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

FORM 10-Q

(Mark One)

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

For the quarterly period ended April 2, 2016

OR

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

For the transition period from to

Commission File Number: 001-11593

The Scotts Miracle-Gro Company

(Exact name of registrant as specified in its charter)

OHIO	**31-1414921**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
14111 SCOTTSLAWN ROAD, MARYSVILLE, OHIO	**43041**
(Address of principal executive offices)	**(Zip Code)**

(937) 644-0011
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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

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

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	o
Non-accelerated filer	o (Do not check if a smaller reporting company)	Smaller reporting company	o

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Outstanding at May 6, 2016
Common Shares, $0.01 stated value, no par value	61,226,154 Common Shares

THE SCOTTS MIRACLE-GRO COMPANY

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PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

THE SCOTTS MIRACLE-GRO COMPANY
Condensed Consolidated Statements of Operations
(In millions, except per common share data)
(Unaudited)

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	APRIL 2, 2016	MARCH 28, 2015	APRIL 2, 2016	MARCH 28, 2015
Net sales	$ 1,245.2	$ 1,071.8	$ 1,439.7	$ 1,241.3
Cost of sales	723.5	646.8	896.3	809.7
Cost of sales—impairment, restructuring and other	0.1	0.2	5.1	0.2
Gross profit	521.6	424.8	538.3	431.4
Operating expenses:				
Selling, general and administrative	200.9	188.9	314.2	294.2
Impairment, restructuring and other	(47.2)	4.6	(45.9)	13.1
Other income, net	(1.3)	(0.3)	(1.5)	(0.6)
Income from operations	369.2	231.6	271.5	124.7
Costs related to refinancing	—	—	8.8	—
Interest expense	19.1	15.0	35.4	24.7
Income from continuing operations before income taxes	350.1	216.6	227.3	100.0
Income tax expense from continuing operations	124.3	78.0	80.7	36.0
Income from continuing operations	225.8	138.6	146.6	64.0
Loss from discontinued operations, net of tax	(16.0)	(14.3)	(17.5)	(13.7)
Net income	$ 209.8	$ 124.3	$ 129.1	$ 50.3
Net loss (income) attributable to noncontrolling interest	0.3	0.3	(0.1)	(0.3)
Net income attributable to controlling interest	$ 210.1	$ 124.6	$ 129.0	$ 50.0
Basic income per common share:				
Income from continuing operations	$ 3.68	$ 2.28	$ 2.39	$ 1.05
Loss from discontinued operations	(0.26)	(0.23)	(0.29)	(0.23)
Basic income per common share	$ 3.42	$ 2.05	$ 2.10	$ 0.82
Weighted-average common shares outstanding during the period	61.4	60.9	61.4	60.9
Diluted income per common share:				
Income from continuing operations	$ 3.64	$ 2.24	$ 2.35	$ 1.03
Loss from discontinued operations	(0.26)	(0.23)	(0.28)	(0.22)
Diluted income per common share	$ 3.38	$ 2.01	$ 2.07	$ 0.81
Weighted-average common shares outstanding during the period plus dilutive potential common shares	62.2	62.1	62.4	62.0
Dividends declared per common share	$ 0.470	$ 0.450	$ 0.940	$ 0.900

See Notes to Condensed Consolidated Financial Statements.

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

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	APRIL 2, 2016	MARCH 28, 2015	APRIL 2, 2016	MARCH 28, 2015
Net income	$ 209.8	$ 124.3	$ 129.1	$ 50.3
Other comprehensive income (loss):				
Net foreign currency translation adjustment	0.3	(8.1)	(2.5)	(11.1)
Net unrealized loss on derivative instruments, net of tax of $1.8, $2.5, $1.0 and $3.1, respectively	(2.9)	(4.0)	(1.6)	(5.1)
Reclassification of net unrealized losses on derivatives to net income, net of tax of $1.7, $1.5, $2.2 and $2.1, respectively	2.8	2.4	3.6	3.4
Reclassification of net pension and post-retirement benefit loss to net income, net of tax of $0.1, $0.5, $0.4, and $1.0, respectively	0.2	0.8	0.7	1.6
Total other comprehensive income (loss)	0.4	(8.9)	0.2	(11.2)
Comprehensive income	$ 210.2	$ 115.4	$ 129.3	$ 39.1

See Notes to Condensed Consolidated Financial Statements.

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

	SIX MONTHS ENDED	
	APRIL 2, 2016	MARCH 28, 2015
OPERATING ACTIVITIES		
Net income	$ 129.1	$ 50.3
Adjustments to reconcile net income to net cash used in operating activities:		
Impairment, restructuring and other	—	4.3
Costs related to refinancing	2.2	—
Share-based compensation expense	11.3	9.3
Depreciation	27.3	24.9
Amortization	9.5	7.1
Gain on sale of assets	(0.3)	(0.6)
Changes in assets and liabilities, net of acquired businesses:		
Accounts receivable	(834.6)	(734.7)
Inventories	(224.3)	(215.8)
Prepaid and other assets	(48.2)	(37.8)
Accounts payable	105.0	117.7
Other current liabilities	207.5	113.0
Restructuring reserves	(8.9)	2.8
Other non-current items	(2.8)	3.5
Other, net	(0.6)	7.3
Net cash used in operating activities	(627.8)	(648.7)
INVESTING ACTIVITIES		
Proceeds from sale of long-lived assets	0.2	5.2
Investments in property, plant and equipment	(24.4)	(28.0)
Investment in loan receivable	(72.0)	—
Investment in unconsolidated affiliates	(2.0)	—
Investments in acquired businesses, net of cash acquired	—	(50.5)
Net cash used in investing activities	(98.2)	(73.3)
FINANCING ACTIVITIES		
Borrowings under revolving and bank lines of credit and term loans	1,573.2	1,195.5
Repayments under revolving and bank lines of credit and term loans	(959.8)	(450.5)
Proceeds from issuance of 6.000% Senior Notes	400.0	—
Repayment of 6.625% Senior Notes	(200.0)	—
Financing and issuance fees	(10.5)	—
Dividends paid	(57.7)	(54.8)
Purchase of Common Shares	(42.8)	(14.8)
Payments on seller notes	(2.3)	(0.8)
Excess tax benefits from share-based payment arrangements	4.2	2.8
Cash received from the exercise of stock options	9.2	16.2
Net cash provided by financing activities	713.5	693.6
Effect of exchange rate changes on cash	(1.6)	(6.1)
Net decrease in cash and cash equivalents	(14.1)	(34.5)
Cash and cash equivalents at beginning of period	71.4	89.3
Cash and cash equivalents at end of period	$ 57.3	$ 54.8
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	$ (23.0)	$ (20.6)
Call premium on 6.625% Senior Notes	(6.6)	—
Income taxes paid	(2.2)	(10.3)

See Notes to Condensed Consolidated Financial Statements.

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

	APRIL 2, 2016	MARCH 28, 2015	SEPTEMBER 30, 2015
ASSETS			
Current assets:			
Cash and cash equivalents	$ 57.3	$ 54.8	$ 71.4
Accounts receivable, less allowances of $14.9, $11.7 and $6.5, respectively	954.7	668.6	157.7
Accounts receivable pledged	208.4	376.7	152.9
Inventories	619.6	584.1	395.8
Assets held for sale	208.7	205.3	220.3
Prepaid and other current assets	160.1	146.1	121.1
Total current assets	2,208.8	2,035.6	1,119.2
Property, plant and equipment, net of accumulated depreciation of $614.5 $590.3 and $593.9, respectively	436.3	427.2	444.1
Goodwill	284.9	223.1	283.8
Intangible assets, net	646.8	298.5	655.1
Other assets	108.8	25.4	25.0
Total assets	$ 3,685.6	$ 3,009.8	$ 2,527.2
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Current portion of debt	$ 202.9	$ 315.3	$ 132.6
Accounts payable	293.8	294.5	193.1
Liabilities held for sale	62.1	56.6	41.7
Other current liabilities	427.1	324.2	251.2
Total current liabilities	985.9	990.6	618.6
Long-term debt	1,764.8	1,207.5	1,025.0
Other liabilities	247.0	241.8	250.5
Total liabilities	2,997.7	2,439.9	1,894.1
Contingencies (Note 11)			
Shareholders' equity:			
Common shares and capital in excess of $.01 stated value per share; 61.2, 61.1 and 61.4 shares issued and outstanding, respectively	401.9	399.4	400.4
Retained earnings	756.4	632.4	684.2
Treasury shares, at cost; 6.9, 7.0 and 6.7 shares, respectively	(376.3)	(378.3)	(357.1)
Accumulated other comprehensive loss	(106.6)	(97.4)	(106.8)
Total shareholders' equity - controlling interest	675.4	556.1	620.7
Noncontrolling interest	12.5	13.8	12.4
Total equity	687.9	569.9	633.1
Total liabilities and equity	$ 3,685.6	$ 3,009.8	$ 2,527.2

See Notes to Condensed Consolidated Financial Statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Scotts Miracle-Gro Company ("Scotts Miracle-Gro" or "Parent") and its subsidiaries (collectively, together with Scotts Miracle-Gro, the "Company") are engaged in the manufacturing, marketing and sale of consumer branded products for lawn and garden care. The Company's primary customers include home centers, mass merchandisers, warehouse clubs, large hardware chains, independent hardware stores, nurseries, garden centers, food and drug stores, and indoor gardening and hydroponic stores. The Company's products are sold primarily in North America and the European Union.

Prior to April 13, 2016, the Company operated the Scotts LawnService® business (the "SLS Business"), which provides residential and commercial lawn care, tree and shrub care and pest control services in the United States. On April 13, 2016, pursuant to the terms of the Contribution and Distribution Agreement ("Contribution Agreement") between the Company and TruGreen Holding Corporation ("TruGreen Holdings"), the Company completed the contribution of the SLS Business to a newly formed subsidiary of TruGreen Holdings (the "Joint Venture") in exchange for a minority equity interest of approximately 30% in the Joint Venture. As a result, effective in its second quarter of fiscal 2016, the Company classified its results of operations for all periods presented to reflect the SLS Business as a discontinued operation and classified the assets and liabilities of the SLS Business as held for sale. See "NOTE 2. DISCONTINUED OPERATIONS" for further discussion. Prior to being reported as discontinued operations, the SLS Business was included as its own reportable segment. Refer to "NOTE 14. SEGMENT INFORMATION" for discussion of the Company's new reportable segments identified effective in the second quarter of fiscal 2016.

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

The Company follows a 13-week quarterly accounting cycle pursuant to which the first three fiscal quarters end on a Saturday and the fiscal year always ends on September 30. This fiscal calendar convention requires the Company to cycle forward the first three fiscal quarter ends every six years. Fiscal 2016 is the most recent year impacted by this process and, as a result, the first quarter of fiscal 2016 had six additional days and the fourth quarter of fiscal 2016 will have five less days compared to the corresponding quarters of fiscal 2015. In addition, the second quarter of fiscal 2016 ended six days later than the second quarter of fiscal 2015 and these six days were in the Company's peak selling season. The Company's second quarter of fiscal 2016 ended on April 2, 2016 while the Company's second quarter of fiscal 2015 ended on March 28, 2015.

Organization and Basis of Presentation

The Company's unaudited condensed consolidated financial statements for the three and six months ended April 2, 2016 and March 28, 2015 are presented in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The condensed consolidated financial statements include the accounts of Scotts Miracle-Gro and its subsidiaries. All intercompany transactions and accounts have been eliminated in consolidation. The Company's consolidation criteria are based on majority ownership (as evidenced by a majority voting interest in the entity) and an objective evaluation and determination of effective management control. AeroGrow International, Inc. ("AeroGrow"), in which the Company has a controlling interest, is consolidated, with the equity owned by other shareholders shown as noncontrolling interest in the Condensed Consolidated Balance Sheets, and the other shareholders' portion of net earnings and other comprehensive income shown as net income (loss) or comprehensive income attributable to noncontrolling interest in the Condensed Consolidated Statements of Operations and Condensed Consolidated Statements of Comprehensive Income (Loss), respectively. In the opinion of management, interim results reflect all normal and recurring adjustments and are not necessarily indicative of results for a full year.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been omitted or condensed pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Accordingly, this report should be read in conjunction with Scotts Miracle-Gro's Annual Report on Form 10-K for the fiscal year ended September 30, 2015 (the "2015 Annual Report"), which includes a complete set of footnote disclosures, including the Company's significant accounting policies.

The Company's Condensed Consolidated Balance Sheet at September 30, 2015 has been derived from the Company's audited Consolidated Balance Sheet at that date, but does not include all of the information and footnotes required by GAAP for complete financial statements.

Use of Estimates

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

Revenue Recognition

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

Under the terms of the Amended and Restated Exclusive Agency and Marketing Agreement (the "Marketing Agreement") pursuant to which the Company has served, since its 1998 fiscal year, as the exclusive agent to the Monsanto Company ("Monsanto") for the marketing and distribution of consumer Roundup® herbicide products, the Company performs certain functions, primarily manufacturing conversion services (in North America), distribution and logistics, and selling and marketing support, on behalf of Monsanto in the conduct of the consumer Roundup® business. The actual costs incurred for these activities are charged to and reimbursed by Monsanto. The Company records costs incurred under the Marketing Agreement for which the Company is the primary obligor on a gross basis, recognizing such costs in the "Cost of sales" line and the reimbursement of these costs in the "Net sales" line in the Condensed Consolidated Statements of Operations, with no effect on gross profit dollars or net income.

Under the terms of the Marketing, R&D and Ancillary Services Agreement (the "Services Agreement") with Bonnie Plants, Inc. ("Bonnie") and its sole shareholder, Alabama Farmers Cooperative ("AFC"), entered into in the second quarter of fiscal 2016, the Company provides marketing, research and development and certain ancillary services to Bonnie for a commission fee earned from the profits of the business and reimbursement of certain costs. The commission fee is calculated as a percentage of growth in actual earnings before interest, income taxes and amortization of the Bonnie business. The commission earned under the Services Agreement is included in the "Net sales" line in the Condensed Consolidated Statements of Operations. Additionally, the Company records costs incurred under the Services Agreement for which the Company is the primary obligor on a gross basis, recognizing such costs in the "Cost of sales" line and the reimbursement of these costs in the "Net sales" line, with no effect on gross profit dollars or net income.

Loans Receivable

In the second quarter of fiscal 2016, the Company provided a term loan to AFC, with Bonnie as guarantor, in the amount of $72.0 million. Loans receivable are carried at outstanding principal amount, and are recognized in the "Other assets" line in the Condensed Consolidated Balance Sheets. Loans receivable are impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. If it is determined that an impairment has occurred, an impairment loss is recognized for the amount by which the carrying value of the asset exceeds the present value of expected future cash flows and classified as "Impairment, restructuring and other charges" within "Operating expenses" in the Condensed Consolidated Statements of Operations.

Interest income is recorded on an accrual basis, and is recognized in the "Other income, net" line in the Condensed Consolidated Statements of Operations. Interest income was $0.4 million for the three and six months ended April 2, 2016.

Long-lived Assets

The Company had noncash investing activities of $3.7 million and $3.3 million during the six months ended April 2, 2016 and March 28, 2015, respectively, representing unpaid liabilities incurred during each period to acquire property, plant and equipment.

RECENT ACCOUNTING PRONOUNCEMENTS

Revenue Recognition from Contracts with Customers

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers*. This guidance requires companies to recognize revenue in a manner that depicts the transfer of promised goods or services to customers in amounts that reflect the consideration to which a company expects to be entitled in exchange for those goods or services. The new standard also will result in enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The provisions are effective for the Company's financial statements no later than the fiscal year beginning October 1, 2018. The standard allows for either a full retrospective or a modified retrospective transition method. The Company is currently evaluating the impact of this standard on its consolidated results of operations, financial position and cash flows.

Debt Issuance Costs

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

Business Combinations

In September 2015, the FASB issued an accounting standard update to simplify the accounting for measurement-period adjustments by requiring an acquirer to recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined, and requiring disclosure of the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. The provisions are effective prospectively for the Company's financial statements no later than the fiscal year beginning October 1, 2016 and are not expected to have a significant impact on the Company's consolidated financial position, results of operations or cash flows.

Income Taxes

In November 2015, the FASB issued an accounting standard update to simplify the presentation of deferred income taxes by requiring that deferred income tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The provisions are effective for the Company's financial statements no later than the fiscal year beginning October 1, 2017. The standard allows for either a retrospective or prospective transition method and is not expected to have a significant impact on the Company's consolidated financial position, results of operations or cash flows.

Leases

In February 2016, the FASB issued an accounting standard update which significantly changes the accounting for leases. This guidance requires lessees to recognize a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term. The provisions are effective for the Company's financial statements no later than the fiscal year beginning October 1, 2019 and require a modified retrospective transition approach for leases that exist or are entered into after the beginning of the earliest comparative period presented in the financial statements. The Company is currently evaluating the impact of this standard on its consolidated results of operations, financial position and cash flows.

Stock Compensation

In March 2016, the FASB issued an accounting standard update that simplifies several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. The provisions are effective prospectively for the Company's financial statements no later than the fiscal year beginning October 1, 2017. The Company is currently evaluating the impact of this standard on its consolidated results of operations, financial position and cash flows.

NOTE 2. DISCONTINUED OPERATIONS

On April 13, 2016, pursuant to the terms of the Contribution Agreement, the Company completed the contribution of the SLS Business to the Joint Venture in exchange for a minority equity interest of approximately 30% in the Joint Venture. As a result, effective in its second quarter of fiscal 2016, the Company classified its results of operations for all periods presented to reflect the SLS Business as a discontinued operation and classified the assets and liabilities of the SLS Business as held for sale. The Company’s preliminary estimate of the after-tax gain on the contribution, subject to final closing balance sheet and other adjustments including the finalization of the fair value determination of the approximately 30% interest in the Joint Venture, is around $100 million and will be recorded in the third quarter of fiscal 2016 within results from discontinued operations. The Company’s approximately 30% interest in the Joint Venture will be initially recorded at fair value on the transaction date and in subsequent periods will be accounted for using the equity method of accounting, with the Company's proportionate share of Joint Venture earnings reflected in the consolidated statements of operations. In addition, the Company and TruGreen Holdings entered into a limited liability company agreement (the “LLC Agreement”) governing the management of the Joint Venture, as well as certain ancillary agreements including a transition services agreement and an employee leasing agreement. The LLC Agreement provides the Company with minority representation on the board of directors of the Joint Venture.

In connection with the closing of the transactions contemplated by the Contribution Agreement on April 13, 2016, the Joint Venture obtained debt financing and made a pro rata cash distribution of $196.2 million to the Company, partially offset by an $18.0 million investment in second lien term loan financing provided by the Company to the Joint Venture and closing working capital adjustments.

The following table summarizes the results of the SLS Business within discontinued operations for each of the periods presented:

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	APRIL 2, 2016	MARCH 28, 2015	APRIL 2, 2016	MARCH 28, 2015
	(In millions)			
Net sales	$ 40.9	$ 30.5	$ 92.0	$ 77.2
Operating costs	55.7	52.8	107.1	98.4
Impairment, restructuring and other	10.6	0.3	13.6	1.4
Other income, net	(0.7)	(0.3)	(1.5)	(1.2)
Loss from discontinued operations before income taxes	(24.7)	(22.3)	(27.2)	(21.4)
Income tax benefit from discontinued operations	(8.7)	(8.0)	(9.7)	(7.7)
Loss from discontinued operations, net of tax	$ (16.0)	$ (14.3)	$ (17.5)	$ (13.7)

The following table summarizes the major classes of assets and liabilities of the SLS Business for each of the periods presented are summarized as follows:

	APRIL 2, 2016	MARCH 28, 2015	SEPTEMBER 30, 2015
	(In millions)		
Accounts receivable, net	$ 17.2	$ 13.5	$ 33.6
Inventories	13.8	12.0	11.8
Prepaid and other assets	13.1	11.5	8.3
Property, plant and equipment, net	8.4	9.8	9.6
Goodwill and intangible assets, net	156.2	158.5	157.0
Assets held for sale	$ 208.7	$ 205.3	$ 220.3
Current portion of debt	$ 0.3	$ 2.8	$ 2.2
Accounts payable	4.5	5.9	4.8
Other current liabilities	52.1	42.5	29.2
Long-term debt	3.3	3.6	3.5
Other liabilities	1.9	1.8	2.0
Liabilities held for sale	$ 62.1	$ 56.6	$ 41.7

The Condensed Consolidated Statements of Cash Flows do not present the cash flows from discontinued operations separately from cash flows from continuing operations. Cash provided by operating activities from the SLS Business totaled $12.2 million and $19.6 million for the six months ended April 2, 2016 and March 28, 2015, respectively. Cash used in investing activities related to the SLS Business totaled $0.1 million and $21.9 million for the six months ended April 2, 2016 and March 28, 2015, respectively.

NOTE 3. ACQUISITIONS AND INVESTMENTS

Fiscal 2016

In the second quarter of fiscal 2016, the Company entered into definitive agreements with Bonnie and its sole shareholder, AFC, providing for the Company's participation in Bonnie's business of planting, growing, developing, manufacturing, distributing, marketing and selling live plants, plant food, fertilizer and potting soil (the "Bonnie Business"). The Company's participation includes a Term Loan Agreement from the Company to AFC, with Bonnie as guarantor, in the amount of $72.0 million with a fixed coupon rate of 6.95% (the "Term Loan") as well as a Services Agreement pursuant to which the Company will provide marketing, research and development and certain ancillary services to the Bonnie Business for a commission fee based on the profits of the Bonnie Business and the reimbursement of certain costs. These agreements also include options that provide for either (i) the Company to increase its economic interest in the Bonnie Business or (ii) AFC and Bonnie to repurchase the Company's economic interest in the Bonnie Business.

On May 2, 2016, the Company completed an acquisition within the Other segment to expand its Canadian growing media operations for an estimated purchase price of $35.0 million, which includes contingent consideration, the payment of which is will depend on the performance of the business through fiscal 2017. The initial purchase price accounting for the acquisition will be determined during the third quarter of fiscal 2016.

Fiscal 2015

On March 30, 2015, the Company acquired the assets of General Hydroponics, Inc. ("General Hydroponics") and Bio-Organic Solutions, Inc. ("Vermicrop") for $120.0 million and $15.0 million, respectively. This transaction provides the Company's Other segment with an additional entry into the indoor and urban gardening market, which is a part of the Company's long-term growth strategy. General Hydroponics and Vermicrop are leading producers of liquid plant food products, growing media, and accessories for the hydroponics markets. The General Hydroponics purchase price includes non-cash investing activity of $1.0 million representing the deferral of a portion of the purchase price into fiscal 2016, of which $0.5 million was paid in the second quarter of fiscal 2016. The Vermicrop purchase price includes $5.0 million of contingent consideration, which will be paid in Common Shares during fiscal 2016. Additionally, the Vermicrop purchase price was paid in common shares of Scotts Miracle-Gro ("Common Shares") based on the average share price at the time of payment. The valuation of the acquired assets was determined during the third quarter of fiscal 2015 and included (i) $14.2 million of inventory and accounts receivable, (ii) $5.7 million in fixed assets, (iii) $65.0 million of finite-lived identifiable intangible assets, and (iv) $53.9 million of tax-deductible goodwill. Identifiable intangible assets included tradenames, customer relationships and non-compete arrangements with useful lives ranging between 5 and 26 years. The estimated fair values of the identifiable intangible assets were determined using an income-based approach, which includes market participant expectations of cash flows that an asset will generate over the remaining useful life discounted to present value using an appropriate discount rate. Net sales for General Hydroponics and Vermicrop included within the Other segment for the three and six months ended April 2, 2016 were $14.7 million and $28.2 million, respectively.

During fiscal 2015, the Company completed four acquisitions of growing media operations, two within the U.S. Consumer segment and two within the Other segment, for an aggregate purchase price of $40.2 million. These acquisitions expand the Company's growing media operations and distribution capabilities within its U.S. Consumer and Other segments. The valuation of the acquired assets for the transactions included (i) $10.1 million in finite-lived identifiable intangible assets, (ii) $11.4 million in fixed assets, (iii) $10.6 million in tax deductible goodwill, and (iv) $9.9 million of inventory and accounts receivable. Identifiable intangible assets include tradenames and customer relationships with useful lives ranging between 7 and 20 years. The estimated fair values of the identifiable intangible assets were determined using an income-based approach, which includes market participant expectations of cash flows that an asset will generate over the remaining useful life discounted to present value using an appropriate discount rate.

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

NOTE 4. IMPAIRMENT, RESTRUCTURING AND OTHER

Activity described herein is classified within the “Impairment, restructuring and other” and the “Loss from discontinued operations, net of tax” lines in the Condensed Consolidated Statements of Operations.

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

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	APRIL 2, 2016	MARCH 28, 2015	APRIL 2, 2016	MARCH 28, 2015
	(In millions)			
Restructuring and other from continuing operations	$ (47.1)	$ 4.8	$ (40.8)	$ 13.3
Restructuring and other from discontinued operations	10.6	0.3	13.6	1.4
Total impairment, restructuring and other	$ (36.5)	$ 5.1	$ (27.2)	$ 14.7

The following table summarizes the activity related to liabilities associated with restructuring and other, excluding insurance reimbursement recoveries, during the six months ended April 2, 2016 (in millions):

Amounts reserved for restructuring and other at September 30, 2015	$ 28.1
Restructuring and other from continuing operations	9.2
Restructuring and other from discontinued operations	13.6
Payments and other	(31.7)
Amounts reserved for restructuring and other at April 2, 2016	$ 19.2

Included in the restructuring reserves as of April 2, 2016 is $1.9 million that is classified as long-term. Payments against the long-term reserves will be incurred as the employees covered by the restructuring plan retire or through the passage of time. The remaining amounts reserved will continue to be paid out over the course of the next twelve months.

Fiscal 2016

In the first quarter of fiscal 2016, the Company announced a series of initiatives called Project Focus designed to maximize the value of its non-core assets and concentrate its focus on emerging categories of the lawn and garden industry in its core U.S. business. On April 13, 2016, as part of this project, the Company completed the contribution of the SLS Business to the Joint Venture. As a result, effective in its second quarter of fiscal 2016, the Company classified its results of operations for all periods presented to reflect the SLS Business as a discontinued operation and classified the assets and liabilities of the SLS Business as held for sale. Refer to “NOTE 2: DISCONTINUED OPERATIONS” for more information. During the three and six months ended April 2, 2016, the Company recognized $9.0 million for the resolution of a prior SLS Business litigation matter, as well as $1.6 million and $4.4 million, respectively, in transaction related costs associated with the divestiture of the SLS Business within the “Loss from discontinued operations, net of tax” line in the Condensed Consolidated Statements of Operations. In addition, during the three and six months ended April 2, 2016, the Company recognized $1.7 million and $2.6 million, respectively, in costs related to other transaction activity within the “Impairment, restructuring and other” line in the Condensed Consolidated Statements of Operations.

During the third quarter of fiscal 2015, the Company’s U.S. Consumer segment began experiencing an increase in certain consumer complaints related to the reformulated Bonus S® fertilizer product sold in the southeastern United States during fiscal 2015 indicating customers were experiencing damage to their lawns after application. During the three and six months ended April 2, 2016, the Company recognized $1.0 million and $6.4 million, respectively, in costs related to resolving these consumer complaints and the recognition of costs the Company expects to incur for current and expected consumer claims. Costs incurred to date since the inception of this matter, excluding insurance reimbursement recoveries, are $73.7 million. The Company is working through the claims process with its insurers with respect to these costs, and has received reimbursement payments of $54.9 million through the second quarter of fiscal 2016, including $10.0 million and $35.0 million received during the three and six months ended April 2, 2016, respectively. The Company recorded offsetting insurance reimbursement recoveries upon resolution of the insurer’s review of claim documentation in the amount of $4.9 million in the fourth quarter of fiscal 2015 and $50.0 million in the second quarter of fiscal 2016. During the three and six months ended April 2, 2016, the Company paid $5.9 million and $19.1 million, respectively, to the third party administrator of the consumer claims to pay for lawn repairs.

Fiscal 2015

During the three and six months ended March 28, 2015, the Company recognized $5.1 million and $14.7 million, respectively, in restructuring costs related to termination benefits provided to U.S. and international personnel as part of the Company’s restructuring of its U.S. administrative and overhead functions and the continuation of the international profitability improvement initiative. These restructuring charges included $0.7 million and $4.3 million of costs related to the acceleration of equity compensation expense for the three and six months ended March 28, 2015, respectively.

NOTE 5. INVENTORIES

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

	APRIL 2, 2016	MARCH 28, 2015	SEPTEMBER 30, 2015
		(In millions)	
Finished goods	$ 419.2	$ 385.6	$ 218.9
Work-in-process	50.4	49.0	48.3
Raw materials	150.0	149.5	128.6
Total inventories	$ 619.6	$ 584.1	$ 395.8

Adjustments to reflect inventories at net realizable values were $21.2 million at April 2, 2016, $20.2 million at March 28, 2015 and $17.8 million at September 30, 2015.

NOTE 6. MARKETING AGREEMENT

The Scotts Company LLC ("Scotts LLC") and Monsanto are parties to the Marketing Agreement, pursuant to which the Company has served, since its 1998 fiscal year, as Monsanto's exclusive agent for the marketing and distribution of consumer Roundup® herbicide products (with additional rights to new products containing glyphosate or other similar non-selective herbicides) in the consumer lawn and garden market. Under the terms of the Marketing Agreement, the Company is entitled to receive an annual commission from Monsanto as consideration for the performance of the Company's duties as agent. The annual gross commission under the Marketing Agreement is calculated as a percentage of the actual earnings before interest and income taxes of the consumer Roundup® business in the markets covered by the Marketing Agreement subject to the achievement of annual earnings thresholds. The Marketing Agreement also requires the Company to make annual payments of $20.0 million to Monsanto as a contribution against the overall expenses of the consumer Roundup® business. From 1998 until May 15, 2015, the Marketing Agreement covered the United States and other specified countries, including Australia, Austria, Belgium, Canada, France, Germany, the Netherlands and the United Kingdom. On May 15, 2015, the territories were expanded to cover additional countries as outlined below.

In consideration for the rights granted to the Company under the Marketing Agreement in 1998, the Company paid a marketing fee of $32 million to Monsanto. The Company deferred this amount on the basis that the payment will provide a future benefit through commissions that will be earned under the Marketing Agreement. The economic useful life over which the marketing fee is being amortized is twenty years, with a remaining unamortized amount of $2.0 million and remaining amortization period of less than three years as of April 2, 2016.

On May 15, 2015, the Company and Monsanto entered into an Amendment to the Marketing Agreement (the "Marketing Agreement Amendment"), a Lawn and Garden Brand Extension Agreement (the "Brand Extension Agreement") and a Commercialization and Technology Agreement (the "Commercialization and Technology Agreement"). In consideration for these agreements, the Company paid $300.0 million to Monsanto on August 14, 2015 using borrowings under its credit facility.

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

- Expands the territories in which the Company may serve as Monsanto's exclusive agent in the consumer lawn and garden market to include all countries other than Japan and countries subject to a comprehensive U.S. trade embargo or certain other embargoes and trade restrictions.
- Eliminates the initial and renewal terms that the original Marketing Agreement applied to European Union ("EU") countries. As amended, the term of the Marketing Agreement will now continue indefinitely for all included markets, including EU countries within the included markets, unless and until otherwise terminated in accordance with the Marketing Agreement.
- Revises the procedures of the Marketing Agreement relating to a potential sale of the consumer Roundup® business to (1) require Monsanto to negotiate exclusively with the Company with respect to any potential Roundup® sale for 60 days after the Company receives notice from Monsanto regarding a potential Roundup® sale and (2) provide the Company with a right of first offer and a right of last look in connection with a potential Roundup® sale to a third party.

In addition, if the Company makes a bid in connection with a Roundup® sale, the then-applicable termination fee would serve as a credit against the purchase price and the Monsanto board of directors would not be permitted to discount the value of the Company's bid compared to a competing bid as a result of the termination fee discount.

- Requires the Company to (1) provide notice to Monsanto of certain proposals and processes that may result in a sale of the Company and (2) conduct non-exclusive negotiations with Monsanto with respect to such a sale.
- Increases the minimum termination fee payable under the Marketing Agreement to the greater of (1) $200.0 million or (2) four times (A) the average of the program earnings before interest or income taxes for the three trailing program years prior to the year of termination, minus (B) the 2015 program earnings before interest or income taxes.
- Amends Monsanto's termination rights and provides additional rights to the Company in the event of a termination, as follows:
  - delays the effectiveness of a notice of termination given by Monsanto as a result of a change of control with respect to Monsanto or a sale of the consumer Roundup® business to a third party from (1) the end of the later of 12 months or the next program year to (2) the end of the fifth full program year after Monsanto gives such notice;
  - eliminates Monsanto's termination rights for a regional performance default, a change of significant ownership of the Company or an uncured or incurable egregious injury (as each is defined in the Marketing Agreement); and
  - eliminates Monsanto's termination rights in connection with a change in control of the Company or Scotts Miracle-Gro as long as the Company has determined, in its reasonable commercial opinion, that the acquirer can and will fully perform the duties and obligations of the Company under the Marketing Agreement.
- Expands the Company's termination rights to include termination for a brand decline event (as defined in the Marketing Agreement Amendment) occurring before program year 2023.
- Expands the Company's assignment rights to allow the Company to transfer its rights, interests and obligations under the Marketing Agreement with respect to (1) the North America territories and (2) one or more other included markets for up to three other assignments.
- Amends the commission structure by (1) eliminating the commission threshold for program years 2016, 2017 and 2018, (2) setting the commission threshold for the subsequent program years at $40 million and (3) establishing the commission payable by Monsanto to the Company for each program year at an amount equal to 50% of the program earnings before interest and income taxes for such program year.

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

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

The Company recorded the $300.0 million consideration paid by the Company to Monsanto in connection with the entry into the Marketing Agreement Amendment, the Brand Extension Agreement and the Commercialization and Technology Agreement as intangible assets and the related economic useful life of such assets is indefinite. The identifiable intangible assets include the Marketing Agreement Amendment and the Brand Extension Agreement with allocated fair value of $188.3 million and $111.7 million, respectively. The estimated fair values of the identifiable intangible assets were determined using an income-based approach, which includes market participant expectations of cash flows that an asset will generate over the remaining useful life discounted to present value using an appropriate rate of return.

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

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

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	APRIL 2, 2016	MARCH 28, 2015	APRIL 2, 2016	MARCH 28, 2015
	(In millions)			
Gross commission	$ 54.9	$ 32.5	$ 54.9	$ 32.5
Contribution expenses	(5.0)	(5.0)	(10.0)	(10.0)
Amortization of marketing fee	(0.2)	(0.2)	(0.4)	(0.4)
Net commission	49.7	27.3	44.5	22.1
Reimbursements associated with Marketing Agreement	22.8	18.2	36.8	35.5
Total net sales associated with Marketing Agreement	$ 72.5	$ 45.5	$ 81.3	$ 57.6

NOTE 7. DEBT

The components of long-term debt are as follows:

	APRIL 2, 2016	MARCH 28, 2015	SEPTEMBER 30, 2015
	(In millions)		
Credit Facilities:			
Revolving loans	$ 1,075.0	$ 998.9	$ 816.3
Term loans	296.3	—	—
Senior Notes – 6.625%	—	200.0	200.0
Senior Notes – 6.000%	400.0	—	—
Master Accounts Receivable Purchase Agreement	166.7	301.3	122.3
Other	29.7	22.6	19.0
	1,967.7	1,522.8	1,157.6
Less current portions	202.9	315.3	132.6
Long-term debt	$ 1,764.8	$ 1,207.5	$ 1,025.0

Credit Facilities

On December 20, 2013, the Company entered into the third amended and restated credit agreement, providing the Company and certain of its subsidiaries with a five-year senior secured revolving loan facility in the aggregate principal amount of up to $1.7 billion (the “former credit facility”). On October 29, 2015, the Company entered into the fourth amended and restated credit agreement (the “new credit agreement”), providing the Company and certain of its subsidiaries with five-year senior secured loan facilities in the aggregate principal amount of $1.9 billion, comprised of a revolving credit facility of $1.6 billion and a term loan in the original principal amount of $300.0 million (the “new credit facilities”). The new credit agreement also provides the Company with the right to seek additional committed credit under the agreement in an aggregate amount of up to $500.0 million plus an unlimited additional amount, subject to certain specified financial and other conditions. Under the new credit agreement, the Company has the ability to obtain letters of credit up to $100.0 million. The new credit agreement replaces the former credit facility, and will terminate on October 29, 2020. Borrowings on the revolving credit facility may be made in various currencies, including U.S. dollars, euro, British pounds, Australian dollars and Canadian dollars. The terms of the new credit agreement include customary representations and warranties, affirmative and negative covenants, financial covenants, and events of default. The proceeds of borrowings on the new credit facilities may be used: (i) to finance working capital requirements and other general corporate purposes of the Company and its subsidiaries; and (ii) to refinance the amounts outstanding under the former credit facility.

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

At April 2, 2016, the Company had letters of credit outstanding in the aggregate principal amount of $28.2 million, and $496.8 million of availability under the new credit agreement, subject to the Company's continued compliance with the covenants discussed below. The weighted average interest rates on average borrowings under the new credit agreement and the former credit facility were 3.7% and 3.9% for the six months ended April 2, 2016 and March 28, 2015, respectively.

The new credit agreement contains, among other obligations, an affirmative covenant regarding the Company's leverage ratio on the last day of each quarter calculated as average total indebtedness, divided by the Company's earnings before interest, taxes, depreciation and amortization ("EBITDA"), as adjusted pursuant to the terms of the new credit facilities ("Adjusted EBITDA"). The maximum leverage ratio was 4.50 as of April 2, 2016. The Company's leverage ratio was 2.45 at April 2, 2016. The new credit agreement also includes an affirmative covenant regarding its interest coverage ratio. The interest coverage ratio is calculated as Adjusted EBITDA divided by interest expense, as described in the new credit agreement, and excludes costs related to refinancings. The minimum interest coverage ratio was 3.00 for the twelve months ended April 2, 2016. The Company's interest coverage ratio was 9.72 for the twelve months ended April 2, 2016. The new credit agreement allows the Company to make unlimited restricted payments (as defined in the new credit agreement), including increased or one-time dividend payments and Common Share repurchases, as long as the leverage ratio resulting from the making of such restricted payments is 4.00 or less. Otherwise the Company may only make restricted payments in an aggregate amount for each fiscal year not to exceed the amount set forth in the new credit agreement for such fiscal year ($175.0 million for 2016 and 2017 and $200.0 million for 2018 and in each fiscal year thereafter).

Senior Notes - 6.625%

On December 15, 2015, Scotts Miracle-Gro redeemed all $200.0 million aggregate principal amount of its outstanding 6.625% senior notes due 2020 (the "6.625% Senior Notes") paying a redemption price of $213.2 million, comprised of $6.6 million of accrued and unpaid interest, $6.6 million of call premium and $200.0 million for outstanding principal amount. The $6.6 million call premium charge was recognized within the "Costs related to refinancing" line on the Condensed Consolidated Statement of Operations in the first quarter of fiscal 2016. Additionally, the Company had $2.2 million in unamortized bond discount and issuance costs associated with the 6.625% Senior Notes that were written-off and recognized in the "Costs related to refinancing" line on the Condensed Consolidated Statement of Operations in the first quarter of fiscal 2016.

Senior Notes - 6.000%

On October 13, 2015, Scotts Miracle-Gro issued $400.0 million aggregate principal amount of 6.000% senior notes due 2023 (the "6.000% Senior Notes"). The net proceeds of the offering were used to repay outstanding borrowings under the former credit facility. The 6.000% Senior Notes represent general unsecured senior obligations and rank equal in right of payment with the Company's existing and future unsecured senior debt. The 6.000% Senior Notes have interest payment dates of April 15 and October 15 of each year. The 6.000% Senior Notes may be redeemed, in whole or in part, on or after October 15, 2018 at applicable redemption premiums. The 6.000% Senior Notes contain customary covenants and events of default and mature on October 15, 2023. Substantially all of Scotts Miracle-Gro's domestic subsidiaries serve as guarantors of the 6.000% Senior Notes.

Master Accounts Receivable Purchase Agreement

The Company maintains a Master Accounts Receivable Purchase Agreement ("MARP Agreement"), which provides for the discretionary sale by the Company, and the discretionary purchase (outside of the commitment period specified in the MARP Agreement) by the participating banks, on a revolving basis, of accounts receivable generated by sales to three specified account debtors in an aggregate amount not to exceed $400.0 million. The MARP Agreement is subject to renewal by mutual agreement at least annually.

On March 23, 2016, Scotts Miracle-Gro and Scotts LLC entered into a Waiver and First Amendment to the MARP Agreement in the following significant respects: (1) to include subsidiaries and affiliates of the approved debtors into the definition of approved debtors; (2) to require Scotts LLC to repurchase all receivables (including any defaulted receivables) from the banks on each settlement date; and (3) to provide the administrative agent and the banks with full recourse to Scotts LLC in case of non-payment of any purchased receivable on the maturity date thereof, regardless of the reason for such non-payment. Under the terms of the amended MARP Agreement, the banks have the opportunity to purchase those accounts receivable offered by the Company at a discount (from the agreed base value thereof) effectively equal to the one-week LIBOR plus 0.95%.

The Company accounts for the sale of receivables under the MARP Agreement (as amended) as short-term debt and continues to carry the receivables on its Condensed Consolidated Balance Sheet, primarily as a result of the Company's requirement to repurchase receivables sold. There were $166.7 million and $301.3 million in borrowings or receivables pledged as collateral under the MARP Agreement as of April 2, 2016 and March 28, 2015, respectively. The carrying value of the receivables pledged as collateral was $208.4 million as of April 2, 2016 and $376.7 million as of March 28, 2015. As of April 2, 2016, there was $233.3 million of availability under the MARP Agreement.

Interest Rate Swap Agreements

The Company has outstanding interest rate swap agreements with major financial institutions that effectively convert a portion of the Company's variable-rate debt to a fixed rate. The swap agreements had a total U.S. dollar equivalent notional amount of $1,250.0 million at April 2, 2016 and $1,300.0 million at March 28, 2015 and September 30, 2015. Interest payments made between the effective date and expiration date are hedged by the swap agreements, except as noted below. The notional amount, effective date, expiration date and rate of each of these swap agreements are shown in the table below.

