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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 July 1, 2017

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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth 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
Emerging growth company	o		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. 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 August 4, 2017
Common Shares, $0.01 stated value, no par value	58,411,264 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		NINE MONTHS ENDED	
	JULY 1, 2017	JULY 2, 2016	JULY 1, 2017	JULY 2, 2016
Net sales	$ 1,078.0	$ 994.1	$ 2,528.2	$ 2,433.8
Cost of sales	662.8	636.3	1,566.5	1,532.6
Cost of sales—impairment, restructuring and other	—	0.4	—	5.5
Gross profit	415.2	357.4	961.7	895.7
Operating expenses:				
Selling, general and administrative	172.0	151.9	488.8	466.1
Impairment, restructuring and other	4.1	(5.8)	8.8	(51.7)
Other income, net	(6.5)	(5.6)	(12.5)	(7.1)
Income from operations	245.6	216.9	476.6	488.4
Equity in (income) loss of unconsolidated affiliates	(7.2)	3.5	30.1	3.5
Costs related to refinancing	—	—	—	8.8
Interest expense	21.8	16.9	58.9	52.3
Income from continuing operations before income taxes	231.0	196.5	387.6	423.8
Income tax expense from continuing operations	79.1	69.5	134.7	150.3
Income from continuing operations	151.9	127.0	252.9	273.5
Income (loss) from discontinued operations, net of tax	—	85.7	(0.6)	68.2
Net income	$ 151.9	$ 212.7	$ 252.3	$ 341.7
Net (income) loss attributable to noncontrolling interest	—	0.4	(0.5)	0.2
Net income attributable to controlling interest	$ 151.9	$ 213.1	$ 251.8	$ 341.9
Basic income per common share:				
Income from continuing operations	$ 2.57	$ 2.09	$ 4.23	$ 4.46
Income (loss) from discontinued operations	—	1.40	(0.01)	1.11
Basic income per common share	$ 2.57	$ 3.49	$ 4.22	$ 5.57
Weighted-average common shares outstanding during the period	59.2	61.1	59.7	61.3
Diluted income per common share:				
Income from continuing operations	$ 2.53	$ 2.06	$ 4.17	$ 4.40
Income (loss) from discontinued operations	—	1.38	(0.01)	1.10
Diluted income per common share	$ 2.53	$ 3.44	$ 4.16	$ 5.50
Weighted-average common shares outstanding during the period plus dilutive potential common shares	60.0	61.9	60.6	62.2
Dividends declared per common share	$ 0.500	$ 0.470	$ 1.500	$ 1.410

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		NINE MONTHS ENDED	
	JULY 1, 2017	JULY 2, 2016	JULY 1, 2017	JULY 2, 2016
Net income	$ 151.9	$ 212.7	$ 252.3	$ 341.7
Other comprehensive income (loss):				
Net foreign currency translation adjustment	5.8	(12.3)	3.6	(14.8)
Net unrealized gain (loss) on derivative instruments, net of tax of $0.7, $0.7, $1.1 and $1.7, respectively	(1.2)	(1.2)	1.8	(2.8)
Reclassification of net unrealized losses on derivatives to net income, net of tax of $0.2, $1.1, $1.2 and $3.3, respectively	0.4	1.7	1.9	5.3
Reclassification of net pension and post-retirement benefit loss to net income, net of tax of $0.3, $0.6, $0.9 and $1.0, respectively	0.5	0.9	1.4	1.6
Total other comprehensive income (loss)	5.5	(10.9)	8.7	(10.7)
Comprehensive income	$ 157.4	$ 201.8	$ 261.0	$ 331.0
Comprehensive (income) loss attributable to noncontrolling interest	(0.1)	0.4	(0.6)	0.2
Comprehensive income attributable to controlling interest	$ 157.3	$ 202.2	$ 260.4	$ 331.2

See Notes to Condensed Consolidated Financial Statements.

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

	NINE MONTHS ENDED	
	JULY 1, 2017	JULY 2, 2016
OPERATING ACTIVITIES		
Net income	$ 252.3	$ 341.7
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Impairment, restructuring and other	—	0.2
Costs related to refinancing	—	2.2
Share-based compensation expense	20.5	13.7
Depreciation	41.4	40.2
Amortization	18.4	14.1
Gain on long-lived assets	(2.5)	(1.2)
Gain on contribution of SLS Business	—	(142.6)
Adjustment to gain on contribution of SLS Business	(0.3)	—
Equity in loss and distributions from unconsolidated affiliates	33.7	3.5
Changes in assets and liabilities, net of acquired businesses:		
Accounts receivable	(368.6)	(447.8)
Inventories	(5.5)	(52.6)
Prepaid and other assets	(24.8)	(27.5)
Accounts payable	61.3	51.1
Other current liabilities	88.0	147.2
Restructuring	(15.6)	(9.6)
Other non-current items	(16.8)	44.8
Other, net	0.9	(6.3)
Net cash provided by (used in) operating activities	82.4	(28.9)
INVESTING ACTIVITIES		
Proceeds from sale of long-lived assets	5.0	2.4
Investments in property, plant and equipment	(42.0)	(35.7)
Investments in loans receivable	—	(90.0)
Net (investments in) distributions from unconsolidated affiliates	(0.2)	194.1
Cash contributed to TruGreen Joint Venture	—	(24.2)
Investments in acquired businesses, net of cash acquired	(89.2)	(161.4)
Net cash used in investing activities	(126.4)	(114.8)
FINANCING ACTIVITIES		
Borrowings under revolving and bank lines of credit and term loans	1,362.8	1,882.6
Repayments under revolving and bank lines of credit and term loans	(1,205.3)	(1,762.9)
Proceeds from issuance of 5.250% Senior Notes	250.0	—
Proceeds from issuance of 6.000% Senior Notes	—	400.0
Repayment of 6.625% Senior Notes	—	(200.0)
Financing and issuance fees	(4.3)	(11.2)
Dividends paid	(89.4)	(86.4)
Distribution paid by AeroGrow to noncontrolling interest	(8.1)	—
Purchase of Common Shares	(173.8)	(81.2)
Payments on seller notes	(28.7)	(2.3)
Excess tax benefits from share-based payment arrangements	4.5	4.3
Cash received from the exercise of stock options	3.3	9.9
Net cash provided by financing activities	111.0	152.8
Effect of exchange rate changes on cash	2.0	(3.3)
Net increase in cash and cash equivalents	69.0	5.8
Cash and cash equivalents at beginning of period	50.1	71.4
Cash and cash equivalents at end of period	$ 119.1	$ 77.2

See Notes to Condensed Consolidated Financial Statements.

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

	JULY 1, 2017	JULY 2, 2016	SEPTEMBER 30, 2016
ASSETS			
Current assets:			
Cash and cash equivalents	$ 119.1	$ 77.2	$ 50.1
Accounts receivable, less allowances of $7.3, $10.5 and $7.2, respectively	474.3	359.7	196.4
Accounts receivable pledged	277.8	435.1	174.7
Inventories	466.6	469.9	448.2
Prepaid and other current assets	146.5	139.2	122.3
Total current assets	1,484.3	1,481.1	991.7
Investment in unconsolidated affiliates	65.7	94.4	101.0
Property, plant and equipment, net of accumulated depreciation of $653.2, $623.5 and $633.3, respectively	460.8	449.6	470.8
Goodwill	408.7	346.0	373.2
Intangible assets, net	806.6	750.6	750.9
Other assets	121.4	131.8	115.2
Total assets	$ 3,347.5	$ 3,253.5	$ 2,802.8
LIABILITIES AND EQUITY			
Current liabilities:			
Current portion of debt	$ 289.1	$ 382.5	$ 185.0
Accounts payable	224.0	249.5	165.9
Other current liabilities	327.4	359.2	242.2
Total current liabilities	840.5	991.2	593.1
Long-term debt	1,419.7	1,124.1	1,125.1
Other liabilities	344.3	306.0	350.3
Total liabilities	2,604.5	2,421.3	2,068.5
Commitments and contingencies (Note 12)			
Equity:			
Common shares and capital in excess of $.01 stated value per share; 58.6, 60.8 and 60.3 shares issued and outstanding, respectively	405.7	401.1	401.7
Retained earnings	1,043.1	938.6	881.8
Treasury shares, at cost; 9.5, 7.3 and 7.8 shares, respectively	(610.1)	(409.3)	(451.4)
Accumulated other comprehensive loss	(108.3)	(117.5)	(116.9)
Total equity—controlling interest	730.4	812.9	715.2
Noncontrolling interest	12.6	19.3	19.1
Total equity	743.0	832.2	734.3
Total liabilities and equity	$ 3,347.5	$ 3,253.5	$ 2,802.8

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 provided 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 (the "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 "TruGreen Joint Venture") in exchange for a minority equity interest of 30% in the TruGreen 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" and "NOTE 4. INVESTMENT IN UNCONSOLIDATED AFFILIATES" for further discussion. Refer to "NOTE 15. 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.

Organization and Basis of Presentation

The Company's unaudited condensed consolidated financial statements for the three and nine months ended July 1, 2017 and July 2, 2016 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") and Gavita Holdings B.V., and its subsidiaries (collectively, "Gavita"), in which the Company has controlling interests, are 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) loss 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, 2016 (the "2016 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, 2016 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.

Loans Receivable

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 recorded 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 $3.0 million and $1.7 million for the three months ended July 1, 2017 and July 2, 2016, respectively. Interest income was $7.8 million and $2.2 million for the nine months ended July 1, 2017 and July 2, 2016, respectively.

Long-Lived Assets

The Company had non-cash investing activities of $2.9 million and $1.9 million during the nine months ended July 1, 2017 and July 2, 2016, respectively, representing unpaid liabilities incurred during each period to acquire property, plant and equipment.

Statements of Cash Flows

Supplemental cash flow information was as follows for each of the periods presented:

	NINE MONTHS ENDED	
	JULY 1, 2017	JULY 2, 2016
	(In millions)	
Interest paid	$ (53.0)	$ (48.1)
Call premium on 6.625% Senior Notes	—	(6.6)
Income taxes paid	(72.0)	(52.3)
Property and equipment acquired under capital leases	(0.9)	—

During the second quarter of fiscal 2017, Scotts Miracle-Gro's wholly-owned subsidiary, Scotts Canada Ltd., paid contingent consideration of $6.7 million related to the fiscal 2014 acquisition of Fafard & Brothers Ltd. ("Fafard").

The Company uses the "cumulative earnings" approach for determining cash flow presentation of distributions from unconsolidated affiliates. Distributions received are included in the Condensed Consolidated Statements of Cash Flows as operating activities, unless the cumulative distributions exceed the portion of the cumulative equity in the net earnings of the unconsolidated affiliate, in which case the excess distributions are deemed to be returns of the investment and are classified as investing activities in the Condensed Consolidated Statements of Cash Flows.

RECENT ACCOUNTING PRONOUNCEMENTS

Debt Issuance Costs

In April 2015, the Financial Accounting Standards Board ("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; however debt issuance costs relating to revolving credit facilities will remain in other assets. The Company adopted this guidance on a retrospective basis effective October 1, 2016. As a result, debt issuance costs totaling $6.2 million and $6.0 million have been presented as a component of the carrying amount of long-term debt in the Condensed Consolidated Balance Sheets as of July 2, 2016 and September 30, 2016, respectively. These amounts were previously reported within other assets.

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 Company adopted this guidance on a prospective basis effective October 1, 2016. The adoption of this guidance did not impact the Company's consolidated financial position, results of operations or cash flows.

Revenue Recognition from Contracts with Customers

In May 2014, the FASB issued amended accounting guidance that replaces most existing revenue recognition guidance under GAAP. 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 standard involves a five-step process that includes identifying the contract with the customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligations in the contract and recognizing revenue when the entity satisfies the performance obligations. 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. Subsequently, additional guidance was issued on several areas including guidance intended to improve the operability and understandability of the implementation of principal versus agent considerations and clarifications on the identification of performance obligations and implementation of guidance related to licensing.

The Company has made progress on its evaluation of the amended guidance, including identification of revenue streams and customer contract reviews. The Company has begun the process of applying the five-step model to those contracts and revenue streams to evaluate the quantitative and qualitative impacts the new standard will have on its business and reported revenues. The provisions are effective for the Company in the first quarter of fiscal 2019 and permit adoption under either the full retrospective approach (recognize effects of the amended guidance in each prior reporting period presented) or the modified retrospective approach (recognize the cumulative effect of adoption as an adjustment to retained earnings at the date of initial application). The Company is still evaluating its method of adoption.

Inventory

In July 2015, the FASB issued an accounting standard update that requires inventory to be measured “at the lower of cost and net realizable value,” thereby simplifying the current guidance that requires inventory to be measured at the lower of cost or market (market in this context is defined as one of three different measures, one of which is net realizable value). The provisions are effective prospectively for the Company’s financial statements for the fiscal year beginning October 1, 2017, 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. At July 1, 2017, July 2, 2016 and September 30, 2016, net current deferred tax assets classified within prepaid and other current assets were $60.5 million, $70.4 million and $62.1 million, respectively.

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.

Share-Based 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, using a combination of retrospective, modified retrospective and prospective transition methods, 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.

Cash Flow Presentation

In August 2016, the FASB issued an accounting standard update that amends the guidance on the classification of certain cash receipts and payments in the statement of cash flows. The provisions are effective retrospectively for the Company’s financial statements no later than the fiscal year beginning October 1, 2018, and are not expected to have a significant impact on the Company’s consolidated cash flows.

Business Combinations

In January 2017, the FASB issued an accounting standard update that clarifies the definition of a business to provide additional guidance to assist in evaluating whether transactions should be accounted for as an acquisition (or disposal) of either an asset or business. The provisions are effective prospectively for the Company's financial statements no later than the fiscal year beginning October 1, 2018, and are not expected to have a significant impact on the Company's consolidated financial position, results of operations or cash flows.

Goodwill

In January 2017, the FASB issued an accounting standard update which removes the requirement to compare the implied fair value of goodwill with its carrying amount as part of step 2 of the goodwill impairment test. Goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of the goodwill. The provisions are effective prospectively for the Company's financial statements no later than the fiscal year beginning October 1, 2020, and are not expected to have a significant impact on the Company's consolidated financial position, results of operations or cash flows.

Employee Benefit Plans

In March 2017, the FASB issued an accounting standard update which requires entities to (1) disaggregate the current-service-cost component from the other components of net benefit cost (the "other components") and present it with other current compensation costs for related employees in the income statement, (2) present the other components elsewhere in the income statement and outside of income from operations if that subtotal is presented and (3) limit the amount of costs eligible for capitalization (e.g., as part of inventory or property, plant, and equipment) to only the service-cost component of net benefit cost. The provisions are effective for the Company's financial statements no later than the fiscal year beginning October 1, 2018, and are required to be applied retrospectively for the presentation of cost components in the income statement and prospectively for the capitalization of cost components. The provisions are not expected to have a significant impact on the Company's consolidated financial position, results of operations or 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 TruGreen Joint Venture in exchange for a minority equity interest of 30% in the TruGreen 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.

During the three and nine months ended July 1, 2017, the Company recognized $0.1 million and $0.8 million, respectively, in transaction related costs associated with the divestiture of the SLS Business. In addition, during the nine months ended July 1, 2017, the Company recorded an adjustment to the gain on the contribution of $0.3 million related to a post closing working capital adjustment. During the three and nine months ended July 2, 2016, the Company recognized zero and $9.0 million, respectively, for the resolution of a prior SLS Business litigation matter, as well as zero and $4.6 million, respectively, in transaction related costs associated with the divestiture of the SLS Business.

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

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	JULY 1, 2017	JULY 2, 2016	JULY 1, 2017	JULY 2, 2016
	(In millions)			
Net sales	$ —	$ 9.2	$ —	$ 101.2
Operating costs	—	10.3	—	117.4
Impairment, restructuring and other	0.1	—	0.8	13.6
Other income, net	—	—	—	(1.5)
Gain on contribution of SLS Business	—	(142.6)	—	(142.6)
Adjustment to gain on contribution of SLS Business	—	—	0.3	—
Income (loss) from discontinued operations before income taxes	(0.1)	141.5	(1.1)	114.3
Income tax expense (benefit) from discontinued operations	(0.1)	55.8	(0.5)	46.1
Income (loss) from discontinued operations, net of tax	$ —	$ 85.7	$ (0.6)	$ 68.2

The Condensed Consolidated Statements of Cash Flows do not present the cash flows from discontinued operations separately from cash flows from continuing operations. Cash used in operating activities related to the SLS Business was $9.3 million for the nine months ended July 1, 2017 primarily due to the payment of a previously accrued SLS Business litigation matter. Cash provided by operating activities related to the SLS Business was $38.9 million for the nine months ended July 2, 2016. Cash used in investing activities related to the SLS Business was zero and $1.4 million for the nine months ended July 1, 2017 and July 2, 2016, respectively.

NOTE 3. ACQUISITIONS AND INVESTMENTS

Fiscal 2017

On May 26, 2017, the Company's majority-owned subsidiary Gavita completed the acquisition of Agrolux Holding B.V., and its subsidiaries (collectively, "Agrolux"), for $21.8 million. Based in the Netherlands, Agrolux is a worldwide supplier of horticultural lighting. The purchase price included contingent consideration, a non-cash investing activity, with a maximum payout and estimated fair value of $5.2 million, the payment of which will depend on the performance of the business through calendar year 2017. The preliminary valuation of the acquired assets included (i) $8.0 million of cash, prepaid and other current assets, (ii) $10.0 million of inventory and accounts receivable, (iii) $0.5 million of fixed assets, (iv) $8.6 million of accounts payable and other current liabilities, (v) $6.7 million of short term debt, (vi) $16.3 million of finite-lived identifiable intangible assets, and (vii) $2.3 million of non-deductible goodwill. Identifiable intangible assets included tradenames and customer relationships with useful lives ranging between 10 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. Net sales for Agrolux included within the Other segment for the three and nine months ended July 1, 2017 were $3.5 million.

On October 3, 2016, the Company, through its wholly-owned subsidiary The Hawthorne Gardening Company, completed the acquisition of American Agritech, L.L.C., d/b/a Botanicare ("Botanicare"), an Arizona-based leading producer of plant nutrients, plant supplements and growing systems used for hydroponic gardening, for $92.6 million. The purchase price included contingent consideration, a non-cash investing activity, with a maximum payout and estimated fair value of $15.5 million, which was paid during the third quarter of fiscal 2017. The preliminary valuation of the acquired assets included (i) $1.2 million of cash, prepaid and other current assets, (ii) $8.4 million of inventory and accounts receivable, (iii) $1.4 million of fixed assets, (iv) $2.3 million of accounts payable and other current liabilities, (v) $53.0 million of finite-lived identifiable intangible assets, and (vi) $30.9 million of tax-deductible goodwill. Identifiable intangible assets included tradenames, customer relationships and non-compete arrangements with useful lives ranging between 5 and 25 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 Botanicare included within the Other segment for the three and nine months ended July 1, 2017 were $12.6 million and $33.8 million, respectively.

During the first quarter of fiscal 2017, the Company's U.S. Consumer segment completed two acquisitions of companies whose products support the Company's focus on the emerging areas of water positive landscapes and internet-enabled technology for an aggregate purchase price of $3.2 million. The valuation of the acquired assets for the transactions included finite-lived identifiable intangible assets and goodwill of $2.8 million. During the third quarter of fiscal 2017, the Company's Other segment completed the acquisition of a company focused on the technology supporting hydroponic growing systems for an aggregate purchase price of $3.5 million, which included finite-lived identifiable intangible assets of $3.2 million.

During the fourth quarter of fiscal 2017, the Company's U.S. Consumer segment made a $29.4 million investment in an unconsolidated subsidiary whose products support the professional U.S. industrial, turf and ornamental market.

Fiscal 2016

On May 26, 2016, the Company, through its wholly-owned subsidiary The Hawthorne Gardening Company, acquired majority control and a 75% economic interest in Gavita for $136.2 million. The remaining 25% interest was retained by Gavita's former ownership group. This transaction provides the Company's Other segment with a presence in the lighting category of indoor and urban gardening, which is a part of the Company's long-term growth strategy. Gavita, which is based in the Netherlands, is a leading producer and marketer of indoor lighting used in the greenhouse and hydroponic markets, predominately in the United States and Europe. The purchase price included contingent consideration, a non-cash investing activity, with an estimated fair value of $2.5 million, the payment of which will depend on the performance of the business through calendar year 2019. The valuation of the acquired assets included (i) $6.4 million of cash, prepaid and other current assets, (ii) $37.9 million of inventory and accounts receivable, (iii) $1.3 million of fixed assets, (iv) $18.7 million of accounts payable and other current liabilities, (v) $5.5 million of short term debt, (vi) $102.6 million of finite-lived identifiable intangible assets, (vii) $83.3 million of non-deductible goodwill, and (viii) $25.7 million of deferred tax liabilities. Identifiable intangible assets included tradenames, customer relationships and non-compete arrangements with useful lives ranging between 5 and 25 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. Gavita's former ownership group has retained a 25% noncontrolling interest in Gavita consisting of ownership of 5% of the outstanding shares of Gavita and a loan with interest payable based on distributions by Gavita. The loan represented a non-cash financing activity and is recorded at fair value in the "Long-term debt" line in the Condensed Consolidated Balance Sheets. The initial valuation of the loan was $37.7 million. The fair value measurement was classified in Level 3 of the fair value hierarchy. Net sales for Gavita included within the Other segment for the three and nine months ended July 1, 2017 were $39.1 million and $89.8 million, respectively, as compared to $7.0 million during the three and nine months ended July 2, 2016.

During the third quarter of fiscal 2016, the Company completed an acquisition within the Other segment to expand its Canadian growing media operations for $33.9 million. The estimated purchase price included contingent consideration, a non-cash investing activity, with an initial estimated fair value of $10.8 million, of which $6.5 million was paid during the first quarter of fiscal 2017, and the remaining $4.3 million has been adjusted and reclassified to the acquired assets as the Company does not expect to pay out any additional consideration. The valuation of the acquired assets included (i) $4.7 million of inventory and accounts receivable, (ii) $18.5 million of fixed assets, (iii) $9.3 million of finite-lived identifiable intangible assets, (iv) $1.2 million of deferred tax liabilities, and (v) an investment in an unconsolidated joint venture of $0.5 million. Identifiable intangible assets included peat bog lease rights, tradenames, customer relationships and non-compete arrangements with useful lives ranging between 5 and 25 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 related to this acquisition included within the Other segment for the three and nine months ended July 1, 2017 were $3.2 million and $10.7 million, respectively, as compared to $3.2 million during the three and nine months ended July 2, 2016.

During the second quarter of fiscal 2016, the Company entered into definitive agreements with Bonnie Plants, Inc. ("Bonnie") and its sole shareholder, Alabama Farmers Cooperative, Inc. ("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 Marketing, R&D and Ancillary Services Agreement (the "Services Agreement") pursuant to which the Company provides marketing, research and development and certain ancillary services to Bonnie for a commission fee based on the profits of the Bonnie Business and the reimbursement of certain costs. During the three and nine months ended July 1, 2017, the Company recognized commission income of $2.2 million and recognized cost reimbursements of $0.6 million and $2.2 million, respectively, as compared to commission income of $3.1 million and cost reimbursements of $0.4 million and $0.6 million during the three and nine months ended July 2, 2016, respectively.

These agreements also include options beginning in fiscal 2020 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. The Company's option to increase its economic interest in the Bonnie Business (the "Bonnie Option") is required to be accounted for as a derivative instrument and is recorded at fair value in the "Other assets" line in the Condensed Consolidated Balance Sheets, with changes in fair value recognized in the "Other income (loss), net" line in the Condensed Consolidated Statement of Operations. The estimated fair value of the Bonnie Option was determined using a simulation approach, whereby the total value of the loan receivable and optional exchange for additional equity was estimated considering a distribution of possible future cash flows discounted to present value using an appropriate discount rate. The estimated fair value of the Bonnie Option was $11.8 million as of July 1, 2017, and the fair value measurement was classified in Level 3 of the fair value hierarchy.

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

NOTE 4. INVESTMENT IN UNCONSOLIDATED AFFILIATES

As of July 1, 2017, the Company held a minority equity interest of 30% in the TruGreen Joint Venture. This interest had an initial fair value of $294.0 million and subsequently is accounted for using the equity method of accounting, with the Company's proportionate share of the TruGreen Joint Venture earnings reflected in the Condensed 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 TruGreen 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 TruGreen Joint Venture.

In connection with the closing of the transactions contemplated by the Contribution Agreement on April 13, 2016, the TruGreen Joint Venture obtained debt financing and made an excess distribution of $196.2 million to the Company, and the Company invested $18.0 million in second lien term loan financing to the TruGreen Joint Venture. The Company was reimbursed

$1.3 million and $35.0 million during the three and nine months ended July 1, 2017, respectively, and had accounts receivable of $8.3 million at July 1, 2017, for expenses incurred pursuant to a short-term transition services agreement and an employee leasing agreement. The Company was reimbursed $5.5 million during the three and nine months ended July 2, 2016, and had accounts receivable of $30.0 million at July 2, 2016, for expenses incurred pursuant to a short-term transition services agreement and an employee leasing agreement. The Company also had an indemnification asset of $6.6 million and $9.8 million at July 1, 2017 and July 2, 2016, respectively, for future payments on claims associated with insurance programs. The Company received distributions from unconsolidated affiliates intended to cover required tax payments of $1.4 million and $3.6 million during the three and nine months ended July 1, 2017, respectively.

The following table presents summarized financial information for the TruGreen Joint Venture for each of the periods presented:

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	JULY 1, 2017	JULY 2, 2016	JULY 1, 2017	JULY 2, 2016
	(in millions)			
Revenue	$ 471.6	$ 401.3	$ 878.5	$ 401.3
Gross margin	180.1	146.3	250.9	146.3
Selling and administrative expenses	115.9	86.7	208.8	86.7
Amortization expense	7.9	18.1	49.8	18.1
Interest expense	18.5	15.0	52.0	15.0
Restructuring and other charges	13.6	38.2	40.2	38.2
Net income (loss)	$ 24.2	$ (11.7)	$ (99.9)	$ (11.7)

Net income (loss) does not include income taxes, which are recognized and paid by the partners of the TruGreen Joint Venture. The income taxes associated with the Company's share of net loss have been recorded in the "Income tax expense from continuing operations" line in the Condensed Consolidated Statement of Operations. The Company recognized equity in income (loss) of unconsolidated affiliates of $7.2 million and $(30.1) million for the three and nine months ended July 1, 2017, respectively, as compared to $(3.5) million for the three and nine months ended July 2, 2016. Included within income (loss) of unconsolidated affiliates for the three and nine months ended July 1, 2017 are charges of $5.0 million and $16.7 million, respectively, which represent the Company's share of restructuring and other charges incurred by the TruGreen Joint Venture. These charges included $1.1 million for transaction costs, $3.0 million and $10.9 million for nonrecurring integration and separation costs and $0.9 million and $4.7 million for a non-cash purchase accounting fair value write down adjustment related to deferred revenue and advertising for the three and nine months ended July 1, 2017, respectively. The Company's share of restructuring and other charges incurred by the TruGreen Joint Venture were $17.0 million for the three and nine months ended July 2, 2016. These charges included $10.8 million for transaction costs, $0.6 million for nonrecurring integration and separation costs and $5.6 million for a non-cash purchase accounting fair value write down adjustment related to deferred revenue and advertising for the three and nine months ended July 2, 2016.

NOTE 5. IMPAIRMENT, RESTRUCTURING AND OTHER

Activity described herein is classified within the "Cost of sales—impairment, restructuring and other," "Impairment, restructuring and other" and "Income (loss) from discontinued operations, net of tax" lines in the Condensed Consolidated Statements of Operations.

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

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	JULY 1, 2017	JULY 2, 2016	JULY 1, 2017	JULY 2, 2016
	(In millions)			
Cost of sales—impairment, restructuring and other:				
Restructuring and other charges	$ —	$ 0.4	$ —	$ 5.5
Operating expenses:				
Restructuring and other charges (recoveries)	4.1	(5.8)	8.8	(51.7)
Impairment, restructuring and other charges (recoveries) from continuing operations	$ 4.1	$ (5.4)	$ 8.8	$ (46.2)
Restructuring and other charges from discontinued operations	0.1	—	0.8	13.6
Total impairment, restructuring and other charges (recoveries)	$ 4.2	$ (5.4)	$ 9.6	$ (32.6)

The following table summarizes the activity related to liabilities associated with restructuring and other, excluding insurance reimbursement recoveries, during the nine months ended July 1, 2017 (in millions):

Amounts accrued for restructuring and other at September 30, 2016	$ 20.8
Restructuring and other charges from continuing operations	8.8
Restructuring and other charges from discontinued operations	0.8
Payments and other	(25.2)
Amounts accrued for restructuring and other at July 1, 2017	$ 5.2

Included in the restructuring accruals, as of July 1, 2017, is $1.3 million that is classified as long-term. Payments against the long-term accruals will be incurred as the employees covered by the restructuring plan retire or through the passage of time. The remaining amounts accrued will continue to be paid out over the course of the next twelve months.

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 focus on emerging categories of the lawn and garden industry in its core U.S. business. During the three and nine months ended July 1, 2017, the Company's Corporate function recognized costs of $4.1 million and $8.8 million, respectively, as compared to (recoveries) costs of $(0.3) million and $2.3 million for the three and nine months ended July 2, 2016, respectively, related to Project Focus transaction activity within the "Impairment, restructuring and other" line in the Condensed Consolidated Statements of Operations. Costs incurred to date since the inception of the current initiatives are $3.4 million for the U.S. Consumer segment related to termination benefits, $2.0 million for the Europe Consumer segment related to termination benefits and $13.4 million for Corporate related to transaction activity.

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. There have been no costs recognized by the Company related to this matter during the three and nine months ended July 1, 2017. During the three and nine months ended July 2, 2016, the Company incurred $0.5 million and $6.9 million, respectively, in costs related to resolving these consumer complaints and the recognition of costs the Company expected to incur for consumer claims within the "Impairment, restructuring and other" and the "Cost of sales—impairment, restructuring and other" lines in the Condensed Consolidated Statements of Operations. Additionally, the Company recorded offsetting insurance reimbursement recoveries of $5.9 million and $55.9 million for the three and nine months ended July 2, 2016, respectively, within the "Impairment, restructuring and other" line in the Condensed Consolidated Statements of Operations. Costs incurred to date since the inception of this matter were $73.8 million, partially offset by insurance reimbursement recoveries of $60.8 million.

On April 13, 2016, as part of Project Focus, the Company completed the contribution of the SLS Business to the TruGreen 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 nine months

ended July 1, 2017, the Company recognized $0.1 million and $0.8 million, respectively, in transaction related costs associated with the divestiture of the SLS Business within the "Income (loss) from discontinued operations, net of tax" line in the Condensed Consolidated Statements of Operations. During the three and nine months ended July 2, 2016, the Company recognized zero and $9.0 million, respectively, for the resolution of a prior SLS Business litigation matter, as well as zero and $4.6 million, respectively, in transaction related costs associated with the divestiture of the SLS Business within the "Income (loss) from discontinued operations, net of tax" line in the Condensed Consolidated Statements of Operations.

NOTE 6. INVENTORIES

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

	JULY 1, 2017	JULY 2, 2016	SEPTEMBER 30, 2016
		(In millions)	
Finished goods	$ 271.5	$ 299.9	$ 248.7
Work-in-process	51.2	46.6	56.9
Raw materials	143.9	123.4	142.6
Total inventories	$ 466.6	$ 469.9	$ 448.2

Adjustments to reflect inventories at net realizable values were $14.1 million at July 1, 2017, $15.3 million at July 2, 2016 and $10.8 million at September 30, 2016.

NOTE 7. MARKETING AGREEMENT

The Scotts Company LLC ("Scotts LLC") and the Monsanto Company ("Monsanto") are parties to 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 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 20 years, with a remaining unamortized amount of $1.0 million and remaining amortization period of less than two years as of July 1, 2017.

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		NINE MONTHS ENDED	
	JULY 1, 2017	JULY 2, 2016	JULY 1, 2017	JULY 2, 2016
	(In millions)			
Gross commission	$ 38.5	$ 37.4	$ 86.7	$ 92.3
Contribution expenses	(5.0)	(5.0)	(15.0)	(15.0)
Amortization of marketing fee	(0.2)	(0.2)	(0.6)	(0.6)
Net commission	33.3	32.2	71.1	76.7
Reimbursements associated with Marketing Agreement	18.1	18.4	56.3	55.2
Total net sales associated with Marketing Agreement	$ 51.4	$ 50.6	$ 127.4	$ 131.9

NOTE 8. DEBT

The components of long-term debt are as follows:

	JULY 1, 2017	JULY 2, 2016	SEPTEMBER 30, 2016
	(In millions)		
Credit Facilities:			
Revolving loans	$ 473.7	$ 404.9	$ 417.4
Term loans	277.5	292.5	288.8
Senior Notes – 5.250%	250.0	—	—
Senior Notes – 6.000%	400.0	400.0	400.0
Receivables facility	250.0	348.0	138.6
Other	66.5	67.4	71.3
Total debt	1,717.7	1,512.8	1,316.1
Less current portions	289.1	382.5	185.0
Less unamortized debt issuance costs	8.9	6.2	6.0
Long-term debt	$ 1,419.7	$ 1,124.1	$ 1,125.1

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 "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 "credit facilities"). The 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 credit agreement, the Company has the ability to obtain letters of credit up to $100.0 million. The 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 credit agreement include customary representations and warranties, affirmative and negative covenants, financial covenants and events of default. The proceeds of borrowings on the 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 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 credit agreement) plus the applicable margin. The 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 July 1, 2017, the Company had letters of credit outstanding in the aggregate principal amount of $23.5 million, and $1.1 billion of availability under the credit agreement, subject to the Company's continued compliance with the covenants discussed below. The weighted average interest rates on average borrowings under the credit agreement and the former credit facility were 3.8% and 3.9% for the nine months ended July 1, 2017 and July 2, 2016, respectively.

The 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 credit agreement ("Adjusted EBITDA"). The maximum leverage ratio was 4.50 as of July 1, 2017. The Company's leverage ratio was 3.03 at July 1, 2017. The 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 credit agreement, and excludes costs related to refinancings. The minimum interest coverage ratio was 3.00 for the twelve months ended July 1, 2017. The Company's interest coverage ratio was 7.98 for the twelve months ended July 1, 2017. The credit agreement allows the Company to make unlimited restricted payments (as defined in the 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 credit agreement for such fiscal year ($175.0 million for fiscal 2017 and $200.0 million for fiscal 2018 and each fiscal year thereafter).

Senior Notes - 5.250%

On December 15, 2016, Scotts Miracle-Gro issued $250.0 million aggregate principal amount of 5.250% senior notes due 2026 (the "5.250% Senior Notes"). The net proceeds of the offering were used to repay outstanding borrowings under the credit facilities. The 5.250% 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 5.250% Senior Notes have interest payment dates of June 15 and December 15 of each year, commencing June 15, 2017. The 5.250% Senior Notes may be redeemed, in whole or in part, on or after December 15, 2021 at applicable redemption premiums. The 5.250% Senior Notes contain customary covenants and events of default and mature on December 15, 2026. Substantially all of Scotts Miracle-Gro's domestic subsidiaries serve as guarantors of the 5.250% Senior Notes.

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.

Receivables Facility

On September 25, 2015, the Company entered into an amended and restated master accounts receivable purchase agreement (the "MARP Agreement"). The MARP Agreement provided for the discretionary sale by the Company, and the discretionary purchase by the participating banks, on a revolving basis, of accounts receivable generated by sales to three specified debtors in an aggregate amount not to exceed $400.0 million. The MARP Agreement terminated effective October 14, 2016 in accordance with its terms upon the Company's repayment of its outstanding obligations thereunder using $133.5 million borrowed under the credit agreement. There were $348.0 million in borrowings or receivables pledged as collateral under the MARP Agreement as of July 2, 2016. The carrying value of the receivables pledged as collateral was $435.1 million as of July 2, 2016.

On April 7, 2017, the Company entered into a Master Repurchase Agreement (including the annexes thereto, the "Repurchase Agreement") and a Master Framework Agreement (the "Framework Agreement" and, together with the Repurchase Agreement, the "Receivables Facility"). Under the Receivables Facility, the Company may sell a portfolio of available and eligible outstanding customer accounts receivable to the purchasers and simultaneously agrees to repurchase the receivables on a weekly basis. The eligible accounts receivable consist of up to $250.0 million in accounts receivable generated by sales to three specified customers. The Receivables Facility is committed up to $100.0 million during the commitment period beginning on April 7, 2017 and ending on June 16, 2017. The Receivables Facility is considered a secured financing with the customer accounts receivable, related contract rights and proceeds thereof (and the collection accounts into which the same are deposited) constituting the collateral therefor. The repurchase price for customer accounts receivable bears interest at LIBOR (with a zero floor), as defined in the Repurchase Agreement, plus 0.90%. The Receivables Facility expires on August 25, 2017.

The Company accounts for the sale of receivables under the Receivables Facility 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 $250.0 million in borrowings or receivables pledged as collateral under the Receivables Facility as of July 1, 2017. The carrying value of the receivables pledged as collateral was $277.8 million as of July 1, 2017. As of July 1, 2017, there was no remaining availability under the Receivables Facility.

Other

In connection with the acquisition of a controlling interest in Gavita, the Company recorded a loan to the noncontrolling ownership group of Gavita. The fair value of the loan was $40.5 million, $37.7 million and $38.3 million at July 1, 2017, July 2, 2016 and September 30, 2016, respectively.

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 $1,150.0 million at July 1, 2017, $650.0 million at July 2, 2016 and $650.0 million at September 30, 2016. Interest payments made between the effective date and expiration date are hedged by the swap agreements, except as noted below, respectively.

The notional amount, effective date, expiration date and rate of each of these swap agreements outstanding at July 1, 2017 are shown in the table below:

Notional Amount (in millions)		Effective Date (a)	Expiration Date	Fixed Rate
$ 50	(d)	12/6/2012	9/6/2017	2.96%
200		2/7/2014	11/7/2017	1.28%
300	(e)	11/21/2016	6/20/2018	0.83%
200	(e)	11/7/2016	8/7/2018	0.84%
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 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.

(e) Notional amount adjusts in accordance with a specified seasonal schedule. This represents the maximum notional amount at any point in time.

Estimated Fair Values

The methods and assumptions used to estimate the fair values of the Company's debt instruments are described below:

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 credit facilities was classified in Level 2 of the fair value hierarchy.

