Gain on sale of Global Pro business	—	—	(93.0)	(93.0)
Global Pro sale related transaction costs	—	—	17.3	17.0
Other expense, net	0.3	(22.6)	(1.0)	(0.2)
Interest expense	—	3.6	1.7	1.7
Income from discontinued operations before income taxes	(6.9)	(0.5)	57.0	85.1
Income tax expense from discontinued operations	(0.2)	3.1	29.0	57.4
Income (loss) from discontinued operations	$ (6.7)	$ (3.6)	$ 28.0	$ 27.7

NOTE 3. PRODUCT REGISTRATION AND RECALL MATTERS

In April 2008, the Company became aware that a former associate apparently deliberately circumvented the Company's policies and U.S. Environmental Protection Agency ("U.S. EPA") regulations under the Federal Insecticide, Fungicide, and Rodenticide Act of 1947, as amended ("FIFRA"), by failing to obtain valid registrations for certain products and/or causing certain invalid product registration forms to be submitted to regulators. Since that time, the Company has been cooperating with both the U.S. EPA and the U.S. Department of Justice (the "U.S. DOJ") in related civil and criminal investigations into the pesticide product registration issues as well as a state civil investigation into related allegations arising under state pesticide registration laws and regulations.

In late April 2008, in connection with the U.S. EPA's investigation, the Company conducted a consumer-level recall of certain consumer lawn and garden products and a Scotts LawnService® product. Subsequently, the Company and the U.S. EPA agreed upon a Compliance Review Plan for conducting a comprehensive, independent review of the Company's product registration records. Pursuant to the Compliance Review Plan, an independent third-party firm, Quality Associates Incorporated ("QAI"), reviewed substantially all of the Company's U.S. pesticide product registrations and associated advertisements, some of which were historical in nature and no longer related to sales of the Company's products. The U.S. EPA investigation and the QAI review process resulted in the temporary suspension of sales and shipments of certain products. In addition, as the QAI review process or the Company's internal review identified potential FIFRA registration issues (some of which appear unrelated to the actions of the former associate), the Company endeavored to stop selling or distributing the affected products until the issues could be resolved. QAI's review of the Company's U.S. pesticide product registrations and associated advertisements is now substantially complete. The results of the QAI review process did not materially affect the Company's fiscal 2009, fiscal 2010 or fiscal 2011 sales and are not expected to materially affect the Company's fiscal 2012 sales.

In fiscal 2008, the Company conducted a voluntary recall of certain of its wild bird food products due to a formulation issue. Certain wild bird food products had been treated with pest control additives to avoid insect infestation, especially at retail stores. While the pest control additives had been labeled for use on certain stored grains that can be processed for human and/or animal consumption, they were not labeled for use on wild bird food products. In October 2008, the U.S. Food & Drug Administration concluded that the recall had been completed and that there had been proper disposition of the recalled products. The wild bird food recall did not materially affect the Company's fiscal 2009, fiscal 2010 or fiscal 2011 financial condition, result of operations or cash flows and are not expected to affect the Company's fiscal 2012 financial condition, result of operations or cash flows.

Settlement discussions relating to potential fines and/or penalties are a frequent outgrowth of governmental investigations. In that regard, on or about June 30, 2011, the Company received a Notice of Intent to File Administrative Complaint ("Notice") from the U.S. EPA Region 5 with respect to the alleged FIFRA violations. The Notice, which did not set forth a proposed penalty amount, offered the Company an opportunity to present any information that it believed the U.S. EPA should consider prior to filing the complaint and indicated that the U.S. EPA was prepared to meet with the Company to discuss the alleged violations. The Company made a timely response to the Notice and settlement discussions between the Company and the U.S. EPA are ongoing.

As previously disclosed, the Company has also been engaged in settlement discussions with the U.S. DOJ regarding its criminal investigation. On January 25, 2012, a plea agreement (the "Plea Agreement"), executed by both Scotts Miracle-Gro and the U.S. DOJ, was filed with the United States District Court for the Southern District of Ohio. Under the terms of the Plea Agreement, Scotts Miracle-Gro agreed to plead guilty to 10 counts of violating FIFRA and the regulations promulgated thereunder, to pay a $4 million penalty to the United States and to provide $0.1 million to each of the following programs designed to enhance and protect the natural environment, particularly habitats for the bird populations that the U.S. EPA's regulation of pesticides is designed to protect: (1) Ohio Audubon's Important Bird Area Program; (2) Ohio Department of Natural Resources' Urban Forestry Program; (3) Columbus Metro-Parks Bird Habitat Enhancement Program; (4) Cornell University Ornithology Laboratory; and (5)The Nature Conservancy of Ohio. In exchange for Scotts Miracle-Gro's guilty plea and the other promises contained in the Plea Agreement, the U.S. DOJ agreed not to criminally prosecute the Company for any other federal crimes relating to any potential FIFRA violations known to the government as of the date of the Plea Agreement. On March 13, 2012, the court accepted the Company's guilty plea, but delayed sentencing thereon to an unspecified later date. The Company's previously established accrual includes the full amount of the proposed criminal penalty and other amounts payable under the Plea Agreement.

The U.S. EPA and related state investigations continue and the court has not yet issued its sentence with respect to the Plea Agreement between Scotts Miracle-Gro and the U.S. DOJ. In addition, the Company may be subject to additional judgments, settlements, fines and/or penalties as a result of federal, state or private actions with respect to known or potential additional product registration issues. Accordingly, the Company cannot reasonably estimate the total scope or magnitude of all possible liabilities that could result from known or potential product registration issues. Based on the facts and circumstances known to the Company at this time (including settlement discussions that have taken place to date and the Plea Agreement), the Company has established what it believes to be an appropriate accrual. It is possible that any fines and/or penalties with respect to the investigations, as well as any judgments, litigation costs or other liabilities relating to such known or potential product registration issues, could exceed the amount of the accrual and could have an adverse effect on the Company's financial condition, results of operations or cash flows.

As a result of these registration and recall matters, the Company has recorded charges for affected inventory and other registration and recall-related costs. The Company expects that future charges will include costs associated with the rework of certain finished goods inventories, the potential disposal of certain products and ongoing third-party professional services related to the U.S. EPA, U.S. DOJ and state investigations. It may also be appropriate to establish additional accruals as settlement discussions continue or in connection with other actions or potential liabilities arising in connection with the product registration and recall issues.

The following tables summarize the impact of the product registration and recall matters on the Company's results of operations and other current liabilities for the periods presented (in millions):

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPTEMBER 30, 2012	SEPTEMBER 30, 2011	SEPTEMBER 30, 2012	SEPTEMBER 30, 2011
Cost of sales — other charges	$ 0.2	$ 1.1	$ 0.4	$ 3.2
Gross loss	(0.2)	(1.1)	(0.4)	(3.2)
Selling, general and administrative	3.8	5.7	7.8	11.4
Loss from operations	(4.0)	(6.8)	(8.2)	(11.0)
Income tax (expense) benefit	(0.1)	0.8	(0.8)	(2.6)
Net loss	$ (4.1)	$ (6.0)	$ (9.0)	$ (13.6)

	SEPTEMBER 30, 2012	ADDITIONAL COSTS AND CHANGES IN ESTIMATE	ACCRUALS USED	SEPTEMBER 30, 2012
Other costs of sales	$ 0.7	$ 0.4	$ (0.8)	$ 0.3
Other general and administrative costs	7.8	7.8	(7.2)	8.4
Total cost accrued	$ 8.5	$ 8.2	$ (8.0)	$ 8.7

NOTE 4. IMPAIRMENT, RESTRUCTURING AND OTHER CHARGES

On August 8, 2011, the Company announced a restructuring plan (the "2011 restructuring plan") designed to streamline management decision making and continue the regionalization of the Company's operating structure, with the objective of reinvesting the savings generated in innovation and growth initiatives. During fiscal 2011, the Company incurred $23.7 million in restructuring costs related to termination benefits provided to employees who were involuntarily terminated and special termination benefits provided to certain employees upon future separation, as well as $2.3 million related to curtailment charges for its U.S. defined benefit pension and U.S. retiree medical plans. A majority of these costs that were incurred were in relation to the Global Consumer segment and Corporate & Other. In continuation of the 2011 restructuring plan, during the nine months ended September 30, 2012, the Company incurred an additional $1.6 million in restructuring costs related to termination benefits provided to employees who accepted voluntary retirement and special termination benefits provided to certain employees upon future separation as well as $0.2 million related to curtailment charges for its U.S. defined benefit pension and U.S retiree medical plans. A significant portion of the amounts reserved as of September 30, 2012, will be paid out over the course of fiscal 2012. Included in the restructuring reserves is $4.5 million that is classified as long-term. Payments against the long-term reserves will start once the employees covered by the 2011 restructuring plan retire.

The following table summarizes the activity related to liabilities associated with the restructuring and other charges during the nine months ended September 30, 2012 (in millions):

Amounts reserved for restructuring and other charges at September 30, 2011	$	29.6
Restructuring and other charges		1.8
Payments and other		(21.3)
Amounts reserved for restructuring and other charges at June 30, 2012	$	10.1

For the nine months ended September 30, 2012, the Company recognized a $5.3 million asset impairment charge as a result of issues with commercialization of products including the active ingredient MAT 28 for the Global Consumer segment. Also included is a $0.5 million impairment charge related to the investment in Turf-Seed (Europe) Limited.

NOTE 5. INVENTORIES

Inventories consisted of the following for each of the periods presented (in millions):

	SEPTEMBER 30, 2012		SEPTEMBER 30, 2011		SEPTEMBER 30, 2012	
Finished goods	$	284.6	$	258.7	$	130.7
Work-in-process		37.1		27.7		34.3
Raw materials		147.6		155.8		222.0
Total inventories	$	469.3	$	442.2	$	387.0

Adjustments to reflect inventories at net realizeable values were $26.3 million at September 30, 2012, $31.4 million at September 30, 2011 and $31.4 million at September 30, 2012.