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

(a) The effective date refers to the date on which interest payments were, or will be, first hedged by the applicable swap agreement.
(b) Interest payments made during the three-month period of each year that begins with the month and day of the effective date are hedged by the swap agreement.
(c) Interest payments made during the six-month period of each year that begins with the month and day of the effective date are hedged by the swap agreement.
(d) Interest payments made during the nine-month period of each year that begins with the month and day of the effective date are hedged by the swap agreement.

Estimated Fair Values

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

Credit Facilities

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

6.000% Senior Notes

The fair value of the 6.000% Senior Notes can be determined based on the trading of the 6.000% Senior Notes in the open market. The difference between the carrying value and the fair value of the 6.000% Senior Notes represents the premium or discount on that date. Based on the trading value on or around April 2, 2016, the fair value of the 6.000% Senior Notes was approximately $423.0 million. The fair value measurement for the 6.000% Senior Notes was classified in Level 1 of the fair value hierarchy.

Accounts Receivable Pledged

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

Weighted Average Interest Rate

The weighted average interest rates on the Company's debt were 4.6% and 4.4% for the six months ended April 2, 2016 and March 28, 2015, respectively. The increase in the weighted average interest rate is due to the higher proportion of long-term fixed-rate borrowing in the Company's debt mix in fiscal 2016.

NOTE 8. RETIREMENT AND RETIREE MEDICAL PLANS

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

	THREE MONTHS ENDED					
	APRIL 2, 2016			MARCH 28, 2015		
	U.S. Pension	International Pension	U.S. Medical	U.S. Pension	International Pension	U.S. Medical
	(In millions)					
Service cost	$ —	$ 0.3	$ 0.1	$ —	$ 0.4	$ 0.1
Interest cost	1.1	1.7	0.2	1.0	1.9	0.3
Expected return on plan assets	(1.3)	(2.0)	—	(1.4)	(2.4)	—
Net amortization	0.5	0.4	(0.2)	0.8	0.4	—
Net periodic benefit cost	$ 0.3	$ 0.4	$ 0.1	$ 0.4	$ 0.3	$ 0.4

	SIX MONTHS ENDED					
	APRIL 2, 2016			MARCH 28, 2015		
	U.S. Pension	International Pension	U.S. Medical	U.S. Pension	International Pension	U.S. Medical
	(In millions)					
Service cost	$ —	$ 0.6	$ 0.2	$ —	$ 0.7	$ 0.2
Interest cost	2.2	3.4	0.5	2.0	3.8	0.6
Expected return on plan assets	(2.5)	(4.0)	—	(2.7)	(4.7)	—
Net amortization	0.9	0.8	(0.5)	1.6	0.9	—
Net periodic benefit cost	$ 0.6	$ 0.8	$ 0.2	$ 0.9	$ 0.7	$ 0.8

NOTE 9. SHAREHOLDERS' EQUITY

During the six months ended April 2, 2016, Scotts Miracle-Gro repurchased 0.7 million of its Common Shares for $42.8 million pursuant to the $500.0 million share repurchase program approved by the Scotts Miracle-Gro Board of Directors in August 2014. The program allows for repurchases of Common Shares over a five-year period starting November 1, 2014 through September 30, 2019. From the inception of this share repurchase program in the fourth quarter of fiscal 2014 through April 2, 2016, Scotts Miracle-Gro has repurchased approximately 0.9 million Common Shares for $57.6 million.

As of April 2, 2016 the equity attributable to noncontrolling interest was $12.5 million compared to $12.4 million as of September 30, 2015. The $0.1 million change is due to net earnings from the Company's investment in AeroGrow.

Share-Based Awards

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

	SIX MONTHS ENDED	
	APRIL 2, 2016	MARCH 28, 2015
Employees		
Stock options	444,890	420,047
Restricted stock units	70,594	52,091
Performance units	56,315	78,352
Board of Directors		
Deferred stock units	26,560	27,282
Total share-based awards	598,359	577,772
Aggregate fair value at grant dates (in millions)	$ 16.0	$ 14.8

Total share-based compensation was as follows for each of the periods presented:

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	APRIL 2, 2016	MARCH 28, 2015	APRIL 2, 2016	MARCH 28, 2015
	(In millions)			
Share-based compensation	$ 9.1	$ 7.2	$ 11.3	$ 9.3
Tax benefit recognized	3.5	2.7	4.3	3.5

As of April 2, 2016, total unrecognized compensation cost related to non-vested share-based awards amounted to $15.1 million. This cost is expected to be recognized over a weighted-average period of 2.0 years. The tax benefit realized from the tax deductions associated with the exercise of share-based awards and the vesting of restricted stock totaled $4.2 million for the six months ended April 2, 2016.

Stock Options

Aggregate stock option activity consisted of the following (options in millions):

	No. of Options	WTD. Avg. Exercise Price
Awards outstanding at September 30, 2015	1.8	$ 44.38
Granted	0.4	68.68
Exercised	(0.2)	38.13
Forfeited	—	—
Awards outstanding at April 2, 2016	2.0	50.51
Exercisable	1.1	38.25

At April 2, 2016, the Company expects 0.8 million of the remaining unexercisable stock options (after forfeitures), with a weighted-average exercise price of $66.34, intrinsic value of $5.5 million and average remaining term of 9.4 years, to vest in the future. The following summarizes certain information pertaining to stock option awards outstanding and exercisable at April 2, 2016 (options in millions):

	Awards Outstanding			Awards Exercisable		
Range of Exercise Price	**No. of Options**	**WTD. Avg. Remaining Life**	**WTD. Avg. Exercise Price**	**No. of Options**	**WTD. Avg. Remaining Life**	**WTD. Avg. Exercise Price**
$20.59 – $20.59	0.3	2.51	$ 20.59	0.3	2.51	$ 20.59
$30.07 – $36.86	0.2	1.45	36.20	0.2	1.45	36.20
$38.81 – $49.19	0.6	4.67	45.25	0.6	4.67	45.25
$63.43 – $68.68	0.9	9.35	66.21	—	—	—
	2.0	6.10	$ 50.51	1.1	3.57	$ 38.25

The intrinsic value of the stock option awards outstanding and exercisable at April 2, 2016 were as follows:

	(In millions)
Outstanding	$ 44.2
Exercisable	38.4

The grant date fair value of stock option awards is estimated using a binomial model and the assumptions in the following table. Expected market price volatility is based on implied volatilities from traded options on Common Shares and historical volatility specific to the Common Shares. Historical data, including demographic factors impacting historical exercise behavior, is used to estimate stock option exercises and employee terminations within the valuation model. The risk-free rate for periods within the contractual life (normally ten years) of the stock option is based on the U.S. Treasury yield curve in effect at the time of grant. The expected life of stock options is based on historical experience and expectations for grants outstanding. The weighted average assumptions for awards granted during the six months ended April 2, 2016 are as follows:

Expected market price volatility	25.5%
Risk-free interest rates	1.5%
Expected dividend yield	2.7%
Expected life of stock options in years	6.02
Estimated weighted-average fair value per stock option	$12.33

Restricted share-based awards

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

	No. of Shares	**WTD. Avg. Grant Date Fair Value per Share**
Awards outstanding at September 30, 2015	381,509	$ 57.22
Granted	97,154	68.81
Vested	(154,570)	47.05
Forfeited	(9,228)	57.45
Awards outstanding at April 2, 2016	314,865	60.25

For the six months ended April 2, 2016, the total fair value of restricted stock units vested was $7.9 million.

Performance-based awards

Performance-based award activity was as follows:

	No. of Units	WTD. Avg. Grant Date Fair Value per Unit
Awards outstanding at September 30, 2015	339,224	$ 54.86
Granted	56,315	68.68
Vested	(128,941)	45.06
Forfeited	—	—
Awards outstanding at April 2, 2016	266,598	62.52

NOTE 10. INCOME TAXES

The effective tax rate related to continuing operations for the six months ended April 2, 2016 was 35.5%, compared to 36.0% for the six months ended March 28, 2015. The effective tax rate used for interim reporting purposes is based on management's best estimate of factors impacting the effective tax rate for the full fiscal year. There can be no assurance that the effective tax rate estimated for interim financial reporting purposes will approximate the effective tax rate determined at fiscal year end.

Scotts Miracle-Gro or one of its subsidiaries files income tax returns in the U.S. federal jurisdiction and various state, local and foreign jurisdictions. Subject to the following exceptions, the Company is no longer subject to examination by these tax authorities for fiscal years prior to 2012. The Company is currently under examination by the Internal Revenue Service and certain foreign and U.S. state and local tax authorities. The U.S. federal examination is limited to fiscal years 2011 and 2012. With respect to foreign jurisdictions, a German audit is currently ongoing covering fiscal years 2009 through 2012. In regard to the multiple U.S. state and local audits, the tax periods under examination are limited to fiscal years 2008 through 2013. In addition to the aforementioned audits, certain other tax deficiency notices and refund claims for previous years remain unresolved.

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

NOTE 11. CONTINGENCIES

Management regularly evaluates the Company's contingencies, including various lawsuits and claims which arise in the normal course of business, product and general liabilities, workers' compensation, property losses and other liabilities for which the Company is self-insured or retains a high exposure limit. Self-insurance reserves are established based on actuarial loss estimates for specific individual claims plus actuarially estimated amounts for incurred but not reported claims and adverse development factors applied to existing claims. Legal costs incurred in connection with the resolution of claims, lawsuits and other contingencies generally are expensed as incurred. In the opinion of management, the assessment of contingencies is reasonable and related reserves, in the aggregate, are adequate; however, there can be no assurance that final resolution of these matters will not have a material effect on the Company's financial condition, results of operations or cash flows.

Regulatory Matters

At April 2, 2016, $5.6 million was accrued in the "Other liabilities" line in the Condensed Consolidated Balance Sheets for environmental actions, the majority of which are for site remediation. The amounts accrued are believed to be adequate to cover such known environmental exposures based on current facts and estimates of likely outcomes. Although it is reasonably possible that the costs to resolve such known environmental exposures will exceed the amounts accrued, any variation from accrued amounts is not expected to be material.

Other

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

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

The Company is involved in other lawsuits and claims which arise in the normal course of business. These claims individually and in the aggregate are not expected to result in a material effect on the Company’s financial condition, results of operations or cash flows.

NOTE 12. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Company is exposed to market risks, such as changes in interest rates, currency exchange rates and commodity prices. To manage a portion of the volatility related to these exposures, the Company enters into various financial transactions. The utilization of these financial transactions is governed by policies covering acceptable counterparty exposure, instrument types and other hedging practices. The Company does not hold or issue derivative financial instruments for speculative trading purposes.

Exchange Rate Risk Management

The Company uses currency forward contracts to manage the exchange rate risk associated with intercompany loans with foreign subsidiaries that are denominated in local currencies. At April 2, 2016, the notional amount of outstanding currency forward contracts was $54.3 million, with a negative fair value of $0.2 million. At March 28, 2015, the notional amount of outstanding currency forward contracts was $147.2 million, with a negative fair value of $0.2 million. At September 30, 2015, the notional amount of outstanding currency forward contracts was $52.3 million, with a negative fair value of $0.7 million. The fair value of currency forward contracts is determined using forward rates in commonly quoted intervals for the full term of the contracts. The outstanding contracts will mature over the next fiscal year.

Interest Rate Risk Management

The Company enters into interest rate swap agreements as a means to hedge its variable interest rate risk on debt instruments. Net amounts to be received or paid under the swap agreements are reflected as adjustments to interest expense. Since the interest rate swap agreements have been designated as hedging instruments, unrealized gains or losses resulting from adjusting these swaps to fair value are recorded as elements of accumulated other comprehensive income (loss) (“AOCI”) within the Condensed Consolidated Balance Sheets except for any ineffective portion of the change in fair value, which is immediately recorded in interest expense. The fair value of the swap agreements is determined based on the present value of the estimated future net cash flows using implied rates in the applicable yield curve as of the valuation date.

The Company has outstanding interest rate swap agreements with major financial institutions that effectively convert a portion of the Company’s variable-rate debt to a fixed rate. The swap agreements had a total U.S. dollar equivalent notional amount of

$1,250.0 million at April 2, 2016 and $1,300.0 million at March 28, 2015 and September 30, 2015. Refer to "NOTE 7. DEBT" for the terms of the swap agreements outstanding at April 2, 2016. Included in the AOCI balance at April 2, 2016 was a loss of $3.0 million related to interest rate swap agreements that is expected to be reclassified to earnings during the next twelve months, consistent with the timing of the underlying hedged transactions.

Commodity Price Risk Management

The Company enters into hedging arrangements designed to fix the price of a portion of its projected future urea requirements. The contracts are designated as hedges of the Company's exposure to future cash flow fluctuations associated with the cost of urea. The objective of the hedges is to mitigate the earnings and cash flow volatility attributable to the risk of changing prices. Since the contracts have been designated as hedging instruments, unrealized gains or losses resulting from adjusting these contracts to fair value are recorded as elements of AOCI within the Condensed Consolidated Balance Sheets. Realized gains or losses remain as a component of AOCI until the related inventory is sold. Upon sale of the underlying inventory, the gain or loss is reclassified to cost of sales. Included in the AOCI balance at April 2, 2016 was a loss of $0.5 million related to urea derivatives that is expected to be reclassified to earnings during the next twelve months, consistent with the timing of the underlying hedged transactions.

The Company also uses derivatives to partially mitigate the effect of fluctuating diesel costs on operating results. These financial instruments are carried at fair value within the Condensed Consolidated Balance Sheets. Changes in the fair value of derivative contracts that qualify for hedge accounting are recorded in AOCI except for any ineffective portion of the change in fair value, which is immediately recorded in earnings. The effective portion of the change in fair value remains as a component of AOCI until the related fuel is consumed, at which time the accumulated gain or loss on the derivative contract is reclassified to cost of sales. Changes in the fair value of derivatives that do not qualify for hedge accounting are recorded as an element of cost of sales. At April 2, 2016, there were no amounts included within AOCI.

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

COMMODITY	APRIL 2, 2016	MARCH 28, 2015	SEPTEMBER 30, 2015
Urea	21,000 tons	21,000 tons	52,500 tons
Diesel	5,922,000 gallons	4,998,000 gallons	5,250,000 gallons
Heating Oil	1,974,000 gallons	5,754,000 gallons	2,772,000 gallons

Fair Values of Derivative Instruments

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

		ASSETS / (LIABILITIES)		
		APRIL 2, 2016	MARCH 28, 2015	SEPTEMBER 30, 2015
DERIVATIVES DESIGNATED AS HEDGING INSTRUMENTS	BALANCE SHEET LOCATION	FAIR VALUE		
		(In millions)		
Interest rate swap agreements	Other assets	$ —	$ 0.1	$ —
	Other current liabilities	(5.8)	(9.9)	(8.8)
	Other liabilities	(5.1)	(5.0)	(4.6)
Commodity hedging instruments	Other current liabilities	(0.7)	(0.6)	(1.3)
Total derivatives designated as hedging instruments		$ (11.6)	$ (15.4)	$ (14.7)
DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS	**BALANCE SHEET LOCATION**			
Currency forward contracts	Other current liabilities	$ (0.2)	$ (0.2)	$ (0.7)
Commodity hedging instruments	Other current liabilities	(3.8)	(6.1)	(3.2)
Total derivatives not designated as hedging instruments		(4.0)	(6.3)	(3.9)
Total derivatives		$ (15.6)	$ (21.7)	$ (18.6)

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

DERIVATIVES IN CASH FLOW HEDGING RELATIONSHIPS	AMOUNT OF GAIN / (LOSS) RECOGNIZED IN AOCI			
	THREE MONTHS ENDED		SIX MONTHS ENDED	
	APRIL 2, 2016	MARCH 28, 2015	APRIL 2, 2016	MARCH 28, 2015
	(In millions)			
Interest rate swap agreements	$ (2.6)	$ (3.0)	$ (0.9)	$ (4.7)
Commodity hedging instruments	(0.3)	(1.0)	(0.7)	(0.4)
Total	$ (2.9)	$ (4.0)	$ (1.6)	$ (5.1)

DERIVATIVES IN CASH FLOW HEDGING RELATIONSHIPS	RECLASSIFIED FROM AOCI INTO STATEMENT OF OPERATIONS	AMOUNT OF GAIN / (LOSS)			
		THREE MONTHS ENDED		SIX MONTHS ENDED	
		APRIL 2, 2016	MARCH 28, 2015	APRIL 2, 2016	MARCH 28, 2015
		(In millions)			
Interest rate swap agreements	Interest expense	$ (2.2)	$ (2.5)	$ (3.2)	$ (3.5)
Commodity hedging instruments	Cost of sales	(0.6)	0.1	(0.4)	0.1
Total		$ (2.8)	$ (2.4)	$ (3.6)	$ (3.4)

DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS	RECOGNIZED IN STATEMENT OF OPERATIONS	AMOUNT OF GAIN / (LOSS)			
		THREE MONTHS ENDED		SIX MONTHS ENDED	
		APRIL 2, 2016	MARCH 28, 2015	APRIL 2, 2016	MARCH 28, 2015
		(In millions)			
Currency forward contracts	Other income, net	$ (0.3)	$ 2.1	$ (1.1)	$ 5.2
Commodity hedging instruments	Cost of sales	(1.0)	(1.5)	(4.3)	(8.7)
Total		$ (1.3)	$ 0.6	$ (5.4)	$ (3.5)

NOTE 13. FAIR VALUE MEASUREMENTS

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

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

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

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

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

Derivatives

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

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

Cash Equivalents

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

Other

Other consists of investment securities in non-qualified retirement plan assets. These securities are valued using observable market prices in active markets and are classified within Level 1 of the valuation hierarchy.

The following table presents the Company's financial assets and liabilities measured at fair value on a recurring basis at April 2, 2016:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
	(In millions)			
Assets				
Cash equivalents	$ 22.6	$ —	$ —	$ 22.6
Other	11.1	—	—	11.1
Total	$ 33.7	$ —	$ —	$ 33.7
Liabilities				
Derivatives				
Interest rate swap agreements	$ —	$ (10.9)	$ —	$ (10.9)
Currency forward contracts	—	(0.2)	—	(0.2)
Commodity hedging instruments	—	(4.5)	—	(4.5)
Total	$ —	$ (15.6)	$ —	$ (15.6)

The following table presents the Company's financial assets and liabilities measured at fair value on a recurring basis at March 28, 2015:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
	(In millions)			
Assets				
Cash equivalents	$ 17.8	$ —	$ —	$ 17.8
Derivatives				
Interest rate swap agreements	—	0.1	—	0.1
Other	10.5	—	—	10.5
Total	$ 28.3	$ 0.1	$ —	$ 28.4
Liabilities				
Derivatives				
Interest rate swap agreements	$ —	$ (14.9)	$ —	$ (14.9)
Currency forward contracts	—	(0.2)	—	(0.2)
Commodity hedging instruments	—	(6.7)	—	(6.7)
Total	$ —	$ (21.8)	$ —	$ (21.8)

The following table presents the Company’s financial assets and liabilities measured at fair value on a recurring basis at September 30, 2015:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
	(In millions)			
Assets				
Cash equivalents	$ 28.6	$ —	$ —	$ 28.6
Other	8.9	—	—	8.9
Total	$ 37.5	$ —	$ —	$ 37.5
Liabilities				
Derivatives				
Interest rate swap agreements	$ —	$ (13.4)	$ —	$ (13.4)
Currency forward contracts	—	(0.7)	—	(0.7)
Commodity hedging instruments	—	(4.5)	—	(4.5)
Total	$ —	$ (18.6)	$ —	$ (18.6)

NOTE 14. SEGMENT INFORMATION

The Company divides its business into three reportable segments: U.S. Consumer, Europe Consumer and Other. These segments differ from those used in prior periods due to the change in internal organization structure associated with Project Focus, which is a series of initiatives announced in the first quarter of fiscal 2016 designed to maximize the value of the Company’s non-core assets and concentrate its focus on emerging categories of the lawn and garden industry in its core U.S. business. On April 13, 2016, as part of this project, the Company completed the contribution of the SLS Business to a newly formed subsidiary of TruGreen Holdings in exchange for a minority equity interest of approximately 30% in the Joint Venture. As a result, effective in its second quarter of fiscal 2016, the Company classified its results of operations for all periods presented to reflect the SLS Business as a discontinued operation and classified the assets and liabilities of the SLS Business as held for sale. The prior period amounts have been reclassified to conform with the new segments. This division of reportable segments is consistent with how the segments report to and are managed by the chief operating decision maker of the Company.

U.S. Consumer consists of the Company’s consumer lawn and garden business located in the geographic United States. Europe Consumer consists of the Company’s consumer lawn and garden business located in geographic Europe. Other consists of the Company’s consumer lawn and garden businesses in geographies other than the U.S. and Europe, the Company’s indoor, urban and hydroponics gardening business, and revenues and expenses associated with the Company’s supply agreements with Israel Chemicals, Ltd. Corporate consists of general and administrative expenses and certain other income/expense items not allocated to the business segments.

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

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

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	APRIL 2, 2016	MARCH 28, 2015	APRIL 2, 2016	MARCH 28, 2015
	(In millions)			
Net sales:				
U.S. Consumer	$ 1,039.7	$ 893.2	$ 1,152.9	$ 990.4
Europe Consumer	115.0	118.1	140.7	150.6
Other	90.5	60.5	146.1	100.3
Consolidated	$ 1,245.2	$ 1,071.8	$ 1,439.7	$ 1,241.3
Income from continuing operations before income taxes:				
U.S. Consumer	$ 336.0	$ 250.6	$ 281.8	$ 192.0
Europe Consumer	21.6	20.7	12.4	8.9
Other	4.6	0.9	5.1	(2.5)
Segment total	362.2	272.2	299.3	198.4
Corporate	(35.7)	(32.7)	(60.1)	(53.9)
Intangible asset amortization	(4.3)	(3.1)	(8.2)	(6.5)
Impairment, restructuring and other	47.0	(4.8)	40.5	(13.3)
Costs related to refinancing	—	—	(8.8)	—
Interest expense	(19.1)	(15.0)	(35.4)	(24.7)
Consolidated	$ 350.1	$ 216.6	$ 227.3	$ 100.0

	APRIL 2, 2016	MARCH 28, 2015	SEPTEMBER 30, 2015
	(In millions)		
Total assets:			
U.S. Consumer	$ 2,636.0	$ 2,113.4	$ 1,622.5
Europe Consumer	322.6	327.7	217.9
Other	367.8	225.0	324.1
Corporate	150.5	138.4	142.4
Assets held for sale	208.7	205.3	220.3
Consolidated	$ 3,685.6	$ 3,009.8	$ 2,527.2

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

The 6.000% Senior Notes were issued on October 13, 2015 and are guaranteed by certain of the Company's domestic subsidiaries and, therefore, the Company reports condensed consolidating financial information in accordance with SEC Regulation S-X Rule 3-10, *Financial Statements of Guarantors and Issuers of Guaranteed Securities Registered or Being Registered.* On January 15, 2014 and December 15, 2015, Scotts Miracle-Gro redeemed, respectively, all of its outstanding $200.0 million aggregate principal amount of 7.25% Senior Notes and $200.0 million aggregate principal amount of 6.625% Senior Notes, each of which were previously guaranteed by certain of its domestic subsidiaries. The guarantees are "full and unconditional," as those terms are used in Regulation S-X Rule 3-10, except that a subsidiary's guarantee will be released in certain customary circumstances, such as (1) upon any sale or other disposition of all or substantially all of the assets of the subsidiary (including by way of merger or consolidation) to any person other than Scotts Miracle-Gro or any "restricted subsidiary" under the indenture governing the 6.00% Senior Notes; (2) if the subsidiary merges with and into Scotts Miracle-Gro, with Scotts Miracle-Gro surviving such merger; (3) if the subsidiary is designated an "unrestricted subsidiary" in accordance with the indenture governing the 6.000% Senior Notes or otherwise ceases to be a "restricted subsidiary" (including by way of liquidation or dissolution) in a transaction permitted by such indenture; (4) upon legal or covenant defeasance; (5) at the election of Scotts Miracle-Gro following the subsidiary's release as a guarantor under the new credit agreement, except a release by or as a result of the repayment of the new credit agreement; or (6) if the subsidiary ceases to be a "restricted subsidiary" and the subsidiary is not otherwise required to provide a guarantee of the 6.000% Senior Notes pursuant to the indenture governing the 6.000% Senior Notes. HGCI, Inc. and GenSource, Inc. were added as guarantors effective in the three month period ending January 2, 2016 and have been classified as Guarantors for all periods presented. HGCI, Inc. and GenSource, Inc. did not have any activity for the second quarter of 2015.

The following 100% directly or indirectly owned subsidiaries fully and unconditionally guarantee at April 2, 2016 the 6.000% Senior Notes on a joint and several basis: EG Systems, Inc.; Gutwein & Co., Inc.; Hyponex Corporation; Miracle-Gro Lawn Products, Inc.; OMS Investments, Inc.; Rod McLellan Company; Sanford Scientific, Inc.; Scotts Temecula Operations, LLC; Scotts Manufacturing Company; Scotts Products Co.; Scotts Professional Products Co.; Scotts-Sierra Investments LLC; SMG Growing Media, Inc.; Swiss Farms Products, Inc.; SMGM LLC; SLS Franchise Systems LLC; The Scotts Company LLC; The Hawthorne Gardening Company; Hawthorne Hydroponics LLC; HGCI, Inc.; and GenSource, Inc. (collectively, the "Guarantors").

The following information presents Condensed Consolidating Statements of Operations for the three and six months ended April 2, 2016 and March 28, 2015, Condensed Consolidating Statements of Comprehensive Income (Loss) for the three and six months ended April 2, 2016 and March 28, 2015, Condensed Consolidating Statements of Cash Flows for the six months ended April 2, 2016 and March 28, 2015, and Condensed Consolidating Balance Sheets as of April 2, 2016, March 28, 2015 and September 30, 2015. The condensed consolidating financial information presents, in separate columns, financial information for: Scotts Miracle-Gro on a Parent-only basis, carrying its investment in subsidiaries under the equity method; Guarantors on a combined basis, carrying their investments in subsidiaries which do not guarantee the debt (collectively, the "Non-Guarantors") under the equity method; Non-Guarantors on a combined basis; and eliminating entries. The eliminating entries primarily reflect intercompany transactions, such as interest expense, accounts receivable and payable, short and long-term debt, and the elimination of equity investments, return on investments and income in subsidiaries. Because the Parent is obligated to pay the unpaid principal amount and interest on all amounts borrowed by the Guarantors or Non-Guarantors under the credit facility (and was obligated to pay the unpaid principal amount and interest on all amounts borrowed by the Guarantors and Non-Guarantors under the previous senior secured five-year revolving loan facility), the borrowings and related interest expense for the loans outstanding of the Guarantors and Non-Guarantors are also presented in the accompanying Parent-only financial information, and are then eliminated. Included in the Parent Condensed Consolidating Statement of Cash Flows for the six months ended April 2, 2016 and March 28, 2015 are $313.8 million and $76.3 million, respectively, of dividends paid by the Guarantors and Non-Guarantors to the Parent representing return on investments and as such are classified within cash flows from operating activities.

THE SCOTTS MIRACLE-GRO COMPANY
Condensed Consolidating Statement of Operations
for the three months ended April 2, 2016
(In millions)
(Unaudited)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations/ Consolidations	Consolidated
Net sales	$ —	$ 1,069.0	$ 176.2	$ —	$ 1,245.2
Cost of sales	—	605.2	118.3	—	723.5
Cost of sales—impairment, restructuring and other	—	0.1	—	—	0.1
Gross profit	—	463.7	57.9	—	521.6
Operating expenses:					
Selling, general and administrative	—	162.6	37.9	0.4	200.9
Impairment, restructuring and other	—	(47.5)	0.3	—	(47.2)
Other income, net	—	(0.4)	(0.9)	—	(1.3)
Income from operations	—	349.0	20.6	(0.4)	369.2
Equity income in subsidiaries	(216.6)	(7.7)	—	224.3	—
Other non-operating income	(8.7)	—	(6.2)	14.9	—
Interest expense	18.2	14.6	1.2	(14.9)	19.1
Income from continuing operations before income taxes	207.1	342.1	25.6	(224.7)	350.1
Income tax expense (benefit) from continuing operations	(3.4)	118.5	9.2	—	124.3
Income from continuing operations	210.5	223.6	16.4	(224.7)	225.8
Loss from discontinued operations, net of tax	—	(16.0)	—	—	(16.0)
Net income	$ 210.5	$ 207.6	$ 16.4	$ (224.7)	$ 209.8
Net loss attributable to noncontrolling interest	—	—	—	0.3	0.3
Net income attributable to controlling interest	$ 210.5	$ 207.6	$ 16.4	$ (224.4)	$ 210.1

THE SCOTTS MIRACLE-GRO COMPANY
Condensed Consolidating Statement of Operations
for the six months ended April 2, 2016
(In millions)
(Unaudited)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations/ Consolidations	Consolidated
Net sales	$ —	$ 1,199.3	$ 240.4	$ —	$ 1,439.7
Cost of sales	—	730.0	166.3	—	896.3
Cost of sales—impairment, restructuring and other	—	5.1	—	—	5.1
Gross profit	—	464.2	74.1	—	538.3
Operating expenses:					
Selling, general and administrative	—	247.3	66.2	0.7	314.2
Impairment, restructuring and other	—	(46.2)	0.3	—	(45.9)
Other income, net	—	(1.3)	(0.2)	—	(1.5)
Income from operations	—	264.4	7.8	(0.7)	271.5
Equity income in subsidiaries	(149.0)	(5.3)	—	154.3	—
Other non-operating income	(13.2)	—	(12.3)	25.5	—
Costs related to refinancing	8.8	—	—	—	8.8
Interest expense	34.2	24.7	2.0	(25.5)	35.4
Income from continuing operations before income taxes	119.2	245.0	18.1	(155.0)	227.3
Income tax expense (benefit) from continuing operations	(10.6)	84.8	6.5	—	80.7
Income from continuing operations	129.8	160.2	11.6	(155.0)	146.6
Loss from discontinued operations, net of tax	—	(17.5)	—	—	(17.5)
Net income	$ 129.8	$ 142.7	$ 11.6	$ (155.0)	$ 129.1
Net income attributable to noncontrolling interest	—	—	—	(0.1)	(0.1)
Net income attributable to controlling interest	$ 129.8	$ 142.7	$ 11.6	$ (155.1)	$ 129.0

THE SCOTTS MIRACLE-GRO COMPANY
Condensed Consolidating Statement of Comprehensive Income (Loss)
for the three months ended April 2, 2016
(In millions)
(Unaudited)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations/ Consolidations	Consolidated
Net income	$ 210.5	$ 207.6	$ 16.4	$ (224.7)	$ 209.8
Other comprehensive income (loss), net of tax:					
Net foreign currency translation adjustment	0.3	—	0.3	(0.3)	0.3
Net change in derivatives	(0.1)	0.3	—	(0.3)	(0.1)
Net change in pension and other post-retirement benefits	0.2	0.1	0.1	(0.2)	0.2
Total other comprehensive income (loss)	0.4	0.4	0.4	(0.8)	0.4
Comprehensive income	$ 210.9	$ 208.0	$ 16.8	$ (225.5)	$ 210.2

THE SCOTTS MIRACLE-GRO COMPANY
Condensed Consolidating Statement of Comprehensive Income (Loss)
for the six months ended April 2, 2016
(In millions)
(Unaudited)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations/ Consolidations	Consolidated
Net income	$ 129.8	$ 142.7	$ 11.6	$ (155.0)	$ 129.1
Other comprehensive income (loss), net of tax:					
Net foreign currency translation adjustment	(2.5)	—	(2.5)	2.5	(2.5)
Net change in derivatives	2.0	(0.3)	—	0.3	2.0
Net change in pension and other post-retirement benefits	0.7	0.4	0.3	(0.7)	0.7
Total other comprehensive income (loss)	0.2	0.1	(2.2)	2.1	0.2
Comprehensive income	$ 130.0	$ 142.8	$ 9.4	$ (152.9)	$ 129.3

THE SCOTTS MIRACLE-GRO COMPANY
Condensed Consolidating Statement of Cash Flows
for the six months ended April 2, 2016
(In millions)
(Unaudited)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations/ Consolidations	Consolidated
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES [(a)]	$ 292.6	$ (492.8)	$ (113.8)	$ (313.8)	$ (627.8)
INVESTING ACTIVITIES					
Proceeds from sale of long-lived assets	—	0.2	—	—	0.2
Investments in property, plant and equipment	—	(20.8)	(3.6)	—	(24.4)
Investment in loan receivable	—	(72.0)	—	—	(72.0)
Investment in unconsolidated affiliates	—	(2.0)	—	—	(2.0)
Investing cash flows from (to) affiliates	(395.0)	—	—	395.0	—
Net cash used in investing activities	(395.0)	(94.6)	(3.6)	395.0	(98.2)
FINANCING ACTIVITIES					
Borrowings under revolving and bank lines of credit and term loans	—	1,429.7	143.5	—	1,573.2
Repayments under revolving and bank lines of credit and term loans	—	(925.8)	(34.0)	—	(959.8)
Proceeds from issuance of 6.000% Senior Notes	400.0	—	—	—	400.0
Repayment of 6.625% Senior Notes	(200.0)	—	—	—	(200.0)
Financing and issuance fees	(10.5)	—	—	—	(10.5)
Dividends paid	(57.7)	(313.8)	—	313.8	(57.7)
Purchase of Common Shares	(42.8)	—	—	—	(42.8)
Payments on seller notes	—	(1.8)	(0.5)	—	(2.3)
Excess tax benefits from share-based payment arrangements	4.2	—	—	—	4.2
Cash received from the exercise of stock options	9.2	—	—	—	9.2
Financing cash flows from (to) affiliates	—	398.5	(3.5)	(395.0)	—
Net cash provided by (used in) financing activities	102.4	586.8	105.5	(81.2)	713.5
Effect of exchange rate changes on cash	—	—	(1.6)	—	(1.6)
Net increase (decrease) in cash and cash equivalents	—	(0.6)	(13.5)	—	(14.1)
Cash and cash equivalents at beginning of period	—	8.2	63.2	—	71.4
Cash and cash equivalents at end of period	$ —	$ 7.6	$ 49.7	$ —	$ 57.3

(a) Cash received by the Parent from the Guarantors in the form of dividends in the amount of $313.8 million represent return on investments and are included in cash flows from operating activities.

THE SCOTTS MIRACLE-GRO COMPANY
Condensed Consolidating Balance Sheet
As of April 2, 2016
(In millions)
(Unaudited)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations/ Consolidations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ —	$ 7.6	$ 49.7	$ —	$ 57.3
Accounts receivable, net	—	731.0	223.7	—	954.7
Accounts receivable pledged	—	208.4	—	—	208.4
Inventories	—	483.5	136.1	—	619.6
Assets held for sale	—	208.7	—	—	208.7
Prepaid and other current assets	—	122.1	38.0	—	160.1
Total current assets	—	1,761.3	447.5	—	2,208.8
Property, plant and equipment, net	—	382.3	54.0	—	436.3
Goodwill	—	260.5	12.8	11.6	284.9
Intangible assets, net	—	602.0	33.8	11.0	646.8
Other assets	21.9	87.2	15.0	(15.3)	108.8
Equity investment in subsidiaries	634.8	—	—	(634.8)	—
Intercompany assets	1,814.0	—	—	(1,814.0)	—
Total assets	$ 2,470.7	$ 3,093.3	$ 563.1	$ (2,441.5)	$ 3,685.6
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Current portion of debt	$ 15.0	$ 182.9	$ 20.0	$ (15.0)	$ 202.9
Accounts payable	—	221.9	71.9	—	293.8
Liabilities held for sale	—	62.1	—	—	62.1
Other current liabilities	18.9	318.0	90.2	—	427.1
Total current liabilities	33.9	784.9	182.1	(15.0)	985.9
Long-term debt	1,756.3	1,168.8	196.0	(1,356.3)	1,764.8
Other liabilities	5.1	221.0	31.2	(10.3)	247.0
Equity investment in subsidiaries	—	176.9	—	(176.9)	—
Intercompany liabilities	—	269.0	64.0	(333.0)	—
Total liabilities	1,795.3	2,620.6	473.3	(1,891.5)	2,997.7
Total shareholders' equity - controlling interest	675.4	472.7	89.8	(562.5)	675.4
Noncontrolling interest	—	—	—	12.5	12.5
Total equity	675.4	472.7	89.8	(550.0)	687.9
Total liabilities and equity	$ 2,470.7	$ 3,093.3	$ 563.1	$ (2,441.5)	$ 3,685.6

THE SCOTTS MIRACLE-GRO COMPANY
Condensed Consolidating Statement of Operations
for the three months ended March 28, 2015
(In millions)
(Unaudited)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations/ Consolidations	Consolidated
Net sales	$ —	$ 900.4	$ 171.4	$ —	$ 1,071.8
Cost of sales	—	531.3	115.5	—	646.8
Cost of sales—impairment, restructuring and other	—	—	0.2	—	0.2
Gross profit	—	369.1	55.7	—	424.8
Operating expenses:					
Selling, general and administrative	—	152.5	36.0	0.4	188.9
Impairment, restructuring and other	—	2.1	2.5	—	4.6
Other (income) loss, net	—	(0.5)	0.2	—	(0.3)
Income from operations	—	215.0	17.0	(0.4)	231.6
Equity income in subsidiaries	(128.9)	(6.4)	—	135.3	—
Other non-operating income	(9.5)	—	(5.6)	15.1	—
Interest expense	16.3	13.4	0.4	(15.1)	15.0
Income from continuing operations before income taxes	122.1	208.0	22.2	(135.7)	216.6
Income tax expense (benefit) from continuing operations	(2.5)	72.5	8.0	—	78.0
Income from continuing operations	124.6	135.5	14.2	(135.7)	138.6
Loss from discontinued operations, net of tax	—	(14.3)	—	—	(14.3)
Net income	$ 124.6	$ 121.2	$ 14.2	$ (135.7)	$ 124.3
Net loss attributable to noncontrolling interest	—	—	—	0.3	0.3
Net income attributable to controlling interest	$ 124.6	$ 121.2	$ 14.2	$ (135.4)	$ 124.6

THE SCOTTS MIRACLE-GRO COMPANY
Condensed Consolidating Statement of Operations
for the six months ended March 28, 2015
(In millions)
(Unaudited)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations/ Consolidations	Consolidated
Net sales	$ —	$ 1,000.1	$ 241.2	$ —	$ 1,241.3
Cost of sales	—	637.9	171.8	—	809.7
Cost of sales—impairment, restructuring and other	—	—	0.2	—	0.2
Gross profit	—	362.2	69.2	—	431.4
Operating expenses:					
Selling, general and administrative	—	226.6	66.7	0.9	294.2
Impairment, restructuring and other	—	9.9	3.2	—	13.1
Other (income) loss, net	—	(0.9)	0.3	—	(0.6)
Income (loss) from operations	—	126.6	(1.0)	(0.9)	124.7
Equity income in subsidiaries	(58.6)	(2.1)	—	60.7	—
Other non-operating income	(14.0)	—	(11.2)	25.2	—
Interest expense	27.5	21.7	0.7	(25.2)	24.7
Income from continuing operations before income taxes	45.1	107.0	9.5	(61.6)	100.0
Income tax expense (benefit) from continuing operations	(4.9)	37.5	3.4	—	36.0
Income from continuing operations	50.0	69.5	6.1	(61.6)	64.0
Loss from discontinued operations, net of tax	—	(13.7)	—	—	(13.7)
Net income	$ 50.0	$ 55.8	$ 6.1	$ (61.6)	$ 50.3
Net income attributable to noncontrolling interest	—	—	—	(0.3)	(0.3)
Net income attributable to controlling interest	$ 50.0	$ 55.8	$ 6.1	$ (61.9)	$ 50.0

THE SCOTTS MIRACLE-GRO COMPANY
Condensed Consolidating Statement of Comprehensive Income (Loss)
for the three months ended March 28, 2015
(In millions)
(Unaudited)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations/ Consolidations	Consolidated
Net income	$ 124.6	$ 121.2	$ 14.2	$ (135.7)	$ 124.3
Other comprehensive income (loss), net of tax:					
Net foreign currency translation adjustment	(8.1)	—	(8.1)	8.1	(8.1)
Net change in derivatives	(1.6)	(1.1)	—	1.1	(1.6)
Net change in pension and other post-retirement benefits	0.8	0.5	0.3	(0.8)	0.8
Total other comprehensive income (loss)	(8.9)	(0.6)	(7.8)	8.4	(8.9)
Comprehensive income	$ 115.7	$ 120.6	$ 6.4	$ (127.3)	$ 115.4

THE SCOTTS MIRACLE-GRO COMPANY
Condensed Consolidating Statement of Comprehensive Income (Loss)
for the six months ended March 28, 2015
(In millions)
(Unaudited)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations/ Consolidations	Consolidated
Net income	$ 50.0	$ 55.8	$ 6.1	$ (61.6)	$ 50.3
Other comprehensive income (loss), net of tax:					
Net foreign currency translation adjustment	(11.1)	—	(11.1)	11.1	(11.1)
Net change in derivatives	(1.7)	(0.5)	—	0.5	(1.7)
Net change in pension and other post-retirement benefits	1.6	1.0	0.6	(1.6)	1.6
Total other comprehensive income (loss)	(11.2)	0.5	(10.5)	10.0	(11.2)
Comprehensive income (loss)	$ 38.8	$ 56.3	$ (4.4)	$ (51.6)	$ 39.1

THE SCOTTS MIRACLE-GRO COMPANY
Condensed Consolidating Statement of Cash Flows
for the six months ended March 28, 2015
(In millions)
(Unaudited)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations/ Consolidations	Consolidated
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES [(a)]	$ 48.7	$ (432.4)	$ (99.9)	$ (165.1)	$ (648.7)
INVESTING ACTIVITIES					
Proceeds from sale of long-lived assets	—	5.2	—	—	5.2
Investments in property, plant and equipment	—	(25.2)	(2.8)	—	(28.0)
Investments in acquired businesses, net of cash acquired	—	(50.5)	—	—	(50.5)
Net cash used in investing activities	—	(70.5)	(2.8)	—	(73.3)
FINANCING ACTIVITIES					
Borrowings under revolving and bank lines of credit and term loans	—	1,034.5	161.0	—	1,195.5
Repayments under revolving and bank lines of credit and term loans	—	(388.7)	(61.8)	—	(450.5)
Dividends paid	(54.8)	(76.3)	(3.7)	80.0	(54.8)
Purchase of Common Shares	(14.8)	—	—	—	(14.8)
Payment on seller notes	—	(0.8)	—	—	(0.8)
Excess tax benefits from share-based payment arrangements	—	2.8	—	—	2.8
Cash received from the exercise of stock options	16.2	—	—	—	16.2
Financing cash flows from (to) affiliates	4.7	(87.6)	(2.2)	85.1	—
Net cash provided by (used in) financing activities	(48.7)	483.9	93.3	165.1	693.6
Effect of exchange rate changes on cash	—	—	(6.1)	—	(6.1)
Net increase (decrease) in cash and cash equivalents	—	(19.0)	(15.5)	—	(34.5)
Cash and cash equivalents at beginning of period	—	23.1	66.2	—	89.3
Cash and cash equivalents at end of period	$ —	$ 4.1	$ 50.7	$ —	$ 54.8

(a) Cash received by the Parent from its subsidiaries in the form of dividends in the amount of $76.3 million represent return on investments and are included in cash flows from operating activities. Cash received by the Guarantors from the Non-Guarantors in the form of dividends in the amount of $3.7 million represent return on investments and are included in the cash flows from operating activities.

THE SCOTTS MIRACLE-GRO COMPANY
Condensed Consolidating Balance Sheet
As of March 28, 2015
(In millions)
(Unaudited)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations/ Consolidations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ —	$ 4.1	$ 50.7	$ —	$ 54.8
Accounts receivable, net	—	441.8	226.8	—	668.6
Accounts receivable pledged	—	376.7	—	—	376.7
Inventories	—	460.3	123.8	—	584.1
Assets held for sale	—	205.3	—	—	205.3
Prepaid and other current assets	—	107.6	38.5	—	146.1
Total current assets	—	1,595.8	439.8	—	2,035.6
Property, plant and equipment, net	—	370.3	56.9	—	427.2
Goodwill	—	204.4	7.1	11.6	223.1
Intangible assets, net	—	249.0	36.9	12.6	298.5
Other assets	18.0	12.7	20.5	(25.8)	25.4
Equity investment in subsidiaries	387.3	—	—	(387.3)	—
Intercompany assets	1,370.5	—	—	(1,370.5)	—
Total assets	$ 1,775.8	$ 2,432.2	$ 561.2	$ (1,759.4)	$ 3,009.8
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Current portion of debt	$ —	$ 302.2	$ 13.1	$ —	$ 315.3
Accounts payable	—	223.4	71.1	—	294.5
Liabilities held for sale	—	56.6	—	—	56.6
Other current liabilities	16.0	225.3	82.9	—	324.2
Total current liabilities	16.0	807.5	167.1	—	990.6
Long-term debt	1,198.9	906.8	100.7	(998.9)	1,207.5
Other liabilities	4.8	224.9	32.8	(20.7)	241.8
Equity investment in subsidiaries	—	114.6	—	(114.6)	—
Intercompany liabilities	—	248.8	104.1	(352.9)	—
Total liabilities	1,219.7	2,302.6	404.7	(1,487.1)	2,439.9
Total shareholders' equity - controlling interest	556.1	129.6	156.5	(286.1)	556.1
Noncontrolling interest	—	—	—	13.8	13.8
Total equity	556.1	129.6	156.5	(272.3)	569.9
Total liabilities and equity	$ 1,775.8	$ 2,432.2	$ 561.2	$ (1,759.4)	$ 3,009.8

THE SCOTTS MIRACLE-GRO COMPANY
Condensed Consolidating Balance Sheet
As of September 30, 2015
(In millions)
(Unaudited)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations/ Consolidations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ —	$ 8.2	$ 63.2	$ —	$ 71.4
Accounts receivable, net	—	63.3	94.4	—	157.7
Accounts receivable pledged	—	152.9	—	—	152.9
Inventories	—	306.9	88.9	—	395.8
Assets held for sale	—	220.3	—	—	220.3
Prepaid and other current assets	—	86.4	34.7	—	121.1
Total current assets	—	838.0	281.2	—	1,119.2
Property, plant and equipment, net	—	388.0	56.1	—	444.1
Goodwill	—	260.2	12.0	11.6	283.8
Intangible assets, net	—	608.6	34.8	11.7	655.1
Other assets	16.3	11.0	15.0	(17.3)	25.0
Equity investment in subsidiaries	461.3	—	—	(461.3)	—
Intercompany assets	1,179.4	—	—	(1,179.4)	—
Total assets	$ 1,657.0	$ 2,105.8	$ 399.1	$ (1,634.7)	$ 2,527.2
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Current portion of debt	$ —	$ 122.9	$ 9.7	$ —	$ 132.6
Accounts payable	—	136.7	56.4	—	193.1
Liabilities held for sale	—	41.7	—	—	41.7
Other current liabilities	15.5	162.7	73.0	—	251.2
Total current liabilities	15.5	464.0	139.1	—	618.6
Long-term debt	1,016.3	724.9	100.1	(816.3)	1,025.0
Other liabilities	4.5	226.0	32.3	(12.3)	250.5
Equity investment in subsidiaries	—	156.2	—	(156.2)	—
Intercompany liabilities	—	296.5	47.6	(344.1)	—
Total liabilities	1,036.3	1,867.6	319.1	(1,328.9)	1,894.1
Total shareholders' equity - controlling interest	620.7	238.2	80.0	(318.2)	620.7
Noncontrolling interest	—	—	—	12.4	12.4
Total equity	620.7	238.2	80.0	(305.8)	633.1
Total liabilities and equity	$ 1,657.0	$ 2,105.8	$ 399.1	$ (1,634.7)	$ 2,527.2

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

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

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

This discussion and analysis should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in Scotts Miracle-Gro's Annual Report on Form 10-K for the fiscal year ended September 30, 2015 (the "2015 Annual Report").

EXECUTIVE SUMMARY

We are dedicated to delivering strong, long-term financial results and outstanding shareholder returns by providing products of superior quality and value to enhance consumers' lawn and garden environments. We are a leading manufacturer and marketer of consumer branded products for lawn and garden care in North America and Europe. We are Monsanto's exclusive agent for the marketing and distribution of consumer Roundup® non-selective herbicide products within the United States and other contractually specified countries. We have a presence in similar consumer branded products in Australia, the Far East and Latin America. In addition, as a result of our recent acquisition of General Hydroponics and Vermicrop, and our control of AeroGrow, we are a leading producer of liquid plant food products, growing media, advanced indoor garden systems and accessories for hydroponic gardening. Our operations are divided into three reportable segments: U.S. Consumer, Europe Consumer and Other. These segments differ from those used in prior periods due to the change in internal organization structure associated with Project Focus, which is a series of initiatives announced in the first quarter of fiscal 2016 designed to maximize the value of our non-core assets and concentrate focus on emerging categories of the lawn and garden industry in our core U.S. business.

On April 13, 2016, as part of Project Focus, we completed the contribution of the Scotts LawnService® business (the "SLS Business") to a newly formed subsidiary of TruGreen Holding Corporation (the "Joint Venture") in exchange for a minority equity interest of approximately 30% in the Joint Venture. As a result, effective in our second quarter of fiscal 2016, we classified our results of operations for all periods presented to reflect the SLS Business as a discontinued operation and classified the assets and liabilities of the SLS Business as held for sale. Prior to being reported as discontinued operations, the SLS Business was referred to as our former Scotts LawnService® business segment. At closing, the Joint Venture obtained debt financing and, pursuant to the terms of the Contribution and Distribution Agreement, we received a pro rata cash distribution of $196.2 million, partially offset by an $18.0 million investment in second lien term loan financing provided by us to the Joint Venture and closing working capital adjustments. For additional information, see "NOTE 2. DISCONTINUED OPERATIONS" of the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q.

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

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

	Percent of Net Sales by Quarter		
	2015	2014	2013
First Quarter	7.2%	6.7%	7.0%
Second Quarter	36.5%	38.0%	36.4%
Third Quarter	40.3%	39.3%	41.0%
Fourth Quarter	16.0%	16.0%	15.6%

We follow a 13-week quarterly accounting cycle pursuant to which our first three fiscal quarters end on a Saturday and our fiscal year always ends on September 30. This fiscal calendar convention requires us to cycle forward our first three fiscal quarter ends every six years. Fiscal 2016 is the most recent year impacted by this process and, as a result, our first quarter of fiscal 2016 had six additional days and our fourth quarter of fiscal 2016 will have five less days compared to the respective quarters of fiscal 2015. In addition, our second quarter of fiscal 2016 ended six days later than our second quarter of fiscal 2015 and these six days were in our peak selling season. This resulted in an increase in net sales of approximately $103 million and $120 million, and an increase in income attributable to controlling interest from continuing operations per share of $0.40 for the three and six months ended April 2, 2016.

On August 11, 2014, we announced that the Scotts Miracle-Gro Board of Directors approved a new share repurchase authorization effective November 1, 2014, which will expire on September 30, 2019, to repurchase up to $500 million of our Common Shares. This replaced the previous share repurchase authorization which expired on September 30, 2014. During the three and six months ended April 2, 2016, Scotts Miracle-Gro repurchased approximately 0.7 million Common Shares for $42.8 million. From the inception of this share repurchase program in the fourth quarter of fiscal 2014 through April 2, 2016, Scotts Miracle-Gro has repurchased approximately 0.9 million Common Shares for $57.6 million.

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

RESULTS OF OPERATIONS

Effective in our second quarter of fiscal 2016, we classified our results of operations for all periods presented to reflect the SLS Business as a discontinued operation. As a result, and unless specifically stated, all discussions regarding results for the three and six months ended April 2, 2016 and March 28, 2015 reflect results from our continuing operations. The following table sets forth the components of income and expense as a percentage of net sales:

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	APRIL 2, 2016	MARCH 28, 2015	APRIL 2, 2016	MARCH 28, 2015
Net sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of sales	58.1	60.4	62.3	65.2
Cost of sales—impairment, restructuring and other	—	—	0.3	—
Gross profit	41.9	39.6	37.4	34.8
Operating expenses:				
Selling, general and administrative	16.2	17.6	21.8	23.7
Impairment, restructuring and other	(3.8)	0.4	(3.2)	1.1
Other income, net	(0.1)	—	(0.1)	—
Income from operations	29.6	21.6	18.9	10.0
Costs related to refinancing	—	—	0.6	—
Interest expense	1.5	1.4	2.5	1.9
Income from continuing operations before income taxes	28.1	20.2	15.8	8.1
Income tax expense from continuing operations	10.0	7.3	5.6	2.9
Income from continuing operations	18.1	12.9	10.2	5.2
Loss from discontinued operations, net of tax	(1.3)	(1.3)	(1.2)	(1.1)
Net income	16.8 %	11.6 %	9.0 %	4.1 %

Net Sales

Net sales for the three months ended April 2, 2016 were $1,245.2 million, an increase of 16.2% from net sales of $1,071.8 million for the three months ended March 28, 2015. Net sales for the six months ended April 2, 2016 were $1,439.7 million, an increase of 16.0% from net sales of $1,241.3 million for the six months ended March 28, 2015. The change in net sales was attributable to:

	THREE MONTHS ENDED APRIL 2, 2016	SIX MONTHS ENDED APRIL 2, 2016
Volume	15.8	15.0
Acquisitions	1.6	2.6
Foreign exchange rates	(0.6)	(1.1)
Pricing	(0.6)	(0.5)
Change in net sales	16.2 %	16.0 %

The increase in net sales for the three and six months ended April 2, 2016 was primarily driven by:

- increased sales in our U.S. Consumer, Europe Consumer and Other segments, driven by the impact of the calendar shift whereby our second quarter of fiscal 2016 ended six days later than our second quarter of fiscal 2015 and these six days were in our peak selling season, resulting in an increase in net sales of approximately $103 million and $120 million for the three and six months ended April 2, 2016;
- increased sales volume in our U.S. Consumer, Europe Consumer and Other segments, driven by increased sales of fertilizer, seed, controls and growing media products, and the impact of our amended Marketing Agreement for consumer Roundup®; and
- the addition of net sales from acquisitions within our Other segment, primarily from General Hydroponics and Vermicrop;
- partially offset by the unfavorable impact of foreign exchange rates as a result of the strengthening of the U.S. dollar relative to other currencies including the Canadian dollar, euro and British pound; and
- an unfavorable impact of decreased pricing, largely from higher performance based trade programs, in the U.S. Consumer, Europe Consumer and Other segments.

Cost of Sales

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

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	APRIL 2, 2016	MARCH 28, 2015	APRIL 2, 2016	MARCH 28, 2015
	(In millions)			
Materials	$ 436.3	$ 387.7	$ 515.0	$ 461.5
Distribution and warehousing	126.5	118.4	172.7	167.0
Manufacturing labor and overhead	137.9	122.5	171.7	145.7
Roundup® reimbursements	22.8	18.2	36.9	35.5
	723.5	646.8	896.3	809.7
Impairment, restructuring and other	0.1	0.2	5.1	0.2
	$ 723.6	$ 647.0	$ 901.4	$ 809.9

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

	THREE MONTHS ENDED APRIL 2, 2016	SIX MONTHS ENDED APRIL 2, 2016
	(In millions)	
Volume and product mix	$ 90.4	$ 110.3
Roundup® reimbursements	4.6	1.4
Material costs	(11.4)	(11.2)
Foreign exchange rates	(6.9)	(13.9)
	76.7	86.6
Impairment, restructuring and other	(0.1)	4.9
Change in cost of sales	$ 76.6	$ 91.5

The increase in cost of sales for the three and six months ended April 2, 2016 was primarily driven by:

- costs related to increased sales volume in our U.S. Consumer, Europe Consumer and Other segments;
- costs related to sales from acquisitions within our Other segment of $10.4 million and $20.0 million for the three and six months ended April 2, 2016, respectively, primarily from General Hydroponics and Vermicrop; and
- an increase in net sales attributable to reimbursements under our Marketing Agreement for consumer Roundup®;
- partially offset by lower material costs in our U.S. Consumer segment driven by lower commodity costs;
- lower distribution costs within our U.S. Consumer segment due to savings from fuel purchases and the recognition of lower negative mark-to-market adjustments associated with our fuel hedges of $2.6 million and $8.2 million for the three and six months ended April 2, 2016;
- the favorable impact of foreign exchange rates as a result of a strengthening of the U.S. dollar relative to other currencies including the Canadian dollar, euro and British pound; and
- the decrease in restructuring and other charges of $0.1 million for the three months ended April 2, 2016 and the increase in restructuring and other charges of $4.9 million for the six months ended April 2, 2016, both related to addressing the consumer complaints regarding our reformulated Bonus S® product sold during fiscal 2015.

Gross Profit

As a percentage of net sales, our gross profit rate was 41.9% and 39.6% for the three months ended April 2, 2016 and March 28, 2015, respectively. As a percentage of net sales, our gross profit rate was 37.4% and 34.8% for the six months ended April 2, 2016 and March 28, 2015, respectively. Factors contributing to the change in gross profit rate are outlined in the following table:

	THREE MONTHS ENDED APRIL 2, 2016	SIX MONTHS ENDED APRIL 2, 2016
Product mix and volume:		
Mix and volume	0.8 %	1.4 %
Roundup® commissions and reimbursements	0.9	1.0
Material costs	0.9	0.8
Pricing	(0.3)	(0.2)
	2.3 %	3.0 %
Impairment, restructuring and other	—	(0.4)
Change in gross profit rate	2.3 %	2.6 %

The increase in the gross profit rate for the three and six months ended April 2, 2016 was primarily driven by:

- increased net sales volume driving improved leverage of fixed costs such as warehousing;
- lower distribution costs within our U.S. Consumer segment due to savings from fuel purchases and the recognition of lower negative mark-to-market adjustments associated with our fuel hedges of $2.6 million and $8.2 million for the three and six months ended April 2, 2016;
- lower material costs in our U.S. Consumer segment driven by commodities; and

- an increase in net sales attributable to our Marketing Agreement for consumer Roundup®;
- partially offset by unfavorable product mix within our U.S. Consumer and Other segments due to increased sales of mulch products; and
- an unfavorable impact of decreased pricing, largely from higher performance based trade programs, in the U.S. Consumer, Europe Consumer and Other segments.

Selling, General and Administrative Expenses

The following table sets forth the components of selling, general and administrative ("SG&A") expenses:

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	APRIL 2, 2016	MARCH 28, 2015	APRIL 2, 2016	MARCH 28, 2015
	(In millions)			
Advertising	$ 61.2	$ 61.3	$ 72.1	$ 70.0
Research and development	9.9	10.2	20.9	19.8
Share-based compensation	9.1	7.2	11.3	9.3
Amortization of intangibles	3.7	2.6	7.1	5.5
Other selling, general and administrative	117.0	107.6	202.8	189.6
	$ 200.9	$ 188.9	$ 314.2	$ 294.2

Advertising expense decreased $0.1 million for the three months ended April 2, 2016 compared to the three months ended March 28, 2015 driven by the timing of media spending in our U.S. Consumer, Europe Consumer and Other segments. The increase in other SG&A expenses of $9.4 million is due to the impact of recent acquisitions, primarily General Hydroponics and Vermicrop, and costs related to other transaction activity of $5.4 million and increased selling and variable incentive compensation of $5.7 million, partially offset by the favorable impact of foreign exchange rates of $0.8 million as the U.S. dollar has strengthened relative to other currencies including the Canadian dollar, euro and British pound.

Advertising expense increased $2.1 million for the six months ended April 2, 2016 compared to the six months ended March 28, 2015 driven by the timing of media spending in our U.S. Consumer, Europe Consumer and Other segments. The increase in other SG&A expenses of $13.2 million is due to the impact of recent acquisitions, primarily General Hydroponics and Vermicrop, and costs related to other transaction activity of $11.0 million and increased variable incentive compensation of $11.6 million, partially offset by the favorable impact of foreign exchange rates of $3.1 million as the U.S. dollar has strengthened relative to other currencies including the Canadian dollar, euro and British pound.

Impairment, Restructuring and Other (included in Operating Expenses)

In the first quarter of fiscal 2016, we announced a series of initiatives called Project Focus designed to maximize the value of our non-core assets and concentrate focus on emerging categories of the lawn and garden industry in our core U.S. business. During the three and six months ended April 2, 2016, we recognized $1.7 million and $2.6 million, respectively, in costs related to transaction activity associated with this project.

During the third quarter of fiscal 2015, our U.S. Consumer segment began experiencing an increase in certain consumer complaints related to the reformulated Bonus S® fertilizer product sold in the southeastern United States during fiscal 2015 indicating customers were experiencing damage to their lawns after application. During the three and six months ended April 2, 2016, we recognized $0.9 million and $1.3 million in costs related to resolving these consumer complaints and the recognition of costs expected to be incurred for current and expected consumer claims. Costs incurred to date since the inception of this matter are $73.7 million. We are working through the claims process with our insurers with respect to these costs, and have received reimbursement payments of $54.9 million through the second quarter of fiscal 2016, including $10 million and $35.0 million received during the three and six months ended April 2, 2016, respectively. We recorded offsetting insurance reimbursement recoveries upon resolution of the insurer's review of claim documentation in the amount of $4.9 million in the fourth quarter of fiscal 2015 and $50.0 million in the three and six months ended April 2, 2016. During the three and six months ended April 2, 2016, we paid $5.9 million and $19.1 million, respectively, to the third party administrator of the consumer claims to pay for lawn repairs.

During the three and six months ended March 28, 2015, we recognized $4.6 million and $13.1 million, respectively, in restructuring costs related to termination benefits provided to U.S. and international personnel as part of our restructuring of the U.S. administrative and overhead functions and the continuation of the international profitability improvement initiative.

Other Income, net

Other income is comprised of activities outside our normal business operations, such as royalty income from the licensing of certain of our brand names, foreign exchange gains/losses and gains/losses from the sale of non-inventory assets. Other income was $1.3 million and $1.5 million for the three and six months ended April 2, 2016, respectively, compared to $0.3 million and $0.6 million for the three and six months ended March 28, 2015, respectively.

Costs Related to Refinancing

Costs related to refinancing were $8.8 million for the six months ended April 2, 2016. The costs incurred were associated with the redemption of our 6.625% Senior Notes on December 15, 2015, and are comprised of $6.6 million of call premium and $2.2 million of unamortized bond discount and issuance costs that were written-off.

Interest Expense

Interest expense was $19.1 million for the three months ended April 2, 2016 compared to $15.0 million for the three months ended March 28, 2015. The increase in interest expense of $4.1 million was driven by an increase in average borrowings of $463.8 million, excluding the impact of foreign exchange rates, partially offset by a decrease in our weighted average interest rate of 27 basis points primarily due to reduced rates under our credit facility and the redemption of the 6.625% Senior Notes.

Interest expense was $35.4 million for the six months ended April 2, 2016 compared to $24.7 million for the six months ended March 28, 2015. The increase in interest expense of $10.7 million was driven by an increase in average borrowings of $440.8 million, excluding the impact of foreign exchange rates, and an increase in our weighted average interest rate of 12 basis points primarily due to the higher proportion of long-term fixed-rate borrowing in our debt mix during fiscal 2016. The increase in average borrowings was driven by recent acquisition and investment activity, primarily related to General Hydroponics, Vermicrop, Bonnie, and the amendment of our Marketing Agreement with Monsanto.

Income Tax Expense

The effective tax rate related to continuing operations for the six months ended April 2, 2016 was 35.5%, compared to 36.0% for the six months ended March 28, 2015. The effective tax rate used for interim purposes was based on our best estimate of factors impacting the effective tax rate for the full fiscal year. Factors affecting the estimated effective tax rate include assumptions as to income by jurisdiction (domestic and foreign), the availability and utilization of tax credits and the existence of elements of income and expense that may not be taxable or deductible. The estimated effective tax rate is subject to revision in later interim periods and at fiscal year end as facts and circumstances change during the course of the fiscal year. There can be no assurances that the effective tax rate estimated for interim financial reporting purposes will approximate the effective tax rate determined at fiscal year end.

Income from Continuing Operations

We reported net income attributable to controlling interest from continuing operations of $226.1 million, or $3.64 per diluted share, for the three months ended April 2, 2016 compared to $138.9 million, or $2.24 per diluted share, for the three months ended March 28, 2015; and $146.5 million, or $2.35 per diluted share, for the first six months of fiscal 2016 compared to $63.7 million, or $1.03 per diluted share, for the first six months of fiscal 2015.

For the three months ended April 2, 2016 and March 28, 2015, the pre-tax impact of impairment, restructuring and other was a net recovery of $47.0 million and a charge of $4.8 million, respectively. Excluding these items, adjusted net income attributable to controlling interest from continuing operations was $195.8 million for the three months ended April 2, 2016 compared to $142.0 million for the three months ended March 28, 2015, primarily driven by an increase in net sales and gross profit, partially offset by growth in interest expense and SG&A expenses. Diluted average common shares used in the diluted income per common share calculation were 62.2 million for the three months ended April 2, 2016 compared to 62.1 million for the three months ended March 28, 2015. The increase in dilutive average common shares was primarily the result of the exercise and issuance of share-based compensation awards, partially offset by Common Share repurchase activity.

For the six months ended April 2, 2016 and March 28, 2015, the pre-tax impact of impairment, restructuring and other was a net recovery of $40.5 million and a charge of $13.3 million, respectively. Additionally, we incurred $8.8 million of pre-tax costs during the first quarter of fiscal 2016 related to refinancing. Excluding these items, adjusted net income attributable to controlling interest from continuing operations was $126.1 million for the three months ended April 2, 2016 compared to $72.2 million for the three months ended March 28, 2015, primarily driven by an increase in net sales and gross profit, partially offset by growth in interest expense and SG&A. Diluted average common shares used in the diluted income per common share calculation were 62.4 million for the six months ended April 2, 2016 compared to 62.0 million for the six months ended March 28, 2015. The increase in dilutive average common shares was primarily the result of the exercise and issuance of share-based compensation awards, partially offset by Common Share repurchase activity.

Loss from Discontinued Operations, net of tax

On April 13, 2016, the Company completed the contribution of the SLS Business to the Joint Venture in exchange for a minority equity interest of approximately 30% in the Joint Venture. As a result, effective in its second quarter of fiscal 2016, the Company classified its results of operations for all periods presented to reflect the SLS Business as a discontinued operation and classified the assets and liabilities of the SLS Business as held for sale. The prior period amounts have been reclassified to conform. During the three and six months ended April 2, 2016, we recognized $9.0 million for the resolution of a prior SLS Business litigation matter, as well as $1.6 million and $4.4 million, respectively, in transaction related costs associated with the divestiture of the SLS Business within the “Loss from discontinued operations, net of tax” line in the Condensed Consolidated Statements of Operations.

Loss from discontinued operations, net of tax, was $16.0 million and $14.3 million for the three months ended April 2, 2016 and March 28, 2015, respectively, and was $17.5 million and $13.7 million for the six months ended April 2, 2016 and March 28, 2015, respectively. Fiscal year to date 2016 results are driven by planned increases in selling costs and increases in restructuring and other charges, partially offset by increased customer counts and the acquisition of Action Pest.

SEGMENT RESULTS

We divide our business into three reportable segments: U.S. Consumer, Europe Consumer and Other. These segments differ from those used in prior periods due to the change in internal organization structure associated with Project Focus, which is a series of initiatives announced in the first quarter of fiscal 2016 designed to maximize the value of our non-core assets and concentrate focus on emerging categories of the lawn and garden industry in our core U.S. business. On April 13, 2016, as part of this project, we completed the contribution of the SLS Business to a newly formed subsidiary of TruGreen Holdings in exchange for a minority equity interest of approximately 30% in the Joint Venture. As a result, effective in our second quarter of fiscal 2016, we classified our results of operations for all periods presented to reflect the SLS Business as a discontinued operation and classified the assets and liabilities of the SLS Business as held for sale. The prior period amounts have been reclassified to conform with the new segments. This division of reportable segments is consistent with how the segments report to and are managed by the chief operating decision maker of the Company.

U.S. Consumer consists of the Company’s consumer lawn and garden business located in the geographic United States. Europe Consumer consists of the Company’s consumer lawn and garden business located in geographic Europe. Other consists of the Company’s consumer lawn and garden business in geographies other than the U.S. and Europe, the Company’s indoor, urban and hydroponics gardening business, and revenues and expenses associated with the Company’s supply agreements with Israel Chemicals, Ltd. Corporate consists of general and administrative expenses and certain other income/expense items not allocated to the business segments.

Segment performance is evaluated based on several factors, including income (loss) from continuing operations before amortization, impairment, restructuring and other charges, which is not a generally accepted accounting principle (“GAAP”) measure. Senior management uses this measure of operating profit (loss) to evaluate segment performance because the Company believes this measure is most indicative of performance trends and the overall earnings potential of each segment.

The following table sets forth net sales by segment:

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	APRIL 2, 2016	MARCH 28, 2015	APRIL 2, 2016	MARCH 28, 2015
	(In millions)			
U.S. Consumer	$ 1,039.7	$ 893.2	$ 1,152.9	$ 990.4
Europe Consumer	115.0	118.1	140.7	150.6
Other	90.5	60.5	146.1	100.3
Consolidated	$ 1,245.2	$ 1,071.8	$ 1,439.7	$ 1,241.3

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

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	APRIL 2, 2016	MARCH 28, 2015	APRIL 2, 2016	MARCH 28, 2015
	(In millions)			
U.S. Consumer	$ 336.0	$ 250.6	$ 281.8	$ 192.0
Europe Consumer	21.6	20.7	12.4	8.9
Other	4.6	0.9	5.1	(2.5)
Segment Total	362.2	272.2	299.3	198.4
Corporate	(35.7)	(32.7)	(60.1)	(53.9)
Intangible asset amortization	(4.3)	(3.1)	(8.2)	(6.5)
Impairment, restructuring and other	47.0	(4.8)	40.5	(13.3)
Costs related to refinancing	—	—	(8.8)	—
Interest expense	(19.1)	(15.0)	(35.4)	(24.7)
Consolidated	$ 350.1	$ 216.6	$ 227.3	$ 100.0

U.S. Consumer

U.S. Consumer segment net sales were $1,039.7 million in the second quarter of fiscal 2016, an increase of 16.4%, from the second quarter of fiscal 2015 net sales of $893.2 million; and were $1,152.9 million for the first six months of fiscal 2016, an increase of 16.4%, from the first six months of fiscal 2015 sales of $990.4 million. For the three months ended April 2, 2016, the favorable impact of volume of 16.8%, which includes the impact of the calendar shift, was partially offset by the unfavorable impact of decreased pricing of 0.4%. For the six months ended April 2, 2016, the favorable impact of volume of 16.7%, which includes the impact of the calendar shift, was partially offset by the unfavorable impact of decreased pricing of 0.3%. Increased sales volume for the three and six months ended April 2, 2016 was driven by increased sales of fertilizer, seed, controls and growing media products, as well as the impact of the calendar shift.

U.S. Consumer segment operating income increased by $85.4 million, or 34.1%, in the second quarter of fiscal 2016, and increased $89.8 million, or 46.8%, in the first six months of fiscal 2016, as compared to the same periods in fiscal 2015. The increase was primarily driven by increased sales of fertilizer, seed, controls and growing media products, including the impact of the calendar shift, the impact of our amended Marketing Agreement for consumer Roundup®, lower distribution costs due to savings from fuel purchases and hedging and lower material costs driven by commodities, partially offset by increased SG&A as a result of transaction costs associated with our investment in Bonnie and increased compensation expense.

Europe Consumer

Europe Consumer segment net sales were $115.0 million in the second quarter of fiscal 2016, a decrease of 2.6%, from the second quarter of fiscal 2015 net sales of $118.1 million; and were $140.7 million for the first six months of fiscal 2016, a decrease of 6.6%, from the first six months of fiscal 2015 sales of $150.6 million. For the three months ended April 2, 2016, the decrease was driven by the prior year exit of the U.K. Solus business of $4.5 million, or 3.8%, and the unfavorable impact of changes in foreign exchange rates and decreased pricing of 2.9% and 1.2%, respectively, partially offset by the favorable impact of volume of $6.3 million, or 5.3%, which includes the impact of the calendar shift. For the six months ended April 2, 2016, the decrease was driven by the prior year exit of the U.K. Solus business of $6.4 million, or 4.2%, and the unfavorable impact of changes in foreign exchange rates and decreased pricing of 4.1% and 1.1%, respectively, partially offset by the favorable impact of volume of $4.3 million, or 2.8%, which includes the impact of the calendar shift.

Europe Consumer segment operating income increased by 4.3%, to $21.6 million, in the second quarter of fiscal 2016, and increased by 39.3%, to $12.4 million, in the first six months of fiscal 2016, as compared to the same periods in fiscal 2015. The increase was primarily driven by the prior year exit of the U.K. Solus business and higher sales volumes, including the impact of the calendar shift.

Other

Other segment net sales were $90.5 million in the second quarter of fiscal 2016, an increase of 49.6%, from the second quarter of fiscal 2015 net sales of $60.5 million; and were $146.1 million for the first six months of fiscal 2016, an increase of 45.7%, from the first six months of fiscal 2015 sales of $100.3 million. For the three months ended April 2, 2016, the favorable impacts of volume and acquisitions of 29.1% and 27.8%, respectively, were partially offset by the unfavorable impacts of changes in foreign exchange rates and decreased pricing of 5.6% and 1.5%, respectively. For the six months ended April 2, 2016, the favorable impacts of volume and acquisitions of 22.3% and 32.1%, respectively, were partially offset by the unfavorable impacts of changes in foreign exchange rates and decreased pricing of 7.7% and 1.1%, respectively. The addition of net sales from acquisitions, which primarily relate to General Hydroponics and Vermicrop, and increased volume from our indoor and urban gardening business comprise $25.0 million and $40.3 million of the increase in net sales for the three and six months ended April 2, 2016, respectively.

Other segment operating income increased to $4.6 million in the second quarter of fiscal 2016, and increased to $5.1 million in the first six months of fiscal 2016, as compared to the same periods in fiscal 2015. The increases were primarily driven by net sales due to acquisitions and increased sales volume, partially offset by increased SG&A as a result of costs related to other transaction activity.

Corporate

Corporate expenses were $35.7 million and $60.1 million in the three and six months ended April 2, 2016, as compared to $32.7 million and $53.9 million in the three and six months ended March 28, 2015, primarily driven by increased incentive compensation.

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

Cash used in operating activities totaled $627.8 million and $648.7 million for the six months ended April 2, 2016 and March 28, 2015, respectively. Excluding the impact of discontinued operations, cash used in operating activities totaled $640.0 million and $668.3 million for the six months ended April 2, 2016 and March 28, 2015, respectively.

Cash used in operating activities decreased $20.9 million, driven by an increase in net income of $78.8 million, which included insurance reimbursement recoveries of $45.0 million related to the Bonus S® consumer complaint matter, partially offset by an increase in cash used for working capital. The increase in cash used for working capital was primarily due to increased inventory production in the first six months of fiscal 2016 as compared to the first six months of fiscal 2015, as well as timing of customer receipts as compared to payment of current liabilities.

Investing Activities

Cash used in investing activities totaled $98.2 million and $73.3 million for the six months ended April 2, 2016 and March 28, 2015, respectively. Cash used in investing activities related to the SLS Business totaled $0.1 million and $21.9 million for the six months ended April 2, 2016 and March 28, 2015, respectively.

Cash used for investments in property, plant and equipment during the first six months of fiscal 2016 and fiscal 2015 was $24.4 million and $28.0 million, respectively. During the six months ended April 2, 2016, we made an investment in Bonnie in the amount of $72.0 million and an unconsolidated affiliate of $2.0 million. During the six months ended March 28, 2015, we completed the acquisition of three growing media businesses within our U.S. Consumer and Other segments for $33.6 million, and Scotts LawnService® completed the acquisition of Action Pest for $21.7 million. These acquisitions included cash payments of $50.5 million during the first six months of fiscal 2015.

Financing Activities

Financing activities provided cash of $713.5 million and $693.6 million for the six months ended April 2, 2016 and March 28, 2015, respectively. The increase in cash provided by financing activities of $19.9 million was the result of the issuance of $400.0 million aggregate principal amount of 6.000% Senior Notes, partially offset by the repayment of $200.0 million aggregate principal amount of 6.625% Senior Notes, a decrease in net borrowings under our credit facilities of $131.6 million, payment of financing and issuance fees of $10.5 million related to our new credit agreement and the 6.000% Senior Notes, an increase in repurchases of our Common Shares of $28.0 million and a decrease in cash received from the exercise of stock options of $7.0 million.

Cash and Cash Equivalents

Our cash and cash equivalents were held in cash depository accounts with major financial institutions around the world or invested in high quality, short-term liquid investments having original maturities of three months or less. The cash and cash equivalents balances of $57.3 million and $54.8 million as of as of April 2, 2016 and March 28, 2015, respectively, included $46.2 million and $46.2 million, respectively, held by controlled foreign corporations. Our current plans do not demonstrate a need to, nor do we have plans to, repatriate the retained earnings from these foreign corporations as the earnings are indefinitely reinvested. However, in the future, if we determine it is necessary to repatriate these funds, or we sell or liquidate any of these foreign corporations, we may be required to pay associated taxes on the repatriation, sale or liquidation.

Borrowing Agreements

Our primary sources of liquidity are cash generated by operations and borrowings under our credit facilities, which are guaranteed by substantially all of Scotts Miracle-Gro's domestic subsidiaries. On December 20, 2013, we entered into the third amended and restated credit agreement, providing us with a five-year senior secured revolving loan facility in the aggregate principal amount of up to $1.7 billion (the "former credit facility"). On October 29, 2015, we entered into the fourth amended and restated credit agreement (the "new credit agreement"), providing us with five-year senior secured loan facilities in the aggregate principal amount of $1.9 billion, comprised of a revolving credit facility of $1.6 billion and a term loan in the original principal amount of $300.0 million (the "new credit facilities"). The new credit agreement also provides us with the right to seek additional committed credit under the agreement in an aggregate amount of up to $500.0 million plus an unlimited additional amount, subject to certain specified financial and other conditions. Under the new credit agreement, we have the ability to obtain letters of credit up to $100.0 million. Borrowings on the revolving credit facility may be made in various currencies, including U.S. dollars, euro, British pounds, Australian dollars and Canadian dollars.

At April 2, 2016, we had letters of credit outstanding in the aggregate principal amount of $28.2 million, and $496.8 million of availability under the new credit agreement, subject to our continued compliance with covenants discussed below. The weighted average interest rates on average borrowings under the new credit agreement and the former credit facility were 3.7% and 3.9% for the six months ended April 2, 2016 and March 28, 2015, respectively.

We maintain a Master Accounts Receivable Purchase Agreement ("MARP Agreement"), which provides for the discretionary sale by us, and the discretionary purchase (outside of the commitment period specified in the MARP Agreement) by the participating banks, on a revolving basis, of accounts receivable generated by sales to three specified account debtors in an aggregate amount not to exceed $400.0 million.

On March 23, 2016, we amended the MARP Agreement in the following significant respects: (1) to include subsidiaries and affiliates of the approved debtors into the definition of approved debtors; (2) to require Scotts LLC to repurchase all receivables (including any defaulted receivables) from the banks on each settlement date; and (3) to provide the administrative agent and the banks with full recourse to Scotts LLC in case of non-payment of any purchased receivable on the maturity date thereof, regardless of the reason for such non-payment. Under the terms of the amended MARP Agreement, the banks have the opportunity to purchase those accounts receivable offered by us at a discount (from the agreed base value thereof) effectively equal to the one-week LIBOR plus 0.95%.

During the commitment period, which will begin no earlier than February 26, 2016 and end no later than June 17, 2016, the banks will be required to purchase such accounts receivable in an aggregate committed amount not to exceed $160.0 million. The commencement and continuation of the commitment period will be subject to, among other things, the absence of any termination event under the MARP Agreement or any default or event of default under the new credit agreement. There were $166.7 million and $301.3 million in borrowings or receivables pledged as collateral under the MARP Agreement as of April 2, 2016 and March 28, 2015. The carrying value of the receivables pledged as collateral was $208.4 million as of April 2, 2016 and $376.7 million as of March 28, 2015. As of April 2, 2016, there was $233.3 million of availability under the MARP Agreement.

On October 13, 2015, we issued $400.0 million aggregate principal amount of 6.000% senior notes due 2023 (the "6.000% Senior Notes"). The net proceeds of the offering were used to repay outstanding borrowings under our former credit facility. The 6.000% Senior Notes represent general unsecured senior obligations and rank equal in right of payment with our existing and future unsecured senior debt. The 6.000% Senior Notes have interest payment dates of April 15 and October 15 of each year, commencing April 15, 2016. The 6.000% Senior Notes may be redeemed, in whole or in part, on or after October 15, 2018 at applicable redemption premiums. The 6.000% Senior Notes contain customary covenants and events of default and mature on October 15, 2023. Substantially all of our domestic subsidiaries serve as guarantors of the 6.000% Senior Notes.

On December 15, 2015, we used a portion of our available credit facility borrowings to redeem all $200.0 million aggregate principal amount of our outstanding 6.625% senior notes due 2020 (the “6.625% Senior Notes”), paying a redemption price of $213.2 million, comprised of $6.6 million of accrued and unpaid interest, $6.6 million of call premium and $200.0 million for outstanding principal amount.

We were in compliance with all debt covenants as of April 2, 2016. Our new credit agreement contains, among other obligations, an affirmative covenant regarding our leverage ratio on the last day of each quarter, calculated as our net indebtedness divided by adjusted earnings before interest, taxes, depreciation and amortization. The maximum leverage ratio was 4.50 as of April 2, 2016. Our leverage ratio was 2.45 at April 2, 2016. Our new credit agreement also includes an affirmative covenant regarding our interest coverage. The minimum interest coverage ratio was 3.00 for the twelve months ended April 2, 2016. Our interest coverage ratio was 9.72 for the twelve months ended April 2, 2016. The new credit agreement allows us to make unlimited restricted payments (as defined in the new credit agreement), including increased or one-time dividend payments and Common Share repurchases, as long as the leverage ratio resulting from the making of such restricted payments is 4.00 or less. Otherwise we may only make restricted payments in an aggregate amount for each fiscal year not to exceed the amount set forth in the new credit agreement for such fiscal year ($175.0 million for 2016 and 2017 and $200.0 million for 2018 and in each fiscal year thereafter).

We continue to monitor our compliance with the leverage ratio, interest coverage ratio and other covenants contained in the new credit agreement and, based upon our current operating assumptions, we expect to remain in compliance with the permissible leverage ratio and interest coverage ratio throughout fiscal 2016. However, an unanticipated shortfall in earnings, an increase in net indebtedness or other factors could materially affect our ability to remain in compliance with the financial or other covenants of our new credit agreement, potentially causing us to have to seek an amendment or waiver from our lending group which could result in repricing of our credit facilities. While we believe we have good relationships with our lending group, we can provide no assurance that such a request would result in a modified or replacement credit agreement on reasonable terms, if at all.

Judicial and Administrative Proceedings

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

Contractual Obligations

Other than the changes to our borrowing agreements during our first quarter of fiscal 2016, there have been no material changes outside of the ordinary course of business in our outstanding contractual obligations since the end of fiscal 2015 and through April 2, 2016.

REGULATORY MATTERS

We are subject to local, state, federal and foreign environmental protection laws and regulations with respect to our business operations and believe we are operating in substantial compliance with, or taking actions aimed at ensuring compliance with, such laws and regulations. We are involved in several legal actions with various governmental agencies related to environmental matters. While it is difficult to quantify the potential financial impact of actions involving these environmental matters, particularly remediation costs at waste disposal sites and future capital expenditures for environmental control equipment, in the opinion of management, the ultimate liability arising from such environmental matters, taking into account established reserves, should not have a material effect on our financial condition, results of operations or cash flows. However, there can be no assurance that the resolution of these matters will not materially affect our future quarterly or annual results of operations, financial condition or cash flows. Additional information on environmental matters affecting us is provided in the 2015 Annual Report, under “ITEM 1. BUSINESS — Regulatory Considerations” and “ITEM 3. LEGAL PROCEEDINGS.”

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preceding discussion and analysis of our consolidated results of operations and financial condition should be read in conjunction with our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q. The 2015 Annual Report includes additional information about us, our operations, our financial condition, our critical accounting policies and accounting estimates, and should be read in conjunction with this Quarterly Report on Form 10-Q.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risks have not changed significantly from those disclosed in the 2015 Annual Report.

ITEM 4. CONTROLS AND PROCEDURES

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

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

In addition, there were no changes in the Registrant’s internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the Registrant’s fiscal quarter ended April 2, 2016 that have materially affected, or are reasonably likely to materially affect, the Registrant’s internal control over financial reporting.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There have been no material changes to the pending legal proceedings disclosed in the 2015 Annual Report.

ITEM 1A. RISK FACTORS

The Company's risk factors as of April 2, 2016 have not changed materially from those described in "ITEM IA. RISK FACTORS" in the 2015 Annual Report.

Cautionary Note Regarding Forward-Looking Statements

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

Forward-looking statements contained in this Quarterly Report on Form 10-Q are predictions only and actual results could differ materially from management's expectations due to a variety of factors, including those described in "ITEM 1A. RISK FACTORS" in the 2015 Annual Report. All forward-looking statements attributable to us or persons working on our behalf are expressly qualified in their entirety by such risk factors.

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

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

The payment of future dividends, if any, on the Common Shares will be determined by the Board of Directors in light of conditions then existing, including the Company’s earnings, financial condition and capital requirements, restrictions in financing agreements, business conditions and other factors. The terms of the new credit agreement allow the Company to make unlimited restricted payments (as defined in the new credit agreement), including increased or one-time dividend payments and Common Share repurchases, so long as the leverage ratio resulting from the making of such restricted payments is 4.00 or less. Otherwise the Company may only make restricted payments in an aggregate amount for each fiscal year not to exceed the amount set forth in the new credit agreement for such fiscal year ($175.0 million for 2016 and 2017 and $200.0 million for 2018 and in each fiscal year thereafter). Our leverage ratio was 2.45 at April 2, 2016.

(a) Issuer Purchases of Equity Securities

The following table shows the purchases of Common Shares made by or on behalf of Scotts Miracle-Gro or any “affiliated purchaser” (as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934, as amended) of Scotts Miracle-Gro for each fiscal month in the three months ended April 2, 2016:

Period	Total Number of Common Shares Purchased(1)	Average Price Paid per Common Share(2)	Total Number of Common Shares Purchased as Part of Publicly Announced Plans or Programs(3)	Approximate Dollar Value of Common Shares That May Yet be Purchased Under the Plans or Programs(3)
January 3 through January 30	241,985	$ 64.15	240,500	$ 469,759,550
January 31 through February 27	233,080	$ 65.64	231,700	$ 454,556,113
February 28 through April 2	175,197	$ 70.95	171,500	$ 442,394,885
Total	650,262	$ 66.52	643,700	

(1) All of the Common Shares purchased during the quarter were purchased in open market transactions. The total number of Common Shares purchased during the quarter includes 6,563 Common Shares purchased by the trustee of the rabbi trust established by the Company as permitted pursuant to the terms of The Scotts Company LLC Executive Retirement Plan (the “ERP”). The ERP is an unfunded, non-qualified deferred compensation plan which, among other things, provides eligible employees the opportunity to defer compensation above specified statutory limits applicable to The Scotts Company LLC Retirement Savings Plan and with respect to any Executive Management Incentive Pay (as defined in the ERP), Performance Award (as defined in the ERP) or other bonus awarded to such eligible employees. Pursuant to the terms of the ERP, each eligible employee has the right to elect an investment fund, including a fund consisting of Common Shares (the “Scotts Miracle-Gro Common Stock Fund”), against which amounts allocated to such employee’s account under the ERP, including employer contributions, will be benchmarked (all ERP accounts are bookkeeping accounts only and do not represent a claim against specific assets of the Company). Amounts allocated to employee accounts under the ERP represent deferred compensation obligations of the Company. The Company established the rabbi trust in order to assist the Company in discharging such deferred compensation obligations. When an eligible employee elects to benchmark some or all of the amounts allocated to such employee’s account against the Scotts Miracle-Gro Common Stock Fund, the trustee of the rabbi trust purchases the number of Common Shares equivalent to the amount so benchmarked. All Common Shares purchased by the trustee are purchased on the open market and are held in the rabbi trust until such time as they are distributed pursuant to the terms of the ERP. All assets of the rabbi trust, including any Common Shares purchased by the trustee, remain, at all times, assets of the Company, subject to the claims of its creditors. The terms of the ERP do not provide for a specified limit on the number of Common Shares that may be purchased by the trustee of the rabbi trust.

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

(3) On August 11, 2014, Scotts Miracle-Gro announced that its Board of Directors authorized the repurchase of up to $500 million of Common Shares over a five-year period (starting November 1, 2014 through September 30, 2019). The dollar amounts in the “Approximate Dollar Value of Common Shares That May Yet be Purchased Under the Plans or Programs” column reflect the remaining amounts that were available for repurchase under the $500 million authorized repurchase program.

ITEM 6. EXHIBITS

See Index to Exhibits at page 58 for a list of the exhibits included herewith.

SIGNATURES

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

THE SCOTTS MIRACLE-GRO COMPANY

Date: May 11, 2016

/s/ THOMAS RANDAL COLEMAN

Printed Name: Thomas Randal Coleman

Title: Executive Vice President and Chief Financial Officer

THE SCOTTS MIRACLE-GRO COMPANY
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED APRIL 2, 2016

INDEX TO EXHIBITS

EXHIBIT NO.	DESCRIPTION	LOCATION
10.1	Amendment No. 1, dated as of February 8, 2016, to Fourth Amended and Restated Credit Agreement dated October 29, 2015, by and among The Scotts Miracle-Gro Company, as a Borrower; the Subsidiary Borrowers (as defined therein); JPMorgan Chase Bank, N.A., as Administrative Agent; Bank of America, N.A. and Wells Fargo Bank, National Association, as Co-Syndication Agents; CoBank, ACB, Mizuho Bank, LTD., Coöperatieve Rabobank U.S., New York Branch (formerly known as Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. “Rabobank Nederland”, New York Branch), TD Bank N.A. and U.S. Bank National Association, as Co-Documentation Agents; and the several other banks and other financial institutions from time to time parties thereto	Incorporated herein by reference to the Registrant’s Quarterly Report on Form 10-Q for the quarterly period ended January 2, 2016 filed February 11, 2016 [Exhibit 10.3]
10.2	Incentive Compensation/Retention Award Agreement, dated February 11, 2016, between The Scotts Miracle-Gro Company and Michael C. Lukemire	*
10.3	Consulting Agreement, dated February 12, 2016, between The Scotts Company LLC and Hanft Projects LLC	*
10.4	Form of Aircraft Time Sharing Agreement for Executive Officers	*
10.5	Waiver and First Amendment to Amended and Restated Master Accounts Receivable Purchase Agreement, dated as of March 23, 2016, among The Scotts Miracle-Gro Company, The Scotts Company LLC, the Banks party thereto and Mizuho Bank, Ltd., as Administrative Agent	Incorporated herein by reference to the Registrant’s Current Report on Form 8-K filed March 29, 2016 [Exhibit 10.1]
21	Subsidiaries of The Scotts Miracle-Gro Company	*
31.1	Rule 13a-14(a)/15d-14(a) Certifications (Principal Executive Officer)	*
31.2	Rule 13a-14(a)/15d-14(a) Certifications (Principal Financial Officer)	*
32	Section 1350 Certifications (Principal Executive Officer and Principal Financial Officer)	*
101.INS	XBRL Instance Document	*
101.SCH	XBRL Taxonomy Extension Schema	*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase	*
101.DEF	XBRL Taxonomy Extension Definition Linkbase	*
101.LAB	XBRL Taxonomy Extension Label Linkbase	*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	*

* Filed or furnished herewith

February 11, 2016

Michael C. Lukemire
c/o The Scotts Miracle-Gro Company
14111 Scottslawn Road
Marysville OH 43041

Incentive Compensation/Retention Award Agreement

Dear Michael:

The Scotts Miracle-Gro Company ("SMG" or the "Company") recognizes you as one of its key leaders and an important member of the SMG executive team. Accordingly, this letter agreement (the "Incentive Compensation/Retention Award Agreement" or the "Agreement") between you and the Company outlines a significant incentive for you to continue your employment with the Company and achieve certain personal performance goals while in the employ of the Company, such personal performance goals to be identified by the Chief Executive Officer of the Company (the "CEO").

1. Incentive Compensation/Retention Bonus.

   a. Amount. Subject to the terms of this Agreement, you may be eligible to receive a one-time, discretionary incentive compensation/retention award in an amount equal to $500,000 (the "Incentive Compensation/Retention Bonus").

   b. Conditions to Receipt of Incentive Compensation/Retention Bonus. You must satisfy both of the following personal performance and retention criteria in order to be eligible to receive the Incentive Compensation/Retention Bonus:

      i. Satisfaction of Personal Performance Criteria. You must satisfy personal performance criteria identified and communicated by the CEO, the satisfaction of which shall be determined in the CEO's sole discretion.

      AND

      ii. Employment. You must remain continuously employed by the Company from the date of this Agreement through February 11, 2018 (the "Retention Date").

   c. Timing. Subject to your satisfaction of the criteria set forth in Section 1(b) above, you shall receive your Incentive Compensation/Retention Bonus within thirty (30) days of the Retention Date.

d. Nature of Incentive Compensation/Retention Bonus. The parties agree that the Incentive Compensation/Retention Bonus that is paid under this Agreement shall be exceptional and nonrecurring in nature and, as a result, shall not be considered incentive eligible earnings or otherwise a salary component paid to you on a regular basis. Eligibility to receive the Incentive Compensation/Retention Bonus has no impact on your eligibility to receive an annual incentive bonus under any applicable annual incentive plans of the Company.

2. Covenants. Any pay and benefits that you are entitled to receive under this Agreement are conditioned on you continuing to abide by all existing covenants you have with the Company.

3. Withholding Taxes. The Company shall have the power and the right to deduct or withhold, or require you to remit to the Company, an amount sufficient to satisfy federal, state, and local taxes, domestic or foreign, required by law or regulation to be withheld with respect to any taxable event arising as a result of this Agreement.

4. Enforceability and Successors. This Agreement shall inure to the benefit of and be binding upon the Company, but in no circumstances shall this Agreement be construed to entitle you to duplicate benefits set forth in this Agreement.

5. No Obligation to Employ. Nothing in this Agreement will confer on you any right to continue to serve as an employee of, or to continue in any other relationship with, the Company, or limit in any way the right of the Company to terminate your employment or other relationship at any time.

6. Prior Agreements. You and the Company acknowledge that this Agreement contains all of the terms and conditions with respect to the subject matter hereof, specifically the Incentive Compensation/Retention Bonus, and supersedes all previous or contemporaneous agreements, understandings, representations, or proposals (whether formal or informal, written or oral) relating to the subject matter hereof. This Agreement does not modify any other obligations on you to the Company, including but not limited to any obligations related to noncompetition, nonsolicitation or confidentiality.

7. Internal Revenue Code (“Code”) Section 409A Provisions. This Agreement shall be interpreted in accordance with Code Section 409A and the guidance issued thereunder, including any exceptions to Code Section 409A. This Agreement shall be deemed to be modified to the maximum extent necessary to be in compliance with Code Section 409A’s rules or applicable exceptions.

8. Modifications. No modification or amendment of this Agreement shall be effective unless in writing and duly executed by all the parties hereto, except that the Company may unilaterally amend this Agreement to the extent necessary to avoid any adverse tax or accounting consequences.

9. Applicable Law. This Agreement shall be governed by the laws of the State of Ohio.

10. Acknowledgments. You acknowledge that you have received legal assistance or have declined to receive legal assistance after the Company has advised you to obtain legal assistance regarding the contents and execution of this Agreement, you acknowledge that you had a chance to ask questions about this Agreement and you acknowledge that you are fully aware of any and all employment and/or tax law related consequences of any payment made to you under this Agreement.

11. Interpretations. All determinations and decisions made by the Company, the CEO, or any delegate of the Company or the CEO as to the provisions of this Agreement shall be conclusive, final, and binding on all parties.

12. Method of Acceptance. This Agreement may be executed in multiple counterparts, each of which shall constitute an original, and all of which shall constitute a single Agreement. To accept, you must sign and date the original Agreement. This Agreement will not be effective or enforceable until the date a signed copy of the Agreement is received by the Company at the above address.

Very truly yours,

The Scotts Miracle-Gro Company

By: /s/ DENISE STUMP
Denise Stump
Executive Vice President, Global Human Resources

Approved and Agreed:

/s/ MICHAEL C. LUKEMIRE
Michael C. Lukemire

3/7/16
Date

February 12, 2016

Exhibit 10.3

Mr. Adam Hanft
Chief Executive Officer
Hanft Projects LLC
55 Fifth Avenue, Penthouse
New York, NY 10003

Dear Adam:

This letter sets forth our agreement (the “Agreement”) regarding a consulting engagement between Hanft Projects LLC and The Scotts Company LLC (“Scotts” or the “Company”). For the purposes of this Agreement, the term “Contractor” means Hanft Projects LLC, its primary designee/employee Adam Hanft, and any other designee or employee of Hanft Projects LLC. These consulting services are separate and distinct from the services Mr. Hanft is and will be providing as a member of the Scotts Miracle-Gro Company’s Board of Directors (the “Board”) and (or any Board Committees or other Committees on which Mr. Hanft may subsequently serve).

I. Scope of Services

Subject to the approval of the Board, Contractor agrees to provide the consulting services to Scotts described below.

1. Contractor agrees to provide consulting services to Scotts in the area of Marketing so as to advise the Company on marketing strategies concerning a variety of areas including, but not limited to, brand and creative efforts, partnerships with outside services, work processes and staffing/personnel assessments.

2. In providing consulting services in the Areas of Expertise, it is anticipated that Contractor will generally undertake the following work and activities pursuant to this Agreement:
   - Provide insights and expertise to help inspire and develop a culture of creativity, with emphasis on: Shaping and assisting with the development of the overall marketing and creative strategy in conjunction with the CEO and COO; inspiring innovation; building Scotts’ brands and consumer loyalty; and mentoring and coaching key marketing and business executives as requested.
   - Consult with and provide recommendations to the CEO and COO on an as needed basis on issues of marketing strategy.
   - Periodically participate in marketing meetings to support the successful execution of the anticipated marketing initiatives of the Company with specific emphasis on the Connected Yard, Lawns campaign and other special projects.
   - Participate in discussions of and otherwise support other marketing issues as required.

   Contractor and the Company may agree to modifications of these work activities from time to time as necessary to achieve the purpose of this Agreement. When such modifications are necessary, Contractor and the Company will execute an amendment to this agreement reflecting the agreed upon modifications, which may include, by way of non-limiting examples, modifications regarding the work activities, the hours of consulting services provided, and/or the consulting fees and expenses paid to Contractor. Company expects Contractor to provide a minimum of 1,000 hours (50% of FTE) of consulting services during the term of this Agreement (outside services in his capacity as a member of the Board).

3. In providing consulting services to Scotts under this Agreement, Contractor will be an independent contractor and will not be an employee, agent, partner, or joint venturer of Scotts or of any of Scotts' affiliates, or of any of its or their respective officers, directors or employees. Except as provided as a member of the Board, if applicable, and except as otherwise expressly stated herein including in paragraph 1(b), Mr. Hanft and any other designee or employee of Contractor will not participate in or receive benefits under any of Scotts' employee fringe benefit programs or receive any other fringe benefits from Scotts, including, without limitation, the health, disability, life insurance, retirement, equity awards, pension and profit sharing benefits on account of the consulting services provided to Scotts under this Agreement.

II. Length of Agreement

The term of this Agreement will commence on February 1, 2016 and will end on January 31, 2017, unless terminated earlier under Section V.1. The term of this Agreement may be extended only by written agreement, signed by both parties and setting forth expressly the terms related to the consulting fee.

III. Authority

In providing consulting services to Scotts under this Agreement, Contractor will have no authority at any time to assume or create any obligation or liability, express or implied, on Scotts' behalf or in Scotts' name or to bind Scotts in any manner whatsoever.

IV. Consulting Fees and Expenses

1. In exchange for providing the consulting services hereunder, during the term of this Agreement, Scotts shall pay Contractor a consulting fee consisting of a combination of cash and restricted stock units, as follows:
   a. A monthly cash payment of $75,000 for each month during the term irrespective of whether Scotts requests that Contractor provides consulting services hereunder. Contractor shall be required to submit monthly invoices including days/hours worked with brief descriptions of the services provided. Scotts shall pay Contractor within 30 days of its receipt of Contractor's invoices.
   b. Subject to Contractor providing consulting services required by this Agreement throughout the complete term of this Agreement, the Company will provide Contractor a one-time grant of grant of restricted stock units ("RSUs") with a grant date value of $400,000. The RSUs' shall be issued in the name of Adam Hanft individually. The number of RSUs will be determined by dividing the intended grant date value by the closing price of a share on the grant date, rounded up to the next whole share. Except where Scotts terminates this Agreement without Cause, the RSUs and any related dividend equivalents will vest on January 31, 2017, provided that this Agreement has not otherwise been terminated or notified for termination on that date, and provided that Contractor has fulfilled Contractor's full service obligation to Scotts under the terms of this letter agreement at that time. In the event that Scotts terminates this Agreement without Cause, then the RSUs shall vest on a pro rata basis determined by dividing the

number of days into the term of the Agreement as of and including the termination date divided by 365 and rounding up to the nearest whole share. The vested RSUs, if any, will be settled as soon as administratively practical following vesting.

i. With the exception of the vesting provisions described above, the award of RSUs and related dividend equivalents shall be subject to the terms of The Scotts Miracle-Gro Company Long Term Incentive Plan, effective as of January 17, 2013 (the "Plan"), and the standard terms and conditions of the applicable award agreement. In the event of any conflicts or ambiguity between this Agreement and the terms of the Plan and/or the award agreement, the Plan and/or award agreement will be controlling.

2. Scotts also will pay or reimburse Contractor for all reasonable expenses incurred by Contractor in connection with providing consulting services to Scotts as contemplated herein, including, without limitation, all reasonable (a) telephone and fax expenses, and (b) travel expenses, including, without limitation, transportation, food and lodging, incurred in connection with attending Scotts approved meetings pursuant to this consulting agreement. Contractor must incur and account for expenses in accordance with the policies and procedures established by Scotts as a precondition to Scotts' obligation to pay or reimburse Contractor for such expenses pursuant to the terms of the preceding sentence. This includes describing expenses in reasonable detail on invoices. Scotts will provide private transportation when practical and economically reasonable.

3. Contractor agrees to provide, at its own expense, all equipment necessary to provide the consulting services contemplated herein and to be responsible for its own overhead costs and expenses except for those expenses that Scotts has expressly agreed to pay pursuant to the terms of the preceding paragraph.

V. Termination

1. Scotts shall be permitted to terminate this Agreement and its consulting relationship with Contractor under any of the following circumstances: (a) upon Scotts' 60 days advance written notice to Contractor, (b) Mr. Hanft's death or disability, or Contractor ceasing operations, (c) Contractor's material breach of its obligations to Scotts if such breach is not cured within 30 days after receiving notice thereof, (d) Contractor's and/or Mr. Hanft's indictment for a felony or serious misdemeanor, (e) Contractor's and/or Mr. Hanft's commission of an act of fraud or bad faith toward Scotts, or (f) Contractor's and/or Mr. Hanft's misappropriation of any funds, property or rights of Scotts. Contractor shall be permitted to terminate this Agreement and its consulting relationship with Scotts upon Contractor's 30 day advance written notice to Scotts.

2. The termination of this Agreement and Contractor's consulting relationship with Scotts shall not affect Scotts' obligation to pay Contractor for the amounts Contractor has earned prior to the date of such termination or reimburse Contractor for the expenses Contractor has incurred pursuant to the terms of this Agreement prior to the date of such termination.

VI. Confidential Information

1. In providing the consulting services contemplated herein, Contractor will receive Confidential Information about Scotts and its affiliates. Maintaining the confidential nature of this information is very important to Scotts. As used in this Agreement, “Confidential Information” is any information about Scotts, or its affiliates, to which Contractor gains access in connection with its provision of consulting or other services to Scotts, including Mr. Hanft’s service as a member of the Board. Confidential Information does not include information Contractor can show (a) was already in Contractor’s possession prior to the time Contractor received such information as a consultant to Scotts, or (b) is publicly available or otherwise in the public domain by means other than Contractor’s violation of the terms of this Agreement.

2. Contractor agrees to not at any time hereafter, without the prior written consent of Scotts, disclose, directly or indirectly, any Confidential Information or use any Confidential Information for any purpose other than providing consulting services to Scotts as contemplated herein.

3. Contractor agrees to promptly return to Scotts, upon Scotts’ request, all electronic or tangible documents that contain any Confidential Information and to retain no copies.

4. These confidentiality obligations are in addition to, and not in place of, any and all confidentiality obligations arising as a result of Mr. Hanft’s membership on the Board and applicable Board Committees.

VII. Other

1. Contractor understands and agrees that this Agreement does not obligate Scotts to utilize Contractor’s consulting services, but it is intended to set forth the terms pursuant to which Scotts may utilize Contractor’s consulting services in Scotts’ discretion.

2. Contractor is not permitted to assign, sell or otherwise transfer any of its rights or obligations hereunder.

3. Contractor acknowledges that neither Scotts nor any representatives of Scotts have made any representations or promises about the tax implications of this Agreement. Nothing in this Agreement may be construed as tax advice from Scotts to Contractor. Contractor has been encouraged to discuss the tax implications of this Agreement with his own tax and financial counsel.

THE SCOTTS COMPANY LLC

By: /s/ DENISE STUMP
Denise Stump
EVP, Global Human Resources & Chief Ethics Officer

ACKNOWLEDGED AND AGREED:

/s/ ADAM HANFT
Adam Hanft, Chief Executive Officer
Hanft Projects LLC

AIRCRAFT TIME SHARING AGREEMENT

THIS AIRCRAFT TIME SHARING AGREEMENT (this “**Agreement**”) is made and entered into to be effective as of the ___ _______ (“**Effective Date**”), by and between THE SCOTTS COMPANY LLC, an Ohio limited liability company, having a mailing address at 14111 Scottslawn Road, Marysville, Ohio 43041, as operator (the “**Operator**”), and [EXECUTIVE OFFICER NAME], an individual resident of the State of Ohio, residing at [ADDRESS], as user (the “**User**”).

WITNESSETH:

WHEREAS, Operator has rightful possession and operational control of the aircraft described in Exhibit A attached hereto (the “**Aircraft**”);

WHEREAS, the Operator conducts significant business operations in interstate commerce, other than the business of providing transportation by air; and

WHEREAS, the Operator and the User desire to enter into a “time sharing agreement,” as that term is defined in the provisions of 14 C.F.R. § 91.501(b)(6) and (c)(1), as amended or replaced from time to time (“14 C.F.R. § 91.501(b)(6) and (c)(1)”), with respect to the Aircraft, on a flight-by-flight basis under the terms and conditions of this Agreement.

NOW, THEREFORE, the Operator and the User (collectively, the “**Parties**”) do hereby agree as follows:

Section 1. Time Share of Aircraft.

1.1. Subject Matter of Agreement. The Operator hereby agrees to provide the Aircraft to the User on a time-sharing basis, and the User hereby agrees to hire from the Operator, the Aircraft as now equipped, with flight crew, subject to each Aircraft’s availability.

1.2. The parties acknowledge that (i) any rights of User contained herein are and remain, subject and subordinate to the Operator’s or any financing parties’ interest in and with respect to the Aircraft or any financing documents relating thereto, including the right to terminate such arrangements and recover the Aircraft, (ii) this Agreement shall not convey any lien on, or other property interest in or against the Aircraft, and (iii) User is not permitted any disposition of or to create any lien against the Aircraft.

1.3. Effect of Agreement. Possession, care, maintenance, and operational control of the Aircraft shall be vested in the Operator at all times during the term of this Agreement. The User shall have the right to hire the Aircraft with flight crew during the term of this Agreement, on a flight-by-flight basis, so long as the User is not in default under this Agreement beyond any time provided for the cure thereof. The maximum number of hours the Aircraft shall be available to the User for flights under this Agreement during any twelve (12) month period commencing on the Effective Date may not exceed ______. In calculating flight hours for purposes of this annual-hours limitation, each flight hour for flights on the Aircraft will count as one (1) hour. For purposes of this Agreement, the term "**flights under this Agreement**" shall mean all flights of the Aircraft that are the subject of this Agreement and on which: (a) the User, or a person or persons designated by the User, is a passenger, or (b) the User is not a passenger, but such flight is required to position or ferry the Aircraft immediately prior to or after a flight described in clause (a) above, and does not otherwise serve a business purpose of the Operator determined in accordance with the terms and provisions of Operator's policies concerning use of corporate aircraft.

1.4. Truth in Leasing. An authorized representative of Operator shall execute the "Truth-in-Leasing Statement" set forth in this Agreement.

Section 2. Term. The term of this Agreement shall be for a period of ______ and shall be automatically extended for additional ______ terms on the same conditions as set forth herein unless earlier terminated by either Party for any reason upon prior written notice to the other, such termination to become effective thirty (30) days from the date of such notice. This Agreement shall terminate immediately upon User's termination of employment with the Operator.

Section 3. Charge. The User shall pay as compensation for each flight under this Agreement a charge not to exceed the lesser of: (a) the direct operating cost per hour of the Aircraft that is used by the User for such flight (based on industry-standard information published, or flight-cost calculation software developed, by Conklin & de Decker or such other third-party, aircraft expert as selected by the Operator), or (b) the maximum charge allowed for such flight under a time-sharing agreement as set forth in 14 C.F.R. § 91.501(d), as amended or replaced from time to time ("**14 C.F.R. § 91.501(d)**"), which charges are more specifically described in Exhibit B attached hereto. Such charge shall be determined by the Operator, in its sole discretion, based on its actual expenses incurred with respect to each flight under this Agreement, broken down by the expenses permitted under 14 C.F.R. § 91.501(d), if necessary, and not affected by the ratios imposed by the flight-hour calculation. The Operator and the User shall mutually agree on the manner in which the User shall be billed or invoiced for the charge, but in all events the manner of billing or invoicing, and the time of payment, shall be on a basis reflecting an arm's-length relationship between unrelated parties. As a guideline, invoices from the Operator should be issued at least quarterly, and payments for such invoices by the User may be satisfied in the form of a payroll deduction at a time not more than 60 days following the date of such invoices.

Section 4. Location and Use of the Aircraft.

4.1. Location of Aircraft. The Aircraft shall be principally hangared at Columbus, Ohio during the term of this Agreement. The Aircraft shall at all times be registered in the United States. The User may hire the Aircraft plus flight crew for flights in any geographic area of User's choice except that the User agrees that he will not hire the Aircraft for flights into or over any area involved in war or insurrection.

4.2. Use of Aircraft. The User may hire the Aircraft with flight crew only for flights under this Agreement that fall within the scope of operations that may be conducted under a time-sharing agreement as described in 14 C.F.R. § 91.501(b)(6) and (c)(1). Further, the User may hire the Aircraft with flight crew only for the purposes, and within the geographic limits, set forth in the insurance policy or policies obtained pursuant to Section 7 below.

4.3. Lawful Operation. The User's flights under this Agreement shall be in compliance with all laws of the jurisdictions in which the Aircraft may be operated and in accordance with rules of the Federal Aviation Administration (the "**FAA**"). In particular, the Aircraft shall at all times be operated within the limitations specified in the flight and maintenance manuals assigned to the Aircraft, as well as within the normal operating limitations under which the Aircraft is certified.

4.4. Pilots. The Operator agrees that the Aircraft will be flown only by licensed and qualified pilots employed by the Operator or under contract to the Operator. The User has no right to select pilots on behalf of the Operator.

4.5. Scheduling. The Operator retains the final authority regarding the scheduling of flights under this Agreement.

Section 5. Filing of Agreement with FAA -- Truth in Leasing. The Operator or its agent shall file a signed copy of this Agreement with the FAA, Aircraft Registration Branch, Attn: Technical Section, P.O. Box 25724, Oklahoma City, Oklahoma 73125, within twenty-four (24) hours after the execution of this Agreement. The Operator shall keep a copy of this Agreement in the Aircraft at all times.

Section 6. Maintenance of Aircraft. The Operator shall keep and maintain the Aircraft in good operating condition, and the Aircraft shall be completely airworthy, during the term of this Agreement.

Section 7. Insurance.

7.1. Third-Party Liability Insurance. During the term of this Agreement, the Operator shall at all times and at its own expense carry in full force and effect public liability, property damage, "all-risk" hull, and any other necessary policies of insurance in respect of the Aircraft naming the User as an additional insured.

7.2. Evidence and Continuation of Insurance. Upon the User's request, the Operator shall furnish to the User evidence of insurance in certificate form, in form and substance acceptable to the User.

Section 8. Indemnification Provisions.

8.1. Loss Events. During the term of this Agreement and subject to the provisions hereof, the User shall bear the risk of, and hold the Operator and any financing party and their respective affiliates, employees, officers, directors, agents or representatives harmless from, any and all claims, demands, liabilities, loss, damages, and all related fees, costs and expenses of whatever kind, nature, and degree which arise in law or otherwise in connection with the User's inability to use the Aircraft for whatever reason. Such an occurrence shall hereinafter be referred to as a "**Loss Event**."

8.2. Report of Loss Event. The User shall report the occurrence of a Loss Event immediately to the Operator and, as required by law, to governmental agencies.

8.3. Damage to User. User's risk of loss pursuant to Section 8.1 shall extend to any claim for a Loss Event suffered by the User, and/or his guests, invitees, or agents, during the term of this Agreement.

Section 9. Default and Remedies.

9.1. Operator's Default. The Operator shall be in default of its obligations under this Agreement if the Operator: (a) fails to perform any of its obligations under this Agreement and such failure continues for fifteen (15) days after receipt by the Operator of notice of such failure from the User; or (b) takes any action to prevent or hinder the performance by the User of any of his obligations under the Agreement. In the event of any default by the Operator, the User may terminate the Agreement immediately and pursue any other remedy available to the User in law or equity.

9.2. User's Default. The User shall be in default of his obligations under this Agreement if the User fails to perform any of his obligations under the Agreement and such failure continues for fifteen (15) days after receipt by the User of notice thereof from the Operator. In the event of any default by the User, the Operator may: (a) repossess the Aircraft without further demand, notice, or court order or other process of law; and (b) immediately terminate this Agreement. The Operator's exercise of either or both of the remedies stated above shall not prejudice the Operator's right to pursue any other remedy available to the Operator in law or equity. The Operator may elect not to exercise any of its rights to seek a remedy for an event of default under this Section 9.2. However, no waiver of enforcement of any of the Operator's rights under this Agreement with respect to any event of default shall operate to affect or impair the Operator's unenforced rights with respect to that event of default or any right with respect to another event of default by the User, past or future.

Section 10. Risk of Loss.

10.1. Risk of Loss. Risk of loss of, or damage to, the Aircraft shall be borne by Operator at all times during the term of the Agreement.

Section 11. Miscellaneous.

11.1. Assignment by User. The User shall not make any assignment or sublease of any rights and/or interest of the User provided for under this Agreement, nor shall the User delegate any obligations under this Agreement without the written consent of the Operator and any financing party.

11.2. Assignment by Operator. The Operator may assign this Agreement or any rights and/or interest hereunder if such assignment complies with any financing terms relating to the Aircraft or is otherwise consented to by any such financing party in writing.

11.3. Notice. Any notice given under this Agreement shall be sent by registered mail, certified mail, confirmed facsimile, or reputable overnight courier utilizing written proof of delivery to (i) Operator at The Scotts Company LLC, 14111 Scottslawn Road, Marysville, Ohio 43041, Attention: ______, and (ii) User at [ADDRESS]. A notice shall be deemed given when received. Any

Party may change its address stated herein by giving written notice thereof to the other party pursuant to this Section 11.3.

11.4. Scope and Change of Agreement. The terms and conditions contained herein constitute the entire agreement of the Parties with respect to flights under this Agreement by the User. This Agreement shall supersede all communications, representations, or agreements, either oral or written, between the Parties with respect to the time sharing arrangement relating to the Aircraft with flight crew. No agreement or understanding which modifies the terms and conditions contained herein shall be binding upon a Party unless reduced to writing and signed by a duly-authorized representative of each Party.

11.5. Liens and Encumbrances. Without the prior consent of the Operator, the User shall not create or incur any mortgage, lien, charge, or encumbrance of any kind with respect to any of his rights under this Agreement, the Aircraft, or any part thereof. If such encumbrances come into existence as a result of any act or omission of the User, the User at his sole expense shall promptly remove same.

11.6. Successors and Assigns. This Agreement shall be binding on, and shall inure to the benefit of, the Operator and the User and their respective successors, as well as any of Operator's assigns, provided that any assignment shall be made in accordance with the terms hereof and no other person shall have or acquire any rights under, or by virtue of, this Agreement.

11.7. Survival of Agreement Provisions. All provisions of this Agreement which must survive the Agreement term for their full observance and performance shall survive the Agreement term.

11.8. Governing Law and Forum. This Agreement shall be construed and interpreted in accordance with the local laws of the State of Ohio.

11.9. Truth-in-Leasing Statement.

OPERATOR CERTIFIES THAT THE AIRCRAFT HAS BEEN INSPECTED AND MAINTAINED WITHIN THE TWELVE (12) MONTH PERIOD PRECEDING THE DATE OF THIS AGREEMENT (OR SUCH SHORTER PERIOD AS OPERATOR SHALL HAVE POSSESSED THE AIRCRAFT) IN ACCORDANCE WITH THE PROVISIONS OF PART 91 OF THE FEDERAL AVIATION REGULATIONS, AND THAT ALL APPLICABLE REQUIREMENTS FOR THE AIRCRAFT'S MAINTENANCE AND INSPECTION THEREUNDER HAVE BEEN MET.

OPERATOR AGREES, CERTIFIES AND ACKNOWLEDGES, AS EVIDENCED BY ITS SIGNATURE HEREIN, THAT WHENEVER THE AIRCRAFT IS OPERATED UNDER THIS AGREEMENT, OPERATOR SHALL BE KNOWN AS, CONSIDERED, AND SHALL IN FACT BE THE OPERATOR OF THE AIRCRAFT, AND THAT OPERATOR UNDERSTANDS ITS RESPONSIBILITIES FOR COMPLIANCE WITH APPLICABLE FEDERAL AVIATION REGULATIONS.

The Scotts Company LLC
14111 Scottslawn Road
Marysville, Ohio 43041
By: ________
Name:________
Title: ________

THE PARTIES UNDERSTAND THAT AN EXPLANATION OF FACTORS AND PERTINENT FEDERAL AVIATION REGULATIONS BEARING ON OPERATIONAL CONTROL CAN BE OBTAINED FROM THE NEAREST FAA FLIGHT STANDARDS DISTRICT OFFICE. USER UNDERSTANDS THAT A TRUE COPY OF THIS AGREEMENT WILL BE SENT BY OPERATOR TO: FEDERAL AVIATION ADMINISTRATION, AIRCRAFT REGISTRATION BRANCH, ATTN. TECHNICAL SECTION (AVN-450), P.O. BOX 25724, OKLAHOMA CITY, OKLAHOMA 73125, WITHIN 24 HOURS AFTER ITS EXECUTION, AS REQUIRED BY FAR SECTION 91.23(c)(1). FURTHER, THE PARTIES ACKNOWLEDGE THAT NO OPERATIONS UNDER THIS AGREEMENT SHALL BE PERMITTED UNTIL TIMELY NOTICE HAS BEEN DELIVERED OF THE FIRST FLIGHT HEREUNDER TO THE FLIGHT STANDARDS DISTRICT OFFICE TO THE POINT OF DEPARTURE AS REQUIRED BY FAR SECTION 91.23(c)(3).

[Signature page follows.]

IN WITNESS WHEREOF, the Parties have signed, or have caused their duly authorized officers or representatives to sign, this Agreement to be effective as of the Effective Date.

USER:	OPERATOR:
	The Scotts Company LLC, an Ohio Limited Liability Company
________________________________ [EXECUTIVE OFFICER NAME]	By:______________________________
	Name:____________________________
	Title:_____________________________

Signature Page

EXHIBIT A

DESCRIPTION OF AIRCRAFT

[__]

EXHIBIT B

FLIGHT CHARGE

The 14 C.F.R. § 91.501(d) charges described in Section 3 of this Agreement shall be an amount not to exceed the amount of the following categories of expenses actually incurred by the Operator with respect to any flight under this Agreement by the User:

(1) Fuel, oil, lubricants, and other additives;

(2) Travel expenses of the crew, including food, lodging, and ground transportation;

(3) Hangar and tie-down costs away from the Aircrafts' base of operation;

(4) Insurance obtained for the specific flight;

(5) Landing fees, airport taxes, and similar assessments;

(6) Customs, foreign permit, and similar fees directly related to the flight;

(7) In-flight food and beverages;

(8) Passenger ground transportation;

(9) Flight planning and weather contract services; and

(10) An additional charge equal to 100% of the expenses listed in (1) above.

Exhibit 21

DIRECT AND INDIRECT SUBSIDIARIES OF
THE SCOTTS MIRACLE-GRO COMPANY

Directly owned subsidiaries, as of April 2, 2016, are located at the left margin, each subsidiary tier thereunder is indented. Subsidiaries are listed under the names of their respective parent entities. Unless otherwise noted, the subsidiaries are wholly-owned.

NAME	JURISDICTION OF FORMATION
EG Systems, Inc.[1]	Indiana
SLS Franchise Systems LLC[1]	Delaware
GenSource, Inc.	Ohio
Gutwein & Co., Inc.	Indiana
OMS Investments, Inc.	Delaware
Scotts Temecula Operations, LLC	Delaware
Sanford Scientific, Inc.	New York
Scotts Global Investments, Inc.	Delaware
Scotts Global Services, Inc.	Ohio
Scotts Luxembourg SARL	Luxembourg
Scotts Manufacturing Company	Delaware
Miracle-Gro Lawn Products, Inc.	New York
Scotts Products Co.	Ohio
Scotts Servicios, S.A. de C.V.[2]	Mexico
Scotts Professional Products Co.	Ohio
Scotts Servicios, S.A. de C.V.[2]	Mexico
SMG Growing Media, Inc.	Ohio
AeroGrow International, Inc.[3]	Nevada
Hyponex Corporation	Delaware
Rod McLellan Company	California
The Hawthorne Gardening Company	Delaware
Hawthorne Hydroponics LLC	Delaware
HGCI, Inc.	Nevada
SMGM LLC	Ohio
Scotts-Sierra Investments LLC	Delaware
ASEF BV	Netherlands
Scotts Asia, Limited	Hong Kong
Scotts Australia Pty Limited	Australia
Scotts Gardening Fertilizer (Wuhan) Co., Ltd.	China
Scotts Benelux BVBA[4]	Belgium
Scotts Canada Ltd.	Canada
Scotts Czech s.r.o.	Czech Republic
Scotts de Mexico SA de CV[5]	Mexico

[1] Effective April 13, 2016, contributed to a joint venture with TruGreen Holding Corporation.
[2] Scotts Professional Products Co. owns 50% and Scotts Products Co. owns 50%.
[3] SMG Growing Media, Inc.'s ownership is 39.2%.
[4] OMS Investments, Inc. owns 0.1% and Scotts-Sierra Investments LLC owns the remaining 99.9%.
[5] The Scotts Company LLC owns 0.5% and Scotts-Sierra Investments LLC owns the remaining 99.5%.

Scotts France Holdings SARL	France
Scotts France SAS	France
Scotts Celaflor GmbH	Germany
Scotts Celaflor HGmbH	Austria
Scotts Holdings Limited	United Kingdom
Levington Group Limited	United Kingdom
The Scotts Company (UK) Limited	United Kingdom
The Scotts Company (Manufacturing) Limited	United Kingdom
Humax Horticulture Limited	United Kingdom
O M Scott International Investments Limited	United Kingdom
Scotts Poland Sp.z.o.o.	Poland
Teak 2, Ltd.	Delaware
Turf-Seed (Europe) Limited	Ireland
Swiss Farms Products, Inc.	Delaware
The Scotts Company LLC	Ohio
iConservo Incorporated[6]	California

[6] The Scotts Company LLC's ownership is 20%.

Exhibit 31.1

Rule 13a-14(a)/15d-14(a) Certifications
(Principal Executive Officer)
CERTIFICATIONS

I, James Hagedorn, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The Scotts Miracle-Gro Company for the fiscal quarter ended April 2, 2016;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 11, 2016

By: /s/ JAMES HAGEDORN

Printed Name: James Hagedorn
Title: Chief Executive Officer and Chairman of the Board

Exhibit 31.2

Rule 13a-14(a)/15d-14(a) Certifications
(Principal Financial Officer)
CERTIFICATIONS

I, Thomas Randal Coleman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The Scotts Miracle-Gro Company for the fiscal quarter ended April 2, 2016;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 11, 2016

By: /s/ THOMAS RANDAL COLEMAN
Printed Name: Thomas Randal Coleman
Title: Executive Vice President and Chief Financial Officer

Exhibit 32

SECTION 1350 CERTIFICATIONS*

In connection with the Quarterly Report on Form 10-Q of The Scotts Miracle-Gro Company (the “Company”) for the fiscal quarter ended April 2, 2016 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned James Hagedorn, Chief Executive Officer and Chairman of the Board of the Company, and Thomas Randal Coleman, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of their knowledge:

1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

2) The information contained in the Report fairly presents, in all material respects, the consolidated financial condition and results of operations of the Company and its subsidiaries.

/s/ JAMES HAGEDORN	/s/ THOMAS RANDAL COLEMAN
Printed Name: James Hagedorn	Printed Name: Thomas Randal Coleman
Title: Chief Executive Officer and Chairman of the Board	Title: Executive Vice President and Chief Financial Officer
May 11, 2016	May 11, 2016

* THESE CERTIFICATIONS ARE BEING FURNISHED AS REQUIRED BY RULE 13a-14(b) UNDER THE SECURITIES EXCHANGE ACT OF 1934 (THE “EXCHANGE ACT”) AND SECTION 1350 OF CHAPTER 63 OF TITLE 18 OF THE UNITED STATES CODE, AND SHALL NOT BE DEEMED “FILED” FOR PURPOSES OF SECTION 18 OF THE EXCHANGE ACT OR OTHERWISE SUBJECT TO THE LIABILITY OF THAT SECTION. THESE CERTIFICATIONS SHALL NOT BE DEEMED TO BE INCORPORATED BY REFERENCE INTO ANY FILING UNDER THE SECURITIES ACT OF 1933 OR THE EXCHANGE ACT, EXCEPT TO THE EXTENT THAT THE COMPANY SPECIFICALLY INCORPORATES THESE CERTIFICATIONS BY REFERENCE.