5.250% Senior Notes

The fair value of the 5.250% Senior Notes was determined based on the trading of the 5.250% Senior Notes in the open market. The difference between the carrying value and the fair value of the 5.250% Senior Notes represents the premium or discount on that date. Based on the trading value on or around July 1, 2017, the fair value of the 5.250% Senior Notes was approximately $261.6 million. The fair value measurement for the 5.250% Senior Notes was classified in Level 1 of the fair value hierarchy.

6.000% Senior Notes

The fair value of the 6.000% Senior Notes was 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 July 1, 2017, the fair value of the 6.000% Senior Notes was approximately $429.5 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 Receivables Facility fluctuated with the applicable LIBOR and thus the carrying value is a reasonable estimate of fair value. The fair value measurement for the Receivables Facility 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 4.4% and 4.3% for the nine months ended July 1, 2017 and July 2, 2016, respectively. The increase in the weighted average interest rate is due to the issuance of the 5.250% Senior Notes on December 15, 2016.

NOTE 9. RETIREMENT AND RETIREE MEDICAL PLANS

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

	THREE MONTHS ENDED					
	JULY 1, 2017			JULY 2, 2016		
	U.S. Pension	International Pension	U.S. Medical	U.S. Pension	International Pension	U.S. Medical
	(In millions)					
Service cost	$ —	$ 0.3	$ —	$ —	$ 0.3	$ 0.1
Interest cost	0.7	1.0	0.2	1.1	1.7	0.3
Expected return on plan assets	(1.2)	(2.0)	—	(1.2)	(2.0)	—
Net amortization	0.4	0.5	(0.1)	0.4	0.4	(0.3)
Net periodic benefit (income) cost	$ (0.1)	$ (0.2)	$ 0.1	$ 0.3	$ 0.4	$ 0.1

	NINE MONTHS ENDED					
	JULY 1, 2017			JULY 2, 2016		
	U.S. Pension	International Pension	U.S. Medical	U.S. Pension	International Pension	U.S. Medical
	(In millions)					
Service cost	$ —	$ 0.9	$ 0.2	$ —	$ 0.9	$ 0.3
Interest cost	2.1	2.9	0.5	3.3	5.1	0.8
Expected return on plan assets	(3.6)	(6.0)	—	(3.7)	(6.0)	—
Net amortization	1.2	1.6	(0.5)	1.3	1.2	(0.8)
Net periodic benefit (income) cost	$ (0.3)	$ (0.6)	$ 0.2	$ 0.9	$ 1.2	$ 0.3

NOTE 10. EQUITY

In August 2014, the Scotts Miracle-Gro Board of Directors authorized the repurchase of up to $500.0 million of Common Shares over a five-year period (effective November 1, 2014 through September 30, 2019). On August 3, 2016, Scotts Miracle-Gro announced that its Board of Directors authorized a $500.0 million increase to the share repurchase authorization ending on September 30, 2019. The amended authorization allows for repurchases of Common Shares of $1.0 billion through September 30, 2019. The authorization provides the Company with flexibility to purchase Common Shares from time to time in open market purchases or through privately negotiated transactions. All or part of the repurchases may be made under Rule 10b5-1 plans, which the Company may enter into from time to time and which enable the repurchases to occur on a more regular basis, or pursuant to accelerated share repurchases. The share repurchase authorization, which expires September 30, 2019, may be suspended or discontinued at any time, and there can be no guarantee as to the timing or amount of any repurchases. During the three and nine months ended July 1, 2017, Scotts Miracle-Gro repurchased 1.0 million and 2.0 million Common Shares for $84.6 million and $175.1 million, respectively. From the inception of this share repurchase program in the fourth quarter of fiscal 2014 through July 1, 2017, Scotts Miracle-Gro repurchased approximately 4.0 million Common Shares for $320.8 million.

On August 1, 2017, the Scotts Miracle-Gro Board of Directors approved an increase in the quarterly cash dividend from $0.50 to $0.53 per Common Share.

The following table provides a summary of the changes in total equity, shareholders' equity attributable to controlling interest, and equity attributable to noncontrolling interests for the nine months ended July 1, 2017 and July 2, 2016 (in millions):

	Common Shares and Capital in Excess of Stated Value	Retained Earnings	Treasury Shares	Accumulated Other Comprehensive Loss	Total Equity - Controlling Interest	Non-controlling Interest	Total Equity
Balance at September 30, 2015	$ 400.4	$ 684.2	$ (357.1)	$ (106.8)	$ 620.7	$ 12.4	$ 633.1
Net income (loss)	—	341.9	—	—	341.9	(0.2)	341.7
Other comprehensive income (loss)	—	—	—	(10.7)	(10.7)	—	(10.7)
Share-based compensation	13.9	—	—	—	13.9	—	13.9
Dividends declared ($1.410 per share)	—	(87.5)	—	—	(87.5)	—	(87.5)
Treasury share purchases	—	—	(81.2)	—	(81.2)	—	(81.2)
Treasury share issuances	(13.2)	—	29.0	—	15.8	—	15.8
Investment in noncontrolling interest	—	—	—	—	—	7.1	7.1
Balance at July 2, 2016	$ 401.1	$ 938.6	$ (409.3)	$ (117.5)	$ 812.9	$ 19.3	$ 832.2
Balance at September 30, 2016	$ 401.7	$ 881.8	$ (451.4)	$ (116.9)	$ 715.2	$ 19.1	$ 734.3
Net income (loss)	—	251.8	—	—	251.8	0.5	252.3
Other comprehensive income (loss)	—	—	—	8.6	8.6	0.1	8.7
Share-based compensation	25.2	—	—	—	25.2	—	25.2
Dividends declared ($1.500 per share)	—	(90.5)	—	—	(90.5)	—	(90.5)
Treasury share purchases	—	—	(175.1)	—	(175.1)	—	(175.1)
Treasury share issuances	(20.2)	—	16.4	—	(3.8)	—	(3.8)
Adjustment to noncontrolling interest due to ownership change	(1.0)	—	—	—	(1.0)	1.0	—
Distribution declared by AeroGrow	—	—	—	—	—	(8.1)	(8.1)
Balance at July 1, 2017	$ 405.7	$ 1,043.1	$ (610.1)	$ (108.3)	$ 730.4	$ 12.6	$ 743.0

On November 29, 2016, the Company's wholly-owned subsidiary SMG Growing Media, Inc. fully exercised its outstanding warrants to acquire additional shares of common stock of AeroGrow for an aggregate warrant exercise price of $47.8 million in exchange for the issuance of 21.6 million shares of common stock of AeroGrow, which increased the Company's percentage ownership of AeroGrow's outstanding shares of common stock (on a fully diluted basis) from 45% to 80%. The financial results of AeroGrow have been consolidated into the Company's consolidated financial statements since the fourth quarter of fiscal 2014, when the Company obtained control of AeroGrow's operations through increased involvement, influence and a working capital loan provided to AeroGrow. Following the exercise of the warrants, the Board of Directors of AeroGrow declared a $41 million distribution ($1.21 per share) payable on January 3, 2017 to shareholders of record on December 20, 2016. On January 3, 2017, AeroGrow paid a distribution of $8.1 million to its noncontrolling interest holders.

Share-Based Awards

Scotts Miracle-Gro grants share-based awards annually to officers and certain other employees of the Company and non-employee directors of Scotts Miracle-Gro. The share-based awards have consisted of stock options, restricted stock units, deferred stock units and performance-based awards. All of these share-based awards have been made under plans approved by the shareholders. If available, Scotts Miracle-Gro will typically use treasury shares, or if not available, newly-issued Common Shares, in satisfaction of its share-based awards.

On January 30, 2017, the Company issued 0.5 million performance-based award units to certain senior executives as part of its Project Focus initiative. These awards provide for a five-year vesting period based on achievement of specific performance goals aligned with the strategic objectives of the Company's Project Focus initiatives. The performance goals include a combination of five year cumulative operating cash flow less capital expenditures; five year non-GAAP diluted EPS growth; and dividend yield. The Company assesses the probability of achievement of performance goals each period and records expense for the awards based on the probable achievement of such metrics. Performance-based award units accrue cash dividend equivalents that are payable upon vesting of the awards.

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

	NINE MONTHS ENDED	
	JULY 1, 2017	JULY 2, 2016
Employees		
Stock options	—	444,890
Restricted stock units	109,661	74,422
Performance units	487,809	56,315
Board of Directors		
Deferred stock units	23,853	28,103
Total share-based awards	621,323	603,730
Aggregate fair value at grant dates (in millions)	$ 57.7	$ 16.4

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

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	JULY 1, 2017	JULY 2, 2016	JULY 1, 2017	JULY 2, 2016
	(In millions)			
Share-based compensation	$ 5.4	$ 2.4	$ 20.5	$ 13.7
Tax benefit recognized	2.1	0.9	7.8	5.2

NOTE 11. INCOME TAXES

The effective tax rate related to continuing operations for the nine months ended July 1, 2017 and July 2, 2016 was 34.8% and 35.5%, respectively. 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. Final Treasury Regulations under Internal Revenue Code §987 were enacted on December 7, 2016, governing the methodology to be used in calculating deferred translation gain or loss for certain entities treated as U.S. branches for U.S. tax purposes. The Company has determined that the impact of adopting these regulations is immaterial to the Company's deferred tax balances and financial statements.

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 2014. 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 through 2013. With respect to foreign jurisdictions, a German audit closed in the third quarter of fiscal 2017 with no material impact to the financial statements. In regard to the multiple U.S. state and local audits, the tax periods under examination are limited to fiscal years 2011 through 2015. 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 12. CONTINGENCIES

Management regularly evaluates the Company's contingencies, including various lawsuits and claims which arise in the normal course of business, product and general liabilities, workers' compensation, property losses and other liabilities for which the Company is self-insured or retains a high exposure limit. Self-insurance accruals 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 accruals, 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 July 1, 2017, $5.0 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 accruals 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, along with its Chief Executive Officer, have been named as defendants in four actions filed on and after June 27, 2012, which have been consolidated and, on March 31, 2017, certified as a class action 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 class action on behalf of all persons and entities in the United States who purchased certain bird food products. The plaintiffs assert: (i) hundreds of millions of dollars in monetary damages (actual, compensatory, consequential, and restitution); (ii) punitive and treble damages; (iii) injunctive and declaratory relief; (iv) pre-judgment and post-judgment interest; and (v) costs and attorneys' fees. The Company and its Chief Executive Officer dispute the plaintiffs' assertions and intend 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 accruals have been recorded in the 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 13. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

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

Exchange Rate Risk Management

The Company uses currency forward contracts to manage the exchange rate risk associated with intercompany loans with foreign subsidiaries that are denominated in local currencies. At July 1, 2017, the notional amount of outstanding currency forward contracts was $266.2 million, with a negative fair value of $2.1 million. At July 2, 2016, the notional amount of outstanding currency forward contracts was $163.3 million, with a fair value of $0.5 million. At September 30, 2016, the notional amount of outstanding currency forward contracts was $165.8 million, with a fair value of $0.4 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 $1,150.0 million at July 1, 2017, $650.0 million at July 2, 2016 and $650.0 million at September 30, 2016. Refer to "NOTE 8. DEBT" for the terms of the swap agreements outstanding at July 1, 2017. Included in the AOCI balance at July 1, 2017 was a gain of $0.1 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 July 1, 2017 was a loss of $1.0 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 July 1, 2017, there were no amounts included within AOCI.

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

COMMODITY	JULY 1, 2017	JULY 2, 2016	SEPTEMBER 30, 2016
Urea	78,000 tons	34,500 tons	40,500 tons
Diesel	5,082,000 gallons	5,670,000 gallons	6,384,000 gallons
Heating Oil	1,302,000 gallons	1,386,000 gallons	1,722,000 gallons

Fair Values of Derivative Instruments

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

DERIVATIVES DESIGNATED AS HEDGING INSTRUMENTS	BALANCE SHEET LOCATION	ASSETS / (LIABILITIES) JULY 1, 2017	JULY 2, 2016	SEPTEMBER 30, 2016
		FAIR VALUE		
		(In millions)		
Interest rate swap agreements	Prepaid and other current assets	$ 1.2	$ —	$ —
	Other assets	0.2	—	—
	Other current liabilities	(1.1)	(4.3)	(3.3)
	Other liabilities	(0.5)	(4.4)	(3.1)
Commodity hedging instruments	Other current liabilities	(1.7)	(0.8)	(0.3)
Total derivatives designated as hedging instruments		$ (1.9)	$ (9.5)	$ (6.7)
DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS	**BALANCE SHEET LOCATION**			
Currency forward contracts	Prepaid and other current assets	$ 0.4	$ 1.2	$ 1.2
	Other current liabilities	(2.5)	(0.8)	(0.8)
Commodity hedging instruments	Prepaid and other current assets	—	0.2	—
	Other current liabilities	(0.6)	(0.1)	(0.1)
Total derivatives not designated as hedging instruments		(2.7)	0.5	0.3
Total derivatives		$ (4.6)	$ (9.0)	$ (6.4)

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 JULY 1, 2017	THREE MONTHS ENDED JULY 2, 2016	NINE MONTHS ENDED JULY 1, 2017	NINE MONTHS ENDED JULY 2, 2016
	(In millions)			
Interest rate swap agreements	$ (0.3)	$ (1.0)	$ 2.2	$ (1.9)
Commodity hedging instruments	(0.9)	(0.2)	(0.4)	(0.9)
Total	$ (1.2)	$ (1.2)	$ 1.8	$ (2.8)

DERIVATIVES IN CASH FLOW HEDGING RELATIONSHIPS	RECLASSIFIED FROM AOCI INTO STATEMENT OF OPERATIONS	AMOUNT OF GAIN / (LOSS) THREE MONTHS ENDED JULY 1, 2017	THREE MONTHS ENDED JULY 2, 2016	NINE MONTHS ENDED JULY 1, 2017	NINE MONTHS ENDED JULY 2, 2016
		(In millions)			
Interest rate swap agreements	Interest expense	$ (0.5)	$ (1.5)	$ (1.7)	$ (4.7)
Commodity hedging instruments	Cost of sales	0.1	(0.2)	(0.2)	(0.6)
Total		$ (0.4)	$ (1.7)	$ (1.9)	$ (5.3)

DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS	RECOGNIZED IN STATEMENT OF OPERATIONS	AMOUNT OF GAIN / (LOSS)			
		THREE MONTHS ENDED		NINE MONTHS ENDED	
		JULY 1, 2017	JULY 2, 2016	JULY 1, 2017	JULY 2, 2016
		(In millions)			
Currency forward contracts	Other income, net	$ (1.7)	$ 0.7	$ 5.3	$ (0.4)
Commodity hedging instruments	Cost of sales	(0.6)	1.8	(0.6)	(2.5)
Total		$ (2.3)	$ 2.5	$ 4.7	$ (2.9)

NOTE 14. FAIR VALUE MEASUREMENTS

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

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

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

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

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

Derivatives

Derivatives consist of 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 and the Bonnie Option. Investment securities in non-qualified retirement plan assets are valued using observable market prices in active markets and are classified within Level 1 of the valuation hierarchy. The fair value of the Bonnie Option is determined using a simulation approach, whereby the total value of the loan receivable and optional exchange for additional equity was estimated considering a distribution of possible future cash flows discounted to present value using an appropriate discount rate, and is classified in Level 3 of the fair value hierarchy.

Long-Term Debt

Long-term debt consists of a loan provided to the noncontrolling ownership group of Gavita. The estimated fair value of the loan was determined using an income-based approach, which includes market participant expectations of cash flows over the remaining useful life discounted to present value using an appropriate discount rate. The estimate requires subjective assumptions to be made, including those related to future business results and discount rates. The fair value measurement is based on significant inputs unobservable in the market and thus represents a Level 3 measurement.

The following table presents the Company's financial assets and liabilities measured at fair value on a recurring basis at July 1, 2017:

	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	$ 22.1	$ —	$ —	$ 22.1
Derivatives				
Interest rate swap agreements	—	1.4	—	1.4
Currency forward contracts	—	0.4	—	0.4
Other	15.2	—	11.8	27.0
Total	$ 37.3	$ 1.8	$ 11.8	$ 50.9
Liabilities				
Derivatives				
Interest rate swap agreements	$ —	$ (1.6)	$ —	$ (1.6)
Currency forward contracts	—	(2.5)	—	(2.5)
Commodity hedging instruments	—	(2.3)	—	(2.3)
Long-term debt	—	—	(40.5)	(40.5)
Total	$ —	$ (6.4)	$ (40.5)	$ (46.9)

The following table presents the Company's financial assets and liabilities measured at fair value on a recurring basis at July 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	$ 14.6	$ —	$ —	$ 14.6
Derivatives				
Currency forward contracts	—	1.2	—	1.2
Commodity hedging instruments	—	0.2	—	0.2
Other	11.1	—	—	11.1
Total	$ 25.7	$ 1.4	$ —	$ 27.1
Liabilities				
Derivatives				
Interest rate swap agreements	$ —	$ (8.7)	$ —	$ (8.7)
Currency forward contracts	—	(0.8)	—	(0.8)
Commodity hedging instruments	—	(0.9)	—	(0.9)
Long-term debt	—	—	(37.7)	(37.7)
Total	$ —	$ (10.4)	$ (37.7)	$ (48.1)

The following table presents the Company's financial assets and liabilities measured at fair value on a recurring basis at September 30, 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	$ 11.5	$ —	$ —	$ 11.5
Derivatives				
Currency forward contracts	—	1.2	—	1.2
Other	11.8	—	10.9	22.7
Total	$ 23.3	$ 1.2	$ 10.9	$ 35.4
Liabilities				
Derivatives				
Interest rate swap agreements	$ —	$ (6.4)	$ —	$ (6.4)
Currency forward contracts	—	(0.8)	—	(0.8)
Commodity hedging instruments	—	(0.4)	—	(0.4)
Long-term debt	—	—	(38.3)	(38.3)
Total	$ —	$ (7.6)	$ (38.3)	$ (45.9)

NOTE 15. SEGMENT INFORMATION

The Company divides its business into three reportable segments: U.S. Consumer, Europe Consumer and Other. 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 hydroponic 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. This division of reportable segments is consistent with how the segments report to and are managed by the chief operating decision maker of the Company.

Segment performance is evaluated based on several factors, including income (loss) from continuing operations before income taxes, amortization, impairment, restructuring and other charges ("Segment Profit (Loss)"). Senior management uses this measure of profit (loss) to evaluate segment performance because the Company believes this measure is 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		NINE MONTHS ENDED	
	JULY 1, 2017	JULY 2, 2016	JULY 1, 2017	JULY 2, 2016
	(In millions)			
Net sales:				
U.S. Consumer	$ 792.2	$ 756.7	$ 1,880.1	$ 1,909.6
Europe Consumer	93.2	96.2	222.9	236.9
Other	192.6	141.2	425.2	287.3
Consolidated	$ 1,078.0	$ 994.1	$ 2,528.2	$ 2,433.8
Segment Profit (Loss):				
U.S. Consumer	$ 246.6	$ 205.8	$ 522.5	$ 487.6
Europe Consumer	13.3	11.8	23.2	24.2
Other	23.8	11.9	44.5	17.0
Total Segment Profit	283.7	229.5	590.2	528.8
Corporate	(28.1)	(13.8)	(87.0)	(73.9)
Intangible asset amortization	(5.9)	(4.4)	(17.8)	(12.6)
Impairment, restructuring and other	(4.1)	(11.4)	(8.8)	29.1
Equity in income (loss) of unconsolidated affiliates [(a)]	7.2	13.5	(30.1)	13.5
Costs related to refinancing	—	—	—	(8.8)
Interest expense	(21.8)	(16.9)	(58.9)	(52.3)
Income from continuing operations before income taxes	$ 231.0	$ 196.5	$ 387.6	$ 423.8

(a) Included within equity in income (loss) of unconsolidated affiliates for the three and nine months ended July 1, 2017 are charges of $5.0 million and $16.7 million, respectively, which represent the Company's share of restructuring and other charges incurred by the TruGreen Joint Venture. For the three and nine months ended July 2, 2016, the Company's share of restructuring and other charges incurred by the TruGreen Joint Venture of $17.0 million were included within impairment, restructuring and other above.

	JULY 1, 2017	JULY 2, 2016	SEPTEMBER 30, 2016
	(In millions)		
Total assets:			
U.S. Consumer	$ 2,068.2	$ 2,121.1	$ 1,770.7
Europe Consumer	248.1	264.6	192.1
Other	789.5	570.9	568.1
Corporate	241.7	296.9	271.9
Consolidated	$ 3,347.5	$ 3,253.5	$ 2,802.8

NOTE 16. OTHER

On April 29, 2017, the Company received a binding and irrevocable conditional offer (the "Offer") from Exponent Private Equity LLP ("Exponent") to purchase its consumer lawn and garden business carried on in certain international jurisdictions (the "International Business"). On July 5, 2017, the Company accepted the Offer and entered into the Share and Business Sale Agreement (the "Agreement") contemplated by the Offer. The Company expects the transaction to close during the fourth quarter of fiscal 2017.

Pursuant to the Agreement, Scotts-Sierra Investments LLC, an indirect wholly-owned subsidiary of the Company ("Sierra") and certain of its direct and indirect subsidiaries, will enter into separate stock or asset sale transactions with respect to the consumer lawn and garden businesses located in Australia, Austria, Benelux, Czech Republic, France, Germany, Poland and the United Kingdom. Upon closing of the transaction, Exponent will pay the Company approximately EUR 210.0 million (subject to potential adjustment following closing in respect of the actual financial position at closing) and a deferred payment amount of up to EUR 20.0 million, contingent on the achievement of certain performance criteria by the International Business following the closing of the transaction.

The parties' obligations to consummate the transaction are conditioned upon (i) the Monsanto Company entering into a certain exclusive agency and marketing agreement and a certain lawn and garden brand extension agreement, each with Exponent, relating to the marketing and distribution of Roundup® products, (ii) the receipt of landlord consents to the transfer of/change of control in respect of certain material real estate leases, (iii) evidence of the waiver by the relevant municipal authority of its pre-emption right in relation to the properties of the International Business in Bourth and Hautmont in France, or the expiry of the period during which the relevant municipal authority may exercise such right of pre-emption, (iv) specific third party written consent in respect of the assignment of certain supply agreements and the sub-licensing of certain intellectual property, and (v) the receipt of formal clearance from the competition authorities in France, Germany and Poland.

As part of the transaction, Exponent will receive vendor financing from Sierra in the form of a EUR 25.0 million loan for seven years bearing interest at 5% for the first three years, with annual 250 basis point increases thereafter.

The Agreement also includes customary representations, warranties and covenants. Among other things, Sierra will provide customary business warranties regarding the International Business subject to certain financial limitations. Also, Sierra has agreed to certain customary pre-closing covenants, including with respect to the operation of the International Business prior to closing and the assistance with and delivery of certain regulatory approvals and third party consents.

NOTE 17. FINANCIAL INFORMATION FOR SUBSIDIARY GUARANTORS AND NON-GUARANTORS

The 6.000% and 5.250% Senior Notes were issued on October 13, 2015 and December 15, 2016, respectively, 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 December 15, 2015, Scotts Miracle-Gro redeemed all of its outstanding $200.0 million aggregate principal amount of 6.625% Senior Notes, 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 indentures governing the 6.000% and 5.250% 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 indentures governing the 6.000% and 5.250% 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% and 5.250% Senior Notes pursuant to the indentures governing the 6.000% and 5.250% Senior Notes.

The following 100% directly or indirectly owned subsidiaries fully and unconditionally guarantee at July 1, 2017 the 6.000% and 5.250% Senior Notes on a joint and several basis: 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; The Scotts Company LLC; The Hawthorne Gardening Company; Hawthorne Hydroponics LLC; HGCI, Inc.; GenSource, Inc.; and SLS Holdings, Inc. (collectively, the "Guarantors"). Effective in the three-month period ending July 1, 2017, American Agritech, L.L.C. was merged into Hawthorne Hydroponics LLC, and has been classified as a Guarantor for all periods presented. Effective in the three-month period ending July 2, 2016, the SLS Business was contributed to the TruGreen Joint Venture and 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 as held for sale within the financial information of the Guarantors. Subsequent to their contribution to the TruGreen Joint Venture, EG Systems, LLC (formerly known as EG Systems, Inc.) and SLS Franchise Systems LLC are no longer Guarantors of the 6.000% Senior Notes. SLS Holdings, Inc. was added as a Guarantor effective in the three-month period ending July 2, 2016, and 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.

The following information presents Condensed Consolidating Statements of Operations for the three and nine months ended July 1, 2017 and July 2, 2016, Condensed Consolidating Statements of Comprehensive Income (Loss) for the three and nine months ended July 1, 2017 and July 2, 2016, Condensed Consolidating Statements of Cash Flows for the nine months ended July 1, 2017 and July 2, 2016, and Condensed Consolidating Balance Sheets as of July 1, 2017, July 2, 2016 and September 30, 2016. 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 nine months ended July 1, 2017 are $511.1 million of dividends paid by the Guarantors and Non-Guarantors to the Parent representing return of investments and as such are classified within cash flows from investing activities. Included in the Parent Condensed Consolidating Statement of Cash Flows for the nine months ended July 2, 2016 are $758.4 million of dividends paid by the Guarantors and Non-Guarantors to the Parent representing return of investments and as such are classified within cash flows from investing activities.

THE SCOTTS MIRACLE-GRO COMPANY
Condensed Consolidating Statement of Operations
for the three months ended July 1, 2017
(In millions)
(Unaudited)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations/ Consolidations	Consolidated
Net sales	$ —	$ 845.3	$ 232.7	$ —	$ 1,078.0
Cost of sales	—	492.0	170.8	—	662.8
Gross profit	—	353.3	61.9	—	415.2
Operating expenses:					
Selling, general and administrative	—	128.8	42.9	0.3	172.0
Impairment, restructuring and other	—	4.2	(0.1)	—	4.1
Other (income) loss, net	(0.2)	(4.0)	(2.3)	—	(6.5)
Income (loss) from operations	0.2	224.3	21.4	(0.3)	245.6
Equity (income) loss in subsidiaries	(160.6)	(8.2)	—	168.8	—
Other non-operating (income) loss	(6.6)	—	(3.7)	10.3	—
Equity in (income) loss of unconsolidated affiliates	—	(7.2)	—	—	(7.2)
Interest expense	19.6	11.1	1.4	(10.3)	21.8
Income (loss) from continuing operations before income taxes	147.8	228.6	23.7	(169.1)	231.0
Income tax (benefit) expense from continuing operations	(4.4)	75.4	8.1	—	79.1
Income (loss) from continuing operations	152.2	153.2	15.6	(169.1)	151.9
Income (loss) from discontinued operations, net of tax	—	—	—	—	—
Net income (loss)	$ 152.2	$ 153.2	$ 15.6	$ (169.1)	$ 151.9
Net (income) loss attributable to noncontrolling interest	—	—	—	—	—
Net income (loss) attributable to controlling interest	$ 152.2	$ 153.2	$ 15.6	$ (169.1)	$ 151.9

THE SCOTTS MIRACLE-GRO COMPANY
Condensed Consolidating Statement of Operations
for the nine months ended July 1, 2017
(In millions)
(Unaudited)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations/ Consolidations	Consolidated
Net sales	$ —	$ 2,010.8	$ 517.4	$ —	$ 2,528.2
Cost of sales	—	1,191.1	375.4	—	1,566.5
Gross profit	—	819.7	142.0	—	961.7
Operating expenses:					
Selling, general and administrative	—	375.3	112.5	1.0	488.8
Impairment, restructuring and other	—	9.4	(0.6)	—	8.8
Other (income) loss, net	(0.6)	(10.4)	(1.5)	—	(12.5)
Income (loss) from operations	0.6	445.4	31.6	(1.0)	476.6
Equity (income) loss in subsidiaries	(276.1)	(14.0)	—	290.1	—
Other non-operating (income) loss	(18.4)	—	(13.6)	32.0	—
Equity in (income) loss of unconsolidated affiliates	—	30.0	0.1	—	30.1
Interest expense	54.9	32.3	3.7	(32.0)	58.9
Income (loss) from continuing operations before income taxes	240.2	397.1	41.4	(291.1)	387.6
Income tax (benefit) expense from continuing operations	(12.5)	132.7	14.5	—	134.7
Income (loss) from continuing operations	252.7	264.4	26.9	(291.1)	252.9
Income (loss) from discontinued operations, net of tax	—	(0.6)	—	—	(0.6)
Net income (loss)	$ 252.7	$ 263.8	$ 26.9	$ (291.1)	$ 252.3
Net (income) loss attributable to noncontrolling interest	—	—	—	(0.5)	(0.5)
Net income (loss) attributable to controlling interest	$ 252.7	$ 263.8	$ 26.9	$ (291.6)	$ 251.8

THE SCOTTS MIRACLE-GRO COMPANY
Condensed Consolidating Statement of Comprehensive Income (Loss)
for the three months ended July 1, 2017
(In millions)
(Unaudited)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations/ Consolidations	Consolidated
Net income (loss)	$ 152.2	$ 153.2	$ 15.6	$ (169.1)	$ 151.9
Other comprehensive income (loss), net of tax:					
Net foreign currency translation adjustment	5.8	—	5.8	(5.8)	5.8
Net change in derivatives	(0.8)	(1.0)	—	1.0	(0.8)
Net change in pension and other post-retirement benefits	0.5	0.2	0.3	(0.5)	0.5
Total other comprehensive income (loss)	5.5	(0.8)	6.1	(5.3)	5.5
Comprehensive income (loss)	$ 157.7	$ 152.4	$ 21.7	$ (174.4)	$ 157.4
Comprehensive (income) loss attributable to noncontrolling interest	—	—	—	(0.1)	(0.1)
Comprehensive income attributable to controlling interest	$ 157.7	$ 152.4	$ 21.7	$ (174.5)	$ 157.3

THE SCOTTS MIRACLE-GRO COMPANY
Condensed Consolidating Statement of Comprehensive Income (Loss)
for the nine months ended July 1, 2017
(In millions)
(Unaudited)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations/ Consolidations	Consolidated
Net income (loss)	$ 252.7	$ 263.8	$ 26.9	$ (291.1)	$ 252.3
Other comprehensive income (loss), net of tax:					
Net foreign currency translation adjustment	3.6	—	3.6	(3.6)	3.6
Net change in derivatives	3.7	(0.2)	—	0.2	3.7
Net change in pension and other post-retirement benefits	1.4	0.4	1.0	(1.4)	1.4
Total other comprehensive income (loss)	8.7	0.2	4.6	(4.8)	8.7
Comprehensive income (loss)	$ 261.4	$ 264.0	$ 31.5	$ (295.9)	$ 261.0
Comprehensive (income) loss attributable to noncontrolling interest	—	—	—	(0.6)	(0.6)
Comprehensive income attributable to controlling interest	$ 261.4	$ 264.0	$ 31.5	$ (296.5)	$ 260.4

THE SCOTTS MIRACLE-GRO COMPANY
Condensed Consolidating Statement of Cash Flows
for the nine months ended July 1, 2017
(In millions)
(Unaudited)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations/ Consolidations	Consolidated
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES [(a)]	$ (37.4)	$ 216.1	$ (95.8)	$ (0.5)	$ 82.4
INVESTING ACTIVITIES [(a)]					
Proceeds from sale of long-lived assets	—	4.9	0.1	—	5.0
Investments in property, plant and equipment	—	(36.1)	(5.9)	—	(42.0)
Net (investments in) distributions from unconsolidated affiliates	—	—	(0.2)	—	(0.2)
Investments in acquired businesses, net of cash acquired	—	(80.5)	(8.7)	—	(89.2)
Return of investments from affiliates	511.1	32.4	—	(543.5)	—
Investing cash flows from (to) affiliates	(464.5)	(248.2)	—	712.7	—
Net cash provided by (used in) investing activities	46.6	(327.5)	(14.7)	169.2	(126.4)
FINANCING ACTIVITIES					
Borrowings under revolving and bank lines of credit and term loans	—	1,152.3	210.5	—	1,362.8
Repayments under revolving and bank lines of credit and term loans	—	(973.6)	(231.7)	—	(1,205.3)
Proceeds from issuance of 5.250% Senior Notes	250.0	—	—	—	250.0
Financing and issuance fees	(3.8)	(0.5)	—	—	(4.3)
Dividends paid	(89.4)	(511.1)	(0.5)	511.6	(89.4)
Distribution paid by AeroGrow	—	—	(40.5)	32.4	(8.1)
Purchase of Common Shares	(173.8)	—	—	—	(173.8)
Payments on seller notes	—	(15.5)	(13.2)	—	(28.7)
Excess tax benefits from share-based payment arrangements	4.5	—	—	—	4.5
Cash received from the exercise of stock options	3.3	—	—	—	3.3
Financing cash flows from (to) affiliates	—	464.5	248.2	(712.7)	—
Net cash provided by (used in) financing activities	(9.2)	116.1	172.8	(168.7)	111.0
Effect of exchange rate changes on cash	—	—	2.0	—	2.0
Net increase (decrease) in cash and cash equivalents	—	4.7	64.3	—	69.0
Cash and cash equivalents at beginning of period	—	2.7	47.4	—	50.1
Cash and cash equivalents at end of period	$ —	$ 7.4	$ 111.7	$ —	$ 119.1

(a) Cash received by the Parent from the Guarantors and Non-Guarantors in the form of dividends in the amount of $511.1 million represent return of investments and are included in cash flows from investing activities. Cash received by the Guarantors from the Non-Guarantors in the form of distributions in the amount of $32.4 million represent return of investments and are included in cash flows from investing activities. Cash received by the Guarantor from the Non-Guarantors in the form of dividends in the amount of $0.5 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 July 1, 2017
(In millions)
(Unaudited)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations/ Consolidations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ —	$ 7.4	$ 111.7	$ —	$ 119.1
Accounts receivable, net	—	283.7	190.6	—	474.3
Accounts receivable pledged	—	277.8	—	—	277.8
Inventories	—	331.9	134.7	—	466.6
Prepaid and other current assets	1.2	96.4	48.9	—	146.5
Total current assets	1.2	997.2	485.9	—	1,484.3
Investment in unconsolidated affiliates	—	65.0	0.7	—	65.7
Property, plant and equipment, net	—	382.4	78.4	—	460.8
Goodwill	—	294.0	103.1	11.6	408.7
Intangible assets, net	—	641.8	155.6	9.2	806.6
Other assets	9.1	109.8	2.6	(0.1)	121.4
Equity investment in subsidiaries	1,112.1	—	—	(1,112.1)	—
Intercompany assets	1,008.9	3.1	—	(1,012.0)	—
Total assets	$ 2,131.3	$ 2,493.3	$ 826.3	$ (2,103.4)	$ 3,347.5
LIABILITIES AND EQUITY					
Current liabilities:					
Current portion of debt	$ 15.0	$ 265.8	$ 23.3	$ (15.0)	$ 289.1
Accounts payable	—	134.8	89.2	—	224.0
Other current liabilities	8.1	214.4	104.9	—	327.4
Total current liabilities	23.1	615.0	217.4	(15.0)	840.5
Long-term debt	1,377.3	642.8	135.8	(736.2)	1,419.7
Other liabilities	0.5	265.8	73.2	4.8	344.3
Equity investment in subsidiaries	—	90.1	—	(90.1)	—
Intercompany liabilities	—	—	244.4	(244.4)	—
Total liabilities	1,400.9	1,613.7	670.8	(1,080.9)	2,604.5
Total equity—controlling interest	730.4	879.6	155.5	(1,035.1)	730.4
Noncontrolling interest	—	—	—	12.6	12.6
Total equity	730.4	879.6	155.5	(1,022.5)	743.0
Total liabilities and equity	$ 2,131.3	$ 2,493.3	$ 826.3	$ (2,103.4)	$ 3,347.5

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

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations/ Consolidations	Consolidated
Net sales	$ —	$ 786.2	$ 207.9	$ —	$ 994.1
Cost of sales	—	485.8	150.5	—	636.3
Cost of sales—impairment, restructuring and other	—	0.4	—	—	0.4
Gross profit	—	300.0	57.4	—	357.4
Operating expenses:					
Selling, general and administrative	—	108.5	43.0	0.4	151.9
Impairment, restructuring and other	—	(5.8)	—	—	(5.8)
Other (income) loss, net	(0.2)	(5.8)	0.4	—	(5.6)
Income (loss) from operations	0.2	203.1	14.0	(0.4)	216.9
Equity (income) loss in subsidiaries	(219.6)	(5.9)	—	225.5	—
Other non-operating (income) loss	(6.1)	—	(5.7)	11.8	—
Equity in (income) loss of unconsolidated affiliates	—	3.5	—	—	3.5
Interest expense	15.7	11.8	1.2	(11.8)	16.9
Income (loss) from continuing operations before income taxes	210.2	193.7	18.5	(225.9)	196.5
Income tax (benefit) expense from continuing operations	(3.2)	66.2	6.5	—	69.5
Income (loss) from continuing operations	213.4	127.5	12.0	(225.9)	127.0
Income (loss) from discontinued operations, net of tax	—	85.7	—	—	85.7
Net income (loss)	$ 213.4	$ 213.2	$ 12.0	$ (225.9)	$ 212.7
Net (income) loss attributable to noncontrolling interest	—	—	—	0.4	0.4
Net income (loss) attributable to controlling interest	$ 213.4	$ 213.2	$ 12.0	$ (225.5)	$ 213.1

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

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations/ Consolidations	Consolidated
Net sales	$ —	$ 1,985.5	$ 448.3	$ —	$ 2,433.8
Cost of sales	—	1,215.7	316.9	—	1,532.6
Cost of sales—impairment, restructuring and other	—	5.5	—	—	5.5
Gross profit	—	764.3	131.4	—	895.7
Operating expenses:					
Selling, general and administrative	—	355.9	109.1	1.1	466.1
Impairment, restructuring and other	—	(52.1)	0.4	—	(51.7)
Other (income) loss, net	(0.2)	(7.0)	0.1	—	(7.1)
Income (loss) from operations	0.2	467.5	21.8	(1.1)	488.4
Equity (income) loss in subsidiaries	(368.4)	(11.4)	—	379.8	—
Other non-operating (income) loss	(19.4)	—	(17.8)	37.2	—
Equity in (income) loss of unconsolidated affiliates	—	3.5	—	—	3.5
Costs related to refinancing	8.8	—	—	—	8.8
Interest expense	49.9	36.4	3.2	(37.2)	52.3
Income (loss) from continuing operations before income taxes	329.3	439.0	36.4	(380.9)	423.8
Income tax (benefit) expense from continuing operations	(13.9)	151.2	13.0	—	150.3
Income (loss) from continuing operations	343.2	287.8	23.4	(380.9)	273.5
Income (loss) from discontinued operations, net of tax	—	68.2	—	—	68.2
Net income (loss)	$ 343.2	$ 356.0	$ 23.4	$ (380.9)	$ 341.7
Net (income) loss attributable to noncontrolling interest	—	—	—	0.2	0.2
Net income (loss) attributable to controlling interest	$ 343.2	$ 356.0	$ 23.4	$ (380.7)	$ 341.9

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

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations/ Consolidations	Consolidated
Net income (loss)	$ 213.4	$ 213.2	$ 12.0	$ (225.9)	$ 212.7
Other comprehensive income (loss), net of tax:					
Net foreign currency translation adjustment	(12.3)	—	(12.3)	12.3	(12.3)
Net change in derivatives	0.5	0.1	—	(0.1)	0.5
Net change in pension and other post-retirement benefits	0.9	0.4	0.5	(0.9)	0.9
Total other comprehensive income (loss)	(10.9)	0.5	(11.8)	11.3	(10.9)
Comprehensive income (loss)	$ 202.5	$ 213.7	$ 0.2	$ (214.6)	$ 201.8

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

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations/ Consolidations	Consolidated
Net income (loss)	$ 343.2	$ 356.0	$ 23.4	$ (380.9)	$ 341.7
Other comprehensive income (loss), net of tax:					
Net foreign currency translation adjustment	(14.8)	—	(14.8)	14.8	(14.8)
Net change in derivatives	2.5	(0.2)	—	0.2	2.5
Net change in pension and other post-retirement benefits	1.6	0.8	0.8	(1.6)	1.6
Total other comprehensive income (loss)	(10.7)	0.6	(14.0)	13.4	(10.7)
Comprehensive income (loss)	$ 332.5	$ 356.6	$ 9.4	$ (367.5)	$ 331.0

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

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations/ Consolidations	Consolidated
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ (33.4)	$ 18.6	$ (43.2)	$ 29.1	$ (28.9)
INVESTING ACTIVITIES [a]					
Proceeds from sale of long-lived assets	—	2.4	—	—	2.4
Investments in property, plant and equipment	—	(29.4)	(6.3)	—	(35.7)
Investments in loans receivable	—	(90.0)	—	—	(90.0)
Net (investments in) distributions from unconsolidated affiliates	—	194.1	—	—	194.1
Cash contributed to TruGreen Joint Venture	—	(24.2)	—	—	(24.2)
Investments in acquired businesses, net of cash acquired	—	—	(161.4)	—	(161.4)
Return of investments from affiliates	758.4	—	—	(758.4)	—
Investing cash flows from (to) affiliates	(760.4)	(29.1)	—	789.5	—
Net cash provided by (used in) investing activities	(2.0)	23.8	(167.7)	31.1	(114.8)
FINANCING ACTIVITIES					
Borrowings under revolving and bank lines of credit and term loans	—	1,669.3	213.3	—	1,882.6
Repayments under revolving and bank lines of credit and term loans	—	(1,652.6)	(110.3)	—	(1,762.9)
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	(11.2)	—	—	—	(11.2)
Dividends paid	(86.4)	(747.4)	(11.0)	758.4	(86.4)
Purchase of Common Shares	(81.2)	—	—	—	(81.2)
Payments on seller notes	—	(1.8)	(0.5)	—	(2.3)
Excess tax benefits from share-based payment arrangements	4.3	—	—	—	4.3
Cash received from the exercise of stock options	9.9	—	—	—	9.9
Financing cash flows from (to) affiliates	—	689.0	129.6	(818.6)	—
Net cash provided by (used in) financing activities	35.4	(43.5)	221.1	(60.2)	152.8
Effect of exchange rate changes on cash	—	—	(3.3)	—	(3.3)
Net increase (decrease) in cash and cash equivalents	—	(1.1)	6.9	—	5.8
Cash and cash equivalents at beginning of period	—	8.2	63.2	—	71.4
Cash and cash equivalents at end of period	$ —	$ 7.1	$ 70.1	$ —	$ 77.2

(a) Cash received by the Parent from its subsidiaries in the form of dividends in the amount of $758.4 million represent return of investments and are included in cash flows from investing activities.

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

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations/ Consolidations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ —	$ 7.1	$ 70.1	$ —	$ 77.2
Accounts receivable, net	—	157.8	201.9	—	359.7
Accounts receivable pledged	—	435.1	—	—	435.1
Inventories	—	354.3	115.6	—	469.9
Prepaid and other current assets	0.2	96.2	42.8	—	139.2
Total current assets	0.2	1,050.5	430.4	—	1,481.1
Investment in unconsolidated affiliates	—	94.4	—	—	94.4
Property, plant and equipment, net	—	375.5	74.1	—	449.6
Goodwill	—	260.4	74.0	11.6	346.0
Intangible assets, net	—	599.2	140.8	10.6	750.6
Other assets	14.7	115.0	15.3	(13.2)	131.8
Equity investment in subsidiaries	833.3	—	—	(833.3)	—
Intercompany assets	1,071.5	—	—	(1,071.5)	—
Total assets	$ 1,919.7	$ 2,495.0	$ 734.6	$ (1,895.8)	$ 3,253.5
LIABILITIES AND EQUITY					
Current liabilities:					
Current portion of debt	$ 15.0	$ 364.0	$ 18.5	$ (15.0)	$ 382.5
Accounts payable	—	176.9	72.6	—	249.5
Other current liabilities	11.3	241.6	106.3	—	359.2
Total current liabilities	26.3	782.5	197.4	(15.0)	991.2
Long-term debt	1,076.2	501.2	191.5	(644.8)	1,124.1
Other liabilities	4.3	277.9	30.6	(6.8)	306.0
Equity investment in subsidiaries	—	149.7	—	(149.7)	—
Intercompany liabilities	—	197.1	204.9	(402.0)	—
Total liabilities	1,106.8	1,908.4	624.4	(1,218.3)	2,421.3
Total equity—controlling interest	812.9	586.6	110.2	(696.8)	812.9
Noncontrolling interest	—	—	—	19.3	19.3
Total equity	812.9	586.6	110.2	(677.5)	832.2
Total liabilities and equity	$ 1,919.7	$ 2,495.0	$ 734.6	$ (1,895.8)	$ 3,253.5

THE SCOTTS MIRACLE-GRO COMPANY
Condensed Consolidating Balance Sheet
As of September 30, 2016
(In millions)
(Unaudited)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations/ Consolidations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ —	$ 2.7	$ 47.4	$ —	$ 50.1
Accounts receivable, net	—	92.4	104.0	—	196.4
Accounts receivable pledged	—	174.7	—	—	174.7
Inventories	—	327.8	120.4	—	448.2
Prepaid and other current assets	0.1	82.8	39.4	—	122.3
Total current assets	0.1	680.4	311.2	—	991.7
Investment in unconsolidated affiliates	—	100.3	0.7	—	101.0
Property, plant and equipment, net	—	392.1	78.7	—	470.8
Goodwill	—	260.4	101.2	11.6	373.2
Intangible assets, net	—	596.4	144.3	10.2	750.9
Other assets	13.2	103.8	0.7	(2.5)	115.2
Equity investment in subsidiaries	808.8	—	—	(808.8)	—
Intercompany assets	1,013.0	—	—	(1,013.0)	—
Total assets	$ 1,835.1	$ 2,133.4	$ 636.8	$ (1,802.5)	$ 2,802.8
LIABILITIES AND EQUITY					
Current liabilities:					
Current portion of debt	$ 15.0	$ 154.2	$ 30.8	$ (15.0)	$ 185.0
Accounts payable	—	108.8	57.1	—	165.9
Other current liabilities	16.6	143.6	82.0	—	242.2
Total current liabilities	31.6	406.6	169.9	(15.0)	593.1
Long-term debt	1,085.1	575.7	117.2	(652.9)	1,125.1
Other liabilities	3.2	268.7	76.0	2.4	350.3
Equity investment in subsidiaries	—	161.0	—	(161.0)	—
Intercompany liabilities	—	147.2	187.1	(334.3)	—
Total liabilities	1,119.9	1,559.2	550.2	(1,160.8)	2,068.5
Total equity—controlling interest	715.2	574.2	86.6	(660.8)	715.2
Noncontrolling interest	—	—	—	19.1	19.1
Total equity	715.2	574.2	86.6	(641.7)	734.3
Total liabilities and equity	$ 1,835.1	$ 2,133.4	$ 636.8	$ (1,802.5)	$ 2,802.8

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, 2016 (the "2016 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 branded consumer lawn and garden products in North America and Europe. We are the exclusive agent of the Monsanto Company ("Monsanto") 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 product categories in Australia, the Far East and Latin America. In addition, with our recent acquisitions of General Hydroponics, Vermicrop, Gavita, Botanicare and Agrolux, and our control of AeroGrow, we are a leading producer of liquid plant food products, growing media, advanced indoor garden and lighting systems and accessories for hydroponic gardening. Our operations are divided into three reportable segments: U.S. Consumer, Europe Consumer and Other.

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 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, pursuant to the terms of the Contribution and Distribution Agreement (the "Contribution Agreement") between the Company and TruGreen Holding Corporation ("TruGreen Holdings"), we completed the contribution of the Scotts LawnService® business (the "SLS Business") to a newly formed subsidiary of TruGreen Holdings (the "TruGreen Joint Venture") in exchange for a minority equity interest of 30% in the TruGreen Joint Venture. The fair value of this interest was estimated to be $294.0 million, resulting in a pre-tax gain of $131.2 million during fiscal 2016. As a result of this transaction, 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 a discontinued operation, the SLS Business was referred to as our former Scotts LawnService® business segment. 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. We now participate in the residential and commercial lawn care, tree and shrub care and pest control services segment in the United States and Canada through our interest in the TruGreen Joint Venture.

On April 29, 2017, we received a binding and irrevocable conditional offer (the "Offer") from Exponent Private Equity LLP ("Exponent") to purchase our consumer lawn and garden business carried on in certain international jurisdictions (the "International Business"). On July 5, 2017, we accepted the Offer and entered into the Share and Business Sale Agreement (the "Agreement") contemplated by the Offer. Pursuant to the Agreement, Scotts-Sierra Investments LLC, our indirect wholly-owned subsidiary ("Sierra") and certain of its direct and indirect subsidiaries, will enter into separate stock or asset sale transactions with respect to the consumer lawn and garden businesses located in Australia, Austria, Benelux, Czech Republic, France, Germany, Poland and the United Kingdom. Upon closing of the transaction, Exponent will pay us approximately EUR 210.0 million (subject to potential adjustment following closing in respect of the actual financial position at closing) and a deferred payment amount of up to EUR 20.0 million, contingent on the achievement of certain performance criteria by the International Business following the closing of the transaction. We expect the transaction to close during the fourth quarter of fiscal 2017. For additional information, see "NOTE 16. OTHER" 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 approximately 4-5% 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 benefit from these expenditures and anticipate a similar commitment to research and development, advertising and marketing investments in the future, with the continuing objective of driving category growth and profitably increasing market share.

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

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 from Continuing Operations by Quarter		
	2016	2015	2014
First Quarter	6.9%	6.2%	5.6%
Second Quarter	43.8%	39.3%	40.8%
Third Quarter	35.1%	40.7%	39.7%
Fourth Quarter	14.2%	13.8%	13.9%

In August 2014, the Scotts Miracle-Gro Board of Directors authorized the repurchase of up to $500.0 million of Common Shares over a five-year period (effective November 1, 2014 through September 30, 2019). On August 3, 2016, Scotts Miracle-Gro announced that its Board of Directors authorized a $500.0 million increase to the share repurchase authorization ending on September 30, 2019. The amended authorization allows for repurchases of Common Shares of $1.0 billion through September 30, 2019. During the three and nine months ended July 1, 2017, Scotts Miracle-Gro repurchased 1.0 million and 2.0 million Common Shares for $84.6 million and $175.1 million, respectively. From the inception of this share repurchase program in the fourth quarter of fiscal 2014 through July 1, 2017, Scotts Miracle-Gro repurchased approximately 4.0 million Common Shares for $320.8 million.

On August 1, 2017, the Scotts Miracle-Gro Board of Directors approved an increase in our quarterly cash dividend from $0.50 to $0.53 per Common Share.

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 nine months ended July 1, 2017 and July 2, 2016 reflect results from our continuing operations. The following table sets forth the components of income and expense as a percentage of net sales:

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	JULY 1, 2017	JULY 2, 2016	JULY 1, 2017	JULY 2, 2016
Net sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of sales	61.5	64.0	62.0	63.0
Cost of sales—impairment, restructuring and other	—	—	—	0.2
Gross profit	38.5	36.0	38.0	36.8
Operating expenses:				
Selling, general and administrative	16.0	15.4	19.3	19.1
Impairment, restructuring and other	0.4	(0.6)	0.3	(2.1)
Other income, net	(0.6)	(0.6)	(0.5)	(0.3)
Income from operations	22.8	21.8	18.9	20.1
Equity in (income) loss of unconsolidated affiliates	(0.7)	0.4	1.2	0.1
Costs related to refinancing	—	—	—	0.4
Interest expense	2.0	1.6	2.3	2.2
Income from continuing operations before income taxes	21.4	19.8	15.3	17.4
Income tax expense from continuing operations	7.3	7.0	5.3	6.2
Income from continuing operations	14.1	12.8	10.0	11.2
Income (loss) from discontinued operations, net of tax	—	8.6	—	2.8
Net income	14.1 %	21.4 %	10.0 %	14.0 %

The sum of the components may not equal due to rounding.

Net Sales

Net sales for the three months ended July 1, 2017 were $1,078.0 million, an increase of 8.4% from net sales of $994.1 million for the three months ended July 2, 2016. Net sales for the nine months ended July 1, 2017 were $2,528.2 million, an increase of 3.9% from net sales of $2,433.8 million for the nine months ended July 2, 2016. The change in net sales was attributable to the following:

	THREE MONTHS ENDED	NINE MONTHS ENDED
	JULY 1, 2017	JULY 1, 2017
Acquisitions	3.9 %	4.9 %
Pricing	2.5	1.2
Foreign exchange rates	(0.9)	(0.8)
Volume	2.9	(1.4)
Change in net sales	8.4 %	3.9 %

The increase in net sales for the three months ended July 1, 2017 was primarily driven by:

- the addition of net sales from acquisitions in our Other segment, primarily from our hydroponic and indoor gardening businesses of Gavita, Botanicare and Agrolux, as well as a Canadian growing media operation;
- a favorable impact of increased pricing in our U.S. Consumer segment primarily driven by lower volume rebates as a result of year-to-date sales volume decline; and
- increased sales volume, driven by increased sales of fertilizer, grass seed and Roundup® For Lawns products in our U.S. Consumer segment and increased sales of hydroponic gardening products in our Other segment, partially offset by decreased sales of mulch products in our U.S. Consumer segment;
- 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 Canadian dollar, euro and British pound.

The increase in net sales for the nine months ended July 1, 2017 was primarily driven by:

- the addition of net sales from acquisitions in our Other segment, primarily from our hydroponic and indoor gardening businesses of Gavita, Botanicare and Agrolux, as well as a Canadian growing media operation; and
- a favorable impact of increased pricing in our U.S. Consumer segment primarily driven by lower volume rebates as a result of year-to-date sales volume decline;
- partially offset by decreased sales volume in our U.S. Consumer segment, driven by decreased sales of mulch products, partially offset by increased sales of grass seed and Roundup® For Lawns products, and increased sales of hydroponic gardening products in our Other segment;
- decreased net sales associated with our Marketing Agreement for consumer Roundup®; and
- the unfavorable impact of foreign exchange rates as a result of the strengthening of the U.S. dollar relative to other currencies including Canadian dollar, euro and British pound.

Cost of Sales

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

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	JULY 1, 2017	JULY 2, 2016	JULY 1, 2017	JULY 2, 2016
	(In millions)			
Materials	$ 382.2	$ 367.4	$ 886.7	$ 880.7
Distribution and warehousing	114.0	114.8	279.5	287.5
Manufacturing labor and overhead	148.5	135.7	344.0	309.2
Roundup® reimbursements	18.1	18.4	56.3	55.2
	662.8	636.3	1,566.5	1,532.6
Impairment, restructuring and other	—	0.4	—	5.5
	$ 662.8	$ 636.7	$ 1,566.5	$ 1,538.1

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

	THREE MONTHS ENDED	NINE MONTHS ENDED
	JULY 1, 2017	JULY 1, 2017
	(In millions)	
Volume and product mix	$ 38.4	$ 61.2
Roundup® reimbursements	(0.3)	1.1
Material costs	(4.6)	(13.8)
Foreign exchange rates	(7.0)	(14.6)
	26.5	33.9
Impairment, restructuring and other	(0.4)	(5.5)
Change in cost of sales	$ 26.1	$ 28.4

The increase in cost of sales for the three months ended July 1, 2017 was primarily driven by:

- costs related to sales from acquisitions in our Other segment of $28.1 million, primarily from our hydroponic and indoor gardening businesses of Gavita, Botanicare and Agrolux, as well as a Canadian growing media operation; and
- higher sales volume in our U.S. Consumer and Other segments;
- partially offset by lower material costs in our U.S. Consumer segment driven by lower commodity costs primarily related to fertilizer inputs;
- the favorable impact of foreign exchange rates as a result of the strengthening of the U.S. dollar relative to other currencies including Canadian dollar, euro and British pound; and
- a decrease in net sales attributable to reimbursements under our Marketing Agreement for consumer Roundup®.

The increase in cost of sales for the nine months ended July 1, 2017 was primarily driven by:

- costs related to sales from acquisitions in our Other segment of $87.6 million, primarily from our hydroponic and indoor gardening businesses of Gavita, Botanicare and Agrolux, as well as a Canadian growing media operation; 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 primarily related to fertilizer inputs;
- lower sales volume in our U.S. Consumer segment, partially offset by increased sales in our Other segment;
- the favorable impact of foreign exchange rates as a result of the strengthening of the U.S. dollar relative to other currencies including Canadian dollar, euro and British pound; and
- a decrease in other charges of $5.5 million related to costs incurred during the nine months ended July 2, 2016 to address 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 38.5% and 36.0% for the three months ended July 1, 2017 and July 2, 2016, respectively. As a percentage of net sales, our gross profit rate was 38.0% and 36.8% for the nine months ended July 1, 2017 and July 2, 2016, respectively. Factors contributing to the change in gross profit rate are outlined in the following table:

	THREE MONTHS ENDED JULY 1, 2017	NINE MONTHS ENDED JULY 1, 2017
Volume and product mix	0.9 %	0.7 %
Pricing	1.5	0.7
Material costs	0.5	0.4
Roundup® commissions and reimbursements	—	(0.2)
Acquisitions	(0.4)	(0.6)
	2.5 %	1.0 %
Impairment, restructuring and other	—	0.2
Change in gross profit rate	2.5 %	1.2 %

The increase in gross profit rate for the three months ended July 1, 2017 was primarily driven by:

- a favorable impact of increased pricing in our U.S. Consumer segment primarily driven by lower volume rebates as a result of year-to-date sales volume decline;
- favorable product mix in our U.S. Consumer segment due to increased sales of fertilizer and grass seed products and decreased sales of mulch products; and
- lower material costs in our U.S. Consumer segment driven by lower commodity costs primarily related to fertilizer inputs;
- partially offset by an unfavorable net impact from acquisitions in our Other segment, primarily from Gavita, Botanicare, Agrolux and a Canadian growing media operation.

The increase in the gross profit rate for the nine months ended July 1, 2017 was primarily driven by:

- favorable product mix in our U.S. Consumer segment due to increased sales of Roundup® For Lawns and grass seed products and decreased sales of mulch products;
- a favorable impact of increased pricing in our U.S. Consumer segment primarily driven by lower volume rebates as a result of year-to-date sales volume decline;
- lower material costs in our U.S. Consumer segment driven by lower commodity costs primarily related to fertilizer inputs; and
- a decrease in other charges of $5.5 million related to costs incurred during the nine months ended July 2, 2016 to address consumer complaints regarding our reformulated Bonus® S product sold during fiscal 2015;
- partially offset by an unfavorable net impact from acquisitions in our Other segment, primarily from Gavita, Botanicare, Agrolux and a Canadian growing media operation; and

- a decrease in net sales attributable to our Marketing Agreement for consumer Roundup®.

Selling, General and Administrative Expenses

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

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	JULY 1, 2017	JULY 2, 2016	JULY 1, 2017	JULY 2, 2016
	(In millions)			
Advertising	$ 43.8	$ 43.5	$ 113.2	$ 115.6
Research and development	12.6	12.5	35.2	33.3
Share-based compensation	5.4	2.4	20.5	13.7
Amortization of intangibles	5.7	4.2	17.4	11.4
Other selling, general and administrative	104.5	89.3	302.5	292.1
	$ 172.0	$ 151.9	$ 488.8	$ 466.1

SG&A increased $20.1 million during the three months ended July 1, 2017 compared to the three months ended July 2, 2016. Advertising expense increased $0.3 million, or 0.7%, during the three months ended July 1, 2017 compared to the three months ended July 2, 2016, driven by the timing of media spending. Share-based compensation increased $3.0 million during the three months ended July 1, 2017 compared to the three months ended July 2, 2016 due to the issuance of equity awards as part of the Project Focus initiative. Amortization expense increased $1.5 million during the three months ended July 1, 2017 compared to the three months ended July 2, 2016 due to the impact of recent acquisitions. The increase in other SG&A expenses of $15.2 million was driven by higher variable incentive compensation expense of $11.3 million due to timing and the impact of recent acquisitions of $3.3 million, partially offset by the favorable impact of foreign exchange rates as the U.S. dollar has strengthened relative to other currencies including Canadian dollar, euro and British pound.

SG&A increased $22.7 million during the nine months ended July 1, 2017 compared to the nine months ended July 2, 2016. Advertising expense decreased $2.4 million, or 2.1%, during the nine months ended July 1, 2017 compared to the nine months ended July 2, 2016, driven by the timing of media spending. Share-based compensation increased $6.8 million during the nine months ended July 1, 2017 compared to the nine months ended July 2, 2016 due to the issuance of equity awards as part of the Project Focus initiative. Amortization expense increased $6.0 million during the nine months ended July 1, 2017 compared to the nine months ended July 2, 2016 due to the impact of recent acquisitions. The increase in other SG&A expenses of $10.4 million was due to the impact of recent acquisitions of $11.1 million and increased headcount and integration costs for our hydroponic and indoor gardening businesses of $3.8 million, partially offset by lower deal costs related to transaction activity of $5.4 million and the favorable impact of foreign exchange rates as the U.S. dollar has strengthened relative to other currencies including Canadian dollar, euro and British pound.

Impairment, Restructuring and Other

The following table sets forth the components of impairment, restructuring and other charges (recoveries) recorded within the "Cost of sales—impairment, restructuring and other," "Impairment, restructuring and other" and "Income (loss) from discontinued operations, net of tax" lines in the Condensed Consolidated Statements of Operations:

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	JULY 1, 2017	JULY 2, 2016	JULY 1, 2017	JULY 2, 2016
	(In millions)			
Cost of sales—impairment, restructuring and other:				
Restructuring and other charges	$ —	$ 0.4	$ —	$ 5.5
Operating expenses:				
Restructuring and other charges (recoveries)	4.1	(5.8)	8.8	(51.7)
Impairment, restructuring and other charges (recoveries) from continuing operations	$ 4.1	$ (5.4)	$ 8.8	$ (46.2)
Restructuring and other charges from discontinued operations	0.1	—	0.8	13.6
Total impairment, restructuring and other charges (recoveries)	$ 4.2	$ (5.4)	$ 9.6	$ (32.6)

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 focus on emerging categories of the lawn and garden industry in our core U.S. business. During the three and nine months ended July 1, 2017, our Corporate function recognized costs of $4.1 million and $8.8 million, respectively, as compared to (recoveries) costs of $(0.3) million and $2.3 million for the three and nine months ended July 2, 2016, respectively, related to Project Focus transaction activity within the "Impairment, restructuring and other" line in the Condensed Consolidated Statements of Operations. Costs incurred to date since the inception of the current initiatives are $3.4 million for our U.S. Consumer segment related to termination benefits, $2.0 million for our Europe Consumer segment related to termination benefits and $13.4 million for our Corporate function related to transaction activity.

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. We have not incurred costs related to this matter during the three and nine months ended July 1, 2017. During the three and nine months ended July 2, 2016, we incurred $0.5 million and $6.9 million, respectively, in costs related to resolving these consumer complaints and the recognition of costs we expected to incur for consumer claims within the "Impairment, restructuring and other" and the "Cost of sales—impairment, restructuring and other" lines in the Condensed Consolidated Statements of Operations. Additionally, we recorded offsetting insurance reimbursement recoveries of $5.9 million and $55.9 million for the three and nine months ended July 2, 2016, respectively, within the "Impairment, restructuring and other" line in the Condensed Consolidated Statements of Operations. Costs incurred to date since the inception of this matter were $73.8 million, partially offset by insurance reimbursement recoveries of $60.8 million.

On April 13, 2016, as part of Project Focus, we completed the contribution of the SLS Business to the TruGreen 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. Refer to "NOTE 2. DISCONTINUED OPERATIONS" for more information. During the three and nine months ended July 1, 2017, we recognized $0.1 million and $0.8 million, respectively, in transaction related costs associated with the divestiture of the SLS Business within the "Income (loss) from discontinued operations, net of tax" line in the Condensed Consolidated Statements of Operations. During the three and nine months ended July 2, 2016, we recognized zero and $9.0 million, respectively, for the resolution of a prior SLS Business litigation matter, as well as zero and $4.6 million, respectively, in transaction related costs associated with the divestiture of the SLS Business within the "Income (loss) from discontinued operations, net of tax" line in the Condensed Consolidated Statements of Operations.

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, income earned from loans receivable, foreign exchange gains/losses and gains/losses from the disposition of non-inventory assets. Other income, net, was $6.5 million and $12.5 million for the three and nine months ended July 1, 2017, respectively, compared to $5.6 million and $7.1 million for the three and nine months ended July 2, 2016, respectively. The increase in other income for the three months ended July 1, 2017 was due to gains on long-lived asset disposals, partially offset by a decrease in royalty income earned from the TruGreen Joint Venture related to its use of our brand names. The increase in other income for the nine months ended July 1, 2017 was due to an increase in income on loans receivable and gains on long-lived asset disposals, partially offset by a decrease in royalty income earned from the TruGreen Joint Venture related to its use of our brand names.

Income from Operations

Income from operations was $245.6 million for the three months ended July 1, 2017 compared to $216.9 million for the three months ended July 2, 2016, an increase of $28.7 million, or 13.2%. The increase was driven by an increase in net sales and gross profit rate, partially offset by higher SG&A and impairment, restructuring and other charges during the three months ended July 1, 2017 as compared to recoveries during the three months ended July 2, 2016.

Income from operations was $476.6 million for the nine months ended July 1, 2017 compared to $488.4 million for the nine months ended July 2, 2016, a decrease of $11.8 million, or 2.4%. The decrease was driven by impairment, restructuring and other charges during the nine months ended July 1, 2017 as compared to recoveries during the nine months ended July 2, 2016, and higher SG&A, partially offset by an increase in net sales, gross profit rate and other income.

Equity in (Income) Loss of Unconsolidated Affiliates

We hold a minority equity interest of 30% in the TruGreen Joint Venture. This interest is accounted for using the equity method of accounting, with our proportionate share of TruGreen Joint Venture earnings reflected in the Condensed Consolidated Statements of Operations. Equity in income (loss) of unconsolidated affiliates was $7.2 million and $(30.1) million for the three and nine months ended July 1, 2017, respectively, as compared to $(3.5) million for the three and nine months ended July 2, 2016. Included within income (loss) of unconsolidated affiliates for the three and nine months ended July 1, 2017 are charges of $5.0

million and $16.7 million, respectively, which represent our share of restructuring and other charges incurred by the TruGreen Joint Venture. These charges included $1.1 million for transaction costs, $3.0 million and $10.9 million for nonrecurring integration and separation costs and $0.9 million and $4.7 million for a non-cash purchase accounting fair value write down adjustment related to deferred revenue and advertising for the three and nine months ended July 1, 2017, respectively. Our share of restructuring and other charges incurred by the TruGreen Joint Venture were $17.0 million for the three and nine months ended July 2, 2016. These charges included $10.8 million for transaction costs, $0.6 million for nonrecurring integration and separation costs and $5.6 million for a non-cash purchase accounting fair value write down adjustment related to deferred revenue and advertising for the three and nine months ended July 2, 2016.

Costs Related to Refinancing

Costs related to refinancing were $8.8 million for the nine months ended July 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 $21.8 million for the three months ended July 1, 2017 compared to $16.9 million for the three months ended July 2, 2016. The increase of $4.9 million was driven by an increase in average borrowings of $199.3 million, which is net of a decrease of $1.0 million due to the impact of foreign exchange rates, as well as an increase in our weighted average interest rate of 58 basis points. The increase in average borrowings was driven by the recent acquisitions of Botanicare and Agrolux and an increase in repurchases of our Common Shares. The increase in weighted average interest rate was primarily due to the issuance of our 5.250% Senior Notes on December 15, 2016.

Interest expense was $58.9 million for the nine months ended July 1, 2017 compared to $52.3 million for the nine months ended July 2, 2016. The increase of $6.6 million was driven by an increase in average borrowings of $150.6 million, which is net of a decrease of $5.4 million due to the impact of foreign exchange rates, as well as an increase in our weighted average interest rate of 12 basis points. The increase in average borrowings was driven by recent acquisition activity, primarily related to Botanicare, Gavita, Agrolux and a Canadian growing media operation, and an increase in repurchases of our Common Shares. The increase in weighted average interest rate was primarily due to the issuance of our 5.250% Senior Notes on December 15, 2016.

Income Tax Expense

The effective tax rate related to continuing operations for the nine months ended July 1, 2017 and July 2, 2016 was 34.8% and 35.5%, respectively. 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

Income from continuing operations was $151.9 million, or $2.53 per diluted share, for the three months ended July 1, 2017 compared to $127.0 million, or $2.06 per diluted share, for the three months ended July 2, 2016. The increase was driven by an increase in net sales, gross profit rate and equity in income of unconsolidated affiliates, partially offset by higher SG&A, interest expense and impairment, restructuring and other charges during the three months ended July 1, 2017 as compared to recoveries during the three months ended July 2, 2016. Diluted average common shares used in the diluted income per common share calculation were 60.0 million for the three months ended July 1, 2017 compared to 61.9 million for the three months ended July 2, 2016. The decrease was primarily the result of Common Share repurchase activity, partially offset by the exercise and issuance of share-based compensation awards.

Income from continuing operations was $252.9 million, or $4.17 per diluted share, for the nine months ended July 1, 2017 compared to $273.5 million, or $4.40 per diluted share, for the nine months ended July 2, 2016. The decrease was driven by impairment, restructuring and other charges during the nine months ended July 1, 2017 as compared to recoveries during the nine months ended July 2, 2016, as well as higher SG&A, equity in loss of unconsolidated affiliates and interest expense, partially offset by an increase in net sales, gross profit rate and other income and a decrease in costs related to refinancing. Diluted average common shares used in the diluted income per common share calculation were 60.6 million for the nine months ended July 1, 2017 compared to 62.2 million for the nine months ended July 2, 2016. The decrease was primarily the result of Common Share repurchase activity, partially offset by the exercise and issuance of share-based compensation awards.

Income (Loss) from Discontinued Operations, net of tax

Income (loss) from discontinued operations, net of tax, was zero and $(0.6) million for the three and nine months ended July 1, 2017, respectively, as compared to $85.7 million and $68.2 million for the three and nine months ended July 2, 2016, respectively.

During the three and nine months ended July 1, 2017, we recognized $0.1 million and $0.8 million, respectively, in transaction related costs associated with the divestiture of the SLS Business. During the three and nine months ended July 2, 2016, we recognized zero and $9.0 million, respectively, for the resolution of a prior SLS Business litigation matter, as well as zero and $4.6 million, respectively, in transaction related costs associated with the divestiture of the SLS Business.

SEGMENT RESULTS

We divide our business into three reportable segments: U.S. Consumer, Europe Consumer and Other. 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 hydroponic 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. This division of reportable segments is consistent with how the segments report to and are managed by the chief operating decision maker of the Company.

Segment performance is evaluated based on several factors, including income (loss) from continuing operations before income taxes, amortization, impairment, restructuring and other charges ("Segment Profit (Loss)"), which is a non-GAAP financial measure. Senior management uses this measure of profit (loss) to evaluate segment performance because the Company believes this measure is indicative of performance trends and the overall earnings potential of each segment.

The following table sets forth net sales by segment:

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	JULY 1, 2017	JULY 2, 2016	JULY 1, 2017	JULY 2, 2016
	(In millions)			
U.S. Consumer	$ 792.2	$ 756.7	$ 1,880.1	$ 1,909.6
Europe Consumer	93.2	96.2	222.9	236.9
Other	192.6	141.2	425.2	287.3
Consolidated	$ 1,078.0	$ 994.1	$ 2,528.2	$ 2,433.8

The following table sets forth Segment Profit as well as a reconciliation to the most directly comparable GAAP measure:

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	JULY 1, 2017	JULY 2, 2016	JULY 1, 2017	JULY 2, 2016
	(In millions)			
U.S. Consumer	$ 246.6	$ 205.8	$ 522.5	$ 487.6
Europe Consumer	13.3	11.8	23.2	24.2
Other	23.8	11.9	44.5	17.0
Total Segment Profit (Non-GAAP)	283.7	229.5	590.2	528.8
Corporate	(28.1)	(13.8)	(87.0)	(73.9)
Intangible asset amortization	(5.9)	(4.4)	(17.8)	(12.6)
Impairment, restructuring and other	(4.1)	(11.4)	(8.8)	29.1
Equity in income (loss) of unconsolidated affiliates [(a)]	7.2	13.5	(30.1)	13.5
Costs related to refinancing	—	—	—	(8.8)
Interest expense	(21.8)	(16.9)	(58.9)	(52.3)
Income from continuing operations before income taxes (GAAP)	$ 231.0	$ 196.5	$ 387.6	$ 423.8

(a) Included within equity in income (loss) of unconsolidated affiliates for the three and nine months ended July 1, 2017 are charges of $5.0 million and $16.7 million, respectively, which represent the Company's share of restructuring and other charges incurred by the TruGreen Joint Venture. For the three and nine months ended July 2, 2016, the Company's share of restructuring and other charges incurred by the TruGreen Joint Venture of $17.0 million were included within impairment, restructuring and other above.

U.S. Consumer

U.S. Consumer segment net sales were $792.2 million in the third quarter of fiscal 2017, an increase of 4.7% from the third quarter of fiscal 2016 net sales of $756.7 million; and were $1,880.1 million in the first nine months of fiscal 2017, a decrease of 1.5% from the first nine months of fiscal 2016 net sales of $1,909.6 million. For the third quarter of fiscal 2017, the increase was driven by the favorable impacts of pricing and volume of 3.3% and 1.4%, respectively. Increased pricing for the third quarter of fiscal 2017 was primarily driven by lower volume rebates as a result of year-to-date sales volume decline. Increased sales volume for the third quarter of fiscal 2017 was driven by increased sales of fertilizer, grass seed and Roundup® For Lawns products, partially offset by decreased sales of mulch products. For the nine months ended July 1, 2017, the decrease was driven by the unfavorable impact of volume of 3.1%, partially offset by the favorable impacts of pricing and acquisitions of 1.5% and 0.1%, respectively. Increased pricing for the nine months ended July 1, 2017 was primarily driven by lower volume rebates as a result of year-to-date sales volume decline. Decreased sales volume for the nine months ended July 1, 2017 was driven by decreased sales of mulch products, partially offset by increased sales of grass seed and Roundup® For Lawns products.

U.S. Consumer Segment Profit increased by $40.8 million, or 19.8%, in the third quarter of fiscal 2017, and increased $34.9 million, or 7.2%, in the first nine months of fiscal 2017, as compared to the same periods in fiscal 2016. The increase for the three months ended July 1, 2017 was primarily due to an increase in net sales and gross profit rate, partially offset by higher SG&A. The increase for the nine months ended July 1, 2017 was primarily due to an increase in gross profit rate, higher other income and lower SG&A, partially offset by decreased net sales.

Europe Consumer

Europe Consumer segment net sales were $93.2 million in the third quarter of fiscal 2017, a decrease of 3.1% from the third quarter of fiscal 2016 net sales of $96.2 million; and were $222.9 million in the first nine months of fiscal 2017, a decrease of 5.9% from the first nine months of fiscal 2016 net sales of $236.9 million. For the third quarter of fiscal 2017, the decrease was driven by the prior year exit from the U.K. Solus business of $0.7 million, or 0.8%, and the unfavorable impact of changes in foreign exchange rates of 4.8%, partially offset by the favorable impacts of volume and increased pricing of 2.0% and 0.4%, respectively. For the nine months ended July 1, 2017, the decrease was driven by the prior year exit from the U.K. Solus business of $2.3 million, or 1.0%, and the unfavorable impacts of changes in foreign exchange rates and decreased pricing of 5.7% and 0.9%, respectively, partially offset by the favorable impact of volume of 1.6%.

Europe Consumer Segment Profit increased $1.5 million, to $13.3 million, in the third quarter of fiscal 2017, and decreased $1.0 million, to $23.2 million, in the first nine months of fiscal 2017, as compared to the same periods in fiscal 2016. The increase for the three months ended July 1, 2017 was primarily due to lower SG&A, partially offset by decreased net sales and gross profit. The decrease for the nine months ended July 1, 2017 was primarily due to decreased net sales and gross profit, partially offset by lower SG&A.

Other

Other segment net sales were $192.6 million in the third quarter of fiscal 2017, an increase of 36.4% from the third quarter of fiscal 2016 net sales of $141.2 million; and were $425.2 million in the first nine months of fiscal 2017, an increase of 48.0% from the first nine months of fiscal 2016 net sales of $287.3 million. For the third quarter of fiscal 2017, the increase was driven by the favorable impacts of acquisitions and volume of 27.4% and 12.1%, respectively, partially offset by the unfavorable impact of changes in foreign exchange rates of 3.2%. For the nine months ended July 1, 2017, the increase was driven by the favorable impacts of acquisitions and volume of 41.1% and 8.5%, respectively, partially offset by the unfavorable impact of changes in foreign exchange rates of 1.7%.

Other Segment Profit increased to $23.8 million in the third quarter of fiscal 2017 as compared to $11.9 million in the third quarter of fiscal 2016; and increased to $44.5 million in the first nine months of fiscal 2017 as compared to $17.0 million in the first nine months of fiscal 2016. The increase for the three and nine months ended July 1, 2017 was primarily driven by increased net sales and gross profit, partially offset by higher SG&A from acquired businesses and costs related to transaction activity.

Corporate

Corporate expenses were $28.1 million and $87.0 million for the three and nine months ended July 1, 2017 as compared to $13.8 million and $73.9 million for the three and nine months ended July 2, 2016, respectively. The increase for the three months ended July 1, 2017 was driven by higher variable incentive compensation expense due to timing and higher share-based compensation expense due to the issuance of equity awards as part of the Project Focus initiative. The increase for the nine months ended July 1, 2017 was primarily due to higher share-based compensation expense due to the issuance of equity awards as part of the Project Focus initiative.

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

Cash provided by operating activities totaled $82.4 million for the nine months ended July 1, 2017 as compared to cash used in operating activities of $28.9 million for the nine months ended July 2, 2016. Cash used in operating activities related to the SLS Business was $9.3 million for the nine months ended July 1, 2017 primarily due to the payment of a previously accrued SLS Business litigation matter. Cash provided by operating activities related to the SLS Business was $38.9 million for the nine months ended July 2, 2016.

Cash from operating activities increased $111.3 million for the first nine months of fiscal 2017 as compared to the first nine months of fiscal 2016, primarily driven by a decrease in cash used for working capital. The decrease in cash used for working capital was driven by Company-wide efforts to improve inventory management and reduce inventory levels, improved timing of customer receipts and a decrease in accounts receivable from the TruGreen Joint Venture for expenses incurred pursuant to a short-term transition services agreement and an employee leasing agreement, partially offset by insurance reimbursement recoveries during the nine months ended July 2, 2016 related to the Bonus® S consumer complaint matter and lower customer volume rebates due to lower sales volume.

Investing Activities

Cash used in investing activities totaled $126.4 million and $114.8 million for the nine months ended July 1, 2017 and July 2, 2016, respectively. Cash used in investing activities related to the SLS Business was zero and $1.4 million for the nine months ended July 1, 2017 and July 2, 2016, respectively.

Cash used for investments in property, plant and equipment during the first nine months of fiscal 2017 and fiscal 2016 was $42.0 million and $35.7 million, respectively. During the nine months ended July 1, 2017, we completed the acquisitions of Botanicare, Agrolux and three other small acquisitions which included cash payments of $89.2 million. During the nine months ended July 2, 2016, we made an investment in Bonnie in the amount of $72.0 million, an investment in an unconsolidated subsidiary of $2.0 million, provided a working capital contribution of $24.2 million and an $18.0 million investment in second lien term loan financing to the TruGreen Joint Venture, and completed the acquisitions of Gavita and a Canadian growing media operation which included cash payments of $161.4 million. These cash outflows were partially offset by a distribution of $196.2 million from the TruGreen Joint Venture.

Financing Activities

Financing activities provided cash of $111.0 million and $152.8 million for the nine months ended July 1, 2017 and July 2, 2016, respectively. The decrease in cash provided by financing activities of $41.8 million was the result of an increase in repurchases of our Common Shares of $92.6 million, an increase in payments on seller notes of $26.4 million, an $8.1 million distribution paid by AeroGrow to its noncontrolling interest holders and a decrease in cash received from the exercise of stock options of $6.6 million, partially offset by an increase in net borrowings under our credit facilities of $37.8 million, the issuance of $250.0 million aggregate principal amount of 5.250% Senior Notes during the first nine months of fiscal 2017 as compared to a net issuance of $200.0 million aggregate principal amount of Senior Notes during the first nine months of fiscal 2016 and a decrease in financing and issuance fees paid of $6.9 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 $119.1 million, $77.2 million and $50.1 million as of July 1, 2017, July 2, 2016 and September 30, 2016, respectively, included $73.8 million, $54.7 million and $39.9 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 "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 "credit facilities"). The 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 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 July 1, 2017, we had letters of credit outstanding in the aggregate principal amount of $23.5 million, and $1.1 billion of availability under the credit agreement, subject to our continued compliance with the covenants discussed below. The weighted average interest rates on average borrowings under the credit agreement and the former credit facility were 3.8% and 3.9% for the nine months ended July 1, 2017 and July 2, 2016, respectively.

We maintained a Master Accounts Receivable Purchase Agreement (as amended, "MARP Agreement"), which provided for the discretionary sale by us, and the discretionary purchase by the participating banks, on a revolving basis, of accounts receivable generated by sales to three specified debtors in an aggregate amount not to exceed $400.0 million. The MARP Agreement terminated effective October 14, 2016 in accordance with its terms upon our repayment of its outstanding obligations thereunder using $133.5 million borrowed under the credit agreement. There were $348.0 million in borrowings or receivables pledged as collateral under the MARP Agreement as of July 2, 2016. The carrying value of the receivables pledged as collateral was $435.1 million as of July 2, 2016.

On April 7, 2017, we entered into a Master Repurchase Agreement (including the annexes thereto, the "Repurchase Agreement") and a Master Framework Agreement (the "Framework Agreement" and, together with the Repurchase Agreement, the "Receivables Facility"). Under the Receivables Facility, we may sell a portfolio of available and eligible outstanding customer accounts receivable to the purchasers and simultaneously agree to repurchase the receivables on a weekly basis. The eligible accounts receivable consist of up to $250.0 million in accounts receivable generated by sales to three specified customers. The Receivables Facility is committed up to $100.0 million during the commitment period beginning on April 7, 2017 and ending on June 16, 2017. The Receivables Facility is considered a secured financing with the customer accounts receivable, related contract rights and proceeds thereof (and the collection accounts into which the same are deposited) constituting the collateral therefor. The repurchase price for customer accounts receivable bears interest at LIBOR (with a zero floor) plus 0.90%. The Receivables Facility expires on August 25, 2017. There were $250.0 million in borrowings or receivables pledged as collateral under the Receivables Facility as of July 1, 2017. The carrying value of the receivables pledged as collateral was $277.8 million as of July 1, 2017. As of July 1, 2017, there was no remaining availability under the Receivables Facility.

On December 15, 2016, we issued $250.0 million aggregate principal amount of 5.250% senior notes due 2026 (the "5.250% Senior Notes"). The net proceeds of the offering were used to repay outstanding borrowings under our credit facilities. The 5.250% Senior Notes represent general unsecured senior obligations and rank equal in right of payment with our existing and future unsecured senior debt. The 5.250% Senior Notes have interest payment dates of June 15 and December 15 of each year, commencing June 15, 2017. The 5.250% Senior Notes may be redeemed, in whole or in part, on or after December 15, 2021 at applicable redemption premiums. The 5.250% Senior Notes contain customary covenants and events of default and mature on December 15, 2026. Substantially all of our domestic subsidiaries serve as guarantors of the 5.250% 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. 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, we 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.

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.

We were in compliance with all debt covenants as of July 1, 2017. Our 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 July 1, 2017. Our leverage ratio was 3.03 at July 1, 2017. Our credit agreement also includes an affirmative covenant regarding our interest coverage. The minimum interest coverage ratio was 3.00 for the twelve months ended July 1, 2017. Our interest coverage ratio was 7.98 for the twelve months ended July 1, 2017. The credit agreement allows us to make unlimited restricted payments (as defined in the 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 credit agreement for such fiscal year ($175.0 million for fiscal 2017 and $200.0 million for fiscal 2018 and each fiscal year thereafter).

We continue to monitor our compliance with the leverage ratio, interest coverage ratio and other covenants contained in the 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 2017. 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 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 accruals. We believe the assessment of contingencies is reasonable and related accruals, in the aggregate, are adequate; 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 and acquisition activity during the first nine months of fiscal 2017, there have been no material changes outside of the ordinary course of business in our outstanding contractual obligations since the end of fiscal 2016 and through July 1, 2017. As part of the fiscal 2017 acquisitions, we acquired operating leases with total future minimum leases payments for non-cancelable operating leases of $4.3 million.

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 accruals, 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 2016 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 2016 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 2016 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 July 1, 2017 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

Reference is made to the legal proceedings that have been previously disclosed in our Annual Report on Form 10-K for the year ended September 30, 2016, as updated in our Quarterly Report on Form 10-Q for the quarter ended April 1, 2017. There have been no material changes to the pending legal proceedings set forth therein.

ITEM 1A. RISK FACTORS

The Company's risk factors as of July 1, 2017, have not changed materially from those described in "ITEM IA. RISK FACTORS" in the 2016 Annual Report, as updated in our Quarterly Report on Form 10-Q for the quarter ended April 1, 2017.

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 2016 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 credit agreement allow the Company to make unlimited restricted payments (as defined in the 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 credit agreement for such fiscal year ($175.0 million for fiscal 2017 and $200.0 million for fiscal 2018 and each fiscal year thereafter). Our leverage ratio was 3.03 at July 1, 2017.

(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 of the three fiscal months in the quarter ended July 1, 2017:

Period	Total Number of Common Shares Purchased(1)	Average Price Paid per Common Share(2)	Total Number of Common Shares Purchased as Part of Publicly Announced Plans or Programs(3)	Approximate Dollar Value of Common Shares That May Yet be Purchased Under the Plans or Programs(3)
April 2 through April 29, 2017	1,052	$ 97.20	—	$ 763,762,368
April 30 through May 27, 2017	672,119	$ 88.79	670,961	$ 704,185,839
May 28 through July 1, 2017	288,307	$ 87.24	286,590	$ 679,185,864
Total	961,478	$ 88.33	957,551	

(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 3,927 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 (effective November 1, 2014 through September 30, 2019). On August 3, 2016, Scotts Miracle-Gro announced that its Board of Directors increased the then outstanding authorization by an additional $500 million. The amended authorization allows for repurchases of Common Shares of $1.0 billion 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 original$500 million and incremental $500 million authorized repurchase programs.

ITEM 6. EXHIBITS

See Index to Exhibits at page 64 for a list of the exhibits included herewith.

SIGNATURES

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

THE SCOTTS MIRACLE-GRO COMPANY

Date: August 10, 2017

/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 JULY 1, 2017

INDEX TO EXHIBITS

EXHIBIT NO.	DESCRIPTION	LOCATION
10.1	Master Repurchase Agreement, and Annex I thereto, with Cooperatieve Rabobank, U.A. (New York Branch), as agent and purchaser, and Sumitomo Mitsui Banking Corporation (New York Branch), as purchaser, dated as of April 7, 2017	Incorporated herein by reference to the Registrant's Current Report on Form 8-K filed April 13, 2017 [Exhibit 10.1]
10.2	Master Framework Agreement with Cooperatieve Rabobank, U.A. (New York Branch), as agent and purchaser, and Sumitomo Mitsui Banking Corporation (New York Branch), as purchaser, dated as of April 7, 2017	Incorporated herein by reference to the Registrant's Current Report on Form 8-K filed April 13, 2017 [Exhibit 10.2]
10.3	The Scotts Company LLC Executive Severance Plan, adopted on April 25, 2017	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended April 1, 2017 filed May 10, 2017 [Exhibit 10.9]
10.4	Form of Tier 1 Participation Agreement under The Scotts Company LLC Executive Severance Plan	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended April 1, 2017 filed May 10, 2017 [Exhibit 10.10]
10.5	Amendment No. 2, dated as of June 28, 2017, 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	*
10.6	Binding and Irrevocable Conditional Offer, dated April 29, 2017, from Garden Care Bidco Limited to Scotts-Sierra Investments LLC. Those portions of the offer marked with an [*] have been omitted pursuant to a request for confidential treatment and have been filed separately with the U.S. Securities and Exchange Commission.	*
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

Exhibit 10.5

AMENDMENT NO. 2

Dated as of June 28, 2017

to

FOURTH AMENDED AND RESTATED CREDIT AGREEMENT

Dated as of October 29, 2015

THIS AMENDMENT NO. 2 (this "Amendment") is made as of June 28, 2017 by and among The Scotts Miracle-Gro Company, an Ohio corporation (the "Company"), The Scotts Company LLC, an Ohio limited liability company, Scotts Australia PTY Ltd., a company incorporated in Australia, Scotts Canada Ltd., a company organized under the laws of Canada, Scotts Holdings Limited, a private limited company incorporated in England and Wales, The Scotts Company (UK) Limited, a private limited company incorporated in England and Wales, Scotts Treasury EEIG, a European economic interest grouping (each together with the Company and the other Subsidiary Borrowers, the "Borrowers"), the financial institutions listed on the signature pages hereof and JPMorgan Chase Bank, N.A., as Administrative Agent (the "Administrative Agent"), under that certain Fourth Amended and Restated Credit Agreement dated as of October 29, 2015 by and among the Borrowers, the Lenders and the Administrative Agent (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"). Capitalized terms used herein and not otherwise defined herein shall have the respective meanings given to them in the Credit Agreement.

WHEREAS, the Company has requested that the requisite Lenders and the Administrative Agent agree to certain amendments to the Credit Agreement;

WHEREAS, the Borrowers, the Lenders party hereto and the Administrative Agent have agreed to amend the Credit Agreement on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the premises set forth above, the terms and conditions contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrowers, the Lenders party hereto and the Administrative Agent hereby agree to enter into this Amendment.

1. Amendments to the Credit Agreement. Effective as of the date of satisfaction of the conditions precedent set forth in Section 2 below, the parties hereto agree that the Credit Agreement is hereby amended as follows:

(a) The definition of "Subsidiary" set forth in Section 1.01 of the Credit Agreement is hereby amended to restate the proviso set forth therein in its entirety as follows:

> "provided, that, notwithstanding the foregoing, (i) AeroGrow International, Inc. will not be a "Material Subsidiary" or "Subsidiary" for purposes of the representations and warranties, covenants, events of default or any other terms of this Agreement (other than for purposes of Sections 5.01, 5.02, 5.09 and 5.10 of this Agreement) until such time as it becomes a Wholly-Owned Subsidiary of the Company and (ii) Seamless Control LLC will not be a "Material Subsidiary" or "Subsidiary" for purposes of the representations and warranties, covenants, events of default or any other terms of this Agreement."

(b) Section 6.04(m) of the Credit Agreement is hereby amended by replacing the reference to "$150,000,000" appearing therein with a reference to "$200,000,000".

2. Conditions of Effectiveness. The effectiveness of this Amendment is subject to the conditions precedent that the Administrative Agent shall have received (i) counterparts of this Amendment duly executed by the Borrowers, the Required Lenders and the Administrative Agent, (ii) counterparts of the Consent and Reaffirmation attached as Exhibit A hereto duly executed by the Loan Parties and (iii) payment and/or reimbursement of the Administrative Agent's and its affiliates' reasonable and documented out-of-pocket fees and expenses (including, to the extent invoiced, reasonable fees and expenses of counsel for the Administrative Agent) in connection with the Loan Documents.

3. Representations and Warranties of the Borrowers. Each Borrower hereby represents and warrants as follows:

(a) This Amendment and the Credit Agreement as modified hereby constitute legal, valid and binding obligations of such Borrower, enforceable against such Borrower in accordance with their respective terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

(b) As of the date hereof and after giving effect to the terms of this Amendment, (i) no Event of Default or Default has occurred and is continuing and (ii) the representations and warranties of such Borrower set forth in the Credit Agreement, as amended hereby, are true and correct in all material respects (or, in the case of any representation or warranty qualified by materiality or Material Adverse Effect, in all respects), except to the extent such representations and warranties specifically refer to an earlier date (in which case such representations and warranties shall be true and correct in all material respects as of such earlier date).

4. Reference to and Effect on the Credit Agreement.

(a) Upon the effectiveness hereof, each reference to the Credit Agreement in the Credit Agreement or any other Loan Document shall mean and be a reference to the Credit Agreement as amended hereby.

(b) Each Loan Document and all other documents, instruments and agreements executed and/or delivered in connection therewith shall remain in full force and effect and are hereby ratified and confirmed.

(c) The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of the Administrative Agent or the Lenders, nor constitute a waiver of any provision of the Credit Agreement, the Loan Documents or any other documents, instruments and agreements executed and/or delivered in connection therewith.

(d) This Amendment is a Loan Document under (and as defined in) the Credit Agreement.

5. Governing Law. This Amendment shall be construed in accordance with and governed by the laws of the State of New York.

6. Headings. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

7. Counterparts. This Amendment may be executed by one or more of the parties hereto on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this Amendment by telecopy, e-mailed.pdf or any other electronic means that reproduces an image of the actual executed signature page shall be effective as delivery of a manually executed counterpart of this Amendment.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered by their respective authorized officers as of the day and year first above written.

THE SCOTTS MIRACLE-GRO COMPANY,
as the Company

By: /s/ Thomas Randal Coleman
Name: Thomas Randal Coleman
Title: EVP and Chief Financial Officer

THE SCOTTS COMPANY LLC,
as a Subsidiary Borrower

By: /s/ Thomas Randal Coleman
Name: Thomas Randal Coleman
Title: EVP and Chief Financial Officer

GUTWEIN & CO., INC.,
as a Subsidiary Borrower

By: By: /s/ Thomas Randal Coleman
Name: Thomas Randal Coleman
Title: EVP and Chief Financial Officer

HYPONEX CORPORATION,
as a Subsidiary Borrower

By: /s/ Thomas Randal Coleman
Name: Thomas Randal Coleman
Title: EVP and Chief Financial Officer

SCOTTS MANUFACTURING COMPANY,
as a Subsidiary Borrower

By: /s/ Thomas Randal Coleman
Name: Thomas Randal Coleman
Title: EVP and Chief Financial Officer

SCOTTS TEMECULA OPERATIONS, LLC,
as a Subsidiary Borrower

By: /s/ Thomas Randal Coleman
Name: Thomas Randal Coleman
Title: EVP and Chief Financial Officer

SMG GROWING MEDIA, INC.,
as a Subsidiary Borrower

By: /s/ Thomas Randal Coleman
Name: Thomas Randal Coleman
Title: EVP and Chief Financial Officer

SCOTTS AUSTRALIA PTY LTD.,
as a Subsidiary Borrower

By: /s/Aimee M. DeLuca
Name: Aimee M. DeLuca
Title: Director

SCOTTS CANADA LTD.,
as a Subsidiary Borrower

By: /s/ Thomas Randal Coleman
Name: Thomas Randal Coleman
Title: EVP and Chief Financial Officer

SCOTTS HOLDINGS LIMITED,
as a Subsidiary Borrower

By: /s/ Aimee M. DeLuca
Name: Aimee M. DeLuca
Title: Director

THE SCOTTS COMPANY (UK) LIMITED,
as a Subsidiary Borrower

By: /s/ Aimee M. DeLuca
Name: Aimee M. DeLuca
Title: Director

SCOTTS TREASURY EEIG,
as a Subsidiary Borrower

By: /s/ James A. Schroeder
Name: James A. Schroeder
Title: Authorized Signatory

Signature Page to Amendment No. 2 to
Fourth Amended and Restated Credit Agreement dated as of October 29, 2015
The Scotts Miracle-Gro Company

JPMORGAN CHASE BANK, N.A.,
individually as a Lender, as a Swingline Lender, as
an Issuing Bank and as Administrative Agent

By: /s/ Tony Yung
Name: Tony Yung
Title: Executive Director

BANK OF AMERICA, N.A.,
individually as a Lender and as an Issuing Bank

By: /s/ Casey Cosgrove
Name: Casey Cosgrove
Title: Director

WELLS FARGO BANK, NATIONAL ASSOCIATION,
individually as a Lender and as an Issuing Bank

By: /s/ Mark Holm
Name: Mark Holm
Title: Managing Director

MIZUHO BANK, LTD.,
as a Lender

By: /s/ Takayuki Tomii
Name: Takayuki Tomii
Title: Deputy General Manager

COÖPERATIEVE RABOBANK U.A., NEW YORK BRANCH fkA COÖPERATIEVE CENTRALE RAIFFEISEN-BOERENLEENBANK B.A. "RABOBANK NEDERLAND", NEW YORK BRANCH,
as a Lender

By: /s/ Peter Duncan
Name: Peter Duncan
Title: Managing Director

By: /s/ Bradley Pierce
Name: Bradley Pierce
Title: Executive Director

TD BANK, N.A.,
as a Lender

By: /s/ Michele Dragonetti
Name: Michele Dragonetti
Title: Senior Vice President

U.S. BANK NATIONAL ASSOCIATION,
as a Lender

By: /s/ James Shanel
Name: James Shanel
Title: Vice President

THE BANK OF NOVA SCOTIA,
as a Lender

By: /s/ Sangeeta Shah
Name: Sangeeta Shah
Title: Director

BRANCH BANKING & TRUST COMPANY,
as a Lender

By: /s/ Shane Koonce
Name: Shane Koonce
Title: Vice President

CITIZENS BANK OF PENNSYLVANIA,
as a Lender

By: /s/ Carl S. Tabacjar, Jr.
Name: Carl S. Tabacjar, Jr.
Title: Senior Vice President

FIFTH THIRD BANK,
as a Lender

By: /s/ Mike Gifford
Name: Mike Gifford
Title: Vice President

SUMITOMO MITSUI BANKING CORPORATION,
as a Lender

By: /s/ Katsuyuki Kubo
Name: Katsuyuki Kubo
Title: Managing Director

THE NORTHERN TRUST COMPANY,
as a Lender

By: /s/ John Di Legge
Name: John Di Legge
Title: Senior Vice President

GREENSTONE FARM CREDIT SERVICES,
ACA/FLCA,
as a Lender

By: /s/ Shane Prichard
Name: Shane Prichard
Title: Lending Officer

GOLDMAN SACHS LENDING PARTNERS LLC,
as a Lender

By: /s/ Ushma Dedhiya
Name: Ushma Dedhiya
Title: Authorized Signatory

TRISTATE CAPITAL BANK,
as a Lender

By: /s/ Ellen Frank
Name: Ellen Frank
Title: Senior Vice President

EXHIBIT A

Consent and Reaffirmation

(a) Save for the Administrative Agent (as defined below), each of the undersigned hereby acknowledges receipt of a copy of the foregoing Amendment No. 2 to the Fourth Amended and Restated Credit Agreement (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), dated as of October 29, 2015, by and among The Scotts Miracle-Gro Company, an Ohio corporation (the "Company"), The Scotts Company LLC, an Ohio limited liability company, Scotts Australia PTY Ltd., a company incorporated in Australia, Scotts Canada Ltd., a company organized under the laws of Canada, Scotts Holdings Limited, a private limited company incorporated in England and Wales, The Scotts Company (UK) Limited, a private limited company incorporated in England and Wales, Scotts Treasury EEIG, a European economic interest grouping (each together with the Company and the other Subsidiary Borrowers, the "Borrowers"), the Lenders and JPMorgan Chase Bank, N.A., as Administrative Agent (the "Administrative Agent"), which Amendment No. 2 is dated as of June 28, 2017 and is by and among the Borrowers, the financial institutions listed on the signature pages thereof and the Administrative Agent (the "Amendment"). Capitalized terms used in this Consent and Reaffirmation and not defined herein shall have the meanings given to them in the Credit Agreement. Without in any way establishing a course of dealing by the Administrative Agent or any Lender, each of the undersigned consents to the Amendment and reaffirms the terms and conditions of the Collateral Agreement and any other Loan Document executed by it and acknowledges and agrees that the Collateral Agreement and each and every such Loan Document executed by the undersigned in connection with the Credit Agreement remains in full force and effect and is hereby reaffirmed, ratified and confirmed. All references to the Credit Agreement contained in the above-referenced documents shall be a reference to the Credit Agreement as so modified by the Amendment and as the same may from time to time hereafter be amended, modified or restated.

(b) This Consent and Reaffirmation shall be construed in accordance with and governed by the laws of the State of New York.

Dated June 28, 2017

[Signature Page Follows]

IN WITNESS WHEREOF, this Consent and Reaffirmation has been duly executed and delivered as of the day and year above written.

MIRACLE-GRO LAWN PRODUCTS, INC.

By: /s/ Thomas Randal Coleman
Name: Thomas Randal Coleman
Title: EVP and Chief Financial Officer

OMS INVESTMENTS, INC.

By: /s/ Aimee M. DeLuca
Name: Aimee M. DeLuca
Title: President & CEO

SCOTTS PRODUCTS CO.

By: /s/ Thomas Randal Coleman
Name: Thomas Randal Coleman
Title: EVP and Chief Financial Officer

SCOTTS PROFESSIONAL PRODUCTS CO.

By: /s/ Thomas Randal Coleman
Name: Thomas Randal Coleman
Title: EVP and Chief Financial Officer

SCOTTS-SIERRA INVESTMENTS LLC

By: /s/ Aimee M. DeLuca
Name: Aimee M. DeLuca
Title: President & CEO

SWISS FARMS PRODUCTS, INC.

By: /s/ Aimee M. DeLuca
Name: Aimee M. DeLuca
Title: President & CEO

SANFORD SCIENTIFIC, INC.

By: /s/ Thomas Randal Coleman
Name: Thomas Randal Coleman
Title: EVP and Chief Financial Officer

ROD MCCLELLAN COMPANY

By: /s/ Thomas Randal Coleman
Name: Thomas Randal Coleman
Title: EVP and Chief Financial Officer

SMGM LLC

By: /s/ Thomas Randal Coleman
Name: Thomas Randal Coleman
Title: EVP and Chief Financial Officer

SLS HOLDINGS, INC.

By: /s/ Aimee M. DeLuca
Name: Aimee M. DeLuca
Title: President

GENSOURCE, INC.

By: /s/ Aimee M. DeLuca
Name: Aimee M. DeLuca
Title: Secretary

HAWTHORNE HYDROPONICS LLC

By: /s/ Ivan C. Smith
Name: Ivan C. Smith
Title: Secretary

HGCI, INC.

By: /s/ Aimee M. DeLuca

Name: Aimee M. DeLuca

Title: Vice President

THE HAWTHORNE GARDENING COMPANY

By: /s/ Ivan C. Smith

Name: Ivan C. Smith

Title: Secretary

Acknowledged and Agreed:

JPMORGAN CHASE BANK, N.A.,
as Administrative Agent

By: /s/ Tony Yung
Name: Tony Yung
Title: Executive Director

29 April 2017

From:

Garden Care Bidco Limited

6th Floor 30, Broadwick Street

London W1F 8JB

To:

Scotts-Sierra Investments LLC

1209 Orange Street, Wilmington, DE 19801, United States of America

The Scotts Miracle-Gro Company

14111 Scottslawn Road, Marysville, Ohio 43041, United States of America

Dear Sirs

Final Binding Offer for the Scotts-Miracle Gro International Business

We refer to the proposed agreement for the sale and purchase of the Scotts Miracle-Gro International Business (the "**Group**"), the form of which is attached as Exhibit 1 to this letter ("**Sale and Purchase Agreement**"), which may be entered into by The Scotts Miracle-Gro Company (the "**Guarantor**"), Scotts-Sierra Investments LLC (the "**Seller**") and Garden Care Bidco Limited (the "**Purchaser**") concerning the possible acquisition of the shares of the Group Companies listed in Part 1 and the businesses listed in Part 2 of Schedule 1 to the Sale and Purchase Agreement (the "**Transaction**").

Capitalised terms used but not otherwise defined herein (including in Appendix 1 to this letter) shall have the meanings ascribed to them in the Sale and Purchase Agreement.

All references in this letter to times are to London times.

The Purchaser hereby makes a final, binding and irrevocable offer for the acquisition of the Group, by itself and the other Relevant Purchasers, as the case may be, on and subject to the terms of this letter and the Sale and Purchase Agreement (the "**Offer**"). A copy of the Sale and Purchase Agreement, initialled by the Purchaser to confirm it is the sale and purchase agreement to which the Offer relates, is attached as Exhibit 1 to this letter.

1. Offer Acceptance

1.1 The Offer shall remain valid and in effect, and shall be irrevocable, until (and shall terminate at) 11.59 p.m. on the earlier of:

(a) 6 October 2017; and

(b) the fifth Business Day after the date of completion of the process of notice, information and consultation with the French Works Council (as defined in Appendix 1 to this letter) required to be carried out before the Seller decides whether or not to accept the Offer and enter into the Sale and Purchase Agreement (the "**Consultation Process**"). Completion of the Consultation Process shall be deemed to take effect upon the earlier of: (i) delivery of the Works Council Opinion to the Seller; and (ii) the Legal Deadline (as defined in Appendix 1 to this letter) ("**Consultation Completion**"),

(in either case as such date may be extended by agreement in writing between the Seller and the Purchaser) (the "**Offer Expiration Date**").

1.2 If, following the Consultation Completion, the Seller delivers written notice to the Purchaser of its intention to proceed with the Transaction in the form of the acceptance notice as attached to this letter at Exhibit 2 (the "**Acceptance Notice**") accompanied by three original signature pages of the Sale and Purchase Agreement duly executed by the Seller and the Guarantor, in each case prior to 11.59 p.m. on the Offer Expiration Date, the Purchaser shall promptly (and in any event within five Business Days of receipt of the Acceptance Notice and the Sale and Purchase Agreement duly executed by the Seller and the Guarantor) deliver to the Seller three original signature pages of the Sale and Purchase Agreement duly executed by it, and upon delivery thereof the Sale and Purchase Agreement shall become a valid and binding agreement of the parties thereto in accordance with its terms.

1.3 At the date on which the Sale and Purchase Agreement becomes binding, all rights and obligations of the Seller, the Guarantor and the Purchaser under this letter shall terminate, save in respect of antecedent breaches.

2. French Works Council and Consultation Process

2.1 The Seller shall procure that Scotts France SAS:

(a) sends out the convening invites to the French Works Council promptly (and in any event by no later than 5 Business Days after the date of this letter) with a view to obtaining delivery of the French Works Council Opinion pursuant to the French regulations as soon as reasonably practicable; and

(b) complies with all appropriate information and/or consultation procedures in connection with the Consultation Process.

2.2 The Seller shall keep the Purchaser informed in a timely manner of the status of matters relating to the Consultation Process, including furnishing the Purchaser as soon as reasonably practicable with copies of the economic note, meeting agendas and the French Works Council Opinion. Except to the extent commercially sensitive to the Seller, the Seller shall also furnish the Purchaser with draft copies of any proposed written communications including any questions and answers to be provided by the Seller or Scotts France SAS to the French Works Council, as soon as reasonably practicable and in any event at least three Business Days prior to the proposed delivery of such communications to the French Works Council. The Purchaser commits to provide replies to any questions raised by the French Works Council in a timely manner.

2.3 The Seller shall not, and shall procure that no Group Company or Business Seller shall, without the Purchaser's prior written consent: (i) make any commitments to the employees of Scotts France SAS or their representative bodies which are outside the ordinary course of business (including with respect to the terms of employment and employment benefits of the employees of Scotts France SAS); or (ii) provide any information to the employees of Scotts France SAS or their representative bodies in relation to the Purchaser or any of its affiliates or its or their intentions regarding the Group and its employees, save for the information contained in the economic note regarding the expected consequences of the Transaction on employment (including any impact on employees' collective status).

2.4 The Purchaser agrees to cooperate, as may reasonably be required, with the Seller and the Group, including by providing any documents and information relating to the Purchaser that may be reasonably requested by the French Works Council and by attending meetings organised by the French Works Council upon receipt by the Purchaser of at least three Business Days advance notice thereof. The Purchaser will consult with the Seller and consider any issues and proposals in relation to the Transaction that may be raised as part of the Consultation Process by the French Works Council provided that the Purchaser's obligations in this respect will be limited to such consultation and consideration and the Purchaser shall not be obliged to agree to any modification to the Transaction or to the Sale and Purchase Agreement nor shall it be obliged to offer any commitments to the French Works Council.

2.5 Each of the Seller and the Purchaser agrees to abide by the provisions of Appendix 1 to this letter.

3. Warranty

3.1 The Purchaser warrants that the statements set out in Schedule 5 to the Sale and Purchase Agreement are true and accurate as of the date of this letter. For the purposes of this letter, references in Schedule 5 to the Sale and Purchase Agreement shall be deemed to be to this letter.

3.2 The Seller warrants that the statements set out in paragraph 1 of Schedule 3 to the Sale and Purchase Agreement are true and accurate as of the date of this letter. For the purposes of this letter, references in paragraph 1 of Schedule 3 to the Sale and Purchase Agreement shall be deemed to be to this letter.

4. Satisfaction of Conditions Precedent and Pre-Completion Obligations

4.1 The Seller agrees to comply, and the Purchaser agrees that it shall comply, on and after the date of this letter until it is terminated in accordance with its terms, with its respective obligations set out in Clauses 3 (*Conditions*), 5 (*Pre-completion Obligations*) and 9.4 (*Seller's Warranties and Undertakings*) of the Sale and Purchase Agreement and they shall be incorporated herein as if they were set out in full in this letter, except that references to "the date of this Agreement" in Clause 5 (*Pre-completion Obligations*) shall be interpreted as references to the date of this letter. For the avoidance of doubt, Clause 9 (*Seller's Warranties and Undertakings*) shall not require any Relevant Seller, Group Company or Senior Manager to take any action that would amount to a decision to sell the Group to the Purchaser prior to the Consultation Completion.

5. Exclusivity

5.1 From and including the date of this letter until the earlier to occur of (i) the execution of the Sale and Purchase Agreement, and (ii) the date that is nine months from the date of this letter, the Seller

shall not, and shall procure that no member of the Seller's Group and no Group Companies shall, directly or indirectly:

(a) enter into or continue discussions or negotiations with, or provide any information to, any third party who may be interested in making an offer for, or entering into an agreement to acquire, the Group, any part of its business or assets or any Group Company, or any transaction designed to achieve a similar economic outcome to any of the foregoing (an "**Alternative Transaction**");

(b) solicit, encourage or otherwise facilitate any enquiries or the making of any offer or proposal by a third party with respect to an Alternative Transaction; or

(c) enter into any Alternative Transaction with a third party.

6. Break Fee

6.1 If:

(a) the Seller does not comply with its obligations in paragraph 2.1 of this letter; or

(b) the Consultation Completion occurs, and an Acceptance Notice is not received by the Purchaser accompanied by three original signature pages of the Sale and Purchase Agreement duly executed by the Seller and the Guarantor on or prior to 11.59 p.m. on the fifth Business Day after Consultation Completion,

then in consideration of the Purchaser committing time and expense to the Transaction, the Seller shall pay to the Purchaser an amount of EUR10,000,000 (the "**Break Fee**") in cash to the account nominated by the Purchaser. It is acknowledged that the provisions of this paragraph 6: (i) protect the Purchaser's legitimate interest in completing the Transaction and are both reasonable and proportionate; and (ii) are an integral part of this Offer, without which the Purchaser would not have made the Offer.

6.2 Payment of the Break Fee to the Purchaser shall not affect or determine the undertakings given by the Seller pursuant to paragraph 5.1 of this letter and the Seller shall continue to comply with the provisions of paragraph 5.1 until expiry of the relevant time period set out therein.

7. Confidentiality

7.1 Subject to paragraph 7.2 the provisions of Clause 18 (*Confidentiality*) of the Sale and Purchase Agreement shall apply from the date of this letter as if set out herein except that references to "this Agreement" shall be construed to include references to this letter.

7.2 Notwithstanding paragraph 7.1 the Purchaser agrees that, upon countersignature of this letter by the Seller, each of the Guarantor and the Purchaser may announce the Offer and the contents of this letter, provided that any such announcement shall be in a form agreed between the Guarantor and the Purchaser.

7.3 The Confidentiality Agreement between Scotts-Sierra Investments LLC and Exponent Private Equity LLP is hereby terminated with effect from the date of this letter.

7.4 Exponent Private Equity LLP may, under the Contracts (Rights of Third Parties) Act 1999, enforce the terms of this letter, as varied from time to time under paragraph 11.1. Other than as expressly

provided in this letter, a person who is not a party to this letter shall have no right to enforce any of its terms.

8. Counterparts

This letter may be entered into in any number of counterparts, all of which taken together shall constitute one and the same instrument. Any party may enter into this letter by executing any such counterpart.

9. Notices

Clause 32 (*Notices*) of the Sale and Purchase Agreement shall apply from the date of this letter between the Purchaser, the Guarantor and the Seller as if set out herein except that references to "this Agreement" shall be construed to include references to this letter.

10. Guarantee

10.1 In consideration of the Purchaser making the Offer, the Guarantor irrevocably and unconditionally guarantees to the Purchaser punctual performance by the Seller of all of the Seller's obligations pursuant to this letter and undertakes to the Purchaser that:

(a) whenever the Seller does not pay any amount when due pursuant to or in connection with this letter, the Guarantor shall immediately on demand pay that amount as if it was the principal obligor;

(b) whenever the Seller fails to perform any other obligations pursuant to this letter, the Guarantor shall immediately on demand perform (or procure performance of) and satisfy (or procure the satisfaction of) that obligation; and

(c) agrees as principal debtor and primary obligor to indemnify the Purchaser against all losses and damages sustained by it flowing from any non-payment or default of any kind by the Seller under or pursuant to this letter,

so that the same benefits are conferred on the Purchaser as it would have received if such obligation had been performed and satisfied by the Seller.

10.2 This guarantee is a continuing guarantee and will extend to the ultimate balance of sums payable by the Seller pursuant to this letter, regardless of any intermediate payment or discharge in whole or in part.

10.3 Save to the extent provided in paragraph 10.4 the obligations of the Guarantor will not be discharged or affected by:

(a) any time, waiver or consent granted to the Seller or any other person;

(b) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against the Seller pursuant to this letter;

(c) the insolvency (or similar proceedings) of the Seller, any incapacity or lack of power, authority or legal personality of the Seller or change in control, ownership or status of the Seller;

(d) any unenforceability or invalidity of any obligation of the Seller; or

(e) any amendment to this letter.

10.4 For the avoidance of doubt, the Guarantor shall have no liability under this paragraph 10 in respect of any liability of the Seller pursuant to this letter to the extent that such liability is amended or varied in accordance with paragraph 11.1, and the Guarantor's obligations under this paragraph 10 in respect of such obligation or liability as it subsists following such amendment, variation or waiver shall be determined by reference to such obligation as so amended or varied, or taking account of the extent to which such obligation or liability has been so waived.

11. General

11.1 No amendment to this letter shall be valid unless it is in writing and duly executed by or on behalf of the parties to it.

11.2 This letter is for the sole benefit of the parties to it and their respective successors and permitted assigns and nothing in this letter, express or implied, is intended to or shall confer upon any other person or entity any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this letter.

11.3 No failure or delay in exercising any right, power or privilege under this letter will operate as a waiver of it, nor will any single or partial exercise of any right, power or privilege under this letter preclude any other or further exercise of it or of any other right, power or privilege under this letter or otherwise.

12. Governing Law

12.1 This letter and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with English law.

12.2 Each of the Seller, the Guarantor and the Purchaser irrevocably agree that the courts of England are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with this letter and that accordingly any proceedings arising out of or in connection with this letter shall be brought in such courts. Each of the Seller, the Guarantor and the Purchaser irrevocably submits to the jurisdiction of such courts and waives any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

13. Process Agent

13.1 Seller and Guarantor's Process Agent

(a) The Seller and the Guarantor each hereby irrevocably appoint The Scotts Company (UK) Limited, c/o White & Case LLP, 5 Old Broad St, London EC2N 1DW, as their agent to accept service of process in England and Wales in any legal action or proceedings arising out of this letter, service upon whom shall be deemed completed whether or not forwarded to or received by them.

(b) The Seller and the Guarantor each agree to inform the Purchaser in writing of any change of address of such process agent within 28 days of such change.

(c) If such process agent ceases to be able to act as such or to have an address in England and Wales, the Seller and the Guarantor each irrevocably agree to appoint a new process agent in England and Wales acceptable to the Purchaser and to deliver to the Purchaser within 14 days a copy of a written acceptance of appointment by the process agent.

Yours faithfully,

(*Signature pages to this letter follow*)

SIGNED by /s/ Simon Davidson and /s/ Chris Graham

on behalf of **GARDEN CARE BIDCO LIMITED**

The countersignature by the Seller is solely for the purpose of evidencing its agreement to the terms of, and the Seller's obligations and undertakings under, this letter. Such countersignature shall not be construed as an acceptance of the Offer to acquire the Group contemplated herein and any such acceptance shall only be made in accordance with the terms of paragraph 1 hereof.

on behalf of **SCOTTS-SIERRA INVESTMENTS LLC**

/s/ Dimiter Todorov

[*Signature page to Binding Offer Letter – Scotts-Sierra Investments LLC*]

By: /s/ Thomas Randal Coleman

For and on behalf of **THE SCOTTS MIRACLE-GRO COMPANY**

Name: **Thomas Randal Coleman**

Position: **Executive Vice President and Chief Financial Officer**

[*Signature page to Binding Offer Letter – The Scotts Miracle-Gro Company*]

Appendix 1
Defined Terms

In this letter, the following terms have the meanings set out alongside them:

1.1 "**French Works Council**" means the Comité Central d'Entreprise at Scotts France SAS;

1.2 "**Information Note**" means the detailed information note to be delivered to the French Works Council on the Transaction;

1.3 "**Legal Deadline**" means: (i) the date two calendar months after the date of delivery of the Information Note to the French Works Council; or (ii) the date of expiry of such other period as is determined by a competent court, in accordance with applicable law, to be the date on which the Consultation Process is deemed to be completed; and

1.4 "**Works Council Opinion**" means positive or negative advice provided by the French Works Council to Scotts France SAS in connection with the Transaction in accordance with applicable law.

Appendix 2
Works Council Procedures

The Seller and the Purchaser acknowledge that in the context of the Consultation Process, the French Works Council may seek certain commitments in writing from the Purchaser or impose (other) conditions on relevant members of the Purchaser's Group. The Seller shall notify the Purchaser of any requests for such commitments or (other) conditions stipulated by or on behalf of the French Works Council. In such an event, the Seller shall, in consultation with the Purchaser, negotiate and/or liaise in good faith with the French Works Council to attempt to seek an outcome satisfactory to both the Purchaser and the Seller, taking into account the principles set forth in the final sentence of paragraph 2.4 of this letter. For the avoidance of doubt, neither the Seller nor the Purchaser shall be under any obligation to accept or agree to such commitments or conditions sought by the French Works Council.

Exhibit 1
Sale and Purchase Agreement

Dated 5 July 2017

Share and Business Sale Agreement

relating to the companies and business comprising the
Scotts Miracle-Gro International Business

between

Scotts-Sierra Investments LLC
as Seller

The Scotts Miracle-Gro Company
as Guarantor

Garden Care Bidco Limited
as Purchaser

Those portions of this Agreement marked with an [*] have been omitted pursuant to a request for confidential treatment and have been filed separately with the SEC.

PURSUANT TO REGULATION S-K, ITEM 601(b)(2), THE SCHEDULES TO THE SALE AND PURCHASE AGREEMENT INCLUDED AS EXHIBIT 10.6, AS DESCRIBED BELOW, HAVE NOT BEEN FILED. THE REGISTRANT AGREES TO FURNISH SUPPLEMENTALLY A COPY OF OMITTED SCHEDULES TO THE SECURITIES AND EXCHANGE COMMISSION UPON REQUEST; PROVIDED, HOWEVER, THAT THE REGISTRANT MAY RERQUEST CONFIDENTIAL TREATMENT OF OMITTED ITEMS.

Schedule 7 Closing Statement

Part 1 Closing Statement

Part 2 Form of Closing Statement

Those portions of this Agreement marked with an [*] have been omitted pursuant to a request for confidential treatment and have been filed separately with the SEC.

This Agreement is made on 5 July 2017

Between:

(1) **Scotts-Sierra Investments LLC** a company incorporated in Delaware with registered number 2512334 and whose registered office is at 1209 Orange Street, Wilmington, DE 19801, United States of America (the "**Seller**");

(2) **The Scotts Miracle-Gro Company** a company incorporated in Ohio with registered number 1501530 and whose registered office is at 14111 Scottslawn Road, Marysville, Ohio 43041, United States of America (the "**Guarantor**"); and

(3) **Garden Care Bidco Limited** a company incorporated in England and Wales with registered number 10734808 and whose registered office is at 6th Floor, 30 Broadwick Street, London, United Kingdom, W1F 8JB (the "**Purchaser**").

Whereas:

(A) The Seller has agreed to sell the Group (or to procure the sale by the Relevant Sellers of certain Group Companies or Group Businesses) and to assume the obligations imposed on the Seller under this Agreement.

(B) The Purchaser has agreed to purchase the Group (or to procure the purchase by the Relevant Purchasers of certain Group Companies or Group Businesses) and to assume the obligations imposed on the Purchaser under this Agreement.

(C) The Guarantor has agreed to guarantee the obligations of the Seller on the terms and subject to the conditions of this Agreement.

It is agreed:

1. Interpretation

1.1 In this Agreement:

"**Accounts Date**" means 30 September 2016;

"**Accounts**" means the audited statutory financial statements of (a) Scotts Celaflor GmbH; (b) Scotts Celaflor HGmbH; (c) Scotts Holdings Limited; (d) The Scotts Company (Manufacturing) Limited; (e) The Scotts Company (UK) Limited; (f) Humax Horticulture Limited; (g) Levington Group Limited; (h) Scotts Benelux BVBA; (i) Scotts France Holdings SARL; (j) Scotts France SAS; (k) Scotts Australia Pty Limited; and (l) Scotts Poland Sp.z.o.o., comprising the profit and loss statement and balance sheet in respect of each, as at the Accounts Date, together with the accompanying notes and reports;

"**Acquired Entity**" has the meaning set out in Clause 12.2;

"**Adjustment Amount**" has the meaning set out in Clause 7.3(f);

"**Agents**" means, in relation to a person, that person's directors, officers, employees, advisers, agents and representatives;

"**America Business Intellectual Property**" means:

(a) any Intellectual Property owned by a member of the Seller's Group in the Purchaser Manufacturing Territories as at Completion, which the manufacture of any International Business Products in the Purchaser Manufacturing Territories as at Completion would, in the absence of a licence from the relevant member of the Seller's Group, infringe that Intellectual Property;

(b) any patent applications filed by the relevant member of the Seller's Group after Completion in the Purchaser Manufacturing Territories based on any invention disclosure that forms part of the Intellectual Property described in (a) and any granted patents issuing from such applications; and

(c) all continuations, continuations in part, divisions, extensions, substitutions, reissues, re examinations and renewals in the Purchaser Manufacturing Territories of any patents or patent applications forming part of the Intellectual Property described in (a) or the patents and patent applications referred to in (b);

"**Applicable Name Change Period**" has the meaning set out in Clause 11.2(b);

"**Assumed Liabilities**" means all Liabilities at Completion of the Business Sellers other than the Excluded Liabilities (including, for the avoidance of doubt, any loan amount payable by a Business Seller to the EEIG corresponding to an EEIG Receivable), and "**Assumed Liability**" means any one of them;

"**Austrian Schemes**" means Abfertigung alt, Abfertigung neu, voluntary Abfertigung and Bonus Pensionskassen Aktiengesellschaft;

"**Authority**" means any Environmental Authority, Taxation Authority or other supra-national, federal, national, state, county, local, municipal or other governmental, regulatory or administrative authority, agency, commission or other instrumentality, any court, tribunal or arbitral body with competent jurisdiction, or any national securities exchange or automated quotation service;

"**Bank Account Side Letter**" means the side letter between the Purchaser and the Seller pursuant to which the Seller agrees to procure that employees of the Purchaser's Group and International Business Employees shall have access to the specified bank accounts of the Business Sellers and the ability to sweep cash from such bank accounts to bank accounts held by the Business Purchasers twice a day and for a period of up to 12 months after Completion, subject to the Purchaser agreeing to pay the cost of maintaining such bank accounts at any time from six months after Completion;

"**Bid Value**" has the meaning set out in Clause 4.1(a)(i);

"**BNPP Facility**" means the uncommitted credit facility in the amount of EUR 2,424,000 provided by BNP Paribas to Scotts France SAS;

"**Books and Records**" has the meaning set out in Clause 11.4;

"**Business**" means the business of the Group comprising the direct or indirect sale or provision of the Products;

"**Business Day**" means a day (other than a Saturday or Sunday or a public holiday) when commercial banks are open for ordinary banking business in London, Delaware and Ohio;

"**Business Intellectual Property**" means the International Business Intellectual Property and the Owned Intellectual Property;

"**Business Purchasers**" means the members of the Purchaser's Group notified by the Purchaser to the Seller in accordance with Clause 2.10, and "**Business Purchaser**" means any one of them;

"**Business Seller**" means, in relation to each of the Group Businesses referred to in column (2) of Part 2 of Schedule 1, the company whose name is set out opposite that Group Business in column (1) of Part 2 of Schedule 1;

"**Business Warranties**" means all Warranties other than the Fundamental Warranties and the Relevant Contracts Warranty;

"**Cash Balances**" means cash in hand or credited to any account with a financial institution and securities which are readily convertible into cash as shown in the reconciled cash book balance (such that cheques written but not yet cashed shall be deducted in calculating the balance and cheques received but not yet cleared shall be included in calculating the balance), excluding any rent deposits and including the line items in the column 'Cash Balances' in Part 2 of Schedule 7, in each case as at the Effective Time and calculated in accordance with Schedule 7;

"**Claim**" means any claim made by the Purchaser under Clause 9.1 and Schedule 3 (*Warranties*) of this Agreement and "**Claims**" shall mean all such claims;

"**Claims Made Policies**" means any insurance policies (including without limitation any directors' and officers' liability insurance policies) which are in force at the date of this Agreement and which provide cover in relation to Pre-Completion Matters on a claims made basis;

"**Closing Amount**" has the meaning set out in Part 2 of Schedule 2;

"**Closing Debt**" means in respect of each Group Company and each Business Seller (for the avoidance of doubt, excluding items that are Excluded Liabilities) the amount as at the Effective Time of:

(a) all interest and non-interest bearing loans or other financing liabilities or obligations, including overdrafts and any other liabilities in the nature of borrowed money (whether secured or unsecured);

(b) all reimbursement or payment obligations with respect to letters of credit, bills, bonds, notes, debentures or loan stock and other similar instruments;

(c) any obligations under finance or capital leases and hire purchase agreements, to the extent that such hire purchase agreements are recorded as a liability in accordance with US GAAP as applied consistently with the accounting policies applied in the Relevant Balance Sheet;

(d) any transaction costs, transaction bonuses and retention bonuses related to the proposed sale of the Group (gross of any tax and social security liabilities in relation to such costs and bonuses incurred by any Group Company);

(e) any obligations in respect of interest rate swaps or other financial derivatives stated at their fair value;

(f) the aggregate of the line items in the column "Closing Debt" in Part 2 of Schedule 7, without double counting of any other item in paragraphs (a) to (i) here;

(g) any liabilities in relation to corporation tax, corporate income tax, profits tax or any similar tax on corporate income, profits or gains, but excluding deferred tax assets and deferred tax

liabilities net of any prepayment assets in respect of corporation tax, corporate income tax, profits tax or any similar tax on corporate income, profits or gains; and

(h) all obligations issued, undertaken or assumed as the deferred purchase price in respect of any acquired business or shares,

together with all interest, fees and penalties accrued thereon prior to the Effective Time, and any prepayment premiums or penalties payable in order to retire or extinguish any Closing Debt to the extent triggered by Completion, but excluding (A) trading debt or trading liabilities arising in the ordinary course of business, (B) any unamortised debt issuance costs; and (C) any amounts included in Intra Group Financing Payables or Intra-Group Financing Receivables;

"**Closing Statement**" means the statement to be prepared in accordance with Clause 7 and Schedule 7 (*Closing Statement*);

"**Competition Conditions**" has the meaning given to it in Clause 3.1(i);

"**Completion**" means completion of the sale and purchase of the Shares and Group Businesses under this Agreement;

"**Completion Date**" means (a) on the Business Day after the earliest Completion Month End that is at least fifteen (15) Business Days after (and excluding) the date on which the Conditions are satisfied or waived in accordance with this Agreement or (b) such other date as mutually agreed between the Seller and the Purchaser;

"**Completion Month End**" means one of the following dates (as applicable): (a) 29 July 2017; (b) 26 August 2017; (c) 30 September 2017; or (d) 28 October 2017;

"**Conditions**" means the conditions referred to in Clause 3 (*Conditions*);

"**Confidentiality Agreement**" means the confidentiality agreement between the Seller and Exponent Private Equity LLP dated 28th October 2016;

"**Continuing Provisions**" means Clause 1 (*Interpretation*), Clause 15 (*Business Information*), Clause 18 (*Confidentiality*), Clause 19 (*Announcements*), Clause 20 (*Grossing-up*), Clause 21 (*Guarantee*), Clause 22 (*Assignment*), Clause 24 (*Entire Agreement*), Clause 25 (*Severance and Validity*), Clause 26 (*Variations*), Clause 27 (*Remedies and Waivers*), Clause 29 (*Third Party Rights*), Clause 31 (*Costs, Expenses and Stamp Duty*), Clause 32 (*Notices*), Clause 35 (*Governing Law and Jurisdiction*) and Clause 36 (*Agent for Service of Process*), all of which shall continue to apply after the termination of this Agreement pursuant to Clause 3.10 or Clause 6.3(c) or Clause 13.2 without limit in time;

"**Control**" means, in relation to a person:

(a) holding or controlling, directly or indirectly, a majority of the voting rights exercisable at shareholder meetings (or the equivalent) of that person; or

(b) having, directly or indirectly, the right to appoint or remove directors holding a majority of the voting rights exercisable at meetings of the board of directors (or the equivalent) of that person; or

(c) having, directly or indirectly, the ability to direct or procure the direction of the management and policies of that person, whether through the ownership of shares, by contract or otherwise; or

(d) having the ability, directly or indirectly, whether alone or together with another, to ensure that the affairs of that person are conducted in accordance with his or its wishes, and

(i) the terms "**Controlling**" and "**Controlled**" shall be construed accordingly; and

(ii) any two or more persons acting together to secure or exercise Control of another person shall be viewed as Controlling that other person;

"**Data Room**" means the data room comprising the actual copies of documents and other information relating to the Business, the Group Companies and the Group Businesses made available to the Purchaser online at https://services.intralinks.com, as itemised in the data room index in the agreed terms and contained on the USB provided by the Seller's Lawyers to the Purchaser's Lawyers on 26 April 2017;

"**Deferred Payment Amount**" means either: (i) if a Deferred Payment Trigger occurs, an amount equal to EUR 20,000,000; (ii) if a French Exit occurs on or prior to 31 January 2021, an amount equal to EUR 20,000,000 if a French Deferred Payment Trigger occurs; or (iii) if an Exit occurs on or prior to 31 January 2021, the lesser of: (a) an amount equal to EUR 20,000,000 if the Investment Return as a result of such Exit and following payment of such amount is not less than 1.0x; and (b) such lesser amount which, after payment of such amount, would result in the Investment Return as a result of such Exit being equal to 1.0x, provided always that if the Investment Return would be less than 1.0x then the Deferred Payment Amount shall be zero;

"**Disclosed**" means fairly disclosed in the Data Room or the Disclosure Letter, in each case with sufficient details to identify the nature and scope of the matter disclosed;

"**Disclosure Letter**" means the letter dated as at the Offer Letter Date from the Seller to, and acknowledged by, the Purchaser;

"**Draft Closing Statement**" has the meaning given to it in Clause 7.1;

"**EEIG**" means Scotts Treasury EEIG;

"**EEIG Interests**" means the interests held by the Business Sellers in the EEIG (together with the EEIG Interests held by certain Group Companies, comprising all of the interests in the EEIG);

"**EEIG Payables**" means all outstanding loans or other financing liabilities or obligations (including, for the avoidance of doubt, interest accrued and dividends declared or payable but not paid) owed by the EEIG to a Business Seller as at the Effective Time;

"**EEIG Receivables**" means all outstanding loans or other financing liabilities or obligations (including, for the avoidance of doubt, interest accrued and dividends declared or payable but not paid) owed by a Business Seller to the EEIG as at the Effective Time;

"**Effective Time**" means the time of Completion on the Completion Date;

"**Employment Costs**" means all salaries, wages, commission, bonuses, incentive payments, vacation pay, pension or other retirement benefit contributions, statutory contributions, social security

contributions, taxation, expenses and all other emoluments and benefits made to or on behalf of or in respect of an employee, save for any Employment Liabilities;

"**Employment Liabilities**" means any and all Losses arising out of or connected with employment or the employment relationship, or termination of employment or the employment relationship (including but not limited to, all Losses in connection with any claim for redundancy, termination or severance pay (whether arising out of statute or contract) notice pay, or damages or compensation for dismissal, breach of statutory employment rights or breach of contract);

"**Encumbrance**" means any pledge, charge, lien, mortgage, debenture, hypothecation, security interest, pre-emption right or option, or any agreement to create any of the foregoing;

"**Environment**" means all or any of the following media (alone or in combination): air (including the air within buildings and the air within other natural or man-made structures whether above or below ground); water (including water under or within land or in drains or sewers); soil and land, any ecological systems and living organisms supported by these media and man;

"**Environmental Authority**" means any legal person or body of persons (including any government department or government agency or court or tribunal) having authority, or jurisdiction to determine any matter arising, under Environmental Law;

"**Environmental Law**" means all applicable laws, statutes, regulations, statutory guidance notes and final and binding court and other tribunal decisions of any relevant jurisdiction whose purpose is (i) to protect, or prevent pollution of, the Environment; (ii) to protect human health or welfare and/or the conditions of the workplace; or (iii) to regulate emissions, discharges or releases of Hazardous Substances into the Environment, or to regulate the use, treatment, storage, burial, disposal, transport or handling of Hazardous Substances, and all by-laws, codes, regulations with any of therein, decrees or orders issued or promulgated or approved under or in connection with any of them;

"**Environmental Permit**" means any licence, approval, registration, consent, authorisation, permission, notification, waiver, order or exemption which is issued, granted or required under Environmental Law and which is required for the operation of the business of the Group as it is currently operated;

"**Estimated Cash**" means EUR2,567,000;

"**Estimated Debt**" means EUR13,376,000 being the Seller's good faith reasonable estimate of the Closing Debt as at the Effective Time;

"**Estimated Intra-Group Financing Payables**" means EUR24,122,000, being the Seller's good faith reasonable estimate of the Intra-Group Financing Payables as at the Effective Time;

"**Estimated Intra-Group Financing Receivables**" means EUR129,000, being the Seller's good faith reasonable estimate of the Intra-Group Financing Receivables as at the Effective Time;

"**Estimated Working Capital**" means EUR54,579,000, being the Seller's good faith reasonable estimate of the Working Capital as at the Effective Time;

"**Estimated Working Capital Adjustment**" means EUR25,421,000, being the amount by which the Estimated Working Capital is less than the Target Working Capital;

"**Everris IP Licence Agreements**" means:

(a) the Patent and Technology Licence between Scotts International B.V. (now known as Everris International B.V. and The Scotts Company LLC dated 28 February 2011; and

(b) the Trade Mark Licence between Scotts International B.V. (now known as Everris International B.V.) and The Scotts company LLC dated 28 February 2011;

"**Everris Sub-licenses**" means: (a) the Trade Mark Sub-licence Agreement between The Scotts Company LLC and the Purchaser granting the Purchaser rights to use certain trade marks owned by Everris International B.V. (formerly known as Scotts International B.V.) in the agreed terms; and (b) the Patent Sub-licence Agreement between the Scotts Company LLC and the Purchaser granting the Purchaser rights to use certain patents and other intellectual property owned by Everris International B.V. (formerly known as Scotts International B.V.) in the agreed terms;

"[*]" means: [*];

"**Excluded Assets**" means those assets, contracts and rights which are excluded from the sale of the Group Businesses under this Agreement and the Local Transfer Documents, details of which are set out in Clause 2.2(f);

"**Excluded Liabilities**" means any and all Liabilities set out in Schedule 24;

"**Excluded Shared Contracts**" means the:

(a) Shared IT Contracts;

(b) Original Roundup Agreements;

(c) Everris IP Licence Agreements;

(d) Trade Mark Licence Agreement between OMS Investments Inc., The Scotts Company (UK) Limited, The Scotts Company LLC and Bord Na Mona Gorticulture Limited dated 29 April 2013;

(e) Trade Mark Licence Agreement between OMS Investments Inc., The Scotts Company (UK) Limited and Everris International B.V. (formerly known as Scotts International B.V.) dated 28 February 2011;

(f) Trade Mark Co-Existence Agreement between OMS Investments Inc., and Fisons Limited dated 28 July 2011;

(g) Research Agreement between the Royal Melbourne Institute of Technology and Scotts Australia Pty Limited dated 18 June 2015, which is to be transferred to The Scotts Company LLC prior to Completion;

"**Excluded Shared Supply Contracts**" means any Shared Contracts for the supply of goods or raw materials which the Parties agree in writing prior to Completion that Part 1 of Schedule 9 should not apply to and to which Part 4 of Schedule 9 should apply instead;

"**Excluded Territories**" means all jurisdictions other than the Relevant Territories;

"**Final Payment Date**" means ten (10) Business Days after the date on which the process described in paragraph 3 of Part 1 of Schedule 7 (*Closing Statement*) for the agreement or determination of the Closing Statement is complete;

"**French Mandatory Retirement Schemes**" means: (i) the defined contribution national social security basic retirement scheme and (ii) the defined contribution AGIRC and ARRCO complementary retirement schemes;

"**French Pension Schemes**" means: (i) the Sovilo Plan; (ii) the end of career payments due by Scotts France SAS when workers retire; (iii) the jubilee awards; and (iv) the Record II Pension Scheme;

"**Fundamental Warranties**" means the Warranties set out in paragraphs 1, 2 and 13 of Schedule 3;

"**Fundamental Warranty Claims**" means a Claim in relation to a breach of the Fundamental Warranties;

"**German Pension Schemes**" means each of:

(a) Versorgungsordnung 1987;

(b) Pensionsordnung en vom 27.02.2002;

(c) Grund- und Demografieförderung und Chemietarifförderung;

(d) Anfangspension;

(e) Betriebsvereinbarung über Jubiläeen; and

(f) Altersteilzeit;

"**Global Marine Policy**" means any insurance policy pursuant to which the Group is provided with risk cover for physical loss or damage to the subject matter insured during transit (including by land, air or sea);

"**Goodwill**" means the goodwill of the Business Sellers in relation to the Group Businesses as at Completion together with the exclusive right (so far as the Relevant Sellers can grant the same) for the Business Purchasers to represent themselves as carrying on the Group Businesses in succession to the Business Sellers;

"**Group**" means the Group Companies and the Group Businesses;

"**Group Businesses**" means the entirety of the businesses carried on by the Business Sellers during the 12 months prior to Completion and being sold under (and subject to the terms and conditions of) this Agreement and the Local Transfer Documents, particulars of which are non-exhaustively described in Part 2 of Schedule 1 and "**Group Business**" means any one of them;

"**Group Companies**" means the entities listed in Part 3 of Schedule 1 and "**Group Company**" means any one of them;

"**Group Commitments**" shall have the meaning given to such term in Clause 9.4;

"**Guarantor's Group**" means the Guarantor, its Parent Undertakings, its Subsidiary Undertakings and all other Subsidiary Undertakings of any such Parent Undertakings as the case may be from time to time (but excluding the Group);

"**Hazardous Substances**" means any wastes, pollutants, contaminants and any other natural or artificial substance or thing (whether in solid, liquid, gas, vapour or other form) which is capable (alone or in combination) of causing harm or damage to the Environment or a nuisance to any person (including radiation, noise, vibration, electricity and heat);

"**HMRC**" means Her Majesty's Revenue & Customs;

"**Hydroponic Products**" means hydroponics related products and other tools focused on the development of indoor urban gardening (i) including nutrients, substrates, systems (as well as components of systems such as precision irrigation, ph meters, pumps and timers), growing media, lighting and plastics and (ii) including, without limitation, products sold by the Seller's Group under the brands General Hydroponics, Vermicrop, Vermicrop Organics, Botanicare, Gavita, Aerogarden and Gold Label;

"**Intellectual Property**" means patents, utility models, trade marks, service marks, trade and business names, rights in designs, copyright (including rights in software), database rights, domain names, semi-conductor topography rights, rights in inventions, trade secrets and know-how and other intellectual property rights which may subsist in any part of the world, in each case whether registered or not (and including applications for registration);

"**International Business Assets**" means all property, rights and assets of the Business Sellers (excluding the Excluded Assets) to be sold under Clause 2.2 of this Agreement or any relevant Local Transfer Document;

"**International Business Contracts**" means the customer, supply, distribution, hire purchase and other commercial contracts or agreements or trading relationships (whether written or unwritten) to which a member of the Seller's Group is a party which relates exclusively to the Group including (but not limited to) the contracts listed in Part 2 of Schedule 9 and "**International Business Contract**" means any of them;

"**International Business Employees**" means those employees who are immediately prior to Completion employed in the companies listed in column (1) of Part 2 of Schedule 1;

"**International Business Intellectual Property**" means all Intellectual Property owned by any member of the Seller's Group which in the 12-month period before Completion has been used exclusively by the Group in relation to the Business, including the Intellectual Property described in Part 1 and Part 2 of Schedule 10, but excluding the Retained Intellectual Property;

"**International Business Leased Properties**" means the properties which are set out in Part 4 of Schedule 6;

"**International Business Owned Properties**" means the properties which are set out in Part 3 of Schedule 6;

"**International Business Product Registrations**" means the Product Registrations which during the 12 month period before Completion are exclusively used by the Group in relation to the Business, including the Product Registrations set out in Part 7 of Schedule 10;

"**International Business Products**" means Products that:

(a) have been sold or produced directly or indirectly by, or on behalf of, the Group in relation to the Business in the 12 months prior to the Completion Date;

(b) are contained in the Product Pipeline; or

(c) are Products that are an improvement, modification or further development of any of the Products referred to in (a) or (b) above;

"**International Business Properties**" means the International Business Owned Properties and the International Business Leased Properties, and **"Business Property**" means any one of them;

"**Intra-Group Financing Payables**" means all outstanding loans or other financing liabilities or obligations (including, for the avoidance of doubt, interest accrued and dividends declared or payable but not paid) owed by a Group Company to a member of the Seller's Group (other than a Group Company) as at the Effective Time, but excluding any EEIG Payables and any item which falls to be included in calculating the Group Companies' Cash Balances or the Closing Debt or Working Capital;

"**Intra-Group Financing Receivables**" means all outstanding loans or other financing liabilities or obligations (including, for the avoidance of doubt, interest accrued and dividends declared or payable but not paid) owed by a member of the Seller's Group (other than a Group Company) to a Group Company as at the Effective Time, but excluding any EEIG Receivables and any item which falls to be included in calculating the Group Companies' Cash Balances or the Closing Debt or Working Capital;

"**Intra-Group IP Licences**" means any licences of Intellectual Property granted by: (a) any member of the Seller's Group to a Group Company prior to Completion; or (b) any Group Company to a member of the Seller's Group;

"**Investment Return**" has the meaning given to it in Schedule 15;

"**IP Assignments**" means assignment agreements relating to the International Business Intellectual Property, in substantially the form attached as Part 3, Part 4, Part 5 and Part 6 of Schedule 10 (as applicable);

"**IP Licence**" means the licence to Garden Care Bidco Limited of certain Retained Intellectual Property (other than the Retained Trade Marks) in the agreed terms;

"**IT Contracts**" means any material written agreements, arrangements or licences to which a Group Company or a Business Seller is a party relating to the IT Systems;

"**Ipswich Office**" means the part of the ground floor of the building adjoining the Charter Building, Levington Park, Ipswich, Suffolk IP10 0NE currently occupied by The Scotts Company (UK) Limited pursuant to a lease dated 1 July 2012;

"**IT Systems**" means computer hardware and software (excluding shrink-wrapped, click-wrapped or software commercially available off-the-shelf or the internet and any public telecommunications networks) which in each case is used or held for use for the purposes of the Business and required in all material respects to conduct the Business;

"**JPM Facility**" means the revolving credit facility in the amount of USD 1,700,000,000 provided pursuant to a facility agreement between The Scotts Miracle-Gro Company Inc., as borrower, and JP Morgan, as lender, dated 29 October 2015;

"**Key Worker**" means (i) any Senior Manager; or (ii) any Worker whose total gross annual salary exceeds EUR 150,000 (or its equivalent in applicable local currency);

"**Leased Properties**" means the leased land and premises currently used or occupied by the Group for the purposes of the Business, certain details of which are set out in Part 2 of Schedule 6 (*Properties*);

"**Liabilities**" means all liabilities, duties and obligations of every description, whether deriving from contract, common law, statute or otherwise, whether present or future, actual or contingent or ascertained or unascertained and whether owed or incurred severally or jointly or as principal or surety;

"**Licences**" means permits, licences, certificates or other authorisations or consents of an Authority, including Environmental Permits;

"**Licensed International Intellectual Property**" means:

(a) the International Business Intellectual Property and the Owned Intellectual Property;

(b) any patent applications filed by the relevant member of the Purchaser's Group after Completion in the Relevant Territory based on any invention disclosure that forms part of the International Business Intellectual Property and the Owned Intellectual Property and any granted patents issuing from such applications; and

(c) all continuations, continuations in part, divisions, extensions, substitutions, reissues, re examinations and renewals in the Relevant Territory of any patents or patent applications forming part of the International Business Intellectual Property and the Owned Intellectual Property or the patents and patent applications referred to in (b);

"**Licensed Retained Intellectual Property**" means any Retained Intellectual Property licensed to Garden Care Bidco Limited under the IP Licence or the Trade Mark Licence;

"**Local Transfer Document**" has the meaning given to it in Clause 2.3 (a);

"**Long Stop Date**" means 6 October 2017 or such other date as the Parties may agree in writing;

"**Loss**" or "**Losses**" means all losses, liabilities, actions and claims, including charges, costs, damages, fines, penalties, interest and all legal and other professional fees and expenses, including, in each case, all related Taxes;

"**Material Contract**" means any contract to which a Group Company or a Business Seller is a party to, or bound by, which for the previous financial year had, or for the current financial year is expected to have, revenue or expenditure of more than EUR 500,000 per annum;

"**Material Environmental Contracts**" means all contracts, agreements, binding obligations or covenants which concern (in whole or in part) a Hazardous Substance, the protection of, or prevention of harm to, the Environment or the carrying out of any Remedial Action and which are, or are likely to be, material to any Group Company or Group Business's business, profits, assets (including properties) or prospects;

"**Material IP Licences**" has the meaning set out in paragraph 18.7 of Schedule 3 (*Warranties*);

"**Moveable Assets**" means the furniture, trade utensils, computer hardware and peripherals, telecommunications equipment and infrastructure, other information technology related to plant and equipment, plant and machinery, vehicles and other equipment and other chattels (whether or not physically located at the Properties) which are owned by a member of the Seller's Group and used predominantly in relation to the Group Businesses including but not limited to those items listed in Schedule 17;

"**Monsanto**" means the Monsanto Company;

"**Monsanto Supply Agreeme**nt" means the glyphosate supply agreement between Scotts France SAS and Monsanto International S.A. dated 31 March 2005;

"New Project IP" means all Intellectual Property owned by any member of the Purchaser Group arising out of, or in connection with, the New Projects whether prior to Completion or in the nine months post-Completion, including:

(i) any patent applications filed by any member of the Purchaser's Group after Completion in the Excluded Territories based on any invention disclosure that forms part of the Intellectual Property described in Clause 16.5(a) and any granted patents issuing from such applications; and

(ii) all continuations, continuations in part, divisions, extensions, substitutions, reissues, re examinations and renewals in the Excluded Territories of any patents or patent applications forming part of the Intellectual Property described in Clause 16.5(a) or the patents and patent applications referred to in Clause 16.5(b);

"**New Projects"** means the research and development projects in relation to pelargonic acid and pyrethrum rapeseed oil that were carried out prior to Completion, and will continue to be carried out post-Completion, by (on behalf of) the Business;

"**New Roundup Agreements**" means the exclusive agency and marketing agreement and the lawn and garden brand extension agreement, each between Monsanto and the Purchaser and relating to the marketing and distribution of Roundup products, to be entered into on or prior to Completion reflecting and consistent with the Roundup Term Sheet and as amended from time to time;

"**New Supply Agreements**" the non-exclusive supply agreements to be entered into between a member of the Purchaser's Group and a member of the Seller's Group on or prior to Completion in relation to the goods and raw materials listed in Schedule 21 and under which those goods and raw materials will be supplied on the terms that: (a) are set out in Schedule 21; or (b) are otherwise consistent with the terms on which those goods and raw materials were supplied by the relevant member of the Seller's Group to a Group Company or a Business Seller in relation to the Business in the 12 months immediately prior to the Offer Letter Date, provided that in any three month period the volumes of those goods and raw materials to be purchased by the relevant member of the Purchaser's Group is no greater than 110% of the purchase volumes forecasted for the following 3 months by such member of the Purchaser's Group;

"**Non-Transferring Licences**" means those Licences held by a Business Seller or member of the Seller's Group that relate to the Group Businesses and are not capable of being transferred or assigned to the relevant Relevant Purchaser under applicable law and which would otherwise constitute Transferred Licences;

"**Notice**" has the meaning set out in Clause 32.1;

"**Objecting Employee**" has the meaning as set out in Schedule 18;

"**Occurrence Basis Policies**" means any insurance policies (including without limitation any directors' and officers' liability insurance policies) which are in force at the date of this Agreement and which provide cover in relation to any Pre-Completion Matter on an occurrence basis;

"**Offer Letter Date**" means 28 April 2017;

"**Opted Properties**" has the meaning set out in Clause 2.9(c);

"**Original Roundup Agreements**" means:

(a) the Amended and Restated Exclusive Agency and Marketing Agreement dated 30 September 1998 (as subsequently amended on 15 May 2015); and

(b) the Lawn and Garden Brand Extension Agreement dated 15 May 2015,

each relating to Roundup products and between Monsanto and The Scotts Company LLC.

"**Owned Intellectual Property**" means the Intellectual Property that is owned by any Group Company which in the 12 month period before Completion has been used exclusively by the Group in relation to the Business, including the Intellectual Property, details of which are set out in Part 3 of Schedule 10 but excluding the Retained Intellectual Property;

"**Owned Properties**" means the land and premises currently owned, used or occupied by the Group for the purposes of the Business, certain details of which are set out in Part 1 of Schedule 6 (*Properties*);

"**Parent Undertaking**" means an Undertaking which, in relation to another Undertaking, a "**Subsidiary Undertaking**":

(a) holds a majority of the voting rights in the Undertaking; or

(b) is a member of the Undertaking and has the right to appoint or remove a majority of its board of directors (or analogous body, including a management board and supervisory council); or

(c) has the right to exercise a dominant influence over the Undertaking, by virtue of provisions contained in its constitutional documents or elsewhere; or

(d) is a member of the Undertaking and controls alone, pursuant to an agreement with the other shareholders or members, a majority of the voting rights in the Undertaking,

and an Undertaking shall be treated as the Parent Undertaking of any Undertaking in relation to which any of its Subsidiary Undertakings is, or is to be treated as, the Parent Undertaking, and "**Subsidiary Undertaking**" shall be construed accordingly;

"**Party**" means a party to this Agreement and "**Parties**" shall mean the parties to this Agreement;

"**Pension Schemes**" means the UK Schemes, French Pension Scheme, German Pension Schemes and Austrian Schemes, certain details of which are set out in Folder 7 (*Employment and Pensions*) of the Data Room;

"**Permitted Claim**" means:

(a) in respect of an Occurrence Basis Policy, a claim relating to a Pre-Completion Matter (including, but not limited to, a claim which has been notified to the relevant insurer(s) before Completion and is pending or outstanding at Completion under such Occurrence Basis Policy and a claim relating to a Pre-Completion Matter not yet notified to the relevant insurer(s)); and

(b) in respect of a Claims Made Policy, a claim which has been notified (or which the Seller is entitled, pursuant to such Claims Made Policy, to notify, including a claim that the Seller is

not aware has arisen) to the relevant insurer(s) on or before Completion and which is pending or outstanding at Completion;

"**Pre-Completion Matters**" means any matter or event in relation to the carrying on of the business of all or any part of the Group at any time on or before Completion and/or any matter or event occurring in relation to the Group (or, the directors and/or officers of the Group) at any time on or before Completion;

"**Press Release**" means the announcement to be issued by the Purchaser and the Seller in connection with the Transaction, in the agreed terms;

"**Prior Service**" means in respect of an International Business Employee, the period of service (including any period of service deemed by law or contract) which an International Business Employee has had with the relevant Business Seller immediately before and continuous with the commencement of employment with the relevant Business Purchaser;

"**Proceedings**" has the meaning set out in Clause 35.2

"**Product Liability**" means any liability arising out of death, personal injury or damage to property caused by a defective product or defective services sold, supplied or provided by any member of the Group or a Business Seller on or prior to Completion;

"**Product Pipeline**" means the product pipeline of the Business as at the Completion Date, as set out in Schedule 11;

"**Product Registration**" means such approval as may be granted by a relevant regulatory authority to use, sell, supply, advertise or store a certain plant protection product or fertilizer in a particular jurisdiction;

"**Products**" means consumer lawn and garden products, including, without limitation, fertilizer, fertilizer combination products, micro-nutrients, bio-stimulants, seed, growing media (including peat products, soil conditioning agents, turf dressings, compost, mulches, combination growing media and bark), plant food, wetting agents, plant protection products, pesticides, herbicides, insecticides, fungicides, repellents, rodenticides and durable applicators but excluding any Hydroponic Products;

"**Properties**" means the Owned Properties and Leased Properties;

"**Purchase Price**" has the meaning set out in Clause 4.1;

"**Purchase Price Allocation Agreement**" means the agreement to be entered into at Completion between the Seller and the Purchaser substantially in the form set out in Schedule 14 and after agreement or determination of the indicative Purchase Price allocation pursuant to Clauses 4.3 and 4.4;

"**Purchaser Debt Finance**" means the debt financing incurred or intended to be incurred in accordance with the Purchaser Debt Finance Agreement;

"**Purchaser Debt Finance Agreement**" means the senior term and revolving facilities agreement entered into on or around the Offer Letter Date between, inter alia, Garden Care Holdco Limited, the Purchaser, GSO European Senior Debt Fund (Luxembourg) S.à r.l., GSO Aiguille des Grands Montets ESDF I (Luxembourg) S.à r.l. and GSO Capital Opportunities Fund III (Luxembourg) S.à r.l., HSBC Bank plc and HSBC Corporate Security Trustee Company (UK) Limited;

"**Purchaser Manufacturing Territories**" means the Excluded Territories except for: (a) the United States of America, Israel and Japan and each of their territories and possessions; (b) any country subject to a comprehensive U.S. trade embargo (currently Cuba, Iran, North Korea, Sudan, Syria and the Crimea region of Ukraine); and (c) any country subject to other relevant embargos and trade restrictions to the extent that such relevant embargos and trade restrictions would materially adversely impact either party's ability to fulfil such party's duties and obligations under the Trade Mark Licence or the IP Licence;

"**Purchaser's Group**" means the Purchaser, its Subsidiary Undertakings, any Parent Undertaking of the Purchaser and all other Subsidiary Undertakings of any such Parent Undertaking as the case may be from time to time (and including, after Completion, the Group);

"**Purchaser's Lawyers**" means Allen & Overy LLP of One Bishops Square, London E1 6AD;

"**Purchaser's Warranties**" means the warranties referred to in Clause 11 (*Purchaser's Warranties and Undertakings*) and set out in Schedule 5 (*Purchaser's Warranties*);

"**PwC Diligence Report**" means the draft diligence report titled 'Project Moonshine' prepared by PricewaterhouseCoopers LLP, addressed to The Scotts Company LLC and dated 25 November 2016;

"**Receivables**" means the aggregate amount as at the Effective Time of all outstanding accounts receivable (including all trading debt arising in the ordinary course in favour of the Group Businesses) owed to a member of the Seller's Group to the extent they relate to the Group Businesses, by any person other than (i) any other member of the Seller's Group to the extent related solely to financing or (ii) any Group Company or Group Business;

"**Record II Pension Scheme**" means the optional retirement scheme entered into by Sovilo Fertiligene with Gan Vie under number 01593621Y;

"**Registered Intellectual Property**" means Registered Owned Intellectual Property and Registered International Business Intellectual Property;

"**Registered International Business Intellectual Property**" means patents, registered trade marks, registered designs, domain name registrations (and applications for any of the same) that form part of the International Business Intellectual Property;

"**Registered Owned Intellectual Property**" means patents, registered trade marks, registered designs, domain name registrations (and applications for any of the same) that form part of the Owned Intellectual Property;

"**Regulatory Authorities**" means the German Federal Cartel Office, the French Competition Authority and the Polish Competition Authority;

"**Related Persons**" has the meaning given in Clause 24.5;

"**Relevant Balance Sheet**" has the meaning given in paragraph 16.2 of Schedule 3;

"**Relevant Contracts Warranty**" means the Warranty set out in paragraph 3.9 of Schedule 3;

"**Relevant International Business Contract**" means an International Business Contract that: (a) relates to the Business carried on in the UK, Germany or France; (b) is a contract under which the Group received supplies prior to the Offer Letter Date; and (c) is for a fixed term duration of at least

12 months and which sets out specific pricing or other material terms which shall be applied for the duration of such contract;

"**Relevant Part**" means, in respect of a Shared Contract, the part of it which exclusively relates to the Group;

"**Relevant Party's Group**" means, in relation to the Purchaser, the Purchaser's Group; in relation to the Seller, the Seller's Group; and, in relation to the Guarantor, the Guarantor's Group;

"**Relevant Property**" means any property (including the Properties) or part thereof now or previously owned, leased, occupied or controlled by the Group;

"**Relevant Purchasers**" means the Purchaser, the Business Purchasers and the Share Purchasers;

"**Relevant Sellers**" means each of the Share Sellers and Business Sellers whose names are set out in Schedule 1;

"**Relevant Territory**" means the jurisdictions in which the Group carries on the Business, or operates as at the Offer Letter Date, the date of this Agreement or the Completion Date, and including (for the avoidance of doubt) Spain, Denmark, Finland, Iceland, Norway and Sweden;

"**Remedial Action**" means:

(a) any works or action limiting, mitigating, remediating, preventing, removing, ameliorating or containing the presence or effect of any Hazardous Substance in or on the Environment; or

(b) any investigation, sampling or monitoring in connection with any such works or action;

"**Reporting Accountants**" means Deloitte LLP or, if that firm is unable or unwilling to act in any matter referred to them under this Agreement, a firm of accountants of international standing to be agreed by the Seller and the Purchaser within seven (7) days of a notice by one to the other requiring such agreement or failing such agreement to be nominated on the application of either of them by or on behalf of the President for the time being of the Institute of Chartered Accountants in England and Wales;

"**Retained Intellectual Property**" means (a) the Retained Trade Marks; (b) the Intellectual Property that is listed in Schedule 12; and (c) all Intellectual Property which is owned by the Seller's Group or the Group and is either: (i) used in relation to the Business on a non-exclusive basis; or (ii) not used in relation to the Business;

"**Retained Trade Marks**" means the trade marks to be licensed under the Trade Mark Licence;

"**Roundup Commission**" means the Commission (as defined in Article 1 of the Amended and Restated Agency and Marketing Agreement dated 30 September 1998 (as subsequently amended on 15 May 2015)) which a member of the Purchaser's Group receives pursuant to the New Roundup Agreements;

"**Roundup Term Sheet**" means the term sheet relating to the New Roundup Agreements, in the agreed terms;

"**Sanctions**" means any economic, trade or financial sanctions or export control laws, regulations, rules, and/or decisions administered, enacted or enforced by the United Nations, United States of America, the European Union or the United Kingdom;

"**Secondary Information**" has the meaning given to it in Clause 11.6;

"**Seller Commitments**" has the meaning given to it in Clause 11.7;

"**Seller's Designated Account**" means the Sterling denominated bank account to be notified by the Seller to the Purchaser no less than five (5) Business Days prior to Completion together with such KYC documentation as is required by the Purchaser's Lawyers (acting reasonably) regarding the holder of such account;

"**Seller's Group**" means the Seller, its Subsidiary Undertakings, any Parent Undertaking of the Seller and all other Subsidiary Undertakings of any such Parent Undertaking as the case may be from time to time (including the Business Sellers but excluding the Group Companies);

"**Seller's Group Information**" has the meaning given to it in Clause 11.6;

"**Seller's Lawyers**" means White & Case LLP of 5 Old Broad Street, London EC2N 1DW;

"**Senior Manager**" means each of Guillaume Roth, Sheila Hill, Wieslaw Wielgat, Stefan Eha, Andrew Martin, Sonia van Steenberghe, Deepak Pandya, Laurent Martel, Emilie Chevalier and Gunter De Paepe;

"**Share Purchasers**" means the members of the Purchaser's Group notified by the Purchaser to the Seller in accordance with Clause 2.10, and "**Share Purchaser**" means any one of them;

"**Share Seller**" means, in relation to each of the Group Companies referred to in column (2) of Part 1 of Schedule 1, the company whose name is set out opposite that company in column (1) of Part 1 of Schedule 1;

"**Shared Contracts**" means any contract which relates both to: (i) the Group (excluding the Excluded Assets and the Excluded Liabilities), and (ii) the Seller's Group, and to which a Group Company or a Business Seller is a party or in respect of which a Group Company or Business Seller has any right, liability or obligation at Completion, excluding the Excluded Shared Contracts and "**Shared Contract**" means any one of them, including those contracts set out in paragraph 1.1 of Part 1 of Schedule 9;

"**Shared IT Contracts**" means any contract relating to the IT Systems and which relates both to: (i) the Group (excluding the Excluded Assets and the Excluded Liabilities), and (ii) the Seller's Group, and to which a Group Company or a Business Seller is a party or in respect of which a Group Company or Business Seller has any right, liability or obligation at Completion;

"**Shares**" means the issued shares, interests and membership interests in the Group Companies specified in column (3) of Part 1of Schedule 1 and the EEIG Interests;

"**Sovilo Plan**" means the supplementary pension scheme known as the "Sovilo Plan" pursuant to which Scotts France SAS guarantees a defined benefit pension to some of its workers that is seventy per cent. (70%) of the updated average salary paid over the last three (3) years of activity (including the amount paid by the French Mandatory Retirement Schemes);

"**Stock**" means the stock in trade of finished and unfinished goods, work in progress and raw materials and consumables and packaging owned by a Business Seller for the purposes of the Group Businesses as at Completion (including items which, although supplied to a Business Seller under reservation of title by the suppliers, are under the control of the Seller's Group);

"**Subsidiaries**" means the companies' particulars each of which are set out in Part 3of Schedule 1 (*Share Sellers, Business Sellers and the Group*), and "**Subsidiary**" shall mean any of them;

"**Subsidiary Undertaking**" means any Undertaking in relation to which another Undertaking is its Parent Undertaking;

"**Target Working Capital**" means EUR80,000,000;

"**Tax**" or "**Taxation**" means and includes all forms of taxation and statutory and governmental, state, provincial, local governmental or municipal charges, duties, contributions and levies in each case in the nature of tax, and withholdings and deductions for or on account of tax, in each case whether of the United Kingdom or elsewhere and whenever imposed and all related penalties, charges, costs and interest;

"**Tax Claim**" means any claim under the Tax Deed, any claim for breach of any of the Tax Warranties, and (if and to the extent that the claim in question is in respect of a liability to Taxation) any claim for breach of any of the other Warranties;

"**Tax Deed**" means the tax deed, in the agreed terms, to be entered into between Scotts-Sierra Investments LLC and the Purchaser;

"**Taxation Authority**" means any governmental or other authority competent to impose, collect or assess Taxation whether in the United Kingdom or elsewhere;

"**Tax Warranties**" means the Warranties set out in paragraph 17 of Schedule 3 (*Warranties*);

"**Third Party Consents**" means all consent, licences, approvals, permits, authorisations or waivers required from third parties in connection with the transfer of the International Business Assets and "**Third Party Consent**" means any one of them;

"**TOGC**" has the meaning given in Clause 2.9(b);

"**TIOPA 2010**" means the Taxation (International and Other Provisions) Act 2010;

"**Trade Mark Licence**" means the licence of trade marks to Garden Care Bidco Limited in the agreed terms;

"**Transaction**" means the transactions contemplated by this Agreement;

"**Transaction Documents**" means this Agreement, the Disclosure Letter, the Confidentiality Agreement, the Local Transfer Documents, the New Roundup Agreements, the Transitional Services Agreement, the Trade Mark Licence, the IP Licence, the IP Assignments, the Tax Deed, the Vendor Loan Note Instrument, the Bank Account Side Letter, the CAA Elections, the New Supply Agreements, the Everris Sub-licences and each other document identified in Schedule 8 and "**Transaction Document**" shall mean any one of them;

"**Transferring Employees**" has the meaning given to such term in Schedule 18;

"**Transfer Provisions**" means, in the European Union, the national legislation implementing the provisions of the European Community's directive 2001/23/EC of 12 March 2001 and outside the European Union any legislation applicable to transfer an International Business Employee's employment by operation of law;

"**Transferred Licences**" means all Licences owned or held by the Group as are necessary for the business of the Group as is presently conducted (but excluding any such items held by the Group Companies);

"**Transitional Services Agreement**" means the transitional services agreement, in the agreed terms, to be entered into between The Scotts Company LLC and Garden Care Bidco Limited;

"**Tri-partite Senior Manager Agreement**" has the meaning given to such term in Schedule 18;

"**Undertaking**" means a body corporate or partnership or an unincorporated association carrying on trade or business;

"**UK Schemes**" means each of:

(a) The Miracle Garden Care Pension Scheme; and

(b) The Scotts Company (UK) Pension Scheme;

"**US GAAP**" means the United States Generally Accepted Accounting Principles as adopted by the Seller's Group for the accounting period ending on the Accounts Date;

"**VAT**" means:

(a) within the European Union, any tax imposed by any member state in conformity with the Directive of the Council of the European Union on the common system of value added tax (2006/112/EC); and

(b) outside the European Union, any tax corresponding to, or substantially similar to, the common system of value added tax referred to in paragraph (a) above;

"**Vendor Loan Note Instrument**" means the instrument in the agreed terms constituting the Vendor Loan Notes;

"**Vendor Loan Notes**" means the EUR25,000,000 nominal amount of vendor loan notes to be issued to the Seller on Completion constituted by the Vendor Loan Note Instrument;

"**Warranties**" means the warranties referred to in Clause 9 and set out in Schedule 3 (*Warranties*) and "**Warranty**" shall mean any one of them;

"**Workers**" means any employees, directors, officers, workers and self-employed contractors of the Group;

"**Working Capital**" means the aggregate value of the line items listed in the column labelled "Working Capital" set out in Part 2 of Schedule 7 as at the Effective Time and excluding unamortised debt issuance costs; and

"**Working Capital Adjustment**" means the amount by which the Working Capital exceeds the Target Working Capital (which amount shall be added to the Bid Value for the purpose of Clause 4.1) or the amount by which the Working Capital is less than the Target Working Capital (which amount shall be deducted from the Bid Value for the purposes of Clause 4.1).

1.2 The expression "**in the agreed terms**" means in the form agreed between the Purchaser and the Seller and signed for the purposes of identification by or on behalf of the Purchaser and the Seller.

1.3 Any reference to "**writing**" or "**written**" means any method of reproducing words in a legible and non-transitory form (excluding, for the avoidance of doubt, email).

1.4 References to "**include**" or "**including**" are to be construed without limitation.

1.5 References to a "**company**" include any company, corporation or other body corporate wherever and however incorporated or established.

1.6 References to a "**person**" include any individual, company, partnership, joint venture, firm, association, trust, governmental or regulatory authority or other body or entity (whether or not having separate legal personality).

1.7 The table of contents and headings are inserted for convenience only and do not affect the construction of this Agreement.

1.8 Unless the context otherwise requires, words in the singular include the plural and vice versa and a reference to any gender includes all other genders.

1.9 References to Clauses, paragraphs and Schedules are to clauses and paragraphs of, and schedules to, this Agreement. The Schedules form part of this Agreement.

1.10 References to any statute or statutory provision include a reference to that statute or statutory provision as amended, consolidated or replaced from time to time (whether before or after the date of this Agreement) and include any subordinate legislation made under the relevant statute or statutory provision except to the extent that any amendment, consolidation or replacement would increase or extend the liability of the Seller under this Agreement.

1.11 References to any English legal term for any action, remedy, method of financial proceedings, legal document, legal status, court, official or any legal concept or thing shall, in respect of any jurisdiction other than England, be deemed to include what most nearly approximates in that jurisdiction to the English legal term.

1.12 References to "**substantiated**" in the context of a Claim means a Claim for which the Seller may be liable and which is admitted or proved in a court of competent jurisdiction.

1.13 This Agreement shall be binding on and be for the benefit of the successors of the Parties.

2. Sale and Purchase

2.1 Sale of the Shares

(a) On and subject to the terms of this Agreement and the Local Transfer Documents, at Completion the Seller shall procure that the Share Sellers shall sell the Shares set out against their respective names in Part 1of Schedule 1, and the Purchaser shall (or shall procure that each Relevant Purchaser designated as a Share Purchaser pursuant to Clause 2.10, shall) purchase the Shares.

(b) The Shares shall be sold and transferred free from Encumbrances together with all rights and advantages attaching or accruing to them as at Completion (including the right to receive all dividends or distributions declared, made or paid on or after Completion).

(c) The Seller covenants with the Purchaser that each Share Seller has the right to sell and transfer to the Purchaser (or a Relevant Purchaser) the full and legal beneficial interest in the Shares that it currently owns (according to Part 1of Schedule 1) on the terms set out in this Agreement.

(d) The Seller shall procure that each Share Seller waives any right of pre-emption or other restriction on transfer in respect of the Shares conferred on them under the relevant constitutional documents or otherwise and shall procure that on or prior to Completion any and all rights of pre-emption or other restrictions on transfer in respect of the Shares are waived irrevocably by any other persons entitled thereto.

2.2 **Sale of the Group Businesses**

(a) On and subject to the terms of this Agreement and the Local Transfer Documents, at Completion the Seller shall procure that the Business Sellers shall sell the Group Businesses set out against their respective names in Part 2 of Schedule 1, and the Purchaser shall (or shall procure that each Relevant Purchaser designated as a Business Purchaser pursuant to Clause 2.10, shall) purchase the Group Businesses.

(b) The Seller shall procure that the International Business Intellectual Property, International Business Contracts and any other asset of the Group Businesses not owned by a Business Seller is assigned, novated or transferred (as the case may be) to the Purchaser (or a Relevant Purchaser designated as a Business Purchaser pursuant to Clause 2.10) at Completion.

(c) Subject to Clause 2.2 (f) below, there shall be included in the sale and transfer of the Group Businesses under this Agreement or, where relevant, the Local Transfer Documents:

(i) the International Business Properties, which shall be transferred in accordance with the provisions of Part 5, Part 6 and Part 7 of Schedule 6 (*Properties*);

(ii) the International Business Intellectual Property;

(iii) the Goodwill;

(iv) any of the IT Systems that are used exclusively by the Group Businesses;

(v) the Moveable Assets;

(vi) the rights of any member of the Seller’s Group arising or existing at Completion under the International Business Contracts (including, for the avoidance of doubt, the bank account of Scotts France SAS held with BNP Paribas with the following details: RIB 30004 02249 00010120104 84; IBAN FR76 3000 4022 4900 0101 2010 484; BIC BNPAFRPPXXX and the associated credit card program "Cartes affaires");

(vii) the rights of any member of the Seller’s Group arising or existing at Completion under any direct insurance contracts (*Direktversicherungsverträge*), reinsurance contracts (*Rückdeckungsversicherungsverträge*) and insolvency protection agreements with respect to or for the benefit of Transferring Employees provided such transfer is permitted (i) by the relevant provider; (ii) under the terms of such contracts or agreements; and (iii) under applicable laws;

(viii) the German Pension Schemes insofar as they relate to the Transferring Employees;

(ix) the French Pension Schemes;

(x) the Relevant Part of each Shared Contract;

(xi) the International Business Product Registrations, in respect of which the provisions of Part 6 of Schedule 9 shall apply;

(xii) the EEIG Interests;

(xiii) the Stock;

(xiv) the Licences not owned by a Group Company at Completion;

(xv) the Books and Records;

(xvi) the Receivables;

(xvii) all other property, rights and assets owned by or licensed to the Business Sellers and used, enjoyed or exercised predominantly in relation to the Group Businesses at Completion, in each case other than any Excluded Assets; and

(xviii) any loan amounts receivable by a Business Seller corresponding to an EEIG Payable.

(d) The International Business Assets, together with all legal and beneficial interests therein, shall be sold, transferred or assigned (as the case may be) free from any Encumbrances.

(e) The Seller covenants with the Purchaser that the Business Sellers have the right to sell and transfer to the Purchaser (or a Relevant Purchaser) the full and legal beneficial interest in the International Business Assets on the terms set out in this Agreement.

(f) There shall be excluded from the sale of the Group Businesses under this Agreement and the Local Transfer Documents the following:

(i) the Cash Balances held by or on behalf of the Business Sellers on Completion in relation to the Group Businesses;

(ii) except as otherwise provided in Clause 14 of this Agreement, the benefit of any claim under any insurance policies held by the Seller's Group;

(iii) debts due from any relevant Taxation Authority in respect of Tax;

(iv) the Retained Intellectual Property;

(v) any royalty payment obligations owed to a member of the Seller's Group; and

(vi) any loan amounts receivable by a Business Seller from a Group Company other than any asset corresponding to an EEIG Payable,

(together, the "**Excluded Assets**").

(g) The Seller agrees to procure that the Business Sellers transfer (to the extent they are able to do so) and the Purchaser agrees to procure that the Business Purchasers agree, with effect from the Completion Date, to accept the transfer of, and to assume, duly and punctually pay, satisfy, discharge, perform or fulfil, all Assumed Liabilities. The Seller agrees that the Assumed Liabilities shall be transferred to and assumed by the Business Purchasers so that

the Business Purchasers shall have and be entitled to the benefit of the same rights, powers, remedies, claims, defences, obligations and conditions (including the rights of set-off and counterclaim) as the Business Sellers.

(h) The Seller shall be responsible for (and no Business Purchaser shall be obliged to accept the transfer of or to assume), and shall duly and punctually pay, satisfy, discharge, perform or fulfil the Excluded Liabilities;

(i) The Purchaser shall (and shall procure that each Relevant Purchaser shall):

(i) take such action as the Seller may reasonably request to avoid, dispute, resist, appeal, compromise, defend or mitigate any claim which constitutes or may constitute an Excluded Liability under paragraphs (vii), (viii), (x), (xiii), (xiv) and (xv) of Schedule 24 (a "**Relevant Excluded Liability Claim**") subject to the Purchaser being indemnified by the Seller against all Liabilities which may thereby be incurred as a result of taking such action;

(ii) make available to the Seller or its duly authorised agents on reasonable notice during normal business hours access to all relevant books of account, records and correspondence relating to the Group (and shall permit the Seller to take copies thereof) for the purposes of enabling the Seller to ascertain or extract any information relevant to any Relevant Excluded Liability Claim; and

(iii) give such assistance to the Seller as it may reasonably require on reasonable notice in relation to any Relevant Excluded Liability Claim including providing the Seller or any member of the Seller's Group and its representatives and advisers with access to and assistance from directors, managers, employees, advisers, agents or consultants of the Purchaser and/or of each other member of the Purchaser's Group (collectively, the "**Relevant Persons**") and the Purchaser will use its reasonable endeavours to procure that such Relevant Persons comply with any reasonable requests from the Seller and generally co-operates with and assists the Seller and other member of the Seller's Group.

(j) The Seller shall (and shall procure that each Relevant Seller shall) take such action as the Purchaser may reasonably request to avoid, dispute, resist, appeal, compromise, defend or mitigate any claim which constitutes or may constitute an Assumed Liability (an "**Assumed Liability Claim**") subject to the Seller being indemnified by the Purchaser against all Liabilities which may thereby be incurred as a result of taking such action.

2.3 **Local Transfer Documents**

(a) On Completion, the Seller shall (and the Seller shall procure that the Relevant Sellers shall) and the Purchaser shall (and the Purchaser shall procure that the Relevant Purchasers shall) execute such agreements, transfers, conveyances, dispositions and other documents, to the extent required under and subject to the relevant local law and otherwise as may be agreed between the Seller and the Purchaser, to implement the transfer of:

(i) the Shares; and

(ii) the Group Businesses,

(the "**Local Transfer Documents**" and each, a "**Local Transfer Document**").

The parties do not intend this Agreement to transfer title to any of the Shares. Title to the Shares shall be transferred by the applicable Local Transfer Document. The parties shall procure that (A) the Local Transfer Documents contain all provisions required to effect Clause 2.9(b); (B) the Local Transfer Documents do not contain any warranties (subject to the preceding paragraph (A)) or adjustments to the Purchase Price.

(b) To the extent that the provisions of a Local Transfer Document are inconsistent with or (except to the extent they implement a transfer in accordance with this Agreement) additional to the provisions of this Agreement:

(i) the provisions of this Agreement shall prevail; and

(ii) so far as permissible under the laws of the relevant jurisdiction, the Seller and the Purchaser shall procure that the provisions of the relevant Local Transfer Document are adjusted, to the extent necessary to give effect to the provisions of this Agreement or, to the extent this is not permissible, the Seller shall indemnify the Purchaser against all Losses suffered by the Relevant Purchasers or, as the case may be, the Purchaser shall indemnify the Seller against all Losses suffered by the Relevant Sellers, in either case through or arising from the inconsistency between the Local Transfer Document and this Agreement or the additional provisions (except to the extent they implement a transfer in accordance with this Agreement).

(c) If there is an adjustment to the Purchase Price under Clause 7 of this Agreement which relates to a part of the Group which is the subject of a Local Transfer Document, then, if required to implement the adjustment and so far as permissible under the laws of the relevant jurisdiction, the Relevant Seller and the Relevant Purchaser shall enter into a supplemental agreement reflecting such adjustment and the allocation of such adjustment.

(d) No Relevant Seller shall bring any claim against any Relevant Purchaser pursuant to the Local Transfer Documents, save to the extent necessary to implement any transfer of the Shares or Group Businesses in accordance with this Agreement. To the extent that a Relevant Seller does bring a claim in breach of this Clause 2.3(d), the Seller shall indemnify the Relevant Purchaser against all Losses which the Relevant Purchaser may suffer through or arising from the bringing of such a claim and the Relevant Seller shall indemnify the Seller against any payment which the Seller shall make to the Relevant Purchaser pursuant to this Clause 2.3(d).

(e) No Relevant Purchaser shall bring any claim against any Relevant Seller pursuant to the Local Transfer Documents, save to the extent necessary to implement any transfer of the Shares or Group Businesses in accordance with this Agreement. To the extent that a Relevant Purchaser does bring a claim in breach of this Clause 2.3(e), the Purchaser shall indemnify the Relevant Seller against all Losses which the Relevant Seller may suffer through or arising from the bringing of such a claim and the Relevant Purchaser shall indemnify the Purchaser against any payment which the Purchaser shall make to the Relevant Seller pursuant to this Clause 2.3(e).

(f) Any payment of consideration required pursuant to a Local Transfer Document shall be satisfied by the satisfaction of the Purchase Price pursuant to this Agreement.

2.4 **Properties**

The provisions of Schedule 6 shall apply in respect of the Properties.

2.5 **Contracts**

The provisions of Schedule 9 shall apply in respect of the contracts of the Group.

2.6 **Relevant Employees**

The provisions of Schedule 18 shall apply in respect of the International Business Employees.

2.7 **Receivables**

The provisions of Schedule 19 shall apply in relation to Receivables.

2.8 **Transfer Obligations**

On Completion, the Seller shall procure that the Relevant Sellers shall, and the Purchaser shall procure that the Relevant Purchasers shall, execute and/or deliver and/or make available Local Transfer Documents and take such steps as are required to transfer the Shares and the Group Businesses to the Relevant Purchasers.

2.9 **VAT in relation to the sale of the Group Businesses**

(a) Subject to the remaining provisions of this Clause 2.9, all amounts expressed to be payable in respect of the transfer of any Group Business pursuant to any Local Transfer Document shall be exclusive of any VAT that is payable.

(b) Each Relevant Seller and the Purchaser hereby acknowledges that they intend that each of the transfers of the Group Businesses under the Local Transfer Documents shall, so far as possible, be treated as a "transfer of a going concern" ("**TOGC**") for VAT purposes (including, further, without limitation, in relation to the submission of any document to a Taxation Authority, and any inquiry, examination, audit, investigation, negotiation, dispute, appeal or litigation in each case with respect to such transfer), except to the extent otherwise provided below in relation to the Opted Properties.

(c) With a view to ensuring that each of the transfers under the Local Transfer Documents constitutes a TOGC for VAT purposes (except to the extent otherwise provided below in relation to the Opted Properties), the Purchaser:

(i) warrants and undertakes:

(A) that the assets comprising the Group Businesses (including, for the avoidance of doubt, the Business Intellectual Property, the International Business Contracts and any other assets of the Group Businesses not owned by a Business Seller but assigned, novated or transferred to the relevant Business Purchasers) are to be used by the relevant Business Purchasers in carrying on the same kind of businesses as are carried on by the Relevant Sellers prior to Completion; and

(B) that each relevant Business Purchaser is duly registered for VAT purposes or has applied or shall apply for VAT registration with an effective date on or before Completion (and where there is more than one relevant Business Purchaser in respect of a Group Business, they are or shall be registered under a single group registration);

(ii) undertakes to the Seller that, before the Completion Date, the relevant Business Purchaser will assess whether to exercise an option to tax under Part 1 of Schedule 10 to the Value Added Tax Act 1994 (for the purposes of this Clause 2.9 an "**option to tax**") in relation to the properties at Levington Research Centre and 1 Woodend, Carnwarth, Lanarkshire (the "**Opted Properties**") and not less than five (5) Business Days before the Completion Date either (as applicable) : (i) produce to the Seller's Lawyers a certified copy of the relevant notification to HMRC and acknowledgement of receipt of notification from HMRC, or (ii) notify the Seller that the relevant Business Purchaser has decided not to exercise such an option to tax;

(iii) undertakes to the Seller that the relevant Business Purchaser shall not revoke any options to tax described in Clause 2.9(c)(ii) above; and

(iv) undertakes to the Seller that, if the relevant Business Purchaser decides to exercise an option to tax in relation to an opted property, then the relevant Business Purchaser shall not less than five (5) Business Days before the Completion Date notify the Seller that article 5(2B) of the Value Added Tax (Special Provisions) Order 1995 does not apply to the relevant Business Purchaser.

(d) Notwithstanding Clauses 2.9(a), 2.9(b) and 2.9(d), if: (i) the transfer of any Group Business pursuant to any Local Transfer Document is treated by the Relevant Seller and the relevant Business Purchaser as a TOGC for VAT purposes, with the result that VAT is not charged on the transfer of the relevant Group Business, but any relevant Taxation Authority in the relevant jurisdiction subsequently determines that VAT is chargeable in respect of such transfer; or (ii) the relevant Business Purchaser decides not to exercise the option to tax in relation to an Opted Property, so that VAT is chargeable on the transfer of that Opted Property, and (in each case) the Relevant Seller (or any member of the Seller's Group which is in the same VAT group as the Relevant Seller) is required to account for the VAT to the relevant Taxation Authority (and all reasonable avenues of appeal have been exhausted), then:

(i) such VAT (and any interest and/or penalties thereon) shall be paid to the relevant Taxation Authority by the Relevant Seller (or another member of the Seller's Group);

(ii) Clause 2.9(e) shall apply to determine the basis of any liability of the relevant Business Purchaser to pay to the relevant Seller the amount of any such VAT;

(iii) where the relevant transfer would have been a TOGC for VAT purposes but for a breach of a warranty or undertaking given by the Purchaser in Clause 2.9(c), the relevant Business Purchaser shall promptly reimburse the Relevant Seller with the amount of any such interest and/or penalties payable by the Relevant Seller or another member of the Seller's Group to the relevant Taxation Authority as a result of such determination;

(iv) the Relevant Seller shall deliver to the relevant Business Purchaser a valid VAT invoice in respect of that VAT; and

(v) the relevant Business Purchaser shall use reasonable endeavours to recover or otherwise obtain credit for the amount of such VAT to the extent permitted by law.

(e) Where this Clause 2.9(e) applies:

(i) where the relevant transfer would have been a TOGC for VAT purposes but for a breach of a warranty or undertaking given by the Purchaser in Clause 2.9(c), the relevant Business Purchaser shall promptly pay to the Relevant Seller the amount of any VAT due on such transfer following receipt of an appropriate valid VAT invoice;

(ii) where VAT is chargeable on the transfer of an Opted Property to the relevant Business Purchaser as a result of the relevant Business Purchaser deciding not to exercise the option to tax in relation to that Opted Property, the relevant Business Purchaser shall promptly pay to the Relevant Seller the amount of any VAT due on such transfer following receipt of an appropriate valid VAT invoice; and

(iii) where neither Clause 2.9(e)(i) nor Clause 2.9(e)(ii) applies, if any relevant Business Purchaser recovers from a Taxation Authority any VAT paid or payable by a Relevant Seller or another member of the Seller's Group pursuant to Clause 2.9(d) (or otherwise obtains credit for such VAT from a Taxation Authority), the Purchaser shall pay (or procure that a relevant Business Purchaser shall pay) to the Relevant Seller the amount of that VAT which is recovered (or for which credit is obtained) within five (5) Business Days of receipt of such amount or credit by a relevant Business Purchaser.

(f) Notwithstanding Clauses 2.9(a), 2.9(b) and 2.9(c), if the transfer of any Group Business pursuant to any Local Transfer Document is treated by the Relevant Seller and the relevant Business Purchaser as a TOGC for VAT purposes, with the result that VAT is not charged on the transfer of the relevant Group Business, but any relevant Taxation Authority in the relevant jurisdiction subsequently determines that VAT is chargeable in respect of such transfer and the relevant Business Purchaser (or any member of the Purchaser's Group which is in the same VAT group as the relevant Business Purchaser) is required to account for the VAT (or for any import VAT or acquisition VAT) to the relevant Taxation Authority (and all reasonable avenues of appeal have been exhausted), then:

(i) such VAT shall be paid to the relevant Taxation Authority by the relevant Business Purchaser (or another member of the Purchaser's Group);

(ii) the Relevant Seller shall indemnify the relevant Business Purchaser on demand for any interest and/or penalties arising on such VAT (save where the relevant transfer would have been a TOGC for VAT purposes but for a breach of a warranty or undertaking given by the Purchaser in Clause 2.9(c)); and

(iii) the Relevant Seller shall deliver to the relevant Business Purchaser a valid VAT invoice in respect of the supply or supplies giving rise to that VAT.

2.10 **Relevant Purchasers**

The Purchaser shall confirm to the Seller in writing the identities of the Relevant Purchasers (and whether each Relevant Purchaser shall be a Business Purchaser or Share Purchaser) no less than five (5) Business Days prior to the Completion Date.

2.11 **Capital Allowances**

(a) The Seller undertakes to procure that each relevant Business Seller (at the Purchaser's cost):

(i) reasonably cooperates with the relevant Business Purchasers; and

(ii) provides such information and assistance as the relevant Business Purchasers may reasonably request,

in each case to assist the relevant Business Purchasers in claiming capital allowances in respect of the assets comprising the Group Businesses and in giving effect to the CAA Elections (as defined in Clause 2.11(b) below).

(b) The Seller and the Purchaser agree that, for the purposes of the Capital Allowances Act 2001, the parts of the Purchase Price attributable (respectively) to:

(i) fixtures in the Properties situated in the United Kingdom expenditure on which is not "special rate expenditure" within section 104A of the Capital Allowances Act 2001 (**Non-Integral Fixtures**) shall be fair market value; and

(ii) fixtures in the Properties situated in the United Kingdom expenditure on which is "special rate expenditure" within section 104A of the Capital Allowances Act 2001 (**Special Rate Fixtures**) shall be fair market value

in each case subject to any maximum amount determined under applicable law, and with the fair market values of the assets in question being determined in accordance with the Appraisal (as defined in Schedule 14) (the **Agreed Apportionments**).

(c) Each of the relevant Business Sellers and each of the relevant Business Purchasers shall, on Completion, enter into elections under section 198 of the Capital Allowances Act 2001, such elections specifying:

(i) the aggregate amount fixed in respect of Non-Integral Fixtures; and

(ii) the aggregate amount fixed in respect of Special Rate Fixtures,

in each case in relation to the Properties situated in the United Kingdom, with such aggregate amounts corresponding to the respective Agreed Apportionments and apportioned between each relevant Business Purchaser and each relevant Business Seller in the same relevant proportions as the part of the Purchase Price attributable to the Group Businesses is allocated in accordance with the Purchase Price Allocation Agreement (the "**CAA Elections**") (with each party to retain a duly signed version of each relevant election at Completion).

(d) The Seller shall procure that each of the relevant Business Sellers shall, and the Purchaser shall procure that each of the relevant Business Purchasers shall submit their respective CAA Elections to HM Revenue & Customs within the time limit prescribed by law and take all reasonable steps to procure that the respective Agreed Apportionments are accepted by HM Revenue & Customs.

3. Conditions

3.1 Completion is conditional upon the satisfaction (or waiver by the Purchaser, as the case may be) of the following conditions (the "**Conditions**"):

(a) Monsanto entering into the New Roundup Agreements which incorporate the terms of the Roundup Term Sheet in a manner acceptable to the Purchaser (acting reasonably);

(b) Monsanto International S.A. consenting to the assignment of the Monsanto Supply Agreement, including the benefit of the relevant glyphosate indemnification, by Scotts France SAS to a Relevant Purchaser, in a form acceptable to the Purchaser (acting reasonably);

(c) the receipt of consent in writing of each relevant landlord for the transfer or assignment of each of the International Business Leased Properties in the United Kingdom other than the Ipswich Office to a Relevant Purchaser or Group Company;

(d) the receipt of consent in writing from the relevant landlord in respect of the change of control clause in the lease of premises at Berkshire Park New South Wales 61 St Marys Rd 2765 Australia in relation to the sale of the entire issued share capital in Scotts Australia Pty Ltd;

(e) (i) evidence of the waiver by the relevant municipal authority of its pre-emption right in relation to the International Business Properties located in Bourth, France and Hautmont, France; or (ii) expiry of the two month period, commencing from the date of service of the relevant declaration of sale on the relevant municipal authority, in which the relevant municipal authority may exercise its pre-emption right in relation to the International Business Properties located in Bourth, France and Hautmont, France where the relevant municipal authority has not replied to the relevant declaration of sale and is therefore deemed to have waived its pre-emption right;

(f) the receipt of consent in writing from [*] to (i) the assignment of [*], and (ii) the [*] to the relevant member of the Seller's Group [*];

(g) the German Federal Cartel Office ("**FCO**") approving the Transaction. This Condition shall be deemed satisfied if:

(i) the Purchaser has received a written notice from the FCO that the conditions for a prohibition according to Sec. 36 para. 1 German Act Against Restraints of Competition ("**GWB**") are not met; or

(ii) the FCO fails to notify the Purchaser within the one-month period under Sec. 40 para. 1 Clause 1 GWB that it has initiated a formal investigation of the Transaction under Sec. 40 para. 1 GWB;

(h) the French Competition Authority ("Autorité de la Concurrence") indicating that:

(i) the notified transaction does not fall within the scope of French merger control rules (Articles L430-1 and L430-2 of the French Commercial Code ("**FCC**")); or

(ii) the Transaction is cleared pursuant to Article L430-5, III, second indent, of the FCC or deemed to have been cleared under Article L430-5, IV, of the FCC ("**Phase I clearance**") and the French Minister of Economy has not used its power to request, within 5 days of the Phase I clearance, the opening of a formal investigation in relation to the notified transaction pursuant to Article L430-7-1, I, of the FCC; and

(i) the Polish Competition Authority ("Prezes Urzędu Ochrony Konkurencji i Konsumentów" – "**PCA**") approving the Transaction or, as the case may be, the statutory period for the PCA to issue a merger decision as provided in Article 96 of the Polish Act of 16 February 2007

on Competition and Consumer Protection (as amended) lapsing, or the PCA returning the merger notification or issuing a decision discontinuing the proceedings due to the fact that the Transaction does not give rise to a concentration falling within the scope of the Act on Competition and Consumer Protection (together with the Conditions in sub-clauses (g) and (h) above, the "**Competition Conditions**").

3.2 In respect of sub-clauses 3.1(a) and 3.1(b), the Purchaser shall negotiate in good faith the terms of the New Roundup Agreements and the assignment of the Monsanto Supply Agreement (including the transfer of the benefit of the glyphosate indemnification).

3.3 The Seller shall use all reasonable endeavours to procure the fulfilment of:

(a) the Conditions set out in sub-clauses 3.1(a), (b), (e) and (f) above; and

(b) the Conditions set out in sub-clauses 3.1(c) and (d), in accordance with the provisions of Schedule 6.

3.4 The Purchaser shall (i) use all reasonable endeavours to procure that it satisfies its obligations in Schedule 6 in relation to the fulfilment of the Conditions set out in sub-clauses 3.1(c) and (d), and (ii) use its best endeavours to procure the fulfilment of the Competition Conditions.

3.5 The Purchaser shall:

(a) submit any notifications, filings or submissions to the Regulatory Authorities as soon as possible following the date of this Agreement;

(b) give the Seller the opportunity to participate in any call or meeting with the Regulatory Authorities (save to the extent that the Regulatory Authorities expressly request that the Seller should not attend the call or part of the call, or be present at the meeting or part of the meeting);

(c) promptly inform the Seller of the content of any meeting, material conversation and any other material communication which takes place between the Purchaser (or its Agents) and the Regulatory Authorities in which the Seller did not participate and provide copies or, in the case of non-written material communications, a written summary, to the Seller;

(d) procure that the Seller is given a reasonable opportunity to review and comment on drafts of all notifications, filings and submissions before they are submitted to the Regulatory Authorities and provide the Seller with final copies of all such notifications, filings and submissions (it being acknowledged that certain such drafts and/or documents may be shared on a confidential basis only with outside counsel) and take account of any reasonable comments; and

(e) take all steps (including agreeing to any conditions, undertakings or divestments) required by any Regulatory Authority to satisfy the Competition Conditions,

save that in relation to all disclosure under this Clause 3.5, business secrets and other confidential material may be redacted so long as the Purchaser acts reasonably in identifying such material for redaction.

3.6 The Seller shall co-operate with the Purchaser in providing the Purchaser with such assistance as is reasonably necessary and it is reasonably able to provide, and shall provide the Regulatory Authorities

with such information as may reasonably be necessary and it is reasonably able to provide to ensure that:

(a) any notifications, filings or submissions to the Regulatory Authorities are made in accordance with Clause 3.2 and 3.5(a) above;

(b) any request for information from the Regulatory Authorities is fulfilled promptly and in any event in accordance with any relevant time limit; and

(c) where practicable, the Seller provides copies of any proposed material communication with the Regulatory Authorities in relation to the transactions contemplated by this Agreement to the Purchaser and that (acting reasonably) the Seller takes due consideration of any reasonable comments that the Purchaser may have in relation to such proposed communication,

save that in relation to all disclosure under this Clause 3.6, business secrets and other confidential material may be redacted so long as the Seller acts reasonably in identifying such material for redaction.

3.7 The Purchaser shall not, without the prior written consent of the Seller, withdraw any notification, filing or submission made to the Regulatory Authorities.

3.8 The Seller undertakes to notify the Purchaser in writing, and the Purchaser undertake to notify the Seller in writing, of anything which will or may prevent any of the Conditions from being satisfied on or before the Long Stop Date promptly after it comes to its attention.

3.9 Each Party undertakes to notify the other Parties as soon as possible on becoming aware that any Condition has been satisfied and in any event within two (2) Business Days of such satisfaction.

3.10 If any Condition is not fulfilled or waived on or before the Long Stop Date, this Agreement shall automatically terminate subject to, and on the basis set out in, Clause 13.5.

4. Consideration

4.1 The aggregate consideration for the purchase of the Group under this Agreement and the Local Transfer Documents shall be:

(a) an amount equal to:

(i) EUR212,369,000 (the "**Bid Value**");

plus

(ii) the Group Companies' Cash Balances and the Intra-Group Financing Receivables;

minus

(iii) the Closing Debt and the Intra-Group Financing Payables;

plus or minus

(iv) the Working Capital Adjustment,

(the "**Purchase Price**"); and

(b) the payment in cash by the Purchaser to the Seller by way of additional consideration for the Group, of an amount equal to the Deferred Payment Amount (the "**Deferred Payment**"), to the extent due and payable pursuant to and in accordance with Schedule 15 (*Deferred Payment*).

4.2 Payment of the Purchase Price by the Purchaser (including on behalf of each Relevant Purchaser) to the Seller shall be made in accordance with Clauses 6 and 7 of this Agreement.

4.3 The Purchase Price shall be allocated in accordance with the Purchase Price Allocation Agreement. The Seller and the Purchaser, each acting reasonably and in good faith shall endeavour to agree such indicative allocation, and the form of the Purchase Price Allocation Agreement, between the Offer Letter Date and Completion.

4.4 Failing agreement between the Seller and the Purchaser on the indicative allocation of the Purchase Price and, accordingly, the form of the Purchase Price Allocation Agreement, the indicative allocation of the Purchase Price shall be determined by the Reporting Accountants, on the application of the Seller or the Purchaser, who shall allocate the Purchase Price in accordance with the principles set out in the form of the Purchase Price Allocation Agreement set out in Schedule 14. Paragraphs 3.2 to 3.10 of Part 1 of Schedule 7 shall apply *mutatis mutandis* to the engagement and determination of the Reporting Accountants pursuant to the Purchase Price Allocation Agreement.

5. Pre-Completion Obligations

5.1 Subject to Clause 5.2, the Seller shall procure that (and shall procure that the Relevant Sellers shall procure that), from the date of this Agreement until Completion:

(a) each member of the Group and each Business Seller carries on its business only in the ordinary and usual course, consistent with past practice;

(b) other than in respect of Scotts Poland Sp.z.o.o., there is no declaration or payment of a dividend or other distribution (whether in cash, stock or in kind) made or paid on any of its issued share capital or membership interests nor any purchase or reduction of its paid-up share capital or membership interests by any member of the Group;

(c) no share, loan capital or other security is created, allotted or issued or agreed to be created, allotted or issued by any member of the Group and that no option over, or any other rights in respect of, any share, loan capital or other security is granted;

(d) all transactions between any Group Company or any Business Seller and any member of the Seller's Group take place on arm's length terms or substantially in a manner and on terms consistent with previous practice in the 12 month period prior to the Offer Letter Date;

(e) no Group Company or Business Seller:

(i) creates, amends or agrees to create or amend any Encumbrance over the shares of any member of the Group or the assets (excluding the Excluded Assets) of any member of the Group or any Business Seller;

(ii) makes any alteration to its articles of association or any other document or agreement establishing, evidencing or relating to its constitution;

(iii) enters into any agreement or arrangement or permits any action whereby another company becomes its subsidiary or subsidiary undertaking;

(iv) enters into any joint venture, partnership or agreement or arrangement for the sharing of profits or assets;

(v) acquires (whether by one transaction or by a series of transactions) the whole, or a substantial or material part of the business, undertaking, assets or securities of any other person;

(vi) disposes of (whether by one transaction or by a series of transactions) the whole or any substantial or material part of its business, undertaking or any other of its assets;

(vii) makes any material change to the nature or organisation of its business;

(viii) makes any change to its accounting practices, policies or procedures other than as required by applicable law or regulation;

(ix) discontinues or ceases to operate all or a material part of its business;

(x) makes (or announces any intention to make) any material variation to the terms and conditions of employment of any employee earning EUR150,000 per annum or more, or which would apply to any general categories of employee;

(xi) save for in respect of the UK Schemes, establishes any pension, retirement, death or disability, jubilee, old-age part-time, bridging or life assurance scheme, or any employees' share scheme or employee trust or share ownership plan, share option or shadow share option scheme, or other profit sharing, bonus or incentive scheme in each case for the directors, employees or former directors or employees (or dependants thereof) of any Group Company or Business Seller, the variation of the terms or rules of any such new or any existing scheme, the appointment and removal of any trustee or manager of such a scheme or the allocation of options or other entitlements or the making of any payments under any such scheme;

(xii) terminates the employment of any Key Worker, or employs any person who would reasonably be considered to be of a similar level of seniority to any Key Worker;

(xiii) borrows (other than in the ordinary course of business and consistent with past practice and within limits subsisting at the date of this Agreement) any money or agrees to do so or enter into any foreign exchange contracts, interest rate swaps or other derivative instruments;

(xiv) grants any loans or other financial facilities or assistance to, or enters into any guarantees or indemnities or provides other security for the benefit of, any person;

(xv) grants any exclusive or sole licence of, or enters into, terminates or amends any material agreement relating to Intellectual Property other than in the ordinary course and consistent with past practice;

(xvi) enters into any agreement which materially restricts its freedom to do business;

(xvii) makes any political contribution or donation, or any charitable contribution or donation;

(xviii) settles, or agrees to settle, any litigation where the settlement is likely to result in a payment to or by a member of the Group or Business Seller of EUR500,000 or more (except for collection in the ordinary course of business, consistent with past practice), of trade debts;

(xix) takes any steps to wind up or dissolve any member of the Group or any Business Seller, obtain an administration order in respect of any member of the Group or any Business Seller, invite any person to appoint an administrative receiver or any other receiver or manager of the whole or any part of the business or assets of any member of the Group or any Business Seller or do anything similar or analogous to those steps in any other jurisdiction;

(xx) enters into or makes itself liable for any capital commitment (whether by way of purchase, lease, hire purchase or otherwise but excluding any such commitments entered into in the ordinary course of the Group's business consistent with past practice) for an amount in excess of EUR 500,000 or which, when aggregated with all such other commitments entered into by it and other members of the Group and the Business Sellers since the Offer Letter Date, results in the aggregate of all such commitments exceeding EUR 2,000,000;

(xxi) makes any material claim, surrender or election, or takes any similar action, for the purposes of Tax;

(xxii) enters into or terminates its membership of any group, consolidation, group payment or similar arrangement for the purposes of any Tax, or alters the terms of any such existing arrangement, except where expressly provided for under this Agreement or the Tax Deed;

(xxiii) enters into any agreement to sell or dispose of any Property or International Business Property or acquire any other property or make any material alterations to any Property or International Business Property or agree any rent review in respect of any Leased Property or International Business Leased Property;

(xxiv) agrees to do any of the actions referred to in subparagraphs (i) to (xxiii) above; or

(xxv) does or agrees to do anything which, in the reasonable opinion of the Seller, is outside the ordinary course of business.

5.2 Clause 5.1 does not apply in respect of and shall not operate so as to restrict or prevent:

(a) any matter reasonably undertaken in an emergency or disaster situation with the intention of and to the extent only of those matters strictly required with a view to minimising any adverse effect of such situation on the Group (and of which the Purchaser will be promptly notified in writing);

(b) any matter expressly permitted by, or necessary for performance of, this Agreement or any of the other Transaction Documents or necessary for Completion;

(c) any matter undertaken at the written request or with the written consent of the Purchaser;

(d) providing information to any Regulatory Authority in the ordinary course of business; or

(e) any matter to the extent required by law.

5.3 As soon as reasonably practicable after the date of this Agreement the Seller shall provide the Purchaser with reasonable details of the Shared Contracts which it proposes should be Excluded Shared Supply Contracts and the Parties agree to negotiate in good faith to agree the Shared Contracts to which Schedule 9 Part 4 shall apply.

5.4 The Seller shall consult with the Purchaser following the date of this Agreement in relation to the potential renewal of the lease in relation to the Ipswich Office and shall consult with the Purchaser before taking any action, or omitting to take any action, which would cause such lease to expire before Completion.

5.5 The Seller shall provide the Purchaser with a copy of the form of the written notice that it intends to send to the counterparties of each International Business Contract in each jurisdiction in relation to the proposed assignment of such International Business Contract to the Purchaser or the Relevant Purchasers at least 10 Business Days prior to the sending of such written notice. The Seller shall take into account the reasonable comments of the Purchaser in relation to the form of such written notice and shall promptly provide the Purchaser with copies of any negative written responses received from the counterparties in relation to the proposed assignment of such contracts. The Seller shall consult with the Purchaser in relation to any notice received from a counterparty indicating that such counterparty has refused or may refuse to consent to the assignment or intends to terminate or materially amend the terms of such contract.

5.6 Promptly after the date of this Agreement the Parties shall cooperate, each acting reasonably and in good faith, to determine and add to the schedules to the Transitional Services Agreement prior to Completion the allocation of the Base Fixed Charge for each Relevant Service Category between each of the individual sub-categories for those Relevant Service Categories, such allocation to be calculated on the basis of the charges allocated for such service sub-categories in the twelve (12) months immediately prior to Completion. For the purposes of this Clause 5.6, (i) “Relevant Service Category” shall mean the IT Services and the R&D Services, and (ii) “Base Fixed Charge”, “IT Services” and “R&D Services” shall have the meaning given to them in the Transitional Services Agreement.

5.7 Between the date of this Agreement and the Completion Date, the Seller shall use its reasonable endeavours to provide the Purchaser with an updated list of Moveable Assets to the extent that the list in Schedule 16 is incomplete.

5.8 Between the date of this Agreement and the Completion Date, the Seller and the Purchaser shall use reasonable endeavours to procure that the relevant Business Seller and relevant Business Purchaser comply with paragraph 1.1.11 of Schedule 18 in relation to Stefan Eha.

5.9 Between the date of this Agreement and the Completion Date, the Parties shall use reasonable endeavours to procure the transfer of contractual arrangements in respect of: (a) the French Pension Schemes; and (b) the German Pension Schemes in so far as they relate to the Transferring Employees, provided always that such transfer is permitted: (i) by the relevant provider (if any); (ii) under the terms of such contracts or agreements; and (iii) under applicable laws.

5.10 The Seller shall, as soon as reasonably practicable after the date of this Agreement and in any event by the Completion Date, provide to the Purchaser full details of, and all relevant agreements and powers of attorney in respect of all relevant third party agents, consultants or distributors, which are currently engaged by any member of the Group in relation to the International Business Product Registrations.

5.11 Between the date of this Agreement and the Completion Date, the Parties will co-operate in good faith to try to procure that an agreement or arrangement equivalent to the relevant parts of the Everris IP Licence Agreements to which the Everris Sub-licences relate are entered into directly between the Sub-Licensee and Everris International B.V..

5.12 Between the date of this Agreement and the Completion Date, the Parties shall discuss a potential research and development collaboration between themselves pursuant to which the Parties would hold confidential discussions regarding the status of research and development projects which each Party, in its sole discretion, considers potentially to be of interest to the other Party for use in the Relevant Territory or the Excluded Territories as applicable. If the Parties are able to reach agreement on the form and structure of such collaboration, they shall enter into a separate agreement (in a form satisfactory to the Parties) to govern that collaboration.

6. Completion

6.1 Completion shall take place on the Completion Date at the offices of the Purchaser's or the Seller Lawyers, in each case taking into account applicable tax considerations, or at such other place as is agreed in writing by the Seller and Purchaser.

6.2 At Completion the Seller shall undertake those actions listed in Part 1of Schedule 2 (*Completion Arrangements*) and the Purchaser shall undertake those actions listed in Part 2 of Schedule 2 (*Completion Arrangements*). Payment of the Closing Amount to the Seller's Designated Account shall discharge the obligations of the Purchaser (a) pursuant to Clause 6.4 and (b) to pay the Closing Amount, and the Purchaser shall not be concerned as to the application of the Closing Amount between the Relevant Sellers.

6.3 If: (i) the Seller breaches its obligations under Clause 6.2 and under paragraph 1, 2.3, 2.5, 3.2, 3.4, 3.5, 3.6 or 3.7 of Part 1 of Schedule 2 (*Completion Arrangements*); or (ii) the Purchaser breaches its obligations under Clause 6.2 and under paragraph 1, 2, 3 or 4 of Part 2 of Schedule 2 (*Completion Arrangements*) on the Completion Date, the Seller (in the case of a breach by the Purchaser) or the Purchaser (in the case of a breach by the Seller) shall not be obliged to complete this Agreement and the Seller or, as the case may be, the Purchaser, may elect by notice in writing to the other to:

(a) defer Completion (with the provisions of this Clause 6 applying to Completion as so deferred);

(b) proceed to Completion as far as practicable (without limiting its rights and remedies under this Agreement); or

(c) treat this Agreement as terminated for breach of condition subject to, and on the basis set out in, Clause 13.5.

6.4 Immediately following Completion but on the Completion Date:

(a) the Purchaser shall procure that each relevant Group Company repays to the relevant member of the Seller's Group (other than another Group Company) the amount of any Estimated Intra-Group Financing Payables in respect of that Group Company, and shall acknowledge on behalf of each relevant Group Company the payment of the Estimated Intra-Group Financing Receivables in accordance with Clause 6.4(b); and

(b) the Seller shall procure that each relevant member of the Seller's Group (other than a Group Company) repays to the relevant Group Company the amount of any Estimated Intra-Group

Financing Receivables in respect of that Group Company, and shall acknowledge on behalf of each relevant member of the Seller's Group the payment of the Estimated Intra-Group Financing Payables in accordance with Clause 6.4(a).

6.5 The repayments made pursuant to Clause 6.4 shall be adjusted in accordance with Clause 7.4 when the Closing Statement becomes final and binding in accordance with Clause 7.2(a).

6.6 The Parties agree that notwithstanding Clause 6.1, if any Local Transfer Document is required to be notarised, the relevant Parties shall execute such document on the Completion Date at a mutually convenient location where a notary with the required qualification will be present.

7. Post-Completion Adjustments

7.1 Closing Statement

The Purchaser shall procure that within 60 days following Completion the Group Companies shall draw up a draft of the Closing Statement (the "**Draft Closing Statement**") in accordance with Schedule 7 (*Closing Statement*).

7.2 Determination of Closing Statement

(a) The Draft Closing Statement as agreed or determined pursuant to Part 1 of Schedule 7 (*Closing Statement*):

(i) shall constitute the Closing Statement for the purposes of this Agreement; and

(ii) shall be final and binding on the Seller and the Purchaser.

(b) The Working Capital, the Group Companies' Cash Balances, the Closing Debt, the Intra-Group Financing Receivables and the Intra-Group Financing Payables shall be extracted from the Closing Statement.

7.3 Adjustments to Purchase Price

(a) Group Companies' Cash Balances

(i) If the Group Companies' Cash Balances are less than the Estimated Cash, the Seller shall repay to the Purchaser by way of adjustment to the Purchase Price an amount equal to the deficiency; or

(ii) if the Group Companies' Cash Balances are greater than the Estimated Cash, the Purchaser shall pay to the Seller by way of adjustment to the Purchase Price an additional amount equal to the excess.

(b) Intra-Group Financing Receivables

(i) If the Intra-Group Financing Receivables are less than the Estimated Intra-Group Financing Receivables, the Seller shall repay to the Purchaser by way of adjustment to the Purchase Price an amount equal to the deficiency; or

(ii) if the Intra-Group Financing Receivables are greater than the Estimated Intra-Group Financing Receivables, the Purchaser shall pay to the Seller by way of adjustment to the Purchase Price an additional amount equal to the excess,

in each case in accordance with Clause 7.4.

(c) Closing Debt

(i) If the Closing Debt is greater than the Estimated Debt, the Seller shall repay to the Purchaser by way of adjustment to the Purchase Price an amount equal to the excess; or

(ii) if the Closing Debt is less than the Estimated Debt, the Purchaser shall pay to the Seller by way of adjustment to the Purchase Price an additional amount equal to the deficiency.

(d) Intra-Group Financing Payables

(i) If the Intra-Group Financing Payables are greater than the Estimated Intra-Group Financing Payables, the Seller shall repay to the Purchaser an amount equal to the excess; or

(ii) if the Intra-Group Financing Payables are less than the Estimated Intra-Group Financing Payables, the Purchaser shall pay to the Seller an additional amount equal to the deficiency,

in each case in accordance with Clause 7.4.

(e) Working Capital

(i) If the Working Capital is less than the Estimated Working Capital, the Seller shall repay to the Purchaser an amount equal to the deficiency; or

(ii) if the Working Capital exceeds the Estimated Working Capital, the Purchaser shall pay to the Seller an additional amount equal to the excess.

(f) Adjustment Amount

The net amount to be paid by (i) the Seller to the Purchaser, or (ii) the Purchaser to the Seller (as applicable) as a result of the calculations in Clauses 7.3(a) to 7.3(e) shall be the "**Adjustment Amount**" and shall be paid in euros. The Parties agree that the Adjustment Amount may be settled by one (1) payment reflecting the net aggregate position rather than individual payments for the constituent parts. Insofar as any identifiable part of any payment made in respect of the Adjustment Amount relates to any Relevant Territory, that part of that payment shall (in each case so far as possible) adjust that part of the Purchase Price allocated to the relevant Relevant Territory under the Purchase Price Allocation Agreement on a basis agreed between the Seller and the Purchaser (each acting reasonably and in good faith).

7.4 **Adjustments to Repayment of Intra-Group Financing Payables and Intra-Group Financing Receivables**

Following agreement or determination of the Closing Statement pursuant to Clause 7.2 and Part 1 of Schedule 7, if the amount of any Intra-Group Financing Payable and/or any Intra-Group Financing Receivable contained in the Closing Statement is greater or less than the amount of the corresponding Estimated Intra-Group Financing Payable or Estimated Intra-Group Financing Receivable, then the Seller and the Purchaser shall procure that such adjustments to the repayments pursuant to Clause 6.4 are made as are necessary to ensure that (taking into account such adjustments) the actual amount

of each Intra-Group Financing Payable and each Intra-Group Financing Receivable has been repaid by each relevant Group Company to the relevant member of the Seller's Group or by the relevant member of the Seller's Group to the relevant Group Company, as the case may be.

7.5 The Seller shall procure that the Intra-Group Financing Receivables owed by a member of the Seller's Group to a Group Company will be less than EUR2,000,000.

7.6 **Date and effect of payment**

(a) Any payment pursuant to Clause 7.3 or 7.4 shall be made on or before the Final Payment Date.

(b) Where any payment is required to be made pursuant to Clause 7.3, the Purchase Price shall be reduced or increased accordingly.

8. Assumed and Excluded Liabilities

8.1 With effect from Completion, the Purchaser shall indemnify and keep indemnified the Business Sellers against:

(a) all Assumed Liabilities;

(b) any Losses which the Business Sellers and/or any other member of the Seller's Group (other than the Group Companies) may suffer by reason of the Business Sellers taking any reasonable action to avoid, resist or defend against, or otherwise in connection with or arising from, any Assumed Liabilities; and

(c) any Losses which the Business Sellers and/or any other member of the Seller's Group (other than the Group Companies) may suffer where such Business Sellers and/or other member of the Seller's Group are held liable for Losses incurred or attributable to the EEIG Interests, in each case arising and relating to the period after Completion.

8.2 With effect from Completion, the Seller shall indemnify and keep indemnified the Purchaser and the Business Purchasers against:

(a) all Excluded Liabilities; and

(b) any Losses which the Business Purchasers and/or any other member of the Purchaser's Group may suffer by reason of the Business Purchasers taking any reasonable action to avoid, resist or defend against, or otherwise in connection with or arising from, any Excluded Liability or any Excluded Asset.

9. Seller's Warranties and Undertakings

9.1 The Seller warrants to the Purchaser, each Share Purchaser and each Business Purchaser that: (i) except as Disclosed, each of the Business Warranties was true and accurate as at the Offer Letter Date; (ii) each of the Fundamental Warranties was true and accurate as at the Offer Letter Date; (iii) each of the Fundamental Warranties will at Completion be true and accurate; (iv) the warranty in paragraph 7.5 of Schedule 3 will at Completion be true and accurate; and (v) except as fairly disclosed in writing to the Purchaser at least three (3) Business Days prior to Completion, the Relevant Contracts Warranty will as at three (3) Business Days prior to Completion be true and accurate. The Warranties are given subject to Clause 10 and Schedule 4 (*Seller's Limitations on Liability*) below.

9.2 The Seller agrees with the Purchaser, each Share Purchaser, each Business Purchaser, and each Employee to waive any rights or claims which it may have in respect of any misrepresentation, inaccuracy or omission in or from any information or advice supplied or given by such Employee in connection with the giving of the Warranties and the preparation of the Disclosure Letter. The provisions of this subparagraph: (a) may with the prior written consent of the Purchaser be enforced by any Employee against the Seller under the Contracts (Rights of Third Parties) Act 1999; and (b) may be varied or terminated by agreement between the Seller and the Purchaser (and the Purchaser may also release or compromise in whole or in part any liability in respect of rights or claims contemplated by this subparagraph) without the consent of any such Employee.

9.3 Any Warranties that are qualified by the knowledge, belief or awareness of the Seller shall mean the actual (but not constructive or imputed) knowledge, belief or awareness of the Seller having made due and careful enquiry of Emilie Chevalier, Gunter DePaepe, Stefan Eha, Sheila Hill, Wieslaw Wielgat, Laurent Martel, Andrew Martin, Deepak Pandya, Guillaume Roth and Sonia Van Steenberghe.

9.4 The Seller hereby:

(a) agrees that it shall procure that by not later than immediately prior to Completion each member of the Group shall be unconditionally and irrevocably released in full from their respective obligations under any guarantee, security interest, indemnity, support letter or other contingent obligation, including without limitation the grant of collateral, given or undertaken by a member of the Group in relation to or arising out of any obligations or liabilities of any member of the Seller's Group (the "**Group Commitments**");

(b) undertakes to indemnify and hold the Purchaser and each other member of the Group harmless from and against all Losses suffered or incurred by it after Completion in relation to or arising out of the Group Commitments;

(c) undertakes to procure that Scotts Gardening Fertilizer (Wuhan) Co., Ltd. is transferred by Scotts Australia Pty. Limited to a member of the Seller's Group prior to Completion (the "**China Share Sale Agreement**");

(d) undertakes to indemnify in full and hold the Purchaser and Scotts Australia harmless from and against all Losses suffered or incurred by them after Completion in relation to or arising from any Liabilities arising from the China Share Sale Agreement;

(e) agrees to procure, at its own cost, that each Business Seller shall change its name with effect from Completion;

(f) undertakes to indemnify in full and hold harmless on an after taxation basis, and keep indemnified, the Purchaser from and against any and all Liabilities and Losses arising as a result of any compensation payment which a Relevant Seller agrees to make to any member of the UK Schemes in connection with the members of the UK Schemes losing their final salary link;

(g) undertakes to indemnify and hold the Purchaser and each other member of the Group harmless from and against all Losses suffered or incurred by it after Completion relating to: (a) tax or social security in respect of any incentive payments made prior to Completion by Scotts France SAS to the extent that such payments contravene applicable law; (b) the "Ross" litigation, as disclosed in document 8.1.1 and sub-folder 8.1.4 in the Data Room; and (c) the circumstances and claims referred to in the Disclosure Letter in the specific disclosures

against the warranty in paragraph 5 of Schedule 3 underneath the sub-headings 'Scotts Austria' and 'European Group'; and

(h) undertakes to indemnify the Purchaser for any transaction costs, transaction bonuses and retention bonuses related to the sale of the Group (gross of any tax and social security liabilities) that a Group Company or a Business Seller agreed to pay prior to Completion and payable by a Group Company or a Relevant Purchaser after Completion.

9.5 The liability of the Seller in respect of Clause 9.4(g) shall not arise until the amount of any such claim would when substantiated exceed EUR 75,000 (in which case the Seller shall be liable for the whole amount and not just the excess).

9.6 The Purchaser shall (and shall procure that each other Relevant Purchaser shall) use all reasonable endeavours to apply to and obtain from the relevant regulatory authorities the necessary product registration in respect of the Acetic Acid Stock (as defined in the Disclosure Letter).

9.7 Subject to applicable law regarding the information and consultation of the International Business Employees and their staff representatives, the Seller undertakes that it shall at the Purchaser's expense, and shall procure that the Group Companies shall, prior to the Completion Date, provide the Purchaser and its representatives with: (i) such assistance as they may reasonably request in connection with the Purchaser's debt financing agreements for the purposes of the Transaction; and (ii) such: (a) access to (A) the Senior Managers and other Workers (whose identity or role within the Business shall be determined by the Purchaser, subject to a maximum of ten (10) Workers), and (B) Workers with knowledge of the IT Systems; and (b) information regarding the businesses and affairs of the Group, in each case as the Purchaser may reasonably require to prepare for the integration of the Group with the Purchaser, including, but not limited to, (A) meeting with the Senior Managers for two Business Days per each calendar month to plan such integration and (B) access to financial information regarding the performance of the Group. Nothing in this Clause 9.7 shall entitle the Purchaser to require any Relevant Seller, Group Company or Senior Manager to take any action that would amount to the actual integration of the Group with the Purchaser prior to Completion.

9.8 With regards to any objection (opposition) filed pursuant to Articles L. 141-14 to L. 141-17 of the French Commercial Code by a creditor of the Relevant Seller's Group Business in France against the payment of the purchase price to be paid for the Group Business in France, the Seller undertakes to: (i) subject to Clause 8.1(a), indemnify and hold the Purchaser and the Relevant Purchasers harmless from and against all Losses suffered or incurred by them after Completion arising from the filing of such objection; and (ii) procure that any third party that attempts to exercise rights against the Purchaser or a Relevant Purchaser pursuant to Articles L. 141-14 to L. 141-17 of the French Commercial Code shall revoke any objection to the acquisition of a Group Business by the Purchaser or a Relevant Purchaser. Without prejudice to the foregoing, each Party shall co-operate with the other in connection with such release process, including by providing any relevant information in its possession and making any filing, submission or declaration as reasonably necessary under applicable laws.

9.9 The Seller undertakes to the Purchaser that it shall, and shall procure that each member of the Seller's Group will, preserve for a period of at least seven (7) years from Completion all books, records and documents of or relating to each Business Seller at Completion (together the "**Business Seller Books and Records**"). The Seller shall during such period, subject to the Purchaser giving such undertakings as to confidentiality as the Seller may reasonably require, upon being given reasonable notice (and in any event within five (5) Business Days of written notice being given to the Seller by the Purchaser), permit the Purchaser and its Agents to inspect and to make copies of any Business

Seller Books and Records, but only to the extent necessary for the purpose of satisfying applicable laws, regulations or the published practice of a Taxation Authority.

9.10 In the event that any proceeding, enquiry or investigation of any judicial or regulatory authority or Taxation Authority is pending at the time of expiry of the period of seven (7) years from Completion, or if at such time the Purchaser is in the process of using any Business Seller Books and Records in connection with satisfying applicable laws, regulations or the published practice of a Taxation Authority, the Purchaser shall be entitled to continuing access to the Business Seller Books and Records on the same terms as provided in Clause 9.9 for a further period until completion of the relevant enquiry, investigation or other event.

9.11 The Seller shall and shall procure that Scotts France Holdings SARL and Scotts France SAS indemnify in full and hold the Purchaser and any Relevant Purchaser harmless, on a net after Taxation basis, from and against any Liabilities or Losses consisting of any income tax or apprenticeship tax and related reasonable costs that may be suffered or incurred by the Purchaser or any Relevant Purchaser in relation to any liability of the said Purchaser or any Relevant Purchaser under article 1684 of the French tax code in relation to any transaction occurring under or pursuant to this Agreement, and within ten (10) Business Days of receipt of a notice sent by the Purchaser to the Seller in this respect together with a copy of the relevant tax collection notice issued by the French tax administration (or any equivalent document).

10. Seller's Limitations on Liability

The liability of the Seller in respect of Claims shall be limited as provided in Schedule 4 (*Seller's Limitations on Liability*).

11. Purchaser's Warranties and Undertakings

11.1 The Purchaser warrants to the Seller that each of the Purchaser's Warranties was true and accurate as at the Offer Letter Date and will at Completion be true and accurate.

11.2 The Purchaser and the Relevant Purchasers shall, each at its own cost:

(a) with effect from Completion, be entitled to adopt the current corporate name of each Business Seller for the relevant Business Purchaser purchasing the respective Group Business; and

(b) procure that the name of any Group Company and any Business Purchaser which incorporates the word "Scotts" is changed to a name which does not include that word or any name which, in the reasonable opinion of the Seller, is capable of being confused with "Scotts", in each case within:

(i) twenty four (24) months after Completion or thirty (30) months after Completion if the Purchaser provides evidence to the Seller that complying with this Clause 11.2(b)(i) may affect the ability of the Group to rely on any Licences necessary to sell its Products in compliance with applicable law; or

(ii) a reasonable period of time following the termination of the licence to use the "Scotts" mark that is to be granted in the Trade Mark Licence, if that licence is terminated before the expiry of the period referred to in Clause 11.2(b)(i) in accordance with the terms of the Trade Mark Licence,

(the "**Applicable Name Change Period**").

11.3 It is agreed and acknowledged that:

(a) for a period of 12 months following the expiry of the Applicable Name Change Period the Purchaser shall have the right to sell any remaining Products in the Purchaser's inventory bearing labels or packaging which incorporates the word "Scotts"; and

(b) nothing in Clause 11.2(b) shall require the Purchaser, any Group Company or Business Purchaser to recall any Products which have already been sold or shipped to customers or distributors in order to change the packaging or labelling on such Products so that they omit the word "Scotts".

11.4 The Purchaser undertakes to the Seller that it shall, and shall procure that each member of the Purchaser's Group will, preserve for a period of at least seven (7) years from Completion all books, records and documents of or relating to each Group Company existing at Completion (together the "**Books and Records**"). The Purchaser shall during such period, subject to the Seller giving such undertakings as to confidentiality as the Purchaser may reasonably require, upon being given reasonable notice (and in any event within five (5) Business Days of written notice being given to the Purchaser by the Seller), permit the Seller and its Agents to inspect and to make copies of any Books and Records, but only to the extent relating to the period before Completion and to the extent necessary for the purpose of satisfying applicable laws, regulations or the published practice of a Taxation Authority.

11.5 In the event that any proceeding, enquiry or investigation of any judicial or regulatory authority or Taxation Authority is pending at the time of expiry of the period of seven (7) years from Completion, or if at such time the Seller is in the process of using any Books and Records in connection with satisfying applicable laws, regulations or the published practice of a Taxation Authority, the Seller shall be entitled to continuing access to the Books and Records on the same terms as provided in Clause 11.4 for a further period until completion of the relevant enquiry, investigation or other event.

11.6 If Completion does not take place, the Purchaser undertakes to the Seller that it shall, at the Purchaser's election, destroy or forthwith hand over, or procure the destruction or handing over of, all books, records, documents and papers of or relating to the Seller's Group which shall have been made available to it and all copies or other records derived from such materials ("**Seller's Group Information**") and that it shall remove any information derived from such materials or otherwise concerning the subject matter of this Agreement ("**Secondary Information**") from any computer, word processor or other device containing information, provided that (i) the Purchaser shall only be required to use commercially reasonable efforts to return or destroy any Seller's Group Information or Secondary Information stored electronically, and the Purchaser shall not be required to return or destroy any electronic copy of Seller's Group Information or Secondary Information created pursuant to its electronic backup and archival procedures; and (ii) the Purchaser may retain any Seller's Group Information or Secondary Information to the extent required to comply with applicable law or regulation or rule, requirement or official request of any regulatory or governmental authority or stock exchange or judicial, supervisory, banking or taxation authority or established document retention policies and practices, or to demonstrate compliance with such requirements.

11.7 The Purchaser hereby:

(a) agrees that it shall use its best endeavours to procure that immediately following Completion the Seller and each other member of the Seller's Group shall be unconditionally and

irrevocably released in full from their respective obligations under any guarantee, security interest, indemnity, support letter or other contingent obligation, including without limitation the grant of collateral, given or undertaken by the Seller or a member of the Seller's Group in relation to or arising out of any obligations or liabilities of any Group Company, in each case to the extent that any such guarantee, security interest, indemnity, support letter or other contingent obligation is listed in Schedule 16 (the "**Seller Commitments**") and to the extent outstanding immediately prior to Completion; and

(b) undertakes to indemnify and hold the Seller and each other member of the Seller's Group harmless from and against all Losses suffered or incurred by it after Completion in relation to or arising out of the Seller Commitments (but only to the extent relating to the period after Completion).

11.8 The Purchaser undertakes to the Seller that it will not, without the prior written consent of the Seller amend the Purchaser Debt Finance Agreement in a manner which would be materially prejudicial to the interests of the Seller under this Agreement; provided that, for the avoidance of doubt, the Purchaser Debt Finance Agreement may be amended to add purchasers, lenders, lead arrangers, book-runners, syndication agents or similar entities. The Purchaser shall use all reasonable endeavours to obtain and consummate the Purchaser Debt Finance at Completion.

12. Restrictions on Seller

12.1 Except as provided in Clause 12.2, the Seller shall not and shall procure that no other member of the Seller's Group shall, without the prior written consent of the Purchaser:

(a) neither pending nor within three (3) years following the Completion Date carry on or be directly or indirectly engaged in the Business (or directly or indirectly interested in any entity engaged in the Business), in each case in any Relevant Territory in which the Group operates as at the Completion Date or at any time during the twelve (12) months immediately preceding the Completion Date; or

(b) neither pending nor within three (3) years following the Completion Date grant any third party a licence permitting that third party to use any Licensed Retained Intellectual Property in relation to the Business in any Relevant Territory in which the Group operates as at the Completion Date or at any time during the twelve (12) months immediately preceding the Completion Date; or

(c) neither pending nor within three (3) years following the Completion Date:

(i) solicit any employee or consultant who is a director or senior manager or who has a salary of more than EUR 150,000 per annum, in each case in relation to (i) any Group Company; or (ii) any Group Business; or

(ii) solicit, induce or attempt to induce any customer, supplier or retailer of any member of the Group to cease to deal, or to restrict or vary their terms of dealing, with that member of the Group or a Relevant Purchaser.

12.2 Nothing in this Clause 12 shall prevent or restrict any member of the Seller's Group from:

(a) acquiring any company or business (the "**Acquired Entity**") in any part of the world which competes with the Business in the Relevant Territory where the turnover generated by the competing part of the Acquired Entity during the most recently ended accounting period

does not exceed fifteen per cent. (15%) of the aggregate turnover of the Acquired Entity during that accounting period;

(b) any general advertisement to the public of employment by any member of the Seller's Group to which any person referred to in Clause 12.1(c)(i) responds, provided that such advertisement is not specifically targeted at the Group nor any member of the Group nor any employee or consultant of any such member at the Completion Date;

(c) carrying on or developing its present business(es) (other than in respect of the Group and other than the Business in any Relevant Territory) including, for the avoidance of doubt, any business relating to the manufacturing, distributing or development of Hydroponic Products; or

(d) trading with any of its existing customers or clients or any future customers or clients provided it does not do so in respect of the Business in any Relevant Territory or in competition with any Group Company or any Relevant Purchaser.

13. No Right to Rescind or Terminate

13.1 Save for termination pursuant to Clause 3.10, the Parties' express right to terminate in Clause 6.3(c) and the Purchaser's right to terminate pursuant to Clause 13.2 and Clause 13.4, the Purchaser shall not be entitled to rescind or terminate this Agreement, whether before or after Completion, and the Purchaser waives all and any rights of rescission which it may have in respect of any matter to the full extent permitted by law, other than such rights in respect of fraud. Without prejudice to the generality of the foregoing, the Purchaser agrees that the remedy of rescission is excluded in relation to all matters and shall not be available, save in respect of fraud.

13.2 If Completion does not occur on or before the date that is four months from the Offer Letter Date and anything occurs after the Offer Letter Date which has or is reasonably likely to have a Material Adverse Effect within six months after the occurrence of such event, the Purchaser may elect to terminate this Agreement with immediate effect by giving notice in writing to the Seller.

13.3 For the purposes of Clause 13.2, "**Material Adverse Effect**" means any change, event, occurrence or effect ("**Effects**") that, individually or in the aggregate, would have a material adverse effect on the business, results of operations or financial condition of the Group, taken as a whole, provided, however, that, none of the following Effects shall be taken into account in determining whether a Material Adverse Effect has occurred: (A) changes or proposed changes in applicable law or accounting standards, (B) changes in general economic or political conditions in any country or region in which the Group operates, (C) changes or proposed changes (including changes of applicable law or interpretations thereof) or conditions generally affecting the industry in which the Group operates, (D) any action taken (or omitted to be taken) at the request of the Purchaser or resulting from a breach of this Agreement or violation of applicable law by the Purchaser, (E) any action taken by the Group that is required or expressly contemplated or permitted by this Agreement, including any actions required under this Agreement to obtain any approval or authorization under applicable antitrust laws, and (F) any Effects resulting from or arising out of the execution and performance of this Agreement or the announcement or pendency of the Transaction or the identity of or any facts or circumstances relating to the Purchaser, including the impact of any of the foregoing on the relationships, contractual or otherwise with employees, any Authority or any other persons.

13.4 If, prior to Completion: (a) one or more suppliers under one or more Relevant International Business Contracts notifies a Group Company or a member of the Seller's Group that: (i) it refuses to consent

to the assignment of such contract; or (ii) it intends to terminate such supplies, materially reduce its supplies or materially amend the terms of such contract; and (b) the aggregate effect of such refusal(s), termination(s) and/or amendment(s) has or is reasonably likely to have (within 6 months after Completion) a material adverse effect on the business, results of operations or financial condition of the Group, taken as a whole, then the Purchaser may elect to terminate this Agreement with immediate effect by giving notice in writing to the Seller.

13.5 If this Agreement is terminated by a Party in accordance with:

(a) Clause 3.10; or

(b) Clause 6.3(c); or

(c) Clause 13.4; or

(d) Clause 13.2,

the rights and obligations of the Parties under this Agreement shall cease immediately, save in respect of antecedent breaches (but excluding any right of the Purchaser to claim damages for breach of Warranty or of the Seller's obligations under Clause 5) and under the Continuing Provisions.

14. Insurance

14.1 The Seller shall and shall procure that each Group Company and each member of the Seller's Group shall continue in force all pre-existing insurance cover in respect of the Group maintained by them up to and including the Completion Date.

14.2 Subject to Clauses 14.3 to 14.5, the Seller shall be entitled to arrange for any insurance cover provided by the Seller's Group in relation to the Group to cease upon Completion.

14.3 The Seller shall not (and shall procure that no member of the Seller's Group shall) terminate or agree to terminate any cover under the Global Marine Policy, any Occurrence Basis Policies or any Claims Made Policies in respect of which a Permitted Claim has been or may be made, or take (or omit to take) any other action which could reasonably be expected to adversely affect the rights of any member of the Group to effect recovery of Permitted Claims.

14.4 Without prejudice to paragraphs 12 and 24 of Schedule 3, promptly following Completion, the Seller shall (and shall procure that each member of the Seller's Group shall) provide the Purchaser and its representatives with copies of the Global Marine Policy, and/or any Occurrence Basis Policies and/or Claims Made Policies under which a claim in respect of a Permitted Claim has been notified or in respect of which a Permitted Claim may be notified, and, in either case, which has not been paid.

14.5 The Seller shall ensure that, following Completion, each member of the Seller's Group shall take such steps as may reasonably be requested by the Purchaser having regard to the Seller's role as policyholder under the relevant policy to enable the Purchaser or the relevant member of the Group to pursue any Permitted Claim which is pending or outstanding at Completion, or to make and pursue any other Permitted Claim.

14.6 The obligations of the Seller under Clause 14.3 shall include assisting as necessary any member of the Group or any other member of the Purchaser's Group in pursuing any Permitted Claim. The Seller shall pay to the Purchaser any proceeds actually received by a member of the Seller's Group from an insurer in respect of Permitted Claims, less, if applicable:

(a) any tax thereon;

(b) any reasonable costs of recovery, including legal and other fees and expenses; and

(c) any costs (including tax) of passing on the relevant amounts to the Purchaser's Group,

within five (5) Business Days of their receipt.

15. Business Information

15.1 Subject to Clauses 9.9 and 9.10, to the extent that any information reasonably required for the Business is not in the possession of the Purchaser but remains held by the Seller's Group, for a period of seven (7) years following the Completion Date the Seller shall use its reasonable endeavours to procure that, subject to the Purchaser giving such undertakings as to confidentiality as the Seller may reasonably require, copies of such information are provided to the Purchaser as soon as reasonably practicable following a written request for such information by the Purchaser.

15.2 The Purchaser shall indemnify and hold the Seller harmless from and against all Losses suffered or incurred by it in complying with its obligations under this Clause 15.

16. Intellectual Property and Product Registrations

16.1 The provisions of Schedule 10 (Intellectual Property and Product Registrations) shall apply in respect of the International Business Intellectual Property and the International Business Product Registrations.

16.2 The Purchaser grants, or shall procure that the relevant member of the Group shall grant, with effect from Completion, to the Seller or a member of the Seller's Group designated by the Seller a non-exclusive, royalty-free, perpetual and irrevocable and sub-licensable licence to use the Licensed International Intellectual Property, solely for the purposes of: (a) research and development; (b) manufacturing in the Relevant Territory products or their component parts which are protected by the Licensed International Intellectual Property for export outside the Relevant Territory; and (c) exporting the products referred to in (b) from the Relevant Territory.

16.3 The Seller grants, and shall procure that each relevant member of the Seller's Group shall grant, with effect from Completion, to the Purchaser or a member of the Purchaser's Group designated by the Purchaser a non-exclusive, royalty-free, perpetual and irrevocable (except in respect of any Intellectual Property that relates to the same technology as is covered by the Licensed Retained Intellectual Property, which licence shall terminate on termination of the IP Licence in accordance with its terms) and sub-licensable licence to use the America Business Intellectual Property, solely for the purposes of: (a) research and development in connection with the International Business Products in any of the Purchaser Manufacturing Territories; (b) manufacturing the International Business Products, or their component parts which are protected by the America Business Intellectual Property, in any of the Purchaser Manufacturing Territories for export outside the Excluded Territories; and (c) exporting to countries in the Relevant Territory the International Business Products referred to in (b) from the Purchaser Manufacturing Territory where such International Business Products or their component parts were manufactured.

16.4 The Intra-Group IP Licences will terminate with effect from Completion.

16.5 The Purchaser grants, and shall procure that each relevant member of the Purchaser Group shall grant, with effect from Completion to the Seller or a member of the Seller's Group designated by the Seller, a royalty-free, perpetual and irrevocable, sub-licensable and freely transferable licence to use and develop the New Project IP in the Excluded Territories. This licence shall be exclusive, save that the Purchaser may use, or license the use of, the New Project IP in the Excluded Territories solely for the purposes of: (a) research and development in connection with the products of the Business; (b) manufacturing the products of the Business, or their component parts for export outside the Excluded Territories; and (c) exporting to countries in the Relevant Territory the products and component parts referred to in (b) from the Excluded Territory where such products and component parts were manufactured.

16.6 The Purchaser shall, or shall procure that the relevant member of the Purchaser's Group shall provide the Seller with copies of any formulations, data, results and other materials arising out of the New Projects in the nine (9) month period immediately following Completion, as soon as reasonably practicable following their creation.

17. Misallocated Assets

17.1 If, within two (2) years after Completion, any property, right or asset which was not predominantly (in the case of any property, right or asset excluding Intellectual Property) or exclusively (in the case of any property, right or asset including Intellectual Property) used by or relating to, or forming part of, the Business before Completion is found to have been transferred to the Purchaser or a Relevant Purchaser or a Group Company, the Purchaser shall transfer, or procure that the relevant Group Company or Relevant Purchaser shall transfer, and the Seller shall accept, at no cost and free from any Encumbrance created by the Purchaser's Group after Completion, such property, right or asset as soon as practicable to the transferor or another member of the Seller's Group nominated by the Seller, and pending such transfer shall hold any such property, right or asset (including any benefit attributed to or derived from it) on trust on behalf of and for the benefit of the relevant member of the Seller's Group absolutely until the time that such transfer becomes effective.

17.2 If, within three (3) years after Completion, any property, right or asset which was predominantly (in the case of any property, right or asset excluding Intellectual Property) or exclusively (in the case of any property, right or asset including Intellectual Property) used by, or forming part of, the Business before Completion is found to have been retained by the Seller's Group (whether directly or indirectly), the Seller shall transfer, or procure that the relevant member of the Seller's Group shall transfer, at no cost and free from any Encumbrance, such property, right or asset as soon as practicable to the Purchaser or such other Group Company or Relevant Purchaser, as may be nominated by the Purchaser, and pending such transfer shall hold any such property, right or asset (including any benefit attributed to or derived from it) on trust on behalf of and for the benefit of the Purchaser or relevant Group Company or Relevant Purchaser absolutely until the time that such transfer becomes effective.

17.3 If a member of either the Seller's Group or the Purchaser's Group discovers within three (3) years after Completion that a member of the Purchaser's Group owns (including in accordance with Clause 17.2) any Retained Intellectual Property, the Purchaser shall, as soon as practicable after receipt of a notice to that effect containing details of the Retained Intellectual Property concerned, procure the assignment of such Retained Intellectual Property by such other relevant member of the Purchaser's Group to a member of the Seller's Group designated by the Seller.

17.4 For the avoidance of doubt, any Tax cost arising in connection with any transfer or assignment made pursuant to any of Clauses 17.1 to 17.3 above shall be borne solely by the Seller.

18. Confidentiality

18.1 Save as expressly provided in Clause18.3, the Seller shall, and shall procure that each member of the Seller's Group shall, treat as confidential the provisions of the Transaction Documents and all information it has received or obtained relating to the Purchaser's Group as a result of negotiating or entering into the Transaction Documents and, with effect from Completion, all information it possesses relating to each Group Company and each Group Business, and shall not disclose or use any such information.

18.2 Save as expressly provided in Clauses 18.3 and 18.4, the Purchaser shall, and shall procure that each member of the Purchaser's Group shall, treat as confidential: (a) the provisions of the Transaction Documents and all information it has received or obtained about the Seller's Group as a result of negotiating or entering into the Transaction Documents; and (b) at all times prior to Completion, all information it possesses relating to each Group Company and each Group Business, and shall not disclose or use any such information.

18.3 A Party may disclose, or permit the disclosure of, information which would otherwise be confidential if and to the extent that it is disclosed:

(a) to Agents of that Party or of other members of the Relevant Party's Group, in each case providing this is reasonably required in connection with the transactions contemplated by the Transaction Documents (and provided that such persons are required to treat that information as confidential); or

(b) is required by law or any securities exchange, regulatory or governmental body or Taxation Authority; or

(c) was already in the lawful possession of that Party or its Agents without any obligation of confidentiality (as evidenced by written records); or

(d) is in the public domain at the Offer Letter Date or comes into the public domain other than as a result of a breach by a Party of this Clause 18.3,

provided that, to the extent lawful and reasonably practicable, prior written notice of any confidential information to be disclosed pursuant to Clause 18.3(b) shall be given to the other Parties and their reasonable comments taken into account.

18.4 The Purchaser may disclose, or permit the disclosure of, information which would otherwise be confidential if and to the extent that it is disclosed to:

(a) any fund managed or advised by (or to be managed or advised by) Exponent Private Equity LLP (the "**Exponent Funds**"), any investor or potential investor in any Exponent Funds, together with their Agents and any adviser to the Exponent Funds;

(b) any provider of finance or potential provider of finance to the Purchaser's Group or to a security trustee or agent acting on behalf of one or several banks or other financial institutions which have entered into, or may enter into, any financing agreements with any member of the Purchaser's Group or to any of the Agents of the foregoing; or

(c) to a potential purchaser of all or part of the Group and its Agents, provided that such potential purchaser has entered into an undertaking of confidentiality on customary terms.

18.5 The confidentiality restrictions in this Clause18 shall continue to apply after the termination of this Agreement pursuant to Clause 3.10 (*Conditions*), Clause 6.3(c) (*Completion*) or Clause 13.2 (*MAC*) without limit in time.

19. Announcements

19.1 Save for the Press Release in the agreed terms as expressly provided in Clause 19.2, no announcement shall be made by or on behalf of either Party or a member of the Relevant Party's Group relating to the Transaction Documents without the prior written approval of the other Party, such approval not to be unreasonably withheld or delayed.

19.2 A Party may make an announcement relating to the Transaction Documents if (and only to the extent) required by the law of any relevant jurisdiction or any securities exchange, regulatory or governmental body provided that, to the extent permitted by applicable law or regulation, prior written notice of any announcement required to be made is given to the other Parties in which case such Party shall take such steps as may be reasonable in the circumstances to agree the contents of such announcement with the other Parties prior to making such announcement.

20. Grossing-up

20.1 All sums payable under this Agreement shall be paid free and clear of all deductions, withholdings, set-offs or counterclaims whatsoever save only as may be required by law or as otherwise agreed. If any deductions or withholdings are required by law from any such sum payable (other than any payment by the Purchaser in respect of the Purchase Price or the Deferred Payment), the payor shall be obliged to pay to the recipient such sum as will after such deduction or withholding has been made, leave the recipient with the same amount as it would have been entitled to receive in the absence of any such requirement to make a deduction or withholding, provided that if either party to this Agreement shall have assigned or novated or declared a trust in respect of the benefit in whole or in part of this Agreement or shall have changed its tax residence or the permanent establishment to which the rights under this Agreement are allocated then the liability of the other party under this Clause 20.1 shall be limited to that (if any) which it would have been had no such assignment, novation, declaration of trust or change taken place.

20.2 The recipient or expected recipient of a payment under this Agreement shall take such steps as the payor may reasonably request in order to claim from the appropriate Taxation Authority any exemption, rate reduction, refund, credit or similar benefit (including pursuant to any relevant double tax treaty) to which it is entitled in respect of any deduction or withholding in respect of which a payment has been or would otherwise be required to be made pursuant to Clause 20.1 and, for such purposes, shall, within any applicable time limits, submit any claims, notices, returns or applications as the payor may reasonably request and send a copy of them to the payor.

20.3 If the recipient of a payment made under this Agreement receives a credit for or refund of any Taxation payable by it or similar benefit by reason of any deduction or withholding for or on account of Taxation then it shall reimburse to the payor such part of such additional amounts paid pursuant to Clause 20.1 above as the recipient of the payment certifies to the payor will leave the recipient (after such reimbursement) in no better and no worse position than the recipient would have been in if the payor had not been required to make such deduction or withholding.

21. Guarantee

21.1 In consideration of the Purchaser entering into this Agreement, the Guarantor irrevocably and unconditionally guarantees to the Purchaser and each Relevant Purchaser punctual performance by the Relevant Sellers of all of such Relevant Sellers' obligations under this Agreement, the Local Transfer Documents and the other Transaction Documents and undertakes to the Purchaser and each Relevant Purchaser that:

(a) whenever any of the Relevant Sellers do not pay any amount when due under or in connection with this Agreement or any other Transaction Document, the Guarantor shall immediately on demand pay that amount as if it was the principal obligor;

(b) whenever any of the Relevant Sellers fail to perform any other obligations under this Agreement, the Local Transfer Documents or any other Transaction Document, the Guarantor shall immediately on demand perform (or procure performance of) and satisfy (or procure the satisfaction of) that obligation; and

(c) agrees as principal debtor and primary obligor to indemnify the Purchaser and each Relevant Purchaser against all losses and damages sustained by it flowing from any non-payment or default of any kind by any of the Relevant Sellers under or pursuant to this Agreement, the Local Transfer Documents or any Transaction Document,

so that the same benefits are conferred on the Purchaser and each Relevant Purchaser as it would have received if such obligation had been performed and satisfied by any of the Relevant Sellers.

21.2 This guarantee is a continuing guarantee and will extend to the ultimate balance of sums payable by any of the Relevant Sellers under this Agreement, the Local Transfer Documents and the other Transaction Documents, regardless of any intermediate payment or discharge in whole or in part.

21.3 Save to the extent provided in Clause 21.4, the obligations of the Guarantor will not be discharged or affected by:

(a) any time, waiver or consent granted to the Relevant Sellers or any other person;

(b) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against the Relevant Sellers under this Agreement, the Local Transfer Documents or any other Transaction Document;

(c) the insolvency (or similar proceedings) of any of the Relevant Sellers, any incapacity or lack of power, authority or legal personality of any of the Relevant Sellers or change in control, ownership or status of any of the Relevant Sellers;

(d) any unenforceability or invalidity of any obligation of any of the Relevant Sellers; or

(e) any amendment to this Agreement, the Local Transfer Documents or any other Transaction Document.

21.4 For the avoidance of doubt, the Guarantor shall have no liability under this Clause 21 in respect of any liability of any of the Relevant Sellers under this Agreement, the Local Transfer Documents or any other Transaction Document to the extent that such liability is excluded by any provision of Schedule 4 (*Seller's Limitations on Liability*) and, where any obligation or liability of any of the Relevant Sellers is either:

(a) amended or varied in accordance with Clause 26 (*Variations*); or

(b) waived to any extent in a manner that is effective in accordance with Clause 27 (*Remedies and Waivers*),

the Guarantor's obligations under this Clause 21 in respect of such obligation or liability as it subsists following such amendment, variation or waiver shall be determined by reference to such obligation as so amended or varied, or taking account of the extent to which such obligation or liability has been so waived.

21.5 The Guarantor warrants to the Purchaser that: (a) it has full power and authority to enter into and perform this Agreement; (b) this guarantee constitutes its legal, valid and binding obligations enforceable against it in accordance with its terms; and (c) its execution, delivery and performance of this Agreement will not constitute a breach of (i) any provision of its articles of association, by laws or equivalent constitutional documents; or (ii) any order, judgment or decree of any court or governmental authority by which it is bound.

21.6 Until all amounts which may be or become payable by any of the Relevant Sellers under or in connection with this Agreement, the Local Transfer Documents and any other Transaction Document have been irrevocably paid in full, the Purchaser and each Relevant Purchaser shall not be obliged to apply any sums held or received by it from the Guarantor towards payment of any of the Relevant Sellers' obligations.

22. Assignment

The Purchaser and the Relevant Purchasers may not assign, transfer, create an Encumbrance over, declare a trust of or otherwise dispose of all or any part of its rights and benefits under this Agreement or any other Transaction Document (including any cause of action arising in connection with any of them) or of any right or interest in any of them, save that:

(a) the Purchaser and the Relevant Purchasers may assign (in whole or in part) the benefit of this Agreement, the Local Transfer Documents or any other Transaction Document to any other member of the Purchaser's Group provided that if such assignee ceases to be a member of the Purchaser's Group all benefits relating to this Agreement, the Local Transfer Documents or any other Transaction Document assigned to such assignee shall be deemed automatically by that fact to be re-assigned to the Purchaser or a Relevant Purchaser immediately before such cessation; and

(b) the Purchaser, each of the Relevant Purchasers or any member of the Purchaser's Group may charge and/or assign the benefit of this Agreement, the Local Transfer Documents or any other Transaction Document to any person providing debt financing and/or hedging facilities to the Purchaser, each of the Relevant Purchasers or any member of the Purchaser's Group or to any security agent or any person or persons acting as trustee, nominee or agent for any such person by way of security for the facilities being made or to be made available to the Purchaser, each of the Relevant Purchasers or any member of the Purchaser's Group

and any such person, security agent, trustee, nominee or agent may also, in the event of enforcement of such security in accordance with its terms, assign the benefit of such obligations and rights to a purchaser or assignee who acquires a Group Company or all or part of its business from that person, security agent, trustee, nominee or agent (or any receiver appointed by any of them).

23. Further Assurance

23.1 Insofar as it is able to do so after Completion, the Seller shall (and shall procure that the Relevant Sellers shall) from time to time and at their cost do, execute and deliver or procure to be done, executed and delivered all such further acts, documents and things reasonably required by the Purchaser in order to give full effect to this Agreement.

23.2 For so long after Completion as any Share Seller or any nominee of it remains the registered holder of any Shares, the Seller shall procure that such Share Seller shall hold (or direct the relevant nominee to hold) the relevant Shares and any distributions, property and rights deriving from it in trust for the Purchaser (or the relevant Relevant Purchaser) and shall deal with the relevant Shares and any distributions, property and rights deriving from it as the Purchaser (or the relevant Relevant Purchaser) directs; in particular, the Seller shall procure that the Share Seller shall exercise all voting rights as the Purchaser (or the relevant Relevant Purchaser) directs or shall execute an instrument of proxy or other document which enables the Purchaser (or the relevant Relevant Purchaser) or its representative to attend and vote at any meeting of the Group Company concerned.

23.3 For so long after Completion as any Business Seller or any nominee of it remains the registered holder of any International Business Asset, the Seller shall procure that it shall hold (or direct the relevant nominee to hold) that International Business Asset and any distributions, property and rights deriving from it in trust for the Purchaser (or the relevant Relevant Purchaser) absolutely and shall deal with that International Business Asset and any distributions, property and rights deriving from it as the Purchaser (or the relevant Relevant Purchaser) directs.

24. Entire Agreement

24.1 This Agreement, together with the Transaction Documents and any other documents referred to in this Agreement or any Transaction Document, constitutes the whole agreement between the Parties and supersedes any previous arrangements or agreements between them relating to the sale and purchase of the Group.

24.2 Each Party confirms that it has not entered into this Agreement or any other Transaction Document on the basis of any representation, warranty, undertaking or other statement whatsoever by another Party or any of its Related Persons which is not expressly incorporated into this Agreement or the relevant Transaction Document and that, to the extent permitted by law, a Party shall have no right or remedy in relation to action taken in connection with this Agreement or any other Transaction Document other than pursuant to this Agreement or the relevant Transaction Document and each Party waives all and any other rights or remedies.

24.3 A Party’s only right or remedy in respect of any provision of this Agreement or any other Transaction Document shall be for breach of this Agreement or that Transaction Document, and no party shall have any right or remedy in respect of misrepresentation (whether negligent or innocent and whether made prior to and/or in this Agreement) and each Party waives all and any rights or remedies in

respect of misrepresentation which it may have in relation to any matter to the fullest extent permitted by law.

24.4 Save for any claim under or for breach of this Agreement or any other Transaction Document, no Party nor any of its Related Persons shall have any right or remedy, or make any claim, against another Party nor any of its Related Persons in connection with the sale and purchase of the Group.

24.5 In this Clause 24, "**Related Persons**" means, in relation to a Party, members of the Relevant Party's Group and the Agents of that Party and of members of the Relevant Party's Group.

24.6 Nothing in this Clause 24 shall operate to limit or exclude any liability for fraud.

25. Severance and Validity

If any provision of this Agreement is or becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, it shall be deemed to be severed from this Agreement. The remaining provisions will remain in full force in that jurisdiction and all provisions will continue in full force in any other jurisdiction.

26. Variations

No variation of this Agreement shall be effective unless in writing and signed by or on behalf of the Parties.

27. Remedies and Waivers

27.1 No waiver of any right under this Agreement or any other Transaction Document shall be effective unless in writing. Unless expressly stated otherwise a waiver shall be effective only in the circumstances for which it is given.

27.2 No delay or omission by any Party in exercising any right or remedy provided by law or under this Agreement, save to the extent otherwise provided in Schedule 4 (*Seller's Limitations on Liability*), shall constitute a waiver of such right or remedy.

27.3 The single or partial exercise of a right or remedy under this Agreement shall not preclude any other nor restrict any further exercise of any such right or remedy.

27.4 The rights and remedies provided in this Agreement are cumulative and do not exclude any rights or remedies provided by law except as otherwise expressly provided.

28. Effect of Completion

The provisions of this Agreement, including but not limited to the Warranties, and of the other Transaction Documents, shall continue in full force and effect notwithstanding Completion.

29. Third Party Rights

29.1 This Agreement is made for the benefit of the Parties and their successors and is not intended to benefit any other person, and no other person shall have any right to enforce any of its terms, except that:

(a) Clause 11 (*Purchaser's Warranties and Undertakings*) and Clause 18.2 (*Confidentiality*) are intended to benefit members of the Seller's Group;

(b) Clause 9 (*Seller's Warranties and Undertakings*) and Clause 18.1 (*Confidentiality*) are intended to benefit members of the Purchaser's Group;

(c) Clause 9.2 is intended to benefit Employees;

(d) Clause 24 (*Entire Agreement*) is intended to benefit a Party's Related Persons;

(e) each provision of this Agreement that is expressed to confer a benefit on a Relevant Purchaser other than the Purchaser is intended to benefit each such Relevant Purchaser;

(f) each provision of this Agreement that is expressed to confer a benefit on a Relevant Seller other than the Seller is intended to benefit such Relevant Seller,

and each such Clause or provision shall be enforceable by any of them to the fullest extent permitted by law, subject to the other terms and conditions of this Agreement.

29.2 The Parties may amend or vary this Agreement in accordance with its terms without the consent of any other person.

30. Payments

30.1 Any amount payable by the Seller or the Guarantor to, or at the direction of, the Purchaser under this Agreement shall, so far as possible, be deemed to be a reduction of the Purchase Price and each of the Seller, the Guarantor and the Purchaser shall to the extent permitted by law treat such payments as a reduction of the Purchase Price for all tax purposes. Insofar as any identifiable part of any payment made by the Seller or the Guarantor to, or at the direction of, the Purchaser under this Agreement relates to any Group Company, Group Business, International Business Contract, item of Business Intellectual Property or other asset of the Group Businesses, that part of that payment shall (in each case so far as possible) adjust that part of the Purchase Price allocated to the relevant Group Company, Group Business, International Business Contract, item of Business Intellectual Property or other asset of the Group Businesses under the Purchase Price Allocation Agreement on a basis agreed between the Seller and the Purchaser (each acting reasonably and in good faith).

30.2 The Parties shall consult with one another in good faith with a view to determining the most appropriate mechanism and treatment of any payments to be made or settled in accordance with this Agreement (including whether such payments are made or received by the Purchaser as principal or on behalf of a Relevant Purchaser) and the nature of any documentation that may be reasonably required to reflect such mechanism and treatment. The Parties shall take into account (inter alia) the consequences of any such payment and the impact on the availability of any Relief (as defined in the Tax Deed) which has been claimed by any Party or any Relevant Purchaser.

31. Costs, Expenses and Stamp Duty

31.1 Except as expressly provided otherwise in this Agreement, each Party shall pay its own costs and expenses in connection with the negotiation, preparation and performance of this Agreement and the other Transaction Documents.

31.2 Subject to Clauses 31.3 and 31.4, the Purchaser shall bear the cost of all stamp duty, notarial fees and all registration and transfer taxes and duties or their equivalents in all jurisdictions (the "**Transfer Taxes**") where such fees, taxes and duties are payable as a result of the transfer of the Shares and Group Businesses contemplated by this Agreement. The Purchaser shall be responsible for arranging the payment of such stamp duty and all other such fees, taxes and duties, including fulfilling any administrative or reporting obligation imposed by the jurisdiction in question in connection with such payment.

31.3 If the Transfer Taxes (for the avoidance of doubt, calculated on the basis of values set out in the Purchase Price Allocation Agreement) which are payable by the Purchaser in respect of the acquisition of the Business carried on in France, Germany and the UK (excluding any stamp duty land tax if and to the extent that it is attributable to VAT being chargeable in respect of the transfer of any Opted Property, where such VAT would not have been chargeable but for the relevant Business Purchaser deciding not to exercise the option to tax for VAT purposes in respect of that Opted Property) are more than the stamp duty that would have been payable had the Business carried on in France, Germany and the UK been transferred by transferring the shares in the Business Sellers in the UK, France and Germany to the Purchaser at Completion then the Seller shall pay to the Purchaser an amount in cash in euros which is equal to such excess (the "**Transfer Tax Payment**").

31.4 The Transfer Tax Payment shall be estimated by the Purchaser in accordance with the values set out in the Purchase Price Allocation Agreement no less than 5 (five) Business Days prior to Completion (the "**Estimated Transfer Tax Payment**") and paid by the Seller to the Purchaser at Completion. The final Transfer Tax Payment (the "**Final Transfer Tax Payment**") will be calculated by the Purchaser after Completion on the basis of the final values set out in the Purchase Price Allocation Agreement. If: (i) the Final Transfer Tax Payment is greater than the Estimated Transfer Tax Payment, the Seller shall pay to the Purchaser an amount equal to the difference between the two amounts; and (ii) the Final Transfer Tax Payment is less than the Estimated Transfer Tax Payment, the Purchaser shall pay to the Seller an amount equal to the difference between the two amounts, such payments to be made no later than fifteen (15) Business Days after the Final Transfer Tax Payment is determined. The Purchaser shall, as soon as reasonably practicable after determining its calculation of the Final Transfer Tax Payment, provide the Seller with the calculations upon which such determination is based, and the Seller shall be entitled to dispute such determination within thirty (30) days of its receipt of such calculations by giving notice to the Purchaser of such dispute and the reasons for such dispute (including reasonable detail of such reasons) (the "**Transfer Taxes Disputed Matters**") (a "**Transfer Taxes Dispute Notice**"). If the Seller gives a valid Transfer Taxes Dispute Notice within such thirty (30) days, the Seller and the Purchaser shall attempt in good faith to reach agreement in respect of the Transfer Taxes Disputed Matters and, if they are unable to do so within twenty-one (21) days of such notification, the Seller or the Purchaser may by notice to the other require that the Transfer Taxes Disputed Matters be referred to the Reporting Accountants and paragraphs 3.4 to 3.10 of Part 1 of Schedule 7 shall apply *mutatis mutandis* to the engagements and the determination of the Reporting Accountants hereunder.

32. Notices

32.1 Any notice or other communication to be given under or in connection with this Agreement ("**Notice**") shall be in the English language in writing and signed by or on behalf of the Party giving it. A Notice may be delivered personally or sent by pre-paid recorded delivery or international courier to the address provided in Clause 32.3, and marked for the attention of the person specified in that Clause.

32.2 A Notice shall be deemed to have been received:

(a) at the time of delivery if delivered personally;

(b) two (2) Business Days after the time and date of posting if sent by pre-paid recorded delivery; or

(c) three (3) Business Days after the time and date of posting if sent by international courier,

provided that if deemed receipt of any Notice occurs after 6pm or is not on a Business Day, deemed receipt of the Notice shall be 9am on the next Business Day. References to time in this Clause 32 are to local time in the country of the addressee.

32.3 The addresses for service of Notice are:

Seller:

Name: Scotts-Sierra Investments LLC
Address: 14111 Scottslawn Road, Marysville, Ohio 43041,
United States of America
For the attention of: General Counsel

Guarantor:

Name: The Scotts Miracle-Gro Company
Address: 14111 Scottslawn Road, Marysville, Ohio 43041,
United States of America
For the attention of: General Counsel

Purchaser:

Name: Garden Care Bidco Limited
Address: 6th Floor, 30 Broadwick Street, London,
United Kingdom, W1F 8JB
For the attention of: Simon Davidson

with a copy to Allen & Overy LLP, One Bishops Square, E1 6AD for the attention of Gordon Milne (delivery of such copy shall not in itself constitute valid notice).

32.4 A Party shall notify the other Party of any change to its details in Clause 32.3 in accordance with the provisions of this Clause 32, provided that such notification shall only be effective on the later of the date specified in the notification and five (5) Business Days after deemed receipt.

33. Counterparts

This Agreement may be executed in counterparts and shall be effective when each Party has executed and delivered a counterpart. Each counterpart shall constitute an original of this Agreement, but all the counterparts shall together constitute one and the same instrument.

34. Time not of the Essence

Time shall not be of the essence of this Agreement whether as regards any dates, times and periods mentioned, as regards any dates, times and periods which may be substituted for them in accordance with this Agreement or by agreement in writing between the Parties or otherwise.

35. Governing Law and Jurisdiction

35.1 This Agreement, including any non-contractual obligations arising out of or in connection with this Agreement, is governed by and shall be construed in accordance with English law.

35.2 The Parties agree that the courts of England shall have exclusive jurisdiction to hear and determine any suit, action or proceedings arising out of or in connection with this Agreement (including any non-contractual obligations arising out of or in connection with this Agreement) ("**Proceedings**") and, for such purposes, irrevocably submit to the jurisdiction of such courts.

36. Agent for Service of Process

36.1 The Seller and the Guarantor each irrevocably appoint The Scotts Company (UK) Limited, c/o White & Case LLP, 5 Old Broad St, London EC2N 1DW as its agent for service of process in England.

36.2 If any person appointed as agent for service of process ceases to act as such the relevant Party shall immediately appoint another person to accept service of process on its behalf in England and notify the Purchaser of such appointment. If it fails to do so within ten (10) Business Days the Purchaser shall be entitled by notice to the relevant Party to appoint a replacement agent for service of process.

This Agreement has been entered into by the Parties on the date first above written.

Signed for and on behalf
of **Scotts-Sierra Investments LLC**

/s/ Katy Wiles

Signed for and on behalf
of **The Scotts Miracle-Gro Company**

/s/ Thomas Randal Coleman

Signed for and on behalf
of **Garden Care Bidco Limited**

/s/ Simon Davidson

Exhibit 2
Acceptance Notice pursuant to paragraph 1.2 of the Offer Letter

[ON THE LETTERHEAD OF SCOTTS-SIERRA INVESTMENTS LLC]

TO: **Garden Care Bidco Limited**

DATE: , 2017

We refer to the letter dated ,2017 from the Purchaser addressed to the Seller and the Guarantor concerning the Offer for the acquisition of the Shares and Businesses of the Companies listed in Parts 1 and 2 of Schedule 1 to the Sale and Purchase Agreement (the "**Offer Letter**").

Capitalised terms used but not otherwise defined herein shall have the same meaning as ascribed to them in the Offer Letter.

The Seller hereby provides notice to the Purchaser of the Seller's agreement to accept the Offer and proceed with the Transaction on the terms and conditions set out in the Sale and Purchase Agreement. Enclosed with this notice is the Sale and Purchase Agreement executed by the Seller and the Guarantor. This notice constitutes the acceptance notice from the Seller to the Purchaser for the purposes of paragraph 1.2 of the Offer Letter.

This notice and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with English law.

on behalf of SCOTTS-SIERRA INVESTMENTS LLC,

Exhibit 21

DIRECT AND INDIRECT SUBSIDIARIES OF
THE SCOTTS MIRACLE-GRO COMPANY

Directly owned subsidiaries, as of July 1, 2017, 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
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.[1]	Mexico
Scotts Professional Products Co.	Ohio
Scotts Servicios, S.A. de C.V.[1]	Mexico
SLS Holdings, Inc.	Delaware
Outdoor Home Services Holdings LLC[2]	Delaware
SMG Growing Media, Inc.	Ohio
AeroGrow International, Inc.[3]	Nevada
Hyponex Corporation	Delaware
Rod McLellan Company	California
The Hawthorne Gardening Company	Delaware
Hawthorne Canada Limited	Canada
Hawthorne Hydroponics LLC	Delaware
Hawthorne Holdings B.V.	Netherlands
Hawthorne Gardening B.V.	Netherlands
Gavita Partners B.V.[4]	Netherlands
Gavita International B.V.	Netherlands
Agrolux Holding B.V.	Netherlands
HDP Trading B.V.	Netherlands
Agrolux Europe B.V.	Netherlands
Agrolux Nederland B.V.	Netherlands
Agrolux Lighting Holding Inc.	Canada
Agrolux Lighting Inc.	Canada

[1] Scotts Professional Products Co. owns 50% and Scotts Products Co. owns 50%.
[2] SLS Holdings, Inc.'s ownership is 29.9%.
[3] SMG Growing Media, Inc.'s ownership is 81.3%.
[4] Hawthorne Gardening B.V.'s ownership is 95%.

Gavita Holdings B.V.	Netherlands
Gavita Holland B.V.	Netherlands
Gavita Nederland B.V.	Netherlands
Gavita Canada Inc.	Canada
Gavita AS	Norway
HGCI, Inc.	Nevada
SMG ITO Holdings, Inc.	Ohio
Seamless Control LLC	Delaware
SMGM LLC	Ohio
Scotts-Sierra Investments LLC	Delaware
ASEF B.V.	Netherlands
Scotts Asia, Limited	Hong Kong
Scotts Australia Pty Limited	Australia
Scotts Gardening Fertilizer (Wuhan) Co., Ltd.	China
Scotts Benelux BVBA[5]	Belgium
Scotts Canada Ltd.	Canada
Laketon Peat Moss Inc.[6]	Canada
Scotts Czech s.r.o.	Czech Republic
Scotts de Mexico SA de CV[7]	Mexico
Scotts France Holdings SARL	France
Scotts France SAS	France
Scotts Celaflor GmbH	Germany
Scotts Celaflor HGmbH	Austria
Scotts Holdings Limited	United Kingdom
Levington Group Limited	United Kingdom
The Scotts Company (UK) Limited	United Kingdom
The Scotts Company (Manufacturing) Limited	United Kingdom
Humax Horticulture Limited	United Kingdom
O M Scott International Investments Limited	United Kingdom
Scotts Poland Sp.z.o.o.	Poland
Teak 2, Ltd.	Delaware
Swiss Farms Products, Inc.	Delaware
The Scotts Company LLC	Ohio
The Scotts Miracle-Gro Foundation	Ohio

[5] OMS Investments, Inc. owns 0.1% and Scotts-Sierra Investments LLC owns the remaining 99.9%.
[6] Scotts Canada Ltd.'s ownership is 50.0%.
[7] The Scotts Company LLC owns 0.5% and Scotts-Sierra Investments LLC owns the remaining 99.5%.

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 July 1, 2017;
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: August 10, 2017

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 July 1, 2017;
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: August 10, 2017

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 July 1, 2017 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
August 10, 2017	August 10, 2017

* 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.