

S&W Seed Co
Form 10-K
September 30, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C.

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 June 30, 2015

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 001-34719

S&W SEED COMPANY

(Exact Name of Registrant as Specified in Its Charter)

Nevada

27-1275784

*(State or Other Jurisdiction of
Incorporation or Organization)*

*(I.R.S. Employer
Identification No.)*

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7108 North Fresno Street, Suite 380
Fresno, CA

93720

(Address of Principal Executive Offices)

(Zip Code)

(559) 884-2535

*(Registrant's Telephone Number,
Including Area Code)*

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class

Name of Each Exchange on Which Registered

Common Stock, \$0.001 Par Value

Nasdaq Capital Market

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 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 (§ 229.405 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

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405) 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

Smaller reporting company

..

x

(Do not check if a smaller reporting company)

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

.. Yes x No

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter was \$47,396,596.

The number of shares outstanding of common stock of the Registrant as of September 22, 2015 was 13,463,455.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the 2015 Annual Meeting of Stockholders are incorporated herein by reference in Part III of this Annual Report on Form 10-K to the extent stated herein. Such proxy statement is to be filed with the Securities and Exchange Commission within 120 days of the registrant's fiscal year ended June 30, 2015.

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S&W SEED COMPANY
FORM 10-K
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. The statements contained in this Report that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements other than statements of historical fact are statements that could be deemed forward-looking statements, including but not limited to any projections of revenue, margins, expenses, tax provisions, earnings, cash flows and other financial items; any statements of the plans, strategies and objectives of management for future operations; any statements regarding our ability to raise capital in the future; any statements concerning expected development, performance or market acceptance relating to our products or services or our ability to expand our grower or customer bases; any statements regarding future economic conditions or performance; any statements of expectation or belief; any statements regarding our ability to retain key employees; and any statements of assumptions underlying any of the foregoing. These forward-looking statements are often identified by the use of words such as, but not limited to, "anticipate," "believe," "can," "continue," "could," "estimate," "expect," "intend," "may," "will," "plan," "project," "seek," "should," "target," "will," "would," and similar expressions or variations intended to identify forward-looking statements. We have based these forward-looking statements on our current expectations about future events. Such forward-looking statements are subject to risks, uncertainties and other important factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. Risks, uncertainties and assumptions include the following:

- whether we are successful in securing sufficient acreage to support the growth of our alfalfa seed business,
- the continued ability of our distributors and suppliers to have access to sufficient liquidity to fund their operations;
- trends and other factors affecting our financial condition or results of operations from period to period;
- the impact of crop disease, severe weather conditions, such as flooding, or natural disasters, such as earthquakes, on crop quality and yields and on our ability to grow, procure or export our products;
- the impact of pricing of other crops that may be influence what crops our growers elect to plant;
- our plans for expansion of our business (including through acquisitions) and our ability to successfully integrate acquisitions into our operations;
- whether we are successful in aligning expense levels to revenue changes;
- whether we are successful in monetizing our stevia business;
- the cost and other implications of pending or future legislation or court decisions and pending or future accounting pronouncements; and
- other risks that are described herein including but not limited to the items discussed in "Risk Factors" below, and that are otherwise described or updated from time to time in our filings with the SEC.

You are urged to carefully review the disclosures made concerning risks and uncertainties that may affect our business or operating results, which include, among others, those listed in Part I, Item 1A. "Risk Factors" of this Report.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance or achievements. Many factors discussed in this Report, some of which are beyond our control, will be important in determining our future performance. Consequently, actual results may differ materially from those that might be anticipated from the forward-looking statements. In light of these and other uncertainties, you should not regard the inclusion of a forward-looking statement in this Report as a representation by us that our plans and objectives will be achieved, and you should not place undue reliance on such forward-looking statements. All forward-looking statements included herein are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Furthermore, such forward-looking statements speak only as of the date of this Report. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

PART I

Item 1. Business

Overview

Founded in 1980 and headquartered in the Central Valley of California, we believe we are the leading producer and distributor of alfalfa seed in the world. We produce or grow seed in the Western United States, Canada and Australia and sell our seed varieties in more than 30 countries across the globe. Historically, we have been recognized as the leading producer of non-dormant alfalfa seed varieties, which varieties have been bred for warm climates and high-yields, including varieties that can thrive in poor, saline soils. Our December 2014 acquisition of certain alfalfa research and production facility and conventional (non-GMO) alfalfa germplasm assets of DuPont Pioneer, a wholly-owned subsidiary of E.I. du Pont de Nemours and Company, has provided us with the opportunity to become a leading producer of dormant, high yield alfalfa seed varieties, which are the varieties suitable for cold weather conditions. We also have agreements with Monsanto Corporation to develop unique traits into specific S&W-developed varieties that exhibited high yield and salt tolerance. We have licensing agreements with Monsanto and Forage Genetics International, LLC, a subsidiary of Land O' Lakes, Inc. to produce, breed and eventually sell Roundup Ready alfalfa seed varieties. As a result of the above activity, our alfalfa seed business now encompasses the production, breeding and sale of non-dormant and dormant conventional varieties and the potential for future production and sale of GMO (genetically modified organism) varieties. In addition to alfalfa seed production and sales, which is our core business, we also conduct an ongoing stevia breeding program.

Following our initial public offering in fiscal 2010, we expanded certain pre-existing business initiatives and added new ones, including:

- diversifying our production geographically by expanding from solely producing seed in the San Joaquin Valley of California to initially adding production capability in the Imperial Valley of California, then expanding into Australia (primarily South Australia) and, most recently, adding production in other western states and Canada;
- expanding from solely offering non-dormant varieties to now having a full range of both dormant and non-dormant varieties;

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- teaming with FGI and Monsanto to develop GMO alfalfa seeds, using our germplasm and Monsanto's genetically modified traits;
- expanding the depth and breadth of our research and development capabilities in order to develop new varieties of both dormant and non-dormant alfalfa seed with traits sought after by our existing and future customers;
- expanding our distribution channels and customer base, initially through the acquisition of the customer list of our key international customer in the Middle East in July 2011, and thereafter, through certain strategic acquisitions;
- expanding our sales geographically both through the expansion of our product offerings to have product needed in regions we historically did not cover and through an expansion of our sales and marketing efforts generally; and
- implementing a stevia breeding program to develop new stevia varieties that incorporate the most desirable characteristics of this all-natural, zero calorie sweetener.

We have accomplished these expansion initiatives through a combination of organic growth and strategic acquisitions, foremost among them:

- the acquisition of Imperial Valley Seeds, Inc. ("IVS") in October 2012, which enabled us to expand production of non-GMO seed into California's Imperial Valley, thereby ensuring a non-GMO contaminated source of seed due to the prohibition on GMO crops in the Imperial Valley, as well as enabling us to diversify our production areas and distribution channels;
- the acquisition of a portfolio of dormant germplasm in August 2012 to launch our entry into the dormant market;
- the acquisition of the dominant local producer of non-dormant alfalfa seed in South Australia, Seed Genetics International Pty Ltd ("SGI") in April 2013, which greatly expanded our production capabilities and geographic diversity; and
- the acquisition of the alfalfa production and research facility assets and conventional (non-GMO) alfalfa germplasm from DuPont Pioneer in December 2014, thereby substantially expanding upon our initial entrance into the dormant alfalfa seed market that began in 2012 and enabling us to greatly expand our production and research and product development capabilities.

We believe our 2013 combination with SGI created the world's largest non-dormant alfalfa seed company and gave us the competitive advantages of year-round production in that market. With the completion of the acquisition of dormant alfalfa seed assets from DuPont Pioneer in December 2014, we believe we have become the largest alfalfa seed company worldwide (by volume), with industry-leading research and development, as well as production and distribution capabilities in both hemispheres and the ability to supply proprietary dormant and non-dormant alfalfa seed. Our operations span the world's alfalfa seed production regions, with operations in the San Joaquin and Imperial Valleys of California, five additional Western states, Australia and three provinces in Canada. We now sell our seed products in more than 30 countries worldwide.

We also own and operate seed-cleaning and processing facilities in Five Points, California and Nampa, Idaho. Our newly-acquired Nampa Facility sits on approximately 80 acres and includes conditioning, treating, bagging and warehouse facilities that had been used by DuPont Pioneer for its alfalfa seed processing needs.

World Agriculture

One of the biggest challenges of the 21st century will be to expand agricultural production so that it can meet the food and nutritional demands of the world's growing population. According to World Population Prospects: The 2012 Revision, published by the United Nations in June 2013, the world population is estimated to surpass 9.6 billion by 2050.

Improvements in farm productivity have allowed agriculture to keep pace with growing food demand. Yield-enhancing technologies such as mechanization, hybrid seed and crop protection chemicals have enabled farmers to meet the ever-growing demand for food. Because of decreases in the amount of arable land and shrinking worldwide fresh water resources, further increases in agricultural production must come from improvements in agricultural productivity. We address this need by breeding high-yielding alfalfa seed that is tolerant to inferior, saline soils, thereby allowing farmers to make marginal soils with inferior water quality as productive as superior soils.

Alfalfa Seed Industry

Alfalfa seed is primarily used for growing alfalfa hay, which is grown throughout the world as "forage" for livestock, including dairy and beef cattle, horses and sheep. It is most often harvested as hay, but can also be made into silage, grazed, or fed as greenchop to ruminant livestock. The alfalfa industry (and therefore the alfalfa seed industry) is highly dependent on the dairy industry, which is the largest consumer of alfalfa hay. As markets around the world continue to expand to a more westernized diet with high-protein consumption, the demands for alfalfa production around the world continue to increase.

Alfalfa is indigenous to the Middle East where it is considered a "non-dormant" plant, meaning it grows year round. "Dormant" varieties of alfalfa have adapted to cold climates by going dormant during periods when frost or snow conditions would otherwise kill them. Dormancy is rated using a numerical system under which "dormant" varieties are rated toward the lower end of a 1 through 11 scale, such as 2 through 4, while "non-dormant" varieties are rated toward the upper end of the scale, such as 8 through 11. The number typically identifies the number of cuttings that a farmer might be able to obtain each year. For the past 30 years, we have focused our efforts on the "non-dormant" market, which is best suited to hot, dry climates, where the growing season lasts for most of the year, resulting in larger yields per acre.

While exact production estimates worldwide are difficult to obtain, approximately 150 million pounds of alfalfa seed are produced worldwide each year, roughly divided evenly between non-dormant and dormant production. Alfalfa seed for the non-dormant marketplace is primarily grown in just a few key regions of the world, including the San Joaquin Valley of California, the Imperial Valley of California, and Southern Australia. However, the growing regions for "non-dormant" alfalfa hay include the Southwestern U.S., the Middle East, North Africa, Latin America and other hot, arid regions of the world. "Dormant" alfalfa seed, by contrast, is grown in the western United States and Canada for production of alfalfa hay in colder climates, including the northern regions of the United States, Canada, Europe and China.

Alfalfa seed production is demanding for even the most experienced farmers. Farming practices must be tailored to the climatic conditions of each area. Irrigation must be carefully controlled and timed to stress the plants to cause maximum flowering and seed production. Weed control is essential in order to pass inspections for purity needed for certification. Insect pests, especially lygus bugs, must be managed throughout the season, using strategies that protect pollinators, such as honey bees, leafcutter bees and alkali bees. Fields are desiccated using chemicals that remove moisture and then are harvested as quickly thereafter as possible to limit or avoid rain damage.

Stevia and the Sweetener Industry

Stevia is a relative newcomer in the estimated over \$50 billion global sweetener market. Although this market is still dominated by sugar, sugar substitutes continue to increase in market share as consumer concern over sugar intake continues to increase. Stevia leaf and its refined products constitute a natural, non-caloric high intensity sweetener, estimated to be 200 to 300 times sweeter than sugar. Its taste has a slower onset and longer duration than that of sugar. It has the advantage of not breaking down with heat, making it more stable for cooking than other sugar alternatives. In the U.S., approximately 70% of all new products formulated with stevia are beverages, with the remainder split between diverse categories, including dairy products and baked goods.

The stevia plant is indigenous to the rain forests of Paraguay and has been used as a sweetener in its raw, unprocessed form for hundreds of years. In recent years, it has been grown commercially in Brazil, Paraguay, Uruguay, parts of Central America, Thailand, China and the U.S. Currently, the majority of global commercial stevia production occurs in China.

The incorporation of stevia-derived extracts into foods and beverages in the U.S. has seen a rapid increase since the beginning of 2009, when stevia was first introduced as a sweetener alternative to sugar in food and beverages. According to Mintel and Leatherhead Food Research, the value of stevia as an additive for use in food and beverage manufacture in 2013 totaled approximately \$110 million, and they estimate that this total will grow to approximately \$275 million by 2017. Their report further states that, while sales of artificial sweeteners, such as aspartame, acesulfame K and sucralose still dominate the market for sugar substitutes, consumer demand for artificial sweeteners has seen a decline since the introduction of stevia. Mintel and Leatherhead Food Research expect to this trend to continue, with plant-derived sweeteners, such as stevia, providing the main area of growth in the sweetener market in the future.

Business Strategy

We strive to enhance our growth potential and improve gross margins by increasing our alfalfa seed business, by leveraging our expertise in plant discovery and development and by continually assessing opportunities to expand into the production and sale of other, higher margin crops.

Our goal is to grow our alfalfa seed business by:

- increasing the number of acres under contract with growers in the Central and Imperial Valleys of California, in other western states and Canada and in South Australia;
- increasing distribution into foreign markets through sales in the Middle East, Africa, Mexico and Latin America;
- expanding and improving our domestic distribution channels;
- promoting worldwide the economic advantages of our high-yielding alfalfa seed varieties and our salt-tolerant alfalfa seed varieties;
- continuing our breeding program in order to develop new varieties with those characteristics most desired by farmers; and

- expanding our assortment of available varieties.

These goals are being accomplished both through organic growth of our legacy business and through strategic acquisitions. We will continue to look for additional acquisition or internal opportunities that will expand our existing business or provide us with a gateway to entering new markets that complement our existing business.

We also are continuing to exploit the emerging market for stevia through our stevia breeding program. The goal of this program is to leverage our research, development and breeding expertise to invent stevia varieties with flavor characteristics that best complement the food and beverages into which stevia is increasingly being incorporated or that can be consumed on its own.

Our Current Alfalfa Seed Products

We have a history of innovation in alfalfa breeding, dating back to the early 1980s when S&W's first non-dormant varieties were introduced to the market. Starting in 2001, our Australian subsidiary, SGI, began a breeding program targeted at creating varieties that maximize seed yields, thereby reducing the cost of seed production. Historically, we differentiated our products by optimizing our varieties for geographical regions that have hot climates and, in the case of S&W varieties, challenging soil conditions such as high-salt content, while maximizing crop yield. Our December 2014 acquisition of DuPont Pioneer's conventional, dormant alfalfa seed varieties builds upon our initial 2013 launch into dormant alfalfa seed markets by adding a wide selection of dormant alfalfa seed varieties that are suited for higher elevation and cooler climate conditions.

Fall Dormancy Ratings of Our Varieties

Fall dormancy is a key characteristic that can vary among alfalfa varieties. Fall Dormancy (FD) ratings are assigned to varieties based on their performance in standardized tests for the onset of dormancy in the fall. Standard check varieties span an FD rating continuum from FD 1 to FD 11, where the onset of dormancy is measured as fall height relative to standard check varieties. FD1 represents the earliest onset of fall dormancy, whereas FD 12 represents a completely non-dormant growth habit. Early FD ratings are generally most suited to cold winter climates where plants must cease fall growth early allowing individual plants to survive cold winters and frozen soils conditions for lengthy periods. FD 2 and FD 3 ratings are typically associated with early onset fall dormancy, when grown in the upper Midwest for example. FD 9 and FD 10 ratings are typically non-dormant, are characterized as having relatively little slowdown in fall growth and are more suited for continuing forage yield production and improved yield potential in warm winter climates where soils do not freeze.

Our current commercial product line-up includes alfalfa seed varieties that span from FD 3 (our earliest onset of fall-dormancy) to FD 10 (our most non-dormant, most winter active). The legacy S&W product development efforts were focused on FD 8, FD 9 and FD 10, with some breeding effort devoted to FD 4, FD 6 and FD7.

S&W Varieties

S&W varieties are all bred and developed to meet the guidelines for certification by the California Crop Improvement Association ("CCIA").

In February 2012, we announced the certification of our first proprietary dormant alfalfa seed variety, which was specifically bred to thrive in high altitude and cooler climates. In August 2012, we purchased

the rights to a portfolio of alfalfa varieties suited for higher elevations and colder climate conditions, marking our commitment to expand more aggressively into the dormant variety market. The colder climate or higher elevation varieties that we acquired are in the range of FD 3, FD 4 and FD 5. In December 2014, we acquired from DuPont Pioneer one of the alfalfa industry's largest portfolios of dormant alfalfa germplasm, along with their active breeding program. The Pioneer breeding program amassed a significant germplasm base that spans from FD 3 through FD 9. The primary focus of the Pioneer breeding program was FD 4 and FD 5 for the North America market. These acquisitions of dormant germplasm significantly expand the range of geographic and climatic growing regions where we can offer adapted varieties.

Our most non-dormant varieties (FD 8, FD 9 and FD 10) represent a large proportion of our business and are best suited to hot, arid climates. Our salt tolerant non-dormant varieties do well in salty irrigation waters and salty soils. Our leading non-dormant varieties include SW 10, SW 9720, SW 9215, SW 9628, SW 8421S and SW 8718. Of these varieties, SW 9720, SW 9215 and SW 8421S are bred to perform very well in highly saline conditions that would stunt or kill ordinary alfalfa.

Our FD 3, FD 4 and FD 6 S&W varieties are adapted to the winter-hardy intermountain west and to irrigated areas of the Sacramento Valley and Northern San Joaquin Valley of California. These include Rhino, Trophy and SW 6330. In addition, we have grown introductory volumes of several new varieties derived from the Pioneer germplasm base for commercial introduction as S&W brand varieties, or potentially as varieties for licensing to third party brands. Our breeding and genetics experts continue the multi-year process of developing improved varieties over much of the dormancy spectrum, but concentrating primarily on high salt- and heat-tolerant, non-dormant alfalfa seed, where we have established ourselves as a leading provider. We also create blends of seed varieties.

IVS Varieties

IVS markets both common and certified alfalfa seeds, sourced from growers located in the Imperial Valley of Southeast California. A portion of the alfalfa seed sold by IVS in fiscal 2015 was common varieties (*i.e.*, uncertified seed) while the balance consisted of certified CUF (a public variety) and proprietary varieties. The primary proprietary varieties we acquired in the IVS acquisition are LaJolla, Catalina and Saltana.

S&W Varieties

S&W has developed well-known proprietary varieties of alfalfa, such as SuperSonic, SuperNova, SuperStar, SuperCharge, SuperAurora, SuperSequel and SuperSiriver. Since 2002, the varieties developed by S&W have attracted an expanding grower base, and in 2012, S&W accounted for more than 60% of the total Australian certified proprietary alfalfa seed production. S&W's alfalfa seed varieties are bred to resist disease, create persistence in the field and produce higher yields of both the alfalfa hay forage and alfalfa seed production for our seed growers. S&W's proprietary varieties exhibit superior seed yield capability compared to traditional non-proprietary alfalfa varieties in Australia with the most recent varieties showing the highest seed yields. Forage yields of the older S&W proprietary varieties are at least equivalent to traditional non-proprietary varieties and the forage yields of the more recent S&W varieties are even better. All of S&W's proprietary alfalfa varieties, excluding SuperAurora, have FD ratings of 8-9 and therefore achieve optimum growth and forage production in Mediterranean to desert climates.

S&W has a number of developments within its breeding program pertaining to semi-dormant and highly non-dormant alfalfa varieties and tropical alfalfa seed varieties.

Additionally, SGI has a breeding and production platform of proprietary white clover varieties, including SuperHuia, SuperLadino, SuperHaifa and SuperHaifa II. Similar to SGI's alfalfa varieties, SGI's clover varieties produce comparatively higher seed yields. In fiscal 2015, clover sales represented 5% of SGI's total seed sales. SGI's white clover varieties are used for forage and ornamentation.

Genetically Modified Organism Alfalfa

Currently, Europe, the Middle East and certain other parts of the world prohibit the sale of genetically modified organism (GMO) alfalfa. Therefore, historically, we have not employed genetic engineering in the breeding of our current commercial seed varieties for these markets, and consequently, we have products that can be sold throughout the world. As a result of the January 2011 deregulation by the U.S. Department of Agriculture (the "USDA") of Roundup Ready® alfalfa, a GMO product, Roundup Ready® alfalfa is currently being grown in the United States without any federal or state regulations governing field isolation and other protections.

Collaborative stewardship programs have been developed to facilitate the coexistence of GMO and non-GMO seed. For example, in 2010, the AOSCA launched its Alfalfa Seed Stewardship Program (the "ASSP"). The ASSP is a voluntary, fee-based certification program for the production of alfalfa seed to be sold into markets that prohibit the sale of GMO alfalfa. ASSP certification of seed fields includes testing for GMO material and observance of a minimum stated isolation distance of five miles from any GMO alfalfa seed production field. Also in 2010, the California Crop Improvement Association (the "CCIA") developed a web-based alfalfa seed field isolation "pinning" map for alfalfa seed production in the Western U.S. This map is intended to pin both GMO and non-GMO seed fields. Although beneficial to growers and customers alike these stewardship programs do not afford legal protection to non-GMO growers. We believe that our farming practices currently meet the ASSP and CCIA requirements, including the field isolation requirements.

We continue to evaluate our options with respect to incorporating biotechnology into our alfalfa seed traits and the resulting impact on our business strategy and operations. In April 2013, we entered into a license agreement with FGI to develop and commercialize seed varieties that incorporate proprietary traits, including the Roundup Ready® trait. This agreement further documented and formalized our previously announced collaboration with FGI and Monsanto to develop genetically modified versions of certain of our proprietary alfalfa varieties. This development of biotech seed varieties consists of several phases including lab work and field trials to confirm agronomic performance and trait efficiency of each developed variety. Upon completion of the field trials for any developed variety, we may elect to commercialize the variety and enter into a variety-specific license agreement with FGI pursuant to which we would pay certain royalties and access fees. Although we will no longer be internally farming to produce our proprietary non-GMO alfalfa seed varieties following the 2015 fall harvest, depending on the progress we make in our collaborative efforts with FGI and Monsanto, we could acquire additional farmland acreage in the future for Roundup Ready® seed stock production and testing or for other biotechnology trait production purposes.

In December 2014, we entered into a Contract Alfalfa Production Services Agreement with DuPont Pioneer, whereby we produce for a service fee, alfalfa seed of commercial Pioneer varieties containing the Roundup Ready® gene. These varieties are exclusive to Pioneer and accordingly, we do not produce them for or sell them to any other customer.

In connection with the DuPont Pioneer acquisition, we only acquired conventional alfalfa varieties. However, the parties agreed to the terms of a second asset purchase agreement to be entered into under certain circumstances relating to the purchase of DuPont Pioneer's GMO alfalfa assets: If required third party consents are received from Monsanto, FGI and others prior to November 30, 2017 and subject to the satisfaction of certain other specified conditions, either we or DuPont Pioneer has the right to enter into (and require the other party to enter into) the second asset purchase agreement on or before December 29, 2017 pursuant to which we would acquire DuPont Pioneer's GMO germplasm varieties and other related assets for a purchase price of \$7,000,000. There is no assurance that we will purchase the DuPont Pioneer GMO assets.

As a result of the increasing use of Roundup Ready® alfalfa by traditional hay farmers and the lack of federal or state rules requiring adequate isolation of Roundup Ready® alfalfa fields from conventional fields to prevent cross-pollination of GMO plants with non-GMO plants, we have experienced an increase in the number of seeds in recent harvests that have tested positive for the adventitious presence of GMO. To date, the low percentage of seeds that have tested positive has not undermined our ability to meet international demand, and we expect to be able to sell these seeds domestically and in other jurisdictions that permit the importation of GMO alfalfa at our customary prices for certified seed. Nevertheless, we are taking proactive steps to protect our seed crops to ensure we have sufficient seed to meet the demand for our varieties in international markets. These steps include seeking collaborative agreements, regulations or other measures to ensure neighboring farms that grow GMO alfalfa in the San Joaquin Valley limit the extent to which they allow the flowering and cross-pollination of their GMO-based crops with our conventional non-GMO crops to occur; and expanding our contracted grower base in the Imperial Valley of California, as well as other western states (including Nevada, Arizona, Oregon, Washington, Idaho, Colorado, Wyoming, Montana and Kansas), as well as the Canadian provinces of Alberta, Manitoba and Saskatchewan, where we now have growers as a result of the DuPont Pioneer acquisition, and seed growing regions where GMO alfalfa is less prevalent. We also have begun to grow S&W varieties in South Australia, where there is no GMO activity in alfalfa, and intend to increase that production in future growing seasons.

Alfalfa Seed Cleaning and Processing

Alfalfa seed processing is similar in all of our growing regions and begins with the harvest. Each field is harvested and identified separately with unique information such as variety, lot number, grower name, field name, acres and certification number. During harvest, our growers load field run harvested seed separately for each field out of the combine into bulk containers for transport to the processing facility. When the containers arrive at the facility, each container is weighed, labeled with the unique field information and a sample is taken.

Harvested seed is then sent to seed-cleaning lines where it is cleaned and foreign matter such as weeds, inert matter and other crop seed is removed. Clean seed samples are taken and tested for purity and germination to meet company quality standards. The clean seed is then stored in bulk until needed to fulfill a sales order. Upon receipt of a sales order, the clean seed is pulled from inventory and processed through our packaging equipment to meet specific customer requirements such as treatment, package size and unique bag and labeling.

With the successful acquisition of the DuPont Pioneer alfalfa business, we now have a processing facility in Nampa, Idaho in addition to our existing processing facilities in Five Points. The facility in Nampa, Idaho gives us exclusive access to the use of patented coating technology that, among other things, allows for the extension of rhizobium (seed treatment) lifespan. We handle processing of our Imperial Valley seed under a long-term service agreement.

S&W Processing

S&W proprietary seed is packaged into an S&W branded seed bag as well as unique customer-specific branded seed bags. Final packaging for customers includes attaching a label with variety name and physical quality data, and attaching a State Certification tag (also known as a "blue tag") to each individual bag. When the seed is treated with any type of seed treatment, a treatment tag must also be attached to each individual bag.

S&W proprietary seed production is produced under a state seed certification program. As part of the DuPont Pioneer acquisition, we acquired a CCIA certified lab that enables us to collect, analyze and submit to the state all of the data needed for certification of our seed varieties so that we no longer are required to outsource that function. Certification by these programs ensures both physical and genetic quality standards for individual lots of seed. Additional testing may be required, dependent on the market to which the shipment is destined, such as Saudi Arabia or Mexico. Samples may be sent to the Federal Seed Laboratory (U.S. Department of Agriculture) or a State Department of Agriculture laboratory for further physical quality testing and/or market specific phytosanitary testing.

Unlike many other plant species, the physiological characteristics of alfalfa seed allow for longer term storage without losing physical quality of the seed. When we have unsold inventory at the end of a sales season, these seed characteristics ensure the ability to store and sell the inventory in subsequent years.

As our alfalfa seed business grows, processing facility utilization will be increased by implementing process improvements such as autonomous maintenance and quicker material changeovers to reduce downtime. In addition, we will increase throughput by sequencing operations to remove bottlenecks and by adding work shifts. Finally, we may make capital improvements to our facilities when business opportunities exist to create a strong return on investment.

S&W Processing

S&W's growers contract directly with independent mills in the southeast region of Southern Australia for the cleaning and preparation of S&W's varieties. Four milling facilities are used by S&W's growers to clean and process the majority of S&W alfalfa seed, and one company, Tatiara Seeds Pty Ltd, which owns two of the four milling facilities, processes approximately 70% of seed grown for S&W. One other milling facility cleans the majority of S&W's white clover. Although most of S&W's milling requirements are processed through Tatiara-owned mills, we are aware of other mills that would serve our purposes were we no longer able or willing to process the S&W seed through Tatiara-owned mills.

The S&W growers are required to deliver seed that meets S&W's processing specifications, based on international and domestic certification standards. In a typical year, approximately 90-95% of product received from the growers meets S&W's specifications.

Alfalfa Seed Product Development

Our alfalfa breeding program is designed to make steady genetic improvement in our germplasm base that is used to create better performing varieties for our customer. A typical alfalfa variety can take as little as five years or as long as 18 years to be developed, depending on methodology and the desired agronomic traits. Because of the many years required to develop a new alfalfa variety, we believe our successful breeding program allows us to offer seed varieties incorporating a combination of characteristics desired by farmers that are not available from any other source, thereby providing us with a competitive advantage.

The breeding program has three distinct phases; screening, crossing, and classification. In connection with the breeding of our non-GMO varieties, in each phase of the breeding process, we conduct tests to ensure that we have no adventitious presence (AD) of GMO contamination. Both field and greenhouse breeding locations are used in our breeding program.

For the screening phase, seed is seeded in flats in the greenhouse. Seedlings are inoculated with various pathogens to improve host plant resistance. We have locations that specialize in nematode screening, disease screening, salt tolerance screening and insect pest screening. We screen hundreds of thousands of plants throughout the year, then these resistant plants are transplanted to the field and are inoculated with additional pathogens and evaluated for resistance and agronomic characteristics, such as yield, tolerance to lodging, forage quality, color, crown size, dormancy and other traits that are needed by farmers.

The second phase, or crossing phase, begins with selecting plants from field nurseries and clonally propagating them by taking stems and rooting them in the greenhouse. These rooted clonally propagated plants are cross-pollinated to make the first generation or SYN 1 seed of the new varieties. This SYN 1 seed is used for variety characterization and also increased to ensure ample seed is available for multiplication for the life of the variety.

The characterization phase is the most difficult part of the breeding operation. To determine performance levels and environmental adaptation, extensive testing across many environments for yield, forage quality, yield stability across environments, dormancy, tolerance to lodging, regrowth from cutting; as well as being characterized for as many as 15-18 pests and diseases.

We are also looking to build on our research and development expertise and expand our biotechnology initiatives. As such, we look for opportunities to collaborate with other companies that have technologies that we believe complement our proprietary products and/or our research and development breeding expertise to develop as yet unavailable specialized alfalfa seed products and potentially, other seed products. We currently are in the initial phase of working with Calyxt, Inc. (a wholly-owned subsidiary of Collectis Plant Sciences) to research, develop, produce and commercialize alfalfa seed products involving next generation gene editing technology on our elite alfalfa seed genetics. We also are forming a joint corporation in Argentina with Bioceres, S.A. for the purpose of collaborating on developing specific GMO traited seed for the Argentina market. Both of these relationships are in their infancy, and we do not expect that we will see a material impact on our revenue for at least two years, if ever. However, both of these biotech initiatives demonstrate our willingness and ability to expand our research and development efforts beyond our classically-bred proprietary alfalfa seed breeding program.

Sales, Marketing and Distribution

S&W Sales and Marketing

Historically, we primarily sold high quality proprietary "non-dormant" seed varieties to those parts of the world with hot, arid climates. Our primary geographical focus for non-dormant seed is the Middle East and North Africa, although we currently sell to customers in a broad range of areas, including the Western U.S., Mexico, South America, Middle East and Africa, as well as other countries with Mediterranean climates. Unlike in cooler climates, the geographic areas on which we have historically concentrated are able to sustain long growing seasons and therefore alfalfa growers can benefit from our high-yielding,

non-dormant varieties. In recent periods, we have expanded geographically into colder climates where our newly-acquired dormant varieties thrive. Our customers are primarily our distributors and dealers. Our distributors and dealers, in turn, sell to farmers, consisting primarily of dairy farmers, livestock producers and merchant hay growers.

Although we have a sales team, we primarily sell our seed through our network of distributors and dealers, as well as through the services of seed brokers. We do not have formal distribution agreements with most of our distributors, but instead operate on the basis of purchase orders and invoices. We believe that selling through dealers and distributors enables our products to reach hay growers in areas where there are geographic or other constraints on direct sales efforts. We select dealers and distributors based on shared vision, technical expertise, local market knowledge and financial stability. We build dealer/distributor loyalty through an emphasis on service, access to breeders, ongoing training and promotional material support. We limit the number of dealers and distributors with whom we have relationships in any particular area in order to provide adequate support and opportunity to those with whom we choose to do business.

Historically, all of our international sales were made to U.S. distributors who then, in turn, sold our seed into foreign markets. However, our approach to international sales shifted beginning in fiscal 2012, and most of our international sales are now made to non-U.S. customers. Through our distributors, our primary export market historically had been Saudi Arabia and to a lesser extent, certain other Middle Eastern and North African countries. The overall international sales mix changed beginning in fiscal 2013 with our acquisition of SGI in South Australia. In recent years, in addition to sales to Saudi Arabia and Australia, we have been selling to customers in Sudan, Morocco, Egypt and Libya, and to customers in other regions of the world, including Latin America, (Argentina and Mexico) and South Asia (Pakistan), both of which we view as an important regions for potential expansion. In total, we sell our alfalfa seed varieties in approximately 25 countries throughout the world.

Domestic seed marketing is based primarily upon the dormancy attributes of our varieties as suited to climates in target markets. Prior to the DuPont Pioneer acquisition, we marketed our alfalfa seed, which consisted primarily of non-dormant varieties, in California, Arizona, New Mexico, Texas and Nevada. We slowly began broadening our domestic geographic reach beginning in fiscal 2013, with our first sales of dormant alfalfa seed, and significantly expanded in fiscal 2015 following the acquisition of DuPont Pioneer's dormant alfalfa seed assets. In connection with that acquisition, we entered into a distribution agreement with DuPont Pioneer pursuant to which we became the sole supplier, subject to certain exceptions, of certain alfalfa seed products for sale to customers by DuPont Pioneer through September 2024. In fiscal 2015, DuPont Pioneer accounted for approximately 34% of our revenue. Given its historical market share in the sale of dormant alfalfa seed, we expect sales to DuPont Pioneer to be a significant portion of annual sales throughout the period of the distribution agreement. A disruption in this relationship could have a material adverse impact on our results of operations.

The price, terms of sale, trade credit and payment terms are negotiated on a customer-by-customer basis. Our arrangements with our distributors do not include a right of return. Typical terms for domestic customers require payment in full within 60 days of the date of shipment. Our credit terms with DuPont Pioneer are governed by the distribution agreement, as amended, and provide that we receive equal installment payments in September, January and April of each year.

Sales to our international customers are paid in advance of shipment or typically within 120 days of shipment and may also be accomplished through use of letters of credit, cash against documents and installment payment arrangements. Our credit policies are determined based upon the long-term nature of

the relationship with our customers. Credit limits are established for individual customers based on historical collection experience, current economic and market conditions and a review of the current status of each customer's trade accounts receivable.

In fiscal 2015, DuPont Pioneer, a domestic customer, and Sorouh Agricultural Company, an international customer, collectively accounted for approximately 49% of our alfalfa seed revenue. In fiscal 2015, sales to domestic customers increased as a percentage of our total sales, primarily as a result of the agreements we entered into with DuPont Pioneer, but international customers accounted for more than a majority of the sales (59%) in the past fiscal year.

Both farmers (dairy farmers and hay growers) and dealers use pest-control advisors who recommend the varieties of alfalfa that will produce the best results in a particular location. Therefore, a key part of our marketing strategy is to educate the consultants, as well as the farmers, as to benefits of our seed varieties.

We believe that our best marketing tool is the dissemination of information regarding the quality and characteristics of our propriety seed varieties of those persons who make the hay growing decisions. We intend to continue to place advertisements in trade journals, participate in seed industry conferences and trade shows and engage in various other educational and outreach programs as we deem appropriate.

Most of our international marketing efforts are accomplished through face-to-face meetings with our existing and potential customers, and their end users. In addition, we participate in international trade shows to boost our international presence and sales efforts.

S&W Sales and Marketing

S&W sells a majority of its proprietary alfalfa seed (approximately 70-90% of its total sales per year) into Saudi Arabia, the United States and Argentina. S&W sells the bulk of its proprietary clover seed to China, Europe and the U.S. Similar to S&W Seed, S&W has historically relied upon a network of distributors to market and sell its products.

In marketing its products, S&W's initial impetus was to gain market penetration through the sale of improved versions of proven varieties (*e.g.*, SuperSiriver and SuperAurora) in the market place at competitive pricing. Subsequently, S&W used its established market presence to launch additional superior varieties such as SuperSonic. S&W utilizes a variety of distribution strategies. Through distribution arrangements S&W's proprietary varieties are marketed directly as S&W brands or under customer brand labels, and strategic allocations of full and partial exclusivity rights are made in specific countries and geographical regions to incentivize distributors to establish markets for S&W products.

Seed Production

As of the end of our 2015 fiscal year, we have seed production capabilities in California and most of the other states in the Western United States, including higher elevations and colder climatic regions where dormant alfalfa seed is produced, the Canadian provinces of Alberta, Manitoba and Saskatchewan and in South Australia.

S&W and IVS Production

Historically, we fulfilled all of our alfalfa seed requirements under contracts with farmers primarily located in the San Joaquin Valley of California. For a brief period, beginning in fiscal 2013, we were

engaged in own internal farming operations and acquired, through purchase and lease, acreage on which to grow our own seed. However, in fiscal 2015, we made a strategic decision to move away from internal farming, and we began selling some of the farmland acreage we had been using for that purpose. After completion of the fall 2015 harvest, we will no longer be internally farming as a source of our alfalfa seed, and instead, will be sourcing all of our production from third party growers.

As of June 30, 2015, we had contracts with several hundred growers in the Western United States and Canada. Generally, we enter into contracts to produce alfalfa seed, which is typical industry practice. Our normal contracts range from one to three years, include a price for the seed that we fix annually and that generally do not vary from grower to grower or variety to variety. Under these contracts, we pay our growers based on the weight of cleaned and processed seed. The growers contracts that we acquired in connection with the DuPont Pioneer acquisition were primarily for production in the Pacific Northwest and Canada. These contracts follow the same cadence and terms as the existing production with the current grower base.

Seed is harvested annually beginning in July for the southwest region of the United States and concluding in October in the Canadian provinces.

Our network of growers has that expertise to grow alfalfa seed which is an extremely demanding crop, for which most farmers do not have the requisite skill or experience needed to obtain consistently satisfactory results. We have worked with many of the same growers for much of the past 25 years, and we believe that we have strong relationships with them. We allocate our seed production among our growers so that we can purchase the proper mix of seed varieties each year. The growers incur the greatest cost in the first year of production, when they plant seed, eradicate weeds and pests and manage the pollination process; they then may be able to harvest seed from the same stands for several additional years, with the average alfalfa seed field producing for three years. With the added resources of the acquired DuPont Pioneer alfalfa business, we believe we are in a strong position to expand our production capabilities in the Western United States and Canada with both existing growers and by recruiting new growers in these regions.

S&W Production

As of June 30, 2015, S&W had contracts with approximately 150 individual growers in Western Victoria and South Australia to grow its alfalfa seed varieties on a total of approximately 20,000 irrigated and 8,000 non-irrigated acres. In the Southern Hemisphere, alfalfa seed is grown counter seasonally to the Northern Hemisphere and is harvested annually, in March through early May.

Under its current form of seed production agreement, S&W provides foundation seed to each grower and grants each grower a license to use its seed for the purposes of production of seed for sale to S&W. Each grower is responsible for all costs of the crop production. Title in the produced seed passes to S&W upon it being certified compliant; and, if the seed is not compliant, title will only pass to S&W upon S&W's further agreement to purchase the non-compliant seed. S&W uses a staggered payment system with the growers of its alfalfa and white clover and the payment amounts are based upon an estimated budget price ("EBP") for compliant seed. EBP is a forecast of the final price that S&W believes will be achieved taking into account prevailing and predicted market conditions at the time the estimate is made. Following the grower's delivery of uncleaned seed to a milling facility, S&W typically pays 40% of the EBP to the grower based on a percentage of the pre-cleaning weight. Following this initial payment and prior to the final payment, S&W will make a series of scheduled progress payments and, if applicable, a bonus payment for "first grade" (high quality) alfalfa seed. The final price payable to each grower (and therefore

the total price) is dependent upon and subject to adjustment based upon the clean weight of the seed grown, on the average price at which SGI sells the pooled seed and other costs incurred by SGI. Accordingly, the total price paid by SGI to its grower may be more or less than the EBP. SGI's seed production agreements for alfalfa provide for an initial term of seven years and an optional renewal term of three years. SGI's seed production agreements for white clover provide for an initial term of two years and an optional renewal term of one year. Historically, SGI has not required its growers to harvest seed in every year under the seed production agreement. Some growers have elected to have non-harvest years, and their alfalfa is cut for hay or used for grazing instead of being harvested for seed production.

Stevia Breeding, Research and Development

Over the past five years, our stevia activities have evolved from exploring on a small scale the potential commercial production of stevia in California to establishing and growing a stevia breeding, research and development department. As of fiscal 2013, we are no longer pursuing the commercial production of stevia.

In our breeding program, we have identified stevia plant lines that we believe grow to heights and plant mass that compare favorably to the results for stevia plants grown in China and Paraguay, which have historically been the primary regions for growing stevia. Our lines contain high overall steviol glycosides, including Reb A, Reb B and Reb C. We anticipate breeding these new lines with their higher overall steviol glycosides. We have been recently conducting extensive HPLC sample testing of stevia plants under development and will be making further selections and crosses of these plants based upon test results. The goal is to develop a stevia plant with an inherently pleasant taste profile, a large and hardy plant mass and high Reb A content.

We are focused on developing our proprietary stevia germplasm into commercial varieties. Towards that end, we have filed two patent applications and expect to file a third patent application in the first half of fiscal 2016. As our breeding program produces new lines, we plan to file additional patent applications in the future.

One of the filed patent applications cover lines that have been developed with a very good taste profile, thereby enabling the resulting dried leaf to be consumed directly. At the present time, two large organic farmers in California are conducting trials with this variety. If these trials yield satisfactory results, we expect to be paid a royalty calculated as a percent of the gross sales made by these farmers.

We also have developed lines that have been bred for processing in order to produce a stevia extract suitable for use in foods and beverages. These lines are high in sweetener content, have large plant mass and generally offer a superior source of stevia leaf for the extraction market. Currently several of these varieties are going into trials in North America and Europe. The results of these trials will be available during 2016.

Seasonality

We contract with growers based upon our anticipated market demand; we mill, clean and stock the seed during the harvest season and ship from inventory throughout the year.

However, our alfalfa seed business is seasonal, with our highest concentration of sales falling in the third and fourth fiscal quarters (January through June). This differs from our historical operations in which sales were concentrated in the first six months of our fiscal year (July through December). Since fiscal

2013, we have had operations and customers in both the Northern and Southern hemispheres. It was the acquisition of SGI in fiscal 2013, with its operations in South Australia, that initially had the greatest impact on the shift in seasonal sales, as the fourth quarter is typically a significant sales quarter for SGI. Perhaps even more significantly, because the distribution agreement with DuPont Pioneer provides that one-third of the purchased seed is paid for in the third quarter and one-third is paid for in the fourth quarter, we expect that future years will see the highest concentration of sales revenue in those two quarters.

Tests show that seed that has been held in inventory for over one year improves in quality. Therefore, provided that we have sufficient capital to carry additional inventory, we may increase our seed purchases and planned season end inventory if, in our judgment, we can generate increased margins and revenue with the aged seed. This will also reduce the potential for inventory shortages in the event that we have higher than anticipated demand or other factors, such as growers electing to plant alternative, higher priced crops, reducing our available seed supply in a particular year.

Proprietary Rights

Ownership of and access to intellectual property rights are important to us and our competitors. We sell only our proprietary alfalfa seed varieties that have been specially selected to manifest the traits we deem best suited to particular regions in which our seed is planted for alfalfa hay. Our ability to compete effectively is dependent upon the proprietary nature of the seeds, seedlings, processes, technologies and materials owned by or used by us or our growers. If any competitors independently develop any technologies that substantially equal or surpass our process technology, it will adversely affect our competitive position.

In addition to patent protection for some of our alfalfa seed varieties that we acquired from DuPont Pioneer, we guard our proprietary property by exercising a high degree of control over the supply chain. As part of this control process, we require our growers to deliver back to us all seed derived from our proprietary varieties. Historically, we have found that this control mechanism has been an effective means to protect our proprietary seed. However, because we do not have more formal proprietary rights protections in place with our growers, it would be possible for persons with access to our seed or plants grown from our seed to potentially reproduce proprietary seed varieties, which could significantly harm our business and our reputation. In the future, we may deem it appropriate to implement more formal proprietary rights protections.

We are also developing proprietary stevia lines for which we have filed two patent applications with the U.S. Patent and Trademark Office. We expect to file a third patent application in the first half of fiscal 2016, and it is our intention to build a patent portfolio of proprietary stevia lines developed through the efforts of our stevia breeding program.

SGI registers its varieties under the Australian Plant Breeder's Rights Act 1994 (Cth) (the "PBR Act"). Currently the varieties SuperSequel, SuperSiriver, SuperAurora, SuperSonic, SuperStar, SuperSiriver II, SuperNova, SuperLadino, SuperHuia and SuperHaifa are protected under the PBR Act. Seed from varieties with plant breeder's rights ("PBR") protection can only be bought from the PBR registrant, commercial partner, licensee or an agent authorized by the registrant. Exceptions exist for use of a PBR variety, including for private and non-commercial purposes, for experimental purposes, and for breeding other plant varieties. PBR protections last for 20 years in Australia in respect of registered plant varieties, and generally for 20 years in other member countries of the International Union for the Protection of New

Varieties of Plants ("UPOV"), an international convention concerning plant breeder's rights. There are currently more than 70 countries that are members of the UPOV.

SGI has licensed production and marketing rights of several of its varieties in exchange for royalties.

In addition to PBR and licensing arrangements, SGI controls dissemination of its proprietary lines by including a demand right in its form of seed production agreement for the return of unused foundation seed if a grower fails to propagate the seed within 60 days after the grower's acquires it.

Competition

Competition in the alfalfa seed industry both domestically and internationally is intense. We face direct competition by other seed companies, including small family-owned businesses, as well as subsidiaries or other affiliates of chemical, pharmaceutical and biotechnology companies, many of which have substantially greater resources than we do.

Our principal competitors in our alfalfa seed business are Forage Genetics International (a subsidiary of Land O' Lakes, Inc.), Dairyland Seed Co., Inc. (owned by Dow AgroSciences LLC, a wholly owned subsidiary of The Dow Chemical Company), Seed Services, Inc. and Pacific International Seed Company, Inc. We believe that the key competitive drivers in the industry are proven performance, customer support in the field and value, which takes into account not simply the price of the seed but also yield in the field.

Breeding a new variety of alfalfa seed takes many years and considerable expertise and skill. We believe that our reputation for breeding and producing high-quality proprietary varieties of alfalfa seed that manifest the traits the farmers need provide us with a competitive advantage, not only in the niche market for high salt- and heat-tolerant, non-dormant alfalfa seed, which has been our core business for several decades, but also, with the recent acquisition of the research and development assets of DuPont Pioneer, in the full range of dormant varieties suited for colder climates as well. We believe our research and development capabilities are unmatched in the industry and provide us with a distinct competitive advantage.

In addition to our competitors, SGI's principal regional competitors in the proprietary alfalfa seed market are PGG Wrightson Seeds Limited and Heritage Seeds Pty. Ltd. Blue Ribbon Seeds Pty. Ltd., PGG Wrightson, Heritage Seeds, Naracoorte Seeds Pty. Ltd., Seed Distributors Pty. Ltd. and various other minor companies compete with SGI through sales of Siriver, a common alfalfa variety. SGI also faces competition from lower value alfalfa seed produced in the European Union and, to a lesser extent, Argentina. With the exception of Blue Ribbon Seeds, SGI faces similar competitors in its proprietary white clover business. These companies compete with SGI for acres and in sales by selling Haifa, a common white clover variety. Competitively priced white clover is also produced and sold from the European Union and New Zealand.

Despite the advantages we perceive we, including SGI, have over many of our competitors, many of our existing and potential competitors have substantially greater research and product development capabilities and financial, marketing and human resources than we do. As a result, these competitors may:

- succeed in developing products that are equal to or superior to our products or potential products or that achieve greater market acceptance than our products or potential products;
- devote greater resources to developing, marketing or selling their products;

- respond more quickly to new or emerging technologies or scientific advances and changes in customer requirements, which could render our products or potential products obsolete or less preferable;
- obtain patents that block or otherwise inhibit our ability to develop and commercialize potential products we might otherwise develop;
- withstand price competition more successfully than we can;
- establish cooperative relationships among themselves or with third parties that enhance their ability to address the needs of our customers or prospective customers;
- take advantage of acquisition or other opportunities more readily than we can; and
- control acreage and growers located in zones where GMO seed production is forbidden, thereby lessening the risks of GMO traits contaminating seed produced for overseas markets.

We are not aware of any significant domestic or international persons or companies engaged in ongoing stevia breeding activities similar to or that could be considered competitive with our stevia breeding program.

Environmental and Regulatory Matters

Our agricultural operations are subject to a broad range of evolving environmental laws and regulations. These laws and regulations include the Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act, the Federal Insecticide, Fungicide and Rodenticide Act and the Comprehensive Environmental Response, Compensation and Liability Act.

These environmental laws and regulations are intended to address concerns related to air quality, storm water discharge and management and disposal of agricultural chemicals relating to seed treatment both for domestic and overseas varieties. We maintain particulate matter air emissions from our milling activities below annual tonnage limits through cyclone air handling systems. We maintain storm water onsite, which eliminates the risk of waterway or tributary contamination. Pesticide and agricultural chemicals are managed by trained individuals, certified and licensed through the California Department of Pesticide Regulation. County agricultural commissioners monitor all seed-treating activity for compliance.

Compliance with these laws and related regulations is an ongoing process that is not expected to have a material effect on our capital expenditures, earnings or competitive position. Environmental concerns are, however, inherent in most major agricultural operations, including those conducted by us, and there can be no assurance that the cost of compliance with environmental laws and regulations will not be material. Moreover, it is possible that future developments, such as increasingly strict environmental laws and enforcement policies thereunder, and further restrictions on the use of agricultural chemicals, could result in increased compliance costs.

We also are subject to the Federal Seed Act (the "FSA"), which regulates the interstate shipment of agricultural and vegetable seed. The FSA requires that seed shipped in interstate commerce be labeled with information that allows seed buyers to make informed choices and mandates that seed labeling information and advertisements pertaining to seed must be truthful. The FSA also helps promote uniformity among state laws and fair competition within the seed industry.

Because, under our existing business plan, we will only be acting as a breeder of stevia leaf and will not be extracting Reb-A or other derivatives from the leaves or adding such derivatives to any food or beverages, we believe that we do not need to apply to the FDA for a GRAS no-objections determination or any other FDA approval. However, should our plans with respect to stevia cultivation and processing expand in future years, we will then reexamine the advisability of seeking a GRAS determination or other FDA approval. We do not believe that our current stevia operations are subject to any special regulatory oversight.

Internationally, we are subject to various government laws and regulations (including the U.S. Foreign Corrupt Practices Act and similar non-U.S. laws and regulations) and local government regulations. To help ensure compliance with these laws and regulations, we have adopted specific risk management and compliance practices and policies, including a specific policy addressing the U.S. Foreign Corrupt Practices Act.

We are also subject to numerous other laws and regulations applicable to businesses operating in California, including, without limitation, health and safety regulations.

Our Australian operations are subject to a number of laws that regulate the conduct of business in Australia, and more specifically, SGI's agricultural activities. Laws regulating the operation of companies in Australia, including in particular the Corporations Act 2001 (Cth) are central to SGI's corporate actions and corporate governance issues in Australia. Competition laws and laws relating to employment and occupational health and safety matters are also of fundamental importance in the Australian regulatory environment. These include the Competition and Consumer Act 2010 (Cth), the Fair Work Act 2009 (Cth), the Work Health and Safety Act 2012 (SA) and related regulations. Notably Australian employment laws are much more favorable to the employee than U.S. employment laws.

SGI's intellectual property rights in Australia are protected and governed by laws relating to plant breeder's rights, copyright, trademarks, the protection of confidential information, trade secrets and know-how. These include the PBR Act, the Copyright Act 1968 (Cth), the Trade Marks Act 1995 (Cth) and related regulations.

Our Australian operations are also subject to a number of environmental laws, regulations and policies, including in particular the Environment Protection Act 1993 (SA), the Agricultural and Veterinary Products (Control of Use) Act 2002 (SA), the Genetically Modified Crops Management Act 2004 (SA), the Dangerous Substances Act 1979 (SA), the Controlled Substances Act 1984 (SA) and related regulations and policies. These laws regulate matters including air quality, water quality and the use and disposal of agricultural chemicals.

Employees

As of September 18, 2015, S&W had 64 full-time employees, of which 11 are employed by SGI. We also employ eight part-time employees, of which three are SGI employees. We also retain consultants for specific purposes when the need arises. None of our employees is represented by a labor union. We consider our relations with our employees to be good.

Corporate History

From 1980 until 2009, our business was operated as a general partnership. We bought out the former partners beginning in June 2008, incorporated in October 2009 in Delaware, and completed the buyout of

the general partners in May 2010. We reincorporated in Nevada in December 2011. SGI, which is our wholly owned subsidiary was incorporated as a limited proprietary corporation in South Australia in 1993, as Harkness Group, changed its name to Seed Genetics Australia Pty Ltd in 2002, and in 2011 changed its name to Seed Genetics International Pty Ltd.

Our Contact Information

Our principal business office is located at 7108 North Fresno Street, Suite 380, Fresno, CA 93720, and our telephone number is (559) 884-2535. Our website address is www.swseedco.com. Information contained on our website or any other website does not constitute part of this Form 10-K.

Item 1A. Risk Factors

Risks Relating to Our Business and Industry

Our earnings can be negatively impacted by declining demand brought on by varying factors, many of which are out of our control.

A variety of factors, notably a severe downturn in the domestic dairy industry, could have a negative effect on sales of alfalfa hay, and as a result, the demand for our alfalfa seed in the domestic market. At times, including fiscal 2014, the demand for our seed has also declined in the Middle East as the result of common, uncertified seed flooding the market at lower prices than those at which we were willing to sell our certified seed. In fiscal 2015, many of these factors started to correct themselves, but these circumstances could continue or reoccur, and our earnings could be negatively impacted. In addition, demand for our products could decline because of other supply and quality issues or for any other reason, including products of competitors that might be considered superior by end users. A decline in demand for our products could have a material adverse effect on our business, results of operations and financial condition.

Our earnings may also be sensitive to fluctuations in market prices.

Market prices for our alfalfa seed can be impacted by factors such as the quality of the seed and the available supply, including whether lower quality, uncertified seed is available. Growing conditions, particularly weather conditions such as windstorms, floods, droughts and freezes, as well as diseases and pests and the adventitious presence of GMO, are primary factors influencing the quality and quantity of the seed and, therefore, the market price at which we can sell our seed to our customers. A decrease in the prices received for our products could have a material adverse effect on our business, results of operations and financial condition.

Our earnings are vulnerable to cost increases.

Future increase in costs such as the costs of growing seed through growers or by us internally, could cause our margins and earnings to decline unless we are able to pass along the increased price of production to our customers. We may not be able to increase the price of our seed sufficiently to maintain our margins and earnings in the future.

Our inventory of seed can be adversely affected by the market price being paid for other crops.

Our seed production, both in the U.S. and Australia, substantially relies on unaffiliated growers to grow our proprietary seed and to sell it to us at negotiated prices each year. Growers have a choice of what crops to plant. If a particular crop is paying a materially higher price than has been paid in the past, growers may decide to not grow alfalfa seed in favor of receiving a higher return from an alternative crop planted on the same acreage. If our growers decline to a significant degree to plant the acreage on which we rely, and if we cannot find other growers to plant the lost acreage, our inventory of seed could be insufficient to satisfy the needs of our customers, and our business, results of operations and financial condition could materially decline. In addition, our customers could look to other suppliers for their seed if we cannot satisfy their requirements, and we may not be able to regain them as customers once our inventory levels have returned to normal.

Adverse weather conditions, natural disasters, crop disease, pests and other natural conditions can impose significant costs and losses on our business.

Alfalfa seed, our primary product, is vulnerable to adverse weather conditions, including windstorms, floods, drought and temperature extremes, which are common but difficult to predict. In addition, alfalfa seed is vulnerable to crop disease and to pests, which may vary in severity and effect, depending on the stage of production at the time of infection or infestation, the type of treatment applied and climatic conditions. Unfavorable growing conditions can reduce both crop size and quality. After the 2015 crop harvest, we will no longer be direct farming our proprietary seed. However, these factors can nevertheless directly impact us by decreasing the quality and yields of our seed and reducing our inventory and the supply of seed we sell to our customers.

These factors can increase costs, decrease revenue and lead to additional charges to earnings, which may have a material adverse effect on our business, results of operations and financial condition.

Because our alfalfa seed business is highly seasonal, our revenue, cash flows from operations and operating results may fluctuate on a seasonal and quarterly basis.

We expect that the majority of our revenues will continue to be generated from our alfalfa seed business. Our alfalfa seed business is highly seasonal, with the highest concentration of sales occurring during the third and fourth fiscal quarters. The seasonal nature of our operations results in significant fluctuations in our working capital during the growing and selling cycles. We have experienced, and expect to continue to experience, significant variability in net sales, operating cash flows and net income on a quarterly basis.

We have had a material concentration of revenue from a small group of customers that fluctuates, and the loss of any of these customers in any quarter could have a material adverse effect on our revenue.

On a historical basis, we have experienced a material concentration of revenue from a small group of customers. This concentration fluctuates from quarter to quarter, depending on our customer's specific requirements, which are themselves cyclical. However, in any particular quarter, we generally have a small group of customers that accounts for a substantial portion of that quarter's revenue. Most of these customers are not contractually obligated to purchase seed from us. The loss of one or more of these customers on a quarterly basis, when taken year over year, could have a material adverse impact on our business, financial position, results of operations and operating cash flows. We could also suffer a material adverse effect from any losses arising from a major customer's disputes regarding shipments,

product quality or related matters, or from our inability to collect accounts receivable from any major customer. There are no assurances that we will be able to maintain our current customer relationships or that they will continue to purchase our seed in the current projected quantities. Any failure to do so may materially adversely impact our business.

Because we depend on a core group of significant customers, our sales, cash flows from operations and results of operations may be negatively affected if our key customers reduce the amount of products they purchase from us.

We rely upon a small group of customers for a large percentage of our net revenue. Overall, two customers accounted for 49% of our fiscal 2015 revenue. We expect that a small number of customers will continue to account for a substantial portion of our net revenue for the foreseeable future.

The loss of, or a significant adverse change in, our relationship with these customers, or any other major customer, could have a material adverse effect on our business, financial position, results of operations and operating cash flows. The loss of, or a reduction in orders from, any significant customers, losses arising from customers' disputes regarding shipments, product quality, or related matters, or our inability to collect accounts receivable from any major customer could have a material adverse effect on us. There is no assurance that we will be able to maintain the relationships with our major customers or that they will continue to purchase our seed in the quantities that we expect and rely upon. If we cannot do so, our results of operations could suffer.

Because we do not grow most of the alfalfa seed that we sell, we are substantially dependent on our network of growers, and our sales, cash flows from operations and results of operations may be negatively affected if we are unable to maintain an adequate network of contract growers to supply our seed requirements.

After completion of the fall 2015 harvest, we no longer will be growing any of the alfalfa seed that we sell, and therefore, we are entirely dependent upon our network of growers. While we have some supply contracts with our growers of two or three years, many of our grower contracts cover only one year, which makes us particularly vulnerable to factors beyond our control. Events such as a shift in pricing caused by an increase in the value of commodity crops other than seed crops, increase in land prices, unexpected competition or reduced water availability could disrupt our supply chain. Any of these disruptions could limit the supply of seed that we obtain in any given year, adversely affecting supply and thereby lowering revenues. Such disruption could also damage our customer relationships and loyalty to us if we cannot supply the quantity of seed expected by them. In particular, we have had some of our California growers decide to not grow alfalfa seed due to drought conditions. This situation could reoccur and could negatively impact our revenues if we do not otherwise have sufficient seed inventory available for sale.

S&W Seed Co. relies on a pool of approximately 150 Australian growers to produce its proprietary seeds. Each grower arrangement is typically made for a term of seven to ten harvests. Although S&W Seed Co.'s grower pool is diversified, it is not without risks. Adverse agronomic or climatic factors could lead to grower exodus and negatively impact S&W Seed Co.'s revenues if S&W Seed Co. does not otherwise have sufficient seed inventory available for sale.

A lack of availability of water in the U.S. or Australia could impact our business.

Adequate quantities and correct timing of the application of water are vital for most agriculture to thrive. Whether particular farms are experiencing water shortages depends, in large part, on their location. However, continuing drought conditions can threaten all farmland other than those properties with their own water sources. Although alfalfa seed is not a water-intensive crop, the availability or the cost of water is a factor in the planting of the alfalfa hay grown from our seed, and we have experienced a decline in the willingness of some California farmers to grow alfalfa seed as a result of the ongoing severe California drought conditions. Moreover, if the dairy farmers and others who purchase our alfalfa seed to grow hay cannot get an adequate supply of water, or if the cost of water makes it uneconomical for the farmers to grow alfalfa, we may not be able to sell our seed, which could have an adverse impact on our results of operations. We cannot predict if water shortages will impact our business in the future, but if alfalfa hay growers are impacted by water shortages, our business could also materially decline.

We face intense competition, and our inability to compete effectively for any reason could adversely affect our business.

The alfalfa seed market is highly competitive, and our products face competition from a number of small seed companies, as well as large agricultural and biotechnology companies. We compete primarily on the basis of consistency of product quality and traits, product availability, customer service and price. Many of our competitors are, or are affiliated with, large diversified companies that have substantially greater marketing and financial resources than we have. These resources give our competitors greater operating flexibility that, in certain cases, may permit them to respond better or more quickly to changes in the industry or to introduce new products more quickly and with greater marketing support. Increased competition could result in lower profit margins, substantial pricing pressure, reduced market share and lower operating cash flows. Price competition, together with other forms of competition, could have a material adverse effect on our business, financial position, results of operations and operating cash flows.

If we are unable to estimate our customers' future needs accurately and to match our production to the demand of our customers, our business, financial condition and results of operations may be adversely affected.

We sell our seed primarily to dealers and distributors who, in turn, sell primarily to hay and dairy farmers who grow hay for dairy cattle and other livestock. Due to the nature of the alfalfa seed industry, we normally produce seed according to our production plan before we sell and deliver seed to distributors and dealers. Our dealers and distributors generally make purchasing decisions for our products based on market prices, economic and weather conditions and other factors that we and our dealers and distributors may not be able to anticipate accurately in advance. If we fail to accurately estimate the volume and types of products sought by the end users and otherwise adequately manage production amounts, we may produce more seed than our dealers and distributors want, resulting in excess inventory levels. On the other hand, if we underestimate demand, which has happened in the past, we may not be able to satisfy our dealers and distributors' demand for alfalfa seed, and thus damage our customer relations and end-user loyalty. Our failure to estimate end users' future needs and to match our production to the demand of our customers may adversely affect our business, financial condition and results of operations.

Our third-party distributors may not effectively distribute our products.

We depend in part on third-party distributors and strategic relationships for the marketing and selling of our products. We depend on these distributors' efforts to market our products, yet we are unable to control

their efforts completely. In addition, we are unable to ensure that our distributors comply with all applicable laws regarding the sale of our products, including the United States Foreign Corrupt Practices Act of 1977, as amended, 15 U.S.C. 78dd-1, et seq. If our distributors fail to effectively market and sell our products, and in full compliance with applicable laws, our operating results and business may suffer.

We extend credit to our largest international customer and to certain of our other international customers, which exposes us to the difficulties of collecting our receivables in foreign jurisdictions if those customers fail to pay us.

Although payment terms for our seed sales generally are 90 to 120 days, we regularly extend credit to our largest international customer, Sorouh Agricultural Company, and to other international customers. Sales of our alfalfa seed varieties to Sorouh and to other international customers represented a material portion of our revenue in fiscal 2015 and that we will continue to extend credit in connection with those sales. Because these customers are located in foreign countries, collection efforts, were they to become necessary, could be much more difficult and expensive. Moreover, future political and/or economic factors, as well as future unanticipated trade regulations, could negatively impact our ability to timely collect outstanding receivables from these important customers. The extension of credit to our international customers exposes us to the risk that our seed will be delivered but that we may not receive all or a portion of the payment therefor. If these customers are unable or unwilling to fully pay for the seed they purchase on credit, our results of operations and financial condition could be materially negatively impacted. Moreover, our internal forecasts on which we make business decisions throughout the year could be severely compromised, which could, in turn, mean that we spend capital for operations, investment or otherwise that we would not have spent had we been aware that the customer would not honor its credit extension obligation.

Our current reliance on the seed development and production business does not permit us to spread our business risks among different business segments, and thus a disruption in our seed production or the industry would harm us more immediately and directly than if we were diversified.

We currently operate mainly in the alfalfa seed business, and we do not expect this to change materially in the foreseeable future. Without business line diversity, we will not be able to spread the risk of our operations. Therefore, our business opportunities, revenue and income could be more immediately and directly affected by disruptions from such things as drought and disease or widespread problems affecting the alfalfa industry, payment disruptions and customer rejection of our varieties of alfalfa seed. If there is a disruption as described above, our revenue and income could be reduced, and our business operations might have to be scaled back.

If we fail to introduce and commercialize new alfalfa seed varieties, we may not be able to maintain market share, and our future sales may be harmed.

The performance of our new alfalfa seed varieties may not meet our customers' expectations, or we may not be able to introduce and commercialize specific seed varieties. Reorder rates are uncertain due to several factors, many of which are beyond our control. These include changing customer preferences, which could be further complicated by competitive price pressures, our failure to develop new products to meet the evolving demands of the end users, the development of higher-demand products by our competitors and general economic conditions. The process for new products to gain market recognition and acceptance is long and has uncertainties. If we fail to introduce and commercialize a new seed variety that meets the demand of the end user, if our competitors develop products that are favored by the end users, or if we are unable to produce our existing products in sufficient quantities, our growth prospects

may be materially and adversely affected, and our revenue may decline. In addition, sales of our new products could replace sales of some of our current similar products, offsetting the benefit of even a successful product introduction.

The presence of GMO alfalfa in Australia or California could impact our sales.

GMO crops currently are prohibited in most of the international markets in which our proprietary seed is currently sold, and there are regions in the United States, including the Pacific Northwest, where even small quantities of GMO material inadvertently interspersed with conventional seed make the seed undesirable, which causes customers to look elsewhere for their alfalfa seed requirements. The greater the use of GMO seed in California and other alfalfa seed growing regions, the greater the risk that the adventitious presence of GMO material in our seed production will occur due to pollination from hay fields or other seed fields. We regularly test for the adventitious presence of GMO in our conventional seed, and we have seen a slight increase in the percentage of GMO material over the past several years. Our seed containing GMO material can only be sold domestically or in other jurisdictions that permit the importation of GMO alfalfa. If we are unable to isolate our conventional (non-GMO) seed from inadvertently being contaminated by GMO seed, we may find it more difficult to sell that seed in our key markets, which could materially adversely impact our revenue over time.

The stevia market may not develop as we anticipate, and therefore our continued research and development activities with respect to stevia may never become profitable to us.

There are a number of challenges to market acceptance of stevia as a natural, non-caloric sweetener. Stevia has its own unique flavor, which can affect the taste of some foods and beverages. A common complaint about stevia is that some of its extracts and derivatives have a bitter aftertaste, and its taste does not uniformly correspond to all regional taste preferences or combine well with some food flavors. Other factors that could impact market acceptance include the price structure compared to other sugar substitutes and availability. If the high-intensity, non-caloric sweetener market declines or if stevia fails to achieve substantially greater market acceptance than it currently enjoys, we might not ever be able to profit from our continued research and development activities relating to stevia or any commercial applications that we derive therefrom. Even if products conform to applicable safety and quality standards, sales could be adversely affected if consumers in target markets lose confidence in the safety, efficacy and quality of stevia. Adverse publicity about stevia or stevia-based products may discourage consumers from buying products that contain stevia. Any of these developments could adversely impact the future amount of dry leaf stevia, processed stevia leaves or extract we are able to sell, which could adversely impact our results of operations.

If we are unable to acquire sufficient raw materials or produce sufficient finished product, we will not be able to meet the demands of our customers.

We must acquire sufficient alfalfa seed to meet the demands of our customers. An alfalfa seed shortage could result in loss of sales and damage to our reputation. Because we no longer grow any of our seed ourselves, our proprietary seed is only available from our contract growers. Therefore, if our growers become unable or unwilling to produce the required commercial quantities of alfalfa seed on a timely basis and at commercially reasonable prices, we will likely be unable to meet customer demand. The failure to satisfy our customers not only could adversely impact our financial results but could irreparably harm our reputation.

The loss of key employees or the failure to attract qualified personnel could have a material adverse effect on our ability to run our business.

The loss of any of our current executives, key employees or key advisors, or the failure to attract, integrate, motivate and retain additional key employees, could have a material adverse effect on our business. Although we have employment agreements with our Chief Executive Officer, our Chief Financial Officer and our Chief Operating Officer, as well as certain other employees, any employee could leave our employ at any time if he chose to do so. We do not carry "key person" insurance on the lives of any of our management team. As we develop additional capabilities, we may require more skilled personnel who must be highly skilled and have a sound understanding of our industry, business or processing requirements. Recruiting skilled personnel is highly competitive. Although to date we have been successful in recruiting and retaining qualified personnel, there can be no assurance that we will continue to attract and retain the personnel needed for our business. The failure to attract or retain qualified personnel could have a material adverse effect on our business.

We may not be able to manage expansion of our operations effectively.

We expect our operations to grow rapidly in the near future, both as we expand our historical alfalfa seed business both domestically and internationally through internal grown and synergistic acquisitions and increase our growers' production. We currently face these challenges in connection with the integration of the business operations we acquired from Pioneer, which expanded our operations into five states and three Canadian provinces. These efforts will require the addition of employees, expansion of facilities and greater oversight, perhaps in diverse locations. If we are unable to manage our growth effectively, we may not be able to take advantage of market opportunities, execute on our business strategies or respond to competitive pressures, and we may have difficulties maintaining and updating the internal procedures and the controls necessary to meet the planned expansion of our overall business.

Our management will also be required to maintain and expand our relationships with customers, suppliers and third parties as well as attract new customers and suppliers. We expect that our sales and marketing costs will increase as we grow our product lines and as we increase our sales efforts in new and existing markets. Our current and planned operations, personnel, systems and internal procedures and controls may not be adequate to support our future growth.

We may be unable to successfully integrate the businesses we have recently acquired and may acquire in the future with our current management and structure.

As part of our growth strategy, we may acquire additional businesses, product lines or other assets. We may not be able to locate or make suitable acquisitions on acceptable terms, and future acquisitions may not be effectively and profitably integrated into our business. Our failure to successfully complete the integration of the businesses we acquire could have an adverse effect on our prospects, business activities, cash flow, financial condition, results of operations and stock price. Integration challenges may include the following:

- assimilating the acquired operations products and personnel with our existing operations, products and personnel;
- estimating the capital, personnel and equipment required for the acquired businesses based on the historical experience of management with the businesses they are familiar with;

- minimizing potential adverse effects on existing business relationships with other suppliers and customers;
- developing and marketing the new products and services;
- entering markets in which we have limited or no prior experience; and
- coordinating our efforts throughout various distant localities and time zones.

The diversion of management's attention and costs associated with acquisitions may have a negative impact on our business.

If management's attention is diverted from the management of our existing businesses as a result of its efforts in evaluating and negotiating new acquisitions and strategic transactions, the prospects, business activities, cash flow, financial condition and results of operations of our existing businesses may suffer. We also may incur unanticipated costs in connection with pursuing acquisitions and strategic transactions.

SGI's grower pool is dependent on a limited number of milling facilities to process its seed, with particular dependence on a dominant operator whose commercial interests may be adverse to SGI.

Only five milling facilities are regularly used by SGI's grower pool to clean and process SGI seed. Should one or more of these facilities become unusable, there could be a significant effect on SGI's ability to get its Australian seed to market in a timely manner or at all. SGI's growers use Tatiara Seeds Pty Ltd ("Tatiara") to process approximately 70% of seed grown for SGI. The owner of Tatiara has begun to sell his own common seed and is now a competitor of SGI. This competing seed business creates a potential conflict of interest for Tatiara in the care and handling of SGI's product.

SGI is thinly capitalized and may become dependent upon us for financing.

Because SGI has relatively little net working capital, it is substantially dependent upon its credit arrangement with NAB to purchase its seed inventory. SGI has breached debt covenants relating to this credit arrangement in the past, and if future breaches of this credit arrangement or other reasons cause this credit arrangement to become unavailable to SGI, SGI may become reliant on us to finance its operations or for financial guarantees. We currently are a guarantor on SGI's NAB credit facility. SGI's financial dependency upon us could have a negative adverse effect upon our financial condition.

SGI is dependent on a pool of seed growers and a favorable pricing model.

SGI relies on a pool of approximately 150 Australian contract growers to produce its proprietary seeds. In this system, growers contract with SGI to grow SGI's seed for terms of seven to ten years in the case of alfalfa and two to three years for white clover. SGI uses a staggered payment system with the growers of its alfalfa and white clover; the payment amounts are based upon an estimated budget price, or EBP, for compliant seed. EBP is a forecast of the final price that SGI believes will be achieved taking into account prevailing and predicted market conditions at the time the estimate is made. Following the grower's delivery of uncleaned seed to a milling facility, SGI typically pays 40% of the EBP to the grower based on pre-cleaning weight. Following this initial payment and prior to the final payment, SGI will make a series of scheduled progress payments and, if applicable, a bonus payment for "first grade" alfalfa seed. The final price payable to each grower (and therefore the total price) is dependent upon and subject to adjustment based upon the clean weight of the seed grown, on the average price at which SGI sells the pooled seed and other costs incurred by SGI. Accordingly, the total price paid by SGI to its growers may be more or less than EBP. This arrangement exposes SGI's business to unique risks, including, the

potential for current growers to make collective demands that are unfavorable to SGI and the potential for our competitors to offer more favorable terms for seed production, including fixed (instead of variable) payment terms.

SGI's reliance upon an estimated purchase price to growers could result in changes in estimates in our consolidated financial statements.

Our subsidiary SGI does not fix the final price for seed payable to its growers until the completion of a given year's sales cycle, pursuant to the standard contract production agreement. We record an estimated unit price and accordingly inventory, cost of goods sold and gross profits are based upon management's best estimate of the final purchase price to our SGI growers. To the extent the estimated purchase price varies from the final purchase price for seed, the adjustment to actual could materially impact the results in the period when the difference between estimates and actuals are identified. If the actual purchase price is in excess of our estimated purchase price, this would negatively impact our financial results including a reduction in gross profits and net income.

The value of SGI's rights under the Australian Plant Breeder's Rights (PBR) Act could diminish due to technological developments or challenges by competitors, making its proprietary alfalfa seed varieties less competitive.

SGI is substantially dependent upon the PBR Act for the protection of its proprietary varieties. Currently, SGI's SuperSiriver, SuperSequel, SuperAurora, SuperHaifa, SuperLadino, SuperHuia, SuperSonic, SuperStar, SuperSiriver II and SuperNova varieties are protected under the PBR Act. If any competitors of SGI independently develop new seeds that customers or end users determine are better than SGI's existing varieties, such developments could adversely affect SGI's competitive position.

We may need to raise additional capital in the future.

We may find it necessary or advisable to raise additional capital in the future, whether to enhance our working capital, fund acquisitions or for other reasons. If we are required or desire to raise additional capital in the future, such additional financing may not be available on favorable terms, or available at all, may be dilutive to our existing stockholders if in the form of equity financing, or contain restrictions on the operation of our business if in the form of debt financing. If we fail to obtain additional capital as and when required, such failure could have a material impact on our business, results of operations and financial condition.

Changes in government policies and laws could adversely affect international sales and therefore our financial results.

Historically, sales to our distributors who sell our proprietary alfalfa seed varieties outside the U.S. have constituted a substantial portion of our annual revenue. We anticipate that sales into international markets will continue to represent a meaningful portion of our total sales and that continued growth and profitability will require further international expansion, particularly in the Middle East and Africa. Our financial results could be affected by changes in trade, monetary and fiscal policies, laws and regulations, or other activities of U.S. and non-U.S. governments, agencies and similar organizations. These conditions include but are not limited to changes in a country's or region's economic or political conditions, trade regulations affecting production, pricing and marketing of products, local labor conditions and regulations, reduced protection of intellectual property rights in some countries, changes in the regulatory or legal environment, burdensome taxes and tariffs and other trade barriers. International

risks and uncertainties, including changing social and economic conditions as well as terrorism, political hostilities and war, could lead to reduced distribution of our products into international markets and reduced profitability associated with such sales.

We are subject to risks associated with doing business globally.

Our operations, both inside and outside the United States, are subject to risks inherent in conducting business globally and under the laws, regulations and customs of various jurisdictions and geographies. Although we sell seed to various regions of the world, a large percentage of our sales outside the United States in fiscal year 2015, including those of SGI, were principally to customers in the Middle East, North Africa and Mexico. Accordingly, developments in those parts of the world generally have a more significant effect on our operations than developments in other places. Our operations outside the United States are subject to special risks and restrictions, including: fluctuations in currency values and foreign-currency exchange rates; exchange control regulations; changes in local political or economic conditions; governmental pricing directives; import and trade restrictions; import or export licensing requirements and trade policy; restrictions on the ability to repatriate funds; and other potentially detrimental domestic and foreign governmental practices or policies affecting U.S. companies doing business abroad, including the Foreign Corrupt Practices Act and the trade sanctions laws and regulations administered by the U.S. Department of the Treasury's Office of Foreign Assets Control. Acts of terror or war may impair our ability to operate in particular countries or regions, and may impede the flow of goods and services between countries. Customers in weakened economies may be unable to purchase our products, or it could become more expensive for them to purchase imported products in their local currency, or sell their commodity at prevailing international prices, and we may be unable to collect receivables from such customers. Further, changes in exchange rates may affect our net income, the book value of our assets outside the United States, and our stockholders' equity. Failure to comply with the laws and regulations that affect our global operations could have an adverse effect on our business, financial condition or results of operations.

Failure to comply with the United States Foreign Corrupt Practices Act or similar laws could subject us to penalties and other adverse consequences.

We are subject to the United States Foreign Corrupt Practices Act, which generally prohibits United States companies, including their suppliers, distributors and other commercial partners, from engaging in bribery or other prohibited payments to foreign officials for the purpose of obtaining or retaining business. Corruption, extortion, bribery, pay-offs, theft and other fraudulent practices occur from time-to-time in the countries in which we distribute products. We have adopted formal policies and procedures designed to facilitate compliance with these laws. If our employees or other agents, including our distributors or suppliers, are found to have engaged in such practices, we could suffer severe penalties and other consequences that may have a material adverse effect on our business, financial condition and results of operations.

Environmental regulation affecting our alfalfa seed or stevia products could negatively impact our business.

As an agricultural company, we are subject to evolving environmental laws and regulations by federal and state governments. Federal laws and regulations include the Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act, the Federal Insecticide, Fungicide and Rodenticide Act, the Comprehensive Environmental Response, Compensation and Liability Act, the Federal Seed Act, and

potentially regulations of the FDA. In addition, the State of California regulates our application of agricultural chemicals in connection with seed harvest.

Our Australian operations are also subject to a number of environmental laws, regulations and policies, including in particular the Environment Protection Act 1993 (SA), the Agricultural and Veterinary Products (Control of Use) Act 2002 (SA), the Genetically Modified Crops Management Act 2004 (SA), the Dangerous Substances Act 1979 (SA), the Controlled Substances Act 1984 (SA) and related regulations and policies. These laws regulate matters including air quality, water quality and the use and disposal of agricultural chemicals.

Our failure to comply with these laws and related regulations could have an adverse effect on our business, financial condition or results of operations. Moreover, it is possible that future developments, such as increasingly strict environmental laws and enforcement policies thereunder, and further restrictions on the use of agricultural chemicals, could result in increased compliance costs which, in turn, could have a material adverse effect on our business, financial condition or results of operations.

Insurance covering defective seed claims may become unavailable or be inadequate.

Defective seed could result in insurance claims and negative publicity. Although we carry general liability insurance to cover defective seed claims, such coverage may become unavailable or be inadequate. Even if coverage is offered, it may be at a price and on terms not acceptable to us. If claims exceed coverage limits, or if insurance is not available to us, the occurrence of significant claims could have a material adverse effect on our business, results of operations and financial condition.

We may be exposed to product quality claims, which may cause us to incur substantial legal expenses and, if determined adversely against us, may cause us to pay significant damage awards.

We may be subject to legal proceedings and claims from time to time relating to our seed or dried stevia leaf quality. The defense of these proceedings and claims can be both costly and time consuming and may significantly divert efforts and resources of our management personnel. An adverse determination in any such proceeding could subject us to significant liability and damage our market reputation and prevent us from achieving increased sales and market share. Protracted litigation could also result in our customers or potential customers deferring or limiting their purchase of our products.

The recent global economic downturn has significantly impacted the agricultural industry which in turn has negatively affected our business.

The global economic downturn of the past several years has significantly impacted the agricultural industry, with many farmers losing their farms or laying fallow their fields, as well as other negative impacts. The full effect of this global economic downturn on growers, customers, vendors and other business partners cannot be known with any certainty. For example, major customers may have financial challenges unrelated to us that could result in a decrease in their business with us or, in extreme cases, cause them to file for bankruptcy protection. Similarly, parties to contracts may be forced to breach their obligations. Although we exercise prudent oversight of the financial strength of our major business partners and seek to diversify our risk to any single business partner, there can be no assurance that a significant grower, customer or other business partner that may be unable to meet its contractual commitments to us. Similarly, continued stresses and pressures that could have wide-ranging negative effects on our industry's future.

Capital and credit market issues could negatively affect our liquidity, increase our costs of borrowing and disrupt the operations of our growers and customers.

The capital and credit markets have experienced increased volatility and disruption over the past several years, making it more difficult for companies to access those markets. Although we believe that our operating cash flows, recent access to the capital market and our lines of credit will permit *us* to meet our financing needs for the foreseeable future, continued or increased volatility and disruption in the capital and credit markets may impair our liquidity or increase our costs of borrowing, if we need to access the credit market. Our business could also be negatively impacted if our growers or customers experience disruptions resulting from tighter capital and credit markets or a continued slowdown in the general economy.

If we are unable to protect our intellectual property rights, our business and prospects may be harmed.

Our ability to compete effectively is dependent upon the proprietary nature of the seeds, seedlings, processes, technologies and materials owned by or used by us or our growers. If any competitors independently develop new traits, seeds, seedlings, processes or technologies that customers or end users determine are better than our existing products, such developments could adversely affect our competitive position. In addition to patent protection for some of our alfalfa seed varieties that we acquired from DuPont Pioneer, we guard our proprietary property by exercising a high degree of control over the alfalfa seed supply chain from our S&W varieties, as well as over our stevia material. In Australia, SGI has secured protection under the PBR Act for its most popular varieties. However, even with these measures in place, it would be possible for persons with access to our seed or plants grown from our seed to reproduce and market our proprietary seed varieties, which could significantly harm our business and our reputation. Litigation may be necessary to protect our proprietary property and determine the validity and scope of the proprietary rights of competitors. Intellectual property litigation could result in substantial costs and diversion of our management and other resources. If we are unable to successfully protect our intellectual property rights, our competitors could market products that compete with our proprietary products without obtaining a license from us.

We currently depend on Pioneer for substantially all of our sales of dormant alfalfa seed and have agreed to limitations on other sales of the seed varieties we sell to Pioneer. Any decline in Pioneer's demand will have a material adverse effect on our results of operations.

Our distribution agreement with Pioneer limits our ability to otherwise sell the specific varieties of dormant alfalfa seed we supply to Pioneer in the sales territory covered by Pioneer. The Pioneer sales territory includes the United States, Europe and many other of the principal dormant alfalfa seed markets. In these markets, our ability to sell the specified varieties through distribution channels other than Pioneer is limited to certain blended, private label and variety not stated forms and cannot exceed a specified percentage of Pioneer's demand. As result of these limitations, sales to Pioneer represent and for the foreseeable future will continue to represent the vast majority of all of our sales of dormant alfalfa seed. Any decline in Pioneer's demand for our dormant alfalfa seed products will have a material adverse effect on our results of operations.

Pioneer may purchase alfalfa seed from other sources and reduce their purchase commitments to us.

Under our distribution agreement with Pioneer, Pioneer has made minimum purchase commitments for our dormant alfalfa seed products that extend through September 30, 2024. However, there are

circumstances under which Pioneer's is permitted to purchase seed from other sources and reduce its purchase commitments to us, including:

- *Production Shortfalls.* If in any year we fail to produce an adequate supply of alfalfa seed to meet Pioneer's demand and we are unable to source alternative supply, Pioneer may purchase seed from third parties to meet the shortfall in our production.
- *New Products.* If a third party offers for license a new product (a new transgenic and/or native trait for dormant alfalfa seed) that offers a superior value pricing opportunity compared to varieties we offer and Pioneer wishes to sell the new product, then we would have a one-year period to obtain rights to produce and sell the new product to Pioneer. If we fail to obtain rights to the new product within the one-year period or otherwise don't offer the new product on substantially the same terms as offered by a third party, then Pioneer would be free to purchase the new product from the third party and Pioneer's minimum purchase commitment to us would be reduced by the amount of the new product purchased.
- *GMO-Treated Varieties.* Unless and until we complete the transactions contemplated under our second asset purchase agreement with Pioneer. Pioneer may purchase certain GMO-treated varieties of alfalfa seed from third parties. See "***Risk Factors-If we do not complete the acquisition under our second asset purchase agreement, Pioneer may pursue alternative production arrangements for its GMO-treated varieties and reduce purchases from us.***"

Any reduction in Pioneer's purchase commitment to us will have a material adverse effect on our results of operations.

We are committed to sell dormant alfalfa seed to Pioneer at initial fixed prices with fixed subsequent maximum price increases per year. Increases in our costs of production at rates higher than our contractual ability to increase prices would erode our profit margins and have a material adverse effect on our results of operations.

Under our distribution agreement with Pioneer, we are committed to sell dormant alfalfa seed at initial fixed prices for the 2015 and 2016 sales years. In subsequent sales years, we can increase our prices up to a fixed percentage per year by variety. Although Pioneer has agreed to discuss in good faith an increase in the fixed maximum percentage price increase cap for any sales year in which an increase in grower compensation costs due to changes in market conditions cause our total production costs to increase at a percentage exceeding the amount of the cap, we cannot be certain that any such discussions will result in additional pricing flexibility for us. If our grower compensation costs or other production costs increase at a rate greater than the fixed maximum percentage increase per year, our profit margins would erode and we could potentially be required to sell product at a loss. Any such change in our cost structure would have a material adverse effect on our results of operations.

If we do not complete the acquisition under the second asset purchase agreement, Pioneer may pursue alternative production arrangements for its GMO-treated varieties and reduce purchases from us.

We are currently producing certain GMO-treated varieties for Pioneer under our production agreement with Pioneer. The production agreement expires on December 31, 2017 or upon the earlier closing of our acquisition of certain GMO germplasm and related assets from Pioneer pursuant to a second asset purchase agreement. However, we may never enter into the second asset purchase agreement or close the acquisition of Pioneer's GMO germplasm and related assets. If Pioneer and we do not obtain certain third-party consents and agreements on or before November 30, 2017 (or certain other conditions above are not

satisfied), then the obligations of the parties to enter into the second asset purchase agreement will terminate and we will have no right or obligation to acquire the GMO germplasm and related assets. In that case, our production agreement with Pioneer (relating to GMO-traited varieties) would terminate on December 31, 2017, Pioneer would be free to pursue alternative production arrangements for the GMO-traited varieties, and Pioneer's minimum purchase commitments to us under the distribution agreement would be materially reduced.

If we fail to perform our obligations under our distribution agreement and production agreement with Pioneer, Pioneer could terminate the agreements and reduce or eliminate purchases of alfalfa seed from us, and we could be exposed to claims for damages.

The distribution agreement and the production agreement impose numerous obligations on us relating to, among other things, product and service quality and compliance with laws and third party obligations. Both the distribution agreement and the production agreement permit Pioneer to terminate the agreement if we materially breach the agreement and fail to cure the breach within a 60-day notice period, or in the case of certain bankruptcy or insolvency events. Pioneer can also immediately terminate the production agreement if we breach certain agreements or policies with third parties related to the production of GMO-traited varieties. If Pioneer terminates either the distribution agreement or the production agreement, Pioneer could reduce or eliminate altogether its purchase of alfalfa seed from us, and we could be left with inventory of seed that it would be difficult or impossible for us to dispose of on commercially reasonable terms. In addition, we could be exposed to significant claims for damages to Pioneer if the termination of an agreement results from our material breach of the agreement.

If we do not meet seed planting and production commitments to Pioneer, we could incur significant financial penalties.

Under our distribution agreement with Pioneer, if we fail to plant sufficient acreage (based on historical yields), together with any carryover inventory, to meet 110% of Pioneer's demand and we actually fail to meet Pioneer's demand, then we are obligated to pay Pioneer a cash penalty based on the amount of the shortfall. A similar penalty provision applies only with respect to 2017 under our Production Agreement with Pioneer, if we fail to plant or cause to be planted a specified number of planting acres.

We contract all of our production of dormant alfalfa seed with third-party growers. If, in any year, we are unable to obtain sufficient grower commitments to meet Pioneer's demand, we could be obligated to pay significant financial penalties to Pioneer.

Risks Related to Investment in Our Securities

The value of our common stock can be volatile.

Our common stock are listed on the Nasdaq Capital Market. The overall market and the price of our common stock can fluctuate greatly. The trading price of our common stock may be significantly affected by various factors, including but not limited to:

- economic status and trends in the dairy industry, which underlies domestic demand for our alfalfa seed;
- market conditions for alfalfa seed in the Middle East and Africa, where a substantial amount of our seed historically has been purchased by end users;

- quarterly fluctuations in our operating results;
- our ability to meet the earnings estimates and other performance expectations of investors or financial analysts;
- fluctuations in the stock prices of our peer companies or in stock markets in general; and
- general economic or political conditions.

Our quarter-to-quarter performance may vary substantially, and this variance, as well as general market conditions, may cause the price of our securities to fluctuate greatly and potentially expose us to litigation.

Our alfalfa seed business, our primary source of revenue, is highly seasonal because it is tied to the growing and harvesting seasons. If sales in particular quarters are lower than expected, our operating results for these quarters could cause our share price to decline.

Our future expense estimates are based, in large part, on estimates of future revenue, which is difficult to predict. We expect to continue to make significant expenditures in order to expand production, sales, marketing and administrative systems and processes. We may be unable to, or may elect not to, adjust spending quickly enough to offset any unexpected revenue shortfall. If our increased expenses are not accompanied by increased revenue in the same quarter, our quarterly operating results would be harmed.

In one or more future quarters, our results of operations may fall below the expectations of investors or analysts, and the trading price of our securities may decline as a consequence. We believe that quarter-to-quarter comparisons of our operating results will not be a good indication of our future performance and should not be relied upon to predict the future performance of our stock price.

In the past, companies that have experienced volatility in the market price of their stock have often been subject to securities class action litigation. We may be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and divert our management's attention from other business concerns, which could seriously harm our business.

If we issue shares of preferred stock, the holdings of those owning our common stock could be diluted or subordinated to the rights of the holders of preferred stock.

Our board of directors is authorized by our articles of incorporation to establish classes or series of preferred stock and fix the designation, powers, preferences and rights of the shares of each such class or series without any further vote or action by our stockholders. Any shares of preferred stock so issued could have priority over our common stock with respect to dividend or liquidation rights. Although we have no plans to issue any shares of preferred stock or to adopt any new series, preferences or other classification of preferred stock, any such action by our board of directors or issuance of preferred stock by us could dilute your investment in our securities or subordinate your holdings to the higher priority rights of the holders of shares of preferred stock issued in the future.

Our actual operating results may differ significantly from our guidance.

We routinely release guidance in our quarterly earnings releases, our quarterly earnings conference calls and in other forums we consider appropriate. Such guidance regarding our future performance represents our management's estimates as of the date of release or other communication. This guidance, which includes forward-looking statements, is based on projections prepared by our management. These

projections are not prepared with a view toward compliance with published guidelines of the American Institute of Certified Public Accountants, and neither our registered public accountants nor any other independent expert or outside party compiles or examines the projections, and accordingly, no such person expresses any opinion or any other form of assurance with respect thereto.

Projections are based upon a number of assumptions and estimates that, while presented with numerical specificity, are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control and are based upon specific assumptions with respect to future business decisions, some of which will change. If we issue guidance, we will generally state possible outcomes as high and low ranges that are intended to provide a sensitivity analysis as variables are changed but are not intended to represent that actual results could not fall outside of the suggested ranges. The principal reason that we would release guidance would be to provide a basis for our management to discuss our business outlook with analysts and investors. We do not accept any responsibility for any projections or reports published by any such persons.

Guidance is necessarily speculative in nature, and it can be expected that some or all of the assumptions of the guidance furnished by us will not materialize or will vary significantly from actual results. Accordingly, our guidance, when given, is only an estimate of what management believes is realizable as of the date of release or other communication. Actual results will vary from our guidance, and the variations may be material. In light of the foregoing, investors are urged not to rely upon, or otherwise consider, our guidance in making an investment decision about our securities.

We do not anticipate declaring any cash dividends on our common stock.

We have never declared or paid cash dividends on our common stock and do not plan to pay any cash dividends in the near future. Our current policy is to retain all funds and any earnings for use in the operation and expansion of our business. If we do not pay cash dividends, our stock may be less valuable to investors because a return on their investment will only occur if our stock price appreciates.

Anti-takeover provisions and our right to issue preferred stock could make a third-party acquisition of us difficult.

Our articles of incorporation and bylaws contain provisions that would make it more difficult for a third party to acquire control of us, including a provision that our board of directors may issue preferred stock without stockholder approval. In addition, certain anti-takeover provisions of Nevada law, if and when applicable, could make it more difficult for a third party to acquire control of us, even if such change in control would be beneficial to our stockholders.

Risks Relating to the Private Placement of Debentures and Warrants

On December 31, 2014, we issued an aggregate of \$27,000,000 in principal amount of 8% Senior Secured Convertible Debentures and common stock purchase warrants for the purchase of up to 2,699,999 shares of our common stock. The following are identified risks that are specifically associated with the issuance of these securities.

If the price adjustment provision of the Debentures and Warrants and/or the weighted average dilution provision of the Warrants is triggered, there would be a decrease in conversion and/or exercise prices.

Although the initial conversion price of the Debentures and the initial exercise price of the Warrants is \$5.00, which was a premium to the price on closing of \$4.00, both securities contain provisions that could adjust downward the respective conversion and exercise prices. Both securities contain a ratchet provision under which the conversion and exercise prices could be adjusted to as low as \$4.15 (subject to adjustment for stock splits and similar events) if, on September 30, 2015, our stock price is below the then-conversion/exercise price. The adjusted conversion and exercises prices, if applicable, will be based on a formula specified in the securities based on the lowest 10 day average VWAP of our common stock over a 20-day lookback period. If the price adjusts, we could be required to issue a greater number of shares pursuant to the Debentures and could ultimately raise less money upon exercise of the warrants.

In addition, the Warrant also contains a weighted average price protection provision that is operable for the first three years of the term of the Warrants.

Our stockholders will have a reduced ownership and voting interest after issuance of the shares issuable upon conversion of the Debentures and exercise of the Warrants and may exercise less influence over management.

In the event the holders of the Debentures and Warrants elect to exercise their conversion and/or exercise rights pursuant to these securities during the remainder of the term thereof, and, without taking into account any adjustment to the conversion price of the Debentures, an aggregate of 3,655,172 shares of our common stock could be issued upon conversion and exercise of the securities, based on a remaining \$18,275,862 in principal amount of the Debentures at September 23, 2015.

Based on the current number of shares outstanding of 13,463,455 on September 22, 2015, the new issuances would represent 21.4%, of the shares outstanding after these issuances. In addition, although we have no intention of doing so, to the extent we issue shares to service the debt, the ownership percentages of the new investors would increase incrementally. As a result, our current stockholders as a group would own a substantially smaller interest in us and may have less influence on our management and policies than they now have.

Our repayment obligations under the Debentures are secured by a lien on our assets.

Our obligations to the holders of the Debentures are secured by a lien on all of our assets pursuant to a security agreement, which was entered into with respect to the issuance of the Debentures. This lien is subordinate only to the lien of certain permitted senior creditors, pursuant to an inter-creditor and subordination agreement, which was entered into simultaneously with the security agreement. If we default under the terms of the Debentures or under the terms of any permitted senior indebtedness (which is an event of default under the Debentures), the holders of the Debentures may exercise various remedies against us, including acceleration of the entire remaining principal amount of the Debentures and all accrued and unpaid interest thereon, and remedies against our collateral. An acceleration of the Debentures or an exercise of remedies against our assets as collateral could have a material adverse effect on our ability to conduct our business or could force us to invoke legal measures to protect our business, including, but not limited to, for filing for protection under the U.S. Bankruptcy Code.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The following is a description of our owned and leased properties:

Location	Size	Primary Use	Leased or Owned
Fresno (Fresno County), CA	2,651 sq. ft.	Corporate headquarters for S&W	Leased(1)
Sacramento (Sacramento County), CA	2,587 sq. ft.	Office Space	Leased(2)
Five Points (Fresno County), CA	40 acres (3)	Milling facilities	Owned
Calipatria (Imperial Valley), CA	182 acres	Alfalfa seed farmland	Owned(4)
Kern County, CA	800 acres	Farmland suitable for farming alfalfa seed and alfalfa hay	Leased(5)
Connell (Franklin County) WA	28 acres	Agricultural research facilities	Leased(6)
Nampa (Canyon County), Idaho	80 acres (approx.)	Seed production facilities	Owned (subject to mortgage)
Arlington (Columbia County), Wisconsin	25 acres	Alfalfa research and product development	Owned (subject to mortgage)
Unley, South Australia	1,937 sq. ft.	Corporate headquarters for SGI	Leased(7)
Keith, South Australia	3.7 acres	Processing facility	Owned

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- (1) The lease expires in February 2018. These facilities are adequate for our current needs. However, we believe there is readily available office facilities available for rent in the Fresno area, if our needs change.
 - (2) The lease expires in November 2017. These facilities are adequate for our current needs. However, we believe there is readily available office facilities available for rent in the Sacramento area, if our needs change.
 - (3) This facility occupies five acres of mill and processing structures, consisting of 20,336 square feet of office and production space and 46,912 square feet of warehousing facilities. We believe that our facilities are generally well maintained and are in good operating condition. We currently have excess capacity and therefore believe that our facilities will be adequate for our needs.
 - (4) One-half interest.
 - (5) The lease expires in September 2024.
 - (6) Lease expires in December 2017.
 - (7) Lease expires in February 2018.

Item 3. Legal Proceedings

From time to time, we are involved in lawsuits, claims, investigations and proceedings, including pending opposition proceedings involving patents that arise in the ordinary course of business. There are no matters pending that we expect to have a material adverse impact on our business, results of operations, financial condition or cash flows.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information Regarding Our Common Stock

Prior to May 4, 2010, there was no public market for our company's securities. From May 4, 2010 through June 11, 2010, our common stock traded on the NASDAQ Capital Market as part of a unit under the ticker symbol "SANWU." Each unit consisted of two shares of common stock, one Class A warrant and one Class B warrant. On June 14, 2010, the unit separated, and the components began trading as separate securities under the ticker symbols "SANW," "SANWA" and "SANWZ," for the common stock, Class A warrants and Class B warrants, respectively. The Class A warrants were redeemed in April 2013, and the Class B warrants expired in accordance with their terms in May 2015.

The following table sets forth the range of high and low sales prices per share of Common Stock as reported on NASDAQ for the periods indicated.

	High	Low
Year Ended June 30, 2014		
First Quarter	\$9.21	\$6.78
Second Quarter	8.23	4.82
Third Quarter	7.74	5.53
Fourth Quarter	8.23	5.86
Year Ended June 30, 2015		
First Quarter	\$6.74	\$3.91
Second Quarter	4.48	2.99
Third Quarter	5.25	3.69
Fourth Quarter	5.55	4.05

On September 22, 2015, the closing price as reported on the NASDAQ Capital Market of our common stock was \$4.52 per share.

Holders

As of September 22, 2015, we had 13,463,455 shares of common stock outstanding held by 17 stockholders of record. Because many of our shares of common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of beneficial stockholders represented by these record holders.

Dividend Policy

We have never declared or paid any cash dividends on our common stock. For the foreseeable future, we intend to retain any earnings to finance the development and expansion of our business, and we do not anticipate paying any cash dividends on our common stock. Any future determination to pay dividends will be at the discretion of the Board of Directors and will be dependent upon then existing conditions, including our financial condition and results of operations, capital requirements, contractual restrictions, business prospects and other factors that the Board of

Directors considers relevant. In addition, our credit facility contains restrictions on our ability to pay dividends.

Recent Sales of Unregistered Securities; Use of Proceeds from Registered Securities

On April 20, 2015, we issued 200,000 shares of our common stock at a per share price of \$4.64 to Bioceres, S.A., in exchange for 1,263 newly-issued shares of Bioceres. The newly-issued shares were issued pursuant to the exemption from registration as set forth in Section 4(a)(2) of the Securities Act of 1933, as amended. The availability of the exemption was predicated on the fact that the sale was made to a single accredited, sophisticated investor who was familiar with our business, who had access to business and financial information about our company and with whom we have established a joint working relationship.

Securities Authorized for Issuance under Equity Compensation Plans

The information required by this item with respect to our equity compensation plan is incorporated by reference to our Proxy Statement for the 2015 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days of the fiscal year ended June 30, 2015.

Purchases of Equity Securities by the Issuer and Affiliate Purchasers

None.

Item 6. Selected Financial Data

As a smaller reporting company, we are not required to provide information typically disclosed under this item.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion of our financial condition and results of operations in conjunction with our consolidated financial statements and the related notes included in Part II, Item 8, "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K. In addition to our historical

consolidated financial information, the following discussion contains forward-looking statements that reflect our plans, estimates, and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements as referred to on page 2 of this Annual Report on Form 10-K. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this Annual Report on Form 10-K, particularly in Part I, Item 1A, "Risk Factors."

Executive Overview

Founded in 1980 and headquartered in the Central Valley of California, we believe we have become the largest alfalfa seed company worldwide (by volume), with industry-leading research and development, as well as production and distribution capabilities in both hemispheres and the ability to supply proprietary dormant and non-dormant alfalfa seed. Our operations span the world's alfalfa seed production regions, with operations in the San Joaquin and Imperial Valleys of California, other Western states, South Australia and three provinces in Canada, and we sell our seed varieties in more than 30 countries across the globe. Historically, we have been recognized as the leading producer of non-dormant alfalfa seed

varieties, which varieties have been bred for warm climates and high-yields, including, in particular, varieties that thrive in high saline soils. Our December 2014 acquisition of certain alfalfa research and production facility and conventional (non-GMO) alfalfa germplasm assets of DuPont Pioneer provided us with the opportunity to become a leading producer of dormant, high yield alfalfa seed varieties, which are the varieties suitable for cold weather conditions. We also have agreements with Monsanto to develop unique traits into specific S&W-developed varieties that have exhibited high yield and salt tolerance. We have licensing agreements with Monsanto and FGI to produce, breed and eventually sell Roundup Ready alfalfa seed varieties. In sum, our alfalfa seed business now encompasses the production, breeding and sale of nearly the full spectrum of non-dormant and dormant conventional varieties (from FD 2 through FD 10) and the potential for future production and sale of transgenic ("GMO") -varieties, which are being bred to combine the most desirable characteristics of certain of our varieties with the Roundup Ready gene. In addition to alfalfa seed breeding, production and sales, which is our core business, we also offer seed cleaning and processing for other seed manufacturers and conduct an ongoing stevia breeding program.

Components of Our Statements of Operations Data

Revenue and Cost of Revenue

Revenue

We derive most of our revenue from the sale of our proprietary alfalfa seed varieties. We expect that over the next several years, a substantial majority of our revenue will continue to be generated from the sale of alfalfa seed, although we are continually assessing other possible product offerings or means to increase revenue, including expanding into other, higher margin crops. Fiscal 2016 will be the first full year in which we will have a full range of non-dormant and dormant varieties, which will enable us to significantly expand the geographic reach of our sales efforts. The mix of our product offerings will continue to change over time with the introduction of new alfalfa seed varieties resulting from our robust research and development efforts, including our potential expansion into genetically-modified varieties in future periods. Currently, we have a long-term distribution agreement DuPont Pioneer, which we expect will be the source of a significant portion of our annual revenue for the next ten years.

Our revenue will fluctuate depending on the timing of orders from our customers and distributors. Because some of our large customers and distributors order in bulk only one or two times a year, our product revenue may fluctuate significantly from period to period, however some of this fluctuation is offset by having operations in both the northern and southern hemispheres.

Our stevia breeding program has yet to generate any meaningful revenue. However, management continues to evaluate this portion of our business and assess various means to monetize the results of our effort to breed new, better tasting stevia varieties. Such potential opportunities including possible licensing agreements and royalty-based agreements.

Cost of Revenue

Cost of revenue relates to sale of our alfalfa seed varieties and consists of the cost of procuring seed, whether we purchase the seed from third party contract growers or grow the seed on property we own or lease, plant conditioning and packaging costs, direct labor and raw materials, and overhead costs.

Operating Expenses

Research and Development Expenses

Research and development expenses consist of costs incurred in the discovery, breeding and testing of our products and products in development incorporating the traits we have specifically selected. These expenses consist primarily of employee salaries and benefits, consultant services, land leased for field trials, chemicals and supplies and other external expenses. These costs are expensed as incurred. Because we have been in the alfalfa seed breeding business since our inception in 1980, we have expended far more dollars in development of our proprietary varieties throughout our history than on our stevia breeding program, which we commenced in fiscal 2010.

In fiscal 2013, we determined to shift the focus of our stevia program away from commercial production and towards the breeding of improved varieties of stevia. We have continued that effort, which has resulted in the filing of two patent applications, with the expectation of a third patent application to be filed in the first half of fiscal 2016.

We expect our research and development expenses to increase on an absolute dollar basis for the foreseeable future, although our research and development expenses may increase significantly if we choose to accelerate certain research and development programs. Our research and development expenses may also fluctuate from period to period as a result of the timing of various research and development projects.

Our research and development costs are charged to expense as they are incurred. Therefore, internal research and development costs are expenses as incurred, while third party research and developments costs are expensed when the contracted work has been performed or as milestone results have been achieved. The costs associated with equipment or facilities acquired or construed for research and development activities that have alternative future uses are capitalized and depreciated on a straight-line basis over the estimated useful life of the asset.

Selling, General, and Administrative Expenses

Selling, general, and administrative expenses consist primarily of employee costs, including salaries, employee benefits, and share-based compensation, as well as professional service fees, insurance, marketing, travel and entertainment expense, public company expense and other overhead costs. We proactively take steps on an ongoing basis to control selling, general and administrative expense as much as is reasonably possible.

Depreciation and Amortization

Most of the depreciation and amortization expense on our statement of operations consists of amortization expense. We amortize intangible assets, including those acquired from DuPont Pioneer in December 2014, using the straight-line method over the estimated useful life of the asset, consisting of periods of 10-30 years for technology/IP/germplasm, 20 years for customer relationships and trade names and 2-20 years for other intangible assets. Property, plant and equipment is depreciated using the straight-line method over the estimated useful life of the asset, consisting of periods of 18-28 years for buildings, 3-10 years for machinery and equipment and 3-5 years for vehicles.

Impairment Charges

We evaluate our long-lived assets for impairment annually or more often if events and circumstances warrant. Events relating to recoverability may include significant unfavorable changes in business conditions, recurring losses or a forecasted inability to achieve break-even operating results over an extended period. We evaluate the recoverability of long-lived assets based upon forecasted undiscounted cash flows. Should impairment in value be indicated, the carrying value of long-lived assets is adjusted, based on estimates of future discounted cash flows resulting from the use and ultimate disposition of the asset. A triggering event during the quarter ended December 31, 2014 prompted a review of certain farmland related costs. The carrying value of these assets was deemed in excess of fair value, so we recorded an impairment charge of \$500,198 in the consolidated statement of operations during the year ended June 30, 2015.

Other Expense

Other expense consists of foreign currency gains and losses, changes in the fair value of derivative liabilities related to our warrants, changes in the fair value of our contingent consideration obligation and interest expense in connection with amortization of debt discount. In addition interest expense consists of interest costs related to our outstanding borrowings on our Wells Fargo revolving lines of credit and on SGI's credit facilities in South Australia, our 8% senior secured convertible promissory notes that were issued in December 2014 and mature in June 2017, a three-year secured promissory note issued in connection with the DuPont Pioneer acquisition, a five-year subordinated promissory note that matures in October 2017 that was issued in connection with the IVS acquisition, and a term loan for a vehicle purchase that matures in February 2018.

Income Tax Expense (Benefit)

Our effective tax rate is based on income, statutory tax rates, and tax planning opportunities available to us in the various jurisdictions in which we operate. Under U.S. GAAP, if we determine that a tax position is more likely than not of being sustained upon audit, based solely on the technical merits of the position, we recognize the benefit. Tax regulations require certain items to be included in the tax return at different times than when those items are required to be recorded in the consolidated financial statements. As a result, our effective tax rate reflected in our consolidated financial statements is different than that reported in our tax returns. Some of these differences are permanent, such as expenses that are not deductible on our tax return, and some are temporary differences, such as depreciation expense. Temporary differences create deferred tax assets and liabilities. Deferred tax assets generally represent items that can be used as a tax deduction or credit in our tax return in future years for which we have already recorded the tax benefit in our consolidated statements of operations.

Results of Operations

Fiscal Year Ended June 30, 2015 Compared to the Fiscal Year Ended June 30, 2014

Revenue and Cost of Revenue

Revenue for fiscal year ended June 30, 2015 was \$81,208,903 compared to \$51,533,643 for the year ended June 30 2014. The \$29,675,260 increase in revenue for the year ended June 30, 2015 was primarily attributable to sales under our distribution and production agreements with DuPont Pioneer. We are also

experiencing an increase in sales activity for the Middle East as we began to see recovery from the market surplus of low priced 2013 Australian crop that negatively impacted sales in prior periods.

Sales direct to international customers represented 59% and 81% of revenue during the years ended June 30, 2015 and 2014, respectively. Domestic revenue accounted for 41% and 19% of our total revenue for the years ended June 30, 2015 and 2014, respectively. The increase in domestic revenue is directly attributed to sales to DuPont Pioneer. We expect DuPont Pioneer to represent a significant portion of our domestic sales, as well as overall sales, for the foreseeable future.

Cost of revenue of \$64,607,502 in the year ended June 30, 2015 was 80% of revenue, while the cost of revenue of \$41,561,736 in the year ended June 30, 2014 was 81% of revenue.

Total gross profit margins were 20.4% and 19.4% for years ended June 30, 2015 and 2014, respectively. The increase in gross profit margins is due to higher margins from the sale of dormant alfalfa seed varieties acquired from DuPont Pioneer, improvement in seed pricing, as well as the benefits of our on-going optimization initiative. While there will continue to be quarterly fluctuations in gross profit margin based on product sales mix, we continue to anticipate improved gross margins in Fiscal 2016 as a result of a number of initiatives we are deploying, as well as pricing improvement in the alfalfa seed market, particularly in certain key markets.

Selling, General and Administrative Expenses

SG&A expense for the year ended June 30, 2015 totaled \$9,620,807 compared to \$6,815,575 for the year ended June 30, 2014. The \$2,805,231 increase in SG&A expense versus the prior year was primarily due to non-recurring transaction expenses of approximately \$1,290,926 and the expenses associated with the newly acquired DuPont Pioneer business. As a percentage of revenue, SG&A expenses were 12% in the current year compared to 13% in the year ended June 30, 2014.

Research and Development Expenses

R&D for the year ended June 30, 2015 totaled \$1,890,234 compared to \$840,578 in the year ended June 30, 2014. The increase of \$1,049,656 from 2014 to 2015 was primarily driven by additional research and development activities acquired from DuPont Pioneer.

Depreciation and Amortization

Depreciation and amortization expense for the year ended June 30, 2015 was \$2,179,638 compared to \$1,265,739 for the year ended June 30, 2014. Included in the amount was amortization expense for intangible assets, which totaled \$1,600,360 in the year ended June 30, 2015 and \$951,892 in the year ended June 30, 2014. The \$913,899 increase in depreciation and amortization expense over the prior year is a result of depreciation and amortization of assets acquired from DuPont Pioneer.

Impairment Expense

We recorded an impairment charge of \$500,198 during the year ended June 30, 2015, as the carrying value of certain farmland related assets was deemed in excess of net realizable value. These farmland assets were sold in March 2015, and an additional loss on disposal of \$24,646 was recorded during the year ended June 30, 2015. There was no comparable impairment charge in the year ended June 30, 2014.

Foreign Currency (Gain) Loss

We incurred a foreign currency loss of \$159,763 for the year ended June 30, 2015 compared to a gain of \$51,571 for the year ended June 30, 2014. The foreign currency gains and losses are associated with SGI, our wholly-owned subsidiary in Australia.

Change in Derivative Warrant Liability

The derivative warrant liability is considered a level III fair value financial instrument and will be measured at each reporting period. The \$1,396,000 charge to non-cash change in derivative warrant liability expense represents the increase in fair value of the outstanding warrants issued in December 2014. The increase is driven by a \$0.88 increase in the closing stock price at June 30, 2015, from the initial measurement date of December 31, 2014.

Change in Contingent Consideration Obligation

The contingent consideration obligation is considered a level III fair value financial instrument and will be measured at each reporting period. The \$74,000 charge to non-cash change in contingent consideration obligation expense represents the decrease in the present value discount factor used to estimate the fair value of the contingent consideration obligation. The fair value of the contingent consideration obligation is expected to increase each quarter until the end of the earn-out measurement period.

Interest Expense - Amortization of Debt Discount

Non-cash amortization of debt discount expense for the year ended June 30, 2015 was \$2,934,164 compared to \$52,550 for the year ended June 30, 2014. The increase represents the amortization of the debt discount and debt issuance costs associated with the convertible debentures issued December 31, 2014. The discount is amortized using the effective interest method and the quarterly expense will decrease as the net carrying value of the convertible debentures decrease. The year ended June 30, 2015 includes \$1,146,090 of accelerated amortization expense as a result of the \$5,000,000 early principal redemption of the convertible debentures. We expect to incur \$2,930,225 of amortization of debt discount during fiscal 2016.

Interest Expense - Convertible Debt and Other

Interest expense during the year ended June 30, 2015 totaled \$1,831,057 compared to \$600,740 for the year ended June 30, 2014. Interest expense for fiscal 2015 primarily consisted of interest incurred on the convertible debentures issued on December 31, 2014, on the note payable issued to DuPont Pioneer as part of the purchase consideration for the DuPont Pioneer acquisition and the working capital credit facilities with NAB and Wells Fargo. The \$1,230,317 increase in interest expense in fiscal 2015 is primarily driven by \$971,680 of interest on the convertible debentures and \$150,000 on the DuPont Pioneer Note, all of which were issued on December 31, 2014, and \$108,637 of interest expense attributed to higher levels of working capital resulting in additional borrowings on the working capital facilities.

Provision (Benefit) for Income Taxes

Income tax benefit totaled \$845,979 for the year ended June 30, 2015 compared to income tax expense of \$87,116 for the fiscal year ended June 30, 2014. Our effective tax rate was 21.1% during the year ended June 30, 2015 compared to 18.9% in fiscal 2014. The decrease of the estimated annual effective tax rate from 24.4% as of December 31, 2014 was primarily due to adjustments for the change in fair value of the derivative warrant liability. The charges associated with the fair value adjustments are not deductible for federal income tax purposes. The Company's effective tax rate differs from the US federal statutory rate as a result of these nondeductible expenses.

Net Loss

We had a net loss of \$3,163,127 for the year ended June 30, 2015 compared to net income of \$373,100 for the year ended June 30, 2014. The loss in the current fiscal year was attributable primarily to the non-recurring transaction charges, the change in derivative warrant liability and incremental interest expense associated with the convertible debentures discussed above. The net loss per basic and diluted common share was \$(0.25) for the year ended June 30, 2015 compared to net income per basic and diluted share of \$0.03 for the year ended June 30, 2014.

Liquidity and Capital Resources

Our working capital and working capital requirements fluctuate from quarter to quarter depending on the phase of the growing and sales cycle that falls during a particular quarter. Our need for cash has historically been highest in the second and third fiscal quarters (October through March) because we historically have paid our California contracted growers progressively, starting in the second fiscal quarter. In fiscal 2015, we paid our California growers from our legacy business approximately 50% in October 2014 and the remaining 50% was paid in February 2015. The grower base acquired in the recent Pioneer Acquisition will be paid on a schedule similar to our historical North American grower base. SGI, our Australian-based subsidiary, has a production cycle that is counter-cyclical to North America; however, it also puts a greater demand on our working capital and working capital requirements during the second, third and fourth quarters based on timing of payments to growers in the second through fourth quarters. As a result of the Pioneer Acquisition, going forward we anticipate our working capital demands to be highest in second and third quarters due to the progressive payment schedule of our North American grower base.

Historically, due to the concentration of sales to certain distributors, which typically represented a significant percentage of alfalfa seed sales, our month-to-month and quarter-to-quarter sales and associated cash receipts were highly dependent upon the timing of deliveries to and payments from these distributors, which varied significantly from year to year. The timing of collection of receivables from DuPont Pioneer is defined in the distribution and production agreements with DuPont Pioneer and consists of three installment payments, one in each of the first, third and fourth quarters. Our future revenues and cash collections pertaining to the new production and distribution agreements with DuPont Pioneer will provide us with greater predictability as sales to DuPont Pioneer will be concentrated in our third and fourth fiscal quarters and payments will be received in three installments over the September to mid-April time period.

We continuously monitor and evaluate our credit policies with all of our customers based on historical collection experience, current economic and market conditions and a review of the current status of the

respective trade accounts receivable balance. Our principal working capital components include cash and cash equivalents, accounts receivable, inventory, prepaid expense and other current assets, accounts payable and our working capital lines of credit.

In addition to funding our business with cash from operations, we have historically relied upon occasional sales of our debt and equity securities and credit facilities from financial institutions, both in California and South Australia.

With respect to recent equity and debt financings, we raised an aggregate of \$31,658,400 in gross proceeds in two separate private placements that closed on December 31, 2014.

In the first of these two financings, we sold 1,294,000 shares of our common stock at \$3.60 per share for gross proceeds of \$4,658,400 to one accredited investor in a private transaction exempt from registration under Section 4(a)(2) of the Securities Act and Rule 506(b) of Regulation D promulgated thereunder.

On the same day, we also sold \$27,000,000 aggregate principal amount of 8% Senior Secured Convertible Debentures due November 30, 2017, together with warrants to purchase an aggregate of 2,699,999 shares of our common stock that expire on June 30, 2020 in a private transaction exempt from registration under Section 4(a)(2) of the Securities Act and Rule 506(b) of Regulation D promulgated thereunder. The monthly interest is payable cash, in shares of our common stock, provided all of the applicable "equity conditions" defined in the debentures are satisfied, or in any combination of cash and shares, at our option. Beginning on July 1, 2015, we are required to make monthly redemption payments, payable, at our option, in cash, shares of common stock or a combination thereof, provided (in the event we elect to pay in shares) all of the applicable equity conditions are satisfied. The debentures contain certain rights of acceleration and deferral at the holder's option in the event a redemption payment is to be made in stock and contains certain limited acceleration rights of the company, if we have elected to redeem in cash and provided certain other conditions are satisfied. The debentures also provided for redemption of up to \$5,000,000 in principal amount, payable in cash without prepayment penalty, if redeemed by July 1, 2015. Such early redemption was required in the event of certain real estate sales and otherwise was optional. In March 2015, following the sale of farmland we previously owned in California's Imperial Valley, we were required to, and did, redeem \$5,000,000 in principal amount of the debentures on a *pro rata* basis. The debentures are senior secured obligations, subject only to certain secured obligations of KeyBank (which replaced Wells Fargo as our secured lender on September 22, 2015) and DuPont Pioneer (limited to a purchase money security interest in the assets purchased in the Pioneer Acquisition). The rights of those secured creditors are set forth in an inter-creditor and subordination agreement that was entered into in connection with the closing of the issuance of the debentures (the "Intercreditor Agreement"). The offering expenses of the debenture and warrant offering totaled approximately \$2,355,218, yielding net proceeds of approximately \$24,644,782. The net proceeds from these two December 2014 financing transactions were used primarily to fund the cash portion of the purchase price of the Pioneer Acquisition, with the balance available for working capital and general corporate purposes.

On December 31, 2014 in connection with the Pioneer Acquisition, we issued a secured promissory note (the "Note") payable by us to DuPont Pioneer in the initial principal amount of \$10,000,000 (issued at closing), and a potential earn-out payment (payable as an increase in the principal amount of the Note) of up to \$5,000,000 based on our sales under the distribution and production agreements entered into in connection with the Pioneer Acquisition, as well as other sales of products we consummate containing the acquired germplasm in the three-year period following the closing. The Note accrues interest at a rate of 3% per annum, and interest is payable in three annual installments, in arrears, commencing on December 31, 2015. Our obligations under the Note are secured by certain of the assets purchased in the Pioneer Acquisition and are subject to the Intercreditor Agreement. The Note matures on December 31, 2017.

From 2011 until September 22, 2015, we had one or more ongoing revolving credit facility agreements with Wells Fargo.

On February 21, 2014, we entered into our most recent credit agreements with Wells Fargo and thereby became obligated under new working capital facilities (collectively, the "Wells Facilities," which were terminated as of September 22, 2015 (see below). The New Facilities include (i) a domestic revolving facility of up to \$4,000,000 to refinance our outstanding credit accommodations from Wells Fargo and for working capital purposes, and (ii) an export-import revolving facility of up to \$10,000,000 for financing export-related accounts receivable and inventory (the "Ex-Im Revolver"). The availability of credit under the Ex-Im Revolver is limited to an aggregate of 90% of the eligible accounts receivable (as defined under the credit agreement for the Ex-Im Revolver) plus 75% of the value of eligible inventory (also as defined under the credit agreement for the Ex-Im Revolver), with the term "value" defined as the lower of cost or fair market value on a first-in first-out basis determined in accordance with generally accepted accounting principles. All amounts due and owing under the New Facilities were required to be paid in full on or before the October 1, 2015 maturity date.

The Wells Facilities bore interest either (i) at a fluctuating rate per annum determined by Wells Fargo to be 2.75% above the daily one-month LIBOR Rate in effect from time to time, or (ii) at a fixed rate per annum determined to be 2.75% above LIBOR in effect on the first day of the applicable fixed rate term. Interest is payable each month in arrears. The Wells Facilities were satisfied in full and terminated as of September 22, 2015 as a result of our new credit facility with KeyBank, described below.

On September 22, 2015, the Company entered into an up to \$20,000,000 aggregate principal amount credit and security agreement (the "Credit Facility") with KeyBank National Association ("KeyBank").

- The use of proceeds for advances under the Credit Facility are to: (i) refinance the Company's existing senior indebtedness with Wells Fargo Bank, National Association; (ii) finance the Company's ongoing working capital requirements; and (iii) provide for general corporate purposes.
- All amounts due and owing, including, but not limited to, accrued and unpaid principal and interest due under the Credit Facility, will be payable in full on September 21, 2017.
- The Credit Facility generally establishes a borrowing base of up to 85% of eligible accounts receivable (90% if insured) plus up to 65% of eligible inventory, subject to lender reserves.
- Loans may be based on a Base Rate or Eurodollar Rate (which is increased by an applicable margin of 2% per annum) (both as defined in the September 22, 2015 credit and security agreement (the "Credit Agreement")), generally at the Company's option. In the event of a default, at the option of KeyBank, the interest rate on all obligations owing will increase by 3% per annum over the rate otherwise applicable.
- The Company's domestic subsidiaries have guaranteed all of the Company's obligations under the Credit Facility.

- Subject to certain exceptions, the Credit Facility is secured by a first priority perfected security interest in all now owned and after acquired tangible and intangible assets of the Company and its domestic subsidiaries. The Credit Facility is further secured by a lien on, and a pledge of, 65% of the stock of the Company's wholly owned subsidiary, S&W Australia Pty Ltd. With respect to its security interest and/or lien, KeyBank has entered into an Intercreditor Agreement with Hudson Bay Fund LP (as agent for the holders of the senior secured debentures issued by the Company on December 31, 2014) and Pioneer Hi-Bred International, Inc.

In July 2012, we obtained a term loan from Wells Fargo in a principal amount of up to \$2,625,000 (the "Term Loan"), which we used to fund a portion of the purchase of 640 acres of Imperial Valley farmland. The Term Loan bore interest at a rate per annum equal to 2.35% above LIBOR as specified in the term note. As of June 30, 2015, \$0 was outstanding on the Term Loan.

In March 2015, we closed on the sale of the 759 acres of farmland in Calipatria (Imperial Valley), California for a purchase price of \$7,100,000. We used the proceeds to pay-off the existing \$2.2 million Wells Fargo Term Loan, and with the remaining proceeds, redeemed \$5,000,000 in principal amount (and accrued interest thereon) of the convertible debentures issued in December 2014.

At June 30, 2015, the Company has outstanding \$21,954,483 in principal amount of the debentures following the real estate sale redemption. The reduction in principal was applied on the back end of the term, and as a result, does not reduce the dollar amount of the monthly redemption payments that commenced on July 1, 2015, but the redemption does have the effect of reducing the term of the debentures from December 1, 2017 to June 1, 2017.

S&W finances the purchase of most of its seed inventory from growers pursuant to a seasonal credit facility with National Australia Bank Ltd ("NAB").

In April 2015, the NAB working capital credit facilities were amended and renewed and will expire on March 31, 2016 (the "2015 NAB Capital Facilities"). The 2015 NAB Capital Facilities, as currently in effect, comprise two distinct facility lines: (i) an overdraft facility (the "Overdraft Facility"), having a credit limit of AUD \$980,000 (USD \$750,190 at June 30, 2015) and a trade refinance facility (the "Trade Refinance Facility"), having a credit limit of AUD \$12,000,000 (USD \$9,186,000 at June 30, 2015).

- The Overdraft Facility permits S&W to borrow funds on a revolving line of credit up to the credit limit. Interest accrues daily, is calculated by applying the daily interest rate to the balance owing at the end of the day and is payable monthly in arrears. As of June 30, 2015, the Overdraft Facility accrued interest at approximately 7.12% calculated daily.
- The Trade Refinance Facility generally permits S&W to borrow funds for periods of up to 180 days, at S&W's discretion. Interest for each drawdown is set at the time of the drawdown as follows: (i) for Australian dollar drawings, based on the Australian Trade Refinance Rate plus 1.5% per annum and (ii) for foreign currency drawings, based on the British Bankers' Association Interest Settlement Rate for the relevant foreign currency for the relevant period, or if such rate is not available, the rate reasonably determined by NAB to be the appropriate equivalent rate, plus 1.5% per annum. As of June 30, 2015, the Trade Refinance Facility accrued interest on Australian dollar drawings at approximately 5.17%, calculated daily. The Trade Refinance Facility is secured by a lien on all the present and future rights, property and undertakings of S&W, the mortgage on S&W's Keith, South Australia property and our corporate guarantee (up to a maximum of USD \$13,000,000).

Interest is payable each month in arrears on both the Overdraft Facility and the Trade Refinance Facility. In the event of a default, as defined in the NAB Facility Agreement, the interest rate will increase on both facilities by 4.5% per annum. The 2015 NAB Facilities contains customary representations and warranties, affirmative and negative covenants and customary events of default that permit NAB to accelerate SGI's outstanding obligations, all as set forth in the NAB facility agreements.

Both facilities constituting the 2015 NAB Facilities are secured by a fixed and floating lien over all the present and future rights, property and undertakings of SGI and are guaranteed by the Company as noted above. The 2015 NAB Facilities contain customary representations and warranties, affirmative and negative covenants and customary events of default that permit NAB to accelerate SGI's outstanding obligations, all as set forth in the NAB facility agreements. SGI was in compliance with all NAB debt covenants at June 30, 2015.

In January 2015, SGI and NAB entered into a new business markets - flexible rate loan in the amount of AUD \$650,000 (USD \$497,575 at June 30, 2015) (the "Keith Building Loan") and a machinery and equipment facility in the amount of up to AUD \$1,350,000 (USD \$1,033,425 at June 30, 2015) (the "Keith Machinery and Equipment Facility"). The Keith Building Loan and Keith Machinery and Equipment Facility (collectively, the "Keith Credit Facilities") are being used for the construction of a new building on SGI's Keith, South Australia property and for the machinery and equipment to be purchased for use in the operations of the new building.

- The Keith Building Loan matures on November 30, 2024. The interest rate on the Keith Building Loan, which is payable monthly in arrears, varies from pricing period to pricing period (each such period approximately 30 days), based on the weighted average of a specified basket of interest rates (6.135% as of June 30, 2015)..
- The Keith Machinery and Equipment Facility generally permits SGI to draw down amounts up to a maximum amount of AUD \$1,350,000 (USD \$1,033,425) for periods of up to 180 days, in SGI's discretion. The Keith Machinery and Equipment Facility bears interest, payable in arrears, based on the Australian Trade Refinance Rate quoted by NAB at the time of the drawdown, plus 2.9%.

The Keith Credit Facilities are both secured by a lien on all the present and future rights, property and undertakings of SGI, our corporate guarantee and a mortgage on SGI's Keith, South Australia property. At June 30, 2015, the principal balance on the Keith Building Loan was AUD \$609,382 (USD \$466,482), and the principal balance on the Keith Machinery and Equipment Facility was AUD \$202,034 (USD \$154,657).

Summary of Cash Flows

The following table shows a summary of our cash flows for the years ended June 30, 2015 and 2014:

	Years Ended	
	June 30,	
	2015	2014
Cash flows from operating activities	\$ 11,112,350	\$ (17,867,038)
Cash flows from investing activities	(31,189,676)	(764,109)
Cash flows from financing activities	22,405,272	7,944,391
Effect of exchange rate changes on cash	40,009	73,185
Net increase (decrease) in cash	2,367,955	(10,613,571)
Cash and cash equivalents, beginning of period	1,167,503	11,781,074
Cash and cash equivalents, end of period	\$ 3,535,458	\$ 1,167,503

Operating Activities

For the year ended June 30, 2015, operating activities provided \$11,112,350 in cash. Net loss adjusted for non-cash items generated \$3,587,636 in cash, and changes in operating assets and liabilities generated \$7,524,714. The increase in cash from changes in operating assets and liabilities was primarily driven by decreases in inventory balances of \$21,308,005, partially offset by an increase in accounts receivable balances of \$4,391,780 and reduction of payables of \$11,014,912.

For the fiscal year ended June 30, 2014, operating activities used \$17,867,038 in cash, as a result of a net income of \$373,100 and an increase in accounts receivable of \$11,301,001, an increase in inventories of \$2,135,746 and a decrease in accounts payable (including related parties) of \$4,740,089.

Investing Activities

Investing activities during the year ended June 30, 2015 used \$31,189,676 in cash. The Pioneer Acquisition accounted for \$36,688,881 of the cash used in investing activities, proceeds from the March 2015 sale of the Calipatria (Imperial Valley) farmland provided \$7,100,000 and \$1,595,813 was used in additions to property, plant and equipment, primarily for the build out of the new packaging and distribution facility in Keith, Australia.

Investing activities during the year ended June 30, 2014 used \$764,109 in cash. This amount consisted of \$351,899, which was used to acquire a minority investment in shares of Bioceres S.A., an Argentinian agrobiotechnology company, and the remaining \$434,416 was used to purchase equipment.

Financing Activities

Financing activities during year ended June 30, 2015 provided \$22,405,272 in cash. The convertible debt offering consummated concurrently with the Pioneer Acquisition provided gross proceeds of \$27,000,000, less \$1,931,105 of debt issuance costs. The equity offering that closed concurrently with the Pioneer Acquisition provided net proceeds of \$4,161,937, consisting of \$4,658,400 in gross proceeds and \$496,463 of related fees. We used the proceeds from the sale of our Calipatria farmland to pay off the Term Loan with Wells Fargo and to redeem \$5,000,000 in principal amount (and accrued interest thereon) of convertible debentures.

Financing activities during the year ended June 30, 2014 provided \$7,944,391 in cash, consisting primarily of net borrowings and repayments on working capital lines of credit of \$8,914,888, offset by \$746,789 of principal payments on long-term loans.

Inflation Risk

We do not believe that inflation has had a material effect on our business, financial condition or results of operations. However, if our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, financial condition and results of operations.

Off Balance Sheet Arrangements

We did not have any off-balance sheet arrangements during the year ended June 30, 2015.

Capital Resources and Requirements

Our future liquidity and capital requirements will be influenced by numerous factors, including:

- the extent and duration of future operating income;
- the level and timing of future sales and expenditures;
- working capital required to support our growth;
- investment capital for plant and equipment;
- our sales and marketing programs;
- investment capital for potential acquisitions;
- competition; and
- market developments.

Critical Accounting Policies

The accounting policies and the use of accounting estimates are set forth in the footnotes to the consolidated financial statements.

In preparing our financial statements, we must select and apply various accounting policies. Our most significant policies are described in Note 2 - Significant Accounting Policies set forth in the notes to the financial statements. In order to apply our accounting policies, we often need to make estimates based on judgments about future events. In making such estimates, we rely on historical experience, market and other conditions, and on assumptions that we believe to be reasonable. However, the estimation process is by its nature uncertain given that estimates depend on events over which we may not have control. If market and other conditions change from those that we anticipate, our results of operations, financial condition and changes in financial condition may be materially affected. In addition, if our assumptions change, we may need to revise our estimates, or to take other corrective actions, either of which may also have a material effect on our results of operations, financial condition or changes in financial condition. Members of our senior management have discussed the development and selection of our critical accounting estimates, and our disclosure regarding them, with the audit committee of our board of directors, and do so on a regular basis.

We believe that the following estimates have a higher degree of inherent uncertainty and require our most significant judgments. In addition, had we used estimates different from any of these, our results of operations, financial condition or changes in financial condition for the current period could have been materially different from those presented.

Intangible Assets:

All amortizable intangible assets are assessed for impairment whenever events indicate a possible loss. Such an assessment involves estimating undiscounted cash flows over the remaining useful life of the intangible. If the review indicates that undiscounted cash flows are less than the recorded value of the intangible asset, the carrying amount of the intangible is reduced by the estimated cash-flow shortfall on a discounted basis, and a corresponding loss is charged to the consolidated statement of operations. Significant changes in key assumptions about the business, market conditions and prospects for which the intangible asset is currently utilized or expected to be utilized could result in an impairment charge.

Stock-Based Compensation:

We account for stock-based compensation in accordance with FASB Accounting Standards Codification Topic 718 Stock Compensation, which establishes accounting for equity instruments exchanged for employee services. Under such provisions, stock-based compensation cost is measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense, under the straight-line method, over the employee's requisite service period (generally the vesting period of the equity grant).

We account for equity instruments, including stock options issued to non-employees, in accordance with authoritative guidance for equity-based payments to non-employees (FASB ASC 505-50). Stock options issued to non-employees are accounted for at their estimated fair value. The fair value of options granted to non-employees is re-measured as they vest.

Beginning with the quarter ended December 31, 2014, we adopted the Black-Scholes-Merton option pricing model to estimate the fair value of options granted under share-based compensation plans. The Black-Scholes-Merton model requires us to estimate a variety of factors including, but not limited to, the expected term of the award, stock price volatility, dividend rate, risk-free interest rate. The input factors to use in the valuation model are based on subjective future expectations combined with management judgment. The expected term used represents the weighted-average period that the stock options are expected to be outstanding. We have used the historical volatility for our stock for the expected volatility assumption required in the model, as it is more representative of future stock price trends. We use a risk-free interest rate that is based on the implied yield available on U.S. Treasury issued with an equivalent remaining term at the time of grant. We have not paid dividends in the past and currently do not plan to pay any dividends in the foreseeable future, and as such, dividend yield is assumed to be zero for the purposes of valuing the stock options granted. We evaluate the assumptions used to value stock awards on a quarterly basis. If factors change and we employ different assumptions, share-based compensation expense may differ significantly from what we have recorded in the past. When there are any modifications or cancellations of the underlying unvested securities, we may be required to accelerate, increase or cancel any remaining unearned share-based compensation expense. To the extent that we grant additional equity securities to employees, our share-based compensation expense will be increased by the additional unearned compensation resulting from those additional grants.

Income Taxes:

We regularly assess the likelihood that deferred tax assets will be recovered from future taxable income. To the extent management believes that it is more likely than not that a deferred tax asset will not be realized, a valuation allowance is established. When a valuation allowance is established or

increased, an income tax charge is included in the consolidated financial statements and net deferred tax assets are adjusted accordingly. Changes in tax laws, statutory tax rates and estimates of our future taxable income levels could result in actual realization of the deferred tax assets being materially different from the amounts provided for in the consolidated financial statements. If the actual recovery amount of the deferred tax asset is less than anticipated, we would be required to write-off the remaining deferred tax asset and increase the tax provision, resulting in a reduction of net income and stockholders' equity.

Inventories:

All inventories are accounted for on a lower of cost or market basis. Inventories consist of raw materials and finished goods as well as in the ground crop inventories. Depending on market conditions, the actual amount received on sale could differ from our estimated value of inventory. In order to determine the value of inventory at the balance sheet date, we evaluate a number of factors to determine the adequacy of provisions for inventory. The factors include the age of inventory, the amount of inventory held by type, future demand for products and the expected future selling price we expect to realize by selling the inventory. Our estimates are judgmental in nature and are made at a point in time, using available information, expected business plans and expected market conditions. We perform a review of our inventory by product line on a quarterly basis.

Our subsidiary, SGI, does not fix the final price for seed payable to its growers until the completion of a given year's sales cycle pursuant to its standard contract production agreement. We record an estimated unit price, accordingly, inventory, cost of revenue and gross profits are based upon management's best estimate of the final purchase price to our SGI growers. To the extent the estimated purchase price varies from the final purchase price for seed, the adjustment to actual could materially impact the results in the period when the difference between estimates and actuals are identified. If the actual purchase price is in excess of our estimated purchase price, this would negatively impact our financial results including a reduction in gross profits and net income.

Recently Adopted and Recently Enacted Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU, 2013-02, Comprehensive Income: Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income, which requires companies to report, in one place, information about significant reclassifications out of accumulated other comprehensive income, or AOCI, and disclose more information about changes in AOCI balances. We adopted this ASU in the first quarter of fiscal 2014. The adoption of this standard did not have a material impact on our consolidated financial statements.

In July 2013, the FASB issued ASU 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists, which provides guidance for the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. We will adopt the standard effective July 1, 2014. The adoption of this ASU is not expected to have a material impact on our consolidated financial statements.

Item 7A. Qualitative and Quantitative Disclosures about Market Risk

As a smaller reporting company, we are not required to provide information typically disclosed under this item.

Item 8. Financial Statements and Supplementary Data

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
of S&W Seed Company
Fresno, California

We have audited the accompanying consolidated balance sheet of S&W Seed Company (the "Company") as of June 30, 2015, and the related consolidated statements of operations, comprehensive (loss) income, stockholders' equity, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements 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 the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of June 30, 2015, and the results of its operations and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

/s/ Crowe Horwath LLP

San Francisco, California
September 28, 2015

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
of S&W Seed Company

Fresno, California

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In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of June 30, 2014, and the results of its operations and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

/s/ M&K CPAs LLP

Houston, Texas
September 24, 2014

S&W SEED COMPANY
CONSOLIDATED BALANCE SHEETS

	June 30, 2015	June 30, 2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,535,458	\$ 1,167,503
Accounts receivable, net	26,728,741	24,255,596
Inventories, net	25,521,747	28,485,584
Prepaid expenses and other current assets	797,199	230,907
Deferred tax assets	286,508	1,300,665
TOTAL CURRENT ASSETS	56,869,653	55,440,255
Property, plant and equipment, net	11,476,936	10,356,809
Intangibles, net	38,004,916	14,590,771
Goodwill	9,630,279	4,939,462
Crop production costs, net	212,231	1,952,100
Deferred tax assets	4,060,156	1,666,488
Other assets	2,088,896	354,524
TOTAL ASSETS	\$ 122,343,067	\$ 89,300,409
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 13,722,900	\$ 15,026,669
Accounts payable - related parties	1,128,630	1,053,874
Accrued expenses and other current liabilities	2,328,349	818,730
Foreign exchange contract liabilities	59,116	-
Lines of credit	13,755,800	15,888,640
Current portion of long-term debt	2,223,465	267,764
Current portion of convertible debt, net	9,265,929	-
TOTAL CURRENT LIABILITIES	42,484,189	33,055,677
Non-compete payment obligation, less current portion	100,000	150,000
Contingent consideration obligation	2,078,000	-
Long-term debt, less current portion	10,682,072	4,452,631
Convertible debt, net, less current portion	8,777,041	-
Derivative warrant liabilities	6,258,000	-
Other non-current liabilities	88,160	127,866
TOTAL LIABILITIES	70,467,462	37,786,174
STOCKHOLDERS' EQUITY		
Preferred stock, \$0.001 par value; 5,000,000 shares authorized; no shares issued and outstanding	-	-

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Common stock, \$0.001 par value; 50,000,000 shares authorized; 13,479,101 issued and 13,454,101 outstanding at June 30, 2015;		
11,665,093 issued and 11,640,093 outstanding at June 30, 2014	13,479	11,666
Treasury stock, at cost, 25,000 shares at June 30, 2015 and at June 30, 2014	(134,196)	(134,196)
Additional paid-in capital	62,072,379	55,121,876
Accumulated deficit	(4,979,471)	(1,816,344)
Accumulated other comprehensive loss	(5,096,586)	(1,668,767)
TOTAL STOCKHOLDERS' EQUITY	51,875,605	51,514,235
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 122,343,067	\$ 89,300,409

See notes to consolidated financial statements.

S&W SEED COMPANY
CONSOLIDATED STATEMENTS OF OPERATIONS

Years Ended

June 30,

2015

2014

Revenue

\$

81,208,903

\$

72

51,533,643

Cost of revenue

64,607,502

41,561,736

Gross profit

16,601,401

9,971,907

Operating expenses

Selling, general and administrative expenses

9,620,807

6,815,576

Research and development expenses

	1,890,234
	840,578
Depreciation and amortization	
	2,179,638
	1,265,739
Impairment charges	
	500,198
	-
Disposal of property, plant and equipment loss (gain)	
	24,646
	(11,921)
	75

Total operating expenses

14,215,523

8,909,972

Income from operations

2,385,878

1,061,935

Other expense

Foreign currency loss (gain)

159,763

(51,571)

Change in derivative warrant liabilities

1,396,000

-

Change in contingent consideration obligation

74,000

-

Interest expense - amortization of debt discount

2,934,164

52,550

Interest expense - convertible debt and other

1,831,057

600,740

(Loss) income before income taxes

(4,009,106)

460,216

(Benefit) provision for income taxes

(845,979)

87,116

Net (loss) income

\$

(3,163,127)

\$

373,100

Net (loss) income per common share:

Basic

\$

(0.25)

\$

0.03

Diluted

\$

(0.25)

80

\$
0.03

Weighted average number of common shares outstanding:

Basic

12,785,450

11,572,406

Diluted

12,785,450

11,733,621

See notes to consolidated financial statements.

S&W SEED COMPANY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

Years Ended

June 30,

2015

2014

Net (loss) income

\$

(3,163,127)

\$

373,100

Foreign currency translation adjustment

(3,427,819)

435,069

Comprehensive (loss) income

\$

(6,590,946)

\$

808,169

See notes to consolidated financial statements.

60

S&W SEED COMPANY
(A NEVADA CORPORATION)
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Accumulated

Additional

Other

Total

Common Stock

Treasury Stock

Paid-In

Accumulated

Comprehensive

Stockholders'

Shares

Amount

Shares

Amount

Capital

Deficit

Loss

Equity

Balance, June 30, 2013

11,584,101

\$

11,585

-
\$
-
\$
54,338,758
\$
(2,189,444)
\$
(2,103,836)
\$
50,057,063

Stock-based compensation - options, restricted stock, and RSUs

-

-

-

-

	872,711
	-
	-
	872,711
Common stock issued for exercise of underwriter warrant and A warrant	
	31,500
	32
	-
	-
	213,644

	-
	-
	213,676
Net issuance to settle RSUs	
	57,557
	57
	-
	-
	(241,709)
	-

	-
	(241,652)
Cancellation of restricted shares for withholding taxes	(8,065)
	(8)
	-
	-
	(61,528)
	-
	-

	(61,536)
Treasury stock purchases	-
	-
	(25,000)
	(134,196)
	-
	-
	-

	-
	-
	-
	-
	-
	373,100
	-
	373,100
Balance, June 30, 2014	11,665,093

\$

11,666

(25,000)

\$

(134,196)

\$

55,121,876

\$

(1,816,344)

\$

(1,668,767)

\$

51,514,235

Balance, June 30, 2014

11,665,093

\$

11,666

(25,000)

\$

(134,196)

\$

55,121,876

\$

(1,816,344)

\$

(1,668,767)

\$

51,514,235

Stock-based compensation - options, restricted stock, and RSUs

-

-

-

-

	896,882
	-
	-
	896,882
Common stock issued for exercise of options	291,559
	291
	-
	-
	1,079,708

	1,079,999
Net issuance to settle RSUs	
	36,454
	36
	-
	-
	(79,878)

	-
	-
	(79,842)
Cancellation of restricted shares for withholding taxes	(8,005)
	(8)
	-
	-
	(34,652)
	-

	-
	(34,660)
Proceeds from sale of common stock, net of fees and expenses	1,294,000
	1,294
	-
	-
	4,160,643
	-
	-
	105

	4,161,937
Common stock issued for additional minority interest investment in Bioceres	200,000
	200
	-
	-
	927,800
	-
	-
Other comprehensive loss	928,000

	-
	-
	-
	-
	-
	-
	-
	(3,427,819)
	(3,427,819)
Net loss	-

	-
	-
	-
	-
	(3,163,127)
	-
	(3,163,127)
Balance, June 30, 2015	13,479,101
	\$
	13,479
	108

(25,000)

\$

(134,196)

\$

62,072,379

\$

(4,979,471)

\$

(5,096,586)

\$

51,875,605

See notes to consolidated financial statements.

S&W SEED COMPANY
(A NEVADA CORPORATION)
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended

June 30,

2015

2014

CASH FLOWS FROM OPERATING ACTIVITIES

Net (loss) income

\$

(3,163,127)

\$

373,100

Adjustments to reconcile net (loss) income from operating activities to net
cash provided by (used in) operating activities

Stock-based compensation

896,882

872,711

Change in allowance for doubtful accounts

83,039

49,687

Impairment charges

500,198

-

Depreciation and amortization

2,179,638

1,265,739

Loss (gain) on disposal of property, plant and equipment

24,646

(11,921)

Change in deferred tax asset

(1,402,397)

(512,971)

Change in foreign exchange contracts

64,593

(666,310)

Change in derivative warrant liabilities

1,396,000

-

Change in contingent consideration obligation

74,000

-

Amortization of debt discount

2,934,164

51,438

Changes in operating assets and liabilities, net:

Accounts receivable

(4,391,780)

(11,301,001)

Inventories

21,308,005

(2,135,746)

Prepaid expenses and other current assets

(318,479)

	273,415
Crop production costs	
	349,435
	(369,501)
Other non-current assets	
	(7,450)
	-
Accounts payable	
	(11,158,693)
	(4,890,482)
Accounts payable - related parties	
	143,781

	150,393
Accrued expenses and other current liabilities	
	1,591,582
	(912,671)
Other non-current liabilities	
	8,313
	(102,918)
Net cash provided by (used in) operating activities	11,112,350
	(17,867,038)

CASH FLOWS FROM INVESTING ACTIVITIES

Additions to property, plant and equipment

(1,595,813)

(434,416)

Proceeds from disposal of property, plant and equipment

7,100,000

24,832

Acquisition of business

(36,688,881)

Investment in Bioceres

-

(4,982)

(354,525)

Net cash used in investing activities

(31,189,676)

(764,109)

CASH FLOWS FROM FINANCING ACTIVITIES

Net proceeds from sale of common stock

4,161,937

-

Net proceeds from warrant exercises

-

213,676

Proceeds from exercise of common stock options

1,079,999

-

Common stock repurchased

-

(134,196)

Taxes paid related to net share settlements of stock-based compensation awards

(114,502)

(303,188)

Borrowings and repayments on lines of credit, net

(766,673)

8,914,888

Proceeds from sale of convertible debt and warrants

27,000,000

-

Borrowings of long-term debt

	509,702
	-
Debt issuance costs	
	(1,931,105)
	-
Repayments of convertible debt	
	(5,045,519)
	-
Repayments of long-term debt	
	(2,488,567)
	(746,789)
Net cash provided by financing activities	

22,405,272

7,944,391

EFFECT OF EXCHANGE RATE CHANGES ON CASH

40,009

73,185

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

2,367,955

(10,613,571)

CASH AND CASH EQUIVALENTS

, beginning of the period

1,167,503

11,781,074

CASH AND CASH EQUIVALENTS

, end of period

\$
3,535,458

\$
1,167,503

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the period for:

Interest

\$
1,491,348

	\$
	555,970
Income taxes	

210,112

777,821

See notes to consolidated financial statements.

S&W SEED COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - BACKGROUND AND ORGANIZATION

Organization

S&W Seed Company, a Nevada corporation (the "Company") began as S&W Seed Company, a general partnership in 1980 and was originally in the business of breeding, growing, processing and selling alfalfa seed. The corporate entity, S&W Seed Company, was incorporated in Delaware in October 2009 and is the successor entity to Seed Holding, LLC, which had purchased a majority interest in the general partnership between June 2008 and December 2009. Following the Company's initial public offering in May 2010, the Company purchased the remaining general partnership interests and became the sole owner of the general partnership's original business. Seed Holding, LLC remains a consolidated subsidiary of the Company.

In December 2011, the Company reincorporated in Nevada as a result of a statutory short-form merger of the Delaware corporation into its wholly-owned subsidiary, S&W Seed Company, a Nevada corporation.

On April 1, 2013, the Company, together with its wholly-owned subsidiary, S&W Seed Australia Pty Ltd, an Australia corporation ("S&W Australia"), closed on the acquisition of all of the issued and outstanding shares of Seed Genetics International Pty Ltd, an Australia corporation ("SGI"), from SGI's shareholders (the "SGI Acquisition").

Business Overview

Since its establishment, the Company, including its predecessor entities, has been principally engaged in breeding, growing, processing and selling agricultural seeds, primarily alfalfa seed. The Company owns seed cleaning and processing facilities, which are located in Five Points, California and Nampa, Idaho. The Company's products are primarily grown under contract by farmers as well as by the Company itself under a small direct farming operation. The Company began its stevia initiative in fiscal 2010 and is currently focused on breeding improved varieties of stevia and developing marketing and distribution programs for its stevia products.

On December 31, 2014, the Company purchased certain alfalfa research and production facilities and conventional (non-GMO) alfalfa germplasm assets and assumed certain related liabilities ("the Pioneer Acquisition") of Pioneer Hi-Bred International, Inc. ("DuPont Pioneer").

The Company's operations span the world's alfalfa seed production regions with operations in the San Joaquin and Imperial Valleys of California, five other US states, Australia, and three provinces in Canada, and the Company sells its seed products in more than 25 countries around the globe.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

The Company maintains its accounting records on an accrual basis in accordance with accounting principles generally accepted in the United States of America ("GAAP").

The consolidated financial statements include the accounts of Seed Holding, LLC and its other wholly-owned subsidiaries, S&W Australia, which owns 100% of SGI, and Stevia California, LLC. All significant intercompany balances and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Estimates are adjusted to reflect actual experience when necessary. Significant estimates and assumptions affect many items in the financial statements. These include allowance for doubtful trade receivables, inventory valuation, asset impairments, provisions for income taxes, grower accruals (an estimate of amounts payable to farmers who grow seed for the Company), contingent consideration, derivative liabilities, contingencies and litigation. Significant estimates and assumptions are also used to establish the fair value and useful lives of depreciable tangible and certain intangible assets, goodwill as well as valuing stock-based compensation. Actual results may differ from those estimates and assumptions, and such results may affect income, financial position or cash flows.

Certain Risks and Concentrations

The Company's revenue is principally derived from the sale of alfalfa seed, the market for which is highly competitive. The Company depends on a core group of significant customers. Two customers accounted for 49% of its revenue for the year ended June 30, 2015, and two customers accounted for 21% of its revenue for the year ended June 30, 2014.

Three customers accounted for 53% of the Company's accounts receivable at June 30, 2015. One customer accounted for 32% of the Company's accounts receivable at June 30, 2014.

Sales direct to international customers represented 59% and 81% of revenue during the years ended June 30, 2015 and 2014, respectively. The net book value of fixed assets located outside the United States were 11% and 3% at June 30, 2015 and 2014, respectively. Cash balances located outside of the United States may not be insured and totaled \$1,039,326 and \$42,074 at June 30, 2015 and 2014, respectively.

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The following table shows revenue from external sources by destination country:

Years Ended June 30,

2015

2014

United States

\$

33,130,338

41%

\$

9,561,102

19%

Saudi Arabia

21,655,881

27%

11,042,450

21%

Mexico

4,906,587

6%

3,974,473

8%

Libya

3,003,085

4%

5,341,139

10%

128

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Argentina

2,918,755

4%

800,248

2%

Australia

2,087,955

3%

2,397,636

5%

Sudan

2,068,995

3%

364,645

1%

Germany

2,035,445

3%

2,077,906

4%

France

1,729,205

2%

3,623,232

7%

Other

129

	7,672,657	
		9%
	12,350,812	
		24%
Total		
		\$
	81,208,903	
		100%
		\$
	51,533,643	
		100%

International Operations

The Company translates its foreign operations' asset and liabilities denominated in foreign currencies into U.S. dollars at the current rates of exchange as of the balance sheet date and income and expense items at the average exchange rate for the reporting period. Translation adjustments resulting from exchange rate fluctuations are recorded in the cumulative translation account, a component of accumulated other comprehensive income. Gains or losses from foreign currency transactions are included in the consolidated statement of operations.

Revenue Recognition

The Company derives its revenue primarily from sale of seed and other crops and milling services. Revenue from seed and other crop sales is recognized when risk and title to the product is transferred to the customer. No customer has a right of return.

The Company recognizes revenue from milling services according to the terms of the sales agreements and when delivery has occurred, performance is complete, and pricing is fixed or determinable at the time of sale.

Additional conditions for recognition of revenue for all sales include the requirements that the collection of sales proceeds must be reasonably assured based on historical experience and current market conditions, the sales price is fixed and determinable and that there must be no further performance obligations under the sale.

Cost of Revenue

The Company records purchasing and receiving costs, inspection costs and warehousing costs in cost of revenue. When the Company is required to pay for outward freight and/or the costs incurred to deliver products to its customers, the costs are included in cost of revenue.

Cash and Cash Equivalents

For financial statement presentation purposes, the Company considers time deposits, certificates of deposit and all highly liquid investments with original maturities of three months or less to be cash and cash equivalents. At times, cash and cash equivalents balances exceed amounts insured by the Federal Deposit Insurance Corporation.

Accounts Receivable

The Company provides an allowance for doubtful trade receivables equal to the estimated uncollectible amounts. That estimate is based on historical collection experience, current economic and market conditions and a review of the current status of each customer's trade accounts receivable. The allowance for doubtful trade receivables was \$155,595 and \$72,556 at June 30, 2015 and June 30, 2014, respectively.

Inventories

Inventory

Inventories consist of alfalfa seed purchased from the Company's growers under production contracts, alfalfa seed produced from its own farming operations and packaging materials.

Inventories are stated at the lower of cost or market, and an inventory reserve permanently reduces the cost basis of inventory. Inventories are valued as follows: Actual cost is used to value raw materials such as packaging materials, as well as goods in process. Costs for substantially all finished goods, which include the cost of carryover crops from the previous year, are valued at actual cost. Actual cost for finished goods includes plant conditioning and packaging costs, direct labor and raw materials and manufacturing overhead costs based on normal capacity. The Company records abnormal amounts of idle facility expense, freight, handling costs and wasted material (spoilage) as current period charges and allocates fixed production overhead to the costs of finished goods based on the normal capacity of the production facilities.

The Company's subsidiary, SGI, does not fix the final price for seed payable to its growers until the completion of a given year's sales cycle pursuant to its standard contract production agreement. SGI records an estimated unit price; accordingly, inventory, cost of revenue and gross profits are based upon management's best estimate of the final purchase price to growers.

Inventory is periodically reviewed to determine if it is marketable, obsolete or impaired. Inventory that is determined to be obsolete or impaired is written off to expense at the time the impairment is identified. Because the germination rate, and therefore the quality, of alfalfa seed improves over the first year of proper storage, inventory obsolescence for alfalfa seed is not a material concern. The Company sells its inventory to distributors, dealers and directly to growers.

Growing Crops

Expenditures on growing crops are valued at the lower of cost or market and are deferred and charged to cost of products sold when the related crop is harvested and sold. The deferred growing costs included in inventories in the consolidated balance sheets consist primarily of labor, lease payments on land, interest expense on farmland, cultivation and on-going irrigation, harvest and fertilization costs. Costs included in growing crops relate to the current crop year. Costs that are to be realized over the life of the crop are reflected in crop production costs.

Components of inventory are: