SCOTTS MIRACLE-GRO CO
Form 10-Q
August 10, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED JULY 2, 2011

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 x 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 x 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	x	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 Exchange Act).

Yes ¨ No x

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 4, 2011
Common Shares, $0.01 stated value, no par value	62,855,438 common shares

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THE SCOTTS MIRACLE-GRO COMPANY

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

THE SCOTTS MIRACLE-GRO COMPANY

CONDENSED, CONSOLIDATED STATEMENTS OF OPERATIONS

(IN MILLIONS, EXCEPT PER SHARE DATA)

(UNAUDITED)

	September 30, THREE MONTHS ENDED JULY 2, 2011	September 30, JULY 3, 2010	September 30, NINE MONTHS ENDED JULY 2, 2011	September 30, JULY 3, 2010
Net sales	$ 1,058.7	$ 1,172.6	$ 2,418.5	$ 2,475.7
Cost of sales	657.5	690.8	1,503.4	1,524.6
Cost of sales product registration and recall matters	1.1		3.2	1.5
Gross profit	400.1	481.8	911.9	949.6
Operating expenses:				
Selling, general and administrative	192.4	201.3	551.8	544.3
Product registration and recall matters	5.7	1.5	7.8	4.3
Impairment, restructuring and other charges	13.8		13.8	
Other income, net	(4.2)	(1.1)	(5.0)	(6.8)
Income from operations	192.4	280.1	343.5	407.8
Costs related to refinancing	1.2		1.2	
Interest expense	14.0	11.2	37.3	35.0
Income from continuing operations before income taxes	177.2	268.9	305.0	372.8
Income tax expense from continuing operations	65.5	99.4	111.4	139.2
Income from continuing operations	111.7	169.5	193.6	233.6
Income (loss) from discontinued operations, net of tax	(0.1)	6.4	27.7	3.1
Net income	$ 111.6	$ 175.9	$ 221.3	$ 236.7
BASIC INCOME PER COMMON SHARE:				
Income from continuing operations	$ 1.73	$ 2.55	$ 2.95	$ 3.53
Income from discontinued operations		0.10	0.42	0.05
Basic net income per common share	$ 1.73	$ 2.65	$ 3.37	$ 3.58
Weighted-average common shares outstanding during the period	64.5	66.5	65.6	66.2
DILUTED INCOME PER COMMON SHARE:				
Income from continuing operations	$ 1.69	$ 2.50	$ 2.89	$ 3.46

Income from discontinued operations		0.09	0.41	0.05
Diluted net income per common share	$ 1.69	$ 2.59	$ 3.30	$ 3.51
Weighted-average common shares outstanding during the period plus dilutive potential common shares	66.2	67.9	67.1	67.4
Dividends declared per common share	$ 0.250	$ 0.125	$ 0.750	$ 0.375

See notes to condensed, consolidated financial statements

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THE SCOTTS MIRACLE-GRO COMPANY

CONDENSED, CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN MILLIONS)

(UNAUDITED)

	September 30, NINE MONTHS ENDED JULY 2, 2011	September 30, JULY 3, 2010
OPERATING ACTIVITIES		
Net income	$ 221.3	$ 236.7
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Impairment, restructuring and other charges, excluding share-based compensation expense	12.4	
Costs related to refinancing	1.2	
Share-based compensation expense	14.3	12.5
Depreciation	37.3	36.3
Amortization	8.7	8.3
Gain on sale of long-lived assets	(0.1)	(21.5)
Gain on sale of business	(93.0)	
Changes in assets and liabilities, net of acquired businesses:		
Accounts receivable	(352.9)	(311.3)
Inventories	(87.8)	(13.9)
Prepaid and other assets	(8.0)	(8.4)
Accounts payable	113.9	44.9
Other current liabilities	121.8	163.5
Restructuring reserves	(0.3)	
Other non-current items	(2.7)	18.4
Other, net	0.4	(9.3)
Net cash (used in) provided by operating activities	(13.5)	156.2
INVESTING ACTIVITIES		
Proceeds from sale of long-lived assets	0.2	23.6
Proceeds from sale of business, net of transaction costs	253.9	
Investments in property, plant and equipment	(53.3)	(46.9)
Payment of contingent consideration and related	(20.0)	
Investment in acquired business, net of cash acquired	(0.8)	
Net cash provided by (used in) investing activities	180.0	(23.3)
FINANCING ACTIVITIES		
Borrowings under revolving and bank lines of credit and term loans	1,419.2	927.8
Repayments under revolving and bank lines of credit and term loans	(1,459.2)	(1,234.8)
Proceeds from issuance of Senior Notes, net of discount	200.0	198.5
Financing and issuance fees	(18.5)	(5.5)
Dividends paid	(49.4)	(25.9)
Purchase of treasury shares	(218.7)	
Payments on seller notes		(0.2)
Excess tax benefits from share-based payment arrangements	5.4	3.9
Cash received from the exercise of stock options	29.4	14.8

Net cash used in financing activities		(91.8)		(121.4)
Effect of exchange rate changes on cash		1.5		(4.4)
Net increase in cash and cash equivalents		76.2		7.1
Cash and cash equivalents at beginning of period		88.1		70.6
Cash and cash equivalents at end of period	$	164.3	$	77.7
Supplemental cash flow information				
Interest paid, net of interest capitalized	$	(33.6)	$	(29.2)
Income taxes paid		(63.1)		(39.0)

See notes to condensed, consolidated financial statements

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THE SCOTTS MIRACLE-GRO COMPANY

CONDENSED, CONSOLIDATED BALANCE SHEETS

(IN MILLIONS, EXCEPT PER SHARE DATA)

	September 30, JULY 2, 2011	September 30, JULY 3, 2010	September 30, SEPTEMBER 30, 2010
	UNAUDITED		(SEE NOTE 1)
ASSETS			
Current assets:			
Cash and cash equivalents	$ 164.3	$ 77.7	$ 88.1
Accounts receivable, less allowances of $13.6, $7.3 and $7.7, respectively	693.9	603.2	350.9
Accounts receivable pledged		23.3	
Inventories, net	442.2	405.9	352.9
Assets held for sale		206.0	193.1
Prepaid and other assets	137.3	161.2	133.1
Total current assets	1,437.7	1,477.3	1,118.1
Property, plant and equipment, net of accumulated depreciation of $496.8, $448.2 and $461.1, respectively	394.3	359.4	381.3
Goodwill	306.5	305.8	305.8
Intangible assets, net	343.2	347.1	330.2
Other assets	45.5	33.6	28.6
Total assets	$ 2,527.2	$ 2,523.2	$ 2,164.0
LIABILITIES AND SHAREHOLDERS EQUITY			
Current liabilities:			
Current portion of debt	$ 2.1	$ 200.0	$ 195.0
Accounts payable	258.8	213.3	141.7
Liabilities held for sale		44.4	45.3
Other current liabilities	490.2	536.4	354.8
Total current liabilities	751.1	994.1	736.8
Long-term debt	782.1	490.2	436.7
Other liabilities	225.7	204.1	226.0
Total liabilities	1,758.9	1,688.4	1,399.5
Commitments and contingencies (notes 3 and 12)			
Shareholders equity:			
Common shares and capital in excess of $.01 stated value per share, 63.7, 66.9 and 66.8 shares issued and outstanding, respectively	426.7	439.3	434.0
Retained earnings	671.3	548.8	499.6
Treasury shares, at cost: 4.6, 1.6, and 1.8 shares, respectively	(252.6)	(86.5)	(92.0)
Accumulated other comprehensive loss	(77.1)	(66.8)	(77.1)
Total shareholders equity	768.3	834.8	764.5

Total liabilities and shareholders equity	$	2,527.2	$	2,523.2	$	2,164.0

See notes to condensed, consolidated financial statements

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NOTES TO CONDENSED, CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

The Scotts Miracle-Gro Company (Scotts Miracle-Gro) and its subsidiaries (collectively, together with Scotts Miracle-Gro, 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 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). Effective in the Company s first quarter of fiscal 2011, the Company classified Global Pro as discontinued operations. See NOTE 2. DISCONTINUED OPERATONS.

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 fiscal quarters represent approximately 75% of annual net sales.

ORGANIZATION AND BASIS OF PRESENTATION

The Company s condensed, consolidated financial statements are unaudited; however, in the opinion of management, these financial statements 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. Interim results reflect all normal and recurring adjustments and are not necessarily indicative of results for a full year.

Certain information and 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). The information in 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, 2010, which includes a complete set of disclosures, including the Company s significant accounting policies.

The Company s Condensed, Consolidated Balance Sheet at September 30, 2010 has been derived from the Company s audited Consolidated Balance Sheet at that date, but does not include all of the information and disclosures required by GAAP for complete financial statements.

USE OF ESTIMATES

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

RECENT ACCOUNTING PRONOUNCEMENTS

Variable Interest Entities

In June 2009, the Financial Accounting Standards Board (FASB) issued new accounting guidance requiring an enterprise to perform an analysis to determine whether the enterprise s variable interest or interests give it a controlling financial interest in a variable interest entity. The new guidance also requires enhanced disclosures that will provide users of financial statements with more transparent information about an enterprise s involvement in a variable interest entity. The Company adopted the new guidance on October 1, 2010 and the adoption did not impact the Company s financial statements and related disclosures.

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Revenue Recognition Multiple-Element Arrangements

In October 2009, the FASB issued new accounting guidance addressing the accounting for multiple-deliverable arrangements to enable entities to account for products or services (deliverables) separately rather than as a combined unit. The provisions establish the accounting and reporting guidance for arrangements under which the entity will perform multiple revenue-generating activities. Specifically, this guidance addresses how to separate deliverables and how to measure and allocate arrangement consideration to one or more units of accounting. The Company adopted the new guidance on October 1, 2010 and the adoption did not impact the Company s financial statements and related disclosures.

Fair Value Measurement

In May 2011, 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 will be effective for the Company s financial statements beginning with the Company s second quarter of fiscal 2012. The Company is in the process of evaluating the impact that the amended guidance may have on its 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.

NOTE 2. DISCONTINUED OPERATIONS

Global Pro

On February 28, 2011, the Company completed the sale of Global Pro to ICL for $270 million, pursuant to the terms of the definitive share and business sale agreement (the SBSA) between Scotts Miracle-Gro, The Scotts Company LLC (Scotts), a wholly-owned subsidiary of Scotts Miracle-Gro, and ICL. After agreed upon adjustments (including post-closing adjustments), the Company received $270.9 million net proceeds. Results from discontinued operations for the first nine months of fiscal 2011 include an after-tax gain on the sale of Global Pro of $21.2 million, which includes transaction costs.

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 core Global Consumer business segment. The Company applied a portion of the net proceeds of the sale toward debt retirement and intends to apply the remaining portion toward capital investments.

In conjunction with the transaction, Scotts 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. Furthermore, certain transitional services are being provided by Scotts to ICL, the majority of which extend for a period of six to 12 months from the date of sale. Scotts estimates that it will supply ICL with approximately $35 million of product, 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 senior secured credit facilities that was required to be repaid from the sale proceeds. The amount of interest expense allocated to and included in discontinued operations was $0.7 million for the three-month period ended July 3, 2010, and $1.7 million and $2.7 million for the nine-month periods ended July 2, 2011 and July 3, 2010, respectively.

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.

\+ Smith & Hawken® is a registered trademark of Target Brands, Inc. The Company sold the Smith & Hawken brand and certain intellectual property rights related thereto 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 Quarterly Report on Form 10-Q to Smith & Hawken refer to Scotts Miracle-Gro s subsidiary entity, not the brand itself.

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In the first nine months of fiscal 2010, the Company incurred charges 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 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 Global Pro and Smith & Hawken as discontinued operations (in millions):

	September 30, THREE MONTHS ENDED	September 30,	September 30, NINE MONTHS ENDED	September 30,
	JULY 2, 2011	JULY 3, 2010	JULY 2, 2011	JULY 3, 2010
Net sales	$	$ 66.3	$ 88.7	$ 203.3
Operating costs		56.2	78.1	190.9
Impairment, restructuring and other charges		0.4		19.3
Gain on sale of Global Pro business	(2.4)		(93.0)	
Global Pro sale related transaction costs	2.2		17.0	
Other income, net	(0.3)	(0.6)	(0.2)	(19.1)
Interest expense		0.7	1.7	2.7
Income from discontinued operations before income taxes	0.5	9.6	85.1	9.5
Income tax expense from discontinued operations	0.6	3.2	57.4	6.4
Income (loss) from discontinued operations	$ (0.1)	$ 6.4	$ 27.7	$ 3.1

The major classes of assets and liabilities of Global Pro were as follows (in millions):

	September 30, JULY 3, 2010	September 30, SEPTEMBER 30, 2010
Cash and cash equivalents	$ 1.0	$ 1.0
Accounts receivable, net	70.6	57.5
Inventories, net	55.7	50.7
Prepaid and other assets	2.4	3.4
Property, plant and equipment, net	13.2	13.5
Goodwill	63.1	67.0
Assets held for sale	$ 206.0	$ 193.1
Accounts payable	$ 16.2	$ 11.4
Other current liabilities	17.6	18.7
Other liabilities	10.6	15.2
Liabilities held for sale	$ 44.4	$ 45.3

The major classes of assets and liabilities of Smith & Hawken were as follows (in millions):

	September 30, JULY 3, 2010	September 30, SEPTEMBER 30, 2010

Assets of discontinued operations in other current assets	$	5.2	$	1.3
Accounts payable	$	0.2	$	
Other current liabilities		4.3		0.9
Liabilities of discontinued operations	$	4.5	$	0.9

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.

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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 2010 or year-to-date fiscal 2011 sales and are not expected to materially affect the Company s sales during the remainder of fiscal 2011.

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 does not set forth a proposed penalty amount, offers the Company an opportunity to present any information that it believes the U.S. EPA should consider prior to filing the complaint and indicates that the U.S. EPA is prepared to meet with the Company to discuss the alleged violations. The Company made a timely response to the Notice and communications between the Company and the U.S. EPA are underway. In addition, the Company recently began settlement discussions with the U.S. DOJ regarding its criminal investigation.

Based on the facts and circumstances known to the Company at this time (including settlement discussions that have taken place to date), the Company has established what it believes to be an appropriate reserve. The U.S. EPA and U.S. DOJ investigations continue, however, and may result in future state, federal or private rights of action including fines and/or penalties with respect to known or potential additional product registration issues. Until these investigations are completed, the Company cannot reasonably estimate the total scope or magnitude of all possible liabilities. It is possible that any such fines and/or penalties, 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 reserve, possibly materially, and could have an adverse effect on the Company s financial condition, results of operations or cash flows.

In June 2008, the California Department of Pesticide Regulation (CDPR) issued a request for information to the Company relating to products that had been the subject of the April 2008 recall. The Company cooperated with that inquiry and reached agreement with CDPR that CDPR would place its investigation on hold pending the completion of the Company s internal audit. In furtherance of that agreement, in May 2010, the Company and CDPR executed a tolling agreement that extended CDPR s rights through April 2012. In July 2010, CDPR notified the Company that CDPR planned to proceed with its investigation independent of the U.S. EPA and U.S. DOJ, and in March 2011, the Company received a letter from CDPR offering to settle the matter without the need for an enforcement proceeding for $245,631. On July 25, 2011, the Company paid the requested civil penalty and entered into a Settlement Agreement pursuant to which CDPR agreed not to take further civil or criminal action with regard to the affected products.

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 effects of these adjustments, including the reserve noted above, were pre-tax charges of $6.8 million and $1.5 million for the three-month periods, and $11.0 million and $5.8 million for the nine-month periods ended July 2, 2011 and July 3, 2010, respectively. 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 reserves as settlement discussions continue.

The following tables summarize the impact of the product registration and recall matters on the Company s results of operations during the three and nine months ended July 2, 2011 and July 3, 2010, and on accrued liabilities and inventory reserves as of July 2, 2011 (in millions):

	September 30,	September 30,	September 30,	September 30,
	THREE MONTHS ENDED		NINE MONTHS ENDED	
	JULY 2, 2011	JULY 3, 2010	JULY 2, 2011	JULY 3, 2010
Cost of sales other charges	$ 1.1	$	$ 3.2	$ 1.5
Gross profit	(1.1)		(3.2)	(1.5)
Selling, general and administrative	5.7	1.5	7.8	4.3

Loss from operations		(6.8)		(1.5)		(11.0)		(5.8)
Income tax benefit		0.8		0.5		2.2		2.0
Net loss	$	(6.0)	$	(1.0)	$	(8.8)	$	(3.8)

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September 30,	**September 30,**	**September 30,**	**September 30,**