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 within the United States and other specified countries, including Australia, Austria, Belgium, Canada, France, Germany, the Netherlands and the United Kingdom. Under the terms of 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 (EBIT) 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 to Monsanto as a contribution against the overall expenses of the consumer Roundup® business. The annual contribution payment is defined in the Marketing Agreement as $20 million.

In consideration for the rights granted to the Company under the Marketing Agreement for North America, the Company was required to pay 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 P20Y years, with a remaining amortization period of less than P6Y years as of September 30, 2012.

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 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 (in millions):

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPTEMBER 30, 2012	SEPTEMBER 30, 2011	SEPTEMBER 30, 2012	SEPTEMBER 30, 2011
Gross commission	$ 38.2	$ 32.9	$ 71.6	$ 65.9
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	33.0	27.7	56.0	50.3
Reimbursements associated with Marketing Agreement	27.8	17.7	69.0	51.9
Total net sales associated with Marketing Agreement	$ 60.8	$ 45.4	$ 125.0	$ 102.2

The Marketing Agreement has no definite term except as it relates to the European Union countries (the "EU term"). The EU term extends through September 30, 2013, with an automatic renewal period of two years, subject to non-renewal only upon the occurrence of certain performance defaults. Thereafter, the Marketing Agreement provides that the parties may agree to renew the EU term for an additional three years.

The Marketing Agreement provides Monsanto with the right to terminate the Marketing Agreement upon an event of default (as defined in the Marketing Agreement) by the Company, a change in control of Monsanto or the sale of the consumer Roundup® business. The Marketing Agreement provides the Company with the right to terminate the Marketing Agreement in certain circumstances, including an event of default by Monsanto or the sale of the consumer Roundup® business. Unless Monsanto terminates the Marketing Agreement due to an event of default by the Company, Monsanto is required to pay a termination fee to the Company that varies by program year. The termination fee is calculated as a percentage of the value of the Roundup® business exceeding a certain threshold, but in no event will the termination fee be less than $16 million. If Monsanto were to terminate the Marketing Agreement for cause, the Company would not be entitled to any termination fee. Monsanto may also be able to terminate the Marketing Agreement within a given region, including North America, without paying a termination fee if unit volume sales to consumers in that region decline: (1) over a cumulative three-fiscal-year period; or (2) by more than 5% for each of two consecutive years. If the Marketing Agreement was terminated for any reason, the Company would also lose all, or a substantial portion, of the significant source of earnings and overhead expense absorption the Marketing Agreement provides.

Under the Marketing Agreement, Monsanto must provide the Company with notice of any proposed sale of the consumer Roundup business, allow the Company to participate in the sale process and negotiate in good faith with the Company with respect to any such proposed sale. In the event the Company acquires the consumer Roundup® business in such a sale, the Company would receive as a credit against the purchase price the amount of the termination fee that would have been paid to the Company if Monsanto had exercised its right to terminate the Marketing Agreement in connection with a sale to another party. If Monsanto decides to sell the consumer Roundup® business to another party, the Company must let Monsanto know whether the Company intends to terminate the Marketing Agreement and forfeit any right to a termination fee or whether it will agree to continue to perform under the Marketing Agreement on behalf of the purchaser.

NOTE 7. DEBT

The components of long-term debt are as follows (in millions):

	SEPTEMBER 30, 2012	SEPTEMBER 30, 2011	SEPTEMBER 30, 2012
Credit facility – revolving loans	$ 278.3	$ 377.0	$ 387.2
Senior Notes – 7.25%	200.0	200.0	200.0
Senior Notes – 6.625%	200.0	200.0	200.0
MARP Agreement	87.5	—	—
Other	5.4	7.2	7.8
	771.2	784.2	795.0
Less current portions	90.8	2.1	3.2
Total long-term debt	$ 680.4	$ 782.1	$ 791.8

As of September 30, 2012, there was $1.4 billion of availability under the Company's senior secured credit facility, including availability under letters of credit. Under the credit facility, the Company has the ability to issue letter of credit commitment s up to $75 million. At September 30, 2012, the Company had letters of credit in the aggregate face amount of $25.4 million outstanding.

The Company was in compliance with the terms of all debt covenants at September 30, 2012. The credit facility contains, among other obligations, an affirmative covenant regarding the Company’s leverage ratio, calculated as average total indebtedness, as described in the Company’s credit facility, relative to the Company’s earnings before interest, taxes, deprecation 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 3.50 as of September 30, 2012. The Company’s leverage ratio was 0 at September 30, 2012. The Company’s credit facility also includes an affirmative covenant regarding its interest coverage ratio. 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 September 30, 2012. The Company’s interest coverage ratio was 4.89 for the twelve months ended September 30, 2012.

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. There were $87.5 million in borrowings under the MARP Agreement as of September 30, 2012.

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, which are the prevailing market rates, 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.

7.25% Senior Notes

The fair value of Scotts Miracle-Gro’s 7.25% Senior Notes due 2018 (the “7.25% Senior Notes”) can be determined based on the trading of the 7.25% Senior Notes in the open market. The difference between the carrying value and the fair value of the 7.25% Senior Notes represents the premium or discount on that date. Based on the trading value on or around September 30, 2012, September 30, 2011 and September 30, 2012, the fair value of the 7.25% Senior Notes was approximately $216.8 million, $218.0 million and $206.0 million, respectively. The fair value measurement for the 7.25% Senior Notes was classified in Level 1 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 September 30, 2012, September 30, 2011 and September 30, 2012, the fair value of the 6.625% Senior Notes was approximately $215.0 million, $204.0 million and $198.1 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, which are the prevailing market rates, 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.

NOTE 8. COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) ("OCI") were as follows (in millions):

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPTEMBER 30, 2012	SEPTEMBER 30, 2011	SEPTEMBER 30, 2012	SEPTEMBER 30, 2011
Net income	$ 93.3	$ 111.6	$ 146.6	$ 221.3
Other comprehensive income (loss):				
Net unrealized (loss) gain on derivative instruments	(2.0)	(3.5)	0.3	4.6
Net change in pension and other postretirement related items	1.5	1.0	3.6	7.9
Foreign currency translation adjustments	4.4	(3.2)	(0.5)	(12.5)
Total comprehensive income	$ 97.2	$ 105.9	$ 150.0	$ 221.3

NOTE 9. 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 (in millions):

	THREE MONTHS ENDED					
	SEPTEMBER 30, 2012			SEPTEMBER 30, 2011		
	U.S. Pension	International Pension	U.S. Medical	U.S. Pension	International Pension	U.S. Medical
Service cost	$ —	$ 0.3	$ 0.2	$ —	$ 0.4	$ 0.1
Interest cost	1.1	2.5	0.4	1.2	2.6	0.4
Expected return on plan assets	(1.3)	(2.4)	—	(1.3)	(2.4)	—
Net amortization	1.2	0.2	—	1.2	0.3	—
Net periodic benefit cost	$ 1.0	$ 0.6	$ 0.6	$ 1.1	$ 0.9	$ 0.5

	NINE MONTHS ENDED					
	SEPTEMBER 30, 2012			SEPTEMBER 30, 2011		
	U.S. Pension	International Pension	U.S. Medical	U.S. Pension	International Pension	U.S. Medical
Service cost	$ —	$ 1.0	$ 0.4	$ —	$ 1.2	$ 0.3
Interest cost	3.4	7.8	1.2	3.6	8.0	1.2
Expected return on plan assets	(4.1)	(7.5)	—	(3.9)	(7.6)	—
Net amortization	3.7	0.7	—	3.7	1.1	—
Curtailment loss	0.2	—	0.1	—	—	—
Net periodic benefit cost	$ 3.2	$ 2.0	$ 1.7	$ 3.4	$ 2.7	$ 1.5

NOTE 10. SHAREHOLDERS' EQUITY

During the nine months ended September 30, 2012, Scotts Miracle-Gro repurchased 0.4 million of its common shares (the "Common Shares") for $17.5 million. These repurchases were made pursuant to the $700 million share repurchase program approved by the Scotts Miracle-Gro Board of Directors. Since the inception of the program in the fourth quarter of fiscal 2010 through September 30, 2012, Scotts Miracle-Gro has repurchased approximately 7.9 million Common Shares for $401.2 million to be held in treasury.

Share-Based Awards

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

	NINE MONTHS ENDED	
	September 30, 2012	September 30, 2011
Employees		
Options	—	—
Restricted stock units	—	—
Performance units	—	—
Board of Directors		
Deferred stock units	—	—
Total share-based awards	—	—
Aggregate fair value at grant dates (in millions)	$ 17.0	$ 13.8

Total share-based compensation recognized was as follows for the periods indicated (in millions):

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPTEMBER 30, 2012	SEPTEMBER 30, 2011	SEPTEMBER 30, 2012	SEPTEMBER 30, 2011
Share-based compensation	$ 1.7	$ 3.4	$ 10.6	$ 14.3
Tax benefit recognized	0.7	1.3	4.1	5.5

NOTE 11. INCOME TAXES

The effective tax rate related to continuing operations for the nine months ended September 30, 2012, was 37.2%, compared to 36.5% for the nine months ended September 30, 2011. 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 below, the Company is no longer subject to examinations by these tax authorities for fiscal years prior to 2009. The Company is currently under examination by certain foreign and U.S. state and local tax authorities. In regard to the local German audit, the tax periods under examination are limited to fiscal years 2004 through 2008. In regard to the local Canadian audit, the tax periods under examination are limited to fiscal years 2009 through 2010. In regard to the U.S. state and local audits, the tax periods under examinations are limited to fiscal years 1997 through 2009. In addition to these aforementioned audits, certain other tax deficiency notices and refund claims for previous years remain unresolved.

The Company currently 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.

NOTE 12. 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, its 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. The Company's identified contingencies include the matters set out below.

FIFRA Compliance, Corresponding Governmental Investigations and Related Litigation

For a description of the Company's ongoing FIFRA compliance efforts, the corresponding governmental investigations and related matters, see "NOTE 3. PRODUCT REGISTRATION AND RECALL MATTERS."

Other Regulatory Matters

At September 30, 2012, $4.9 million was accrued in the "Other liabilities" line in the Condensed Consolidated Balance Sheet for non-FIFRA compliance-related environmental actions, the majority of which is 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. None of the claims seek damages from the Company alone. 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 accrual or reserves have been recorded in the Company's condensed 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.

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.

NOTE 13. 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 periodically uses foreign currency swap contracts to manage the exchange rate risk associated with intercompany loans with foreign subsidiaries that are denominated in local currencies. At September 30, 2012, the notional amount of outstanding foreign currency swap contracts was $146.7 million, with a negative fair value of $1.6 million. At September 30, 2011, the notional amount of outstanding foreign currency swap contracts was $382.4 million, with a fair value of $0.8 million. The fair value of foreign currency swap contracts is determined based on changes in spot rates. The 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. 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.

At September 30, 2012 and September 30, 2011, the Company had outstanding interest rate swap agreements with major financial institutions that effectively converted 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 $700 million and $900 million at September 30, 2012 and September 30, 2011, respectively. Included in the AOCI balance at September 30, 2012 was a loss of $4.4 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 September 30, 2012 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 the AOCI component of shareholders' equity. 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 September 30, 2012 was a gain of $0.3 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.

Periodically, 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 OCI 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. Included in the AOCI balance at September 30, 2012 was a gain of $0.1 million related to fuel 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 had the following outstanding commodity contracts that were entered into to hedge forecasted purchases:

Commodity	SEPTEMBER 30, 2012	SEPTEMBER 30, 2011
Urea	13,500 tons	7,500 tons
Diesel	2,016,000 gallons	1,344,000 gallons
Gasoline	336,000 gallons	—
Heating Oil	210,000 gallons	—

Fair Values of Derivative Instruments

The fair values of the Company's derivative instruments were as follows (in millions):

DERIVATIVES DESIGNATED AS HEDGING INSTRUMENTS	BALANCE SHEET LOCATION	ASSETS / (LIABILITIES) FAIR VALUE SEPTEMBER 30, 2012	SEPTEMBER 30, 2011	SEPTEMBER 30, 2012
Interest rate swap agreements	Other assets	$ —	$ 0.8	$ —
	Other current liabilities	(7.2)	(13.0)	(10.7)
	Other liabilities	(17.9)	(4.6)	(17.4)
Commodity hedging instruments	Prepaid and other current assets	—	0.6	0.1
	Other current liabilities	(0.3)	—	(0.3)
Total derivatives designated as hedging instruments		$ (25.4)	$ (16.2)	$ (28.3)
DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS				
Foreign currency swap contracts	Prepaid and other current assets	$ —	$ 3.1	$ 2.7
	Other current liabilities	(1.6)	(2.3)	—
Commodity hedging instruments	Prepaid and other current assets	—	0.3	—
	Other current liabilities	(0.2)	—	(0.5)
Total derivatives not designated as hedging instruments		$ (1.8)	$ 1.1	$ 2.2
Total derivatives		$ (27.2)	$ (15.1)	$ (26.1)

The effect of derivative instruments on OCI and the Condensed Consolidated Statements of Operations was as follows (in millions):

DERIVATIVES IN CASH FLOW HEDGING RELATIONSHIPS	AMOUNT OF GAIN / (LOSS) RECOGNIZED IN OCI — THREE MONTHS ENDED SEPTEMBER 30, 2012	THREE MONTHS ENDED SEPTEMBER 30, 2011	NINE MONTHS ENDED SEPTEMBER 30, 2012	NINE MONTHS ENDED SEPTEMBER 30, 2011
Interest rate swap agreements	$ (3.7)	$ (6.4)	$ (8.3)	$ (5.1)
Commodity hedging instruments	—	0.3	0.8	1.7
Total	$ (3.7)	$ (6.1)	$ (7.5)	$ (3.4)

DERIVATIVES IN CASH FLOW HEDGING RELATIONSHIPS	LOCATION OF GAIN / (LOSS) RECLASSIFIED FROM AOCI INTO EARNINGS	AMOUNT OF GAIN / (LOSS) RECLASSIFIED FROM AOCI INTO EARNINGS — THREE MONTHS ENDED SEPTEMBER 30, 2012	THREE MONTHS ENDED SEPTEMBER 30, 2011	NINE MONTHS ENDED SEPTEMBER 30, 2012	NINE MONTHS ENDED SEPTEMBER 30, 2011
Interest rate swap agreements	Interest expense	$ (2.4)	$ (3.3)	$ (9.5)	$ (10.1)
Commodity hedging instruments	Cost of sales	0.7	0.7	1.7	2.1
Total		$ (1.7)	$ (2.6)	$ (7.8)	$ (8.0)

DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS	LOCATION OF GAIN / (LOSS) RECOGNIZED IN EARNINGS	AMOUNT OF GAIN / (LOSS) RECOGNIZED IN EARNINGS			
		THREE MONTHS ENDED		NINE MONTHS ENDED	
		SEPTEMBER 30, 2012	SEPTEMBER 30, 2011	SEPTEMBER 30, 2012	SEPTEMBER 30, 2011
Foreign currency swap contracts	Interest expense	$ (5.4)	$ 0.3	$ (3.7)	$ 5.9
Commodity hedging instruments	Cost of sales	(0.9)	(0.3)	1.0	2.0
Total		$ (6.3)	$ —	$ (2.7)	$ 7.9

NOTE 14. 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 foreign currency, interest rate and commodity derivative instruments. Foreign currency swap 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 assets and other current liabilities.

Cash equivalents

Cash equivalents consist of highly liquid investments purchased with a maturity 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.

The following table presents the Company's financial assets and liabilities measured at fair value on a recurring basis at September 30, 2012 (in millions):

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Assets				
Cash equivalents	$ 84.8	$ —	$ —	$ 84.8
Other	6.4	—	—	6.4
Total	$ 91.2	$ —	$ —	$ 91.2
Liabilities				
Derivatives				
Interest rate swap agreements	$ —	$ (28.8)	$ —	$ (28.8)
Foreign currency swap contracts	—	(1.0)	—	(1.0)
Commodity hedging instruments	—	—	—	—
Total	$ —	$ (29.8)	$ —	$ (29.8)

The following table presents the Company's financial assets and liabilities measured at fair value on a recurring basis at September 30, 2011 (in millions):

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Assets				
Derivatives				
Interest rate swap agreements	$ —	$ 0.8	$ —	$ 0.8
Foreign currency swap contracts	—	3.1	—	3.1
Commodity hedging instruments	—	0.9	—	0.9
Other	7.5	—	—	7.5
Total	$ 7.5	$ 4.8	$ —	$ 12.3
Liabilities				
Derivatives				
Interest rate swap agreements	$ —	$ (17.6)	$ —	$ (17.6)
Foreign currency swap contracts	—	(2.3)	—	(2.3)
Total	$ —	$ (19.9)	$ —	$ (19.9)

The following table presents the Company's financial assets and liabilities measured at fair value on a recurring basis at September 30, 2012 (in millions):

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Assets				
Cash equivalents	$ 41.1	$ —	$ —	$ 41.1
Derivatives				
Commodity hedging instruments	—	2.0	—	2.0
Foreign currency swap contracts	—	—	—	—
Other	6.4	—	—	6.4
Total	$ 47.5	$ 2.0	$ —	$ 49.5
Liabilities				
Derivatives				
Interest rate swap agreements	$ —	$ (28.8)	$ —	$ (28.8)
Commodity hedging instruments	—	(1.0)	—	(1.0)
Total	$ —	$ (29.8)	$ —	$ (29.8)

NOTE 15. SEGMENT INFORMATION

The Company divides its business into the following 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 based on several factors, including income from continuing operations before amortization, product registration and recall costs, and impairment, restructuring and other charges, which is not a GAAP measure. Senior management of the Company 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 the Company's professional seed business, revenues and expenses associated with the Company's supply agreements with ICL and the amortization related to the Roundup® Marketing Agreement, 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.

The following tables present summarized financial information concerning the Company's reportable segments for the periods indicated (in millions):

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPTEMBER 30, 2012	SEPTEMBER 30, 2011	SEPTEMBER 30, 2012	SEPTEMBER 30, 2011
Net sales:				
Global Consumer	$ —	$ —	$ 2,649.7	$ 2,225.2
Scotts LawnService®	—	—	224.1	152.2
Segment total	—	—	2,873.8	2,377.4
Corporate & Other	—	—	(0.8)	41.1
Consolidated	$ —	$ —	$ 2,873.0	$ 2,418.5
Income from continuing operations before income taxes:				
Global Consumer	$ —	$ —	$ 490.1	$ 453.8
Scotts LawnService®	—	—	21.0	2.7
Segment total	—	—	511.1	456.5
Corporate & Other	—	—	(99.6)	(80.1)
Intangible asset amortization	—	—	(9.9)	(8.1)
Product registration and recall matters	—	—	(8.7)	(11.0)
Impairment, restructuring and other charges	—	—	(18.5)	(13.8)
Costs related to refinancing	—	—	—	(1.2)
Interest expense	—	—	(43.2)	(37.3)
Consolidated	$ —	$ —	$ 331.2	$ 305.0

	SEPTEMBER 30, 2012	SEPTEMBER 30, 2011	SEPTEMBER 30, 2012
Total assets:			
Global Consumer	$ 1,676.4	$ 1,552.4	$ 1,552.4
Scotts LawnService®	181.5	184.3	184.3
Corporate & Other	216.5	315.5	315.5
Consolidated	$ 2,074.4	$ 2,052.2	$ 2,052.2

NOTE 16. FINANCIAL INFORMATION FOR SUBSIDIARY GUARANTORS AND NON-GUARANTORS

The 7.25% and 6.625% Senior Notes (collectively, the "Senior Notes") issued by Scotts Miracle-Gro on January 14, 2010 and December 16, 2010, respectively, are guaranteed by certain of its domestic subsidiaries and, therefore, the Company has disclosed 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*. The following 100% directly or indirectly owned subsidiaries fully and unconditionally guarantee the Senior Notes on a joint and several basis: EG Systems, Inc., dba Scotts LawnService®; 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, Inc.; SMG Brands, Inc.; SMG Growing Media, Inc.; Swiss Farms Products, Inc.; and The Scotts Company LLC (collectively, the “Guarantors”). SMG Brands, Inc. was added as a Guarantor of the Senior Notes on September 28, 2011. Accordingly, SMG Brands, Inc. has been classified as a Guarantor for all periods presented in the condensed consolidating financial information accompanying this Note 16.

The following information presents Condensed Consolidating Statements of Operations for the three and twelve months ended September 30, 2012 and September 30, 2011, Condensed Consolidating Statements of Cash Flows for the nine months ended September 30, 2012 and September 30, 2011, and Condensed Consolidating Balance Sheets as of September 30, 2012, September 30, 2011 and September 30, 2012. 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 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.

THE SCOTTS MIRACLE-GRO COMPANY
Condensed Consolidating Statement of Operations
for the three months ended September 30, 2012
(in millions)
(Unaudited)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations	Consolidated
Net sales	$ —	$ 895.6	$ 166.6	$ —	$ 1,062.2
Cost of sales	—	577.5	118.0	—	695.5
Cost of sales – product registration and recall matters	—	0.2	—	—	0.2
Gross profit	—	317.9	48.6	—	366.5
Operating expenses:					
Selling, general and administrative	—	150.2	47.3	—	197.5
Impairment, restructuring and other charges	—	—	(0.4)	—	(0.4)
Product registration and recall matters	—	3.8	—	—	3.8
Other income, net	—	(2.1)	(0.3)	—	(2.4)
Income from operations	—	166.0	2.0	—	168.0
Equity income in subsidiaries	(101.0)	(0.3)	—	101.3	—
Other non-operating income	(6.8)	—	—	6.8	—
Interest expense	14.8	7.1	1.5	(6.8)	16.6
Income from continuing operations before income taxes	93.0	159.2	0.5	(101.3)	151.4
Income tax expense (benefit) from continuing operations	(0.3)	56.5	0.2	—	56.4
Income from continuing operations	93.3	102.7	0.3	(101.3)	95.0
Loss from discontinued operations, net of tax	—	(1.7)	—	—	(1.7)
Net income	$ 93.3	$ 101.0	$ 0.3	$ (101.3)	$ 93.3

THE SCOTTS MIRACLE-GRO COMPANY
Condensed Consolidating Statement of Operations
for the nine months ended September 30, 2012
(in millions)
(Unaudited)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations	Consolidated
Net sales	$ —	$ 2,320.9	$ 505.2	$ —	$ 2,826.1
Cost of sales	—	1,511.2	353.2	—	1,864.4
Cost of sales – product registration and recall matters	—	0.4	—	—	0.4
Gross profit	—	809.3	152.0	—	961.3
Operating expenses:					
Selling, general and administrative	—	553.4	152.3	—	705.7
Impairment, restructuring and other charges	—	7.9	(0.8)	—	7.1
Product registration and recall matters	—	7.8	—	—	7.8
Other income, net	—	(1.1)	(1.8)	—	(2.9)
Income from operations	—	241.3	2.3	—	243.6
Equity income in subsidiaries	(126.4)	1.3	—	125.1	—
Other non-operating income	(24.5)	—	—	24.5	—
Interest expense	56.5	25.4	4.4	(24.5)	61.8
Income from continuing operations before income taxes	94.4	214.6	(2.1)	(125.1)	181.8
Income tax expense (benefit) from continuing operations	(12.1)	81.5	(0.8)	—	68.6
Income from continuing operations	106.5	133.1	(1.3)	(125.1)	113.2
Loss from discontinued operations, net of tax	—	(6.7)	—	—	(6.7)
Net income	$ 106.5	$ 126.4	$ (1.3)	$ (125.1)	$ 106.5

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THE SCOTTS MIRACLE-GRO COMPANY
Condensed Consolidating Statement of Cash Flows
for the nine months ended September 30, 2012
(in millions)
(Unaudited)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations	Consolidated
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	$ (20.0)	$ 162.4	$ 11.0	$ —	$ 153.4
INVESTING ACTIVITIES					
Proceeds from sale of long-lived assets	—	0.7	—	—	0.5
Investments in property, plant and equipment	—	(54.5)	(14.9)	—	(69.4)
Investment in acquired business, net of cash acquired	—	(6.7)	(0.3)	—	(7.0)
Net cash used in investing activities	—	(60.5)	(15.2)	—	(145.8)
FINANCING ACTIVITIES					
Borrowings under revolving and bank lines of credit	—	853.4	830.6	—	1,684.0
Repayments under revolving and bank lines of credit	—	(1,016.2)	(678.4)	—	(1,694.6)
Dividends paid	(75.4)	—	—	—	(75.4)
Purchase of common shares	(17.5)	—	—	—	(17.5)
Excess tax benefits from share-based payment arrangements	—	6.6	—	—	6.6
Cash received from the exercise of stock options	17.6	—	—	—	17.6
Intercompany financing	95.3	52.6	(147.9)	—	—
Net cash provided by (used in) financing activities	20.0	(103.6)	4.3	—	(79.3)
Effect of exchange rate changes on cash	—	—	2.6	—	2.6
Net increase (decrease) in cash and cash equivalents	—	(1.7)	2.7	—	(69.1)
Cash and cash equivalents, beginning of period	—	4.3	126.6	—	130.9
Cash and cash equivalents, end of period	$ —	$ 2.6	$ 129.3	$ —	$ 61.8

THE SCOTTS MIRACLE-GRO COMPANY
Condensed Consolidating Balance Sheet
As of September 30, 2012
(in millions)
(Unaudited)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ —	$ 2.6	$ 129.3	$ —	$ 131.9
Accounts receivable, net	—	248.4	82.5	—	330.9
Accounts receivable pledged	—	97.2	—	—	97.2
Inventories	—	332.1	82.8	—	414.9
Prepaid and other current assets	—	88.5	33.8	—	122.3
Total current assets	—	768.8	328.4	—	1,097.2
Property, plant and equipment, net	—	368.2	59.2	—	427.4
Goodwill	—	308.7	0.7	—	309.4
Intangible assets, net	—	264.2	42.9	—	307.1
Other assets	29.8	11.2	32.8	(43.3)	30.5
Equity investment in subsidiaries	828.5	—	—	(828.5)	—
Intercompany assets	556.6	—	—	(556.6)	—
Total assets	$ 1,414.9	$ 1,721.1	$ 464.0	$ (1,428.4)	$ 2,171.6
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Current portion of debt	$ —	$ 1.2	$ 0.3	$ —	$ 1.5
Accounts payable	—	105.4	46.9	—	152.3
Other current liabilities	15.9	177.4	86.5	—	279.8
Total current liabilities	15.9	284.0	133.7	—	433.6
Long-term debt	777.1	99.8	281.3	(377.1)	781.1
Other liabilities	20.0	227.2	54.0	(43.4)	257.8
Equity investment in subsidiaries	—	303.7	—	(303.7)	—
Intercompany liabilities	—	50.9	128.5	(179.4)	—
Total liabilities	813.0	965.6	597.5	(903.6)	1,472.5
Shareholders' equity	601.9	658.3	(133.5)	(524.8)	601.9
Total liabilities and shareholders' equity	$ 1,414.9	$ 1,623.9	$ 464.0	$ (1,428.4)	$ 2,074.4

THE SCOTTS MIRACLE-GRO COMPANY
Condensed Consolidating Statement of Operations
for the three months ended September 30, 2011
(in millions)
(Unaudited)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations	Consolidated
Net sales	$ —	$ 852.9	$ 205.8	$ —	$ 1,058.7
Cost of sales	—	528.8	128.7	—	657.5
Cost of sales—product registration and recall matters	—	1.1	—	—	1.1
Gross profit	—	323.0	77.1	—	400.1
Operating expenses:					
Selling, general and administrative	—	134.1	58.3	—	192.4
Impairment, restructuring and other charges	—	13.8	—	—	13.8
Product registration and recall matters	—	5.7	—	—	5.7
Other income, net	—	(4.1)	(0.1)	—	(4.2)
Income from operations	—	173.5	18.9	—	192.4
Equity income in subsidiaries	(120.3)	(4.6)	—	124.9	—
Other non-operating income	(5.4)	—	—	5.4	—
Costs related to refinancing	1.2	—	—	—	1.2
Interest expense	13.1	5.3	1.0	(5.4)	14.0
Income from continuing operations before income taxes	111.4	172.8	17.9	(124.9)	177.2
Income tax expense (benefit) from continuing operations	(0.2)	59.2	6.5	—	65.5
Income from continuing operations	111.6	113.6	11.4	(124.9)	111.7
Income (loss) from discontinued operations, net of tax	—	6.7	(6.8)	—	(0.1)
Net income	$ 111.6	$ 120.3	$ 4.6	$ (124.9)	$ 111.6

THE SCOTTS MIRACLE-GRO COMPANY
Condensed Consolidating Statement of Operations
for the nine months ended September 30, 2011
(in millions)
(Unaudited)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations	Consolidated
Net sales	$ —	$ 2,276.6	$ 523.1	$ —	$ 2,799.7
Cost of sales	—	1,422.9	346.1	—	1,769.0
Cost of sales—product registration and recall matters	—	3.2	—	—	3.2
Gross profit	—	850.5	162.5	—	1,013.0
Operating expenses:					
Selling, general and administrative	—	523.9	162.4	—	686.3
Impairment, restructuring and other charges	—	34.1	3.5	—	37.6
Product registration and recall matters	—	11.4	—	—	7.8
Other income, net	—	(0.5)	(0.4)	—	(0.9)
Income from operations	—	281.6	32.5	—	314.1
Equity income in subsidiaries	(186.8)	(41.6)	—	228.4	—
Other non-operating income	(19.4)	—	—	19.4	—
Costs related to refinancing	1.2	—	—	—	1.2
Interest expense	48.1	20.0	2.3	(19.4)	37.3
Income from continuing operations before income taxes	220.7	303.2	30.2	(247.6)	306.5
Income tax expense (benefit) from continuing operations	(11.0)	90.6	3.1	—	82.7
Income from continuing operations	221.3	212.6	19.2	(247.6)	205.5
Income (loss) from discontinued operations, net of tax	—	(8.5)	36.5	—	28.0
Net income	$ 221.3	$ 204.1	$ 5.1	$ (247.6)	$ 182.9

THE SCOTTS MIRACLE-GRO COMPANY
Condensed Consolidating Statement of Cash Flows
for the nine months ended September 30, 2011
(in millions)
(Unaudited)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations	Consolidated
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	$ (10.5)	$ 84.0	$ 48.6	$ —	$ (13.5)
INVESTING ACTIVITIES					
Proceeds from sale of long-lived assets	—	0.2	—	—	0.2
Proceeds from sale of business, net of transaction costs	—	158.7	94.9	—	253.9
Investments in property, plant and equipment	—	(64.5)	(8.2)	—	(53.3)
Payment of contingent consideration and related	—	(20.0)	—	—	(20.0)
Investment in acquired business, net of cash acquired	—	(7.6)	—	—	(7.6)
Net cash provided by investing activities	—	66.8	86.7	—	180.0
FINANCING ACTIVITIES					
Borrowings under revolving and bank lines of credit	—	908.2	701.9	—	1,419.2
Repayments under revolving and bank lines of credit	(302.4)	(660.8)	(668.9)	—	(1,459.2)
Proceeds from issuance of Senior Notes	200.0	—	—	—	200.0
Financing and issuance fees	—	(0.3)	—	—	(18.5)
Dividends paid	(67.9)	—	—	—	(49.4)
Purchase of common shares	(358.7)	—	—	—	(218.7)
Excess tax benefits from share-based payment arrangements	—	5.6	—	—	5.4
Cash received from the exercise of stock options	31.5	—	—	—	29.4
Intercompany financing	526.9	(404.3)	(122.6)	—	—
Net cash provided by (used in) financing activities	16.0	(128.7)	20.9	—	(91.8)
Effect of exchange rate changes on cash	—	—	(2.1)	—	1.5
Net increase in cash and cash equivalents	—	14.4	61.8	—	76.2
Cash and cash equivalents, beginning of period	—	5.1	83.0	—	88.1
Cash and cash equivalents, end of period	$ —	$ 19.5	$ 144.8	$ —	$ 164.3

THE SCOTTS MIRACLE-GRO COMPANY
Condensed Consolidating Balance Sheet
As of September 30, 2011
(in millions)
(Unaudited)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ —	$ 4.3	$ 126.6	$ —	$ 164.3
Accounts receivable, net	—	248.2	75.3	—	693.9
Inventories	—	313.7	73.3	—	442.2
Prepaid and other current assets	—	107.9	43.2	—	137.3
Total current assets	—	976.5	461.2	—	1,437.7
Property, plant and equipment, net	—	347.3	47.4	—	394.3
Goodwill	—	308.4	0.7	—	306.5
Intangible assets, net	—	270.3	49.3	—	343.2
Other assets	33.1	13.3	27.6	(37.7)	45.5
Equity investment in subsidiaries	794.3	—	—	(794.3)	—
Intercompany assets	553.7	115.4	—	(669.1)	—
Total assets	$ 1,564.2	$ 2,253.6	$ 607.1	$ (1,897.7)	$ 2,527.2
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Current portion of debt	$ —	$ 2.8	$ 0.4	$ —	$ 2.1
Accounts payable	—	103.9	46.1	—	258.8
Other current liabilities	17.2	202.5	95.7	—	490.2
Total current liabilities	18.8	522.8	209.5	—	751.1
Long-term debt	787.2	261.3	130.5	(387.2)	782.1
Other liabilities	16.9	205.6	47.2	(37.7)	225.7
Equity investment in subsidiaries	—	328.7	—	(328.7)	—
Intercompany liabilities	—	—	281.9	(281.9)	—
Total liabilities	795.8	1,411.6	735.7	(1,184.2)	1,758.9
Shareholders' equity	559.8	624.0	(158.4)	(465.6)	768.3
Total liabilities and shareholders' equity	$ 1,564.2	$ 2,253.6	$ 607.1	$ (1,897.7)	$ 2,527.2

THE SCOTTS MIRACLE-GRO COMPANY
Condensed Consolidating Balance Sheet
As of September 30, 2012
(in millions)
(Unaudited)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ —	$ 4.3	$ 126.6	$ —	$ 130.9
Accounts receivable, net	—	248.2	75.3	—	323.5
Inventories	—	313.7	73.3	—	387.0
Prepaid and other current assets	—	107.9	43.2	—	151.1
Total current assets	—	674.1	318.4	—	992.5
Property, plant and equipment, net	—	347.3	47.4	—	394.7
Goodwill	—	308.4	0.7	—	309.1
Intangible assets, net	—	270.3	49.3	—	319.6
Other assets	33.1	13.3	27.6	(37.7)	36.3
Equity investment in subsidiaries	794.3	—	—	(794.3)	—
Intercompany assets	553.7	115.4	—	(669.1)	—
Total assets	$ 1,381.1	$ 1,728.8	$ 443.4	$ (1,501.1)	$ 2,052.2
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Current portion of debt	$ —	$ 2.8	$ 0.4	$ —	$ 3.2
Accounts payable	—	103.9	46.1	—	150.0
Other current liabilities	17.2	202.5	95.7	—	315.4
Total current liabilities	17.2	309.2	142.2	—	468.6
Long-term debt	787.2	261.3	130.5	(387.2)	791.8
Other liabilities	16.9	205.6	47.2	(37.7)	232.0
Equity investment in subsidiaries	—	328.7	—	(328.7)	—
Intercompany liabilities	—	—	281.9	(281.9)	—
Total liabilities	821.3	1,104.8	601.8	(1,035.5)	1,492.4
Shareholders' equity	559.8	624.0	(158.4)	(465.6)	559.8
Total liabilities and shareholders' equity	$ 1,381.1	$ 1,728.8	$ 443.4	$ (1,501.1)	$ 2,052.2

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, 2011.

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 the following reportable segments: Global Consumer and Scotts LawnService®.

We undertook a number of important initiatives in fiscal 2012 to stimulate growth in the lawn and garden category and increase our market share. The most significant of those initiatives were: (1) increased support of our brands through increased advertising, and (2) a decision to hold prices to our customers flat, despite increased commodity costs. While we have seen some response to our initiatives, the resulting growth in consumer demand, and sales in our Global Consumer segment, have fallen materially short of expectations. At the beginning of the year, income from operations in fiscal 2012 was expected to remain relatively flat to prior year, with expected growth in sales offsetting the impact of our initiatives. As category growth has fallen short of expectations in fiscal 2012, we now expect income from operations to decline relative to fiscal 2011. Management has moderated expectations for near-term growth and is planning actions, including price increases, to recover a portion of the decline in operating income from fiscal 2011.

On February 28, 2011, we completed the sale of a significant majority of the assets of our Global Professional business (excluding our non-European professional seed business, "Global Pro") to Israel Chemicals Ltd. ("ICL") for $270 million in an all-cash transaction, subject to certain adjustments, resulting in $270.9 million net proceeds. Effective in our first quarter of fiscal 2011, we classified Global Pro as discontinued operations. Prior to being reported as discontinued operations, Global Pro was included as part of our former Global Professional business segment. Results for our professional seed business have been classified to Corporate & Other.

Due to the 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		
	2011	2010	2009
First Quarter	8.1%	8.7%	8.5%
Second Quarter	39.9%	36.2%	32.0%
Third Quarter	37.3%	40.5%	42.5%
Fourth Quarter	14.7%	14.6%	17.0%

The Scotts Miracle-Gro Board of Directors has authorized the repurchase of up to $700 million of our Common Shares through September 30, 2014. Further, on August 9, 2012, we announced that the Scotts Miracle-Gro Board of Directors had increased our quarterly dividend from $0.30 to $0.325 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. From the inception of the share repurchase program in the fourth quarter of fiscal 2010 through the third quarter of fiscal 2012, we have repurchased approximately 7.8 million of our Common Shares in open market transactions for $401.2 million.

Product Registration and Recall Matters

In April 2008, we became aware that a former associate apparently deliberately circumvented our policies and U.S. EPA regulations under FIFRA by failing to obtain valid registrations for certain products and/or causing certain invalid product registration forms to be submitted to regulators. Since that time, we have been cooperating with both the U.S. EPA and the U.S. DOJ in related civil and criminal investigations into the pesticide product registration issues as well as a state civil investigation into related allegations arising under state pesticide registration laws and regulations.

In late April of 2008, in connection with the U.S. EPA's investigation, we conducted a consumer-level recall of certain consumer lawn and garden products and a Scotts LawnService® product. Subsequently, the Company and the U.S. EPA agreed upon a Compliance Review Plan for conducting a comprehensive, independent review of our product registration records. Pursuant to the Compliance Review Plan, an independent third-party firm, QAI, reviewed substantially all of our U.S. pesticide product registrations and associated advertisements, some of which were historical in nature and no longer related to sales of our products. The U.S. EPA investigation and the QAI review process resulted in the temporary suspension of sales and shipments of certain products. In addition, as the QAI review process or our internal review identified potential FIFRA registration issues (some of which appear unrelated to the actions of the former associate), we endeavored to stop selling or distributing the affected products until the issues could be resolved. QAI's review of our U.S. pesticide product registrations and associated advertisements is now substantially complete. The results of the QAI review process did not materially affect our fiscal 2009, fiscal 2010 or fiscal 2011 sales and are not expected to materially affect our fiscal 2012 sales.

In fiscal 2008, we conducted a voluntary recall of certain of our wild bird food products due to a formulation issue. Certain wild bird food products had been treated with pest control additives to avoid insect infestation, especially at retail stores. While the pest control additives had been labeled for use on certain stored grains that can be processed for human and/or animal consumption, they were not labeled for use on wild bird food products. In October 2008, the U.S. Food & Drug Administration concluded that the recall had been completed and that there had been proper disposition of the recalled products. The wild bird food recall did not materially affect our fiscal 2009, fiscal 2010 or fiscal 2011 financial condition, results of operations or cash flows and are not expected to affect the Company's fiscal 2012 financial condition, result of operations or cash flows.

Settlement discussions relating to potential fines and/or penalties are a frequent outgrowth of governmental investigations. In that regard, on or about June 30, 2011, we received a Notice of Intent to File Administrative Complaint from the U.S. EPA Region 5 with respect to the alleged FIFRA violations. The Notice, which did not set forth a proposed penalty amount, offered us an opportunity to present any information that we believed the U.S. EPA should consider prior to filing the complaint and indicated that the U.S. EPA was prepared to meet with us to discuss the alleged violations. We made a timely response to the Notice and settlement discussions between us and the U.S. EPA are ongoing.

As previously disclosed, we have also been engaged in settlement discussions with the U.S. DOJ regarding its criminal investigation. On January 25, 2012, a Plea Agreement, executed by us and the U.S. DOJ, was filed with the United States District Court for the Southern District of Ohio. Under the terms of the Plea Agreement, we agreed to plead guilty to 11 counts of violating FIFRA and the regulations promulgated thereunder, to pay a $4 million penalty to the United States and to provide $0.1 million to each of the following programs designed to enhance and protect the natural environment, particularly habitats for the bird populations that the U.S. EPA's regulation of pesticides is designed to protect: (1) Ohio Audubon's Important Bird Area Program; (2) Ohio Department of Natural Resources' Urban Forestry Program; (3) Columbus Metro-Parks Bird Habitat Enhancement Program; (4) Cornell University Ornithology Laboratory; and (5) The Nature Conservancy of Ohio. In exchange for our guilty plea and the other promises contained in the Plea Agreement, the U.S. DOJ agreed not to criminally prosecute us for any other federal crimes relating to any potential FIFRA violations known to the government as of the date of the Plea Agreement. On March 13, 2012, the court accepted our guilty plea, but delayed sentencing thereon to an unspecified later date. Our previously established accrual includes the full amount of the proposed criminal penalty and other amounts payable under the Plea Agreement.

The U.S. EPA and related state investigations continue and the court has not yet issued its sentence with respect to the Plea Agreement between us and the U.S. DOJ. In addition, we may be subject to additional judgments, settlements, fines and/or penalties as a result of federal, state or private actions with respect to known or potential additional product registration issues. Accordingly, we cannot reasonably estimate the total scope or magnitude of all possible liabilities that could result from known or potential product registration issues. Based on the facts and circumstances known to us at this time (including settlement discussions that have taken place to date and the Plea Agreement), we have established what we believe to be an appropriate accrual. It is possible that any fines and/or penalties with respect to the investigations, as well as any judgments, litigation costs or other liabilities relating to such known or potential product registration issues, could exceed the amount of the accrual and could have an adverse effect on our financial condition, results of operations or cash flows.

As a result of these registration and recall matters, we have recorded charges for affected inventory and other registration and recall-related costs. The effects of these adjustments, including the accruals noted above, were pre-tax charges of $4.0 million and $6.8 million for the three month periods, and $7.8 million and $11.0 million for the twelve month periods, ended September 30, 2012 and September 30, 2011, respectively. We expect that future charges will include costs associated with the rework of certain finished goods inventories, the potential disposal of certain products and ongoing third-party professional services related to the U.S. EPA, U.S. DOJ and state investigations. It may also be appropriate to establish additional accruals as settlement discussions continue or in connection with other actions or potential liabilities arising in connection with the product registration and recall issues.

We are committed to providing our customers and consumers with products of superior quality and value to enhance their lawns, gardens and overall outdoor living environments. We believe consumers have come to trust our brands based on the superior quality and value they deliver, and that trust is highly valued. We also are committed to conducting business with the highest degree of ethical standards and in adherence to the law. While we are disappointed in these events, we believe we have made significant progress in addressing the issues and restoring customer and consumer confidence in our products.

RESULTS OF OPERATIONS

We classified Global Pro as discontinued operations, for all periods presented, beginning in our first quarter of fiscal 2011. As a result, and unless specifically stated, all discussions regarding results for the three and twelve months ended September 30, 2012 and September 30, 2011, 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	
	SEPTEMBER 30, 2012	SEPTEMBER 30, 2011	SEPTEMBER 30, 2012	SEPTEMBER 30, 2011
Net sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of sales	73.8	71.8	66.0	63.2
Cost of sales – product registration and recall matters	—	—	—	0.1
Gross profit	26.2	23.7	34.0	36.0
Operating expenses:				
Selling, general and administrative	37.0	33.8	25.0	24.5
Impairment, restructuring and other charges	—	8.4	0.3	1.3
Product registration and recall matters	—	0.9	0.3	0.4
Other income, net	0.2	0.7	(0.1)	—
Income from operations	(11.0)	(20.1)	8.5	9.8
Costs related to refinancing	—	—	—	—
Interest expense	3.0	3.5	2.2	1.8
Income from continuing operations before income taxes	(14.0)	(23.6)	6.3	8.0
Income tax expense from continuing operations	(5.0)	(8.2)	2.4	3.0
Income from continuing operations	(9.0)	(15.4)	3.9	5.0
Income (loss) from discontinued operations, net of tax	(0.6)	2.2	(0.2)	1.0
Net income	(9.6)%	(13.2)%	3.7 %	6.0 %

Net Sales

Net sales for the three months ended September 30, 2012, were $0.401 billion, an decrease of (0.5)% from net sales of $0.403 billion for the three months ended September 30, 2011. Net sales for the nine months ended September 30, 2012, were $2.826 billion, an increase of 0.9% from net sales of $2.800 billion for the nine months ended September 30, 2011. The change in net sales was attributable to the following:

	THREE MONTHS ENDED SEPTEMBER 30, 2012	NINE MONTHS ENDED SEPTEMBER 30, 2012
Volume	(1.5)%	0.7 %
Pricing	1.5	0.7
Foreign exchange rates	(0.7)	(0.7)
Acquisitions	0.2	0.2
Net sales increase	(0.5)%	0.9 %

The increase in net sales for the three and twelve months ended September 30, 2012, was primarily driven by:

- increased volume in our Global Consumer segment, driven by an increase in U.S. Consumer sales of mulch and controls products, partially offset by a decline in Europe and grass seed products;
- increases in sales within Corporate & Other for the nine months ended June 30, 2012, related to ICL supply agreements, which were entered into in connection with the sale of Global Pro in February 2011;
- partially offset by the unfavorable impact of foreign exchange rates as a results of the strengthening of the U.S. dollar relative to other currencies.

Cost of Sales

The following table shows the major components of cost of sales (in millions):

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPTEMBER 30, 2012	SEPTEMBER 30, 2011	SEPTEMBER 30, 2012	SEPTEMBER 30, 2011
Materials	$ 184.9	$ 176.2	$ 1,142.2	$ 1,079.5
Manufacturing labor and overhead	52.1	52.1	321.9	319.3
Distribution and warehousing	48.7	49.1	320.7	306.5
Roundup reimbursements	10.6	11.9	79.6	63.7
	296.2	289.3	1,864.4	1,769.0
Product registration and recall matters	—	—	0.4	3.2
	$ 296.2	$ 307.6	$ 1,864.8	$ 1,790.5

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

	THREE MONTHS ENDED SEPTEMBER 30, 2012	NINE MONTHS ENDED SEPTEMBER 30, 2012
Material costs	$ 6.8	$ 68.3
Volume and product mix	3.6	25.4
Roundup® reimbursements	(1.3)	15.9
Foreign exchange rates	(2.2)	(14.2)
	6.9	95.4
Product registration and recall matters	—	(2.9)
Change in cost of sales	$ (11.4)	$ 74.3

The increase in cost of sales, excluding product registration and recall matters, for the three and twelve months ended September 30, 2012, was primarily driven by:

- the increase in material costs primarily related to packaging for products and fertilizer inputs;
- the impact of higher sales volume, including increased costs for distribution and warehousing as a result of an early season surge in consumer activity and continued and unplanned surge in mulch volume;
- higher reimbursements attributable to our marketing agreement with Monsanto;
- partially offset by the favorable impact of foreign exchange rates as a result of the strengthening of the U.S. dollar relative to other currencies.

Gross Profit

As a percentage of net sales, our gross profit rate was 26.2% and 23.7% for the three months ended September 30, 2012 and September 30, 2011 respectively. As a percentage of net sales, our gross profit rate was 34.0% and 36.0% for the nine months ended September 30, 2012 and September 30, 2011 respectively. Factors contributing to the change in gross profit rate are outlined in the following table:

	THREE MONTHS ENDED SEPTEMBER 30, 2012	NINE MONTHS ENDED SEPTEMBER 30, 2012
Pricing	1.1 %	0.5 %
Material costs	(1.7)	(2.5)
Product mix and volume:		
Roundup® commissions and reimbursements	(0.3)	(0.1)
Corporate & Other	0.1	(0.2)
Global Consumer mix and volume	(1.3)	(0.5)
	(2.1)	(2.8)
Product registration and recall matters	—	0.1
Change in gross profit rate	2.5 %	(2.0)%

The decrease in the gross profit rate, excluding product registration and recall matters, for the three and twelve months ended September 30, 2012, was primarily driven by:

- increased material costs attributable primarily to packaging for products and fertilizer inputs;
- negative product mix within the U.S., driven by increased sales of mulch products, and international;
- increased costs for distribution and warehousing as a result of an early season surge in consumer activity and continued and unplanned surge in mulch volume; and
- increased sales for the nine-month period associated with our supply agreements with ICL, which commenced with the sale of Global Pro in February 2011 and do not generate profit.

Selling, General and Administrative Expenses

The following table sets forth the components of selling, general and administrative expenses (in millions):

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPTEMBER 30, 2012	SEPTEMBER 30, 2011	SEPTEMBER 30, 2012	SEPTEMBER 30, 2011
Advertising	$ 64.4	$ 56.7	$ 147.2	$ 121.8
Share-based compensation	1.7	3.4	10.6	14.3
Research and development	0.7	3.0	(2.8)	(0.9)
Amortization of intangibles	1.8	2.6	5.4	7.4
Other selling, general and administrative	149.7	135.2	703.3	681.5
	$ 218.3	$ 200.9	$ 863.7	$ 824.1

Selling, general and administrative ("SG&A") expenses increased $12.2 million, or 8.9%, to $148.6 million for the third quarter and $19.4 million, or 2.8%, to $705.7 million for the first twelve months of fiscal 2012 compared to the same periods of fiscal 2011. Our planned increase in media and marketing initiatives resulted in higher advertising expenses of $7.7 million and $25.4 million for the three and twelve months ended September 30, 2012, respectively. The decrease in other SG&A for the first twelve months of fiscal 2012 was driven by a $6.7 million decrease in severance expenses and a $6.5 million decrease in bad debt expense associated with a customer bankruptcy in 2011.

Product Registration and Recall Matters

We recorded $0.4 million and $7.8 million of SG&A-related product registration and recall costs during the three and twelve months ended September 30, 2012, respectively. These costs primarily related to additional accruals made within fiscal 2012 for potential fines and penalties in connection with the U.S. EPA investigation, as well as legal and consulting fees. For the three and twelve months ended September 30, 2011, we recorded $3.6 million and $11.4 million of SG&A-related product registration and recall costs, respectively, primarily related to accruals established in the third quarter of fiscal 2011 in connection with the U.S. EPA and U.S. DOJ investigations, as well as third-party compliance review, legal and consultant fees.

Impairment, Restructuring and Other Charges

For the three months ended September 30, 2012, we recognized income of $0.0 million associated with the resolution of certain international restructuring activities. For the nine months ended September 30, 2012, we incurred $7.1 million of impairment, restructuring and other charges. In continuation of the restructuring plan we initiated in fiscal 2011, we incurred $1.8 million in restructuring costs in the first nine months of fiscal 2012. These costs consisted primarily of $1.3 million of termination benefits provided to employees who accepted voluntary retirement, $0.5 million of special termination benefits to be provided to certain employees upon future separation and $0.2 million related to curtailment charges for our U.S. defined benefit pension and U.S retiree medical plans. Further, for the nine months ended September 30, 2012, we recognized a $5.3 million asset impairment charge as a result of issues with commercialization of products including the active ingredient MAT28 for the Global Consumer segment. Also included is a $0.5 million impairment charge related to our investment in Turf-Seed (Europe) Limited.

Other Income, net

Other income was $0.7 million and $2.9 million for the three and twelve months ended September 30, 2012, respectively, compared to $3.0 million and $0.9 million for the three and twelve months ended September 30, 2011, respectively. 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 and gains/losses from the sale of non-inventory assets. The respective changes from fiscal 2011 were not significant.

Interest Expense

Interest expense was $12.0 million and $61.8 million for the three and twelve months ended September 30, 2012, respectively, compared to $13.7 million and $51.0 million for the three and twelve months ended September 30, 2011, respectively. Excluding the impact of foreign exchange rates, average borrowings increased by approximately $143.9 million and $146.8 million during the three and twelve months ended September 30, 2012, respectively, as compared to the same prior year periods. The increase in interest expense for the three months ended September 30, 2012 was attributable to an increase in average borrowings, partially offset by a decline in our weighted average interest rates of 22 basis points associated with the expiration of a 5.20% interest rate swap agreement in the second quarter of fiscal 2012. The increase in interest expense for the nine months ended September 30, 2012 was primarily attributable to an increase in average borrowings and the impact of higher rates associated with our new financing structure. During the nine months ended September 30, 2012, our weighted average interest rate increased by 42 basis points. The year-to-date increase was driven by the higher margin rates in our new credit facility and the full year-to-date impact of the 6.625% Senior Notes issued on December 16, 2010, partially offset by a decline in our weighted average interest rates primarily associated with the expiration of a 5.20% interest rate swap agreement in the second quarter of fiscal 2012.

Income Tax Expense

The effective tax rate related to continuing operations for the nine months ended September 30, 2012 was 37.2% compared to 36.5% for the nine months ended September 30, 2011. The effective tax rate used for interim purposes was based on management’s 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

Income from continuing operations was $36.6 million, or $0.60 per diluted share, for the third quarter of fiscal 2012 compared to $62.0 million, or $1.00 per diluted share, for the third quarter of fiscal 2011. Income from continuing operations for the first twelve months of fiscal 2012 was $113.2 million, or $1.82 per diluted share, versus $139.9 million, or $2.11 per diluted share, for the same period of fiscal 2011. The decrease in income from continuing operations for the first three and twelve months of fiscal 2012 was driven primarily by higher material and distribution costs, planned incremental investment in media, marketing and selling expense, and interest expense, partially offset by reduced income tax expense. Diluted average common shares used in the diluted net income per common share calculation were 61.2 million for the third quarter of fiscal 2012 compared to 62.0 million for the same period a year ago. Diluted average common shares used in the diluted net income per common share calculation were 62.1 million for the nine months ended September 30, 2012 versus 66.2 million for the nine months ended September 30, 2011. Diluted average common shares included 1.1 million and 1.0 million equivalent shares for the third quarter and first twelve months of fiscal 2012, respectively. These dilutive shares represented the effect of the assumed conversion of dilutive stock options, restricted stock and restricted stock unit awards. For the third quarter and first twelve months of fiscal 2011, diluted average common shares included 1.7 million and 1.5 million equivalent shares, respectively. The decrease in diluted average common shares was primarily driven by common share repurchases, partially offset by common shares issued as a result of stock option exercises.

Income (loss) from Discontinued Operations, net of tax

We recognized a loss from discontinued operations of $2.9 million for the three and twelve months ended September 30, 2012, compared to a loss of $8.7 million and income of $28.0 million for the three and twelve months ended September 30, 2011, respectively, primarily due to the net gain on the sale of Global Pro during the second quarter of fiscal 2011. In addition, during the third quarter of fiscal 2012, we recorded an adjustment of $2.9 million as a change in estimate associated with taxes on the sale of Global Pro.

SEGMENT RESULTS

Our continuing operations are divided into the following 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 our professional seed business, revenues and expenses associated with our supply agreements with ICL and amortization related to the Roundup® 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 based on several factors, including income from continuing operations before amortization, product registration and recall costs, 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 the most indicative of performance trends and the overall earnings potential of each segment.

The following table sets forth net sales by segment (in millions):

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPTEMBER 30, 2012	SEPTEMBER 30, 2011	SEPTEMBER 30, 2012	SEPTEMBER 30, 2011
Global Consumer	$ —	$ —	$ 2,649.7	$ 2,225.2
Scotts LawnService®	—	—	224.1	152.2
Segment total	—	—	2,873.8	2,377.4
Corporate & Other	—	—	(0.8)	41.1
Consolidated	$ —	$ —	$ 2,873.0	$ 2,418.5

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

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPTEMBER 30, 2012	SEPTEMBER 30, 2011	SEPTEMBER 30, 2012	SEPTEMBER 30, 2011
Global Consumer	$ —	$ —	$ 490.1	$ 453.8
Scotts LawnService®	—	—	21.0	2.7
Segment total	—	—	511.1	456.5
Corporate & Other	—	—	(99.6)	(80.1)
Intangible asset amortization	—	—	(9.9)	(8.1)
Product registration and recall matters	—	—	(8.7)	(11.0)
Impairment, restructuring and other charges	—	—	(18.5)	(13.8)
Costs related to refinancing	—	—	—	(1.2)
Interest expense	—	—	(43.2)	(37.3)
Consolidated	$ —	$ —	$ 331.2	$ 305.0

Global Consumer

Global Consumer segment net sales were $0.0 million in the third quarter of fiscal 2012, an decreased of (27.0)% from the third quarter of fiscal 2011, and were $2.65 billion for the first twelve months of fiscal 2012, which is roughly flat as compared to the same period of fiscal 2011. For the three months ended September 30, 2012, increases in volume impacted net sales by 2.3%, offset by unfavorable foreign exchange rates and pricing of 1.2% and 0.1%, respectively. For the nine months ended September 30, 2012, volume and pricing favorably impacted net sales by 0.4% and 0.6%, respectively, offset by unfavorable foreign exchange rates of 0.8%.

Net sales in the United States increased $43.1 million, or 5.7%, and $33.0 million, or 1.8%, for the third quarter and first nine months of fiscal 2012, respectively, as compared to the same periods in fiscal 2011. The increase in United States net sales for the third quarter and first twelve months in fiscal 2012 was driven by an increase in pricing on a year-to-date basis, higher sales of our controls and mulch products, and the national launch of our new Scotts Snap® spreader system, partially offset by decline s in sales of grass seed, wild bird food and plant food products.

Excluding the impact of changes in foreign exchange rates, net sales internationally decreased by $22.7 million, or 11.6%, and $11.3 million, or 2.6%, for the third quarter and first twelve months of fiscal 2012, respectively. The decrease in sales internationally was primarily driven by a decline in year-to-date net sales in Europe, mostly due to declines in volume, partially offset by higher net sales in Canada, primarily due to new product launches.

Global Consumer segment operating income decreased by $75.4 million, or 207.7%, and $86.7 million, or 20.4%, in the third quarter and first twelve months of fiscal 2012, respectively, as compared to the same periods of fiscal 2011. Excluding the impact of changes in foreign exchange rates, the decrease was 17.9% and 16.6% for the third quarter and first twelve months of fiscal 2012, respectively. The decrease was primarily driven by increased material costs and our planned incremental investment in media, marketing and selling. The increased advertising expense was $8.1 million and $26.2 million during the third quarter and first twelve months of fiscal 2012, respectively. These increases in costs were partially offset by a reduction in compensation, including benefits realized from the fiscal 2011 restructuring plan.

Scotts LawnService®

Scotts LawnService® net sales increased by $12.6 million, or 17.5%, and $10.2 million, or 4.3%, in the third quarter and first twelve months of fiscal 2012, respectively, as compared to the same periods of fiscal 2011. The increase in net sales was driven by a 7% increase in customer count, primarily due to increased consumer demand as well as the impact of prior year acquisitions.

The operating income for Scotts LawnService® was flat and increased by $1.1 million, or 4.2%, in the third quarter and first twelve months of fiscal 2012, respectively, as compared to the same periods of fiscal 2011. For the third quarter of fiscal 2012, the results were comprised of higher net sales and improved gross margin rate, offset by higher SG&A spending. For the first twelve months of fiscal 2012, the increase was driven by higher net sales and lower proportional SG&A spending.

Corporate & Other

The net operating loss for Corporate & Other was $0.0 million and $99.6 million for the three and twelve months ended September 30, 2012 respectively, compared to $0.0 million and $80.1 million for the three and twelve months ended September 30, 2011, respectively. The decrease for the nine months ended September 30, 2012 was primarily related to lower severance and compensation, including benefits realized from the fiscal 2011 restructuring plan. The increase for the three months ended September 30, 2012 was primarily related to the continued wind-down of our professional seed operations within the period.

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

Cash provided by operating activities totaled $115.1 million for the nine months ended September 30, 2012, compared to cash used in operating activities of $13.5 million for the nine months ended September 30, 2011. Excluding the impact of discontinued operations (which includes the pre-tax gain recorded on the sale of Global Pro of $93.0 million in fiscal 2011), cash provided by operating activities increased approximately $44.4 million. The increase in cash inflows was primarily the result of a decrease in cash used for working capital of $96.1 million, offset by lower net income from continuing operations of $47.0 million. The decrease in working capital was primarily due to lower accounts receivable at the end of the third quarter of fiscal 2012 compared to the third quarter of fiscal 2011.

Investing Activities

Cash used in investing activities totaled $45.5 million for the nine months ended September 30, 2012, compared to cash provided by investing activities of $180.0 million for the comparable period in fiscal 2011. The first twelve months of fiscal 2011 included net cash of $253.9 million provided by the sale of Global Pro, partially offset by a payment of $20.0 million for an early settlement of contingent consideration associated with the 2006 Turf-Seed, Inc. acquisition. Cash used for investments in property, plant and equipment during the first twelve months of fiscal 2012 and fiscal 2011was $39.0 million and $53.3 million, respectively, primarily related to increasing efficiencies at existing production facilities and capital spending associated with product innovation projects. Additionally, during the nine months ended September 30, 2012, we completed an acquisition of a controls business within our Global Consumer segment.

Financing Activities

Financing activities used cash of $68.9 million and $91.8 million for the nine months ended September 30, 2012 and September 30, 2011, respectively. The decrease in cash used in financing activities was primarily the result of the decrease in repurchases of our common shares of $201.2 million and lower net borrowings under our credit facility of $22.5 million, partially offset by proceeds of $200.0 million received from the issuance of the 6.625% Senior Notes that occurred in the first quarter of fiscal 2011.

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 $132.3 million as of September 30, 2012, compared to $164.3 million as of September 30, 2011. The cash and cash equivalents balance at September 30, 2012 included $123.1 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 agreement, which is guaranteed by substantially all of Scotts Miracle-Gro's domestic subsidiaries. On June 30, 2011, Scotts Miracle-Gro and certain of its subsidiaries entered into a second amended and restated senior secured credit facility, providing for revolving loans in the aggregate principal amount of up to $1.7 billion over a five-year term. Borrowings may be made in various currencies including U.S. dollars, Euros, British pounds, Australian dollars and Canadian dollars. Under this credit facility, we may request up to an additional $450 million in revolving and/or term commitments, subject to certain specified conditions, including approval from our lenders. The credit facility replaced our previous senior secured credit facilities, which were comprised of: (a) a senior secured revolving loan facility in the aggregate principal amount of up to $1.59 billion and (b) a senior secured term loan facility totaling $560 million. The previous credit facilities were scheduled to expire in February 2012.

Under our credit facility, we have the ability to issue letter of credit commitments up to $75 million. At September 30, 2012, we had letters of credit in the aggregate face amount of $25.4 million outstanding and $1.4 billion of availability under our credit facility.

On September 21, 2011, we entered into a new Master Accounts Receivable Purchase Agreement (the "MARP Agreement"), with an initial stated termination date of September 21, 2012, or such later date as may be mutually agreed by us and the banks party thereto. The MARP Agreement, which is uncommitted, 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 two specified account debtors in an aggregate amount not to exceed $325 million, with debtor sublimits ranging from $120 million to $250 million. Under the 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 greater of 7-day or 3-month LIBOR plus 1.05%. The MARP Agreement replaced our previous Master Accounts Receivable Purchase Agreement, which provided for the discounted sale, on an uncommitted, revolving basis, of accounts receivable generated by a single specified account debtor, with aggregate limits not to exceed $80 million and an interest rate that approximated the 7-day LIBOR rate plus 1.25%.

We account for the sale of receivables under the MARP Agreement as short-term debt and continue to carry the receivables on our Consolidated Balance Sheet, primarily as a result of our right to repurchase receivables sold. There were $87.5 million in borrowings under the MARP Agreement as of September 30, 2012.

As of September 30, 2012, 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 relative to our earnings before interest, taxes, depreciation and amortization. Under the terms of the credit facility, the maximum leverage ratio was 3.50 as of September 30, 2012. Our leverage ratio was 0.00 at September 30, 2012. 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 September 30, 2012. Our interest coverage ratio was 4.89 for the twelve months ended September 30, 2012.

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 2012. 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.

Liquidity

In our opinion, cash flows from operations and capital resources will be sufficient to meet debt service and working capital needs during fiscal 2012, and thereafter 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 facilities 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

Apart from the proceedings surrounding the FIFRA compliance matters, which are discussed separately, 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.

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. Apart from the proceedings surrounding the FIFRA compliance matters, which are discussed separately, 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 Scotts Miracle Gro's Annual Report on Form 10-K for the fiscal year ended September 30, 2012, 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. Scotts Miracle-Gro's Annual Report on Form 10-K for the fiscal year ended September 30, 2012 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 Scotts Miracle-Gro’s Annual Report on Form 10-K for the fiscal year ended September 30, 2012.

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 September 30, 2012 that have materially affected, or are reasonably likely to materially affect, the Registrant’s internal control over financial reporting.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Other than as discussed in “NOTE 3. PRODUCT REGISTRATION AND RECALL MATTERS” and “NOTE 12. CONTINGENCIES” of the Notes to Condensed Consolidated Financial Statements, pending material legal proceedings have not changed significantly since those disclosed in Scotts Miracle-Gro's Annual Report on Form 10-K for the fiscal year ended September 30, 2011.

ITEM 1A. RISK FACTORS

The Company's risk factors as of September 30, 2012 have not changed materially from those described in “ITEM IA. RISK FACTORS” in Scotts Miracle-Gro's Annual Report on Form 10-K for the fiscal year ended September 30, 2011.

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 Scotts Miracle-Gro common shares. These forward-looking statements generally can be identified through the use of words such as “guidance,” “outlook,” “projected,” “believe,” “target,” “predict,” “estimate,” “forecast,” “strategy,” “may,” “goal,” “expect,” “anticipate,” “intend,” “plan,” “foresee,” “likely,” “will,” “should” and other similar words and 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 Scotts Miracle-Gro's Annual Report on Form 10-K for the fiscal year ended September 30, 2011. 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.

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 $125 million annually through fiscal 2013 and $150 million annually beginning in fiscal 2014 if our leverage ratio, after giving effect to any such annual dividend payment, exceeds 2.50. Our leverage ratio was 0 at September 30, 2012.

(a) 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 September 30, 2012:

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)
April 1 through April 28, 2012	123	$ 52.20	—	$ 298,816,786
April 29 through May 26, 2012	—		—	$ 298,816,786
May 27 through June 30, 2012	1,666	$ 41.45	—	$ 298,816,786
Total	1,789	$ 42.18	—	

(1) Amounts in this column represent 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 2010, the Scotts Miracle-Gro Board of Directors authorized the repurchase of up to $500 million of the Common Shares over a four-year period (through September 30, 2014). On May 4, 2011, the Scotts Miracle-Gro Board of Directors authorized the repurchase of up to an additional $200 million of the Common Shares, resulting in authority to repurchase up to a total of $700 million of the Common Shares through September 30, 2014. The dollar amounts in the "Approximate Dollar Value" column reflect the total $700 million authorized repurchase program.

ITEM 6. EXHIBITS

See Index to Exhibits at page 44 for a list of the exhibits included herewith.

SIGNATURES

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

THE SCOTTS MIRACLE-GRO COMPANY

Date: August 9, 2012

/s/ DAVID C. EVANS

David C. Evans
Chief Financial Officer and Executive Vice President,
Strategy and Business Development
(Principal Financial and Principal Accounting Officer)
(Duly Authorized Officer)

THE SCOTTS MIRACLE-GRO COMPANY
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2012

INDEX TO EXHIBITS

EXHIBIT NO.	DESCRIPTION	LOCATION
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	*

* Included herewith

** Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability.