

CHURCH & DWIGHT CO INC /DE/
Form 10-Q
May 07, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarter ended March 31, 2015

Commission file number 1-10585

CHURCH & DWIGHT CO., INC.

(Exact name of registrant as specified in its charter)

Delaware 13-4996950
(State or other jurisdiction of (I.R.S. Employer

incorporation or organization) Identification No.)
500 Charles Ewing Boulevard, Ewing, N.J. 08628

(Address of principal executive offices)

Registrant's telephone number, including area code: (609) 806-1200

Securities registered pursuant to Section 12(b) of the Act:

Name of each exchange

Title of each class on which registered
Common Stock, \$1 par value New York Stock Exchange

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

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 twelve months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

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

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

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

As of May 5, 2015, there were 130,873,558 shares of Common Stock outstanding.

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PART I – FINANCIAL INFORMATION

ITEM 1: FINANCIAL STATEMENTS

CHURCH & DWIGHT CO., INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(In millions, except per share data)

	Three Months Ended	
	March 31, 2015	March 31, 2014
Net Sales	\$812.3	\$782.0
Cost of sales	456.8	442.6
Gross Profit	355.5	339.4
Marketing expenses	88.8	87.8
Selling, general and administrative expenses	94.6	89.6
Income from Operations	172.1	162.0
Equity in earnings of affiliates	2.3	1.6
Investment earnings	0.5	0.5
Other income (expense), net	(2.0)	(0.7)
Interest expense	(7.6)	(6.7)
Income before Income Taxes	165.3	156.7
Income taxes	58.1	54.1
Net Income	\$107.2	\$102.6
Weighted average shares outstanding - Basic	132.0	138.0
Weighted average shares outstanding - Diluted	134.6	140.6
Net income per share - Basic	\$0.81	\$0.74
Net income per share - Diluted	\$0.80	\$0.73
Cash dividends per share	\$0.335	\$0.31

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(In millions)

	Three Months Ended	
	March 31,	March 31,

	2015	2014
Net Income	\$107.2	\$102.6
Other comprehensive income, net of tax:		
Foreign exchange translation adjustments	(24.3)	(1.6)
Income (loss) from derivative agreements	2.9	0.0
Other comprehensive loss	(21.4)	(1.6)
Comprehensive income	\$85.8	\$101.0

See Notes to Condensed Consolidated Financial Statements (Unaudited).

CHURCH & DWIGHT CO., INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In millions, except share and per share data)

	March 31, 2015	December 31, 2014
Assets		
Current Assets		
Cash and cash equivalents	\$299.7	\$423.0
Accounts receivable, less allowances of \$1.0 and \$1.9	337.1	322.9
Inventories	256.8	245.9
Deferred income taxes	13.8	14.4
Other current assets	24.6	26.3
Total Current Assets	932.0	1,032.5
Property, Plant and Equipment, Net	617.8	616.2
Equity Investment in Affiliates	24.9	24.8
Trade Names and Other Intangibles, Net	1,299.6	1,272.4
Goodwill	1,354.6	1,325.0
Other Assets	115.8	110.4
Total Assets	\$4,344.7	\$4,381.3
Liabilities and Stockholders' Equity		
Current Liabilities		
Short-term borrowings	\$273.4	\$146.7
Current portion of long-term debt	249.9	249.9
Accounts payable and accrued expenses	492.4	507.7
Income taxes payable	34.7	1.0
Total Current Liabilities	1,050.4	905.3
Long-term Debt	703.5	698.6
Deferred Income Taxes	491.6	484.1
Deferred and Other Long-term Liabilities	163.1	163.1
Pension, Postretirement and Postemployment Benefits	27.4	28.3
Total Liabilities	2,436.0	2,279.4
Commitments and Contingencies		
Stockholders' Equity		
Preferred Stock, \$1.00 par value, Authorized 2,500,000 shares; none issued	0.0	0.0
Common Stock, \$1.00 par value, Authorized 300,000,000 shares; 146,427,550 shares issued	146.4	146.4
Additional paid-in capital	365.6	364.8
Retained earnings	2,478.4	2,414.9
Accumulated other comprehensive loss	(56.1)	(34.7)
Common stock in treasury, at cost: 15,786,016 shares in 2015 and 13,075,944 shares in 2014	(1,025.6)	(789.5)

Total Stockholders' Equity	1,908.7	2,101.9
Total Liabilities and Stockholders' Equity	\$4,344.7	\$4,381.3

See Notes to Condensed Consolidated Financial Statements (Unaudited).

CHURCH & DWIGHT CO., INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

(Unaudited)

(In millions)

	Three Months Ended March 31, 2015	March 31, 2014
Cash Flow From Operating Activities		
Net Income	\$ 107.2	\$ 102.6
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	14.6	14.7
Amortization expense	11.4	8.1
Deferred income taxes	6.0	5.2
Equity in net earnings of affiliates	(2.3)	(1.6)
Distributions from unconsolidated affiliates	2.7	2.2
Non-cash compensation expense	1.7	2.3
Other	3.5	0.9
Change in assets and liabilities:		
Accounts receivable	(22.0)	(13.8)
Inventories	(15.2)	(14.3)
Other current assets	(1.3)	(2.7)
Accounts payable and accrued expenses	(2.5)	(27.7)
Income taxes payable	48.3	37.1
Excess tax benefit on stock options exercised	(8.0)	(6.1)
Other operating assets and liabilities, net	0.1	(4.5)
Net Cash Provided By Operating Activities	144.2	102.4
Cash Flow From Investing Activities		
Additions to property, plant and equipment	(21.9)	(6.3)
Acquisition	(74.9)	0.0
Other	(1.1)	(0.3)

Net Cash Used In Investing Activities	(97.9)	(6.6)
Cash Flow From Financing Activities		
Short-term debt borrowings (repayments)	127.1	(0.5)
Proceeds from stock options exercised	11.3	7.2
Excess tax benefit on stock options exercised	8.0	6.1
Payment of cash dividends	(43.7)	(42.5)
Purchase of treasury stock	(256.2)	(260.0)
Other	(0.4)	(0.2)
Net Cash Used In Financing Activities	(153.9)	(289.9)
Effect of exchange rate changes on cash and cash equivalents	(15.7)	(2.8)
Net Change In Cash and Cash Equivalents	(123.3)	(196.9)
Cash and Cash Equivalents at Beginning of Period	423.0	496.9
Cash and Cash Equivalents at End of Period	\$ 299.7	\$ 300.0

See Notes to Condensed Consolidated Financial Statements (Unaudited).

CHURCH & DWIGHT CO., INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW-CONTINUED

(Unaudited)

(In millions)

	Three Months Ended						
	March 31, 2015	March 31, (0.56)%**	0.26%	7.33%	9.52%	6.83%	
March	(2.39)%	2.59%	5.42%	7.16%	1.59%		
April	10.94%	2.07%	3.15%	10.45%	(3.45)%		
May	15.60%	30.41%	(15.54)%	(9.21)%	(11.05)%		
June	4.79%	1.65%	1.93%	(0.99)%	(0.61)%		
July	(12.79)%	6.24%	2.95%	4.67%	9.60%		
August	(3.88)%	(3.71)%	(10.42)%	(1.53)%	13.02%		
September	(9.36)%	(3.38)%	9.45%	(11.02)%	0.96%		
October	(38.48)%	10.96%	2.19%	3.90%	(9.42)%		
November	(21.35)%	1.00%	8.19%	(2.05)%			
December	(15.72)%	0.55%	11.33%	3.49%			
Annual Rate of Return	(59.58)%	80.16%	15.52%	15.00%	13.73%***		

* The monthly rate of return is calculated by dividing the ending NAV of a given month by the ending NAV of the previous month, subtracting 1 and multiplying this number by 100 to arrive at a percentage increase or decrease.

** Partial from February 26, 2008

*** Through October 31, 2012

For a definition of draw-down, please see text below Composite Performance Data for USBO.

USSO:*Experience in Raising and Investing in USSO through October 31, 2012***PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS**

Dollar Amount Offered*	\$ 1,250,000,000
Dollar Amount Raised	\$ 72,091,061
Organizational and Offering Expenses:**	
SEC registration fee	\$ 49,125
FINRA registration fee	\$ 55,000
Listing fee	\$ 5,000
Auditor's fees and expenses	\$ 0
Legal fees and expenses	\$ 408,335
Printing expenses	\$ 23,945
Length of USSO offering	Continuous

* Reflects the offering price per unit set forth on the cover page of the registration statement registering such units filed with the SEC.

** These expenses were paid for by the General Partner.

Compensation to the General Partner and Other Compensation USSO:*Expenses paid by USSO through October 31, 2012 in Dollar Terms:*

Expenses	Amount in Dollar Terms
Amount Paid or Accrued to General Partner	\$ 239,921
Amount Paid or Accrued in Portfolio Brokerage	
Commissions	\$ 50,676
Other Amounts Paid or Accrued*	\$ 648,813
Total Expenses Paid or Accrued	\$ 939,410
Expenses Waived**	\$ (578,126)
Total Expenses Paid or Accrued Including Expenses Waived	\$ 361,284

* Includes expenses relating to legal fees, auditing fees, printing expenses, licensing fees, tax reporting fees, prepaid insurance expenses and miscellaneous expenses and fees and expenses paid to the independent directors of the General Partner.

** The General Partner, though under no obligation to do so, agreed to pay certain expenses, to the extent that such expenses exceeded 0.15% (15 basis points) of USSO's NAV, on an annualized basis, through at least December 31, 2012. The General Partner has no obligation to continue such payment into subsequent periods.

Expenses paid by USSO through October 31, 2012 as a Percentage of Average Daily Net Assets:

Expenses	Amount As a Percentage of Average Daily Net Assets
Amount Paid or Accrued to General Partner	0.60% annualized
Amount Paid or Accrued in Portfolio Brokerage Commissions	0.13% annualized
Other Amounts Paid or Accrued	1.61% annualized
Total Expenses Paid or Accrued	2.34% annualized
Expenses Waived	(1.44)% annualized
Total Expenses Paid or Accrued Including Expenses Waived	0.90% annualized
USSO Performance:	
Name of Commodity Pool	USSO
Type of Commodity Pool	Exchange traded security
Inception of Trading	September 24, 2009
Aggregate Subscriptions (from inception through October 31, 2012)	\$72,091,061
Total Net Assets as of October 31, 2012	\$8,059,438
Initial NAV per Unit as of Inception	\$50.00
NAV per Unit as of October 31, 2012	\$40.30
Worst Monthly Percentage Draw-down	Oct 2011 (16.00)%
Worst Peak-to-Valley Draw-down	Aug 2010 February 2012 (33.97)%
Number of Unitholders (as of December 31, 2011)	3,288

COMPOSITE PERFORMANCE DATA FOR USSO

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS

Month	Rates of Return*			
	2009	2010	2011	2012
January		9.05%	(0.64)%	0.11%
February		(8.94)%	(1.94)%	(8.09)%
March		(4.92)%	(8.89)%	3.88%
April		(2.50)%	(6.27)%	(1.62)%
May		20.18%	9.28%	20.85%
June		(1.42)%	7.21%	0.61%
July		(4.17)%	(0.30)%	(3.97)%
August		9.61%	6.24%	(8.92)%
September	(2.90)%**	(8.75)%	10.71%	4.59%
October	(8.65)%	(1.59)%	(16.00)%	6.56%
November	(0.25)%	(3.18)%	(7.78)%	
December	(0.57)%	(7.74)%	(1.03)%	
Annual Rate of Return	(12.02)%	(8.12)%	(10.54)%	11.45%***

* The monthly rate of return is calculated by dividing the ending NAV of a given month by the ending NAV of the previous month, subtracting 1 and multiplying this number by 100 to arrive at a percentage increase or decrease.

** Partial from September 24, 2009.

*** Through October 31, 2012

For a definition of draw-down, please see text below Composite Performance Data for USSO.

USCI:*Experience in Raising and Investing in USCI through October 31, 2012***PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS**

Dollar Amount Offered*	\$ 2,500,000,000
Dollar Amount Raised	\$ 403,303,876
Organizational and Offering Expenses:**	
SEC registration fee	\$ 178,247
FINRA registration fee	\$ 75,500
Listing fee	\$ 5,000
Auditor s fees and expenses	\$ 2,500
Legal fees and expenses	\$ 625,066
Printing expenses	\$ 50,395
Length of USCI offering	Continuous

* Reflects the offering price per unit set forth on the cover page of the registration statement registering such units filed with the SEC.

** These expenses were paid for by the Sponsor.

Compensation to the Sponsor and Other Compensation USCI:*Expenses paid by USCI through October 31, 2012 in Dollar Terms:*

Expenses	Amount in Dollar Terms
Amount Paid or Accrued to Sponsor	\$ 7,225,175
Amount Paid or Accrued in Portfolio Brokerage	
Commissions	\$ 588,850
Other Amounts Paid or Accrued*	\$ 1,022,552
Total Expenses Paid or Accrued	\$ 8,836,577
Expenses Waived**	\$ (51,397)
Total Expenses Paid or Accrued Including Expenses Waived	\$ 8,785,180

* Includes expenses relating to legal fees, auditing fees, printing expenses, licensing fees, tax reporting fees and miscellaneous expenses.

** The Sponsor, though under no obligation to do so, agreed to pay certain expenses, to the extent that such expenses exceeded 0.15% (15 basis points) of USCI s NAV, on an annualized basis, through at least March 2011, after which date, payment was no longer necessary. The Sponsor has no obligation to continue such payment in subsequent periods.

Expenses paid by USCI through October 31, 2012 as a Percentage of Average Daily Net Assets:

Expenses	Amount As a Percentage of Average Daily Net Assets
Amount Paid or Accrued to Sponsor	0.95% annualized
Amount Paid or Accrued in Portfolio Brokerage Commissions	0.08% annualized
Other Amounts Paid or Accrued	0.13% annualized
Total Expenses Paid or Accrued	1.16% annualized
Expenses Waived	(0.01)% annualized
Total Expenses Paid or Accrued Including Expenses Waived	1.15% annualized
USCI Performance:	
Name of Commodity Pool	USCI
Type of Commodity Pool	Exchange traded security
Inception of Trading	August 10, 2010
Aggregate Subscriptions (from inception through October 31, 2012)	\$403,303,876
Total Net Assets as of October 31, 2012	\$491,713,839
Initial NAV per Unit as of Inception	\$50.00
NAV per Unit as of October 31, 2012	\$59.24
Worst Monthly Percentage Draw-down	Sep 2011 (11.69)%
Worst Peak-to-Valley Draw-down	April 2011 May 2012 (21.60)%
Number of Unitholders (as of December 31, 2011)	33,783

COMPOSITE PERFORMANCE DATA FOR USCI

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS

Month	Rates of Return*		
	2010	2011	2012
January		4.01%	4.45%
February		5.27%	4.01%
March		(0.14)%	(3.49)%
April		1.89%	(0.62)%
May		(5.77)%	(7.76)%
June		(5.03)%	2.35%
July		3.52%	6.52%
August	(0.04)%**	(0.33)%	1.34%
September	8.38%	(11.69)%	(1.18)%
October	6.31%	5.08%	(3.44)%
November	0.76%	(1.16)%	
December	10.93%	(3.72)%	
Annual Rate of Return	28.72%	(9.17)%	1.32%***

* The monthly rate of return is calculated by dividing the ending NAV of a given month by the ending NAV of the previous month, subtracting 1 and multiplying this number by 100 to arrive at a percentage increase or decrease.

** Partial from August 10, 2010.

*** Through October 31, 2012.

For a definition of draw-down, please see text below Composite Performance Data for USBO.

CPER:*Experience in Raising and Investing in CPER through October 31, 2012***PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS**

Dollar Amount Offered*	\$ 2,500,000,000
Dollar Amount Raised	\$ 2,500,000
Organizational and Offering Expenses:**	
SEC registration fee	\$ 64,675
FINRA registration fee	\$ 25,183
Listing fee	\$ 5,000
Auditor s fees and expenses	\$ 2,500
Legal fees and expenses	\$ 177,733
Printing expenses	\$ 26,742
Length of CPER offering	Continuous

* Reflects the offering price per unit set forth on the cover page of the registration statement registering such units filed with the SEC.

** These expenses were paid for by the Sponsor.

Compensation to the Sponsor and Other Compensation CPER:*Expenses paid by CPER through October 31, 2012 in Dollar Terms:*

Expenses	Amount in Dollar Terms
Amount Paid or Accrued to Sponsor	\$ 20,120
Amount Paid or Accrued in Portfolio Brokerage	
Commissions	\$ 804
Other Amounts Paid or Accrued*	\$ 91,911
Total Expenses Paid or Accrued	\$ 112,835
Expenses Waived**	\$ (87,722)
Total Expenses Paid or Accrued Including Expenses Waived	\$ 25,113

* Includes expenses relating to legal fees, auditing fees, printing expenses, licensing fees, tax reporting fees and miscellaneous expenses.

** The Sponsor, though under no obligation to do so, agreed to pay certain expenses, to the extent that such expenses exceeded 0.15% (15 basis points) of CPER s NAV, on an annualized basis, through at least December 31, 2012. The Sponsor has no obligation to continue such payment into subsequent periods.

Expenses paid by CPER through October 31, 2012 as a Percentage of Average Daily Net Assets:

Expenses	Amount As a Percentage of Average Daily Net Assets
Amount Paid or Accrued to Sponsor	0.82% annualized
Amount Paid or Accrued in Portfolio Brokerage Commissions	0.03% annualized
Other Amounts Paid or Accrued	3.73% annualized
Total Expenses Paid or Accrued	4.58% annualized
Expenses Waived	(3.56)% annualized
Total Expenses Paid or Accrued Including Expenses Waived	1.02% annualized
CPER Performance:	
Name of Commodity Pool	CPER
Type of Commodity Pool	Exchange traded security
Inception of Trading	November 15, 2011
Aggregate Subscriptions (from inception through October 31, 2012)	\$2,500,000
Total Net Assets as of October 31, 2012	\$2,460,519
Initial NAV per Unit as of Inception	\$25.00
NAV per Unit as of October 31, 2012	\$24.61
Worst Monthly Percentage Draw-down	May 2012 (11.91)%
Worst Peak-to-Valley Draw-down	February 2012 May 2012 (13.60)%
Number of Unitholders (as of December 31, 2011)	66

COMPOSITE PERFORMANCE DATA FOR CPER

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS

Month	Rates of Return*	
	2011	2012
January		10.13%
February		2.00%
March		(1.49)%
April		(0.44)%
May		(11.91)%
June		3.49%
July		(2.12)%
August		0.79%
September		8.45%
October		(6.43)%
November	1.80%**	
December	(3.85)%	
Annual Rate of Return	(2.12)%	0.57%***

* The monthly rate of return is calculated by dividing the ending NAV of a given month by the ending NAV of the previous month, subtracting 1 and multiplying this number by 100 to arrive at a percentage increase or decrease.

** Partial from November 15, 2011.

*** Through October 31, 2012.

For a definition of draw-down, please see text below Composite Performance Data for USBO.

USAG:*Experience in Raising and Investing in USAG through October 31, 2012***PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS**

Dollar Amount Offered*	\$ 2,500,000,000
Dollar Amount Raised	\$ 2,500,000
Organizational and Offering Expenses:**	
SEC registration fee	\$ 35,650
FINRA registration fee	\$ 25,000
Listing fee	\$ 5,000
Auditor s fees and expenses	\$ 2,500
Legal fees and expenses	\$ 149,079
Printing expenses	\$ 30,368
Length of USAG offering	Continuous

* Reflects the offering price per unit set forth on the cover page of the registration statement registering such units filed with the SEC.

** These expenses were paid for by the Sponsor.

Compensation to the Sponsor and Other Compensation USAG:*Expenses paid by USAG through October 31, 2012 in Dollar Terms:*

Expenses	Amount in Dollar Terms
Amount Paid or Accrued to Sponsor	\$ 13,989
Amount Paid or Accrued in Portfolio Brokerage	
Commissions	\$ 2,369
Other Amounts Paid or Accrued*	\$ 59,354
Total Expenses Paid or Accrued	\$ 75,712
Expenses Waived**	\$ (56,646)
Total Expenses Paid or Accrued Including Expenses Waived	\$ 19,066

* Includes expenses relating to legal fees, auditing fees, printing expenses, licensing fees, tax reporting fees and miscellaneous expenses.

** The Sponsor, though under no obligation to do so, agreed to pay certain expenses, to the extent that such expenses exceeded 0.15% (15 basis points) of USAG s NAV, on an annualized basis, through at least December 31, 2012. The Sponsor has no obligation to continue such payment into subsequent periods.

Expenses paid by USAG through October 31, 2012 as a Percentage of Average Daily Net Assets:

Expenses	Amount As a Percentage of Average Daily Net Assets
Amount Paid or Accrued to Sponsor	0.83% annualized
Amount Paid or Accrued in Portfolio Brokerage Commissions	0.14% annualized
Other Amounts Paid or Accrued	3.52% annualized
Total Expenses Paid or Accrued	4.49% annualized
Expenses Waived	(3.36)% annualized
Total Expenses Paid or Accrued Including Expenses Waived	1.13% annualized
USAG Performance:	
Name of Commodity Pool	USAG
Type of Commodity Pool	Exchange traded security
Inception of Trading	April 13, 2012
Aggregate Subscriptions (from inception through October 31, 2012)	\$2,500,000
Total Net Assets as of October 31, 2012	\$2,684,195
Initial NAV per Unit as of Inception	\$25.00
NAV per Unit as of October 31, 2012	\$26.84
Worst Monthly Percentage Draw-down	May 2012 (4.88)%
Worst Peak-to-Valley Draw-down	April 2012 May 2012 (6.48)%
Number of Unitholders (as of December 31, 2011)	Not applicable

COMPOSITE PERFORMANCE DATA FOR USAG

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS

Month	Rates of Return* 2012
January	
February	
March	
April	(1.68)%**
May	(4.88)%
June	9.20%
July	10.07%
August	0.25%
September	(2.80)%
October	(1.97)%
November	
December	
Annual Rate of Return	7.36%

* The monthly rate of return is calculated by dividing the ending NAV of a given month by the ending NAV of the previous month, subtracting 1 and multiplying this number by 100 to arrive at a percentage increase or decrease.

** Partial from April 13, 2012.

*** Through October 31, 2012.

For a definition of draw-down, please see text below Composite Performance Data for USBO.

USMI:*Experience in Raising and Investing in USMI through October 31, 2012***PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS**

Dollar Amount Offered*	\$ 2,500,000,000
Dollar Amount Raised	\$ 4,909,773
Organizational and Offering Expenses:**	
SEC registration fee	\$ 35,650
FINRA registration fee	\$ 25,000
Listing fee	\$ 5,000
Auditor s fees and expenses	\$ 2,500
Legal fees and expenses	\$ 137,766
Printing expenses	\$ 30,368
Length of USMI offering	Continuous

* Reflects the offering price per unit set forth on the cover page of the registration statement registering such units filed with the SEC.

** These expenses were paid for by the Sponsor.

Compensation to the Sponsor and Other Compensation USMI:*Expenses paid by USMI through October 31, 2012 in Dollar Terms:*

Expenses	Amount in Dollar Terms
Amount Paid or Accrued to Sponsor	\$ 7,620
Amount Paid or Accrued in Portfolio Brokerage	
Commissions	\$ 590
Other Amounts Paid or Accrued*	\$ 40,852
Total Expenses Paid or Accrued	\$ 49,062
Expenses Waived**	\$ (39,110)
Total Expenses Paid or Accrued Including Expenses Waived	\$ 9,952

* Includes expenses relating to legal fees, auditing fees, printing expenses, licensing fees, tax reporting fees and miscellaneous expenses.

** The Sponsor, though under no obligation to do so, agreed to pay certain expenses, to the extent that such expenses exceeded 0.15% (15 basis points) of USMI s NAV, on an annualized basis, through at least December 31, 2012. The Sponsor has no obligation to continue such payment into subsequent periods.

Expenses paid by USMI through October 31, 2012 as a Percentage of Average Daily Net Assets:

Expenses	Amount As a Percentage of Average Daily Net Assets
Amount Paid or Accrued to Sponsor	0.70% annualized
Amount Paid or Accrued in Portfolio Brokerage Commissions	0.05% annualized
Other Amounts Paid or Accrued	3.74% annualized
Total Expenses Paid or Accrued	4.49% annualized
Expenses Waived	(3.58)% annualized
Total Expenses Paid or Accrued Including Expenses Waived	0.91% annualized
USMI Performance:	
Name of Commodity Pool	USMI
Type of Commodity Pool	Exchange traded security
Inception of Trading	June 19, 2012
Aggregate Subscriptions (from inception through October 31, 2012)	\$4,909,773
Total Net Assets as of October 31, 2012	\$2,551,485
Initial NAV per Unit as of Inception	\$25.00
NAV per Unit as of October 31, 2012	\$25.51
Worst Monthly Percentage Draw-down	October 2012 (7.74)%
Worst Peak-to-Valley Draw-down	September 2012 October 2012 (7.74)%
Number of Unitholders (as of December 31, 2011)	Not applicable

COMPOSITE PERFORMANCE DATA FOR USMI

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS

Month	Rates of Return* 2012
January	
February	
March	
April	
May	
June	(1.20)%**
July	(1.46)%
August	4.23%
September	8.99%
October	(7.74)%
November	
December	
Annual Rate of Return	2.04%***

* The monthly rate of return is calculated by dividing the ending NAV of a given month by the ending NAV of the previous month, subtracting 1 and multiplying this number by 100 to arrive at a percentage increase or decrease.

** Partial from June 19, 2012.

*** Through October 31, 2012.

For a definition of draw-down, please see text below Composite Performance Data for USBO.

Marketing Agent and Authorized Purchasers (page 67)

The first paragraph of the Marketing Agent and Authorized Purchasers is replaced with the following:

The offering of USBO's units is a best efforts offering. USBO continuously offers Creation Baskets consisting of 50,000 units through the Marketing Agent, to Authorized Purchasers. Through May 1, 2013, all Authorized Purchasers pay a \$350 fee for each order to create one or more Creation Baskets. Beginning May 2, 2013, all Authorized Purchasers will pay a transaction fee of \$1,000 for each order placed to create one or more baskets. The Marketing Agent receives, for its services as marketing agent to USBO, a marketing fee of 0.06% on USBO's assets up to the first \$3 billion and 0.04% on USBO's assets in excess of \$3 billion, provided, however, that in no event may the aggregate compensation paid to the Marketing Agent and any affiliate of the General Partner for distribution-related services in connection with this offering exceed ten percent (10%) of the gross proceeds of this offering.

Creation and Redemption of Units (page 69)

The second paragraph under the heading Creation and Redemption of Units is deleted and replaced with the following:

Authorized Purchasers are the only persons that may place orders to create and redeem baskets. Authorized Purchasers must be (1) registered broker-dealers or other securities market participants, such as banks and other financial institutions, that are not required to register as broker-dealers to engage in securities transactions described below, and (2) DTC Participants. To become an Authorized Purchaser, a person must enter into an Authorized Purchaser Agreement with the General Partner. The Authorized Purchaser Agreement provides the procedures for the creation and redemption of baskets and for the delivery of the Treasuries and any cash required for such creation and redemptions. The Authorized Purchaser Agreement and the related procedures attached thereto may be amended by USBO, without the consent of any limited partner or unitholder or Authorized Purchaser. Through May 1, 2013, Authorized Purchasers pay a transaction fee of \$350 to USBO for each order they place to create or redeem one or more baskets. Beginning on May 2, 2013 and after, Authorized Purchasers will pay a transaction fee of \$1,000 to USBO for each order they place to create or redeem one or more baskets. Authorized Purchasers who make deposits with USBO in exchange for baskets receive no fees, commission or other form of compensation or inducement of any kind from either USBO or the General Partner, and no such person will have any obligation or responsibility to the General Partner or USBO to effect any sale or resale of units.

Creation and Redemption Transaction Fee (page 73)

The Creation and Redemption Transaction Fee section is deleted and replaced with the following:

To compensate USBO for its expenses in connection with the creation and redemption of baskets, an Authorized Purchaser is required to pay a transaction fee to USBO. Through May 1, 2013, the transaction fee is \$350 per order to create or redeem baskets, regardless of the number of baskets in such order. Beginning May 2, 2013 and after, the transaction fee is \$1,000. An order may include multiple baskets. The transaction fee may be reduced, increased or otherwise changed by the General Partner. The General Partner shall notify DTC of any change in the transaction fee and will not implement any increase in the fee for the redemption of baskets until 30 days after the date of notice.