FORM 10-K405

Annual report pursuant to section 13 and 15(d), Regulation S-K Item 405

Filing Date: **1996-12-30** | Period of Report: **1996-09-30**
SEC Accession No. 0000912057-96-030425

FILER

SCOTTS COMPANY
CIK:**825542**| IRS No.: **311199481** | State of Incorp.:**OH** | Fiscal Year End: **0930**
Type: **10-K405** | Act: **34** | File No.: **001-11593** | Film No.: **96687553**
SIC: **2870** Agricultural chemicals

Mailing Address
14111 SCOTTSLAWN ROAD
MARYSVILLE OH 43041

Business Address
14111 SCOTTSLAWN RD
MARYSVILLE OH 43041
5136440011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
FORM 10-K

(Mark One)

(X) ANNUAL REPORT PURSUANT TO SECTION 13 or 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934 (FEE REQUIRED)

For the fiscal year ended September 30, 1996

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

For the transition period from _____ to _____

Commission file number 1-11593

The Scotts Company

(Exact name of registrant as specified in its charter)

Ohio	31-1199481
(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)

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

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

Title of Each Class	Name of Each Exchange On Which Registered
9 7/8% Senior Subordinated Notes due August 1, 2004	New York Stock Exchange
Common Shares, Without Par Value (18,575,293 Common Shares outstanding at December 2, 1996)	New York Stock Exchange

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. (X)

The aggregate market value of the voting stock held by non-affiliates of the registrant at December 2, 1996 was $ 330,616,046.20.

DOCUMENTS INCORPORATED BY REFERENCE

PORTIONS OF THE REGISTRANT'S ANNUAL REPORT TO SHAREHOLDERS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1996 ARE INCORPORATED BY REFERENCE INTO PARTS I, II AND IV HEREOF. PORTIONS OF THE PROXY STATEMENT FOR REGISTRANT'S 1997 ANNUAL MEETING OF SHAREHOLDERS TO BE HELD MARCH 12, 1997, ARE INCORPORATED BY REFERENCE INTO PART III HEREOF.

This report contains 304 pages of which this is Page 1. The Index to Exhibits begins at page 92.

PART I

ITEM 1. BUSINESS.

The Scotts Company ("Scotts"), through its wholly-owned subsidiaries, Hyponex Corporation ("Hyponex"), Scotts-Sierra Horticultural Products Company

("Sierra"), Republic Tool and Manufacturing Corp. ("Republic"), Scotts' Miracle-Gro Products, Inc. and their subsidiaries (collectively, the "Company"), is one of the oldest and most widely recognized manufacturers of products used to grow and maintain landscapes: lawns, gardens and golf courses. The Company's Scotts-Registered Trademark-and Turf Builder-Registered Trademark- (for consumer lawn care), Miracle-Gro-Registered Trademark- and Miracid-Registered Trademark- (for garden care), ProTurf-Registered Trademark- (for professional turf care) and Osmocote-Registered Trademark- (for consumer garden and professional horticulture) brands command market-leading shares more than double those of the next ranked competitors, in the referenced consumer or professional subgroup.

The Company's long history of technical innovation, its reputation for quality and service and its marketing tailored to the needs of do-it-yourselfers and professionals have enabled the Company to maintain leadership in its markets while delivering consistent growth in the Company's net sales. Do-it-yourselfers and professionals purchase through different distribution channels and have different information and product needs. Accordingly, the Company has historically had two business groups, Consumer and Professional, to serve its domestic markets, as well as an International Group to serve its markets outside of North America. For fiscal 1997, the Company has reorganized into six business groups comprised of Consumer Lawns, Consumer Gardens, Organics, Professional and International Groups, plus an Operations Group.

On May 19, 1995, pursuant to the Amended and Restated Agreement and Plan of Merger, dated as of May 19, 1995, amending and restating the original Agreement and Plan of Merger, dated as of January 26, 1995 (as so amended and restated, the "Merger Agreement"), the Company acquired Stern's Miracle-Gro Products, Inc. ("Miracle-Gro Products"), Miracle-Gro Products Limited ("Miracle-Gro UK"), Miracle-Gro Lawn Products, Inc. ("Miracle-Gro Lawn Products") and the assets of Stern's Nurseries, Inc. ("Nurseries") (collectively, the "Miracle-Gro Companies"). The acquisition was structured as a merger of Scotts' wholly-owned subsidiary, ZYX Corporation ("Merger Sub") into Miracle-Gro Products (the "Merger"), with Miracle-Gro Products surviving, followed by stock transfers of all of the outstanding capital stock of Miracle-Gro UK and Miracle-Gro Lawn Products to Miracle-Gro Products (the "Subsequent Stock Transfers") and an asset transfer of all of the assets, but none of the liabilities, of Nurseries to Miracle-Gro Products (the "Asset Transfer" and, collectively with the Merger and the Subsequent Stock Transfers, the "Merger Transactions"). Following the Merger Transactions, Miracle-Gro Products was merged into its wholly-owned subsidiary, Scotts' Miracle-Gro Products, Inc., which is the ultimate surviving corporation of the Merger Transactions ("Scotts' Miracle-Gro"). Scotts' Miracle-Gro markets the leading brands of garden plant foods, Miracle-Gro-Registered Trademark- and Miracid-Registered Trademark-.

By operation of the Merger, each share of capital stock of Merger Sub was converted into one share of the voting common stock of Miracle-Gro Products, and the outstanding capital stock of Miracle-Gro Products was converted into the right to receive Scotts' Class A Convertible Preferred Stock (the "Convertible Preferred Stock") and warrants to acquire common shares of Scotts (the "Warrants"), as described below. As a result of the Merger Transactions, Scotts became the owner of all of the outstanding shares of common stock of the surviving corporation, Miracle-Gro Products, and its wholly-owned subsidiaries, Miracle-Gro UK and Miracle-Gro Lawn Products.

Prior to the Merger Transactions, the Miracle-Gro Companies were privately held by: Horace Hagedorn, Chairman and Chief Executive Officer of Miracle-Gro Products, individually; members of the Hagedorn family through Hagedorn Partnership, L.P. (the "Hagedorn Partnership"); Community Funds, Inc., a New York not-for-profit corporation (the "Charity"), as a result of a charitable donation by Mr. Hagedorn on May 1, 1995; and John Kenlon, the President of Scotts' Miracle-Gro.

As consideration for the Merger Transactions, Mr. Hagedorn, the Hagedorn Partnership, the Charity and Mr. Kenlon received, in the aggregate, $195,000,000 face amount of Convertible Preferred Stock, convertible at $19 per share (subject to adjustment) into approximately 35% of the total voting power of Scotts, and Warrants to purchase, at prices ranging from $21 to $29 per share, an additional

3,000,000 common shares of Scotts, which, if exercised, would enable them to exercise, together with the Convertible Preferred Stock, approximately 42% of the total voting power of Scotts.

CONSUMER BUSINESS GROUP

PRODUCTS

The Company's consumer products include lawn fertilizers and lawn fertilizer/control combination products, garden and indoor plant care products, garden tools, potting soils and other organic products, grass seed and lawn

spreaders.

CONSUMER LAWNS PRODUCTS. Among the Company's most important consumer products are lawn fertilizers, such as Scotts Turf Builder-Registered Trademark-, and combination fertilizer/control products, such as Scotts Turf Builder Plus 2-Registered Trademark- and Scotts Turf Builder Plus Halts-Registered Trademark-. Typically, these are patented, homogeneous, controlled-release products which provide complete controlled feeding for consumers' lawns for up to two months without the risk of damage to the lawn presented by less expensive controlled and non-controlled-release products. Some of the Company's products are specially formulated for geographical differences and some, such as Bonus-Registered Trademark- S (to control weeds in Southern grasses), are distributed to limited areas. The Company's lawn fertilizer and combination products are sold in dry, granular form. In 1996, a granular lawn food product, along with a combination weed and feed lawn product, were sold by the Company under the Miracle-Gro-Registered Trademark- name nationwide.

Management estimates that in fiscal 1996, the Company's share of the U.S. do-it-yourself consumer lawn chemicals products market was approximately 51% (includes Miracle-Gro lawn products), more than double that of the second leading brand.

The Company sells numerous varieties and blends of high quality grass seed, many of them proprietary, designed for different uses and geographies. Management estimates that the Company's share of the U.S. consumer grass seed market (includes PatchMaster-Registered Trademark- products) was approximately 32% in fiscal 1996.

Because the Company's granular lawn care products perform best when applied evenly and accurately, the Company sells a line of spreaders specifically manufactured and developed for use with its products. This line includes the SpeedyGreen-Registered Trademark- and EasyGreen-Registered Trademark- rotary spreaders, the PrecisionGreen-Registered Trademark- and AccuGreen-Registered Trademark- drop spreaders, and the HandyGreen-Registered Trademark- hand-held rotary spreader, all marketed under the Scotts-Registered Trademark- brand name.

Since the acquisition of Republic in November 1992, the Company has continued to market both its line of Scotts-Registered Trademark- spreaders and Republic's E-Z line of spreaders and to integrate the manufacture of its spreaders through Republic. Management estimates that the Company's share of the U.S. market for lawn spreaders and garden carts was approximately 56% in fiscal 1996.

The Company has a licensing agreement in place with Union Tools, Inc. ("Union") under which Union, in return for the payment of royalties, is granted the right to produce and market a line of garden tools bearing the Scotts trademark. The Company also is a party to a licensing agreement with American Lawn Mower Company ("American") under which American, in return for the payment of royalties, is granted the right to produce and market a line of push-type reel lawn mowers bearing the Scotts trademark. In management's estimation, the Company did not have a material share of the markets for these products in fiscal 1996.

CONSUMER GARDENS PRODUCTS. The Company sells a complete line of water soluble fertilizers under the Miracle-Gro-Registered Trademark- brand name. These products are primarily used for garden fertilizer application. The Company also produces and sells a line of boxed Scotts-Registered Trademark- Plant Foods, garden and landscape fertilizers, Osmocote-Registered Trademark- controlled-release garden fertilizers, and hose-end feeders.

Scotts' Miracle-Gro markets and distributes the leading line of water-soluble plant foods. These products are designed to be dissolved in water, creating a dilute nutrient solution which is poured over plants and rapidly absorbed by their roots and leaves.

Miracle-Gro-Registered Trademark- All-Purpose Water-Soluble Plant Food is the leading product in the Miracle-Gro line. Other water-soluble plant foods in the product line include Miracid-Registered Trademark- for acid loving plants, Miracle-Gro-Registered Trademark- for Roses, and Miracle-Gro-Registered Trademark- for Tomatoes. Scotts' Miracle-Gro also sells a line of hose-end applicators for water-soluble plant foods, through the Miracle-Gro No-Clog-Registered Trademark- Garden and Lawn Feeder line, which allow consumers to apply water-soluble fertilizers to large areas quickly and easily with no mixing or measuring required. Scotts' Miracle-Gro also markets a line of products for houseplant use including Liquid Miracle-Gro-Registered Trademark-, African Violet Food, Plant Food Spikes, Leaf Shine and Orchid Food (new in 1996).

Management estimates that in fiscal 1996, the Company's share of the garden and indoor plant foods market was approximately 59% (includes Miracle-Gro products).

ORGANICS PRODUCTS. The Company sells a broad line of organic products under the Scotts-Registered Trademark-, Hyponex-Registered Trademark-, Peters-Registered Trademark- Professional-Registered Trademark- and other labels, including retail potting soils, topsoil, humus, peat, manures, soil conditioners, bark and mulches. Management estimates that the Company's fiscal 1996 U.S. market share was approximately 45% in potting soils and other consumer organic products.

CONSUMER BUSINESS GROUP STRATEGY

The Company believes that it has achieved its leading position in the do-it-yourself lawn care and garden markets on the basis of its strong marketing programs, its sophisticated technology, the superior quality and value of its products, and the service it provides its customers. The Company seeks to maintain and expand its market position by emphasizing these qualities and taking advantage of the name and reputation of its many strong brands such as Scotts-Registered Trademark-, Miracle-Gro-Registered Trademark- and Hyponex-Registered Trademark-. Through its Scotts-Registered Trademark-, Peters-Registered Trademark- and Hyponex-Registered Trademark- labels, the Company has also focused on increasing sales of its higher margin organic products such as potting soils.

The Company is the market leader in the lawn, garden and organics segments of the growing lawn and garden market. Population trends indicate that the consumer segment age of 40 and older, who represent the largest group of lawn and garden product users, will grow by 30% from 1995 to 2010, a growth rate more than twice that of the total population.

Drawing upon its strong research and development capabilities, the Company intends to continue to develop and introduce new and innovative lawn and garden products. The Company believes that its ability to introduce successful new consumer products has been a key element in the Company's growth. New consumer products in recent years include: PatchMaster-Registered Trademark- (1992), a unique lawn repair product containing seed, Scotts Starter-Registered Trademark-fertilizer and mulch; a Poly-S-Registered Trademark- lawn fertilizer line(1993), which utilizes Scotts proprietary controlled-release technology to provide a lower priced product offering versus the premium Turf Builder-Registered Trademark- line; new AccuGreen-Registered Trademark- and Speedy Green-Registered Trademark- (1994) spreaders which are shipped and sold fully assembled; Scotts planting soils (1994), a line of ready-to-use, value-added soils which help simplify the do-it-yourself gardener's task and deliver superior growing performance; Miracle-Gro-Registered Trademark- Quick Start, a liquid starter solution for newly planted or young plants; GRUBEX-TM- (1995), providing season-long lawn protection against grubs; YardAll-TM- (1995), an extra large lawn and garden cart; flat-bottom, stand-up bags (1995) for soil products, which improve merchandising for retail customers; the redesigned HandyGreen-Registered Trademark- II (1996), a hand-held rotary spreader with an arm support; Vegi-Gro-TM-(1996), a soil product specially formulated to grow larger vegetables; and two new grass seed products, Mirage-TM- and Spring-Up-TM-, grass seed blends for rapid seeding in the spring. In 1997, the Company plans to introduce a new GRUBEX-TM- product, which provides lawn fertilizer and season-long grub control in one application.

The Company also seeks to capitalize upon the competitive advantages stemming from its position as the leading nationwide supplier of a full line of consumer lawn and garden products. The

Company believes that this gives it an advantage in selling to larger retailers, who value the efficiency of dealing with a limited number of suppliers.

The Company has developed a program to take advantage of Hyponex's composting expertise and the increasing concern about landfill capacity by entering into agreements with municipalities and waste haulers to compost yard waste. The Company now has twelve compost facilities. In addition to service fees, the Company substitutes the resulting compost for a portion of the raw materials in Hyponex and other Company products.

MARKETING AND PROMOTION

The Company employs a 79-person direct sales force and numerous distributors for its consumer lawn products to cover over 20,000 retail outlets and headquarters of national, regional and local chains. For fiscal 1997, a separate sales force has been established for the newly formed Organics business group. For fiscal 1997, some of the Company's direct sales personnel will supervise in-store retail merchandisers. The Company also plans to employ over 250 seasonal part-time merchandisers and in-store weekend counselors, in connection with the Company's increased emphasis on in-store retail merchandising. Most retail sales of the Company's lawn and garden products occur on weekends during the months of early spring and summer. Most of the Company's salespeople have college degrees and prior sales experience. In recent

years, the percentage of sales to mass merchandisers and home improvement centers has increased. The top ten accounts (which include three buying groups of independent retailers) represented 70% of the Consumer Business Group sales in fiscal 1995 and 72% in 1996.

The Company continues to support its independent retailers. The Company has developed a special line of products, marketed under the Lawn Pro-Registered Trademark- name, which is sold by independent retailers. These products include the 4-Step-TM- program, introduced in 1984, which encourages consumers to purchase four products at one time (fertilizer plus crabgrass preventer, fertilizer plus weed control, fertilizer plus insect control and a special fertilizer for Fall application). The Company promotes the 4-Step-TM- program as providing consumers with all their annual lawn care needs for, on average, less than one-third of what a lawn care service would cost. The Company believes the Lawn Pro-Registered Trademark- line has helped the Company maintain its business with the independent retailers in the face of increasing competition from mass merchandisers.

The Company supports its sales efforts with extensive advertising and promotional programs. Because of the importance of the Spring sales season in the marketing of consumer lawn and garden products, the Company focuses its consumer promotional efforts on this period. Through advertising and other promotional efforts, the Company seeks to encourage consumers to make the bulk of their lawn and garden purchases in the early Spring. The Company believes that its early season promotions moderate the risk to its consumer sales which may result from bad weekend weather.

In 1995, the Company introduced a promotional allowance to retailers designed to provide retailers with the ability to customize and differentiate promotions of Scotts products. Also in 1995, the Company expanded a marketing program originally begun in 1993, which provided incentives to retailers to purchase a portion of their 1995 calendar fourth quarter and 1996 fertilizer product requirements early, including extended payment terms consistent with the anticipated pattern of sales to consumers. Please see the discussion in the section of Scotts' Annual Report to Shareholders for the fiscal year ended September 30, 1996 entitled "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS -- Results of Operations -- Fiscal 1995 compared with fiscal 1994." The Company and retailers have viewed these types of programs as important to the production, distribution and marketing of these seasonal products. To improve trade margins and reduce promotional costs for fiscal 1997, the Company has decided to replace the pre-season incentive programs to retailers with more efficient promotional allowances, increased consumer advertising and in-store merchandising support in furtherance of the Company's new "pull" advertising strategy. Please see the discussion in the section of Scotts' Annual Report to Shareholders for the fiscal year ended

September 30, 1996 entitled "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS -- Outlook for 1997."

The fiscal 1997 marketing strategies for the Consumer Lawns Group are to make additional efforts to improve Scotts' relationship with consumers, including: carefully directed consumer research, to increase understanding of its markets and the needs of consumers; substantially increased media advertising; simplification of the product line; improvements in processing and formulations of key lawn fertilizer items, to make them more effective and easier to use; and increased use of retail merchandisers to enhance communications with consumers at the point of sale. The fiscal 1997 marketing strategy for the Consumer Gardens Group is to consolidate certain package sizes in the Miracle-Gro-Registered Trademark- and Scotts-Registered Trademark-ornamental fertilizers product lines, implement packaging improvements, continue cost-reduction and quality enhancement efforts throughout all product lines, increase use of national network television advertising, and use Scotts' Miracle-Gro's sales and distribution network for Scotts-Registered Trademark-garden products. The strategy for the Organics Group is to become the industry's lowest cost producer and to develop national marketing programs, as the industry's only national competitor in this industry class.

An important part of the Company's sales effort is its national toll-free consumer hotline, on which its "lawn consultants" answer questions about the Company's products and give general lawn care advice to consumers. The Company's lawn consultants responded to approximately 440,000 telephone and written inquiries in fiscal 1996 and have handled over 3,340,000 calls since the inception of the consumer hotline in 1972.

Backing up the Company's marketing effort is its well-known "No Quibble" guarantee, instituted in 1958, which promises consumers a full refund if for any reason they are not satisfied with the results after using the Company's products. Refunds under this guarantee have consistently amounted to less than 0.3% of net sales on an annual basis.

Consumer garden products are sold by a 14-person sales force to a network of hardware and lawn and garden wholesale distributors, with certain sales made directly to some retailers. The percentage of sales to mass merchandisers, warehouse-type clubs and large buying groups has increased in recent years.

COMPETITION

The consumer lawn and garden market is highly competitive. The most significant competitors for the consumer lawn care business are lawn care service companies. At least one of these, Tru Green Company, which also owns the ChemLawn-Registered Trademark- lawn care service business, operates nationally and is significantly larger than the Company. In the do-it-yourself segment, the Company's products compete primarily against regional products and private label products produced by various suppliers and sold by such companies as Kmart Corporation. These products compete across the entire range of the Company's product line. In addition, certain of the Company's products compete against branded fertilizers, pesticides and combination products marketed by such companies as Monsanto Company (Ortho-Registered Trademark- and Greensweep-Registered Trademark-), Lebanon Chemical Corp. (Greenview-Registered Trademark-), United Industries Corporation (Peters-Registered Trademark- water soluble fertilizers for the consumer market) and IMC Vigoro.

Most competitors, with the exception of lawn care service companies, sell their products at prices lower than those of the Company. The Company competes primarily on the basis of its strong brand names, consumer advertising campaigns, quality, value, service and technological innovation. The Company's competitive position is also supported by its national sales force and its unconditional guarantee. There can be no assurance, however, that additional competition from new or existing competitors will not erode the Company's share of the consumer market or its profit margins. Home Depot, one of the Company's large retail customers, has established a program to feature Vigoro-Registered Trademark- brand lawn fertilizers. Home Depot will also continue to feature Scotts-Registered Trademark- lawn fertilizer products but a number of regional brands will no longer be offered at the Home Depot stores. As of the date of this report, the

Company is not able to determine the impact, if any, which the Vigoro program will have on sales of Scotts-Registered Trademark- brand lawn fertilizers in Home Depot stores.

The Company's lower-margin organics business faces primarily regional competition, reflecting different soil conditions, raw materials and usage patterns around the country. Customers require short lead-time deliveries, with very high on-time and complete-fill rates.

BACKLOG

The majority of annual consumer product orders (other than Organics products which are normally ordered in season on an "as needed" basis) are received from retailers during the months of October through April and are shipped during the months of January through April. As of December 2, 1996, orders on hand for retailers totaled approximately $70 million compared to approximately $62 million on the same date in 1995. All such orders are expected to be filled in fiscal 1997.

PROFESSIONAL BUSINESS GROUP

THE MARKET

The Company sells its professional products to golf courses, commercial nurseries and greenhouses, schools and sportsfields, multi-family housing complexes, business and industrial sites, lawn and landscape services and specialty crop growers. The Professional Group's two core businesses are ProTurf-Registered Trademark-, the professionally managed turf market, and Horticulture, the nursery and greenhouse markets. In 1996, the Professional Business Group served such high profile golf courses as Augusta National (Georgia), Cypress Point and Pebble Beach (California), Desert Mountain (Arizona), Muirfield Village Golf Club (Ohio), Oakmont Country Club (Pennsylvania), Colonial Country Club (Texas) and Medinah Country Club (Illinois). Sports complexes such as Fenway Park, Camden Yard, Wrigley Field, Yankee Stadium and the Rose Bowl are professional customers, as are major commercial nursery/greenhouse operations such as Monrovia, Hines and Imperial.

Golf courses and highly visible turf areas accounted for approximately 54% of the Company's professional sales in fiscal 1996. During 1996, the Company sold products to approximately 53% of the over 14,500 golf courses in North America, including 83 of GOLF DIGEST's top 100 U.S. courses. Management estimates, based on an independent bi-annual market survey and other information available to the Company, that the Company's share of the North American golf course turf maintenance market was approximately 20% in 1996.

According to the National Golf Foundation, approximately 250 new golf

courses have been constructed annually during the last three years. Management believes that the increase in the number of courses, the concentration of the growth in the West/South with a longer growing/maintenance season, the increasing playing time requiring more course maintenance and the trend toward more highly maintained courses should contribute to sales growth in the golf course business.

Horticulture sales accounted for approximately 46% of the Company's professional sales in fiscal 1996. The Company sold products to thousands of nursery, greenhouse and specialty crop growers through a network of over 100 horticultural distributors. The Company estimates that its leading share of the North American horticultural segment was approximately 35% in 1996.

Management believes the increasing acceptance of controlled-release fertilizers in horticultural/ agricultural applications due to performance advantages, labor savings and water quality concerns should contribute to sales growth in the horticulture market. However, other products and technologies may also make inroads into this market as well as the turf market.

In January 1994, a new business unit under the ProGrow-Registered Trademark-name was created to better serve the large, but highly fragmented, lawn/landscape service market, in addition to schools and sportsfields, multi-family housing complexes and business/industrial sites. Effective October 1996, management

consolidated this business unit within one division called ProTurf-Registered Trademark-, to focus on direct sales to the professionally managed turf market, including golf, sod and athletic fields.

PRODUCTS

The Company's professional products, marketed under such brand names as ProTurf-Registered Trademark-, Osmocote-Registered Trademark-, Peters-Registered Trademark-, Metro-Mix-Registered Trademark- and Terra-Lite-Registered Trademark-, include a broad line of sophisticated controlled-release fertilizers, water soluble fertilizers, control products (herbicides, insecticides, fungicides and growth regulators), wetting agents, organic products, grass seed and application devices. The fertilizer lines utilize a range of proprietary controlled-release fertilizer technologies, including Polyform-Registered Trademark-, Triaform-Registered Trademark-, Poly-S-Registered Trademark-, Osmocote-Registered Trademark- and ScottKote-Registered Trademark-, and proprietary water soluble fertilizer technologies, including Peters-Registered Trademark- and Peters Excel-Registered Trademark-. The Company applies these technologies to meet a wide range of professional customer needs, ranging from quick release greenhouse fertilizers to controlled-release fairway/greens fertilizers to extended release nursery fertilizers that last up to a year or more.

The Company works very closely with basic pesticide manufacturers to secure access to, and if possible, exclusive positions on, advanced control chemistry which can be formulated on granular carriers, including fertilizers, or liquid application. In 1996, at least seven professional products featured exclusive control technologies, including such products as the TGR-Registered Trademark-growth regulator line, Turplex-Registered Trademark- bioinsecticide, Prograss-Registered Trademark- and Confront-Registered Trademark- herbicides, and Talstar-Registered Trademark- and Astro-Registered Trademark- insecticides and miticides. Liquid-applied fertilizers and control products numbered 38 in 1996. Application devices include both rotary and drop action spreaders. Over 20 proprietary grass seed varieties are part of the professional line. The Sierra acquisition in December 1993 added an established line of soil-less mixes in which controlled-release and water soluble fertilizers, wetting agents and control products can be incorporated to customize potting media for nurseries and greenhouses.

BUSINESS STRATEGY

The Company's Professional Business Group focuses its sales efforts on the middle and high end of the professional market and generally does not compete for sales of commodity products. Demand for the Company's professional products is primarily driven by product quality, performance and technical support. The Company seeks to meet these needs with a range of sophisticated, specialized products that are sold by a professional, agronomically-trained sales force.

A primary focus of the Professional Business Group's strategy is to provide innovative high value new products to its professional customers. Products introduced since 1990 accounted for over 45% of the Professional Business Group's net sales in fiscal 1996.

The Company intends to take advantage of its strong position in the golf course segment to increase sales of Sierra-Registered Trademark- products to those users, and, conversely, to expand the distribution of Scotts-Registered Trademark- nursery products in the commercial horticultural segment in which

Sierra has a strong position.

The Professional Business Group also is working to increase market coverage by focusing on various professional market niches. In 1965, the Company established its first specialized professional sales force, focusing on golf courses. Since 1985, it has established separate sales forces and/or sales managers for sports fields, golf course architects and construction companies, and the international market of the Professional Business Group. In 1992, the Company introduced a fairway application service for golf courses. This service has been expanded and is now available in sixteen markets. In January 1995, Scotts entered into a licensing agreement with a lawn care service company, Emerald Green Lawn Service ("Emerald Green"), which allows Emerald Green to use the Scotts name and logo in its marketing efforts. Emerald Green applies Scotts products exclusively. Scotts has a 25% equity interest in Emerald Green.

MARKETING AND PROMOTION

The Professional Business Group's sales force consists of 112 territory managers. Many territory managers are experienced former golf course superintendents or nursery managers and most have degrees in agronomy, horticulture or similar disciplines. Territory managers work closely with golf course and sports field superintendents, turf and nursery managers, and other landscape professionals. In addition to marketing the Company's products, the Company's territory managers provide consultation, testing services, and advice regarding maintenance practices, including individualized comprehensive programs incorporating various products for use at specified times throughout the year. The professional grower business is served primarily through an extensive network of distributors, all with substantial experience in the horticulture market, with territory managers spending the majority of their time with growers.

To reach potential purchasers, the Company uses trade advertising and direct mail, publishes newsletters, and sponsors seminars throughout the country. In addition, the Company maintains a special toll-free hotline for its professional customers. The professional customer service department responded to over 45,000 telephone inquiries in fiscal 1996.

COMPETITION

In the professional turf and nursery market, the Company faces a broad range of competition from numerous companies ranging in size from multi-national chemical and fertilizer companies such as Monsanto and DowElanco Company, to smaller specialized companies such as Lesco, Inc. and Lebanon Chemical Corp., to local fertilizer manufacturers and blenders. Portions of this market are served by large agricultural fertilizer companies, while other segments are served by specialized, research-oriented companies. In certain areas of the country, particularly Florida, a number of companies have begun to offer turf care services, including product application, to golf courses. In addition, the higher margins available for sophisticated products to treat high value crops continue to attract large and small chemical producers and formulators, some of which have larger financial resources and research departments than the Company. Also, the influence of mass merchandisers, with significant buying power, has increased. While the Company believes that its reputation, turf and ornamental market focus, expertise in product development and professional sales force should enable it to continue to maintain and build its share of the professional market, there can be no assurance that the Company's market share or margins will not continue to be eroded in the future by new or existing competitors.

BACKLOG

A large portion of professional product orders are received during the months of August through November and are filled during the months of September through November. As of December 2, 1996, orders on hand from professional customers totaled approximately $10.4 million compared with $10.1 million on the same date in 1995. All such orders are expected to be filled in fiscal 1997.

INTERNATIONAL

THE MARKET

The Company sells its products to both consumer and professional users in over sixty-five countries. Growth potential exists in both markets. The Company has established business entities in many of the markets with significant potential.

Consumer lawn and garden products are sold under the Scotts-Registered Trademark- label in Australia, Canada, the European Union and New Zealand. In addition, products bearing the Miracle-Gro-Registered Trademark- trademark are marketed in Canada, the Caribbean, Australia, New Zealand and the United Kingdom (the "U.K."). The Company's Hyponex-Registered Trademark- line of products is present in Japan as a result of a long-term agreement with Hyponex Japan

Corporation, Ltd., an unaffiliated entity.

Professional markets include both the horticulture and turf industries. The Company markets professional products in Australia, Canada, the Caribbean, European Union, Japan, Latin America, Mexico, the Middle East, New Zealand, and South East Asia. Horticultural products mainly carry the Scotts-Registered Trademark-, Sierra-Registered Trademark-, Peters-Registered Trademark- and Osmocote-Registered Trademark- labels. Turf products primarily use the Scotts-Registered Trademark- trademark.

On December 31, 1994, the Garden and Professional Products Division of Zeneca Garden Care was sold to Miracle Garden Care Limited ("Miracle Garden Care"), a wholly-owned subsidiary of Miracle Holdings Limited ("Miracle Holdings"). Miracle Holdings was established by Miracle-Gro UK and certain institutional investors, each of which is an affiliate of either Charterhouse plc or Advent International plc, for the purpose of pursuing the lawn and garden care business in the U.K. and elsewhere. Miracle-Gro UK received an approximate 32.3% equity interest in Miracle Holdings in return for its transfer to Miracle Holdings of Miracle-Gro's UK and Ireland business and the grant to Miracle Garden Care, pursuant to a license agreement, of rights to certain trademarks. In addition, Miracle-Gro UK was granted certain rights to buy out substantially all of the equity stakes of the other investors in Miracle Holdings at certain future times. The option to buy out the other investors in Miracle Holdings now extends to the Company. In November 1996, the Company executed a letter of intent for the purchase of the other investors' interests in Miracle Holdings.

Miracle Garden Care has leading positions in the U.K. in a number of lawn and garden market categories. Products are sold by a direct sales force to do-it-yourself and gardening retailers.

BUSINESS STRATEGY

An increasing portion of the Company's sales and earnings is derived from customers in foreign countries. The Company's managers travel abroad regularly to visit its facilities, distributors and customers. The Company's own employees manage its affairs in Europe, Australia, Malaysia, Mexico and the Caribbean. The Company plans to expand its international business in both the consumer and professional markets. The Company believes that the technology, quality and value that are widely associated with its brands domestically can be transferred to the global market place. The Company intends to continue to market internationally through both direct sales and distributor arrangements.

Any significant changes in international economic conditions, expropriations, changes in taxation and regulation by United States and/or foreign governments could have a substantial effect upon the international business of the Company. Management believes, however, that these risks are not unreasonable in view of the opportunities for profit and growth available in foreign markets. The Company's international earnings and cash flows are subject to variations in currency exchange rates, which derive from sales and purchases of the Company's products made in foreign currencies. In order to minimize the impact of adverse exchange rate movements, the Company has developed a program to manage and mitigate this risk. The risk management program is designed to minimize impact on the cash value of the Company's foreign currency payables and receivables. The Company continues to use forward foreign exchange contracts and purchase currency options to lessen this risk.

COMPETITION

The Company's international consumer business faces strong competition in the garden center market, particularly in Australia, Canada and the U.K. Competitors in Australia include Chisso-Asahi, Phostrogen and Haifa Chemicals Israel. Competitors in the U.K. include Levington, Solaris, Phostrogen, PBI and various local companies. Competitors in Canada include Nu-Gro, So-Green and IMC Vigoro. The Company has historically responded to competition with superior technology, excellent trade relationships, competitive prices, broad distribution and strong advertising and promotional programs.

The international professional products market is very competitive, particularly in the controlled-release and water soluble fertilizer segments. Numerous United States and European companies are pursuing these segments internationally, including Pursell Industries, Lesco, Lebanon Chemical Corp., IMC Vigoro, Noram, BASF, Norsk Hydro, Haifa Chemicals Israel, Kemira and private label companies. Historically, the Company's response to competition in the professional markets has been to adapt its

technology to solve specific user needs which are identified by developing close working relationships with key users.

Management believes the Company is well-positioned to obtain an increased

share of the international market. The Company has a broad, diversified product line made up of value added fertilizers which can be targeted to market segments of consumer, turf, horticulture and high value agricultural crops. Also, the Company has the capability to sell worldwide through its extensive distributor network. However, there can be no assurance that the Company's market share or margins will not be eroded by new or existing competitors.

MATTERS RELATING TO THE COMPANY GENERALLY

PATENTS, TRADEMARKS AND LICENSES

The "Scotts-Registered Trademark-", "Miracle-Gro-Registered Trademark-" and "Hyponex-Registered Trademark-" brand names and logos, as well as a number of product trademarks, including "Turf Builder-Registered Trademark-", "Lawn Pro-Registered Trademark-", "ProTurf-Registered Trademark-", "Osmocote-Registered Trademark-" and "Peters-Registered Trademark-" are federally and internationally registered and are considered material to the Company's business. The Company regularly monitors its trademark registrations, which are generally effective for ten years, so that it can renew those nearing expiration. In 1989, the Company assigned rights to certain Hyponex-Registered Trademark- trademarks to Hyponex Japan Corporation, Ltd., an unaffiliated entity. In December 1994, Miracle-Gro licensed exclusive rights to certain Miracle-Gro trademarks in the U.K. and Ireland to Miracle Garden Care for terms ranging from five to twenty years. In July 1995, Sierra granted a non-exclusive license to Peters Acquisition Corporation, now owned by United Industries, to use the Peters-Registered Trademark- trademark in the United States consumer market. In October 1996, Scotts became the exclusive licensee of the trademark Nutralene-Registered Trademark-, in connection with the marketing and sale of products containing this nitrogen fertilizer.

As of September 30, 1996, the Company held over 100 patents on processes, compositions, grasses, and mechanical spreaders and has several additional patent applications pending. Patent protection generally extends seventeen years, and many of the Company's patents extend well into the next decade. The Company also holds exclusive and nonexclusive patent licenses from certain chemical suppliers permitting the use and sale of patented pesticides.

RESEARCH AND DEVELOPMENT

The Company has a long history of innovation, and its research and development successes can be measured in terms of sales of new products and by the Company's patents. Most of the Company's fertilizer products, many of its grasses and many of its mechanical devices are covered by one or more of over 100 U.S. and foreign patents owned by the Company.

The Company maintains a premier research and development organization headquartered in the Dwight G. Scott Research Center in Marysville, Ohio ("Scotts Research"). The Company also operates three research field stations located in Florida, Texas and Oregon. These field stations facilitate evaluation of products in a variety of climatic conditions, an integral part of the Company's product development, quality assurance and competitive product analysis programs. Research to develop new and improved application devices is conducted at Republic's manufacturing facility in Carlsbad, California. Taken together, the research and development effort maintains a focus on superior agronomic performance for lawn, turf and horticultural applications through products which are cost effective and easy to use. The knowledge and concepts used to formulate products for the professional turf and plant production markets are also used to provide similar results for the do-it-yourself market. In addition to the Marysville R&D organization, Scotts Europe, B.V. (Netherlands) maintains an R&D facility devoted to the Osmocote-Registered Trademark-controlled-release fertilizer line produced in Heerlen, The Netherlands.

Since its introduction of the first home lawn fertilizer in 1928, the Company has used its research and development strengths to build the do-it-yourself market. Technology continues to be a Company hallmark. The Company's introduction of the TGR-Registered Trademark- line in 1987 to control POA ANNUA on golf courses is

an example. In 1992, the Company introduced Poly-S-Registered Trademark-, a patented proprietary controlled-release fertilizer technology. In 1993, ScottKote-Registered Trademark-, another controlled-release technology primarily for the nursery market, was introduced. In addition, the Company has modified its Marysville facility to utilize a new, patented production process which is expected to reduce costs and improve product quality, while increasing production capacity. (See "Production Facilities.") Since the Hyponex acquisition in 1988, the Company's research and development organization has worked to improve the quality and reduce the production cost of branded organic products, in particular potting soils. One of the results of this effort was the introduction, in 1994, of a line of value-added, premium quality potting soils and planting mixes under the Scotts-Registered Trademark- brand.

Through the acquisition of Sierra, Scotts sought to obtain patents for technological advancements in water soluble fertilizers. In 1996, Scotts secured a patent on the use of urea phosphate in water soluble fertilizers used as the basis for the Peters Excel-Registered Trademark- brand of fertilizers, having previously obtained a solution and method patent for such product line. Also during fiscal 1996, the Company installed a dedicated turfgrass genetic engineering laboratory in its existing Scotts Research facility, to research and potentially develop turfgrass varieties with improved characteristics such as resistance to disease, insects and herbicides. Also, research in fiscal 1996 focused on improving the quality and durability of the Company's consumer lawn fertilizer packaging. The Company plans to phase in plastic packaging for all consumer lawn products to be shipped in fiscal years 1997 and 1998.

Research has also been focused on durability, precision, and reduced production costs of the Republic-produced spreaders. Recently, Republic completely redesigned the major products within the Company's consumer spreader line so that they are now completely preassembled and are distributed and displayed using innovative packaging.

Sierra pioneered the use of controlled-release fertilizers for the horticultural markets with the introduction of "Osmocote" in the 1960's. This polymer-encapsulated technology has achieved a large share of the horticultural markets due to its ability to meet the strict performance requirements of professional growers. Scotts' and Sierra's research and development efforts have been fully integrated and are focused on cost reduction and product/process innovation.

During fiscal 1996, the Company developed new products in several branded lines including Scotts-Registered Trademark- professional turf products; Osmocote-Registered Trademark- controlled-release fertilizer; Miracle-Gro-Registered Trademark- granular lawn food products; Scotts-Registered Trademark-spreaders; Vegi-Gro-TM- potting soil; and PatchMaster-Registered Trademark-flowering seed/fertilizer mix.

Combined Company research and development expenses were approximately $10.6 million (1.4% of net sales) for 1996 including environmental and regulatory expenses. This compares to $10.4 million (1.5% of net sales) and $11.0 million (1.5% of net sales) for 1994 and 1995, respectively.

PRODUCTION FACILITIES

The manufacturing plants for consumer and professional fertilizer products marketed under the Scotts-Registered Trademark- label are located in Marysville, Ohio. In 1995, a new facility opened for producing Poly-S-Registered Trademark-, a proprietary controlled-release fertilizer. Continued demand for "Turf Builder-Registered Trademark-" products resulted in the Company developing the capability to expand operations of these product lines from five days per week operations to continuous operation if necessary during peak demand periods. The Company currently operates its plants five days per week. The Sierra-Registered Trademark- controlled-release fertilizers are produced in Charleston, South Carolina, Milpitas, California and Heerlen, The Netherlands. At the Heerlen facility, expansion has been completed to permit the blending of products which utilize both Scotts and Sierra proprietary technology. The Company's Taylor Seed Packaging Plant, located on a separate site in Marysville, was sold in November 1996, and seed blending and packaging outsourced to various packaging companies located on the West Coast near seed growers. Hyponex-Registered Trademark- organic products are processed and packaged in over 22 locations throughout the United States. The Company's lawn spreaders are produced at the Republic facility in Carlsbad, California. Peters-Registered Trademark- water-soluble fertilizers are produced in Allentown, Pennsylvania.

With the sale of the Peters-Registered Trademark- consumer water-soluble fertilizer ("CWSF") business in 1995, the Allentown facility has produced CWSF products for the buyer under a long-term supply agreement. On July 27, 1995, the Company entered into a Long-Term Supply Agreement (the "Agreement") with Peters Acquisition Co. ("PAC"), a wholly-owned subsidiary of Alljack & Company and Celex Corporation ("Alljack"). Pursuant to a subsequent stock and asset sale, PAC is now owned by individuals associated with United Industries Corporation ("United"). The initial term of the Agreement is two years (beginning August 27, 1995 and ending August 26, 1997). The term has been extended until August 26, 2000, and thereafter may be extended for one year terms by mutual agreement. The Agreement required PAC to purchase from the Company its entire requirements of Peters-Registered Trademark- CWSF products until September 30, 1996, at a price based upon a negotiated formula which applies during the initial term and any renewals. Since September 30, 1996, PAC has had the authority to purchase quantities as desired and to develop independent sources of supply, as required by the Federal Trade Commission. United has given notice that it will likely make no purchases though September 30, 1997.

Resin used for producing Osmocote-Registered Trademark- controlled-release fertilizer is manufactured at Sierra Sunpol Resins, a joint venture company which is 97% owned by Sierra. The Company operates twelve composting facilities where yard waste (grass clippings, leaves, and twigs) is converted to raw materials for the Company's organic products. Operations at these composting facilities have been integrated with the Company's 22 organics facilities.

The Company's fertilizer processing and packaging facilities operate seven days per week for three shifts, during peak production periods, generally from October through May for Scotts' production. At other times, they operate from five to seven days per week for three shifts. Production schedules at Sierra's facilities vary to meet demand. Steps continue to integrate product manufacturing between the Scotts and Sierra manufacturing locations.

Management believes that each of its facilities is well-maintained and suitable for its purpose.

CAPITAL EXPENDITURES

The Company's Marysville facilities were substantially modified during fiscal 1992 and 1993. The Company replaced one of the existing fertilizer production lines with a line utilizing a new, patented process which it developed. In addition, the Company erected a new physical-blend facility and added equipment to apply polymer coating to fertilizer materials.

During 1994, approximately $13 million was spent to erect a new Poly-S-Registered Trademark- fertilizer plant, an investment made necessary by strong previously forecasted demand. Actual demand was approximately 10% below forecast for 1995, and approximately 25% below forecast for 1996. Management attributes the decline to the scaling back of low margin product lines, the effects of greater than expected industry competition, and lower than expected demand for Poly-S-Registered Trademark- products. Additionally, in 1995, approximately $4.0 million was spent on improvements to Sierra plant facilities. During 1995 and 1996, approximately $4.0 million was spent to condition, through temperature and humidity control, two of the Company's major production lines.

Capital expenditures totaled $23.6 million and $18.2 million for the fiscal years ended September 30, 1995 and 1996, respectively. The Company expects that capital expenditures during fiscal 1997 will total approximately $20 million. The Company is evaluating expansion of its Marysville distribution facility, which could result in additional capital expenditures of up to $10 million.

PURCHASING

The key ingredients in the Company's fertilizer and control products are various commodity and specialty chemicals including vermiculite, phosphates, urea, potash, herbicides, insecticides and fungicides. The Company obtains its raw materials from various sources, which the Company presently considers to be adequate. No one source is considered to be essential to any of the Company's

Consumer, Professional or International Business Groups, or to its business as a whole. The Company has never experienced a significant interruption of supply.

Raw materials for Scotts' Miracle-Gro include phosphates, urea and potash. The Company considers its sources of supply for these materials to be adequate. All of the products sold by Scotts' Miracle-Gro (other than those produced by Miracle Garden Care) are produced under contract by independent fertilizer blending and packaging companies.

Sierra purchases granular, homogeneous fertilizer substrates to be coated, and the resins for coating. These resins are primarily supplied domestically by Sierra SunPol Resins, a 97%-owned subsidiary of Sierra.

Sphagnum peat, peat humus, vermiculite, manure and bark constitute Hyponex's most significant raw materials. At current production levels, the Company estimates Hyponex's peat reserves to be sufficient for its near-term needs in all locations. Bark products are obtained from sawmills and other wood residue producers and manure is obtained from a variety of sources, such as feed lots, race tracks and mushroom growers. The Company is currently substituting composted yard waste for some organic raw materials and continues to expand this practice.

Raw materials for Republic include various engineered resins and metals, all of which are available from a variety of vendors.

DISTRIBUTION

The primary distribution centers for the Company's Scotts-Registered Trademark-products are located near the Company's headquarters in central Ohio.

The Company's products are shipped by rail and truck. While the majority of truck shipments are made by contract carriers, a portion is made by the Company's own fleet of leased trucks. Inventories are also maintained in field warehouses located in major markets.

The products of Scotts' Miracle-Gro are warehoused and shipped from five contract packagers located throughout the country. These contract packagers ship full truckloads of product via common carrier to lawn and garden distributors.

Most of Hyponex's organic products have low sales value per unit of weight, making freight costs significant to profitability. Therefore, Hyponex has located all of its 22 plant/distribution locations near large metropolitan areas in order to minimize shipping costs. Hyponex uses its own fleet of approximately 70 trucks as well as contract haulers to transport its products from plant/distribution points to retail customers. A small private trucking fleet is maintained at the organic facilities for direct shipment of custom orders to customers. Inventories are also maintained in field warehouses.

Sierra's products are produced at three fertilizer and two organic manufacturing facilities located in the United States and one fertilizer manufacturing facility located in Heerlen, The Netherlands. The majority of shipments are via common carriers to nearby distributors' warehouses.

Republic-produced, Scotts-Registered Trademark- branded spreaders are shipped via common carrier to regional warehouses serving the Company's retail network. A majority of Republic's E-Z spreader line and its private label lines are sold free-on-board (FOB) Carlsbad with transportation arranged by the customer.

SIGNIFICANT CUSTOMERS

Kmart Corporation and Home Depot represented approximately 13.9% and 15.1% respectively, of the Company's sales in fiscal 1996 and 3.0% and 8.8%, respectively, of the Company's outstanding trade accounts receivable at September 30, 1996, which reflects their significant position in the retail lawn and garden market. The loss of either of these customers or a substantial decrease in the amount of their purchases could have a material adverse effect on the Company's business.

EMPLOYEES

The Company's corporate culture is a blend of the history, heritage and cultures of The O.M. Scott & Sons Company and the companies Hyponex, Sierra, Miracle-Gro, and Republic, all of which were acquired over the past seven years. The Company provides a comprehensive benefit program to all full-time associates. As of September 30, 1996, the Company employed approximately 2,250 full-time year-round workers in the United States (includes all subsidiaries). An additional 156 full-time employees (including 12 temporary employees) are located outside the United States. As of September 30, 1996, full-time workers averaged approximately nine years employment with the Company or its predecessors. During peak production periods, the Company engages as many as 750 temporary employees in the United States. The Company's employees are not unionized, with the exception of twenty-one of Sierra's employees at its Milpitas facility, who are represented by the International Chemical Workers Union.

ENVIRONMENTAL AND REGULATORY CONSIDERATIONS

Federal, state and local laws and regulations relating to environmental matters affect the Company in several ways. All products containing pesticides must be registered with the United States Environmental Protection Agency ("United States EPA") (and in many cases, similar state and foreign agencies) before they can be sold. The inability to obtain or the cancellation of any such registration could have an adverse effect on the Company's business. The severity of the effect would depend on which products were involved, whether another product could be substituted and whether the Company's competitors were similarly affected. The Company attempts to anticipate regulatory developments and maintain registrations of, and access to, substitute chemicals, but there can be no assurance that it will continue to be able to avoid or minimize these risks. Fertilizer and organic products (including manures) are also subject to state labeling regulations.

In addition, the use of certain pesticide and fertilizer products is regulated by various local, state, federal and foreign environmental and public health agencies. These regulations may include requirements that only certified or professional users apply the product or that certain products be used only on certain types of locations (such as "not for use on sod farms or golf courses"), may require users to post notices on properties to which products have been or will be applied, may require notification of individuals in the vicinity that

products will be applied in the future or may ban the use of certain ingredients. The Company has been successful in complying with these regulations. Compliance with such regulations and the obtaining of registrations does not assure, however, that the Company's products will not cause injury to the environment or to people under all circumstances.

State and federal authorities generally require Hyponex to obtain permits (sometimes on an annual basis) in order to harvest peat and to discharge water run-off or water pumped from peat deposits. The state permits typically specify the condition in which the property must be left after the peat is fully harvested, with the residual use typically being natural wetland habitats combined with open water areas. Hyponex is generally required by these permits to limit its harvesting and to restore the property consistent with the intended residual use. In some locations, Hyponex has been required to create water retention ponds to control the sediment content of discharged water.

In July 1990, the Philadelphia district of the Army Corps of Engineers directed that peat harvesting operations be discontinued at Hyponex's Lafayette, New Jersey facility, and the Company complied. In May 1992, the Department of Justice in the U.S. District Court for the District of New Jersey, filed suit seeking a permanent injunction against such harvesting at that facility and civil penalties. The Philadelphia District of the Corps has taken the position that peat harvesting activities there require a permit under Section 404 of the Clean Water Act. If the Corps' position is upheld, it is possible that further harvesting of peat from this facility would be prohibited. The Company is defending this suit and is asserting a right to recover its economic losses resulting from the government's actions. Management does not believe that the outcome of this case will have a material adverse effect on the Company's operations or its financial condition. Furthermore, management believes the Company has

sufficient raw material supplies available such that service to customers will not be adversely affected by continued closure of this peat harvesting operation.

State, federal and local agencies regulate the disposal, handling and storage of waste and air and water discharges from Company facilities. During fiscal 1996, the Company had approximately $885,000 in environmental capital expenditures and $357,000 in other environmental expenses, compared with approximately $538,000 in environmental capital expenditures and $332,000 in other environmental expenses in fiscal 1995. The Company has budgeted $485,000 in environmental capital expenditures and $320,000 in other environmental expenses for fiscal 1997.

In September 1991, the Company was identified by the Ohio Environmental Protection Agency (the "Ohio EPA") as a Potentially Responsible Party ("PRP") with respect to a site in Union County, Ohio (the "Hershberger site") that has allegedly been contaminated by hazardous substances whose transportation, treatment or disposal the Company allegedly arranged. Pursuant to a consent order with the Ohio EPA, the Company, together with four other PRPs identified to date, investigated the extent of contamination in the Hershberger site and remediation methods. The results of the investigation were that the site presents a low degree of risk and that the chemical compounds which contribute to the risk are not compounds generally used by the Company. However, due to the fact that the Company was originally named as a PRP, and due to the potential joint and several liability of PRPs, the Company may choose to participate in voluntary remediation efforts which might occur at the site. Management believes that obligations incurred through such participation will not have a significant adverse effect on the Company's results of operations or financial condition.

On January 30, 1996, Sierra was served with a Complaint and Notice of Opportunity for Hearing in which the US EPA, Region 9 alleged certain labeling violations under the Federal Insecticide, Fungicide and Rodenticide Act ("FIFRA"). The fines proposed for such alleged violations total $785,000 and are based upon the maximum allowable penalties. Sierra has vigorously defended this action and raised numerous defenses. Based on provisions in FIFRA which allow for reductions of fines for good faith efforts at compliance, management estimates Sierra's liability to be no more than $200,000, which has been accrued in the financial statements.

In addition, Sierra is a defendant in a private cost-recovery action relating to the Novak Sanitary Landfill, located near Allentown, Pennsylvania. By agreement with W.R. Grace-Conn., Sierra's liability is limited to a maximum of $200,000 with respect to this site. The Company's management does not believe that the outcome of this proceeding will have a material adverse effect on its financial condition or results of operations.

ITEM 2. PROPERTIES.

The Company has fee or leasehold interests in approximately sixty (60)

facilities.

The Company owns approximately 829 acres at its Marysville, Ohio headquarters. It owns three research facilities in Apopka, Florida; Cleveland, Texas; and Gervais, Oregon. The Company leases one fertilizer warehouse in Ohio. Republic leases its twenty (20) acre spreader facility in Carlsbad, California.

The Company's 22 organics bagging facilities are located nationwide in nineteen states. Twenty are owned by the Company. Most facilities include production lines, warehouses, offices and field processing areas.

The Company operates 12 composting facilities whose operations have been integrated with the Company's existing organics bagging facilities. Five of these sites are leased and are located in California, Indiana, Oregon and Illinois. Five other sites are utilized through agreements with the municipalities of Greensboro, North Carolina; Shreveport, Louisiana; Spokane, Washington; Independent Hill, Virginia; and Balls Ford, Virginia. Two other sites are located at existing bagging facilities in Wisconsin and California.

The Company owns two Sierra manufacturing facilities in Fairfield, California and Heerlen, The Netherlands. It leases three Sierra manufacturing facilities in Allentown, Pennsylvania; Milpitas, California; and North Charleston, South Carolina.

The Company leases the land upon which Scotts' Miracle-Gro headquarters is located.

It is the opinion of the Company's management that its facilities are adequate to serve their intended purposes at this time and that its property leasing arrangements are stable. Please also see the discussion of the Company's production facilities in "ITEM 1. BUSINESS - Matters Relating to the Company Generally -- Production Facilities" above, which discussion is incorporated herein by this reference.

ITEM 3. LEGAL PROCEEDINGS.

As noted in the discussion of "Environmental and Regulatory Considerations" in ITEM 1. BUSINESS, the Company is defending a suit filed by the United States Department of Justice which seeks civil penalties and a permanent injunction against peat harvesting at Hyponex's Lafayette, New Jersey facility. The Company has asserted a right to recover its economic losses resulting from the government's actions. The Company has proposed a remediation plan, which is currently being reviewed by the government. The Company also is involved in several other environmental matters, as set forth above in "Environmental and Regulatory Considerations". Management does not believe the outcome of these matters will have a material adverse effect on the Company's operations or its financial condition.

The Company is involved in other lawsuits and claims which arise in the normal course of its business. In the opinion of management, these claims individually and in the aggregate are not expected to result in an adverse effect on the Company's financial position or operations.

During 1993 and 1994, Miracle-Gro Products discussed with Pursell Industries, Inc. ("Pursell") the feasibility of forming a joint venture to produce and market a line of slow-release lawn food, and in October 1993, signed a non-binding "heads of agreement". On March 2, 1995, Pursell Industries, Inc. ("Pursell") instituted an action in the United States District Court for the Northern District of Alabama, PURSELL INDUSTRIES, INC. V. STERN'S MIRACLE-GRO PRODUCTS, INC., CV-95-C-0524-S (the "Alabama Action"), alleging, among other things, breach of an alleged joint venture contract with Miracle-Gro Products, fraud and breach of an alleged fiduciary duty owed Pursell. On December 18, 1995, Pursell filed an amended complaint in which Scotts was named as an additional party defendant, and which made similar allegations against Scotts' Miracle-Gro. The amended complaint also alleged that Scotts intentionally interfered with the alleged business relationship between Pursell and Miracle-Gro Products (now Scotts' Miracle-Gro); that Miracle-Gro Products wrongfully disclosed to Scotts alleged trade secret information of Pursell; that Scotts and Miracle-Gro Products engaged in allegedly false and misleading advertising; and that Scotts and Miracle-Gro Products allegedly misappropriated Pursell's trade dress. The Alabama Action seeks compensatory damages in excess of $10 million, punitive damages of $20 million, treble damages and injunctive relief. The Company continues to vigorously defend the Alabama Action.

On April 14, 1996, in response to communications from the Company that the Company believed Pursell was infringing the Company's Poly-S patents, Pursell instituted a second action in the United States District Court for the Northern District of Alabama, PURSELL INDUSTRIES, INC. V. THE SCOTTS COMPANY, CV-96-AR-0931-S (the "Patent Action"). Pursell seeks a declaratory judgment that the Company's patents are unenforceable as to Pursell and alleges that the Company

has engaged in unfair competition by allegedly mis-marking its patents on various products. The Company has vigorously defended this action and believes its patents to be enforceable.

Pursell and the Company have been engaged in settlement negotiations since October, 1996 in an effort to settle both the Alabama Action and the Patent Action.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

There were no matters submitted to a vote of the security holders during the fourth quarter of the fiscal year covered by this Report.

EXECUTIVE OFFICERS OF REGISTRANT

The executive officers of Scotts, their positions and, as of December 16, 1996, their ages and years with Scotts (and its predecessors) are set forth below.

<TABLE>
<CAPTION>

NAME	AGE	POSITION(S) HELD	YEARS WITH THE COMPANY (AND ITS PREDECESSORS)
<S>	<C>	<C>	<C>
Charles M. Berger	60	Chairman of the Board, President and Chief Executive Officer	4 months
Horace Hagedorn	81	Vice Chairman of the Board	47
James Hagedorn	41	Director and Executive Vice President, U.S. Business Groups	9
Paul D. Yeager	58	Executive Vice President and Chief Financial Officer	22
Ronald E. Justice	51	Senior Vice President, Operations	1
Michael P. Kelty, Ph.D.	46	Senior Vice President, Professional Business Group	17
James L. Rogula	62	Senior Vice President, Consumer Lawns Group	1
John Kenlon	65	President, Consumer Gardens Group	26
Joseph M. Petite	46	Senior Vice President, Organics Business Group	8
L. Robert Stohler	55	Senior Vice President, International	1
Rosemary L. Smith	49	Vice President, Human Resources	23
Christiane W. Schmenk	37	Secretary and Director of Legal Affairs	3

</TABLE>

Executive officers serve at the discretion of the Board of Directors (and in the case of Mr. Berger, Mr. Horace Hagedorn, Mr. James Hagedorn, and Mr. Kenlon, pursuant to employment agreements).

The business experience of each of the persons listed above during the past five years is as follows:

Mr. Berger was elected Chairman of the Board, President, and Chief Executive Officer of Scotts in August, 1996. Mr. Berger came to Scotts from H. J. Heinz Company, where he served as Chairman, President and Chief Executive Officer of Weight Watchers International, a Heinz affiliate, from November 1978 to September 1994. From October 1994 to August 1996, he was Chairman and CEO of Heinz India Pvt. Ltd. (Bombay), and he served as Managing Director and CEO of Heinz-Italy (Milan), the largest Heinz profit center in Europe, from August 1975 to November 1978. During his 32-year career at Heinz, he also held the positions of General Manager, Marketing, for all Heinz U.S. grocery products; Marketing Director for Heinz UK (London) and Director of Corporate Planning at Heinz World Headquarters. He is also a former director of Miracle-Gro Products.

Mr. Horace Hagedorn was named Vice Chairman of the Board and Director of Scotts, and Chairman of the Board and Chief Executive Officer of Scotts' Miracle-Gro, in May 1995. Mr. Hagedorn founded Miracle-Gro Products in 1950 and served as Chief Executive Officer of Miracle-Gro Products from 1985 until May 1995. Horace Hagedorn is the father of James Hagedorn. Mr. Hagedorn's

recognitions include the "Man of the Year" award from the National Lawn and Garden Distributors Association, and the Distinguished Service Medal from the Garden Writers of America Association. He was elected New York Regional Area "Entrepreneur of the Year" in 1993.

Mr. James Hagedorn was named Executive Vice President, U.S. Business Groups, in October 1996. From May 1995 to October 1996, he served as Senior Vice President, Consumer Gardens Group, of Scotts. Mr. Hagedorn has also been Executive Vice President of Scotts' Miracle-Gro since May 1995. He was Executive Vice President of Miracle-Gro Products from 1989 until May 1995. He was previously an officer and an F-16 pilot in the United States Air Force. James Hagedorn is the son of Horace Hagedorn.

Mr. Yeager has been an Executive Vice President of Scotts since 1991 and a Vice President and the Chief Financial Officer of Scotts and its predecessors since 1980. He was first Assistant Comptroller and then Comptroller of Scotts' predecessor from 1974 to 1980. Mr. Yeager will cease active employment with the Company and resign as an executive officer of Scotts December 31, 1996.

Mr. Justice was named Senior Vice President, Operations, of Scotts in July 1995. From 1992 to 1995, he was Vice President of Operations for Continental Baking, a producer of bread and cake bakery products and a subsidiary of Ralston Purina Company. From 1991 to 1992, he served as Vice President of Engineering for Frito-Lay, a snack food producer and a subsidiary of Pepsico, Inc. From 1988 to 1991, he was Vice President of Manufacturing for Frito-Lay's Central Division.

Dr. Kelty was named Senior Vice President, Professional Business Group, of Scotts in July 1995. Dr. Kelty had been Senior Vice President, Technology and Operations, of Scotts from 1994 to July 1995. From 1988 to 1994, he served first as Director, then as Vice President, of Research and Development of Scotts. Prior to that, Dr. Kelty was the Director of Advanced Technology, Research of Scotts, and from 1983 to 1987, he was Director, Chemical Technology Development, of Scotts and its predecessors.

Mr. Rogula was named Senior Vice President, Consumer Lawns Group, of Scotts in October 1996. He served as Senior Vice President, Consumer Business Group, of Scotts from January 1995 to October 1996. From May 1990 until the time he joined Scotts, he was President of The American Candy Company, a producer of non-chocolate candies. From January 1990 to May 1990, he was an independent business consultant.

Mr. Kenlon was named President, Consumer Gardens Group, of Scotts in December 1996. He remains Chief Operating Officer and President of Scotts' Miracle-Gro, positions held since May 1995. Mr. Kenlon was the President of Miracle-Gro Products from December 1985 until May 1995. Mr. Kenlon began his association with the Miracle-Gro Companies in 1960.

Mr. Petite was named Senior Vice President, Organics Business Group, of Scotts in December 1996. From July 1996 to December 1996, he served as Vice President, Organics Business Group, of Scotts. From November 1995 to July 1996, Mr. Petite served as Vice President, Strategic Planning of Scotts. From April 1989 to November 1995, he was Vice President of Marketing, Consumer Business Group of Scotts.

Mr. Stohler was named Senior Vice President, International, of Scotts in December 1996. From November 1995 to December 1996, he served as Vice President, International of Scotts. From 1994 to 1995, he was President of Rubbermaid Europe S.A., a marketer of plastic housewares, toys, office supplies and janitorial and food service products. From 1992 to 1994, he was Vice President and Chief Financial Officer of Synthes (USA), a marketer and manufacturer of implants and surgical instruments for orthopedic health care. From 1979 to 1991, he held various positions with S. C. Johnson Wax, a

marketer of consumer goods, institutional products and specialty chemicals, including assignments in Asia/Pacific, Latin America and Europe.

Ms. Smith was named Vice President, Human Resources of Scotts in October 1996. From April 1991 to October 1996, she was Director, Human Resources, and from January 1986 to March 1991, she was Director, Compensation & Benefits, of Scotts. Ms. Smith first joined Scotts in 1973.

Ms. Schmenk was named Secretary of Scotts in December 1996. Ms. Schmenk joined Scotts in November of 1993 as Associate General Counsel, and held that position until January 1996 when she was appointed Director, Legal Affairs. From February 1992 to November 1993, she was an associate attorney at the law firm Buckley, King & Bluso, and from October 1989 to February 1992, she was an associate attorney at the law firm Denmead, Blackburn & Brown.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

In accordance with General Instruction G(2), the information contained under the captions "NYSE Symbol," "Stock Price Performance," "Price Range," "Shareholders" and "Dividends" on the Inside Back Cover of the Registrant's Annual Report to Shareholders for the fiscal year ended September 30, 1996, is incorporated herein by reference.

ITEM 6. SELECTED FINANCIAL DATA.

In accordance with General Instruction G(2), the information contained under the caption "Five Year Summary", at page 29 of the Registrant's Annual Report to Shareholders for the fiscal year ended September 30, 1996, is incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION.

In accordance with General Instruction G(2), the information contained under the caption "Management's Discussion and Analysis", at pages 30 through 36 of the Registrant's Annual Report to Shareholders for the fiscal year ended September 30, 1996, is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The Consolidated Financial Statements included on pages 37 through 54 and the Report of Coopers & Lybrand L.L.P., Independent Auditors, thereon included on page 55 of the Registrant's Annual Report to Shareholders for the fiscal year ended September 30, 1996, are incorporated herein by reference.

The "Quarterly Consolidated Financial Information" included in Note 16 of the Notes to Consolidated Financial Statements on page 54 of the Registrant's Annual Report to Shareholders for the fiscal year ended September 30, 1996, is also incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

In accordance with General Instruction G(3), the information contained under the captions "BENEFICIAL OWNERSHIP OF SECURITIES OF THE COMPANY - Voting Restrictions on the Miracle-Gro Shareholders" and "ELECTION OF DIRECTORS" in the Registrant's definitive Proxy Statement for the 1997 Annual Meeting of Shareholders to be held on March 12, 1997 to be filed with the Securities and Exchange Commission pursuant to Regulation 14A promulgated under the Securities Exchange Act of 1934 (the "Proxy Statement"), is incorporated herein by reference. The information regarding executive officers required by Item 401 of Regulation S-K is included in Part I hereof under the caption "Executive Officers of Registrant." The Registrant is not required to make any disclosure pursuant to Item 405 of Regulation S-K.

ITEM 11. EXECUTIVE COMPENSATION.

In accordance with General Instruction G(3), the information contained under the captions "EXECUTIVE COMPENSATION" and "ELECTION OF DIRECTORS -- Compensation of Directors" in the Registrant's Proxy Statement, is incorporated herein by reference. Neither the report of the Compensation and Organization Committee of the Registrant's Board of Directors on executive compensation nor the performance graph included in the Registrant's Proxy Statement shall be deemed to be incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

In accordance with General Instruction G(3), the information contained under the caption "BENEFICIAL OWNERSHIP OF SECURITIES OF THE COMPANY" in the Registrant's definitive Proxy Statement, is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

In accordance with General Instruction G(3), the information contained under the captions "BENEFICIAL OWNERSHIP OF SECURITIES OF THE COMPANY" and "CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS" in the Registrant's definitive

Proxy Statement, is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

(a) DOCUMENTS FILED AS PART OF THIS REPORT

1. FINANCIAL STATEMENTS:

The following Consolidated Financial Statements of The Scotts Company and Report of Coopers & Lybrand L.L.P., Independent Auditors, are incorporated by reference to pages 37 through 55 of the Registrant's 1996 Annual Report to Shareholders:

Consolidated Statements of Operations -- Fiscal Years Ended September 30, 1994, 1995 and 1996.

Consolidated Statements of Cash Flow -- Fiscal Years Ended September 30, 1994, 1995 and 1996.

Consolidated Balance Sheets -- September 30, 1995 and 1996.

Consolidated Statements of Changes in Shareholders' Equity -- Fiscal Years Ended September 30, 1994, 1995 and 1996.

Notes to Consolidated Financial Statements

Report of Coopers & Lybrand L.L.P., Independent Auditors

2. FINANCIAL STATEMENT SCHEDULES:

The following financial statement schedule of The Scotts Company, for the fiscal years ended September 30, 1996, 1995, and 1994 is filed as part of this Report and should be read in conjunction with the Consolidated Financial Statements of The Scotts Company.

Schedules not listed above have been omitted because they are not applicable or are not required or the information required to be set forth therein is included in the Consolidated Financial Statements or Notes thereto.

3. EXHIBITS:

Exhibits filed with this Annual Report on Form 10-K are attached hereto. For a list of such exhibits, see "Index to Exhibits" beginning at page E-1 (page 92 as sequentially numbered). The following table provides certain information concerning executive compensation plans and arrangements required to be filed as exhibits to this Annual Report on Form 10-K.

Executive Compensatory Plans and Arrangements

<TABLE>
<CAPTION>

EXHIBIT NO.	DESCRIPTION	LOCATION
<S>	<C>	<C>
10(a)	The Scotts Company Associates' Pension Plan as amended effective January 1, 1989 and December 31, 1995	Pages 125 through 176
10(b)	Third Restatement of The Scotts Company Profit Sharing and Savings Plan	Pages 177 through 217
10(c)	Employment Agreement, dated as of October 21, 1991, between Scotts (as successor to The O.M. Scott & Sons Company ("OMS") and Theodore J. Host	Incorporated herein by reference to the Annual Report on Form 10-K for the fiscal year ended September 30, 1993 of The Scotts Company, a Delaware corporation

		("Scotts Delaware") (File No. 0-19768) [Exhibit 10(g)]

10(d)	Stock Option Plan and Agreement, dated as of January 9, 1992, between Scotts (as successor to Scotts Delaware) and Theodore J. Host	Incorporated herein by reference to Scotts' Annual Report on Form 10-K for the fiscal year ended September 30, 1994 (File No. 0-19768) [Exhibit 10(f)]
10(e)	The O.M. Scott & Sons Company Excess Benefit Plan, effective October 1, 1993	Incorporated herein by reference to Scotts Delaware's Annual Report on Form 10-K for the fiscal year ended September 30, 1993 (File No. 0-19768) [Exhibit 10(h)]
10(f)	The Scotts Company 1992 Long Term Incentive Plan	Incorporated herein by reference to Scotts Delaware's Registration Statement on Form S-8 filed on March 26, 1993 (Registration No. 33-60056) [Exhibit 4(f)]
10(g)	The Scotts Company 1996 Executive Annual Incentive Plan	Pages 218 through 220
10(h)	Employment Agreement, dated as of May 19, 1995, between Scotts and James Hagedorn	Incorporated herein by reference to Scotts' Annual Report on Form 10-K for the fiscal year ended September 30, 1995 (File No. 1-11593) [Exhibit 10(p)]
10(i)	The Scotts Company 1996 Stock Option Plan (as amended through December 16, 1996)	Pages 221 through 229
10(j)	Employment Agreement, dated as of May 19, 1995, among Stern's Miracle-Gro Products, Inc. (nka Scotts' Miracle-Gro Products, Inc.), Scotts and Horace Hagedorn	Pages 230 through 243
10(k)	Employment Agreement, dated as of May 19, 1995, among Stern's Miracle-Gro Products, Inc. (nka Scotts' Miracle-Gro Products, Inc.), Scotts and John Kenlon	Pages 244 through 257

10(l)	Employment Agreement, dated as of August 7, 1996, between Scotts and Charles M. Berger	Pages 258 through 268
10(m)	Stock Option Agreement, dated as of August 7, 1996, between Scotts and Charles M. Berger	Pages 269 through 276
10(n)	Stock Option Agreement, dated as of March 5, 1996, between Scotts and Tadd C. Seitz	Pages 277 through 283
10(o)	Letter Agreement, dated April 10, 1996, between Theodore J. Host and Scotts	Pages 284 through 293
10(p)	Letter Agreement, dated January 18, 1996, between Scotts and Paul D. Yeager, and amendment dated	Pages 294 through 299

</TABLE>

(b) REPORTS ON FORM 8-K

The Registrant filed a Current Report on Form 8-K dated April 3, 1996, which reported, as an "Other Event", that a letter was forwarded by Mr. Tadd C. Seitz, then Chairman of the Board, Interim President and Chief Executive Officer of the Registrant, to certain investors and analysts. No financial statements were required to be filed with the Current Report on Form 8-K.

(c) EXHIBITS

See Item 14(a)(3) above.

(d) FINANCIAL STATEMENT SCHEDULES

The response to this portion of Item 14 is submitted as a separate section of this Annual Report on Form 10-K. See Item 14(a)(2) above.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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 COMPANY

Dated: December 23, 1996 By /s/ Charles M. Berger

Charles M. Berger, Chairman of the Board, President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons in the capacities and on the dates indicated.

<TABLE>
<CAPTION>

SIGNATURE	TITLE	DATE
<S>	<C>	<C>
/s/ James B Beard James B Beard	Director	December 23, 1996
/s/ Charles M. Berger Charles M. Berger	Chairman of the Board/ President/Chief Executive Officer	December 23, 1996
/s/ John S. Chamberlin John S. Chamberlin	Director	December 23, 1996
/s/ Joseph P. Flannery Joseph P. Flannery	Director	December 23, 1996
/s/ Horace Hagedorn Horace Hagedorn	Vice Chairman/Director	December 23, 1996
/s/ James Hagedorn James Hagedorn	Executive Vice President/ Director	December 23, 1996
/s/ John Kenlon John Kenlon	Director	December 23, 1996
/s/ Karen Gordon Mills Karen Gordon Mills	Director	December 23, 1996
/s/ Tadd C. Seitz Tadd C. Seitz	Director	December 23, 1996

/s/ Donald A. Sherman Donald A. Sherman	Director	December 23, 1996
/s/ John M. Sullivan John M. Sullivan	Director	December 23, 1996
/s/ L. Jack Van Fossen L. Jack Van Fossen	Director	December 23, 1996
/s/ Paul D. Yeager Paul D. Yeager	Executive Vice President/ Chief Financial Officer/ Principal Accounting Officer	December 23, 1996

</TABLE>

FIVE-YEAR SUMMARY

<TABLE>
<CAPTION>

THE SCOTTS COMPANY AND SUBSIDIARIES
For years ended September 30

(in thousands except share data)	1992	1993(1)	1994(2)	1995(3)	1996
Consolidated Statements of Operations Data					
<S>	<C>	<C>	<C>	<C>	<C>
Net sales	$ 413,558	$ 466,043	$ 606,339	$ 732,837	$ 751,880
Cost of sales	213,133	244,218	319,730	394,369	414,075
Inventory writedown	-	-	-	-	3,084
Gross profit	200,425	221,825	286,609	338,468	334,721
Operating expenses:					
Marketing	66,245	74,579	100,106	130,179	140,919
Distribution	61,051	67,377	84,407	104,513	95,181
General and administrative	24,759	27,688	30,189	28,672	34,266
Research and development	6,205	7,700	10,352	10,970	10,605
Amortization of goodwill and other intangibles	816	1,615	3,633	5,950	8,812
Other income, net	(796)	(955)	(1,350)	(163)	(558)
Unusual (income) charges	-	-	-	(4,227)	17,703
Total operating expenses	158,280	178,004	227,337	275,894	306,928
Income from operations	42,145	43,821	59,272	62,574	27,793
Interest expense	15,942	8,454	17,450	26,320	26,541
Income before income taxes, extraordinary items and cumulative effect of accounting changes	26,203	35,367	41,822	36,254	1,252
Income taxes	11,124	14,320	17,947	13,898	3,782
Income (loss) before extraordinary items and cumulative effect of accounting changes	15,079	21,047	23,875	22,356	(2,530)
Extraordinary items:					
Loss on early extinguishment of debt, net of tax	(4,186)	-	(992)	-	-
Utilization of net operating loss carryforwards	4,699	-	-	-	-
Cumulative effect of changes in accounting for postretirement benefits, net of tax and accounting for income taxes	-	(13,157)	-	-	-
Net income (loss)	15,592	7,890	22,883	22,356	(2,530)
Preferred stock dividends	-	-	-	3,559	9,750
Income (loss) applicable to common shareholders	$ 15,592	$ 7,890	$ 22,883	$ 18,797	$ (12,280)
Net income (loss) per common share:					
Income (loss) before extraordinary items and cumulative effect of accounting changes	$ 0.84	$ 1.07	$ 1.27	$ 0.99	$ (0.65)
Extraordinary items:					
Loss on early extinguishment of debt, net of tax	(0.23)	-	(0.05)	-	-
Utilization of net operating loss carryforwards	0.26	-	-	-	-
Cumulative effect of changes in accounting for postretirement benefits, net of tax and income taxes	-	(0.67)	-	-	-

Net income (loss) per common share	$ 0.87	$ 0.40	$ 1.22	$ 0.99	$ (0.65)
Common shares used in per share calculation	18,014,151	19,687,013	18,784,729	22,616,685	18,785,724
Consolidated Balance Sheets Data					
Working capital	$ 54,795	$ 88,526	$ 140,566	$ 226,998	$ 181,203
Capital investment	19,896	15,158	33,402	23,606	18,215
Property, plant and equipment, net	89,070	98,791	140,105	148,754	139,488
Total assets	268,021	321,590	528,584	809,045	731,685
Term debt, including current portion	31,897	92,524	223,885	272,446	223,325
Total shareholders' equity	175,929	143,013	168,160	380,790	364,301

</TABLE>

(1) Includes Republic Tool and Manufacturing Corp. ("Republic") from November 19, 1992
(2) Includes Scotts-Sierra Horticulture Products Company ("Sierra") from December 16, 1993
(3) Includes Scotts' Miracle-Gro Products, Inc. and its subsidiaries ("Miracle-Gro Companies") from May 19, 1995

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion and analysis of the consolidated results of operations for the fiscal years ended September 30, 1996, 1995 and 1994 and the financial condition at September 30, 1996 should be read in conjunction with the Consolidated Financial Statements and Notes included elsewhere in this Report.

A merger and an acquisition in recent years have a significant impact on the year-to-year comparisons of results of operations. Effective May 19, 1995, The Scotts Company ("Scotts" or the "Company") merged with Stern's Miracle-Gro Products, Inc. ("Miracle-Gro"); therefore, fiscal 1996 was the first year Miracle-Gro's spring selling season was included in Scotts' consolidated results of operations. Effective December 16, 1993, Scotts completed its acquisition of Grace-Sierra Horticultural Products Company ("Sierra"). Pro forma discussions herein give effect to both of these transactions as if they had occurred on October 1, 1993.

REVIEW OF FISCAL 1996

Fiscal 1996 was a significant and challenging financial year for Scotts. The Company continued as the clear market leader in the U.S. consumer lawn and garden industry, remained a leader in the U.S. professional turf and horticulture management markets, and continued to grow its highly profitable international business. During fiscal 1996, the Company reported record net sales of $751.9 million. While management believes Scotts maintained and expanded its key market positions in 1996, the Company made several decisions that resulted in a significant reduction in income from operations and a $2.5 million net loss for the fiscal year.

Fiscal 1996 net sales were unfavorably impacted as the Company discontinued a program encouraging retailers to build their consumer lawns products inventories substantially in advance of the spring selling season. This program was costly to Scotts as it included higher than normal discounting and promotional allowances to retailers. Management estimates that retailers had approximately $60 million in inventories related to this program at the beginning of Scotts fiscal 1996. Marketing expense was higher in proportion to sales in 1995 and 1996, due in part to the impact of the consumer lawns retailer early purchase program.

The Company took additional steps toward long-term sustained profitability by restructuring certain aspects of its business, resulting in $17.7 million of unusual charges during 1996. These unusual charges were for severance costs related to the termination of approximately 120 associates and for assets whose book values were impaired as a result of operational and strategic business changes.

The Company has also recently realigned its U.S. Consumer Business Group into three smaller, more focused groups: Consumer Lawns, Consumer Gardens and Organics. Management believes these newly established groups, in addition to the previously existing Professional and International Business Groups, provide the Company with a strategic organizational structure that is focused on the opportunities associated with each business and the special requirements of their customers, with the ultimate objective of maximizing profitability and overall shareholder value.

The first major positive outcome of the discontinuance of the consumer lawns retailer early purchase program was improved working capital management (that

contributed to operating cash flows of $82.3 million in 1996), which combined with lower capital investments, generated approximately $51.9 million of free cash flow (cash provided by operating activities less capital investment and Preferred Stock dividends) during fiscal 1996, compared to negative free cash flow of $20.3 million and $23.5 million in fiscal 1995 and 1994, respectively.

RESULTS OF OPERATIONS

The following table sets forth the components of income and expense for the three years ended September 30, 1996 on a percent-of-net sales basis:

<TABLE>
<CAPTION>

	YEARS ENDED SEPTEMBER 30,		
	1994	1995	1996
<S>	<C>	<C>	<C>
Net sales	100.0%	100.0%	100.0%
Cost of sales	52.7	53.8	55.1
Inventory writedown	-	-	0.4
Gross profit	47.3	46.2	44.5
Operating expenses:			
Marketing	16.5	17.8	18.7
Distribution	13.9	14.3	12.7
General and administrative	5.0	3.9	4.5
Research and development	1.7	1.5	1.4
Amortization of goodwill and other intangibles	0.6	0.8	1.2
Other income, net	(0.2)	-	(0.1)
Unusual (income) charges	-	(0.6)	2.4
Total operating expenses	37.5	37.7	40.8
Income from operations	9.8	8.5	3.7
Interest expense	2.9	3.6	3.5
Income before income taxes and extraordinary item	6.9	4.9	0.2
Income taxes	3.0	1.9	0.5
Income (loss) before extraordinary item	3.9	3.0	(0.3)
Extraordinary item:			
Loss on early extinguishment of debt, net of tax	(0.1)	-	-
Net income (loss)	3.8	3.0	(0.3)
Preferred stock dividends	-	0.5	1.3
Income (loss) applicable to common shareholders	3.8%	2.5%	(1.6)%

</TABLE>

FISCAL 1996 COMPARED WITH FISCAL 1995

Net sales for the fiscal year ended September 30, 1996 totaled $751.9 million, an increase of $19 million or 2.6% from the prior year. Compared to fiscal 1995 pro forma net sales of $821.2 million, net sales decreased by $69.3 million or 8.4%. Compared to 1995 pro forma, 1996 net sales declined principally due to the discontinuance of a consumer lawns retailer early purchase program, that encouraged retailers to build their inventories substantially in advance of the spring selling season and had the impact of increasing sales in the latter four months of fiscal 1995. Management estimates that approximately $60 million (7.3%) of the 1996 net sales decline from 1995 pro forma is a result of the discontinuance of this program. Sales volumes (down 11.1% in total compared to 1995 pro forma) were also unfavorably impacted by unusually poor spring weather conditions in North America and Northern Europe. Net sales increased approximately 2.7% in 1996 compared to 1995 pro forma as a result of pricing.

Consumer Lawns Group net sales decreased $49.7 million or 18.0% ($54.1 million or 19.3% on a pro forma basis) to $225.9 million in 1996, primarily as a result of the discontinuance of the retailer early purchase program (approximately 21.4%). Consumer lawns 1996 sales were further negatively

impacted by poor spring weather in its major markets (6.0%), partially offset by modest price increases (5.2%) and the impact of expanded distribution of Miracle-Gro Extra Long Lasting Lawn Food (2.9%). Compared to 1995 actual, Consumer Gardens Group net sales increased from $82.2 million to $115.3 million, primarily as a result of the inclusion of Miracle-Gro for the first full fiscal year. On a pro forma basis, consumer gardens net sales decreased 1.5%, reflecting the integration of the Miracle-Gro and Scotts garden product lines, resulting in the elimination of certain overlapping products (2.6%), and the poor spring weather in 1996. Organics Business Group net sales decreased by $6.7 million or 3.6% to $181.1 million in 1996, primarily due to lower volume resulting from poor spring weather and the closure of several composting facilities.

In 1996, Professional Business Group net sales were $154.5 million, a decrease of $6.8 million or 4.2%, primarily as a result of poor spring and summer weather, and the elimination of certain end of season discounting programs in 1996 (together, 7.6%), partially offset by modest price increases (3.3%). International Business Group net sales increased by $5.5 million or 8.0% to $75.1 million in 1996, principally due to strong sales gains in the Asia/Pacific and Latin American regions, partially offset by poor spring weather conditions in Northern Europe.

During 1995, the Peters-Registered Trademark- line of U.S. consumer water-soluble fertilizer products ("CWSF") generated net sales of $5.4 million; this line was divested in 1995 under a Federal Trade Commission consent order pursuant to the merger with Miracle-Gro.

Cost of sales were 55.5% of net sales in 1996, a 1.7 percentage point increase compared to 53.8% of net sales in 1995. The increase resulted from the inventory writedown for products that are being phased out as part of the Company's plan to simplify its products lines, lower than planned production volumes resulting in higher proportional manufacturing costs, and to a lesser extent, unfavorable sales mix resulting from the discontinuance of the consumer lawns retailer early purchase program.

Operating expenses increased $31 million or 11.3% to $306.9 million in 1996, from $275.9 million in 1995. Operating expenses were 40.8% of net sales in 1996, compared to 37.7% in 1995. Excluding unusual (income) charges in both years, operating expenses increased $9.1 million or 3.3% to $289.2 million, from $280.1 million in 1995. Excluding unusual (income) charges, operating expenses were 38.4% of net sales in 1996, compared to 38.3% of net sales in 1995. Excluding unusual (income) charges, operating expenses increased due to the inclusion of Miracle-Gro for a full year in 1996 (7.7%), higher media advertising of consumer lawns products (2.1%), expansion of the International sales and marketing infrastructure (1.0%), and to a lesser extent, higher bad debts, associate medical and dental expenses, and external legal costs. These factors were partially offset by lower retailer promotional spending as a result of the discontinuance of the consumer lawns retailer early purchase program (3.8%), lower distribution costs on lower sales volumes (3.9%), and to a lesser extent, a partial year impact of cost reduction programs.

During fiscal 1996, the Company recorded $17.7 million (2.4% of net sales) of unusual charges resulting from initiatives designed to reduce costs, increase operating efficiencies and return the Company to profitability. The unusual charges were for severance costs associated with restructurings and write-downs of various under-utilized or idle assets, including several plant closings. In fiscal 1995, the Company recorded $4.2 million of unusual income related to the divestiture of the Peters-Registered Trademark- line of U.S. CWSF products, decreasing operating expenses by 0.6% of net sales.

Interest expense increased $0.2 million to $26.5 million in 1996. The increase was a result of higher average borrowings in the first eight months of fiscal 1996, reflecting incremental receivables associated with the consumer lawns retailer early purchase program and the first year impact of Miracle-Gro's seasonal working capital requirements. Average borrowings increased to approximately $317.5 million in 1996, $23.5 million higher than 1995. Higher average borrowings were partially offset by a decrease in the average variable interest rate for the Company of approximately one-half of one percent.

The Company's effective tax rate in 1996 was 302.3%, compared to 38.3% in 1995. Excluding unusual (income) charges in both years, the effective tax rate would have been 52.4% in 1996 versus 43.4% in 1995. Including unusual charges, the high effective tax rate in 1996 is attributable to non-tax deductible amortization of goodwill and certain intangibles in the U.S., combined with the low level of reported pre-tax income. Additional information on the effective tax rate is provided in Note 10 to the Company's Consolidated Financial Statements.

During 1996, the Company reported a net loss of $2.5 million, compared to net income of $22.4 million in 1995. Excluding unusual (income) charges and the inventory writedown (approximately $13 million in 1996 and ($4.2) million in 1995, on an after tax basis), Scotts would have reported net income of

approximately $10.5 million in 1996 versus net income of $18.2 million in 1995. The decline in net income before unusual items in 1996 is primarily due to lower net sales as a result of the discontinuance of the consumer lawns retailer early purchase program and poor spring weather impacting all business groups, lower gross margins due to lower than planned manufacturing volumes and unfavorable sales mix, and higher investment in consumer directed media, partially offset by the positive impact from inclusion of Miracle-Gro for a full year in fiscal 1996.

FISCAL 1995 COMPARED WITH FISCAL 1994
Net sales increased to $732.8 million, up approximately 20.9%, primarily due to increased sales volume (14.5%), of which 5.2% resulted from a consumer lawns early purchase program which encouraged retailers to start building their inventories for the spring of 1996 in the latter four months of Scotts fiscal 1995, while deferring payment to 1996. The increase in actual net sales also reflects the inclusion of Sierra for the full year in 1995 (3.4%) and Miracle-Gro from the merger date of May 19, 1995 (3.0%). On a pro forma basis, net sales increased by $95 million or 13.1% to $821.2 million

Consumer Lawns Group net sales increased $54.1 million or 22.9% to $275.6 million. This increase resulted primarily from increased volume, of which 12.9% resulted from the retailer early purchase. Consumer Gardens Group net sales increased $21 million to $33.1 million, reflecting the partial year impact of the merger with Miracle-Gro on May 19, 1995. On a pro forma basis, consumer gardens net sales increased $5.8 million or 5.2% to $117 million. Organics Business Group net sales increased $17.5 million or 10.2% to $187.8 million, primarily as a result of volume increases.

Professional Business Group net sales of $161.3 million increased by 11.1%, primarily due to the inclusion of Sierra for a full year in 1995 (8.0%) and an increased demand for horticulture products (3.1%). International Business Group sales increased by 43.7% to $69.6 million due to gains in these markets combined with the positive impact resulting from the sale of Scotts products in the Company's international distribution network (19.7%), the inclusion of Sierra net sales for the full year (16.9%) and favorable exchange rates (7.1%).

Cost of sales represented 53.8% of net sales in fiscal 1995, a 1.1 percentage point increase compared to 52.7% of net sales in fiscal 1994. The increase resulted from higher prices for urea (a primary source of nitrogen in most of Company's fertilizer products), increased International sales of lower margin U.S. produced products, increased sales of lower margin domestic products, and to a lesser extent, pricing incentives to major consumer lawns and professional customers.

Operating expenses increased $48.6 million or 21.4% to $275.9 million in 1995, from $227.3 million in 1994. Excluding unusual income in 1995, operating expenses increased $52.8 million or 23.2%. Marketing expense increased 30.0% due primarily to increased promotional allowances to retailers (16.2%) and to a lesser extent increased sales, a higher proportion of International sales which carry a higher ratio of marketing cost to sales, and higher sales force incentives. Distribution expense increased 23.8% as a result of higher sales volume, higher warehousing and storage costs as a result of increased inventory levels, higher freight rates and a higher proportion of the sales growth in lower value per pound products. These increases were partially offset by a 5% decline in general and administrative expense as a result of synergies achieved from the integration of Sierra, cost controls and reduced management incentives. Amortization of goodwill and other intangibles increased as a result of the merger with Miracle-Gro and the first full year including Sierra. Other income, net decreased principally as a result of the Company's portion of the loss from Miracle Garden Care, Ltd ("MGC Ltd") and a reduction in royalty income.

Interest expense increased 50.8%. The increase was caused by higher interest rates on the floating-rate bank debt and the 9 7/8% Senior Subordinated Notes due August 1, 2004 (the "Notes") compared with the floating-rate bank debt the Notes replaced (32.6%), a full year outstanding of the borrowings to fund the Sierra acquisition (8.1%) and an increase in borrowing levels (10.1%) principally to support higher working capital requirements and capital investments.

The Company's effective tax rate decreased from 42.9% in 1994 to 38.3% in 1995. This decrease results primarily from the tax treatment of the disposition of the Peters-Registered Trademark- line of CWSF products (3%) and resolution of prior year tax contingencies (3.9%) offset by an increase in non-tax deductible amortization of goodwill and intangible assets (1.3%).

Net income of $22.4 million decreased by $0.5 million from 1994. Among the significant items impacting 1995 results were increased revenues and costs from the Consumer Lawns retailer early purchase program, the gain from the divestiture of the Peters-Registered Trademark- line of CWSF products, the lower effective tax rate, and the higher cost of urea, each as discussed more fully above and an extraordinary charge of $1 million, net of tax, in 1994

for the early extinguishment of debt.

LIQUIDITY AND CAPITAL RESOURCES

Current assets of $292 million as of September 30, 1996, decreased by $58.9 million compared with the prior year end. The decrease was attributable to a $66.1 million decrease in accounts receivable, partially offset by slightly higher inventories and cash balances. Accounts receivable as of September 30, 1995 included approximately $60 million related to the consumer lawns retailer early purchase program. This retailer early purchase program was significantly modified for the spring 1997 selling season, eliminating the majority of extended terms accounts receivable on September 30, 1996.

Current liabilities of $110.8 million as of September 30, 1996, decreased by $13.1 million compared with the prior year end. The decrease was principally attributable to lower trade payables as a result of lower fourth quarter 1996 manufacturing volumes, in line with the discontinuance of the retailer early purchase program that increased fourth quarter 1995 sales and production requirements.

Capital investments totaled approximately $18.2 million and $23.6 million for the fiscal years ended September 30, 1996 and 1995, respectively, and are expected to be approximately $20 million in fiscal 1997. In addition, the Company is evaluating expansion of its Marysville distribution facility, which is expected to generated annual distribution savings of at least $1.5 million. The proposed expansion could result in additional capital investments of up to $10 million in 1997. The Company's Fourth Amended and Restated Credit Agreement (the "Credit Agreement") restricts capital investments to $50 million per fiscal year, with a one-year carryover provision. These investments will be financed with cash provided by operations and utilization of available credit facilities.

Long-term debt as of September 30, 1996 decreased $48.9 million compared with September 30, 1995. The decrease in long-term debt is a direct result of $82.3 million in cash provided by operating activities, less capital investments of $18.2 million, cash paid for preferred stock dividends of $12.2 million (higher than the $9.8 million annual dividend requirement due to timing of payments around the end of fiscal 1995), and net common stock repurchases of $2.3 million.

Shareholders' equity decreased by $16.5 million to $364.3 million as of September 30, 1996. The decrease was due to the net loss of $2.5 million, Convertible Preferred Stock dividends of $9.8 million, a net change in treasury stock of $2.2 million and an unfavorable change in the cumulative foreign currency adjustment of $1.9 million.

The primary sources of liquidity for the Company are funds generated by operations and borrowings under the Company's Credit Agreement. The Credit Agreement was amended and restated in March 1995. As amended, the Credit Agreement is unsecured and provides up to $375 million through March 31, 2000, and does not contain a term loan facility. Additional information on the Credit Agreement is described in Note seven to the Company's Consolidated Financial Statements.

The Company has foreign exchange rate risk related to international operations and cash flows. During fiscal 1995, a program was designed to minimize the exposure to adverse currency impacts on the cash value of the Company's non-local currency receivables and payables, as well as the associated earnings impact. Since January 1995, the Company has entered into forward foreign exchange contracts and purchase currency options tied to the economic value of receivables and payables and expected cash flows denominated in non-local foreign currencies. Management anticipates that these financial instruments will act as an effective hedge against the potential adverse impact of exchange rate fluctuations on the Company's results of operations, financial condition and liquidity. It is recognized, however, that the program will minimize but not completely eliminate the Company's exposure to adverse currency movements.

As of September 30, 1996, the Company's European operations had foreign exchange risk in various European currencies tied to the Dutch guilder. These currencies include the Australian Dollar, Belgian Franc, German Mark, Spanish Peseta, French Franc, British Pound, Italian Lire, and the U.S. Dollar. The Company's U.S. operations had foreign exchange rate risk in the Canadian Dollar, Dutch Guilder and the British Pound which are tied to the U.S. Dollar. As of September 30, 1996, there were outstanding forward foreign exchange contracts with a value of approximately $16.6 million. These contracts had maturity dates ranging from October 29, 1996 to June 10, 1997.

In the opinion of the Company's management, cash flows from operations and capital resources will be sufficient to meet debt service and working capital needs during the 1997 fiscal year.

INFLATION
The Company is subject to the effects of changing prices. The Company has, however, generally been able to pass along inflationary increases in its costs by increasing the prices of its products.

ENVIRONMENTAL MATTERS
The Company is subject to local, state, federal and foreign environmental protection laws and regulations with respect to its business operations and believes it is operating in substantial compliance with, or taking action aimed at ensuring compliance with, such laws and regulations. The Company is involved in several environmental related legal actions with various governmental agencies. While it is difficult to quantify the potential financial impact of actions involving environmental matters, particularly remediation costs at waste disposal sites and future capital expenditures for environmental control equipment, in the opinion of management, the ultimate liability arising from such environmental matters, taking into account established reserves, should not have a material adverse affect on the Company's financial position; however, there can be no assurance that future quarterly or annual operating results will not be materially affected by the resolution of these matters. Additional information on environmental matters affecting the Company is provided in Note 12 to the Company's Consolidated Financial Statements and in the annual report on Form 10-K to the Securities and Exchange Commission for the year ended September 30, 1996 under the "Business" and "Legal Proceedings" sections.

ACCOUNTING ISSUES
During 1996, the Company adopted SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," which requires review for possible impairment whenever events or business circumstances indicate that the carrying amount of an asset may not be recoverable. Although the Company's previous accounting policies were in accordance with SFAS No. 121, the guidelines of this pronouncement were applied in determining certain of the unusual charges recorded in fiscal 1996.

In October 1995, the Financial Accounting Standards Board issued SFAS No. 123 "Accounting for Stock-Based Compensation", effective for financial statements for fiscal years beginning after December 15, 1995. SFAS No. 123 provides for, but does not require, a fair value method of accounting for stock-based compensation arrangements rather than the intrinsic value method previously required. Alternatively, entities that retain the intrinsic value method are required to disclose in the notes to the financial statements pro forma net income and earnings per share information as if the fair value method had been applied. The Company does not intend to adopt the fair value method of SFAS No. 123; therefore, this standard will not have a material effect on the Company's consolidated financial statements.

RECENT DEVELOPMENTS
The Company has signed a letter of intent to acquire the remaining ownership interests of the MGC Ltd business; Scotts currently owns approximately a one-third interest in this business. MGC Ltd is principally engaged in the manufacture and sale of consumer lawn and garden products in the United Kingdom. Closing of this transaction is expected to occur during the second quarter of fiscal 1997.

In connection with the pending MGC Ltd acquisition, the Company is seeking an amendment to its Credit Agreement for the purpose of financing the acquisition, refinancing MGC Ltd's existing debt and providing for MGC Ltd's seasonal working capital needs. The proposed amendment provides for an increase in the available line-of-credit from $375 million to $425 million, and allows up to the equivalent of $100 million of the available credit to be borrowed in British pounds sterling. Other terms of the Credit Agreement will remain essentially unchanged.

OUTLOOK FOR 1997
Looking forward to 1997, management expects that the discontinuance of the consumer lawns retailer early purchase program, the realignment of the business groups designed to provide better focus on and accountability for performance, and the positive impacts of the recent restructurings to return the Company to profitability. However, these changes, along with inherent risks of a seasonal business, present several challenges for 1997.

The Consumer Lawns Groups' marketing strategy has been refocused on consumer directed, "pull" advertising and less on the retailer directed, "push" promotional programs heavily relied upon in recent years. Although presentations to retailers indicate encouraging acceptance of these new marketing and promotional programs, the success thereof and the impact of the change in the pre-season selling programs is unknown. On a pro forma basis, the Company has historically generated 66% to 68% of its annual revenues in its second and third fiscal quarters. Management expects this relationship to continue or to become slightly more pronounced with the change in the consumer lawns marketing and promotional programs. Spring weather conditions in North America are also a significant factor impacting sales of the

Company's products, especially in the early spring selling season.

Management expects gross profit margins to improve in 1996 as a result of the anticipated recovery of the relatively higher margin consumer lawns business, higher volumes increasing manufacturing efficiencies, and stabilized raw material prices. In particular, recent prices for urea have stabilized, which combined with a long-term supply agreement, should keep the cost of this key raw material in-line with 1996 levels. In the last quarter of 1997, the Company plans to change over to plastic packaging for its key consumer lawns products and update the technology of one of its key manufacturing lines. These planned changes, along with the general direction toward simplifying its product lines, may put temporary downward pressure on gross profit margins during the transition period as new processes startup and old products are phased out.

The Company expects a lower effective tax rate in 1997 in the range of 42% to 44%, principally as a result of the anticipated return to profitability.

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION ACT OF 1995. The statements contained in this report which are not historical fact are "forward looking statements" that involve various important risks, uncertainties, and other factors which could cause the Company's actual results for 1997 and beyond to differ materially from those expressed in such forward looking statements. These important factors include, without limitation, the risks and factors set forth above in "Outlook for 1997" as well as other risks previously disclosed in the Company's securities filings.

THE SCOTTS COMPANY AND SUBSIDIARIES
Consolidated Statements of Operations
for the years ended September 30, 1994, 1995 and 1996
(in thousands except per share amounts)

<TABLE>
<CAPTION>

	1994	1995	1996
<S>	<C>	<C>	<C>
Net sales	$606,339	$732,837	$751,880
Cost of sales	319,730	394,369	414,075
Inventory writedown	-	-	3,084
Gross profit	286,609	338,468	334,721
Marketing	100,106	130,179	140,919
Distribution	84,407	104,513	95,181
General and administrative	30,189	28,672	34,266
Research and development	10,352	10,970	10,605
Amortization of goodwill and other intangibles	3,633	5,950	8,812
Other income, net	(1,350)	(163)	(558)
Unusual (income) charges	-	(4,227)	17,703
Income from operations	59,272	62,574	27,793
Interest expense	17,450	26,320	26,541
Income before income taxes and extraordinary item	41,822	36,254	1,252
Income taxes	17,947	13,898	3,782
Income (loss) before extraordinary item	23,875	22,356	(2,530)
Extraordinary item:			
Loss on early extinguishment of debt, net of tax	(992)	-	-
Net income (loss)	22,883	22,356	(2,530)
Preferred stock dividends	-	3,559	9,750
Income (loss) applicable to common shareholders	$ 22,883	$ 18,797	$(12,280)
Net income (loss) per common share:			
Income (loss) before extraordinary item	$ 1.27	$ 0.99	$ (0.65)
Extraordinary item:			
Loss on early extinguishment of debt, net of tax	(.05)	-	-

Net income (loss) per common share	$ 1.22	$ 0.99	$ (0.65)
Common shares used in per share calculation	18,785	22,617	18,786

</TABLE>

See Notes to Consolidated Financial Statements.

THE SCOTTS COMPANY AND SUBSIDIARIES
Consolidated Statements of Cash Flows
for the years ended September 30, 1994, 1995 and 1996

<TABLE>

	1994	1995	1996
<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)	$ 22,883	$22,356	$ (2,530)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation	13,375	16,056	16,812
Amortization	8,562	9,599	12,473
Extraordinary loss on early extinguishment of debt	992	-	-
Unusual (income) charges	-	(4,227)	15,052
Postretirement benefits	368	145	(2)
Deferred income taxes	5,378	(2,596)	(5,728)
Loss (gain) on sale of equipment	29	(55)	(93)
Equity in loss (income) of unconsolidated businesses	-	1,216	(493)
Provision for losses on accounts receivable	1,974	1,533	3,363
Other	234	(309)	(464)
Changes in assets and liabilities:			
Accounts receivable	(33,846)	(36,661)	62,736
Inventories	(10,406)	(22,984)	(4,883)
Prepaid and other current assets	(2,065)	(2,119)	2,068
Accounts payable	6,400	12,049	(16,919)
Accrued liabilities	6,220	9,567	638
Other assets and liabilities	(10,231)	906	312
Net cash provided by operating activities	9,867	4,476	82,342
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in property, plant and equipment	(33,402)	(23,606)	(18,215)
Proceeds from sale of equipment	384	718	834
Investment in affiliate	-	(250)	-
Acquisitions, net of cash acquired	(117,107)	-	-
Cash acquired in merger with Miracle-Gro	-	6,449	-
Proceeds from Peters divestiture	-	9,966	-
Net cash used in investing activities	(150,125)	(6,723)	(17,381)
CASH FLOWS FROM FINANCING ACTIVITIES			
Borrowings under term debt	289,215	-	-
Payments on term and other debt	(166,844)	(27,127)	-
Net borrowings (payments) under revolving credit	30,500	27,402	(48,553)
Net borrowings (payments) under bank line of credit	1,211	(1,819)	1,903
Deferred financing cost incurred	(5,139)	(486)	-
Purchase of Common Shares	-	-	(9,779)
Issuance of Common Shares	160	436	7,477
Dividends on Class A Convertible Preferred Stock	-	(1,122)	(12,187)
Net cash provided by (used in) financing activities	149,103	(2,716)	(61,139)
Effect of exchange rate changes on cash	(473)	1,296	(252)
Net increase (decrease) in cash	8,372	(3,667)	3,570
Cash, beginning of period	2,323	10,695	7,028
Cash, end of period	$ 10,695	$ 7,028	$ 10,598
SUPPLEMENTAL CASH FLOW INFORMATION:			
Interest (net of amount capitalized)	$ 10,965	$ 23,808	$ 25,483

Income taxes paid	20,144	11,339	4,420
Dividends declared not paid	-	2,437	-
Businesses acquired:			
Fair value of assets acquired	143,520	235,564	
Liabilities assumed	(26,413)	(39,875)	
Net cash paid for acquisition	117,107	-	
Class A Convertible Preferred Stock issued		177,255	
Warrants issued		14,434	

</TABLE>
See Notes to Consolidated Financial Statements.

THE SCOTTS COMPANY AND SUBSIDIARIES
Consolidated Balance Sheets
September 30, 1995 and 1996
(in thousands)

ASSETS

<TABLE>
<CAPTION>

	1995	1996
<S>	<C>	<C>
Current Assets:		
Cash	$ 7,028	$ 10,598
Accounts receivable, less allowance of $3,406 in 1995 and $4,114 in 1996	176,525	110,426
Inventories	143,953	148,836
Prepaid and other assets	23,354	22,101
Total current assets	350,860	291,961
Property, plant and equipment, net	148,754	139,488
Trademarks	89,250	86,997
Other intangibles	24,421	19,455
Goodwill	179,988	180,154
Other assets	15,772	13,630
Total Assets	$809,045	$731,685

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities:		
Revolving credit line	$ 97	$ 2,000
Current portion of term debt	421	197
Accounts payable	63,207	46,288
Accrued liabilities	41,409	42,603
Accrued taxes	18,728	19,670
Total current liabilities	123,862	110,758
Term debt, less current portion	272,025	223,128
Postretirement benefits other than pensions	27,159	27,157
Other liabilities	5,209	6,341
Total Liabilities	428,255	367,384
Commitments and Contingencies		
Shareholders' Equity:		
Class A Convertible Preferred Stock, no par value	177,255	177,255
Common shares, $.01 stated value, issued 21,082 shares in 1995 and 1996	211	211
Capital in excess of par value	207,551	207,650
Retained earnings	32,672	20,392
Cumulative foreign currency translation adjustments	4,082	2,151
Treasury stock, 2,388 shares in 1995 and 2,507 shares in 1996, at cost	(40,981)	(43,358)
Total Shareholders' Equity	380,790	364,301
Total Liabilities and Shareholders' Equity	$809,045	$731,685

</TABLE>
See Notes to Consolidated Financial Statements.

<TABLE>
<CAPTION>

THE SCOTTS COMPANY AND SUBSIDIARIES
Consolidated Statements of Changes in Shareholders' Equity
for the years ended September 30, 1994, 1995 and 1996
(in thousands)

	Convertible Class A Preferred Stock		Common Shares		Capital in excess of	Retained Earnings/	Treasury Stock		Cumulative Translation	Total Share-holders' Equity/
	Shares	Amount	Shares	Amount	Par Value	(Deficit)	Shares	Amount	Gain(Loss)	(Deficit)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, September 30, 1993			21,073	$211	$193,263	$(9,008)	(2,415)	$(41,441)	$(12)	$143,013
Net income						22,883				22,883
Amortization of unearned compensation					27					27
Foreign currency translation adjustment									2,077	2,077
Issuance of common shares			9		160					160
Balance, September 30, 1994			21,082	211	193,450	13,875	(2,415)	(41,441)	2,065	168,160
Net income						22,356				22,356
Dividends						(3,559)				(3,559)
Amortization of unearned compensation					24					24
Foreign currency translation adjustment									2,017	2,017
Issuance of common shares held in treasury					(24)		27	460		436
Issuance of Class A Convertible Preferred Stock	195	$177,255								177,255
Issuance of warrants					14,434					14,434
Options outstanding					(333)					(333)
Balance, September 30, 1995	195	177,255	21,082	211	207,551	32,672	(2,388)	(40,981)	4,082	380,790
Net loss						(2,530)				(2,530)
Dividends						(9,750)				(9,750)
Amortization of unearned compensation					24					24
Foreign currency translation adjustment									(1,931)	(1,931)
Issuance of common shares held in treasury					75		431	7,402		7,477
Purchase of common shares							(550)	(9,779)		(9,779)
Balance, September 30, 1996	195	$177,255	21,082	$211	$207,650	$20,392	(2,507)	$(43,358)	$2,151	$364,301

See Notes to Consolidated Financial Statements.
</TABLE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

The Scotts Company is engaged in the manufacture and sale of lawn care and garden products. The Company's major customers include mass merchandisers, home improvement centers, large hardware chains, independent hardware stores, nurseries, garden centers, food and drug stores, golf courses, professional sports stadiums, lawn and landscape service companies, commercial nurseries and greenhouses, and specialty crop growers. Scotts products are sold in the United States, Canada, the United Kingdom, continental Europe, Southeast Asia, the Middle East, Africa, Australia, New Zealand, and several Latin American countries.

BASIS OF PRESENTATION

The consolidated financial statements include the accounts of The Scotts Company ("Scotts") and its wholly owned subsidiaries, Hyponex

Corporation ("Hyponex"), Republic Tool and Manufacturing Corp. ("Republic"), Scotts-Sierra Horticultural Products Company ("Sierra") and Scotts' Miracle-Gro Products, Inc. ("Miracle-Gro"), (collectively, the "Company"). All material intercompany transactions have been eliminated.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying disclosures. The most significant of these estimates are related to the allowance for doubtful accounts, inventory valuation reserves, marketing promotional and consumer rebate liabilities, income taxes and contingencies. 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.

ACCOUNTING CHANGES

In 1996, the Company adopted SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of", which requires review for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Although the Company's previous policies were in accordance with SFAS No. 121, the guidelines of this pronouncement were applied in determining certain of the unusual charges recorded in fiscal 1996; see Note 2.

INVENTORIES

Inventories are principally stated at the lower of cost or market, determined by the FIFO method; certain inventories of Hyponex (primarily organic products) are accounted for by the LIFO method. At September 30, 1995 and 1996, approximately 25% and 15% of inventories, respectively, are valued at the lower of LIFO cost or market. Inventories include the cost of raw materials, labor and manufacturing overhead.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company makes provisions for obsolete or slow-moving inventories as necessary to properly reflect inventory value. Inventories, net of provisions of $6,711,000 and $8,666,000 as of September 30, 1995 and 1996, respectively, consisted of:

(in thousands)	1995	1996
Finished Goods	$ 72,551	$ 96,690
Raw Materials	71,624	51,942
FIFO Cost	144,175	148,632
LIFO Reserve	(222)	204
	$ 143,953	$ 148,836

REVENUE RECOGNITION

Revenue generally is recognized when products are shipped. For certain large multi-location customers, revenue is recognized when products are shipped to intermediate locations and ownership is acknowledged by the customer.

ADVERTISING, PROMOTION AND CONSUMER GUARANTEE

The Company advertises its branded products through national and regional media, and through cooperative advertising programs with retailers. Retailers are also offered pre-season stocking and in-store promotion allowances. Certain products are also promoted with direct consumer rebate programs. Costs for these advertising and promotion programs are charged to marketing expense as incurred or expensed ratably over the year in relation to revenues. Advertising and promotion costs were $38,341,000, $58,470,000 and $64,930,000 in 1994, 1995 and 1996, respectively.

The Company expenses and establishes a liability for its consumer product "no quibble" guarantee program by applying an experience rate to sales in the period eligible product is shipped to retailers. Consumer guarantee costs were $778,000, $920,000 and $1,227,000 in 1994, 1995 and 1996, respectively.

INVESTMENTS IN UNCONSOLIDATED BUSINESSES

The Company's investments in affiliated companies which are not majority owned or controlled are accounted for using the equity method.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, including significant improvements, are stated at cost. Expenditures for maintenance and repairs are charged to operating expenses as incurred. When properties are retired, or otherwise disposed of, the cost of the asset and the related accumulated depreciation are removed from the accounts.

Depletion of applicable land is computed on the units-of-production method. Depreciation of other property, plant and equipment is provided on the straight-line method and is based on the estimated useful economic lives of the assets as follows:

Land improvements	10-25 years
Buildings	10-40 years
Machinery and equipment	3-15 years
Furniture and fixtures	6-10 years

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Property, plant and equipment at September 30, 1995 and 1996 consisted of the following:

(in thousands)

	1995	1996
Land and improvements	$ 27,796	$ 28,399
Buildings	45,032	44,327
Machinery and equipment	136,213	137,814
Furniture and fixtures	10,262	11,479
Software	-	1,845
Construction in progress	11,916	10,433
	231,219	234,297
Less accumulated depreciation	82,465	94,809
	$ 148,754	$ 139,488

RESEARCH AND DEVELOPMENT

Significant costs are incurred each year in connection with research and development programs that are expected to contribute to operating profits in future years. All costs associated with research and development are charged to expense as incurred.

INTANGIBLE ASSETS

Goodwill arising from business acquisitions is amortized over 40 years on a straight-line basis. Other intangible assets consist primarily of patents and debt issuance costs. Debt issuance costs are being amortized over the terms of the corresponding agreements. Patents and trademarks are being amortized on a straight-line basis over periods varying from 7 to 40 years. Accumulated amortization at September 30, 1995 and 1996 was $52,182,000 and $55,773,000, respectively.

During the year ended September 30, 1994, the Company capitalized $5,100,000 of debt issuance costs related to the issuance of Term Debt and 9 7/8% Senior Subordinated Notes and recognized an extraordinary charge of $992,000, net of income taxes of $662,000, for unamortized debt issuance costs in connection with certain debt prepayments. During the year ended September 30, 1995, the Company capitalized approximately $500,000 of debt issuance costs related to its Fourth Amended and Restated Credit Agreement.

Company management periodically assesses the recoverability of goodwill, trademarks and other intangible assets by determining whether the amortization of such assets over the remaining lives can be recovered through projected undiscounted net cash flows generated by such assets. In 1995, goodwill was reduced by $3,485,000 related to the disposition of the Peters U.S. consumer water-soluble fertilizer ("CWSF") business.

FOREIGN CURRENCY

The Company enters into forward foreign exchange and currency options contracts to hedge its exposure to fluctuation in foreign currency exchange rates. These contracts generally involve the exchange of one currency for a second currency at some future date. Counterparties to these contracts are major financial institutions. Gains and losses on these contracts generally offset gains and losses on the assets, liabilities and transactions being hedged.

Realized and unrealized foreign exchange gains and losses are recognized and offset foreign exchange gains or losses on the underlying exposures. Unrealized gains and losses that are designated and effective as hedges on such transactions are deferred and recognized in operations in the same period as the hedged transactions.

At September 30, 1996, the Company's European operations had foreign exchange risk in various European currencies tied to the Dutch guilder. These currencies are the Australian Dollar, Belgian Franc, German Mark, Spanish Peseta, French Franc, British Pound, Italian Lire and the U.S. Dollar. The Company's U.S. operations have foreign exchange rate risk in the Canadian Dollar, the Dutch Guilder and the British Pound which are tied to the U.S. Dollar. As of September 30, 1996, the Company had outstanding forward foreign exchange contracts with a contract value of approximately $16,585,000. These contracts have maturity dates ranging from October 29, 1996 to June 10, 1997.

All assets and liabilities in the balance sheets of foreign subsidiaries whose functional currency is other than the U.S. dollar are translated into United States dollar equivalents at year-end exchange rates. Translation gains and losses are accumulated as a separate component of shareholders' equity. Income and expense items are translated at average monthly exchange rates. Cumulative foreign currency translation gain was $4,082,000 and $2,151,000 as of September 30, 1995 and 1996, respectively. Foreign currency transaction gains and losses are included in determining net income. In fiscal 1994, 1995 and 1996 the Company recorded foreign currency transaction losses in other expenses of $168,000, $337,000 and $1,249,000, respectively. The cash flows related to these gains and losses are classified in the statement of cash flows, as part of cash flows from operating activities.

INCOME TAXES

The Company uses the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of the assets and liabilities using enacted tax rates.

NET INCOME (LOSS) PER COMMON SHARE

Net income (loss) per common share is based on the weighted-average number of common shares and common share equivalents (dilutive stock options, convertible preferred stock and warrants) outstanding each period.

2. UNUSUAL (INCOME) CHARGES

During 1996, the Company recorded $17,703,000 of unusual, non-recurring charges as part of management's plan to reduce costs, improve operating efficiencies and return to future profitable growth. This program was substantially completed as of September 30, 1996 and includes the cost of exiting certain facilities, asset impairments due to production and product realignments, and employee severance costs. These unusual charges included: (1) $4,898,000 for severance costs related to the termination of 120 associates; (2) $3,456,000 for previously deferred packaging costs for products that are being eliminated or for planned packaging changes; and (3) $9,349,000 related to the write-down of various under-utilized or idle assets, including several plant closings. As of September 30, 1996 approximately $2,247,000 remained in accrued liabilities related to these charges. It is anticipated the remaining balance will be disbursed by the end of fiscal 1997.

In addition, the Company recorded inventory writedowns of $3,084,000 for products that are being phased out as part of the Company's plan to simplify and rationalize its product lines.

In the fourth quarter of 1995, the Company divested its Peters CWSF business for approximately $9,966,000. The gain on the divestiture was approximately $4,227,000. In connection with this transaction, the Company entered into a supply agreement through August 1997, in which the Company will produce all product requirements for the buyer at cost plus an agreed upon profit charge. The transaction was pursuant to a Federal Trade Commission ("FTC") consent order which the Company entered into in connection with its merger transactions with the Miracle-Gro Companies.

3. MERGERS AND ACQUISITIONS

SIERRA

Effective December 16, 1993, the Company completed the acquisition of Grace-Sierra Horticultural Products Company (all further references to Grace-Sierra, now known as Scotts-Sierra Horticultural Products Company, will be made as "Sierra") for an aggregate purchase price of approximately $121,221,000, including transaction costs of $1,221,000. Additionally, the Company incurred $2,261,000 of deferred financing fees related to its financing of the acquisition. Sierra is a leading international manufacturer and marketer of specialty fertilizers and related products for the nursery, greenhouse, golf course and consumer markets. Sierra manufactures controlled-release fertilizers in the United States and the Netherlands, as well as water-soluble fertilizers and specialty organics in the United States. Approximately one-quarter of Sierra's net sales are derived from European and other international markets; approximately one-quarter of Sierra's assets are internationally based.

The acquisition was accounted for using the purchase method. Accordingly, the purchase price has been allocated to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The excess of purchase price over the estimated fair value of the net assets acquired ("goodwill") of approximately $65,755,000 is being amortized on a straight-line basis over 40 years. Sierra's results of operations have been included in the Consolidated Statements of Operations from the acquisition date.

MIRACLE-GRO

Effective May 19, 1995, the Company completed merger transactions with Stern's Miracle-Gro Products, Inc. ("Miracle-Gro Products") and affiliated companies (the "Miracle-Gro Companies") for an aggregate purchase price of approximately $195,689,000. The consideration was comprised of $195,000,000 face amount of Class A Convertible Preferred Stock of Scotts with a fair value of $177,255,000, warrants to purchase 3,000,000 common shares of Scotts with a fair value of $14,434,000 and approximately $4,000,000 of transaction costs. The Preferred Stock has a dividend yield of 5.0% and is convertible into common shares of Scotts at $19.00 per share. The warrants are exercisable for 1,000,000 common shares at $21.00 per share, 1,000,000 common shares at $25.00 per share and 1,000,000 common shares at $29.00 per share. The fair value of the warrants has been included in capital in excess of par value in the Company's Consolidated Balance Sheets.

The Miracle-Gro Companies are engaged in the marketing and distribution of plant foods and lawn and garden products primarily in the United States, Canada and Europe. On December 31, 1994, Miracle-Gro Products Limited ("MG Limited"), a subsidiary of Miracle-Gro, entered into an agreement to exchange its equipment and a license for distribution of Miracle-Gro products in certain areas of Europe for approximately a one-third equity interest in a U.K. based garden products company. The initial period of the license is five years and may be extended up to twenty years from January 1, 1995, under certain circumstances set forth in the license agreement. MG Limited is entitled to annual royalties for the first five years of the license.

The FTC, in granting permission for the acquisition of the Miracle-Gro Companies, required that the Company divest its Peters CWSF business.

The merger transactions with the Miracle-Gro Companies have been accounted for using the purchase method. Accordingly, the purchase

price has been allocated to the assets acquired and liabilities assumed based on their estimated fair values at the date of the acquisition. The excess of purchase price over the estimated fair values of the net assets acquired ("goodwill") of approximately $87,182,000 and trademarks of $90,000,000 are being amortized on a straight-line basis over 40 years. The Miracle-Gro Companies' results of operations have been included in the Consolidated Statements of Operations from the acquisition date of May 19, 1995.

The following pro forma results of operations give effect to the above Miracle-Gro Companies merger transactions as if it had occurred on October 1, 1994.

(in thousands, except per share amounts)
(unaudited)

	Year ended September 30, 1995
Net sales	$821,189
Net income	$ 32,943
Net income per common share	$ 1.13

For purposes of computing pro forma net income per common share, the Class A Convertible Preferred Stock is considered a common share equivalent. Pro forma primary net income per common share for the year ended September 30, 1995 is calculated using the weighted average common shares outstanding for Scotts of 22,617,000, and the common shares that would have been issued assuming conversion of Class A Convertible Preferred Stock at the beginning of the year to 10,263,000 common shares. The computation of pro forma primary net income per common share assuming reduction of net income for preferred dividends and no conversion of Class A Convertible Preferred Stock was anti-dilutive.

The pro forma information provided does not purport to be indicative of actual results of operations if the Miracle-Gro Companies acquisition had occurred as of October 1, 1994 and is not intended to be indicative of future results or trends.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. OTHER INCOME, NET

Other income, net consisted of the following:

(in thousands)	Year ended September 30, 1994	1995	1996
Foreign currency loss	$ 168	$ 337	$ 1,249
Royalty income	(1,726)	(857)	(968)
Equity in (income) loss of unconsolidated businesses	-	1,216	(493)
Other	208	(859)	(346)
Total	$ (1,350)	$ (163)	$ (558)

5. PENSION

Scotts and Sierra have defined benefit pension plans covering substantially all full-time associates who have completed one year of eligible service and reached the age of 21. The benefits under these plans are based on years of service and the associates' average final compensation for the Scotts plan and for Sierra salaried employees and stated amounts for Sierra hourly employees. The Company's funding policy, consistent with statutory requirements and tax considerations, is based on actuarial computations using the Projected Unit Credit method.

The following table sets forth the plans' funded status and the related amounts recognized in the Consolidated Balance Sheets.

<TABLE>

(in thousands)	SEPTEMBER 30 1995 Over-funded Plans	1995 Under-funded Plan	1996
<S>	<C>	<C>	<C>
Actuarial present value of benefit obligations:			
Accumulated benefit obligation:			
Vested benefits	$(31,436)	$(1,593)	$(35,677)
Nonvested benefits	(5,241)	(496)	(7,223)
Additional obligation for projected compensation increases	(6,669)	(130)	(9,358)
Projected benefit obligation for service rendered to date	(43,346)	(2,219)	(52,258)
Plan assets at fair value, primarily corporate bonds, U.S. bonds and cash equivalents	40,287	1,468	48,095
Plan assets less than projected benefit obligations	(3,059)	(751)	(4,163)
Unrecognized net asset being amortized over 11 1/2 years	(297)	16	(157)
Unrecognized net loss	5,197	148	7,004
Prepaid pension costs	$ 1,841	$ (587)	$ 2,684

</TABLE>

There were no underfunded plans as of September 30, 1996.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Pension cost includes the following components:

(in thousands)	YEAR ENDED SEPTEMBER 30 1994	1995	1996
Service cost	$ 1,685	$ 1,732	$ 1,849
Interest cost	2,968	3,280	3,777
Actual return on plan assets	(3,092)	(5,104)	(4,316)
Net amortization and deferral	(53)	2,046	582
Net pension cost	$ 1,508	$ 1,954	$ 1,892

The weighted average settlement rate used in determining the actuarial present value of the projected benefit obligation was 8% as of September 30, 1994, 1995 and 1996. Future compensation was assumed to increase 4% annually for fiscal 1994, 1995 and 1996. The expected long-term rate of return on plan assets was 9% in fiscal 1994, 1995 and 1996.

The Company has a non-qualified supplemental pension plan covering certain employees, which provides for incremental pension payments from the Company's funds so that total pension payments equal amounts that would have been payable from the Company's pension plans if it were not for limitations imposed by income tax regulations. The projected benefit obligation relating to this unfunded plan totaled $1,240,000 and $1,922,000 at September 30, 1995 and 1996, respectively. Pension expense for the plan was $445,000 and $348,000 in 1995 and 1996, respectively.

6. ASSOCIATE BENEFITS

The Company provides comprehensive major medical benefits to some of its retired associates and their dependents. Substantially all of the Company's associates become eligible for these benefits if they retire at age 55 or older with more than ten years of service. The plan requires certain minimum contributions from retired associates

and includes provisions to limit the overall cost increases the Company is required to cover. The Company funds its portion of retiree medical benefits on a pay-as-you-go basis.

Prior to October 1, 1993, the Company effected several changes in plan provisions, primarily related to current and ultimate levels of retiree and dependent contributions. Current retirees will be entitled to benefits existing prior to these plan changes. These plan changes resulted in a reduction in unrecognized prior service cost, which is being amortized over future years.

Net periodic postretirement benefit costs for fiscal 1995 and 1996 included the following components:

(in thousands)	1995	1996
Service cost - benefits attributed to associate service during the year	$ 428	$ 433
Interest cost on accumulated postretirement benefit obligation	1,446	1,478
Amortization of prior service costs and gains from changes in assumptions	(904)	(904)
Net periodic postretirement benefit costs	$ 970	$ 1,007

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table sets forth the retiree medical plan status reconciled to the amount included in the Consolidated Balance Sheets, as of September 30, 1995 and 1996.

(in thousands)	1995	1996
Accumulated postretirement benefit obligation:		
Retirees	$10,034	$10,589
Fully eligible active plan participants	395	187
Other active plan participants	9,071	7,296
Total accumulated postretirement benefit obligation	19,500	18,072
Unrecognized prior service cost	7,686	6,782
Unrecognized gain (loss) from changes in assumptions	(27)	2,303
Accrued postretirement benefit cost	$27,159	$27,157

The discount rates used in determining the accumulated postretirement benefit obligation were 8.0% in 1995 and 1996. For measurement purposes, a 12% annual rate of increase in per capita cost of covered retiree medical benefits was assumed for fiscal 1995 and a 9% annual rate for 1996; the rate was assumed to decrease gradually to 5.5% through the year 2004 and remain at that level thereafter. A 1% increase in the health care cost trend rate assumptions would increase the aggregate of the service and interest cost components of net periodic postretirement benefit costs by $123,000 and increase the accumulated postretirement benefit obligation $1,193,000 as of September 30, 1996.

Both Scotts and Hyponex have defined contribution profit sharing plans. Both plans provide for associates to become participants following one year of service. The Hyponex plan also requires associates to have reached the age of 21 for participation. The plans provide for annual contributions which are entirely at the discretion of the respective Board of Directors.

Contributions are allocated among the participants employed as of the last day of the calendar year, based upon participants' earnings. Each participant's share of the annual contributions vest according to the provisions of the plans. The Company has provided a profit sharing provision for the plans of $2,097,000, $1,498,000 and $930,000 for fiscal 1994, 1995 and 1996, respectively. The Company's policy is to deposit the contributions with the trustee in the following year.

Sierra has a savings and investment plan ("401(k) Plan") for certain salaried U.S. employees. Participants may make voluntary contributions to the plan between 2% and 16% of their compensation. Sierra contributes the lesser of 50% of each participant's contribution or 3% of each participant's compensation. Sierra's contribution for 1995 and 1996 were $70,000 and $56,600, respectively.

The Company is self-insured for certain health benefits up to $200,000 per occurrence per individual. The cost of such benefits is recognized as expense in the period the claim is incurred. This cost was $6,177,000, $7,861,000 and $9,385,000 in 1994, 1995 and 1996, respectively. The Company is self-insured for State of Ohio workers' compensation up to $500,000 per claim. The cost for workers' compensation was $297,000, $331,000 and $193,000 in 1994, 1995 and 1996, respectively. Claims in excess of stated limits of liability and claims for workers' compensation outside of the State of Ohio are insured with commercial carriers.

7. DEBT

(in thousands)

	1995	1996
Revolving credit lines	$172,597	$125,750
9 7/8% Senior Subordinated Notes $100 million face amount due 2004	99,307	99,378
Capital lease obligations and other	639	197
	272,543	225,325
Less current portions	518	2,197
	$272,025	$223,128

Maturities of term debt for the next five calendar years are as follows:

(in thousands)

1997	$ 2,197
1998	-
1999	-
2000	123,750
2001	-
Thereafter	100,000

On March 17, 1995, the Company entered into the Fourth Amended and Restated Credit Agreement ("Agreement") with Chemical Bank ("Chemical") and various participating banks. The Agreement provides, on an unsecured basis, up to $375,000,000 to the Company, comprised of an uncommitted advance facility and a committed revolving credit facility through the scheduled termination date of March 31, 2000. The Agreement contains a requirement limiting the maximum amount borrowed to $225,000,000 million for a minimum of 30 consecutive days each fiscal year.

Interest pursuant to the commercial paper/competitive advance facility is determined by auction. Interest pursuant to the revolving credit facility is at a floating rate initially equal, at the Company's option, to the Alternate Base Rate as defined in the Agreement without additional margin or the Eurodollar Rate as defined in the Agreement plus a margin of .3125% per annum, which margin may be decreased to .25% or increased up to .625% based on the changes in the unsecured debt ratings of the Company. Applicable interest rates for the various borrowing facilities ranged from 5.77% to 8.25% at September 30, 1996. The Agreement provides for the payment of an annual administration fee of $100,000 and a facility fee of .1875% per annum, which fee may be reduced to .15% or increased up to .375% based on the unsecured debt ratings of the Company.

The Agreement contains certain financial and operating covenants, including maintenance of interest coverage ratios, maintenance of consolidated net worth, and restrictions on additional indebtedness and capital expenditures. Dividends and stock repurchases are restricted only in the event of default. The Company was not in compliance with one of the financial covenants at September 30, 1996 and accordingly, has received a waiver with respect to such covenant from its bank lenders, subject to achievement of other minimum requirements, for applicable periods up to and including December 28, 1996. In the opinion of management, the Company will be in compliance with the covenant in the reporting period subsequent to December 28, 1996; however, there can be no assurance that in the future the Company will not require additional waivers or, if required, that the lenders will grant them.

At September 30, 1996, the Company also had an unsecured $2,000,000 line of credit with a bank, renewable annually, with an interest rate of 8.25%, of which $97,000 and $2,000,000 was outstanding at September 30, 1995 and 1996, respectively.

On July 19, 1994, the Company issued $100,000,000 9 7/8% Senior Subordinated Notes. Net proceeds were $96,354,000, after original issue discount of $788,000 and expenses of $2,858,000. The Notes are subject to redemption, at the option of the Company, in whole or in part at any time on or after August 1, 1999 at a declining premium to par until 2001 and at par thereafter and are not subject to sinking fund requirements. The fair market value of the 9 7/8% Senior Subordinated Notes, estimated based on the quoted market prices for same or similar issues was approximately $104,500,000 at September 30, 1996.

8. SHAREHOLDERS' EQUITY

STOCK (in thousands)	1995	1996
Class A Convertible Preferred Stock, no par value:		
Authorized	195,000 shares	195,000 shares
Issued	195,000 shares	195,000 shares
Common shares, no par value		
Authorized	50,000 shares	50,000 shares
Issued	21,082 shares	21,082 shares

Effective with the Miracle-Gro Companies merger transactions, $195,000,000 face amount of Class A Convertible Preferred Stock was issued as part of the purchase price. This Preferred Stock is convertible into 10,263,158 common shares at $19.00 per common share. Additionally, warrants to purchase 3,000,000 common shares of Scotts were issued as part of the purchase price. The warrants are exercisable for 1,000,000 common shares at $21.00 per share, 1,000,000 common shares at $25.00 per share and 1,000,000 common shares at $29.00 per share. The exercise term for the warrants expires September 2003. The fair value of the warrants has been included in capital in excess of par value in the Company's Consolidated Balance Sheets.

The Class A Convertible Preferred Stock has certain voting restrictions and limits on the ability of the shareholders to acquire additional voting securities of the Company. The Class A Convertible Preferred Stock is subject to redemption five years from the date of issuance. Both the Class A Convertible Preferred Stock and the warrants have limits on transferability.

On November 4, 1992, Scotts adopted The Scotts Company 1992 Long Term Incentive Plan (the "Plan"). The Plan was approved by the shareholders at Scotts' annual meeting on February 25, 1993. Under the Plan, stock options, stock appreciation rights and performance share awards may be granted to officers and other key employees of the Company. The Plan also provides for Board members, who are not Company associates to receive stock options. The maximum number of common shares that may be issued under the Plan is 1,700,000, plus the number of shares surrendered to exercise options (other than director options) granted under the Plan, up to a maximum of 1,000,000 surrendered shares.

On February 12, 1996, Scotts adopted The Scotts Company 1996 Stock Option Plan (the "1996 Plan"). The 1996 Plan was approved by the shareholders at Scotts annual meeting on April 6, 1996. Under the 1996 Plan, stock options may be granted to officers, other key employees and non-employee Directors of the Company. The maximum number of common shares that may be issued under the 1996 Plan is 1,500,000.

Aggregate stock option activity consists of the following:

	YEAR ENDED SEPTEMBER 30,		
	1994	1995	1996
Options outstanding at October 1	586,289	1,364,589	1,662,125
Options granted	942,354	435,420	482,000
Options exercised	(8,529)	(26,870)	(429,558)
Options canceled	(155,525)	(111,014)	(168,551)
Options outstanding at September 30	1,364,589	1,662,125	1,546,016
Options exercisable at September 30	204,422	575,938	1,150,688

Option prices per share:			
Granted	$17.25-$19.375	$15.50-$21.375	$17.00-$22.00
Exercised	$18.75	$16.25	$15.50-$17.625

During fiscal 1994, 117,220 of performance share awards were granted. These awards entitle the grantee to receive shares or, at the grantee's election, the equivalent value in cash or stock options, subject to stock ownership requirements. These awards are conditioned on the attainment of certain performance and other objectives established by the Compensation and Organization Committee of Scotts' Board of Directors.

Compensation expense for certain stock options results from the difference between the grant price and market price at the date of grant, and is recognized over the vesting period of the options. Compensation expense for performance share awards is initially measured at the grant date based upon the current market value of the common shares, with adjustments made quarterly for market price fluctuations. In 1995, the Plan was amended to cancel outstanding performance share awards. Previously recognized compensation of $300,000 was recognized as a reduction of compensation expense.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. EARNINGS PER SHARE COMPUTATION

Net income per common share is based on the weighted average number of common shares and common share equivalents (dilutive stock options, convertible preferred stock and warrants) outstanding each period.

The following table presents information necessary to calculate net income per common share.

	YEAR ENDED SEPTEMBER 30,		
(in thousands)	1994	1995	1996
Net income (loss)			
Net income (loss) before extraordinary item	$23,875	$22,356	$ (2,530)
Extraordinary item			
Loss on early extinguishment of debt, net of tax	(992)	-	-
Net income (loss)	22,883	22,356	(2,530)
Class A Convertible Preferred Stock dividends	-	-	(9,750)
Income (loss) applicable to common shareholders	$22,883	$22,356	$(12,280)
Weighted average common shares outstanding during the period	18,663	18,670	18,786
Assuming conversion of Class A convertible Preferred Stock	-	3,706	-
Assuming exercise of options using the Treasury Stock Method	122	230	
Assuming exercise of warrants using the Treasury Stock Method	-	11	-
Common shares used in per share calculation	18,785	22,617	18,786
Net income (loss) per common share			
Net income (loss) before extraordinary item	$ 1.27	$ 0.99	$ (0.65)
Extraordinary item:			
Loss on early extinguishment of debt, net of tax	(0.05)	-	-
Net income (loss) per common share	$ 1.22	$ 0.99	$ (0.65)

The shares of Class A Convertible Preferred Stock were issued in connection with Miracle-Gro merger transactions on May 19, 1995. These shares were not considered in the earnings per share computation for the year ended September 30, 1996 because they were antidilutive for such period.

For 1994, 1995 and 1996, fully diluted net income per common share is considered to be the same as primary net income per common share as it was not materially different from primary net income per common share.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. INCOME TAXES

The provision for income taxes consists of the following:

	YEAR ENDED SEPTEMBER 30,		
(in thousands)	1994	1995	1996
Currently Payable:			
Federal	$ 7,400	$ 9,373	$ 4,218
State	2,131	2,634	2,533
Foreign	2,376	4,487	2,759
Deferred:			
Federal	4,290	(2,220)	(5,076)
State	1,088	(376)	(652)
Income Tax Expense	$17,285	$13,898	$ 3,782

Income tax expense is included in the financial statements as follows:

	YEAR ENDED SEPTEMBER 30,		
(in thousands)	1994	1995	1996
Operations	$17,947	$13,898	$3,782
Extraordinary items	(662)	-	-
Income Tax Expense	$17,285	$13,898	$3,782

Deferred income taxes for fiscal 1995 and 1996 reflect the impact of differences between the amounts of assets and liabilities for financial reporting purposes and such amounts as determined by tax regulations.

The components of the net deferred tax asset (liability) are as follows:

(in thousands)	SEPTEMBER 30,	
	1995	1996
ASSETS		
Accounts receivable	$ 1,024	$ 1,023
Inventories	3,453	5,601
Accrued expenses	9,181	10,432
Postretirement benefits	10,633	10,727
Other	4,776	4,526
Gross deferred tax assets	$ 29,067	$ 32,309
LIABILITIES		
Property, plant and equipment	(18,288)	(19,114)
Net deferred tax asset	$ 10,779	$ 13,195

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The net current and non-current components of deferred income taxes recognized in the Consolidated Balance Sheets at September 30 are:

(in thousands)	1995	1996
Net current asset	$14,563	$18,386
Net non-current liability	(3,784)	(5,191)
Net asset	$10,779	$13,195

A reconciliation of the Federal corporate income tax rate and the effective tax rate on income before income taxes is summarized below:

	YEAR ENDED SEPTEMBER 30,		
	1994	1995	1996
Statutory income tax rate	35.0%	35.0%	35.0%
Pension amortization	0.1	0.1	6.3
Meals and entertainment	0.5	0.9	17.6
Peters sale	-	(3.0)	-
Goodwill amortization and other permanent differences resulting from purchase accounting	2.1	3.4	206.9
State taxes, net of federal benefit	5.6	4.4	97.6
Reversal of previous tax contingencies	-	(3.9)	(42.0)
Equity income of affiliate	-	0.7	(13.8)
Other	(0.4)	0.7	(5.3)
Effective income tax rate	42.9%	38.3%	302.3%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. OPERATING LEASES

The Company leases buildings, land and equipment under various noncancellable lease agreements for periods of two to six years. The lease agreements generally provide that the Company pay taxes, insurance and maintenance expenses related to the leased assets. Certain lease agreements contain purchase options. At September 30, 1996, future minimum lease payments were as follows:

Year Ending September 30, (in thousands)	Operating Leases
1997	$10,770
1998	8,664
1999	4,966
2000	2,745
2001	310
Thereafter	147
Total minimum lease payments	$27,602

The Company also leases transportation and production equipment under various one-year operating leases, which provide for the extension of the initial term on a monthly or annual basis. Total rental expenses for operating leases were $12,914,000, $14,660,000 and $13,989,000 for fiscal 1994, 1995 and 1996, respectively.

12. COMMITMENTS AND CONTINGENCIES

Seed production agreements obligate the Company to make future purchases based on estimated yields. Seed purchases under production agreements for fiscal 1994, 1995 and 1996 were approximately $6,508,000, $6,935,000 and $11,401,000 respectively. At September 30, 1996, estimated annual commitments were as follows:

Year Ending September 30, (in thousands)	
1997	$16,246
1998	11,656

1999	6,089
2000	3,686

The Company has entered into a long-term contract through 2000 for the purchase of certain raw materials. Purchase commitments are approximately $15 million annually.

Sierra has a supply agreement through 2000, subject to renewal thereafter, under which Sierra is required to purchase, at prices determined by formulas, 100% of its requirements for vermiculite.

Management continually evaluates the Company's contingencies, including various lawsuits and claims which arise in the normal course of business. In the opinion of management, its assessment of contingencies is reasonable and related reserves, in the aggregate, are adequate, however, there can be no assurance that future quarterly or annual operating results will not be materially affected by final resolution of these matters. The following details the more significant of the Company's identified contingencies.

In September 1991, the Company was identified by the Ohio Environmental Protection Agency (the "Ohio EPA") as a Potentially Responsible Party ("PRP") with respect to a site in Union County, Ohio (the "Hershberger site") that has allegedly been contaminated by hazardous substances whose transportation, treatment of disposal the Company allegedly arranged. Pursuant to a consent order with the Ohio EPA, the Company, together with four other PRP's identified to date, investigated the extent of contamination in the Hershberger site. The results of the investigation were that the site presents a low degree of risk and that the chemical compounds which contribute to the risk are not compounds used by the Company. However, as a result of the joint and several liability of PRP's, the Company may be subject to financial participation in the costs of the remediation plan, if any. However, management does not believe any such obligations would have a significant adverse effect on the Company's results of operations or financial condition.

In July 1990, the Philadelphia district of the Army Corps of Engineers directed that peat harvesting operations be discontinued at Hyponex's Lafayette, New Jersey facility, and the Company complied. In May 1992, the Department of Justice in the U.S. District Court for the District of New Jersey, filed suit seeking a permanent injunction against such harvesting at that facility and civil penalties. The Philadelphia District of the Corps has taken the position that peat harvesting activities there require a permit under Section 404 of the Clean Water Act. If the Corps' position is upheld, it is possible that further harvesting of peat from this facility would be prohibited. The Company is defending this suit and is asserting a right to recover its economic losses resulting from the government's actions. Management does not believe that the outcome of this case will have a material adverse effect on the Company's operations or its financial condition. Furthermore, management believes the Company has sufficient raw material supplies available such that service to customers will not be adversely affected by continued closure of this peat harvesting operation.

On January 30, 1996, the United States Environmental Protection Agency (the "U.S. EPA") served a Complaint and Notice of Opportunity for Hearing upon Sierra's wholly-owned subsidiary, Scotts-Sierra Crop Protection Company ("Crop Protection"). The Complaint alleged labeling violations under the Federal Insecticide, Fungicide and Rodenticide Act ("FIFRA") during 1992 and 1993 and proposed

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

penalties totaling $785,000, the maximum allowable under FIFRA according to management's calculations. Presently pending is the U.S. EPA's Motion for an Accelerated Decision. Based upon Crop Protection's good faith compliance actions and FIFRA's provisions for "gravity-based" penalty reductions, management believes Crop Protection's maximum liability in this action to be $200,000. The Company does not believe that the outcome of this proceeding will have a material adverse effect on its financial condition or results of operations.

During 1993 and 1994, Stern's Miracle-Gro Products, Inc. ("Miracle-Gro Products") discussed with Pursell Industries, Inc. ("Pursell") the feasibility of forming a joint venture to produce and market a line of slow-release lawn food, and in October 1993, signed a non-binding "heads of agreement.". On March 2, 1995, Pursell instituted an action in the United States District Court for the Northern District of Alabama, PURSELL

INDUSTRIES, INC. V. STERN'S MIRACLE-GRO PRODUCTS, INC., (the "Alabama Action"), alleging, among other things, that a joint venture was formed, that Miracle-Gro Products breached an alleged joint venture contract, committed fraud, and breached an alleged fiduciary duty owned Pursell by not informing Pursell of negotiations concerning the merger transactions. On December 18, 1995, Pursell filed an amended complaint in which Scotts was named as an additional party defendant. The amended complaint contains a number of allegations and seeks compensatory damages in excess of $10 million, punitive damages of $20 million, treble damages as allowed by law and injunctive relief with respect to the advertising and trade dress allegations. The Company does not believe that the amended complaint has any merit and intends to vigorously defend that action.

On April 14, 1996, in response to communications from Scotts that Pursell was infringing the Company's Poly-S patents, Pursell instituted a second action in the United States District Court for the Northern District of Alabama, PURSELL INDUSTRIES, INC. V. THE SCOTTS COMPANY, (the "Patent Action"). The complaint seeks declaration that, among other things, Scotts' patents are invalid and that Pursell has not infringed any of Scotts' patents. Pursell also alleges unfair competition in relation to Scotts' working of its products with its Poly-S patents. The Company does not believe that this action has merit and has vigorously defended it, adding counterclaims of infringement against Pursell.

Pursell and the Company have been engaged in settlement negotiations since October , 1996 in an effort to settle both the Alabama Acton and the Patent Action.

Management does not believe either the Alabama Action or the Patent Action will have a significant adverse effect on the Company's results of operation or financial condition.

13. SUBSEQUENT EVENT

The Company has signed a letter of intent to acquire the remaining ownership interests of the Miracle Garden Care Ltd. ("MGC Ltd.") business; Scotts currently owns approximately one-third interest in this business. MGC Ltd. is principally engaged in the manufacture and sale of lawn and garden products in the United Kingdom. Closing of this transaction is expected to occur during the Company's second quarter of fiscal 1997.

14. CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject the Company to concentration of credit risk consist principally of trade accounts receivable. The Company sells its consumer products to a wide variety of retailers, including mass merchandisers, home centers, independent hardware stores, nurseries, garden outlets, warehouse clubs and local and regional chains. Professional products are sold to golf courses, schools and sports fields, nurseries, lawn care service companies and growers of specialty agriculture crops.

In 1994, one customer accounted for 15.1% of consolidated net sales. In 1995 and 1996, two customers account for 14.4% and 13.1% and 15.1% and 13.9%, respectively, of consolidated net sales.

15. ACCOUNTING ISSUES

In October 1995, the Financial Accounting Standards Board issued SFAS No. 123 "Accounting for Stock-Based Compensation", effective for financial statements for fiscal years beginning after December 15, 1995. SFAS No. 123 provides for, but does not require, a fair value method of accounting for stock-based compensation arrangements rather than the intrinsic value method previously required. Alternatively, entities that retain the intrinsic value method are required to disclose in the notes to the financial statements pro forma net income and earnings per share information as if the fair value method had been applied. The Company does not intend to adopt the fair value method of SFAS No. 123; therefore, this standard will not have a material effect on the Company's consolidated financial statements.

16. QUARTERLY CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

The following is a summary of the unaudited quarterly(2) results of operations for fiscal 1995 and 1996 (in thousands except share data):

FISCAL 1995 (1)	DECEMBER 31	APRIL 1	JULY 1	SEPTEMBER 30	FULL YEAR
Net sales	$ 98,019	$236,092	$229,028	$169,698	$732,837
Gross profit	44,499	112,202	108,513	73,254	338,468

Net income (loss)	(4,598)	13,793	13,026	135	22,356
Net income (loss) per common share	(.25)	.73	.55	(.12)	0.99
Common shares used in per share calculation	18,667	18,820	23,580	18,678	22,617

FISCAL 1996 (1)	DECEMBER 30	MARCH 30	JUNE 29	SEPTEMBER 30	FULL YEAR
Net sales	$117,928	$251,224	$247,965	$134,763	$751,880
Gross profit	53,214	116,389	114,843	50,275	334,721
Net income (loss)	(7,174)	10,630	7,606	(13,592)	(2,530)
Net income (loss) per common share	(.51)	.36	.26	(.86)	(.65)
Common shares used in per share calculation	18,689	29,350	29,352	18,647	18,786

(1) Fiscal 1996 results of operations included $17.7 million of unusual charges and a $3.1 million inventory writedown on a pretax basis or $13.0 million on a combined after-tax basis. These items reduced after-tax earnings by $1.1 million, $1.7 million, $1.6 million and $8.6 million in the first, second, third and fourth quarters, respectively. Fiscal 1995 fourth quarter results of operations includes a $4.2 million after-tax gain on the divestiture of the Peters line of U.S. Consumer water-soluble fertilizers. In addition, fiscal 1995 includes Scotts Miracle-Gro Products and its subsidiaries ("Miracle-Gro Companies") from the merger date of May 19, 1995.

(2) The Company's business is highly seasonal with approximately 65% to 70% of sales occurring in the second and third fiscal quarters.

REPORT OF MANAGEMENT

Management of The Scotts Company is responsible for the preparation, integrity and objectivity of the financial information presented in this Annual Report. The accompanying financial statements have been prepared in conformity with generally accepted accounting principles appropriate in the circumstances and accordingly, include some amounts that are based on management's best judgments and estimates.

Management is responsible for maintaining a system of accounting and internal controls which it believes is adequate to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and that the financial records are reliable for preparing financial statements. The selection and training of qualified personnel, the establishment and communication of accounting and administrative policies and procedures, and a program of internal audits are important elements of these control systems.

The financial statements have been audited by Coopers & Lybrand LLP, independent accountants, selected by the Board of Directors. The independent accountants conduct a review of internal accounting controls to the extent required by generally accepted auditing standards and perform such tests and related procedures as they deem necessary to arrive at an opinion on the fairness of the financial statements.

The Board of Directors, through its Audit Committee consisting solely of non-management directors, meets periodically with management, internal audit and the independent accountants to discuss internal accounting controls and auditing and financial reporting matters. The Committee reviews with the independent auditors the scope and results of the audit effort. Both internal audit and the independent accountants have free access to the Audit Committee with or without the presence of management.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders and Board of
Directors of The Scotts Company

We have audited the accompanying consolidated balance sheets of The Scotts Company and Subsidiaries as of September 30, 1995 and 1996, and the related consolidated statements of operations, cash flows and changes in shareholders' equity for each of the three years in the period ended September 30, 1996.

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Scotts Company and Subsidiaries as of September 30, 1995 and 1996, and the consolidated results of their operations and their cash flows for each of the three years in the period ended September 30, 1996, in conformity with generally accepted accounting principles.

Coopers & Lybrand L. L. P.
Columbus, Ohio

November 15, 1996

NYSE SYMBOL:

The common shares of The Scotts Company trade on The New York Stock Exchange under the symbol "SMG."

STOCK PRICE PERFORMANCE:

The Scotts Company common stock has been publicly traded since January 31, 1992. The initial public offering price per share was $19.00.

PRICE RANGE:

Fiscal year ended September 30, 1995

	HIGH	LOW
First Quarter	16	14 1/4
Second Quarter	19 3/8	15 7/8
Third Quarter	23	18 1/8
Fourth Quarter	23 7/8	20 3/4

Fiscal year ended September 30, 1996

	HIGH	LOW
First Quarter	21 7/8	18 7/8
Second Quarter	21 1/4	16 1/8
Third Quarter	18 3/4	16 1/2
Fourth Quarter	19 3/8	16 3/4

SHAREHOLDERS:

As of December 1, 1996 there were approximately 6,500 shareholders, including holders of record and the Company's estimate of beneficial holders.

DIVIDENDS:

The Company has not paid any dividends since the initial public offering of its common stock. The payment of any future dividends will be determined by the Board of Directors of the Company in light of conditions then existing, including the Company's earnings, financial condition and capital requirements, restriction in financing agreements, business conditions and other factors.

To the Shareholders and Board of
Directors of The Scotts Company

Our report on the consolidated financial statements of The Scotts Company and Subsidiaries has been incorporated by reference in this form 10-K from page 55 of the 1996 Annual Report to Shareholders of The Scotts Company. In connection with our audits of such financial statements, we have also audited the financial statement schedules listed in the index on page 22 of this Form 10-K.

In our opinion, the financial statement schedules referred to above, when considered in relation to the consolidated financial statements taken as a whole, present fairly, in all material respects, the information required to be included therein.

Coopers & Lybrand, L.L.P.
Columbus, Ohio

November 15, 1996

THE SCOTTS COMPANY AND SUBSIDIARIES
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
for the year ended September 30, 1994

<TABLE>
<CAPTION>

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E
CLASSIFICATION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS CHARGED TO COSTS AND EXPENSES	DEDUCTION FROM RESERVES	BALANCE AT END OF PERIOD
<S>	<C>	<C>	<C>	<C>
Valuation and qualifying accounts deducted from the assets to which they apply:				
Inventory reserve	$3,811,000	$2,987,000	$ 690,000	$6,108,000
Allowance for doubtful accounts	$2,511,000	$1,974,000	$1,552,000	$2,933,000
Other valuation and qualifying account:				
Product guarantee	$ 130,000	$ 778,000	$ 789,000	$ 119,000

</TABLE>

THE SCOTTS COMPANY AND SUBSIDIARIES
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
for the year ended September 30, 1995

<TABLE>
<CAPTION>

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E
CLASSIFICATION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS: CHARGED TO COSTS AND EXPENSES	DEDUCTION FROM RESERVES	BALANCE AT END OF PERIOD
<S>	<C>	<C>	<C>	<C>
Valuation and qualifying accounts deducted from the assets to which they apply:				
Inventory reserve	$6,108,000	$2,986,000	$2,383,000	$6,711,000
Allowance for doubtful accounts	$2,933,000	$2,033,000	$1,560,000	$3,406,000
Other valuation and qualifying account:				
Product guarantee	$ 119,000	$ 920,000	$ 933,000	$ 106,000

</TABLE>

THE SCOTTS COMPANY AND SUBSIDIARIES
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
for the year ended September 30, 1996

<TABLE>
<CAPTION>

COLUMN A CLASSIFICATION	COLUMN B BALANCE AT BEGINNING OF PERIOD	COLUMN C ADDITIONS CHARGED TO COSTS AND EXPENSES	COLUMN D DEDUCTION FROM RESERVES	COLUMN E BALANCE AT END OF PERIOD
<S>	<C>	<C>	<C>	<C>
Valuation and qualifying accounts deducted from the assets to which they apply:				
Inventory reserve	$6,711,000	$7,986,000	$6,031,000	$8,666,000
Allowance for doubtful accounts	$3,406,000	$3,363,000	$2,655,000	$4,114,000
Other valuation and qualifying account:				
Product guarantee	$ 106,000	$1,227,000	$1,075,000	$ 258,000

</TABLE>

THE SCOTTS COMPANY
ANNUAL REPORT ON FORM 10-K
FOR THE
FISCAL YEAR ENDED SEPTEMBER 30, 1996

INDEX TO EXHIBITS

Exhibit No.	Description	Location
2	Amended and Restated Agreement and Plan of Merger, dated as of May 19, 1995, among Stern's Miracle-Gro Products, Inc., Stern's Nurseries, Inc., Miracle-Gro Lawn Products, Inc., Miracle-Gro Products Limited, Hagedorn Partnership, L.P., the general partners of Hagedorn Partnership, L.P., Horace Hagedorn, Community Funds, Inc., and John Kenlon, the Registrant, and ZYX Corporation	Incorporated herein by reference to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission (the "SEC") on June 2, 1995 (File No. 0-19768) [Exhibit 2(b)]
3(a)	Amended Articles of Incorporation of the Registrant as filed with the Ohio Secretary of State on September 20, 1994	Incorporated herein by reference to the Registrant's Annual Report Report on Form 10-K for the fiscal year ended September 30, 1994 (File No. 0-19768) [Exhibit 3(a)]
3(b)	Certificate of Amendment by Shareholders to the Articles of Incorporation of the Registrant as filed with the Ohio Secretary of State on May 4, 1995	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended April 1, 1995 (File No. 0-19768)[Exhibit 4(b)]
3(c)	Regulations of the Registrant (reflecting amendments adopted by the shareholders of the Registrant on April 6, 1995)	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended April 1, 1995 (File No. 0-19768) [Exhibit 4(c)]
4(a)	Form of Series A Warrant	Included in Exhibit 2 above
4(b)	Form of Series B Warrant	Included in Exhibit 2 above
4(c)	Form of Series C Warrant	Included in Exhibit 2 above
4(d)	Fourth Amended and Restated Credit Agreement, dated as of March 17, 1995, among the Registrant, Chemical Bank, the	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended April 1,

	lenders party thereto and Chemical Bank, as agent (the "Credit Agreement")	1995 (File No. 0-19768) [Exhibit 4(d)]
4(e)	First Amendment and Consent, dated as of December 23, 1996, to the Credit Agreement among the Registrant, the lenders party thereto and The Chase Manhattan Bank (formerly Chemical Bank), as agent	Pages 95 through 124

Exhibit No.	Description	Location
4(f)	Subordinated Indenture, dated as of June 1, 1994, among The Scotts Company, a Delaware Corporation ("Scotts Delaware"), The O. M. Scott & Sons Company ("OMS") and Chemical Bank, as trustee	Incorporated herein by reference to Scotts Delaware's Registration Statement on Form S-3 filed with the SEC on June 1, 1994 (Registration No. 33-53941) [Exhibit 4(b)]
4(g)	First Supplemental Indenture, dated as of July 12, 1994, among Scotts Delaware, OMS and Chemical Bank, as trustee	Incorporated herein by reference to Scotts Delaware's Current Report on Form 8-K dated July 18, 1994 (File No. 0-19768) [Exhibit 4.1]
4(h)	Second Supplemental Indenture, dated as of September 20, 1994, among the Registrant, OMS, Scotts Delaware and Chemical Bank, as trustee	Incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 1994 (File No. 0-19768) [Exhibit 4(i)]
4(i)	Third Supplemental Indenture, dated as of September 30, 1994, between the Registrant and Chemical Bank, as trustee	Incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 1994 (File No. 0-19768) [Exhibit 4(j)]
10(a)	The Scotts Company Associates' Pension Plan as amended effective January 1, 1989 and December 31, 1995	Pages 125 through 176
10(b)	Third Restatement of The Scotts Company Profit Sharing and Savings Plan	Pages 177 through 217
10(c)	Employment Agreement, dated as of October 21, 1991, between Scotts (as successor to The O.M. Scott & Sons Company ("OMS") and Theodore J. Host to Annual	Incorporated herein by reference Report on Form 10-K for the fiscal year ended September 30, 1993 of The Scotts Company, a Delaware corporation ("Scotts Delaware") (File No. 0-19768) [Exhibit 10(g)]
10(d)	Stock Option Plan and Agreement, dated as of January 9, 1992, between Scotts (as successor to Scotts Delaware) and Theodore J. Host	Incorporated herein by reference to the Scott's Annual Report on Form 10-K for the fiscal year ended September 30, 1994 (File No. 0-19768) [Exhibit 10(f)]
10(e)	The O.M. Scott & Sons Company Excess Benefit Plan, effective October 1, 1993	Incorporated herein by reference to Scotts Delaware's Annual Report on Form 10-K for the fiscal year ended September 30, 1988 (File No. 0-19768) [Exhibit 10(h)]
10(f)	The Scotts Company 1992 Long Term Incentive Plan	Incorporated herein by reference to Scotts Delaware's Registration Statement on Form S-8 filed with the SEC on March 26, 1993 (Registration No. 33-60056) [Exhibit 4(f)]
10(g)	The Scotts Company 1996 Executive Annual Incentive Plan	Pages 218 through 220

Exhibit No.	Description	Location
10(h)	Employment Agreement, dated as of May 19, 1995, between Scotts and James Hagedorn	Incorporated herein by reference to Scotts' Annual Report on Form 10-K for the fiscal year ended September 30, 1995 (File No. 1-11593) [Exhibit 10(p)]
10(i)	The Scotts Company 1996 Stock Option Plan (as amended through December 16, 1996)	Pages 221 through 229
10(j)	Employment Agreement, dated as of May 19, 1995, among Stern's Miracle-Gro Products, Inc. (nka Scotts' Miracle-Gro Products, Inc.), Scotts and Horace Hagedorn	Pages 230 through 243
10(k)	Employment Agreement, dated as May 19, 1995, among Stern's Miracle-Gro Products, Inc. (nka Scotts' Miracle-Gro Products, Inc.), Scotts and John Kenlon	Pages 244 through 257
10(l)	Employment Agreement, dated as of August 7, 1996, between Scotts and Charles M. Berger	Pages 258 through 268
10(m)	Stock Option Agreement, dated as of August 7, 1996, between Scotts and Charles M. Berger	Pages 269 through 276
10(n)	Stock Option Agreement, dated as of March 5, 1996, between Scotts and Tadd C. Seitz	Pages 277 through 283
10(o)	Letter Agreement, dated April 10, 1996, between Theodore J. Host and Scotts	Pages 284 through 293
10(p)	Letter Agreement, dated January 18, 1996, between Scotts and Paul D. Yeager, and amendment dated September 16, 1996	Pages 294 through 299
11(a)	Computation of Net Income Per Common Share	Page 300
13	Registrant's Annual Report to Shareholders for this fiscal year ended September 30, 1996 (not deemed filed except for portions thereof which are specifically incorporated by reference into this Annual Report on Form 10-K)	Pages 26 through 87
21	Subsidiaries of the Registrant	Pages 301 and 302
23	Consent of Independent Accountants	Page 303
27	Financial Data Schedule	Page 304

FIRST AMENDMENT AND CONSENT

FIRST AMENDMENT AND CONSENT, dated as of December 23, 1996, to the Fourth Amended and Restated Credit Agreement, dated as of March 17, 1995, as amended (the "Credit Agreement"), among The Scotts Company, an Ohio corporation (the "Borrower" or "Scotts"), the several banks and other financial institutions from time to time parties to this Agreement (individually, a "Lender" and, collectively, the "Lenders") and The Chase Manhattan Bank (formerly Chemical Bank), a New York banking corporation ("Chase"), as agent for the Lenders thereunder (in such capacity, the "Agent").

W I T N E S S E T H :

WHEREAS, the Borrower has requested that the Agent and the Lenders enter into this Amendment to among other things, increase the aggregate Revolving Credit Commitments (as defined in the Credit Agreement) to $425,000,000 and to allow O.M. Scott International Investments Limited and Miracle Garden Care Limited, subsidiaries of the Borrower (the "U.K. Borrowers") to become borrowers in Sterling as set forth herein; and

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. DEFINED TERMS. (a) Unless otherwise defined herein, all capitalized terms defined in the Credit Agreement and used herein are so used as so defined.

(b) The following term shall have the following meaning:

"FIRST AMENDMENT" shall mean this First Amendment and Consent, as the same may be amended, modified or otherwise supplemented from time to time.

2. AMENDMENTS TO SECTION 1 OF THE CREDIT AGREEMENT. (a) Subsection 1.1 of the Credit Agreement is hereby amended by inserting therein the following new definitions in proper alphabetical order:

"CHASE" shall mean The Chase Manhattan Bank (formerly, Chemical Bank).

"CHASE LONDON" shall mean The Chase Manhattan Bank, London Branch.

"DOLLAR EQUIVALENT" shall mean, on any Business Day with respect to any Revolving Credit Loan denominated in Sterling, the amount of Dollars that would be required to purchase the amount of Sterling of such Revolving Credit Loan on the day two Business Days prior to such Business Day for settlement on such Business Day, based upon the spot selling rate at which Chase London offers to sell Sterling for Dollars in the London foreign exchange market at approximately 11:00 a.m. London time for delivery two Business Days later.

"FIRST AMENDMENT EFFECTIVE DATE" shall mean December 23, 1996.

"MLA COST" the MLA Cost for a LIBOR Loan denominated in Sterling is calculated in accordance with the following formula:

$$\frac{BY + L(Y-X)+S(Y-Z)\% \text{ per annum}}{} = \text{MLA Cost}$$

where on the day of application of the formula;

B is the percentage of the Agent's eligible liabilities which the Bank of England requires the Agent to hold on a noninterest-bearing deposit account in accordance with its cash ratio requirements;

Y is the rate at which Sterling deposits are offered by the Agent to leading banks in the London interbank market at or about 11:00 a.m. on that day for the relevant period;

L is the percentage of eligible liabilities which the Bank of England requires the Agent to maintain as secured money with members of the London Discount Market Association and/or as secured call money with certain money brokers and gilt-edged primary market markers;

X is the rate at which secured Sterling deposits in the relevant amount may be placed by the Agent with members of the London Discount Market Association and/or as secured call money with certain money brokers and gilt-edged primary market makers at or about 11:00 a.m. on that day for the relevant period;

S is the percentage of the Agent's eligible liabilities which the Bank of England requires the Agent to place as a special deposit; and

Z in the interest rate per annum allowed by the Bank of England on special deposits.

I. For the purposes of this formula:

A. "eligible liabilities" and "special deposits" all have the meanings given to them at the time of application of the formula by the Bank of England;

B. "relevant period" in relation to a LIBOR Loan means;

1. if its term is three months or less, its term; or

2. if its term is more than three months, each successive period of three months and any necessary short period comprised in that term.

II. in the application of the formula, B, Y, L, X, S and Z are included in the formula as figures and not as percentages, e.g. if B = 0.5% and Y + 15% BY is calculated as 0.5 x 15.

III. A. The formula is applied on the first day of each relevant period comprised in the term of the relevant LIBOR Loan.

B. Each rate calculated in accordance with the formula is, if necessary, rounded upward to four decimal places.

IV. If the Agent determines that a change in circumstances has rendered, or will render, the formula inappropriate, the Agent (after consultation with the U.K. Reference Lender) shall notify the U.K. Borrowers of the manner in which the MLA Cost will subsequently be calculated. The manner of calculation so notified by the Agent shall, in the absence of manifest error, be binding on all the parties.

"SCREEN" shall mean, with respect to any currency, the relevant Telerate Page on which appears the LIBOR Base Rate for deposits in such currency; PROVIDED that, if there is no such Telerate Page, the relevant Reuters Screen Page will be substituted.

"SCOTTS GUARANTEE" shall mean the guarantee to be executed and delivered by Scotts, substantially in the form of Exhibit L, as the same may be amended, supplemented or otherwise modified from time to time.

"STERLING" and "L" shall mean lawful currency of the U.K.

"STERLING EQUIVALENT" shall mean, on any Business Day with respect to any amount in Dollars, the amount of Sterling that could be purchased with such amount of Dollars

using the foreign exchange rate for such Business Day specified in the definition of "Dollar Equivalent", as determined by the Agent.

"U.K." shall mean the United Kingdom.

"U.K. BORROWERS" shall mean O.M. Scott International Investments Limited and, on and after the date it becomes a party hereto, Miracle Garden Care Limited.

"U.K. REFERENCE LENDER" shall mean the principal London office of Chase London.

(b) Subsection 1.1 is further amended by deleting the definitions of "Business Day", "Eurodollar Base Rate", "Eurodollar Rate", "LIBOR Rate" and "Loan Documents" and substituting in lieu thereof the following new definitions in proper alphabetical order:

"BUSINESS DAY" shall mean (a) when such term is used in respect of a day on which a Loan in Dollars is to be made, a day other than Saturday, Sunday or any other day on which commercial banks in New York City are authorized or required by law to close; PROVIDED, HOWEVER, that when used to describe the date of any borrowing of, or any payment or interest rate determination in respect of, a LIBOR or LIBOR Bid Loan, the term "Business Day" shall also exclude any day on which commercial banks are not open for dealings in Dollar deposits in the London Interbank Market, and (b) when such term is used in respect of a day on which a Loan in Sterling is made, any day on which commercial banks are generally open for business in London, England.

"LIBOR BASE RATE" shall mean, with respect to any LIBOR Loan in Dollars or Sterling for any Interest Period therefor:

(a) the rate per annum (rounded to the nearest 1/16 of 1%) appearing on the Screen for such currency as the London Interbank Offered Rate for deposits in such currency at approximately 11:00 a.m. London time (or as soon thereafter as practicable) on (in the case of any LIBOR Loan in Sterling), or (in the case of any LIBOR Loan in Dollars) two Business Days prior to, the first day of such Interest Period as the London Interbank Offered Rate for such currency having a term comparable to such Interest Period and in an amount of U.S.$1,000,000; or

(b) if such rate does not appear on the Screen (or, if the Screen shall cease to be publicly available or if the information contained on the Screen, in the Agent's reasonable judgment, shall cease accurately to reflect such LIBOR Base Rate, as reported by any publicly available source of similar market data selected by the Agent that, in

the Agent's reasonable judgment, accurately reflects such LIBOR Base Rate),

the LIBOR Base Rate shall mean, with respect to any LIBOR Loan for any Interest Period, the arithmetic mean, as determined by the Agent, of the rate per annum (rounded to the nearest 1/16 of 1%) quoted by each relevant U.K. Reference Lender at approximately 11:00 a.m. London time (or as soon thereafter as practicable) on (in the case of any LIBOR Loan in Sterling), or (in the case of any LIBOR Loan in Dollars) two Business Days prior to, the first day of the Interest Period for such Loan for the offering by such U.K. Reference Lender to leading banks in the London interbank market of deposits in such currency having a term comparable to such Interest Period and in an amount comparable to the principal amount of the LIBOR Loan to be made by such U.K. Reference Lender (or its relevant Applicable Lending Office, as the case may be) for such Interest Period.

"LIBOR RATE" shall mean (a) with respect to (i) a LIBOR Loan denominated in Dollars and (ii) each day during each Interest period pertaining to a LIBOR Loan, the rate per annum equal to the quotient (rounded upward to the nearest 1/100 of 1%) of (A) the LIBOR Base Rate, DIVIDED by (B) a number equal to 1.00 minus the aggregate of the rates (expressed as a decimal fraction) of reserve requirements current on the date two Business Days prior to the beginning of such Interest Period (including, without limitation, basic, supplemental, marginal and emergency reserves under any regulations of the Board of Governors of the Federal Reserve System or other Governmental Authority having jurisdiction with respect thereto), as now and from time to time hereafter in effect, dealing with reserve requirements prescribed for eurocurrency funding (currently referred to as "Eurocurrency liabilities" in Regulation D of such Board) maintained by a member of such System, (b) with respect to a LIBOR Loan denominated in Sterling, the sum of the LIBOR Base Rate PLUS the MLA cost, and (c) with respect to any Bid Loan requested pursuant to a LIBOR Bid Loan Request, the LIBOR Base Rate for such Bid Loan.

"LOAN DOCUMENTS" shall mean, collectively, this Agreement, any Notes, the Applications, the Letters of Credit, the Subsidiaries Guarantee and the Scotts Guarantee.

(c) Subsection 1.1 is further amended by adding after "(a)" in the definition of "Aggregate Outstanding Extensions of Credit" the phrase "the Dollar Equivalent of".

3. AMENDMENTS TO SECTION 2 OF THE CREDIT AGREEMENT. Section 2 of the Credit Agreement is hereby amended by deleting such section in its entirety and inserting in lieu thereof Annex I to this First Amendment.

4. AMENDMENT TO SECTION 6 OF THE CREDIT AGREEMENT. Section 6.8(b)(ii) of the Credit Agreement is hereby amended by adding after the phrase "preferred stock of the Borrower or such Subsidiary", the following: "(PROVIDED that such

amount has not been paid in a prior period)".

5. AMENDMENT TO SECTION 10 OF THE CREDIT AGREEMENT. (a) Section 10 of the Credit Agreement is hereby amended by adding the following new Sections 10.17 and 10.18 in their entirety:

10.17 JUDGMENT. (a) If for the purpose of obtaining judgment in any court it is necessary to convert a sum due hereunder in one currency into another currency, the parties hereto agree, to the fullest extent that they may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures the Agent could purchase the first currency with such other currency on the Business Day preceding the day on which final judgment is given.

(b) The obligations of the Borrower or any U.K. Borrower in respect of this Agreement and any Lender party hereto shall, notwithstanding any judgment in a currency (the "JUDGMENT CURRENCY") other than the currency in which the sum originally due to such Lender is denominated (the "ORIGINAL CURRENCY"), be discharged only to the extent that on the Business Day following receipt by such Lender of any sum adjudged to be so due in the judgment currency such Lender may in accordance with normal banking procedures purchase the original currency with the judgment currency; if the amount of the original currency so purchased is less than the sum originally due to such Lender in the original currency, such Borrower or U.K. Borrower agrees, as a separate obligation and notwithstanding any such judgment, to indemnify such Lender against such loss, and if the amount of the original currency so purchased exceeds the sum originally due to any Lender to this Agreement, such Lender agrees to remit to such Borrower or U.K. Borrower, such excess. This covenant shall survive the termination of this Agreement and payment of the Loans and all other amounts payable hereunder.

10.18 CHANGE OF LENDING OFFICE. Any Lender may at any time change its office or branch in respect in respect of any of its Loans, or make or maintain any of its Loans through any of its subsidiaries or affiliates, by giving notice thereof to the Agent, PROVIDED that such change shall not increase the cost to such Lender or such subsidiary or affiliate of agreeing to make, making, funding or maintaining such Loans, and PROVIDED, FURTHER that after any such change, such Lender or such subsidiary or affiliate shall not have any greater rights in respect of such Loan pursuant to Section 2.18 hereof than it had in respect thereof immediately before such change.

(b) All references to the Borrower in Sections 10.13, 10.14 and 10.15 shall constitute a reference to the Borrower and the U.K. Borrowers.

6. AMENDMENT TO SCHEDULE I. Schedule I to the Credit Agreement is hereby amended by deleting such Schedule I in its entirety and inserting in lieu thereof Schedule I to this First Amendment with the effect that the aggregate amount of the Revolving Credit Commitments is increased to $425,000,000.

7. ADDITION OF SCOTTS GUARANTEE. The Credit Agreement is hereby amended by adding the Scotts Guarantee as Exhibit L.

8. THE CHASE MANHATTAN BANK. All references to "Chemical" and "Chemical Bank" in the Credit Agreement shall hereinafter be deemed to be references to "Chase" and to "The Chase Manhattan Bank".

9. LIBOR. All references to "Eurodollar" in the Credit Agreement shall hereinafter be deemed to be references to "LIBOR".

10. CONSENT TO ACQUISITION OF MIRACLE HOLDINGS LIMITED. Each of the Agent and the Lenders hereby consent to the acquisition by the Borrower or O.M. Scott International Investments Limited of the remaining outstanding shares of Miracle Holdings Limited and agree that such acquisition shall not violate subsection 7.4 of the Credit Agreement and shall not constitute usage of any of the permitted baskets therein.

11. EFFECTIVENESS. The amendments provided for herein shall become effective on December 23, 1996 (the "First Amendment Effective Date"), PROVIDED that the following conditions precedent have been satisfied on or before such date:

(a) the Agent shall have received counterparts of this First Amendment, duly executed and delivered by all the parties listed on the signature pages hereto;

(b) the Agent shall have received opinions of (i) Clifford Chance, U.K. counsel to the U.K. Borrower and (ii) Vorys, Sater, Seymor and Pease, counsel to Scotts.

(c) the Agent shall have received the Scotts Guarantee, duly executed and delivered by a duly authorized officer of the Borrower.

(d) the Agent shall have received a copy of the resolutions, in form and substance satisfactory to the Agent, of the Board of Directors of each of the U.K. Borrowers authorizing the execution and delivery of this First Amendment, certified by the Secretary or an Assistant Secretary of the U.K. Borrowers, as the case may be, as of the First Amendment Effective Date, which certificate shall

state that the resolutions thereby certified have not been amended,

modified revoked or rescinded since the date of adoption thereof.

12. REPRESENTATIONS AND WARRANTIES. The Borrower hereby represents and warrants as of the date hereof that after giving effect to each of this First Amendment and the Miracle Garden Supplement (as hereinafter defined) (a) each of the representations and warranties made by the Borrower in or pursuant to Section 4 of the Credit Agreement shall be true and correct on and as of such date as if made on and as of such date and (b) no Default or Event of Default shall have occurred and be continuing.

13. LIMITED AMENDMENT. Except as expressly amended hereby, all the provisions of the Credit Agreement and the other Loan Documents are hereby affirmed and shall continue to be in full force and effect in accordance with their terms, and any amendments contained herein shall be limited precisely as drafted and shall not constitute an amendment of any terms or provisions of the Credit Agreement except as expressly provided herein.

14. U.K. BORROWER. By executing and delivering this First Amendment, O.M. Scott International Investments Limited shall become a party to the Credit Agreement and entitled to the rights and subject to the liabilities and duties provided for it in the Credit Agreement as amended by the First Amendment, without any further action being necessary. By executing and delivering a Supplement (the "Miracle Garden Supplement") to the Credit Agreement in substantially the form of Annex II, Miracle Garden Care Limited shall become a party to the Credit Agreement and entitled to the rights and subject to the liabilities and duties provided for it in the Credit Agreement as amended by the First Amendment, without any further action being necessary. Prior to its execution and delivery of the Miracle Garden Supplement, Miracle Garden Care Limited shall not be, and shall not be permitted to borrow as, a "U.K. Borrower" under the Credit Agreement.

15. COUNTERPARTS. This First Amendment may be executed by the parties hereto in any number of counterparts, and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

16. GOVERNING LAW. THIS FIRST AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

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

THE SCOTTS COMPANY

By: /s/ P. D. Yeager

Title: Chief Financial Officer

O.M. SCOTT & SONS INTERNATIONAL INVESTMENTS LIMITED

By: /s/ L. Robert Stohler

Title: Director

THE CHASE MANHATTAN BANK (formerly Chemical Bank), as Agent and as a Bank

By: /s/ Lawrence Polumbo, Jr.

Title: Vice President
Attorney-in-fact

BANK ONE, COLUMBUS, N.A.

By: /s/ Douglas H. Klamforth

Title: Vice President

COMERICA BANK

By: /s/ Jeffrey J. Judge

Title: Assistant Vice President

CREDIT LYONNAIS

By: /s/ Julie T. Kanak

Title: JULIE T. KANAK
VICE PRESIDENT

THE FIRST NATIONAL BANK OF CHICAGO

By: /s/ J. J. Csernits

Title: Senior Vice President

NATIONAL CITY BANK, COLUMBUS

By: /s/ David G. Yates

Title: Vice President

PNC BANK, OHIO, NATIONAL
ASSOCIATION

By: /s/ John T. Taylor

Title: SVP

SOCIETY NATIONAL BANK

By: /s/ Susan M. Lipowicz

Title: Vice President

THE TORONTO DOMINION BANK

By: /s/ David G. Parker

Title: Mgr. Cr. Admin.

NBD BANK

By:

Title:

SOCIETE GENERALE

By: /s/ Joseph A. Philbin

Title: Vice President

THE BANK OF NOVA SCOTIA

By: /s/ F. C. H. Ashby

Title: Senior Manager Loan Operations

SCOTIABANK (U.K.) LIMITED

By: /s/ Barry G. Hodges

Title: Relationship Manager

THE BANK OF TOKYO - MITSUBISHI
NEW YORK BRANCH

By:

Title: Assistant Vice President

UNION BANK OF CALIFORNIA, N.A.

By:

Title: Vice President

THE NORTHERN TRUST COMPANY

By:

Title: Vice President

ROYAL BANK OF SCOTLAND

By: /s/ Russell M. Gibson

Title: Vice President &
Deputy Manager

THE SANWA BANK, LIMITED, CHICAGO BRANCH

By: /s/ James P. Byrnes

Title: First Vice President

THE TOKAI BANK, LIMITED

By: /s/ Hiroshi Tanaka

Title: General Manager

EXHIBIT 10(a)

The Scotts Company Associates' Pension Plan as amended effective January 1, 1989 and December 31, 1995

THE SCOTTS COMPANY

ASSOCIATES' PENSION PLAN

AMENDED EFFECTIVE
JANUARY 1, 1989 AND DECEMBER 31, 1995

THE SCOTTS COMPANY
ASSOCIATES' PENSION PLAN

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THE SCOTTS COMPANY
ASSOCIATES' PENSION PLAN

WHEREAS, The O.M. Scott & Sons Company established The O.M. Scott & Sons Company Employees' Pension Plan (the "Plan") effective January 1, 1954, in recognition of the contribution made to its successful operation by its employees and for the exclusive benefit of its eligible employees and their beneficiaries; and

WHEREAS, The O.M. Scott & Sons Company was merged into The Scotts Company, an Ohio corporation (the "Company"), which assumed sponsorship of the Plan; and

WHEREAS, the Plan was previously amended and restated effective January 1, 1976, January 1, 1985, December 31, 1986 and January 1, 1989; and

WHEREAS, the Internal Revenue Service requested and approved certain changes in the Plan in connection with the issuance of a favorable determination letter dated December 12, 1995; and

WHEREAS, the Plan was further amended effective as of December 31, 1995 to reflect the merger of the Stern's Miracle-Gro Products, Inc. Defined Benefit Pension Plan into the Plan; and

WHEREAS, Company wishes to restate the Plan to reflect such amendments;

NOW, THEREFORE, the Company hereby amends the Plan in its entirety and restates the Plan as of the Effective Amendment Date to provide as follows:

ARTICLE 1 - DEFINITIONS

"ADMINISTRATIVE COMMITTEE" shall mean the committee established for the purposes of administering the Plan as provided in Article 5.

"AFFILIATE" shall mean the Company and any entity which, with the Company, constitutes: (a) a controlled group of corporations (within the meaning of Section 414(b) of the Code); (b) a group of trades or businesses under common control (within the meaning of Section 414(c) of the Code); (c) an affiliated service group (within the meaning of Section 414(m) of the Code); or (d) a group of entities required to be aggregated pursuant to Section 414(o) of the Code and the regulations thereunder.

"APPENDIX A" shall mean the tables of factors, attached to the Plan as exhibits, which are used in determining the amount of the various forms of benefits payable under the Plan.

"APPENDIX B" shall mean an attachment to the Plan containing the names of those Members, surviving spouses, contingent annuitants and beneficiaries for whom supplemental benefits are provided, and the amount thereof.

"APPENDIX C" shall mean an attachment to the Plan describing the additional terms and options applicable to former participants in the Stern's Miracle-Gro Products, Inc. Defined Benefit Pension Plan.

"AVERAGE FINAL COMPENSATION" shall mean the average annual Compensation of a Member for the 60 consecutive calendar months included in his Years of Vesting Service during the last 120 consecutive calendar months of his Years of Vesting Service affording the highest such average, or for all the calendar months of his Years of Vesting Service if he has less than 60 calendar months included in his Years of Vesting Service. For purposes of determining a Member's Average Final Compensation in Plan Years starting after December 31, 1988, Compensation in excess of $200,000 (as adjusted under Sections 401(a)(17) and 415(d) of the Internal Revenue Code) shall not be taken into account. For purposes of determining a Member's Average Final Compensation in Plan Years starting after December 31, 1993, Compensation in excess of $150,000 (as adjusted under Section 401(a)(17) and 415(d) of the Internal Revenue Code) shall not be taken into account. Notwithstanding the foregoing, the accrued benefit of a Section 401(a)(17) Employee (as that term is defined in Section 1.401(a)(17)-1(e)(2) of the regulations under the Internal Revenue Code) shall be determined under the extended wear-away method of Section 1.401(a)(4)-13(c)(4)(iii) of the regulations under the Internal Revenue Code.

"BOARD OF DIRECTORS" shall mean the Board of Directors of the Company.

"CODE" shall mean the Internal Revenue Code of 1986, as may be amended from time to time.

"COMPANY" shall mean: (a) The O. M. Scott & Sons Company, a Delaware corporation, until the merger of The O.M. Scott & Sons Company into The Scotts Company, an Ohio corporation; and (b) thereafter, The Scotts Company or any successor by merger, purchase or otherwise.

"COMPENSATION" shall mean total earnings for the Plan Year paid to the Member by an Affiliate. Compensation shall include: (a) commissions; (b) salary reduction contributions to The Scotts Company Profit Sharing and Savings Plan and any other Section 401(k) plans sponsored by an Affiliate; and (c) salary reduction contributions for welfare benefits. Compensation shall exclude: (i) commissions in excess of the salary grade maximum for Plan Years starting before January 1, 1995; and (ii) foreign service, automobile, separation and other special allowances. Compensation taken into account under the Plan with respect to any Employee for a Plan Year shall not exceed: (A) effective January 1, 1989,

$200,000 (as automatically adjusted for increases in the cost of living as prescribed by the Secretary of the Treasury); and (B) effective January 1, 1994, $150,000 (as adjusted under Section 401(a)(17) of the Code). Notwithstanding the foregoing, the accrued benefit of a Section 401(a)(17) Employee (as that term is defined in Section 1.401(a)(17)-1(e)(2) of the regulations under the Code) shall be determined under the extended wear-away method of Section 1.401(a)(4)-13(c)(4)(iii) of the regulations under the Code. In determining the Compensation of a Member for purposes of this limitation, the rules of Section 414(q)(6) of the Code shall apply, except in applying such rules, the term "family" shall include only the spouse of the Member and any lineal descendants of the Member who have not attained age 19 before the close of the Plan Year. If, as a result of the application of

such rules, Compensation would exceed the adjusted $200,000 or $150,000 limitation, then the limitation shall be prorated among the affected persons in proportion to each such person's Compensation as determined under this paragraph prior to the application of this limitation.

"DEFERRED RETIREMENT DATE" shall mean, with respect to Employees who do not retire at Normal Retirement Date but who continue without interruption to work beyond such date, the first day of the calendar month coincident with or next following the date on which such Employee retires from active service. No retirement allowance shall be paid to the Employee until his Deferred Retirement Date, except as otherwise provided in Article 4.

"EARNINGS" shall mean all compensation received by a Member including bonuses paid by the Company in accordance with its bonus policy. Earnings shall be recognized only for the purpose of determining an annual Current Service Benefit as provided pursuant to the last sentence of Section 4.01(b)(i). Earnings taken into account under the Plan with respect to any Employee for a Plan Year shall not exceed: (a) effective January 1, 1989, $200,000 (as automatically adjusted for increases in the cost of living as prescribed by the Secretary of the Treasury); and (b) effective January 1, 1994, $150,000 (as adjusted under Section 401(a)(17) of the Code). Notwithstanding the foregoing, the accrued benefit of a Section 401(a)(17) Employee (as that term is defined in Section 1.401(a)(17)-1(e)(2) of the regulations under the Code) shall be determined under the extended wear-away method of Section 1.401(a)(4)-13(c)(4)(iii) of the regulations under the Code. In determining the Earnings of a Member for purposes of this limitation, the rules of Section 414(q)(6) of the Code shall apply, except in applying such rules, the term "family" shall include only the spouse of the Member and any lineal descendants of the Member who have not attained age 19 before the close of the Plan Year. If, as a result of the application of such rules, Earnings would exceed the adjusted $200,000 or $150,000 limitation, then the limitation shall be prorated among the affected persons in proportion to each such person's Earnings as determined under this paragraph prior to the application of this limitation.

"EFFECTIVE AMENDMENT DATE" of this amendment and restatement of the Plan shall be January 1, 1989, except as otherwise specifically stated herein.

"EFFECTIVE DATE" of the Plan shall mean January 1, 1976.

"ELIGIBLE EMPLOYEE" shall mean an Employee who is: (a) working with The Scotts product line; (b) in corporate management or administration of The Scotts Company; or (c) effective December 31, 1995, working with the Miracle-Gro product line. Notwithstanding, persons (i) whose terms and conditions of employment are determined by collective bargaining with a third party, with respect to whom inclusion in this Plan has not been provided for in the collective bargaining agreement setting forth those terms and conditions of employment; (ii) who are nonresident aliens described in Section 410(b)(3)(C) of the Code; or (iii) who are leased employees within the meaning of Section 414(n)(2) of the Code, are not Eligible Employees.

"EMPLOYEE" shall mean a person employed by an Affiliate.

"HOUR OF SERVICE" means (a) each hour for which an Employee is paid or entitled to payment for the performance of duties for an Affiliate during the applicable computation period, (b) each hour for which an Employee is paid or entitled to payment by an Affiliate on account of a period of time during which no duties are performed (irrespective of whether the employment relationship has terminated) due to vacation, holiday, illness, incapacity (including disability), layoff, jury or military duty, or leave of absence, and (c) each hour for which back pay, irrespective of mitigation of damages, is either awarded or agreed to by an Affiliate. In computing Hours of Service on a weekly or monthly basis when a record of hours of employment is not available, the Employee shall be assumed to have worked 40 hours for each full week of employment and eight hours for each day in less than a full week of employment, regardless of whether the Employee has actually worked fewer hours. Notwithstanding the foregoing, (i) not more than 501 Hours of Service shall be credited to an Employee on account of any single continuous period during which the Employee performs no duties, (ii) no credit shall be granted for any period with respect to which an Employee receives payment or is entitled to payment under a plan maintained solely for the purpose of complying with applicable workers' compensation or disability insurance laws, and (iii) no credit shall be granted for a payment which solely reimburses an Employee for medical or medically related expenses incurred by the Employee. In the case of a person who was a Leased Employee and who subsequently becomes an Employee, hours of service as a Leased Employee shall count as Hours of Service as an Employee. Determination and crediting of Hours of Service shall be made under Department of Labor Regulations Sections 2530.200b-2 and 3.

"INVESTMENT COMMITTEE" shall mean the committee established by the Company for the purposes of managing the assets of the Plan as provided in Article 5.

"LEASED EMPLOYEE" shall mean any person (other than an employee of the recipient) who, pursuant to an agreement between the recipient and any other person (leasing organization), has performed services for the recipient (or for the recipient and related persons determined in accordance with Sections 414(n)and 414(o) of the Code) on a substantially full-time basis for a period of at least one year and such services are of a type historically performed by employees in the business field of the recipient employer. Contributions or benefits provided a Leased Employee by the leasing organization which are attributable to services performed for the recipient employer shall be treated as provided by the recipient employer. A Leased Employee shall not be considered an employee of the recipient (and thus not otherwise an Employee) if (a) such employee is covered by a money purchase pension plan providing (i) a nonintegrated employer contribution rate of at least 10% of compensation, as defined in Code Section 415(c)(3), but including amounts contributed by the employer pursuant to a salary reduction agreement which are excludable from the employee's gross income under Code Section 125, Section 402(a)(8), Section 402(h) or Section 403(b); (ii) immediate participation; and (iii) full and immediate vesting; and (b) Leased Employees do not constitute more than 20% of the recipient's non-highly-compensated work force.

"MEMBER" shall mean any person included in the membership of the Plan as provided in Article 3. The pronoun he, his or him is used in this document solely for convenience and does not in any way connote a limit or restriction to persons of the masculine gender. In all cases, when he, his or him is used it means with equal effect persons of the feminine gender, and vice versa.

"NORMAL RETIREMENT DATE" shall mean the first day of the calendar month coincident with or next following the 65th anniversary of an Employee's birth. The Member's right to a normal retirement allowance shall be non-forfeitable upon the attainment of age 65 whether or not the Employee retires on such date.

"PARENTAL LEAVE" shall mean a period in which a person is absent from work on or after January 1, 1985 because of the person's pregnancy, the birth of a person's child, the adoption by a person of a child, or, for purposes of caring for that child for a period beginning immediately following such birth or adoption.

"PLAN" shall mean The Scotts Company Associates' Pension Plan as set forth herein or as hereafter amended.

"PLAN YEAR" shall mean the 12 month period ending each December 31.

"SOCIAL SECURITY BENEFIT" shall mean the amount of old-age insurance benefit under Title II of the Federal Social Security Act as determined by the Administrative Committee under reasonable rules uniformly applied, on the basis of such Act as in effect at the time of retirement or termination to which a

Member or former Member is or would upon application be entitled, even though the Member does not receive such benefit because of his failure to apply therefor or he is ineligible therefor by reason of earnings he may be receiving in excess of any limit on earnings for full entitlement to such benefit; provided, however, if a Member remains in employment on or after his Normal Retirement Date, the Social Security Benefit hereunder shall be calculated as of his Normal Retirement Date on the basis of the Federal Social Security Act in effect as of such Normal Retirement Date. For all years prior to retirement or other termination of employment with the Company where actual earnings are not available, the Member's Social Security Benefit shall be determined on the basis of the Member's actual earnings in conjunction with a salary increased assumption based on the actual yearly change in national average wages as determined by the Social Security Administration. If, within a reasonable time after the later of (i) the date of retirement or other termination of employment or (ii) the date on which a Member is notified of the retirement allowance or vested benefit to which he is entitled, the Member provides documentation from the Social Security Administration as to his actual earnings history with respect to those prior years, his Social Security Benefit shall be redetermined using the actual earnings history. If this recalculation results in a different Social Security Benefit, his retirement allowance or vested benefit shall be adjusted to reflect this change. Any adjustment to his retirement allowance or vested benefit shall be made retroactive to the date his payments commenced. The Administrative Committee shall resolve any questions arising under this Section 1.18 on a basis uniformly applicable to all Employees similarly situated.

"TRUSTEE" shall mean the trustee or trustees by which the funds of the Plan are held as provided in Article 7.

"YEAR OF BENEFIT SERVICE" shall mean employment recognized as such for the purposes of computing a benefit under the Plan with respect to service on or after January 1, 1976, as provided under Article 2.

"YEAR OF ELIGIBILITY SERVICE" shall mean any employment recognized for purposes of meeting the eligibility requirements for membership in the Plan, as provided in Article 2.

"YEAR OF VESTING SERVICE" shall mean any employment recognized for purposes of meeting the requirements for vesting in benefits, as provided in Article 2.

ARTICLE 2 - SERVICE

2.01 ELIGIBILITY SERVICE FOR REGULAR OR FULL-TIME EMPLOYEES

For an Employee who is classified as a regular full-time Employee according

to the Employer's policies and practices, "Year of Eligibility Service" and "Break in Eligibility Service" shall have the same meaning as "Year of Vesting Service" and "Break in Vesting Service."

2.02 ELIGIBILITY SERVICE FOR TEMPORARY OR PART-TIME EMPLOYEES

For an Employee who is classified as a temporary Employee or a part-time Employee according to the Employer's policies and practices:

(a) "BREAK IN ELIGIBILITY SERVICE" shall mean failure by an Employee to complete more than 500 Hours of Service during any Computation Period. Any Break in Service shall be deemed to have commenced on the first day of the Computation Period in which it occurs. In the case of an absence from work beginning after December 31, 1984, if an Employee is absent from work for any period by reason of pregnancy, the birth or placement for adoption of a child, or for caring for a child for a period immediately following the birth or placement, then for purposes of determining whether a Break in Service has occurred (and not for purposes of determining Years of Eligibility Service) such Employee shall be credited with the Hours of Service which otherwise normally would have been credited to such Employee, or, if the Administrator is unable to determine the number of such Hours of Service, eight Hours of Service for each day of absence, in any case not to exceed 501 Hours of Service. The Hours of Service credited to an Employee under this definition shall be treated as Hours of Service in the Computation Period in which the absence from work begins, if the Employee would be prevented from incurring a Break in Service in such year solely because of such Hours of Service or, in any other case, in the immediately following year. The Administrator may require that the Employee certify and/or supply documentation that his or her absence is for one of the permitted reasons and the number of days for which there as such an absence.

(b) "COMPUTATION PERIOD" shall mean a 12 month period starting on an Employee's most recent date of employment commencement or any Plan Year starting after anniversary of that date.

(c) "YEAR OF ELIGIBILITY SERVICE" shall mean a Computation Period during which an Employee has 1,000 or more Hours of Service for an Affiliate.

2.03 VESTING SERVICE AND BENEFIT SERVICE FOR ALL EMPLOYEES

For all Employees:

(a) "BREAK IN VESTING SERVICE" shall mean each 12 consecutive months in the period: (i) commencing on an Employee's Severance from

Service Date; and (ii) ending on the date the Employee is again credited with an Hour of Service for the performance of duties for an Affiliate. If an Employee is absent from work for any period by reason of a pregnancy, the birth or placement for adoption of a child, or caring for a child for a period immediately following the birth or placement, and the absence continues beyond the first anniversary of the absence, the Employee's Break in Vesting Service will commence no earlier than the second anniversary of the absence. The period between the first and second anniversaries of the first date of the absence is not part of either a Period of Service or a Break in Vesting Service. The Administrative Committee may require the Employee to certify and/or supply documentation that his or her absence is for one of the permitted reasons and the number of days for which there was such an absence.

(b) "PERIOD OF SERVICE" shall mean the period: (i) commencing on the date an Employee is first credited with an Hour of Service for the performance of duties for an Affiliate; and (ii) ending on the Employee's Severance from Service Date. A Period of Service will include any period after an Employee's Severance from Service Date if within 12 months of the Employee's Severance from Service Date, the Employee has an Hour of Service for an Affiliate.

(c) "SEVERANCE FROM SERVICE DATE" is the earlier of: (i) the date on which an Employee quits, is discharged, retires or dies; or (ii) the first anniversary of the first date of any other absence.

(d) "YEAR OF BENEFIT SERVICE" shall mean a full 365 days in an Employee's Period of Service, excluding: (i) the period before the Employee became a Member; (ii) any period during which the Employee is not an Eligible Employee; and (iii) service before January 1, 1976. A Member shall not receive credit for more than 40 Years of Benefit Service.

(e) "YEAR OF VESTING SERVICE" shall mean a full 365 days in an Employee's Period of Service.

2.04 EFFECT OF BREAKS IN ELIGIBILITY SERVICE

(a) If an Employee has a Break in Eligibility Service, Years of Eligibility Service before such break will not be taken into

account until the Employee has completed a Year of Eligibility Service after such Break in Eligibility Service.

(b) If an Employee who does not have a vested benefit under the Plan incurs five consecutive Breaks in Eligibility Service (and the number of consecutive Breaks in Eligibility Service exceeds the number of Years of Eligibility Service completed before such break), Years of Eligibility Service before such break will not be taken into account.

(c) If an Employee's Years of Eligibility Service may not be disregarded pursuant to this Section, such Years of Eligibility Service shall be taken into account.

2.05 EFFECT OF BREAKS IN VESTING SERVICE

(a) If an Employee has a Break in Vesting Service, Years of Vesting Service before such break will not be taken into account until the Member has completed a Year of Vesting Service after such Break in Vesting Service.

(b) If an Employee who does not have a vested benefit under the Plan incurs a Break in Vesting Service (and the number of consecutive Breaks in Vesting Service exceed the number of Years of Vesting Service completed before such break), Years of Vesting Service and Years of Benefit Service before such break will not be taken into account.

(c) If an Employee's Years of Vesting Service and Years of Benefit Service may not be disregarded pursuant to this Section, such Years of Vesting Service and Years of Benefit Service shall be taken into account.

2.06 QUESTIONS RELATING TO SERVICE UNDER THE PLAN

If any question shall arise hereunder as to an Employee's Years of Benefit Service, Years of Eligibility Service or Years of Vesting Service, such question shall be resolved by the Administrative Committee on a basis uniformly applicable to all Employee(s) similarly situated.

2.07 TRANSFER FROM PART-TIME TO FULL-TIME

If a Temporary or Part-Time Employee transfers to Full-Time status, the Employee shall receive credit for a period of service consisting of: (a) the number of Years of Eligibility Service credited to the Employee before the computation period during which the transfer

occurs; and (b) the greater of (1) the period of service that would be credited to the Employee under the elapsed time method for his service during the entire computation period in which the transfer occurs, or (2) the service taken into account under the as a Temporary or Part-Time Employee as of the date of the transfer.

2.08 TRANSFER FROM FULL-TIME TO PART-TIME

If a Full-Time Employees transfers to Temporary of Part-Time status, the Employee shall receive credit for: (a) the number of Years of Eligibility Service credited to the Employee as of the date of the transfer; and (b) 45 Hours of Service for each week in a partial Year of Eligibility Service credited to the Employee as of the date of the transfer.

ARTICLE 3 - MEMBERSHIP

3.01 MEMBERS OF THE PLAN ON DECEMBER 31, 1984

Every Employee who was a Member of the Plan on December 31, 1984 shall continue to be a Member of the Plan on and after January 1, 1985.

3.02 ALL OTHER EMPLOYEES

An Employee shall become a Member of the Plan as of the first day of the calendar month, commencing with January 1, 1985, coincident with or next following the later of:

(a) the date on which he attains the 21st anniversary of his birth,

(b) the date on which he completes one Year of Eligibility Service, or

(c) the date on which he becomes an Eligible Employee.

3.03 LEASED EMPLOYEES

Any person who is a Leased Employee shall not be eligible to participate in the Plan. However, if such a person subsequently becomes an Employee, or if an Employee subsequently becomes employed as a Leased Employee, uninterrupted employment with Affiliates as a Leased Employee, subject to the provisions of Section 414(n)(4) of said Code, shall be counted for the sole purpose of determining Years of Eligibility Service but not for the purpose of determining Years of Benefit Service.

3.04 REEMPLOYMENT

The membership of any person reemployed by an Affiliate as an

Eligible Employee shall be immediately resumed if such Employee was previously a Member of the Plan.

If a retired Member or a former Member is reemployed by an Affiliate, his membership in the Plan shall be immediately resumed and any payment of a retirement allowance with respect to his original retirement or any payment of a vested benefit with respect to his original employment shall cease in accordance with the provisions of Section 4.09.

3.05 TERMINATION OF MEMBERSHIP

Unless otherwise determined by the Administrative Committee under rules uniformly applicable to all person(s) or Employee(s) similarly situated, an Employee's membership in the Plan shall terminate if he ceases to be an Eligible Employee otherwise than by reason of retirement under the Plan, except that an Employee's membership shall continue (a) during any period while on leave of absence approved by an Affiliate, or (b) while absent by reason of temporary disability for a period of not more than six months, or (c) while he is not an Eligible Employee herein defined but is in the employ of an Affiliate. Employees covered by the Plan may not waive such coverage.

3.06 QUESTIONS RELATING TO MEMBERSHIP IN THE PLAN

If any question shall arise hereunder as to the commencement, duration or termination of the membership of any person(s) or Employee(s) employed by an Affiliate, such question shall be resolved by the Administrative Committee under rules uniformly applicable to all person(s) or Employee(s) similarly situated.

ARTICLE 4 - BENEFITS

4.01 NORMAL RETIREMENT ALLOWANCE

(a) Retirement Date - A Member may retire from active service on a normal retirement allowance upon reaching his Normal Retirement Date or, if he continues in active service after his Normal Retirement Date, upon reaching his Deferred Retirement Date. A Member shall be retired from active service on a normal retirement allowance upon reaching his Deferred Retirement Date. However, in accordance with the procedure established by the Administrative Committee, on a basis uniformly applicable to all Employees similarly situated, the monthly benefit payments commencing on his

Deferred Retirement Date shall be adjusted, if necessary, in compliance with Title 29 of the Code of Federal Regulations, Section 2530.203-3, to reflect the amount of any monthly benefits that would have been payable, had he retired on his Normal Retirement Date, with respect to each month during the deferral period in which he was not credited with eight days of service.

(b) Benefit - Prior to adjustment in accordance with Section 4.04(a), the annual normal retirement allowance payable on a lifetime basis upon retirement at a Member's Normal Retirement Date or at his Deferred Retirement Date shall be equal to the sum of the Member's Current Service Benefit and Past Service Benefit, if any, as follows, and as further provided in Appendix B:

(i) Current Service Benefit - One and one-half percent (1-1/2%) of the Member's Average Final Compensation multiplied by his Years of Benefit Service on and after January 1, 1976, not in excess of 40 years, reduced by one-half of his Social Security Benefit; except, however, that if the Member has less than 40 Years of Benefit Service on and after January 1, 1976, the Social Security Benefit reduction shall not exceed one and one-quarter percent (1-1/4%) of the Social Security Benefit multiplied by his Years of Benefit Service. However, the annual Current Service Benefit payable to any Member who was a participant of the Plan on December 31, 1975, and who had attained age 51 on or before December 31, 1975, shall not be less than 1.3% of the Member's Earnings in each calendar year during his Years of Benefit Service up to $7,800 plus 2% of such Earnings in excess of $7,800.

(ii) Past Service Benefit - With respect to any Member who was a participant of the Plan on December 31, 1975, an amount equal to the annual normal retirement benefit accrued up to and including December 31, 1975, to such Member under the Plan in respect of service prior to January 1, 1976, with such retirement benefit being computed in accordance with the provisions of the Plan as in effect on December 31, 1975.

The annual normal retirement allowance determined prior to any Social Security Benefit offset shall be an amount not less than the greatest annual early retirement allowance which would have been payable to a Member had he retired under Section 4.02 at any time before his Normal Retirement Date,

and as such early retirement allowance would have been reduced to commence at such earlier date, but prior to any Social Security Benefit offset; provided, however, that such offset shall in any event be based on the Federal Social Security Act in effect at the earlier of the Member's actual retirement or Normal Retirement Date.

Except as adjusted in accordance with the election of any optional form of pension under Sections 4.04 and/or 4.05 and unless the Company determines otherwise, the retirement allowance payable to a Member who retires on his Deferred Retirement Date shall be determined in accordance with the provisions of the Plan in effect on his Normal Retirement Date and as if he had retired from active service on his Normal Retirement Date.

4.02 EARLY RETIREMENT ALLOWANCE

(a) Eligibility - A Member who has not reached his Normal Retirement Date but who has reached the 55th anniversary of his birth and completed ten Years of Vesting Service is eligible to retire on an early retirement allowance on the first day of the calendar month next following termination of employment, which date shall be his Early Retirement Date.

(b) Special Eligibility - A Member who retires on or after January 1, 1987, who has not reached his Normal Retirement Date but who has reached the 55th anniversary of his birth and completed fifteen Years of Vesting Service, is eligible to retire on a special early retirement allowance on the first day of the calendar month next following termination of employment, which date shall be his Special Early Retirement Date.

(c) Benefit if Retiring under Section 4.02(a) - Except as hereinafter provided and prior to adjustment in accordance with Section 4.04(a), the early retirement allowance payable upon retirement in accordance with Section 4.02(a) shall be a deferred allowance commencing on the Member's Normal Retirement Date and shall be equal to the normal retirement allowance computed in accordance with Section 4.01(b) on the basis of his Average Final Compensation (or Earnings, if applicable) and Years of Benefit Service prior to the time of early retirement.

The Member may, however, elect to receive an early retirement allowance commencing with his Early Retirement Date or the date specified in his later request therefor in a reduced

amount which shall be equal to such deferred allowance prior to the reduction to be made to the Current Service Benefit on account of the Social Security Benefit, if applicable, reduced by 1/4 of 1 percent per month for each month by which the commencement date of his retirement allowance precedes his Normal Retirement Date.

The reduction to be made on account of the Social Security Benefit shall be determined on the assumption that the Member had no earnings after his Early Retirement Date and, if retirement allowance payments commence prior to the Member's Normal Retirement Date, shall not be made until such time as the Member is or would upon proper application first be entitled to receive said Social Security Benefit.

(d) Benefit if Retiring under Section 4.02(b) - Except as hereinafter provided and prior to adjustment in accordance with Section 4.04(a), the special early retirement allowance shall be an immediate allowance commencing on the Member's Special Early Retirement Date and shall be equal to the following:

(i) In the case of a Member whose Special Early Retirement Date occurs at or after age 60 with fifteen Years of Vesting Service, the immediate allowance shall be equal to the normal retirement allowance under Section 4.01(b) earned up to the Member's Special Early Retirement Date (prior to the reduction to be made to the Current Service Benefit on account of the Social Security Benefit, if applicable), computed on the basis of his Average Final Compensation (or Earnings, if applicable) and Years of Benefit Service at Special Early Retirement Date; or

(ii) In the case of a Member whose Special Early Retirement Date occurs at or after age 55 but prior to age 60 with fifteen Years of Vesting Service, the special early retirement allowance shall be a deferred allowance commencing on the first day of the calendar month coincident with or next the 60th anniversary of his birth and shall be following equal to the normal retirement allowance under Section 4.01(b) earned up to the Member's Special Early Retirement Date (prior to the reduction to be made to the Current Service Benefit on account of the Social Security Benefit, if applicable), computed on the basis of his Average Final Compensation (or Earnings, if applicable) and Years of Benefit Service at Special Early Retirement Date. The Member, may, however, elect to receive a special early retirement allowance commencing

with his Special Early Retirement Date or the date specified in his later request therefore in a reduced amount which shall be equal to such deferred allowance reduced by 5/12 of 1 percent for each month by which the commencement date of his retirement allowance precedes the first day of the calendar month coincident with or next following the 60th anniversary of his birth.

A Member may elect to defer commencement of his special early retirement allowance to any date after the first day of the calendar month coincident with or next following the 60th anniversary of his birth, up to an including his Normal Retirement Date. If the Member elects to defer commencement of his special early retirement allowance, the amount of such retirement allowance shall not be increased to reflect such later commencement date.

The reduction to be made on account of the Social Security Benefit, if applicable, shall be determined on the assumption that the Member has no earnings after his Special Early Retirement Date and, if retirement allowance payments commence prior to the Member's Normal Retirement Date, shall not be made until such time as the Member is or would upon proper application first be entitled to receive said Social Security benefit.

4.03 VESTED BENEFIT

(a) Eligibility - On or after December 31, 1986, a Member who has not reached his Normal Retirement Date shall be entitled to a vested benefit if his services are terminated for reasons other than death or early retirement after he has completed five Years of Vesting Service.

(b) Benefit - Prior to adjustment in accordance with Section 4.04(a), the vested benefit payable to a Member who terminates employment shall be a deferred benefit commencing on the former Member's Normal Retirement Date and shall be equal to the normal retirement allowance computed in accordance with section 4.01(b) on the basis of his Average Final Compensation (or Earnings, if applicable) and Years of Benefit Service at date of termination, with the Social Security Benefit determined on the assumption that he continued in service to his Normal Retirement Date at his rate of Compensation in effect as of his date of termination. If a former Member had completed at least 10 Years of Vesting Service on the date he terminated service, he may elect to receive a benefit

commencing on the first day of the calendar month next following the 55th anniversary of his birth or a later date specified in his request therefor, after receipt by the Administrative Committee of written application therefor made by the former Member and filed with the Administrative Committee. Upon such earlier payment, the vested benefit will be reduced by 1/180th for each month up to 60 by which the commencement date of such payments precedes the former Member's Normal Retirement Date and further reduced by 1/360th for each such month in excess of 60.

4.04 OPTIONAL FORMS OF BENEFIT AFTER RETIREMENT

(a) (i) Automatic Joint and Survivor Option applicable to Current Service Benefit - Unless the Member or the former Member elects otherwise, the immediate retirement allowance attributable to Section 4.01(b)(i) payable to a Member who retires under Section 4.01 or Section 4.02, or the vested benefit attributable to Section 4.01(b)(i) payable to a former Member whose service is terminated under Section 4.03, shall be equal to the retirement allowance or vested benefit attributable to Section 4.01(b)(i), computed in accordance with Section 4.01, 4.02, or 4.03, as the case may be, and multiplied by the appropriate factor contained in Table 1 of Appendix A; such retirement allowance or vested benefit shall be payable during the retired Member's or former Member's life with the provision that after his death a benefit at one-half the rate of the reduced retirement allowance or vested benefit payable to the retired Member or former Member shall automatically be paid during the life of, and to, his spouse, if any; provided, however, in the case of a Member who retires on his Deferred Retirement Date, the appropriate factor shall be determined as of his Normal Retirement Date. It shall also be provided hereunder that the

spouse shall have been married to the Member on his retirement date or married to the former Member on the date on which benefit payments to the former Member commence; and provided further that the spouse of a former Member shall not be entitled to receive a benefit (other than provided in Section 4.05) unless the Member or former Member's death occurs after the first day of the month in which his first benefit payment is due or,

in the case of a former Member whose vested benefit has not commenced, unless his death occurs after his Normal Retirement Date. In the case of a Member who retires on his Normal Retirement Date or Deferred Retirement Date and who dies before his retirement allowance commences, his spouse shall be entitled to receive a benefit after his death as provided in Section 4.05(d).

If the former Member who is entitled to a vested benefit under Section 4.03 does not wish to provide a benefit to his spouse after his death as provided above, he shall make an election, in accordance with the provisions of Section 4.04(d), to provide that the vested benefit attributable to Section 4.01(b)(i) payable to him under Section 4.03 shall be in the form of a lifetime benefit payable during his own lifetime with no further benefit payable after his death. If a retired Member who is entitled to a retirement allowance under Section 4.01 or Section 4.02 does not wish to provide a benefit to his spouse after his death as provided above, he shall make an election, in accordance with the provisions of Section 4.04(d), to provide that the retirement allowance payable to him attributable to Section 4.01(b)(i) under Section 4.01 or Section 4.02 shall be in the form of a lifetime benefit payable during his own lifetime with no further benefit payable after his death unless he makes an election in accordance with Section 4.04(b) or Section 4.04(c) of the Plan.

(ii) Automatic joint and survivor benefit applicable to Past Service Benefit - Unless the Member or the former Member elects otherwise in accordance with the provisions of Section 4.04(d), the retirement allowance attributable to Section 4.01(b)(ii) payable to a Member who retires under Section 4.01 or Section 4.02, or the vested benefit attributable to Section 4.01(b) (ii) payable to a former Member under Section 4.03, shall be computed in accordance with Section 4.01, 4.02 or 4.03, as the case may be, and shall be payable during the retired Member's or former Member's life with the provision that after his death a benefit at one-half the rate of such retirement allowance or vested benefit payable to the retired Member or former Member shall automatically be paid during the life of, and to, his spouse; provided, however, that the spouse shall have been married to the Member or former Member on the date on which benefit payments to the retired Member or former Member commence; and provided further that the spouse shall not be entitled to receive a benefit unless the former

Member's death occurs after the first day of the month in which his first benefit payment is due or, in the case of a former Member whose vested benefit has not commenced, unless his death occurs after his Normal Retirement Date.

Not more than 90 days before the date of commencement of his benefit, the Administrative Committee shall notify each married Member or married former Member of the general terms and conditions of the Automatic Joint & Survivor Option as described above and the financial effect of an election to receive, in place thereof, a lifetime benefit payable to him during his own lifetime with no further benefit payable after his death. If, prior to the date of commencement of his benefit, a married Member or married former Member exercises his right to file a written request with the Administrative Committee for detailed information as to (i) the amount of his retirement allowance or vested benefit payable on an Automatic Joint & Survivor Option basis and (ii) the amount payable on a lifetime basis, then the period during which he may elect to receive his retirement allowance or vested benefit on a lifetime basis shall be extended, if necessary, to include the 60 days following receipt by the Member or former Member of such information.

A married Member entitled to, but not in receipt of, a vested benefit as of August 23, 1984 who terminated service prior to January 1, 1976 shall have his vested benefit payable in the form of the Automatic Joint and Survivor Option as described in Section 4.04(a)(ii) above, unless he elects otherwise in accordance with the provisions of Section 4.04(d) prior to the date as of which his vested benefit commences.

If a Member is not married on the date his benefit payments commence, his retirement allowance or vested benefit shall be in the form of a lifetime benefit payable during his own lifetime with no further benefit payable after his death unless the Member is eligible for and makes an election in accordance with Section 4.04(c) of the Plan.

(b) Spouse's Contingent Annuitant Option - Any Member who retires from active service under Section 4.01 or Section 4.02 and who elects not to receive the optional form of benefit under Section 4.04(a)(i) may elect to convert the retirement allowance attributable to Section 4.01(b)(i), prior to any optional modification under said Section 4.04(a)(i), into one of the following alternative benefits payable to him and his

surviving spouse, provided the Member and his spouse are married at the time such election is made. It is provided that:

(i) the retirement allowance attributable to Section 4.01(b)(i) payable to the Member and his spouse under Option I below shall not be less than the retirement allowance that would have been payable without optional

modification at retirement under Section 4.01 or Section 4.02 multiplied by the appropriate factor contained in Table 3 of Appendix A, and

(ii) the retirement allowance attributable to Section 4.01(b)(i) payable to the Member and his spouse under Option II below shall not be less than the retirement allowance that would have been payable if the Member had elected Option 1 under Section 4.04(c).

Option I - In order to provide a lifetime benefit to his surviving spouse equal to 50% of the retirement allowance attributable to Section 4.01(b)(i) without optional modification otherwise payable to the Member at retirement under Section 4.01 or Section 4.02, the Member shall elect to receive a reduced retirement allowance payable during his own lifetime equal to 90% of the retirement allowance attributable to Section 4.01(b)(i), without optional modification, otherwise payable to him under said Section.

If the spouse is more than five years older than the Member, the reduced retirement allowance payable to the Member shall be increased for each such additional year in excess of five years, but for not more than 20 years, by one-half of 1%. of the retirement allowance payable to the Member prior to optional modification. If the spouse is more than five years younger than the Member, the reduced retirement allowance payable to the Member shall be further reduced for each such additional year in excess of five years by one-half of 1% of the retirement allowance payable to the Member prior to optional modification.

Option II - In order to provide a lifetime benefit to his surviving spouse equal to the Member's retirement allowance as herein reduced, the Member shall elect to receive a reduced retirement allowance payable during his own lifetime equal to 80% of the retirement allowance attributable to Section 4.01(b)(i) and payable to him at retirement under Section 4.01 or Section 4.02.

If the spouse is more than five years older than the Member, the

reduced retirement allowance payable to the Member shall be increased for each such additional year in excess of five years, but for not more than 20 years, by 1% of the retirement allowance payable to the Member prior to optional modification. If the spouse is more than five years younger than the Member, the reduced retirement allowance payable to the Member shall be further reduced for each such additional year in excess of five years by 1% of the retirement allowance payable to the Member prior to optional modification.

(c) Standard Contingent Annuity Option - Any Member who retires from active service under Section 4.01 or Section 4.02 and who was not eligible for or elected not to receive the optional form of benefit under Section 4.04(a) may elect, in accordance with the provisions of Section 4.04(d), to convert the retirement allowance attributable to Section 4.01(b)(i) and/or Section 4.01(b)(ii) otherwise payable to him under Section 4.01 or Section 4.02 into one of the following alternative options. If the contingent annuitant selected is other than the Member's spouse, the reduced retirement allowance payable to the Member shall in no event be less than 50% of the retirement allowance which would otherwise be payable to the Member prior to optional modification. The optional benefit elected shall be the retirement allowance without optional modification otherwise payable to the Member under Section 4.01 or Section 4.02, multiplied by the appropriate factor contained in Appendix A.

Option 1 - A reduced retirement allowance payable during the 4 Member's life, with the provision that after his death it shall be paid during the life of, and to, the contingent annuitant designated by him; or

Option 2 - A reduced retirement allowance payable during the Member's life with the provision that after his death an allowance at one-half (or any other percentage approved by the Administrative Committee) of the rate of his reduced allowance shall be paid during the life of, and to, the contingent annuitant designated by him.

Option 3 - A reduced retirement allowance payable during the member's life with the provision that if he should die prior to receiving 120 monthly benefit payments, the balance of such payments shall be paid to the beneficiary designated by him, or to his legal representative if there is no surviving designated beneficiary. Option 3 may not be elected if the payment period

would extend beyond the combined life expectancy of the Member and his beneficiary.

(d) Any election made under Section 4.04(a), Section 4.04(b) or Section 4.04(c) shall be made on a form approved by the Administrative Committee. Any such election shall become effective 30 days before the due date of the first payment of the retirement allowance or vested benefit provided the appropriate form is filed with and received by the Administrative Committee not less than 30 days before said due date. In the case of a Member retired early under Section 4.02 of the Plan with the payment of the early retirement allowance deferred to commence at a date later than his Early Retirement Date, the survivor's benefits applicable before retirement under Section 4.05 of the Plan shall apply for the period between his Early Retirement Date and the effective date of any election of an optional form of benefit under Section 4.04. The provisions of this Section 4.04(d) shall be administered to accommodate such an early retired Member under rules uniformly applicable to all Members similarly situated.

A married Member's or a married former Member's election made on or after January 1, 1985 of a life only form of payment under Section 4.04(a), or any form of payment under Section 4.04(c) which does not provide for monthly payments to his spouse for life after the Member's or former Member's death in an amount equal to at least 50% but not more than 100% of the monthly amount payable under that form of payment to the Member or former Member, shall be effective only if (i) it is made within 90 days of benefit commencement, and (ii) his spouse's consent to the election has been received by the Administrative Committee. The spouse's consent shall (A) be witnessed by a notary public or in accordance with uniform rules of the Administrative Committee, by a Plan representative, (B) acknowledge the effect on the spouse of the Member's or former Member's election of such form of payment, and (C) apply to a specific nonspouse beneficiary (or a class of beneficiaries).

The requirement for spouse's consent may be waived by the Administrative Committee in accordance with applicable law in the event that the Member's spouse cannot be located.

Any election made under Section 4.04(a), Section 4.04(b) or Section 4.04(c), after having been filed, may be revoked or changed by the Member only by written notice received by the

Administrative Committee before the election becomes effective; provided, however, that a married Member may revoke or make an election under Section 4.04(a) any time prior to the date his retirement allowance or vested benefit commences. If, however, the Member or the spouse or the contingent annuitant or the beneficiary designated in the election dies before the election has become effective, the election shall thereby be revoked.

The benefit payable in accordance with Section 4.04(a), Section 4.04(b) or Section 4.04(c) to the designated spouse or contingent annuitant or beneficiary of a Member or former Member in receipt of a retirement allowance whose death occurs prior to the age at which the Member or former Member is, upon-proper application, first entitled to receive his Social Security Benefit, if applicable, shall be based upon the appropriately reduced retirement allowance which is or would be payable to the Member or former Member after he attained such age.

4.05 OPTIONAL FORMS OF BENEFIT BEFORE RETIREMENT

The term Beneficiary for purposes of this Section 4.05 shall mean any person designated by the Member to receive benefits payable under this Section; provided, however, that, for any married Member who is first eligible for or continues to be eligible for the coverage provided under this Section 4.05 on and after August 23, 1984, the term "Beneficiary" shall automatically mean the Member's spouse and any prior designation to the contrary will be canceled, unless the Member designates otherwise. An election on or after January 1, 1985 of a non-spouse Beneficiary by a married Member shall be effective only if the Member's spouse consents to such designation and such consent has been received by the

Administrative Committee. The spouse's written consent shall be witnessed by a notary public or, in accordance with uniform rules of the Administrative Committee, by a Plan representative and shall acknowledge the effect on the spouse of the Member's Beneficiary designation. This requirement for spouse's consent may be waived by the Administrative Committee in accordance with applicable law in the event that the Member's spouse cannot be located. If the Member dies without an effective designation of Beneficiary, the Member's Beneficiary for purposes of this Section 4.05 shall automatically be the Member's spouse, if any. The Administrative Committee shall resolve any questions arising hereunder as to the meaning of Beneficiary on a basis uniformly applicable to all Members similarly situated.

(a) Death in Service Benefit applicable to Past Service Benefit - In the

event of the death prior to the date payments commence of a Member who was a participant of the Plan on December 31, 1975, his spouse to whom he was married not less than one year prior to his date of death shall be entitled to receive a benefit equal to one-half of the Member's retirement allowance attributable to Section 4.01(b)(ii), commencing on what would have been the Member's Normal Retirement Date, or commencing on the first day of the month following the death of the Member, if later, and continuing during the life of such spouse; provided, however, that if a Member dies prior to his Normal Retirement Date, his spouse can elect, by written application filed with the Administrative Committee, to have such payments begin as of the first day of any month following the Member's date of death and prior to what would have been the Member's Normal Retirement Date.

(b) Death in Service Option applicable to Current Service Benefit for Members eligible for Vested Benefits - On and after December 31 1986, the spouse of a Member shall be eligible for a benefit payable to, and for the lifetime of, such spouse if the Member should die:

(i) while in active service after completing five Years of Vesting Service but prior to becoming eligible for early retirement in accordance with Section 4.02(a), provided that the Member had not, by timely written notice to the Pension Administrative Committee and with his spouse's written consent, elected to waive such benefit, or

(ii) after termination of employment on or after August 23, 1984 with entitlement to a vested benefit attributable to Section 4.01(b)(i), but prior to the earlier of the date such benefit commences or his Normal Retirement Date, provided that the Member had not, by timely written notice to Pension Administrative Committee and with his spouse's written consent, elected to waive such benefit.

The benefit payable to the spouse under this paragraph (b) shall begin as of the month in which the Member's Normal Retirement Date would have occurred. However, in the case of the death of any eligible Member, who had completed 10

Years of Vesting Service prior to attaining his Normal Retirement Date, the spouse may elect to begin receiving payments as of any month following the month in which the Member's 55th birthday would have occurred (or following the month in which his date of death occurred, if later) and prior to what would have been his Normal Retirement Date.

Prior to its reduction set forth below, if applicable, the benefit payable to the spouse covered under this Section 4.05(b) shall be equal to the amount of benefit the spouse would have received if the vested benefit attributable to Section 4.01 (b)(i) to which the Member was entitled at his date of death had commenced as of the month in which his Normal Retirement Date would have occurred in accordance with Section 4.04(a)(i), and the Member had died immediately thereafter. However, if the spouse elects early commencement, the amount of benefit payable to the spouse shall be based on the amount of vested benefit to which the Member would have been entitled if he had requested benefit commencement at that earlier date, reduced in accordance with Section 4.03(b).

The retirement allowance attributable to Section 4.01(b)(i) payable to a Member whose spouse is covered under Section 4.05(b)(ii) or, if applicable, the benefit payable under Section 4.05(b)(ii) to his spouse upon his death, shall be equal to the vested benefit to which he would otherwise be entitled, reduced by the applicable percentages shown below for the period, or periods, that coverage under Section 4.05(b)(ii) was in effect:

Annual Reduction for Spouse's Coverage
After Termination of
Employment Other Than Retirement

Age	Reduction
60 and over	1% per year
55 - 59	5/10 of 1% per year
50 - 54	3/10 of 1% per year
40 - 49	2/10 of 1% per year
Prior to 40	1/10 of 1% per year

Such annual reduction shall be prorated to include months in which coverage was in effect for at least one day. Under rules uniformly applicable to all Employees similarly situated, the reduction will be waived until the Employee is given a reasonable period of time to waive such coverage and thereby avoid the charge.

Coverage under Section 4.05(b)(i) shall become effective on the later of the date a Member completes the eligibility requirement for a vested benefit or the date the Member marries. Coverage under Section

4.05(b)(ii) shall become effective on the later of the date a Member terminates employment on or after August 23, 1984 under Section 4.03(a) or the date the Member marries. Except in the event of a waiver or revocation as described in paragraph (f) of this Section 4.05, coverage under this Section 4.05(b) shall cease on the earlier of (i) the date the Member meets the eligibility requirements of Section 4.05(c), (ii) the date such Member's marriage is legally dissolved by a divorce decree, or (iii) the date such Member's spouse dies. If the Member or his spouse dies prior to the time such coverage becomes effective, no benefit shall be payable.

(c) Death in Service Option applicable to Current Service Benefit for Members Eligible for Early Retirement -

(i) The Beneficiary of a Member who has reached the 55th anniversary of his birth and completed 10 Years of Vesting Service shall automatically receive a retirement allowance in the event said Member should die after the effective date of coverage hereunder and before his Early, Special Early or Normal Retirement Date. In the case of a Member retired early under Section 4.02 of the Plan with the payment of the early or special early retirement allowance deferred to commence at a date later than his Early or Special Early Retirement Date, the provisions of this Section 4.05(c) shall also apply to the period between his Early or Special Early Retirement Date and the effective date of any election of an optional form of benefit under Section 4.04 of the Plan, provided the Member does not waive coverage under this Section 4.05(c).

The benefit payable to the Beneficiary shall be equal to one-half of the amount of the Member's retirement allowance under Section 4.01(b)(i) accrued to the date of his death which would have been payable if the Member had retired on his Normal Retirement Date, computed pursuant to and effective election of Option 1 under Section 4.04(c) with his Beneficiary nominated as his contingent annuitant, reduced by one-half of 1% per year for each year between the date on which coverage hereunder became effective and the date of his death. Notwithstanding anything to the contrary herein contained, if the Beneficiary is the Member's Spouse, the benefit payable to such spouse under this Section 4.05(c)(i) shall not be less than the benefit said spouse would have received under Section 4.04(a) had the Member been retired on the first day of the month following the month in which he dies. Coverage hereunder shall be effective on the earlier of (1) the date the Member elected coverage under the provisions of the Plan as in effect prior to August 23, 1984, or (2) August 23, 1984 or, if later, the date the Member first meets the eligibility requirements described

in this Section 4.05(c). In the case of a married Member, coverage under Section 4.05(b) shall cease on the date coverage under this Section 4.05(c) is effective, as set forth in the preceding sentence.

(ii) 1% Election - In lieu of the benefit described in subparagraph (i) above, an eligible Member may elect to reduce the retirement allowance attributable to Section 4.01(b)(i), otherwise payable to him under Section 4.01 or Section 4.02, by 1% per year to provide a benefit payable to his Beneficiary upon his death (1) in active service, or (2) during the period between his Early Retirement Date and the effective date of any election of an optional form of benefit under Section 4.04. This benefit shall be equal to the amount of the Member's retirement allowance under Section 4.01(b)(i) accrued to the date of his death which would have been payable if the Member had retired on his Normal Retirement Date, computed pursuant to an effective election of Option 1 under Section 4.04(c) with his Beneficiary nominated as his contingent annuitant, reduced by 1% per year for each year between the date on which the election became effective and the date of his death. If the Member does not make this election until after he is first eligible to do so, it shall become effective one year after the first day of the calendar month coincident with or next following the date the notice is received by the Administrative Committee or on the date specified on such notice, if later. In the case of a married Member, coverage under Section 4.05(b) shall cease on the date coverage under this Section 4.05(c) is effective, as set forth in the preceding sentence.

The benefit payable under this Section 4.05(c)(i) or (ii) shall be payable for the life of the Beneficiary commencing on what would have been the Member's Normal Retirement Date; provided, however, that the Beneficiary of the Member may elect, by written application filed with the Administrative Committee, to have such payments begin as of the first day of any month following the Member's date of death and prior to what would have been the Member's Normal Retirement Date. If the payment of the death benefit commences prior to what would have been the Member's Normal Retirement Date, the amount of such benefit shall be reduced to reflect such early commencement in accordance with the provisions of Section 4.02(c) or (d), whichever is applicable. Notwithstanding the foregoing, if the Beneficiary is not the Participant's surviving spouse, the benefit payable under this Section 4.05(c)(i) or (ii) shall commence no later than the December 31 of the calendar year after the year in which the Member died.

(d) Death in service option after Normal Retirement Date -

(i) Automatic Spouse's Benefit - If a married Member reaches his Normal Retirement Date and does not retire from active service and if he should die after his Normal Retirement Date and before his Deferred Retirement Date, a benefit shall automatically be paid during the life of, and to, his spouse, if any.

The benefit payable to the spouse shall be equal to one-half of the amount of the Member's normal retirement allowance accrued to his Normal Retirement Date, adjusted with respect to the benefit determined under Section 4.01(b)(i) as if the Member had elected Option 1 under Section 4.04(c) with his spouse as the contingent annuitant thereunder and as if the spouse had been the age she would have been on the 65th anniversary of the Member's birth. Notwithstanding anything to the contrary herein contained, the benefit payable to such spouse shall not be less than the benefit said spouse would have received under Section 4.04(a) had the Member been retired on his Normal Retirement Date.

If a married Member does not wish to provide a benefit under this Section 4.05(d)(i) with respect to the benefit determined under Section 4.01(b)(i) payable to his spouse in the event of his death in active service before his Deferred Retirement Date, he shall make an election to waive such coverage. For such an election by a married Member to be effective, the Administrative Committee must have received a written consent to such election by the Member's spouse. This spouse's written consent shall be witnessed by a notary public or, in accordance with uniform rules of the Administrative Committee, by a Plan representative and shall acknowledge the effect on the spouse of such election. This requirement for spouse's consent may be waived by the Administrative Committee in accordance with applicable law in the event that the Member's spouse cannot be located.

(ii) Other Options Available - If a Member reaches his Normal Retirement Date and does not retire from active service, such Member shall make an election indicating whether or not he wishes to provide that, if he should die after his Normal Retirement Date and before his Deferred Retirement Date, a benefit shall be paid during the life of, and to, any person designated by him. No married Member shall make an election under one of the following optional forms of benefits unless he has elected not to receive the benefit under Section 4.05(d)(i).

No Death Protection - If a Member does not wish to provide a benefit payable to anyone with respect to the benefit determined under Section 4.01(b)(i) in the event of his death before Deferred Retirement Date, he shall so elect. In such event, no further benefit shall be payable to anyone after his death prior to his Deferred Retirement Date with respect to the benefit determined under Section 4.01(b)(i).

100% Election - The Member may elect to reduce the normal retirement allowance to which he would otherwise be entitled at his Deferred Retirement Date under Section 4.01(b)(i) by one-half of 1% per year for each year between his Normal Retirement Date and the earliest of the Member's Deferred Retirement Date, the date the designated person dies, the date the Member dies, or the date the election is revoked as provided in Section 4.05(d). The benefit payable to the designated Beneficiary shall be equal to (1) the amount of the Member's normal retirement allowance accrued to his Normal Retirement Date, (2) reduced by one-half of 1% per year for each year between his Normal Retirement Date and the date of his death, and (3) further adjusted as if the Member had elected Option 1 under Section 4.04(c) at Normal Retirement Date with the designated person nominated as his contingent annuitant thereunder and as if the designated person had been the age he would have been on the 65th anniversary of the Member's birth.

Post-65 Standard Contingent Annuity Option Election -The Member may elect to provide that, if he should die after his Normal Retirement Date and before his Deferred Retirement Date, a benefit shall be payable during the life of, and to, the Beneficiary designated by him. The benefit payable to the designated Beneficiary shall be equal to (1) one-half of the amount of the Member's normal retirement allowance accrued to his Normal Retirement Date, but adjusted as if the Member had elected Option 1 under Section 4.04(c) with the designated person nominated as his contingent annuitant thereunder and as if the designated person had been the age he would have been on the 65th anniversary of the Member's birth. Notwithstanding anything to the contrary herein contained, if the designated Beneficiary is the member's spouse, the benefit payable to such spouse under this election shall not be less than the benefit said spouse would have received under Section 4.04(a) had the Member been retired on his Normal Retirement Date.

If a retired Member or a former Member is re-employed at or after his Normal Retirement Date, his rights with respect to the election of an optional form of benefit under the Plan shall be determined in

accordance with Section 4.09(b).

The benefit payable under this Section 4.05(d) shall commence no later than the December 31 of the calendar year after the year in which the Member died.

(e) Election of coverage by former Members who terminated employment on or after January 1, 1976 and prior to August 23, 1984. Notwithstanding the provisions of Section 4.05(b), a former Member whose employment terminated on or after January 1, 1976 and prior to August 23, 1984, who is married and entitled to a vested benefit pursuant to the provisions of Section 4.03 but who is not yet in receipt thereof, may elect, prior to the commencement of such vested benefit, to have the provisions of Section 4.05(b) apply to him. Such coverage shall become effective on the first of the month coincident with or following the date the completed election form is received by the Administrative Committee.

(f) Election Procedure - Any election made under Section 4.05 shall be made on a form approved by the Administrative Committee. The Administrative Committee shall furnish to each married Member a written explanation in nontechnical language which describes (i) the terms and conditions of the benefit payable to a Member's spouse under Section 4.05(b), (c) or (d), (ii) the Member's right to make, and the effect of, an election to waive the such benefit, (ii) the rights of the Member's spouse, and (iv) the right to make, and the effect of, a revocation of such a waiver. Such written explanation shall be furnished (i) in the case of a Member in active service, within the three-year period immediately preceding the first day of the Plan Year in which the Member would first complete the eligibility requirements for an early or normal retirement allowance, and (ii) in the case of a Member who terminates employment with entitlement to a vested benefit prior to age 35, as soon as practicable within the 12-month period beginning on his date of termination.

An election to waive the spouse's benefit payable under Section 4.05(b), (c) or (d), or any revocation of that election, may be made at any time during the period which begins on the first day of the Plan Year in which the Member would first complete the eligibility requirements for an early or normal retirement allowance, and ends on the date payment of the Member's retirement allowance or vested benefit commences. However, in the case of a Member who has terminated employment, the period during which he may make an election to waive this spouse's benefit coverage with respect to his benefit accrued before his termination of employment shall begin not later

than the date his employment terminates. An election to waive this spouse's benefit coverage or any revocation of that election shall be made on a form provided by the Pension Administrative Committee, and any such waiver of coverage shall require the written consent of the spouse, duly witnessed by a notary public, unless the spouse's consent is waived by the Pension Administrative Committee in accordance with applicable law in the event that the Member's spouse cannot be located. The election or revocation shall be effective when the completed form is filed with the Pension Administrative Committee.

Any other election made under Section 4.05(c) or (d) may be changed or revoked either before or after it becomes effective. If the designated Beneficiary dies after the effective date of the election, the election is thereby canceled and there shall be no further reduction to the Member's retirement allowance for the period between the date of the designated Beneficiary's death and the Member's retirement date unless the Member makes a new election in accordance with this Section. Such Member is entitled to make a new election within 60 days following the designated Beneficiary's death or a subsequent marriage. Such new election will become effective on the first day of the calendar month coincident with or next following the date the notice is received by the Administrative Committee. If the Member does not make a new election within said 60 days, any subsequent election shall become effective one year after the first day of the calendar month coincident with or next following the date the notice is received by the Administrative Committee or on the date specified in such notice, if later.

If the person designated in an election under Section 4.05(c) or (d) is the Member's spouse and if the Member's marriage to said spouse is legally dissolved by a divorce decree, the election shall be automatically revoked as of the effective date of the divorce decree. Such Member is entitled to make a new election within 60 days following the effective date of the divorce decree or a subsequent marriage. Such new election shall become effective on the first day of the calendar month coincident with or next following the date the notice is received by the Administrative Committee. If the Member does not make a new election within said 60 days, any subsequent election shall become effective one year after the first day of the calendar month coincident with or next following the date the notice is received by the Administrative Committee or on the date specified in such notice, if later.

If the Member dies prior to the time the election becomes effective, the election shall be revoked. Distributions will be made in accordance with the requirements of the regulations under

Section 401(a)(9), including the minimum distribution incidental benefit requirements of Section 1.401(a)(9)-2 of the proposed regulations.

4.06 MAXIMUM BENEFITS

(a) The maximum annual normal, early retirement allowance, death in service benefit, or vested benefit attributable to Company contributions, payable after adjustment for any optional elections under Section 4.05(b), or Options 1 or 2 of Section 4.05(c), provided the Member's spouse is the designated contingent annuitant, when added to any retirement allowance attributable to contributions of the Company or an Affiliate provided to a Member under any other qualified defined benefit plan, shall be equal to the lesser of:

(i) $90,000 adjusted in accordance with regulations issued under Section 415 of the Internal Revenue Code by the Secretary of the Treasury or his delegate; provided, however, that each year in which such an adjustment is made, it shall not become effective prior to January 1 of such year, or

(ii) the Member's average annual remuneration during the three consecutive Years of Benefit Service affording the highest such average, or during all of Years of Benefit Service if less than three years; provided that if the Member has not completed 10 Years of Benefit Service, such maximum annual retirement allowance or vested benefit shall be reduced by the ratio which the number of Years of Benefit Service bears to 10.

(b) If the benefit begins before the Member's social security retirement age (as defined in Section 415(b) of the Code), the $90,000 limitation set forth in this Section shall be reduced:

(i) for the period between the Member's attainment of age 62 and the Member's social security retirement age, in a manner that is consistent with the reduction for old-age social security benefits commencing before such Member's social security retirement age;

(ii) for the period before the month in which the Member attains age 62, actuarially in accordance with the an interest rate assumption which is the greater of 5% or the interest rate used in Appendix A and the mortality assumption used in Appendix A.

In the case of a Member whose benefits hereunder commence after his attainment of social security retirement age, the $90,000 limitation in this Section shall be increased so that it is equivalent of such a

benefit commencing at the Member's social security retirement age, using the interest rate assumption of the lesser of 5% or the interest rate used in Appendix A and the mortality assumption used in Appendix A.

(c) In the case of a Member who is participating in The Scotts Company Profit Sharing and Savings Plan or any other defined contribution plan of an Affiliate, the maximum benefit limitation shall not exceed the adjusted limitation computed as follows:

(i) Determine the "defined contribution fraction" as set forth in sub-paragraph (i) of the following paragraph (d).

(ii) Subtract the result of (i) from one (1.0) with the result not to be less than zero.

(iii) Multiply the dollar amount in Section 4.06(a)(i) by 1.25.

(iv) Multiply the amount described in Section 4.06(a)(ii) by 1.4.

(v) Multiply the lesser of the result of (iii) or the result of (iv) by the result of (ii) to determine the adjusted maximum benefit limitation applicable to the Member.

(d) For purposes of this Section 4.06(d)

(i) The "defined contribution fraction" for a Member who is participating in The Scotts Company Profit Sharing and Savings Plan or any other defined contribution plans of an Affiliate shall be a fraction the numerator of which is the sum of the following:

(A) Affiliates' contributions credited to the Member's accounts under any defined contribution plan or plans, including the amount of any contribution made on a Member's behalf on a salary reduction basis under any such plan qualified under Section 401(k) of the Code.

(B) the Member's contributions to such plan or plans, and

(C) any forfeitures allocated to his accounts under such plan or plans, but reduced by any amount permitted by regulations promulgated by the Commissioner of Internal Revenue; and the denominator of which is the lesser of the following amounts determined for each of the Member's Years of Vesting Service:

(D) 1.25 multiplied by the maximum dollar amount allowed by law for that year; or

(E) 1.4 multiplied by 25% of the Member's remuneration for that year. At the direction of the Administrative Committee, the portion of the denominator of that fraction with respect to calendar years before 1983 shall be computed as the denominator for 1982, as determined under the law as then in effect, multiplied by a fraction the numerator of which is the lesser of:

(F) $51,875, or

(G) 1.4 multiplied by 25% of the Member's remuneration for 1981, and the denominator of which is the lesser of:

(H) $41,500, or

(I) 25% of the Member's remuneration for 1981;

(ii) a "defined contribution plan" means a qualified pension plan which provides for an individual account for each participant and for benefits based solely upon the amount contributed to the participant's account, and any income, expenses, gains and losses, and any forfeitures of accounts of other participants which may be allocated to that participant's accounts, subject to (iii) below;

(iii) a "defined benefit plan" means any qualified pension plan which is not a defined contribution plan; however in the case of a defined benefit plan which provides a benefit which is based partly on the balance of the separate account of a participant, that plan shall be treated as a defined contribution plan to the extent benefits are based on the separate account of a participant and as a defined benefit plan with respect to the remaining portion of the benefits under the plan; and

(iv) the term "remuneration" for purposes of this Section 4.06 with respect to any Member shall mean the wages, salaries and other amounts paid to such Member by the Company for personal services actually rendered, determined after any reduction for contributions made on his behalf on a salary reduction basis under any plan qualified under Section 401(k) of the Internal Revenue Code, and shall include, without being limited to, bonuses, overtime payments and commissions; and shall exclude deferred compensation, stock options and other distributions which receive special tax benefits under the Internal Revenue

Code.

(e) Notwithstanding the preceding paragraphs of this Section, in no event shall a Member's annual retirement allowance or vested benefit payable under this Plan be less than the allowance or benefit which the Member had accrued under the Plan as of the end of the plan year beginning in 1982; provided, however, that in determining that benefit no changes in the terms and conditions of the Plan on or after July 1, 1982 shall be taken into account.

4.07 NO DUPLICATION

There shall be deducted from any retirement allowance or vested benefit payable under this Plan the part of any pension or comparable benefit, including any lump sum payment, provided by employer contributions which the Company, or an Affiliate is obligated to pay or has paid to or under any pension plan or other agreement (except for any pension plan or other agreement which provides for the payment of that portion of any benefits accrued under the Plan but not payable from the Plan on account of Section 4.06 or other statutory limits) with respect to any service which is included in Years of Benefit Service for purposes of computation of benefits under this Plan.

4.08 PAYMENT OF BENEFITS

Unless otherwise provided under an optional benefit elected pursuant to Section 4.04 or under the survivor's benefits available under Section 4.05, all retirement allowances, vested benefits or other benefits payable under the Plan will be paid in monthly installments as of the beginning of each month beginning with (i) the month in which a Member has reached his Normal Retirement Date and has retired from active service or (ii) the month in which a Member has reached his Deferred Retirement Date and has retired from active service or (iii) the month in which a Member upon proper application has requested commencement of his vested benefit or early retirement allowance or (iv) the month in which benefits under an optional benefit under Section 4.04 or the survivor's benefits under Section 4.05 become payable; and such monthly installments shall cease with the payment for the month in which the recipient dies. In no event shall a retirement allowance or vested benefit be payable to a Member who continues in or resumes active service with the Company or an Affiliate for any period between his Normal Retirement Date and Deferred Retirement Date, except as provided in Section 4.09(c)(i).

In any case, upon direction of the Administrative Committee, a lump sum payment equal to the retirement allowance multiplied by the appropriate factor contained in Table 6 or 7 of Appendix A shall be made in lieu of any retirement allowance payable to a Member or his spouse or contingent

annuitant, or any vested benefit payable to a former Member or his spouse, if the present value of such allowance or benefit amounts to $3,500 or less (as of the current and any prior distribution). In no event, however, shall that adjustment factor produce a lump sum that is less than the amount determined by using: (a) effective for distributions after April 18, 1995, the interest rate on 30-year Treasury securities for the January of the Plan Year that includes the date of distribution and the prevailing NAIC standard mortality table; and (b) effective for distributions on or before April 18, 1995, the interest rate assumption for immediate annuities used by the Pension Benefit Guaranty Corporation for valuing benefits for single employer plans that terminate on January 1 of the plan year in which the date of distribution occurs. The lump sum payment may be made at any time on or after the date the Member has terminated employment and prior to benefit commencement. Any lump sum distribution shall be paid in accordance with Section 4.11.

In the event that the Administrative Committee shall find that a person to whom benefits are payable is unable to care for his affairs because of illness or accident or is a minor or has died, then, unless claim shall have been made therefor by a legal representative, duly appointed by a court of competent jurisdiction, the Administrative Committee may direct that any benefit payment due him be paid to his spouse, a child, a parent or other blood relative, or to a person with whom he resides, and any such payment made shall be a complete discharge of the liabilities of the Plan therefor.

Before any benefit shall be payable to a Member, a former Member, or other person who is or may become entitled to a benefit hereunder, such Member, former Member, or other person shall file with the Administrative Committee such information as it shall require to establish his rights and benefits under the Plan.

Notwithstanding anything contained in the Plan to the contrary, the Plan retirement allowance or vested benefit of a Member shall commence not later than the April 1 following the calendar year in which he attains age 70-1/2 even if he continues to be a Member after such date.

4.09 REEMPLOYMENT OF FORMER MEMBER OR RETIRED MEMBER

(a) Cessation of benefit payments. If a former Member or a retired Member entitled to or in receipt of a vested benefit or retirement allowance is reemployed by the Company or an Affiliate as an Employee, any benefit payments he is receiving shall cease. Notwithstanding the preceding sentence, if a retired Member is reemployed on a part-time basis, his benefit payments shall not be discontinued until he has completed a Year of Eligibility Service, measured from his date of reemployment.

(b) Optional forms of retirement allowances

(i) If the Member is reemployed after his Normal Retirement Date and his benefit payments are discontinued, any previous election of an optional benefit in effect shall continue in effect and, in the event of the Member's death during reemployment, any payments under such effective optional benefit election shall commence.

(ii) If the Member is reemployed prior to his Normal Retirement Date and his benefit payments are discontinued, any previous election of an optional benefit under Section 4.04 or the survivor's benefits under Section 4.05 shall be revoked and the terms and conditions of subparagraph (iii) of this Section 4.09(b) shall apply.

(iii) Any Member described in subparagraph (ii) above who is at least age 55 with 10 or more Years of Vesting Service when he is reemployed prior to Normal Retirement Date shall, with respect to the vested benefit or retirement allowance earned prior to his reemployment and with respect to any additional benefits earned during reemployment, be covered by the provisions of Section 4.05(c). Coverage under Section 4.05(c) shall be effective on the first day of the calendar month coincident with or next following the date of his reemployment and any previous election shall remain in effect until such date. If, within 30 days after reemployment, the Member elects coverage under Section 4.05(c)(ii), in lieu of coverage under Section 4.05(c)(i), such coverage shall be effective as of the first day

of the calendar month coincident with or next following the date of his reemployment. If the Member does not make an election under Section 4.05(c)(ii) within 30 days after his reemployment prior to Normal Retirement Date or he waives such coverage, any later election shall become effective one year after the first day of the calendar month coincident with or next following the date notice is received by the Administrative Committee or on the date specified in such notice, if later.

Any former Member described in subparagraph (ii) above who is less than age 55, but who has completed 10 or more Years of Vesting Service at such reemployment, shall be covered by the provisions of Section 4.05(b) until he attains age 55, and such coverage shall be effective on the first day of the calendar month coincident with or next following the date of his reemployment; any previous election shall remain in effect until

such date. Such former Member shall be covered by the provisions of Section 4.05(b) and shall be eligible for coverage under Section 4.05(c) upon attaining age 55, and such coverage shall be in accordance with the provisions of such Sections and shall apply with respect to his vested benefit earned prior to his reemployment, as well as any additional benefits earned during reemployment.

(c) Benefit payments at subsequent termination or retirement

(i) If the Member is reemployed after his Normal Retirement Date and his benefit payments are discontinued pursuant to Section 4.09(a), payment of the same vested benefit or retirement allowance he was receiving or to which he was entitled at reemployment shall be resumed or shall begin at his subsequent termination of employment or retirement occurring not later than his Deferred Retirement Date. However, in accordance with the procedure established by the Administrative Committee on a basis uniformly applicable to all Employees similarly situated, his monthly benefit payments shall be adjusted, if necessary, in compliance with Title 29 of the Code of Federal Regulations Section 2530.203-3, to reflect the amount of the monthly benefits that would have been payable, had he not returned to service, with respect to each month during the reemployment period in which he is not credited with at least eight days of service.

(ii) If the Member is reemployed prior to his Normal Retirement Date and his benefit payments are discontinued, either immediately or upon completion of one Year of Eligibility Service, the Administrative Committee shall, in accordance with rules uniformly applicable to all persons similarly situated, determine the amount of vested benefit or retirement allowance which shall be payable to such Member upon his subsequent termination of employment or retirement. Such vested benefit or retirement allowance shall not be less than the original amount of vested benefit or retirement allowance previously earned by such Member in accordance with the terms of the Plan in effect during such previous employment plus any additional vested benefit or retirement allowance

earned during his period of reemployment, adjusted in accordance with the provisions of Section 4.05(b)(ii), Section 4.05(c) or Section 4.05(d), if applicable. Notwithstanding anything to the contrary contained in this Plan, the vested benefit or retirement allowance for Years of Benefit Service credited prior to the date of reemployment shall not be re-calculated or increased unless

and until the Member has completed a Year of Eligibility Service and, in such event, the re-calculated vested benefit or retirement allowance shall be reduced by an amount determined by dividing the sum of any payments previously received by the former Member or retired Member by the appropriate factor contained in Table 6 of Appendix A.

(d) Questions relating to reemployment of former Members or retired Members. If, at subsequent termination of employment or retirement, any question shall arise under this Section 4.09 as to the calculation or re-calculation of a reemployed former Member's or retired Member's vested benefit or retirement allowance or election of an optional form of benefit under the Plan, such question shall be resolved by the Administrative Committee on a basis uniformly applicable to all Members similarly situated.

4.10 TOP-HEAVY PROVISIONS

(a) For purposes of this Section 4.10, the Plan shall be "top-heavy" with respect to any plan year beginning on or after January 1, 1984 if, as of the last day of the preceding plan year, the present value of the cumulative accrued benefits under the Plan for "key employees" exceeds 60 per cent of the present value of the cumulative accrued benefits under the Plan for all Employees or former Employees, determined as of the applicable "valuation date". For purposes of this Section 4.10, "valuation date" shall mean the date as of which annual plan costs are or would be computed for minimum funding purposes with respect to such preceding plan year. The determination as to whether an Employee or former Employee will be considered a "key employee" shall be made in accordance with the provisions of Section 416(i)(1) and (5) of the Internal Revenue Code and any regulations thereunder, and, where applicable, on the basis of the Employee's or former Employee's remuneration from the Company or an Affiliate as reported on Form W-2 for the applicable Plan Year. The present value of accrued benefits shall be computed in accordance with Section 416(g)(3) and (4)(B) of the Internal Revenue Code on the basis of the same mortality and interest rate assumptions used to value the Plan. For purposes of determining whether the Plan is top-heavy, the present value of accrued benefits under the Plan will be combined with the present value of accrued benefits or account balances under any other qualified plan of the Company or an Affiliate (including any plan terminated in the current Plan

Year or in any of the four preceding Plan Years) in which there are participants who are key employees or which enables this Plan to meet the requirements of Section 401(a)(4) or 410 of the Internal Revenue

Code, and, in the Company's discretion, may be combined with the present value of accrued benefits or account balances under any other qualified plan of the Company or an Affiliate in which all participants in that plan are non-key employees, provided that the resulting aggregation group will continue to qualify under Section 401(a)(4) and 410 of said Code. A Member's accrued benefit in a defined benefit plan will be determined under a uniform accrual method which applies in all defined benefit plans maintained by the Employer and all Affiliates or, where there is not such method, as if such benefit accrued not more rapidly than the slowest rate of accrual permitted under the fractional rule of Section 411(b)(1)(C) of the Code.

(b) The following provisions shall be applicable to Members for any plan year with respect to which the Plan is top-heavy:

(i) In lieu of the vesting requirements specified in Section 4.03, the following vesting schedule shall apply:

Years of Vesting Service	Percentage Vested
Less than 2 years	0%
2 years	20
3 years	40
4 years	60
5 or more years	100

(ii) The accrued benefit of a Member who is a non-key employee shall not be less than two per cent of his "average remuneration" multiplied by the number of Years of Vesting Service, not in excess of 10, during the plan years for which the Plan is top heavy. Such minimum benefit shall be payable at a Member's Normal Retirement Date. If payments commence at a time other than the Member's Normal Retirement Date, the minimum accrued benefit shall be of equivalent actuarial value to such minimum benefit, as determined on the basis of the actuarial assumptions stated in Section 4.10(a) above. For purposes of this Section 4.10(b), "average remuneration" shall mean the average annual remuneration of a Member, based on amounts reported on Form W-2, for the five consecutive Years of Vesting Service after December 31, 1983 during which he received the greatest aggregate remuneration from the Company or an Affiliate, excluding any remuneration for service after the last plan year with respect to which the Plan is top-heavy.

(iii) The multiplier "1.25" in Subsections (c)(iii) and (d)(i)(D)

of Section 4.06 shall be reduced to "1.0", and the dollar amount "$51,875" in Subsection (d)(i)(F) of Section 4.06 shall be reduced to "$41,500."

(c) If the Plan is top-heavy with respect to a plan year and ceases to be top-heavy for a subsequent plan year, the following provisions shall be applicable:

(i) The accrued benefit in any such subsequent plan year shall not be less than the minimum accrued benefit provided in Section 4.10(b)(ii) above, computed as of the end of the most recent plan year for which the Plan was top-heavy.

(ii) If a Member has completed less three Years of Vesting Service on or before the last day of the most recent plan year for which the Plan is top-heavy, the vesting provisions of Section 4.03 shall again be applicable; provided, however, that in no event shall the vested percentage of a member's accrued benefit be less than the percentage determined under Section 4.10(b)(i) above as of the last day of the most recent plan year for which the Plan was top-heavy. Any Member with three or more Years of Vesting Service at the time the Plan ceases to be top- heavy may elect to have the vesting schedule contained in the Section remain applicable.

4.11 ELECTIVE ROLLOVERS

Notwithstanding any provision of the Plan to the contrary that would otherwise limit a distributee's election under the Plan, a distributee may elect, at the time and in the manner prescribed by the Administrative Committee, to have all or any portion of an lump sum distribution (except to the extent such distribution is required under Section 401(a)(9) of the Code) made on or after January 1, 1993 paid directly to an eligible retirement plan specified by the distributee in a direct rollover.

The following definitions will apply for purposes of this section:

(a) Eligible retirement plan: An eligible retirement plan is an individual retirement account described in Code Section 408(a), an individual retirement annuity described in Code Section 408(b), an annuity plan described in Code Section 403(a) or a qualified trust described in Code Section 401(a) that accepts the distributee's eligible rollover distribution. However, in the case of an eligible rollover distribution to the Surviving Spouse, an eligible retirement plan is an individual retirement account or individual retirement annuity.

(b) Distributee: A distributee includes an Employee or former Employee. In addition, the Spouse or Surviving Spouse of an Employee or former Employee is a distributee with regard to the interest of the Spouse or Surviving Spouse.

(c) Direct rollover: A direct rollover is a payment by the Plan to the eligible retirement plan specified by the distributee.

4.12 MERGER OF STERN'S MIRACLE-GRO PRODUCTS, INC. DEFINED BENEFIT PENSION PLAN

The additional terms and options in Appendix C shall apply to the benefit of a former participant in the Stern's Miracle-Gro Products, Inc. Defined Benefit Pension Plan.

ARTICLE 5 - ADMINISTRATION OF PLAN

5.01 The responsibility for carrying out all phases of the administration of the Plan, except those phases connected with the management of assets, shall be placed in a Administrative Committee appointed from time to time by the Board of Directors to serve at the pleasure of the Board of Directors. The Board of Directors may also designate alternate members to act in the absence of the regular members. The Board of Directors shall designate a Chairman of the Administrative Committee from among the regular members and a Secretary who may be, but need not be, one of its members. Any member of the Administrative Committee may resign by delivering his written resignation to the Board of Directors and the Secretary of the Administrative Committee.

5.02 The Administrative Committee is designated as a named fiduciary within the meaning of Section 402(a) of the Employee Retirement Income Security Act of 1974.

5.03 The Administrative Committee shall hold meetings upon such notice, at such place or places, and at such time or times as it may determine. The action of at least a majority of the members, or alternate members, of such Committee expressed from time to time by a vote at a meeting or in writing without a meeting shall constitute the action of the Committee and shall have the same effect for all purposes as if assented to by all members of such Committee at the time in office. No member of the Committee shall receive any compensation for his service as such.

5.04 The Administrative Committee may authorize one or more of its number or any agent to execute or deliver any instrument or make any payment on its behalf; may retain counsel, employ agents and such clerical, accounting and actuarial services as it may require in carrying out the provisions of the Plan for which it has responsibility; may allocate among its members or to other persons all or such portion of its duties hereunder as it, in its sole discretion, shall decide.

5.05 Subject to the limitations of the Plan, the Administrative Committee from

time to time shall establish rules or regulations for the administration of the Plan and the transaction of its business. The Administrative Committee shall have the exclusive right, except as to matters which the Board of Directors from time to time may reserve to itself, to interpret the Plan

and to decide any and all matter arising hereunder, including the right to remedy possible ambiguities, inequities, inconsistencies or omissions. The Administrative Committee shall also have the right to exercise powers otherwise exercisable by the Board of Directors hereunder to the extent that the exercise of such powers does not involve the management of Plan assets nor, in the judgment of the Administrative Committee, a substantial number of persons. In addition, where the number of persons is deemed to be substantial, the Administrative Committee shall have the further right to exercise such powers as may be delegated to the Administrative Committee by the Board of Directors.

Subject to applicable Federal and State Law, all interpretations, determinations and decisions of the Administrative Committee or the Board of Directors in respect of any matter hereunder shall be final, conclusive and binding on all parties affected thereby.

5.06 The Investment Committee appointed from time to time by the Board of Directors shall be responsible for managing the assets under the Plan. Said Committee is designated a named fiduciary of the Plan within the meaning of Section 402(a) of the Employee Retirement Income Security Act of 1974, and, shall have the authority, powers and responsibilities delegated and allocated to it by resolutions of Board of Directors, including, but not by way of limitation, the authority to establish one or more trust for the Plan pursuant to trust instrument(s) approved or authorized by the Committee -- subject to the provisions of such trust instrument(s) -- to

(i) provide direction to the trustee(s) thereunder, including, but not by way of limitation, the direction of investment of all or part of the Plan assets and the establishment of investment criteria, and

(ii) appoint and provide for use of investment advisors and investment managers.

In discharging its responsibility, the Committee shall evaluate and monitor the investment performance of the trustee(s) and investment manager, if any.

5.07 The members of the Committees shall use that degree of care, skill, prudence and diligence in carrying out their duties that a prudent man, acting in a like capacity and familiar with such matters, would use in his

conduct of a similar situation. A member of either Committee shall not be liable for the breach of fiduciary responsibility of another fiduciary unless:

(i) he participates knowingly in, or knowingly undertakes to conceal, an act or omission of such other fiduciary, knowing such act or omission is a breach; or

(ii) by his failure to discharge his duties solely in the interest of the Members and other persons entitled to benefits under the Plan, for the exclusive purpose of providing benefits and defraying reasonable expenses of

administering the Plan not met by the Company, he has enabled such other fiduciary to commit a breach; or

(iii) he has knowledge of a breach by such other fiduciary and does not make reasonable efforts to remedy the breach; or

(iv) if the Committee of which he is a member improperly allocates responsibilities among its members or to others and he fails to review prudently such allocation.

5.08 ACTIONS BY THE COMPANY

Any action which may be taken and any decision which may be made by the Company under the Plan (including authorization of Plan amendments or termination) may be made by: (a) the Board of Directors; or (b) any committee to which the Board of Directors delegates discretionary authority with respect to the Plan.

ARTICLE 6 - CONTRIBUTIONS

6.01 It is the intention of the Company to continue the Plan and make regular contributions to the Trustee each year in such amounts as are necessary to maintain the Plan on a sound actuarial basis and to meet minimum funding standards as prescribed by any applicable law. However, subject to the provisions of Article 8, the Company may reduce or suspend its contributions for any reason at any time. Any forfeitures shall be used to reduce the Company contributions otherwise payable, and will not be applied to increase the benefits any Member or other person would otherwise receive under the Plan.

6.02 In the event that the Commissioner of Internal Revenue, on timely application made by the time for filing the Employer's federal income tax return for the year in which the Plan was adopted, determines that the implementing trust does not initially constitute an exempt trust, the

Company's contributions made on or after the date for which such determination is applicable shall be returned to the Company without interest. In the event that all or part of the Company's deductions under Section 404 of the Internal Revenue for contributions to the Plan are disallowed by the Internal Revenue Service, the portion of the contributions to which such disallowance applies may be returned to the Company without interest at its request. Either such return shall be made within one year after either the denial of qualification or disallowance of deductions, as the case may be.

ARTICLE 7 - MANAGEMENT OF FUNDS

7.01 All the funds of the Plan shall be held by a Trustee or Trustees including any member(s) of the Investment Committee, appointed from time to time by said Committee in one or more

trusts under a trust instrument or instruments approved or authorized by said Committee for use in providing the benefits of the Plan and paying any expenses of the Plan not paid directly by the Company; provided, however, that the Investment Committee may, in its discretion, also enter into any type of contract with any insurance company or companies selected by it for providing benefits under the Plan.

7.02 Prior to the satisfaction of all liabilities with respect to persons entitled to benefits, except for the payment of expenses, no part of the corpus or income of the funds shall be used for, or diverted to, purposes other than for the exclusive benefit of Members and other persons who are or may become entitled to benefits hereunder, or under any trust instrument or under any insurance contract made pursuant to this Plan.

7.03 Subject to applicable Federal and State law, no person shall have any interest in or right to any part of the corpus or income of the funds, except as and to the extent expressly provided in the Plan and in any trust instrument or under any insurance contract made pursuant to this Plan.

7.04 Subject to applicable Federal and State law, the Company shall have no liability for the payment of benefits under the Plan nor for the administration of the funds paid over to the Trustee(s) or insurer(s) except as expressly provided under this Plan.

7.05 Except to the extent permitted by applicable Federal law, no part of the corpus or income of the trust shall be invested in securities of the Company or of any Affiliate or in real property and related personal property which is leased to the Company or any Affiliate or in the securities of the Trust or Trustees or their subsidiary companies, if any.

7.06 Notwithstanding the foregoing, the Company may recover without interest the amount of its contributions to the Plan made on account of a mistake in fact, provided that such recovery is made within one year after the date of such contribution.

ARTICLE 8 - CERTAIN RIGHTS AND LIMITATIONS

The following provisions shall apply in all cases whenever a Member or any other person is affected thereby.

8.01 The Company may terminate the Plan for any reason at any time. Upon termination or partial termination of the Plan, the rights of affected Members or other persons to benefits accrued to date of such termination or partial termination, to the extent then funded, shall be non-forfeitable. In the event of termination or partial termination, the funds of the Plan shall be used for the exclusive benefit of Members or other persons who are or may become entitled to benefits hereunder as of the date of such termination or partial termination, except that any funds not required to satisfy all liabilities of the Plan for benefits because of erroneous actuarial calculations shall be returned to the Company only upon termination of

the trust. In the event of such termination or partial termination, the funds of the Plan shall be applied in the following manner:

First,

(i) each Member or other person in receipt of a benefit on the date three years prior to the date of Plan termination,

(ii) each Member who would have been in receipt of a benefit on the date three years prior to such date of Plan termination and if he had retired prior to that date, and

(iii) each spouse, contingent annuitant or beneficiary of a deceased Member who was in receipt of a benefit on the date three years prior to the date of Plan termination or would have been in receipt of a benefit had he retired prior to such date, shall be entitled to a share equal to the reserve determined to be required for the benefit accrued under the Plan to the date three years prior to the date of such Plan termination, or, if earlier, to the date of a Member's retirement or termination of service, and based on the provisions of the Plan as in effect during the five year period ending on such date of Plan termination when the said benefit was or would have been the lowest, and

Second, each Member or other person in receipt of a benefit and each

Member who is eligible to retire on the date of Plan termination shall be entitled to a share equal to the reserve determined to be required for his "priority benefits", as hereinafter defined, reduced by his shares under paragraph First above; and

Third, each Member or former Member not eligible to retire on the date of Plan termination but who has then met the eligibility requirements for, or is then entitled to receive, a vested benefit shall be entitled to 2 share equal to the reserve determined to be required for his "priority benefits", as hereinafter defined; and

Fourth, each Member or other person in receipt of a benefit and each Member who is eligible to retire on the date of Plan termination shall be entitled to a share equal to the reserve determined to be required for his total retirement allowance, reduced by his shares under paragraphs First and Second above; and

Fifth, each Member or former Member not eligible to retire on the date of Plan termination but who has then met the eligibility requirements for, or is then entitled to receive, a vested benefit shall be entitled to a share equal to the reserve determined to be required for his total vested benefit, reduced by his shares under paragraph Third above; and

Sixth, each other Member not included in the above paragraphs on the date of Plan termination shall be entitled to a share equal to the reserve determined ;to be required for his benefit accrued under the Plan.

Each spouse of a deceased Member, who is entitled to receive a surviving spouse's benefit but who has not yet elected (or who is not yet eligible to elect) to begin receiving it, shall be entitled to a share equal to the reserve computed to be required for such surviving spouse's benefit, and such share shall be attributed to the appropriate priority category described above in accordance with such rules and regulations as the Pension Benefit Guaranty Corporation shall prescribe.

If the funds are insufficient to provide in full for the shares under paragraph First, Second or Third, each share under each such paragraph First, Second or Third shall be reduced pro rata.

If the funds are insufficient to provide in full for the shares under paragraph Fourth, Fifth or Sixth after provision for all shares under previous paragraphs, the funds available for allocation under each such paragraph Fourth, Fifth or Sixth shall be allocated first to provide the shares under each such paragraph without regard to any benefits resulting from any amendments to the Plan which became effective within the 60 months preceding the date of Plan termination and, if the funds are insufficient to provide such shares in full, each such share shall be reduced pro rata. If the funds are sufficient to provide such shares in

full, any remaining assets shall be allocated to provide the shares under such paragraph based on the benefits resulting from each successive amendment until the first such amendment as to which the funds are insufficient, and the shares with respect to such amendment shall be reduced pro rata.

The Administrative Committee may require that any such shares be withdrawn in cash, or in immediate or deferred annuities or other periodic payments as the Administrative Committee may determine.

"Priority benefit" for purposes of paragraphs Second and Third of this Section 8.01 shall mean

(a) the amount of a Member's retirement allowance or vested benefit accrued under the Plan which has not resulted from an amendment which was made, or became effective, whichever is later, within the 60 month period ending on the date of Plan termination, plus

(b) 20 per cent of the amount of his accrued retirement allowance or vested benefit resulting from each amendment made within the 60 month period prior to the date of Plan termination, multiplied by the number of full years that the Plan or such amendment has been in effect, or, ii greater, an allowance of $20 per month multiplied by such number of full years, but not in excess of

(c) the total accrued retirement allowance or vested benefit under the Plan as of the said date of Plan termination, or

(d) the value of the monthly retirement allowance or vested benefit payable to the Member for life equal to the lesser of:

(i) his average monthly Compensation during the five consecutive Years of Vesting Service affording the highest such average, or

(ii) $750 multiplied by a fraction, the numerator of which is the Social Security taxable wage base in effect on the date of Plan termination had the Social Security Act as in effect prior to the Social Security Amendments of 1977 continued in effect without amendment, and the denominator of which is $13,200.

The Plan may not be merged or consolidated with, nor may its assets or liabilities be transferred to, any other plan unless each Member or other person entitled to a benefit under the Plan would, if the resulting plan were then terminated, receive a benefit immediately after the merger, consolidation, or transfer which is equal to or greater than the benefit he would have been entitled to receive immediately before the merger, consolidation, or transfer, if the Plan had then terminated.

8.02 (a) Subject to the provisions of Section 8.02(b), notwithstanding any provision of the Plan which may be to the contrary:

(i) in the event of Plan termination, the benefit of any highly-compensated active employee or any highly-compensated former employee (as those terms are defined under Section 414(q) of the Code) will be limited to one that is nondiscriminatory under Section 401(a)(4) of the Code; and

(ii) in any Plan Year beginning on or after January 1, 1994, the payment of benefits to, or on behalf of, a Restricted Employee shall not exceed an amount equal to the payments that would be made to, or on behalf of, the Restricted Employee in that Plan Year under:

(A) a straight life annuity that is the actuarial equivalent of the Accrued Benefit and other benefits to which the Restricted Employee is entitled under the Plan (other than a Social Security supplement); and

(B) the amount of the payments that the Restricted Employee is entitled to receive under a Social Security supplement, if any.

(b) The restrictions contained in Section 8.02(a) will not apply if any one of the following requirements is satisfied:

(i) after payment to, or on behalf of, a Restricted Employee of all benefits payable to, or on behalf of, such Restricted Employee under the Plan, the value of Plan assets equals or exceeds 110% of the value of current liabilities (as defined in Section 412(l)(7) of the Code);

(ii) the value of the benefits payable to, or on behalf of, the Restricted Employee is less than 1% of the value of current liabilities (as defined in Section 412(l)(7) of the Code); or

(iii) the value of the benefits payable to, or on behalf of, the Restricted Employee does not exceed the amount described in Section 411(a)(11)(A) of the Code.

(c) As used in this Section:

(i) "Restricted Employee" means any highly-compensated active employee or highly-compensated former employee; provided, however, that a highly-compensated active employee or highly-compensated former employee need not be treated as a Restricted Employee in the current Plan Year if he is not one of the 25

nonexcludable Employees or former Employees with the largest amount of compensation in the current or any prior Plan Year; and

(ii) "benefit" includes, among other benefits, loans in excess of amounts set forth in Code Section 72(p)(2)(A), any periodic income, any withdrawal values payable to a living Employee or former Employee and any death benefits not provided for by insurance on the Employee's or former Employee's life.

8.03 The establishment of the Plan shall not be construed as conferring any legal rights upon any Employee or other person for a continuation of employment, nor shall it interfere with the rights of the Company to discharge any Employee or other person and to treat him without regard to the effect which such treatment might have upon him under the Plan.

Unless the Company otherwise provides under rules uniformly applicable to all Employees similarly situated, the Administrative Committee shall deduct from the amount of any retirement allowance or vested benefit under the Plan, any amount paid or payable to or on account of any Member under the provisions of any present or future law, pension or benefit scheme of any sovereign government, or any political subdivision thereof or any fund or organization or government agency or department on account of which contributions have been made or premiums or taxes paid by the Company or Affiliate with respect to any service

which is included in Years of Benefit Service for purposes of computation of benefits under the Plan; provided, however, that pensions payable for government service or benefits under Title II of the Social Security Act are not to be used to reduce the benefits otherwise provided under this Plan except as specifically provided herein.

ARTICLE 9 - NONALIENATION OF BENEFITS

(a) Subject to any applicable Federal and State law, no benefit under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt so to do shall be void, except as specifically provided in the Plan, nor shall any such benefit be in any manner liable for or subject to garnishment, attachment, execution or levy or liable for or subject to the debts, contracts, liabilities, engagements or torts of the person entitled to such benefit.

(b) Subject to applicable Federal and State law, in the event that the Administrative Committee shall find that any Member or other person who is or may become entitled to benefits hereunder has become bankrupt or that any attempt has been made to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge any of his benefits

under the Plan, except as specifically provided in the Plan, or if any garnishment, attachment, execution, levy or court order for payment of money has been issued against any of his benefits under the Plan, then such benefit shall cease and terminate. In such event the Administrative Committee shall hold or apply the payments to or for the benefit of such Member or other person who is or may become entitled to benefits hereunder, his spouse, children, parents or other blood relatives, or any of them.

(c) Notwithstanding the foregoing provisions of this Article 9, payment shall be made in accordance with the provisions of any judgment, decree, or order which:

(i) creates for, or assigns to, a spouse, former spouse, child or other dependent of a Member the right to receive all or a portion of the Member's benefits under the Plan for the purpose of providing child support, alimony payments of marital property rights to that spouse, child or dependent,

(ii) is made pursuant to the domestic relations law of any State (as such term is defined in Section 3(10) of the Employee Retirement Income Security Act of 1974, (ERISA)),

(iii) does not require the Plan to provide any type of benefit, or any option, not otherwise provided under the Plan, and

(iv) otherwise meets the requirements of Section 206(d) of ERISA, as amended.

(d) The Administrative Committee shall resolve any questions arising under this Article 9 on a basis uniformly applicable to all Employees similarly situated.

ARTICLE 10 - AMENDMENTS

10.01 COMPANY'S RIGHT TO AMEND PLAN

The Company reserves the right at any time and from time to time and retroactively if deemed necessary or appropriate to conform with governmental regulations or other policies, to modify or amend in whole or in part any or all of the provisions of the Plan or any Former Pension Plan or Prior Plan; provided that no such modification or amendment shall make it possible for any part of the funds of the Plan to be used for, or diverted to, purposes other than for the exclusive benefit of Members, spouses, or contingent annuitants or other persons who are or may become entitled to benefits hereunder prior to the satisfaction of all liabilities with respect to them; and that no modification or amendment

shall be made which has the effect of decreasing the accrued benefit of any Member or of reducing the nonforfeitable percentage of the accrued benefit of a Member attributable to Company contributions below that nonforfeitable percentage thereof computed under the Plan as in effect on the later of the date on which the amendment is adopted or becomes effective.

10.02 AMENDMENTS TO VESTING SCHEDULE

If an amendment changes the vesting schedule provided in Section 4.03, each Member with three or more Years of Vesting Service may elect, during the period beginning when the amendment is adopted and ending no earlier than the latest of: (a) 60 days after the amendment's adoption; (b) 60 days after the amendment's effective date; or (c) 60 days after the Member is issued a written notice of the amendment, to have his nonforfeitable rights computed without regard to the amendment.

IN WITNESS WHEREOF, the Company has caused this Plan to be executed as of the 12th day of January, 1996.

THE SCOTTS COMPANY

By: Robert A. Stern

Robert A. Stern, Vice President - Human Resources

APPENDIX C

MERGER OF
STERN'S MIRACLE-GRO PRODUCTS, INC.
DEFINED BENEFIT PENSION PLAN

MERGER

Effective as of December 31, 1995, the Stern's Miracle-Gro Products, Inc. Defined Benefit Pension Plan (the "Miracle-Gro Pension Plan") is merged into this Plan. On and after such date:

(a) Assets and liabilities of the Miracle-Gro Pension Plan shall be transferred to this Plan.

(b) Each person entitled to receive benefits from the Miracle-Gro Pension Plan shall be entitled to receive such benefits from this Plan.

(c) Each participant in the Miracle-Gro Pension Plan who is employed by Miracle-Gro on December 31, 1995 shall become a Member of this Plan on December 31, 1995. Such persons are referred to herein as "Miracle-Gro Transferees."

ACCRUED BENEFIT

(a) The Accrued Benefit of a Miracle-Gro Transferee shall be the greater of:

(i) the benefit he would receive determined as if: (A) years of participation credited under the Miracle-Gro Pension Plan are Years of Benefit Service under this Plan; and (B) compensation paid by Miracle-Gro is Compensation under this Plan; or

(ii) the sum of: (A) the Member's accrued benefit under the Miracle-Gro Pension Plan, taking into account service and compensation through December 31, 1995; plus (B) the Member's Accrued Benefit under this Plan, taking into account Years of Benefit Service and Compensation after December 31, 1995.

(b) The Accrued Benefit of a former participant in the Miracle-Gro Pension Plan who terminated employment before December 31, 1995 shall be his accrued benefit under the Miracle-Gro Pension Plan, taking into account service and compensation through December 31, 1995.

ELIGIBILITY AND VESTING

(a) For a Miracle-Gro Transferee, all years of service under the Miracle-Gro Pension Plan shall count as Years of Eligibility Service and Years of Vesting Service under this Plan. The Accrued Benefit of a Miracle-Gro Transferee with five or more Years of Vesting

Service shall be fully vested and nonforfeitable. If a Miracle-Gro Transferee has less than five years of service under the Miracle-Gro Pension Plan as of December 31, 1995, then his transferred accrued benefit shall continue to vest under the schedule which was in effect under the Miracle-Gro Pension Plan, until he has five Years of Vesting Service, as follows:

Years of Vesting Service	Vested Percentage
less than 2	0%
2	20%
3	40%
4	60%
5 or more	100%

(b) The vesting of a former participant in the Miracle-Gro Pension Plan who terminated employment before December 31, 1995 shall be governed by the terms of the Miracle-Gro Pension Plan as in effect when he terminated employment.

FORMS AND TIMING OF DISTRIBUTION

(a) A former participant in the Miracle-Gro Pension Plan may elect to have the portion of his Accrued Benefit, equal to his accrued benefit under the Miracle-Gro Pension Plan as of December 31, 1995, paid in a lump sum or other optional form of benefit permitted under Part Two of the Miracle-Gro Pension Plan, to the extent permitted by current law.

(b) A former participant in the Miracle-Gro Pension Plan may elect to defer payment of the portion of his Accrued Benefit equal to his accrued benefit under the Miracle-Gro Pension Plan as of December 31, 1995. However, the entire interest of the individual must be distributed, or begin to be distributed, no later that the individual's required beginning date. The required beginning date of a retired or active individual is the first day of April following the calendar year in which such individual attains age 70-1/2, except as otherwise elected in accordance with Section 2.08 of Part Two of the Miracle-Gro Pension Plan (applicable to pre-TEFRA Section 242 elections).

(c) The remainder of an individual's Accrued Benefit shall be paid under the terms of this Plan.

Third Restatement of The Scotts Company Profit Sharing and Savings Plan

THIRD RESTATEMENT OF

THE SCOTTS COMPANY

PROFIT SHARING AND SAVINGS PLAN

THIRD RESTATEMENT OF
THE SCOTTS COMPANY
PROFIT SHARING AND SAVINGS PLAN

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THIRD RESTATEMENT OF THE SCOTTS COMPANY PROFIT SHARING AND SAVINGS PLAN

WHEREAS, The O.M. Scott & Sons Company established and maintained

The O.M. Scott & Sons Company Profit Sharing and Savings Plan (the "Plan") in recognition of the contribution made to its successful operation by its employees and for the exclusive benefit of its eligible employees and their beneficiaries; and

WHEREAS, The O.M. Scott & Sons Company was merged into The Scotts Company, an Ohio corporation (the "Company"), which assumed sponsorship of the Plan; and

WHEREAS, the Plan was previously amended and restated effective January 1, 1987 and effective April 1, 1992; and

WHEREAS, the Internal Revenue Service requested and approved certain changes in the Plan in connection with the issuance of a favorable determination letter dated December 12, 1995; and

WHEREAS, the Plan was further amended effective as of December 31, 1995 to reflect the merger of the Stern's Miracle-Gro Products, Inc. Employees 401(k) Plan into the Plan; and

WHEREAS, Company wishes to restate the Plan to reflect such amendments;

NOW, THEREFORE, the Company hereby amends the Plan in its entirety and restates the Plan as of the Effective Amendment Date to provide as follows:

SECTION 1
DEFINITIONS

"ACCOUNT" means the account maintained for a Participant, which shall be the entire interest of the Participant in the Trust Fund. Unless otherwise specified, the value of an Account shall be determined as of the Valuation Date coincident with or next following the occurrence of the event to which reference is made. A Participant's Account shall consist of the Participant's Non-Elective Profit Sharing Account, Elective Profit Sharing Account, Savings Account and Rollover Account. A Participant shall always be fully vested in his or her Account.

"ADMINISTRATIVE COMMITTEE" means the committee appointed as such by the Board of Directors under the provisions of the Plan or, in the absence of such appointment, the Company.

The Administrative Committee is the administrator of the Plan within the meaning of Section 3(16) of ERISA.

"AFFILIATE" means any entity which, with the Employer, constitutes either (a) a controlled group of corporations (within the meaning of Section 414(b) of the Code), (b) a group of trades or businesses under common control

(within the meaning of Section 414(c) of the Code), (c) an affiliated service group (within the meaning of Section 414(m) of the Code), or (d) a group of entities required to be aggregated pursuant to Section 414(o) of the Code and the regulations thereunder.

"AGGREGATION GROUP" means (a) the Plan, (b) any plan of the Employer or any Affiliate in which a Key Employee or any of a Key Employee's beneficiaries is a participant, (c) any plan which enables any plan described in (a) or (b) to meet the requirements of Sections 401(a)(4) or 410 of the Code, (d) any plan maintained by the Employer or an Affiliate within the last five years ending on the last day of the immediately preceding Plan Year and would, but for the fact it was terminated, be part of the Aggregation Group, and (e) any plan of the Employer or any Affiliate designated by the Employer, the inclusion of which in the Aggregation Group would not cause the Aggregation Group to fail to meet the requirements of Sections 401(a)(4) and 410 of the Code.

"BENEFICIARY" means the beneficiary under the Plan of a deceased Participant.

"BOARD OF DIRECTORS" means the board of directors of the Company.

"BREAK IN SERVICE" means failure by an Employee to complete more than 500 Hours of Service during any Plan Year. Any Break in Service shall be deemed to have commenced on the first day of the Plan Year in which it occurs. In the case of an absence from work which begins in any Plan Year beginning after December 31, 1984, if an Employee is absent from work for any period by reason of pregnancy, the birth or placement for adoption of a child, or for caring for a child for a period immediately following the birth or placement, then for purposes of determining whether a Break in Service has occurred (and not for purposes of determining Years of Eligibility Service) such Employee shall be credited with the Hours of Service which otherwise normally would have been credited to such Employee, or, if the Administrative Committee is unable to determine the number of such Hours of Service, eight Hours of Service for each day of absence, in any case not to exceed 501 Hours of Service. The Hours of Service credited to an Employee under this definition shall be treated as Hours of Service in the Plan Year in which the absence from work begins, if the Employee would be prevented from incurring a Break in Service in such year solely because of such Hours of Service or, in any other case, in the immediately following year. The Administrative Committee may require that the Employee certify and/or supply documentation that his or her absence is for one of the permitted reasons and the number of days for which there was such an absence.

"CODE" means the Internal Revenue Code of 1986, as now or hereafter amended, construed, interpreted and applied by regulations, rulings or cases.

"COMPANY" means The O.M. Scott & Sons Company, a Delaware corporation, until the merger of The O.M. Scott & Sons Company into The Scotts Company, an Ohio corporation, and The Scotts Company thereafter, and any successor thereto.

"COMPANY STOCK FUND" means the Investment Fund consisting of Employer Securities and cash or cash equivalents needed to meet the obligations of such fund or for the purchase of Employer Securities.

"COMPENSATION" means an Employee's wages, salaries, fees for professional service and other amounts received for personal services actually rendered in the course of employment with the Employer (including, but not limited to, commissions paid salesmen, compensation for services on the basis of a percentage of profits, commissions on insurance premiums, tips and bonuses), but shall not include distributions from a plan of deferred compensation (other than an unfunded non-qualified plan), amounts realized from the exercise of a non-qualified stock option or from the sale, exchange or other disposition of stock acquired under a qualified stock option plan, and other amounts which receive special tax benefits. For purposes of identifying Highly Compensated Employees and computing the Compensation Deferral Limit only, a Participant's Compensation includes amounts which would have been includable in the Participant's income but for the Participant's election to make Savings Contributions, Elective Profit Sharing Contributions, and contributions to a cafeteria plan maintained by the Employer, determined in accordance with Section 414(s) of the Code. Notwithstanding the foregoing, (i) effective for Plan Years beginning after December 31, 1988, Compensation paid by the Employer during any Plan Year in excess of $200,000 as adjusted at the same time and in the same manner as under Section 415(d) of the Code shall be excluded; and (ii) effective for Plan Years beginning after December 31, 1993, Compensation paid by the Employer during any Plan Year in excess of $150,000, adjusted under Section 401(a)(17) of the Code shall be excluded. In determining the Compensation of a Participant for purposes of the $200,000 or $150,000 limit, the family aggregation rules of Section 414(q)(6) of the Code shall apply, except in applying such rules, the term "family" shall include only the spouse of the Participant and any lineal descendants of the Participant who have not attained age 19 before the close of the year. If, as a result of the application of such rules, Compensation would exceed the adjusted $200,000 or $150,000 limitation, then the limitation shall be prorated among the affected persons in proportion to each such person's Compensation as determined under this paragraph prior to the application of this limitation.

"COMPENSATION DEFERRAL LIMIT" means the greater of (a) the average actual contribution deferral percentage of Non-Highly Compensated Employees multiplied by 1.25, or (b) the lesser of (i) the average actual contribution deferral percentage of Non-Highly Compensated Employees multiplied by two, or (ii) the average actual contribution deferral percentage of Non-Highly Compensated Employees plus 2%, as determined under Section 401(k)(3) of the Code and the regulations thereunder. A Participant's actual contribution deferral percentage is the Savings Contributions and Elective Profit Sharing

Contributions made for the Participant which may be taken into account for the Plan Year for purposes of Section 401(k)(3) of the Code, divided by the Participant's Compensation while a Participant during the Plan Year. All or any portion of the Non-Elective Profit Sharing Contributions for the Plan Year may be included in the calculation of the Compensation Deferral Limit for the Plan Year at the option of the Employer.

"EFFECTIVE AMENDMENT DATE" means: (a) in the case of any change in the Plan required by a change in the Code or ERISA, the date on which such change in the Plan is required to be effective; (b) in the case of any change in the Plan for which an effective date is specifically stated elsewhere in the Plan, such date; and (c) in the case of any other change in the Plan, April 1, 1992.

"ELECTIVE PROFIT SHARING ACCOUNT" means the portion of the Account of a Participant consisting of Elective Profit Sharing Contributions, as adjusted under the Plan.

"ELECTIVE PROFIT SHARING CONTRIBUTION" means the portion of the Profit Sharing Pool which is allocated to the Participant and which is contributed to the Plan under Section 3.1 on behalf of the Participant, as a result of an absence of an election by the Participant to receive such amount in cash.

"ELIGIBLE COMPENSATION" means, for the period during a Plan Year that an Employee is a Participant, amounts paid by the Employer plus amounts which would have been includable in a Participant's income but for a Participant's election to make Savings Contributions and contributions to a cafeteria plan maintained by the Employer, which are or would have been (a) wages, (b) salaries and executive, management and sales incentives, (c) overtime, and (d) commissions. Notwithstanding the foregoing, a Participant's Eligible Compensation shall not include amounts paid in lieu of Elective Profit Sharing Contributions and shall not exceed the lesser of (i) effective for Plan Years starting before January 1, 1995, grade 20 midpoint salary as defined in The Scotts Company Salaried, Exempt and Office Technical Salaried Non-Exempt Compensation Policy and The Scotts Company Job Evaluation Plan, or (ii) effective for Plan Years starting before January 1, 1994, $200,000 as adjusted at the same time and in the same manner as under Section 415(d) of the Code and effective for Plan Years starting on or after January 1, 1994, $150,000 as adjusted under Section 401(a)(17) of the Code. In determining the Eligible Compensation of a Participant for purposes of this limitation, the family aggregation rules of Section 414(q)(6) of the Code shall apply, except in applying such rules, the term "family" shall include only the spouse of the Participant and any lineal descendants of the Participant who have not attained age 19 before the close of the year. If, as a result of the application of such rules, Compensation would exceed the adjusted $200,000 or $150,000 limitation, then the limitation shall be

prorated among the affected persons in proportion to each such person's Eligible Compensation as determined under this paragraph prior to the application of this limitation.

"ELIGIBILITY COMPUTATION PERIOD" means (a) the initial Eligibility Computation Period of 12 consecutive months commencing on an Employee's most recent date of employment commencement, and (b) each and every full Plan Year, commencing with the Plan Year in which falls the last day of an Employee's initial Eligibility Computation Period, during which the Employee is in the service of the Employer.

"ELIGIBLE ROLLOVER DISTRIBUTION" means any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include: (a) any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life

expectancies) of the distributee and the distributee's designated beneficiary, or for a specified period of ten years or more; (b) any distribution to the extent such distribution is required under section 401(a)(9) of the Code; and (c) the portion of any distribution that is not includible in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities).

"EMPLOYEE" means any person employed by the Employer or an Affiliate who is: (a) working with the Scotts product line; (b) in corporate management and administration; or (c) effective December 31, 1995, working with the Miracle-Gro product line. Notwithstanding, persons (i) whose terms and conditions of employment are determined by collective bargaining with a third party, with respect to whom inclusion in this Plan has not been provided for in the collective bargaining agreement setting forth those terms and conditions of employment; (ii) who are nonresident aliens described in Section 410(b)(3)(C) of the Code; or (iii) who are Leased Employees, shall be excluded.

"EMPLOYER" means the Company and any Affiliate which, with the consent of the Board of Directors, adopts this Plan and joins in the corresponding Trust Agreement.

"EMPLOYER SECURITIES" means stock or other securities of the Employer or an Affiliate permitted to be held by the Plan under ERISA and the Code.

"EMPLOYER SECURITIES CONTRIBUTION FUND" means a fund consisting of Employer Securities contributed by the Employer and held by the Trustee in accordance with the Plan.

"ENROLLMENT DATE" means the date on which an Employee first becomes a Participant and the first day of each quarter of the Plan Year and any additional dates designated by the Administrative Committee as dates on which Participants may enter into or modify elections to make Savings Contributions and/or change their investment directions.

"ERISA" means the Employee Retirement Income Security Act of 1974 (P.L. No. 93-406), as now existing or hereafter amended, and as now or hereafter construed, interpreted and applied by regulations, rulings or cases.

"HIGHLY COMPENSATED EMPLOYEE" means any employee who performs service for the Employer or an Affiliate during the determination year and who, during the look-back year (a) received compensation from the Employer and all Affiliates in excess of $75,000 (as adjusted pursuant to Section 415(d) of the Code); (b) received compensation from the Employer and all Affiliates in excess of $50,000 (as adjusted pursuant to Section 415(d) of the Code) and was a member of the top-paid group for such year; or (c) was an officer of the Employer or an Affiliate and received compensation during such year that is greater than 50% of the dollar limitation in effect under Code Section 415(b)(1)(A).

The term Highly Compensated Employee also includes: (a) Employees who are both described in the preceding paragraph if the term "determination year" is substituted for the term "look-back year" and the Employee is one of the 100 Employees who received the most compensation from

the Employer and all Affiliates during the determination year; and (b) Employees who are 5% owners at any time during the look-back year or determination year. If no officer has satisfied the compensation requirement of (c) in the preceding paragraph during either a determination year or look-back year, the highest paid officer for such year shall be treated as a Highly Compensated Employee. For this purpose, the determination year shall be the Plan Year. The look-back year shall be the 12-month period immediately preceding the determination year unless the Employer elects that the look-back year shall be the calendar year ending with or within the determination year.

If an Employee is, during a determination year or look-back year, a family member (spouse, lineal ascendants and descendants, and spouses of lineal ascendants and descendants) of either a 5% owner who is an active or former Employee or a Highly Compensated Employee who is one of the 10 most Highly Compensated Employees ranked on the basis of compensation paid by the Employer and all Affiliates during such year, then the family member and the 5% owner or top-10 Highly Compensated Employee shall be aggregated. In such case, the family member and 5% owner or top-10 Highly Compensated Employee shall be treated as a single Employee receiving compensation and Plan

contributions or benefits equal to the sum of such compensation and contributions or benefits of the family member and 5% owner or top-10 Highly Compensated Employee.

Notwithstanding the previous paragraph, with respect to any Employee who separated from service prior to January 1, 1987, the Plan may provide that such an Employee will be included as a Highly Compensated Employee only if the Employee was a 5% owner or received compensation in excess of $50,000 during (a) the Employee's separation year (or the year preceding such separation year); or (b) any year ending on or after such individual's 55th birthday (or the last year ending before such Employee's 55th birthday).

The determination of who is a Highly Compensated Employee, including the determinations of the number and identity of Employees in the top-paid group, the top 100 Employees, the number of Employees treated as officers and the compensation that is considered, will be made in accordance with Code Section 414(q) and the regulations thereunder.

"HOUR OF SERVICE" means (a) each hour for which an Employee is paid or entitled to payment for the performance of duties for the Employer or an Affiliate during the applicable computation period, (b) each hour for which an Employee is paid or entitled to payment by the Employer or an Affiliate on account of a period of time during which no duties are performed (irrespective of whether the employment relationship has terminated) due to vacation, holiday, illness, incapacity (including disability), layoff, jury or military duty, or leave of absence, and (c) each hour for which back pay, irrespective of mitigation of damages, is either awarded or agreed to by the Employer or an Affiliate. In computing Hours of Service on a weekly or monthly basis when a record of hours of employment is not available, the Employee shall be assumed to have worked 40 hours for each full week of employment and eight hours for each day in less than a full week of employment, regardless of whether the Employee has actually worked fewer hours. Notwithstanding the foregoing, (i) not more than 501 Hours of Service shall be credited to an Employee on account of any single continuous period during which the Employee performs no duties, (ii) no credit shall be granted for any period with respect to which an Employee receives payment or is entitled to payment under a plan maintained

solely for the purpose of complying with applicable workers' compensation or disability insurance laws, and (iii) no credit shall be granted for a payment which solely reimburses an Employee for medical or medically related expenses incurred by the Employee. In the case of a person who was a Leased Employee and who subsequently becomes an Employee, hours of service as a Leased Employee shall count as Hours of Service as an Employee. Determination and crediting of Hours of Service shall be made under Department of Labor Regulations Sections 2530.200b-2 and 3.

"INVESTMENT FUNDS" means the funds described in Section 4.2.

"KEY EMPLOYEE" has the meaning set forth in Section 416(i) of the Code and the regulations thereunder.

"LEASED EMPLOYEE" means any person (other than an Employee) who pursuant to an agreement between the Employer and any other person ("leasing organization") has performed services for the Employer (or for the Employer and related persons determined in accordance with Section 414(n)(6) of the Code) on a substantially full time basis for a period of at least one year, and such services are of a type historically performed by Employees in the business field of the Employer. Contributions or benefits provided a Leased Employee by the leasing organization which are attributable to services performed for the Employer shall be treated as provided by the Employer. A person who would otherwise be considered a Leased Employee shall not be considered a Leased Employee if (a) such person is covered by a money purchase pension plan providing (i) a nonintegrated employer contribution rate of at least 10% of compensation, as defined in Section 415(c)(3) of the Code, but including amounts contributed pursuant to a salary reduction agreement which are excludable from the person's gross income under Section 125, Section 402(a)(8), Section 402(h) or Section 403(b) of the Code, (ii) immediate participation, and (iii) full and immediate vesting; and (b) Leased Employees do not constitute more than 20 percent of the Employer's Non-Highly Compensated Employees.

"NON-ELECTIVE PROFIT SHARING ACCOUNT" means the portion of the Account of a Participant consisting of Non-Elective Profit Sharing Contributions plus the amount in the Account of the Participant prior to January 1, 1987 (excluding any portion as to which the Participant had a distribution election in effect on January 1, 1987), as adjusted under the Plan.

"NON-ELECTIVE PROFIT SHARING CONTRIBUTION" means the portion of the Profit Sharing Pool which the Participant does not have the opportunity to elect to receive in cash and which is automatically contributed to the Plan on behalf of the Participant.

"NON-HIGHLY COMPENSATED EMPLOYEE" means any Employee other than a Highly Compensated Employee.

"NON-KEY EMPLOYEE" means any Employee other than a Key Employee.

"PARTICIPANT" means any person who has been admitted to participation in the Plan and has not ceased participation in the Plan.

"PLAN" means the Third Restatement of The Scotts Company Profit Sharing and Savings Plan as set forth herein and as from time to time

amended. The Plan is a profit sharing and stock bonus plan.

"PLAN YEAR" means the calendar year.

"PROFIT SHARING CONTRIBUTION" means a Non-Elective Profit Sharing Contribution or an Elective Profit Sharing Contribution.

"PROFIT SHARING POOL" means for a Plan Year the dollar amount which the Company determines is available for Non-Elective Profit Sharing Contributions and, at the option of Participants, Elective Profit Sharing Contributions or cash compensation.

"ROLLOVER ACCOUNT" means the portion of the Account of a Participant consisting of Rollover Contributions, as adjusted under the Plan.

"ROLLOVER CONTRIBUTION" means the amount contributed by an Employee as a rollover contribution in accordance with Section 402 of the Code.

"SAVINGS CONTRIBUTION" means an Employer contribution to the Plan in an amount equal to the reduction in the Participant's Compensation pursuant to the Participant's election under the Plan.

"SAVINGS ACCOUNT" means the portion of the Account of a Participant consisting of Savings Contributions, as adjusted under the Plan.

"SECTION 16 PERSON" means (a) any member of the board of directors of The Scotts Company, (b) The Scotts Company's president, principal financial officer, principal accounting officer (or, if there is no such accounting officer, the controller), any vice-president in charge of a principal business unit, division or function, or any other officer or other person who performs a significant policy making function, or (c) any person who is the beneficial owner of more than 10% of the outstanding common stock of The Scotts Company. The principal financial officer of The Scotts Company shall designate those persons who are Section 16 Persons and deliver a list of the Section 16 Persons eligible to participate in the Plan to the Administrative Committee from time to time or at the request of the Administrative Committee. Such list of Section 16 Persons will be conclusive on the Administrative Committee and the sole source for determining who is a Section 16 Person, and the Administrative Committee shall not be required to further investigate whether a person is a Section 16 Person.

"TERMINATION DATE" means the date on which an Employee quits, is discharged, retires, dies or otherwise terminates employment. For purposes of this Plan, a Participant who has ceased to perform services for the Employer shall be deemed to incur a Termination Date on the date

he or she is found by the Company to be permanently and totally disabled

under The Scotts Company Long Term Disability Plan.

"TOP-HEAVY PLAN" has the meaning set forth in Section 416 of the Code and the regulations thereunder. For purposes of determining whether the Plan is a Top-Heavy Plan, the determination date is, for the first Plan Year, the last day of the Plan Year and for each succeeding Plan Year, the last day of the preceding Plan Year.

"TRUST" means the trust created by the Trust Agreement.

"TRUST AGREEMENT" means The O.M. Scott & Sons Company Profit Sharing Plan Trust Agreement as the same presently exists and as it may from time to time hereafter be amended.

"TRUST FUND" means all of the assets of the Plan held by the Trustee under the Trust Agreement.

"TRUSTEE" means the party or parties acting as such under the Trust Agreement.

"VALUATION DATE" means the last day of each quarter of the Plan Year and each interim date as of which the Administrative Committee directs the allocation of distributions, contributions and earnings of the Trust Fund.

"YEAR OF ELIGIBILITY SERVICE" means an Eligibility Computation Period in which a person has 1,000 or more Hours of Service.

SECTION 2
PARTICIPATION

2.1. ELIGIBILITY. Effective July 1, 1995 and subject to Section 3.1, an Employee shall become a Participant on the first day of the month coincident with or next following the date on which the Employee starts employment as an Employee. Each Employee who becomes eligible for admission to participation in this Plan shall complete such forms and provide such data as are reasonably required by the Administrative Committee. Participation shall cease on a Participant's Termination Date.

2.2. BREAKS IN SERVICE. If an Employee had no Account attributable to Profit Sharing Contributions before any period of consecutive Breaks in Service, and if the number of consecutive Breaks in Service within such period equals or exceeds five, the Employee shall upon reemployment be required to satisfy the requirements for participation in the Plan as though such Employee had not previously been an Employee. If any Years of Eligibility Service are not required to be taken into account because of a period of Breaks in Service to which this Section applies, such Years of Eligibility Service shall not be taken into account in applying this Section to any subsequent Breaks in Service. If

a former Participant is re-employed and his or her prior service cannot be disregarded under this Section, he or she shall become a Participant upon re-employment.

2.3. CHANGE IN STATUS. If a person who has been in the employ of the Employer or an Affiliate in a category of employment not eligible for participation in this Plan subsequently becomes an Employee by reason of a change in status to a category of employment eligible for participation, such person shall become a Participant as of the date on which the change in status occurs, if, on such date, such person has otherwise satisfied the requirements for participation in the Plan.

2.4. ERRONEOUS OMISSION OR INCLUSION OF EMPLOYEE. If, in any Plan Year, any Employee who should have been included as a Participant in the Plan is erroneously omitted and discovery of such omission is not made until after a Profit Sharing Contribution for the Plan Year has been made and allocated, the Employer shall make a contribution with respect to the omitted Employee equal to the amount which the Employee would have received as an allocation had the Participant not been omitted. If, in any Plan Year, any person who should not have been included as a Participant in the Plan is erroneously included and discovery of such incorrect inclusion is not made until after a contribution for the Plan Year has been made and allocated, the Employer shall not be entitled to recover the contribution made with respect to the ineligible person, and any earnings thereon, unless no deduction is allowable with respect to such contribution. The amount contributed with respect to the ineligible person, together with any earnings thereon, shall be applied to reduce Profit Sharing Contributions for the Plan Year in which the discovery is made.

2.5. WAIVER OF PARTICIPATION. The Administrative Committee shall have the right to permit an Employee to waive participation in the Plan on a year-to-year, nondiscriminatory basis.

SECTION 3
CONTRIBUTIONS

3.1. PROFIT SHARING CONTRIBUTIONS. Effective July 1, 1995, notwithstanding anything in the Plan to the contrary, a Participant shall not be eligible to share in Profit Sharing Contributions until the first day of the month coincident with or next following the date on which the Employee completes one Year of Eligibility Service.

3.1.1. The Employer intends to create a Profit Sharing Pool for each Plan Year during which the Plan is in effect in such amount as the Employer in its absolute discretion shall timely determine. This provision shall not be construed as requiring the Employer to create a Profit Sharing Pool for any specific Plan Year. The Profit Sharing Pool shall be allocated as of the last

day of the Plan Year among all Participants who are Employees on the last day of the Plan Year, in proportion to the Eligible Compensation of each such Participant to the Eligible Compensation of all such Participants for the Plan Year. In the Plan Year of his or her Termination Date, a Participant who retires under The Scotts Company Employees' Pension Plan, dies or incurs a permanent and total disability under The Scotts Long Term Disability Plan shall share in the Profit Sharing Pool as if he or she were an Employee on the last day of the Plan Year.

3.1.2. One-half of the amount of the Profit Sharing Pool allocated to a Participant shall be contributed by the Employer to the Plan as a Non-Elective Profit Sharing Contribution and allocated to the Participant's Non-Elective Profit Sharing Account. The remainder of the Profit Sharing Pool allocated to the Participant shall be paid to the Participant as a bonus or contributed by the Employer to the Plan as an Elective Profit Sharing contribution and allocated to the Participant's Elective Profit Sharing Account, in accordance with the Participant's profit sharing election.

3.1.3. Each Participant shall have the opportunity to make a profit sharing election to have one-half of his or her share in the Profit Sharing Pool, if any, (a) if the Participant so elects, paid to the Participant as a bonus, or (b) if the Participant so elects or fails to make an election, contributed to the Plan and allocated to the Participant's Elective Profit Sharing Account. A Participant may enter into or modify his or her profit sharing election effective as to the current Plan Year by submitting a new profit sharing election to the Administrative Committee at least 30 days prior to the last day of the Plan Year (or such other date as the Administrative Committee may establish for purposes of administrative convenience). A profit sharing election for a prior Plan Year may not be modified and a profit sharing election for the current Plan Year shall not be effective for future Plan Years. The Administrative Committee may limit the Elective Profit Sharing Contributions of some or all Highly Compensated Employees, in such manner as the Administrative Committee determines, so as to comply with a projected Compensation Deferral Limit as provided in Section 401(k) of the Code and the regulations thereunder.

3.2. SAVINGS CONTRIBUTIONS. Each Participant shall be entitled to make a Savings Contribution enrollment election, which shall be in the form prescribed by the Administrative Committee. The enrollment election shall provide for a reduction of the Participant's Compensation, in whole percentage points up to 15% of Compensation, and a corresponding contribution to the Participant's Savings Account as a Savings Contribution. A Participant may enter into or modify his or her enrollment election as of any Enrollment Date by submitting a new enrollment election to the Administrative Committee at least 30 days prior to the Enrollment Date (or such greater or lesser period prior to the Enrollment Date as the Administrative Committee may establish for purposes of administrative convenience). A Participant may terminate his or her enrollment

election at any time upon 30 days prior written notice (or such greater or lesser period as the Administrative Committee may establish for purposes of administrative convenience).

3.3. LIMITS ON ELECTIVE PROFIT SHARING AND SAVINGS CONTRIBUTIONS.

3.3.1. A Participant's Savings Contributions for a calendar year, plus the Elective Profit Sharing Contributions actually made for the Participant during the calendar year, shall not exceed the limit in Section 402(g) of the Code. Any Savings Contribution which, when combined with the Participant's Elective Profit Sharing Contribution and deferrals under any other plans sponsored by an Affiliate, exceeds the limit in Section 402(g) of the Code shall be returned together with earnings for the Plan Year to the Participant not later than the April 15 following the close of the calendar year for which the contribution was made. If a Participant's Savings Contribution, Elective

Profit Sharing Contribution and deferrals under plans not sponsored by Affiliates exceed the limit in Section 402(g) of the Code, the Participant may assign to the Plan any portion of the excess by notifying the Administrative Committee in writing of such excess by March 31 of the following year. Any excess and income allocatable to such excess for the Plan Year shall be distributed to the Participant no later than the April 15 of the following year.

3.3.2. In the case of a Highly Compensated Employee, the Savings Contributions, Elective Profit Sharing Contributions and, to the extent they are taken into account in calculating the Compensation Deferral Limit, Non-Elective Profit Sharing Contributions made for the Participant which may be taken into account for the Plan Year for purposes of Section 401(k)(3) of the Code, shall not exceed the Compensation Deferral Limit. The Administrative Committee may limit the Savings Contributions of some or all Highly Compensated Employees, in such manner as the Administrative Committee determines, so as to comply with a projected Compensation Deferral Limit as provided in Section 401(k) of the Code and the regulations thereunder. Any Savings Contribution and/or Elective Profit Sharing Contribution which exceeds the Compensation Deferral Limit shall be returned together with earnings for the Plan Year to the Participant within two and one-half (2-1/2) months after the close of the Plan Year for which the contribution was made.

3.3.3. The amount of excess contributions for a Highly Compensated Employee shall be determined in the following manner: first, the actual deferral ratio of the Highly Compensated Employee(s) with the highest actual deferral ratio is reduced to the extent necessary to meet the Compensation Deferral Limit or cause such ratio to be equal to the actual deferral ratio of the Highly Compensated Employee with the next highest ratio. Second, the process is repeated until the Compensation Deferral Limit is met. The amount of excess contributions for a Highly Compensated Employee is then equal to the total of elective and other contributions taken into

account in computing the Compensation Deferral Limit, minus the product of the Highly Compensated Employee's contribution ratio as determined above and the Highly Compensated Employee's Compensation.

3.3.4. If the Highly Compensated Employee's actual deferral ratio is determined by combining the contributions and compensation of all family members, then the actual deferral ratio is reduced in accordance with the "leveling" method described in Section 1.401(k)-1(f)(2) of the regulations under the Code and the excess contributions for the family unit are allocated among the family members in proportion to the contributions of each family member that have been combined. If the Highly Compensated Employee's actual deferral ratio is determined by combining the contributions and compensation of only those family members who are Highly Compensated Employees without regard to family aggregation, then the actual deferral ratio is reduced in accordance with the leveling method but not below the actual deferral ratio of eligible family members who are Non-Highly Compensated Employees. Excess contributions are determined by taking into account the contributions of the eligible family members who are Highly Compensated Employees without regard to family aggregation and are allocated among such family members in proportion to their contributions. If further reduction of the actual deferral ratio is required, excess contributions resulting from this reduction are determined by taking into account the contributions of all eligible family members and are allocated among such family members in proportion to their contributions.

3.3.5. The amount of excess contributions to be distributed shall be reduced by excess deferrals previously distributed for the taxable year ending in the same Plan Year and excess deferrals to be distributed for a taxable year will be reduced by excess contributions previously distributed for the Plan Year beginning in such taxable year.

3.4. TIMING OF CONTRIBUTIONS. All Savings Contributions shall be made no later than the earlier of (a) the earliest date after the reduction of Participants' Compensation on which the Savings Contributions can reasonably be segregated from the Employer's general assets, or (b) 90 days after the reduction of Participants' Compensation. Non-Elective Profit Sharing Contributions and Elective Profit Sharing Contributions shall be made no later than the due date (including extensions) of the income tax return of the Company for the fiscal year of the Company including the last day of the Plan Year for which such contribution is made. All contributions shall be paid over to the Trustee and shall be invested by the Trustee in accordance with the Plan and the Trust Agreement.

3.5. ROLLOVER CONTRIBUTIONS. Effective July 1, 1995:

3.5.1. An Participant may roll over a cash distribution from a qualified plan or conduit individual retirement account to this Plan,

provided that (a) the distribution is (i) received from a qualified plan as an Eligible Rollover Distribution, and (ii) rolled over directly from the qualified plan or within the 60 days following the date the Participant received the distribution, or (b) the distribution is (i) received from a conduit individual retirement account which has no assets other than assets attributable to an Eligible Rollover Distribution or a "qualified total distribution" within the meaning of Section 402 of the Code as in effect prior to January 1, 1993, which was deposited in the conduit individual retirement account within 60 days of the date the Participant received the distribution, plus earnings, (ii) eligible for tax free rollover to a qualified plan, and (iii) rolled over within the 60 days following the date the Participant received the distribution. The Participant shall present a written certification to the foregoing requirements to the Administrative Committee. The Administrative Committee may also require the Participant to provide an opinion of counsel that the amount rolled over meets the requirements of this Section.

3.5.2. The foregoing contributions, which shall be Rollover Contributions, shall be accounted for separately and shall be credited to an Participant's Rollover Account. An Participant shall not be permitted to withdraw any portion of his or her Rollover Account until the earlier of the date the Participant attains age 59-1/2 or such time as the Participant is otherwise eligible to make a withdrawal from or receive a distribution of his or her Account.

3.5.3. If an individual participated in another defined contribution plan sponsored by an Affiliate before becoming a Participant, he or she may elect to have his or her vested account balance under such other plan transferred to this Plan. Amounts attributable to a transferred account balance shall: (a) retain their character as profit sharing, Section 401(k), after tax, rollover and/or deductible contributions and earnings; and (b) be distributable in the optional forms available under the transferor plan, in addition to any other forms available under this Plan.

3.6. EXCLUSIVE BENEFIT; REFUND OF CONTRIBUTIONS.

3.6.1. All contributions made by the Employer are made for the exclusive benefit of the Participants and their Beneficiaries, and such contributions shall not be used for or diverted to purposes other than for the exclusive benefit of the Participants and their Beneficiaries, including the costs of maintaining and administering the Plan and Trust.

3.6.2. Notwithstanding any other provision of this Section, amounts contributed to the Trust by the Employer may be refunded to the Employer, to the extent that such refunds do not, in themselves, deprive the Plan of its qualified status, under the following circumstances and subject

to the following limitations: (a) to the extent that a federal income tax deduction is disallowed for any contribution made by the Employer, the Trustee shall refund to the Employer the amount so disallowed within one year of the date of such disallowance; (b) if a contribution is made, in whole or in part, by reason of a mistake of fact, there shall be returned to the Employer so much of such contribution as is attributable to the mistake of fact within one year after the payment of the contribution to which the mistake applies; and (c) except as provided in the event of an erroneous allocation to an ineligible person, if the Plan initially fails to satisfy the qualification requirements of Section 401(a) of the Code, and if the Employer declines to amend the Plan to satisfy such qualification requirements, contributions made prior to the determination that the Plan has failed to qualify shall be returned to the Employer within one year of denial of qualification provided the Employer filed an application for determination by the due date of the Employer's return for the taxable year in which the Plan was adopted.

3.6.3. Notwithstanding any other provision of this Section, no refund shall be made to the Employer which is specifically chargeable to the Account of any Participant in excess of 100% of the amount in such Account nor shall a refund be made by the Trustee of any funds, otherwise subject to refund hereunder, which have been distributed to any Participant or Beneficiary. If any such distributions become refundable, the Employer shall have a claim directly against the distributees to the extent of the refund to which it is entitled.

3.6.4. All refunds under this Section shall be limited in amount, circumstance and timing by the provisions of Section 403 of ERISA, and no such refund shall be made if, solely because of such refund, the Plan would cease to be a qualified plan under Section 401(a) of the Code.

3.7. ANNUAL ADDITIONS AND LIMITATIONS.

3.7.1. Notwithstanding any other provisions of this Plan, in no event shall the annual addition to a Participant's Account for any Plan Year exceed the lesser of $30,000 (or, if greater, 1/4 of the defined benefit dollar limitation under Section 415(b)(1) of the Code) or 25% of such Participant's Compensation. All amounts contributed to any defined contribution plan maintained by the Employer or any Affiliate, and all amounts described in Section 415(l)(1) and Section 419A(d)(2), shall be aggregated with contributions under this Plan in computing any Employee's annual additions limitation. In no event shall the amount allocated to the Account of any Participant be greater than the maximum amount allowed under Section 415 of the Code with respect to any combination of plans without disqualification of any such plan. Any adjustment to the dollar limitation set forth in this Section shall

be effective only for the Plan Years ending on or after January 1 of the year for which the adjustment is made. For purposes of this Section, the term "annual addition" shall mean the sum of Non-Elective Profit Sharing Contributions, Elective Profit Sharing Contributions and Savings Contributions allocable to the Participant's Account for the Plan Year.

3.7.2. In the event a Participant is a participant in any other defined contribution plan and/or defined benefit plan sponsored by the Employer or any Affiliate, and the sum of the "defined benefit plan fraction" and the "defined contribution plan fraction" would exceed 1.0 but for the operation of this Section, the "defined contribution fraction" shall be reduced so that the sum of the fractions shall not exceed 1.0. For purposes of this subsection, the "defined benefit plan fraction" is the ratio that (a) the Participant's projected annual retirement benefit as of the end of the Plan Year under the defined benefit plans bears to (b) the lesser of (i) the product of 1.25 multiplied by the dollar limitation in effect under Section 415(b)(1)(A) of the Code for such Plan Year, or (ii) the product of 1.4 multiplied by the maximum amount permitted under Section 415(b)(1)(B) of the Code for such Plan Year. The "defined contribution plan fraction" is the ratio of (a) the Participant's annual additions for the Plan Year to the defined contribution plans bears to (b) the lesser of the following amounts determined for such Plan Year and for each prior Year of Service with the Employer: (i) the product of 1.25 multiplied by the dollar limitation in effect under Section 415(c)(1)(A) of the Code for such year, or (ii) the product of 1.4 multiplied by the maximum amount permitted under Section 415(c)(1)(B) of the Code for such year.

3.7.3. If the annual addition to a Participant's Account exceeds the amount permitted under this Section due to a reasonable error in estimating a Participant's Compensation or in determining the amount of Savings Contributions and Elective Profit Sharing Contributions which may be made under the limits of Section 415 of the Code, such excess shall be disposed of as follows:

(a) At the discretion of the Administrative Committee, Savings Contributions and Elective Profit Sharing Contributions will be returned to the Participant;

(b) If the Participant is a Participant on the last day of the Plan Year, such excess shall be applied to reduce Non-Elective Profit Sharing Contributions for such Participant in subsequent Plan Years, and no Profit Sharing Contribution shall be made to such Participant's Account until such excess annual addition is eliminated;

(c) If at any time while an excess annual addition is being applied or would be applied to reduce future Non-Elective Profit Sharing Contributions for a Participant, such Participant ceases to be a Participant, then such excess annual addition shall be held unallocated in a suspense account for the Plan Year and shall be allocated in the next Plan Year as an Employer contribution, and no contribution which would constitute

an annual addition shall be made until any such suspense account is completely allocated; and

(d) No suspense account maintained under this Section shall participate in allocations of gains and losses of the Investment Funds unless otherwise directed by the Administrative Committee.

3.8. FAIL-SAFE ALLOCATIONS OF PROFIT SHARING CONTRIBUTIONS. Notwithstanding anything in the Plan to the contrary, for Plan Years beginning after December 31, 1989, if the Plan would otherwise fail to meet the requirements of Section 401(a)(4) or Section 410(b) of the Code and the regulations thereunder because Non-Elective Profit Sharing Contributions have not been allocated to a sufficient number or percentage of Participants for a Plan Year, then the group of Participants eligible to share in the Non-Elective Profit Sharing Contribution for the Plan Year shall be expanded to include the minimum number of former Participants (who are not employed on the last day of the Plan Year and so would not otherwise be eligible to share in the Non-Elective Profit Sharing Contribution) as are necessary to satisfy the applicable test. The specific former Participants who shall become eligible under the terms of this paragraph shall be those former Participants who are Non-Highly Compensated Employees who, when compared to similarly situated former Participants, have completed the greatest number of Hours of Service in the Plan Year before terminating employment. Nothing in this Section shall permit the reduction of a Participant's benefit. Therefore any amounts that have previously been allocated to Participants may not be reallocated to satisfy these requirements. In the event additional allocations are required, the Employer shall make an additional contribution equal to the additional allocations, even if it exceeds the amount which would be deductible under Section 404 of the Code. Any adjustment to the allocations pursuant to this Section shall be made by the October 15 after the Plan Year and shall be considered to be made as of the last day of the Plan Year.

SECTION 4
INVESTMENT

4.1. INVESTMENT DIRECTION.

4.1.1. Each Participant shall have the right to direct, in multiples of five percentage points, that (a) future contributions to and the existing balance in the Participant's Non-Elective and Elective Profit Sharing Accounts be invested in one or more of the Investment Funds, (b) future contributions to and the existing balance in the Participant's Savings Account be invested in one or more Investment Funds, and (c) future contributions to and the existing balance in the Participant's Rollover Account be invested in one or more Investment Funds.

4.1.2. A Participant may change his or her investment direction as of any Enrollment Date by submitting a form prescribed by the Administrative Committee to the Administrative Committee at least 30 days prior to the Enrollment Date (or such greater or lesser period prior to the Enrollment Date as the Administrative Committee may establish for purposes of administrative convenience) along with payment of a reasonable charge established by the Administrative Committee to defray the administrative expense of processing the investment direction.

4.2. INVESTMENT FUNDS. One of the Investment Funds shall be the Company Stock Fund, consisting of Employer Securities and cash or cash equivalents needed to meet obligations of such fund or for the purchase of Employer Securities. The Administrative Committee shall direct the Trustee to create and maintain three or more additional Investment Funds according to investment criteria established by the Administrative Committee. The Administrative Committee shall have the right to

direct the Trustee to merge or modify any existing Investment Funds, other than the Company Stock Fund.

4.3. INVESTMENT IN EMPLOYER SECURITIES. One of the purposes of the Plan is to provide Participants with ownership interests in the Employer, and to the extent practicable, all available assets of the Company Stock Fund shall be used to purchase Employer Securities, which shall be held by the Trustee until distribution or sale for distribution of cash to Participants or Beneficiaries or until disposition is required to implement changes in investment designations. In addition, all or any portion of any other Investment Fund may consist of Employer Securities. Such percentage of the Trust Fund, up to 100%, shall be invested in Employer Securities as results from the operation of this Section.

4.4. VOTING EMPLOYER SECURITIES. The Administrative Committee shall have the power to direct the Trustee in the voting of all Employer Securities held by the Trustee. All voting of Employer Securities shall be in compliance with all applicable rules and regulations of the Securities and Exchange Commission and all applicable rules of or any agreement with any stock exchange on which the Employer Securities being voted are traded. The Trustee shall vote all Employer Securities as directed by the Administrative Committee and in the absence of such directions shall vote or not vote Employer Securities in such manner as the Trustee shall, in its sole discretion, determine. Notwithstanding the foregoing, the Administrative Committee may, in its sole discretion and at any time or from time to time, permit Participants and Beneficiaries to direct the manner in which any Employer Securities allocated to their Accounts shall be voted on such matter as the Administrative Committee permits.

4.5. TENDER OFFERS. Each Participant and Beneficiary shall have the sole right to direct the Trustee as to the manner in which to respond to a tender or exchange offer for Employer Securities allocated to such person's Account. The Administrative Committee shall use its best efforts to notify or cause to be notified each Participant and Beneficiary of any tender or exchange offer and to distribute or cause to be distributed to each Participant and Beneficiary such information as is distributed in connection with any tender or exchange offer to holders generally of Employer Securities, together with the appropriate forms for directing the Trustee as to the manner in which to respond to such tender or exchange offer. Upon timely receipt of directions under this Section from the Participant or Beneficiary, the Trustee shall respond to the tender or exchange offer in accordance with, and only in accordance with, such directions. If the Trustee does not receive timely directions from a Participant or Beneficiary under this Section, the Trustee shall not tender, sell, convey or transfer any Employer Securities allocated to such person's Account in response to any tender or exchange offer.

4.6. INVESTMENT MANAGERS. The Administrative Committee may appoint one or more investment managers to manage all or any portion of all or any of the Investment Funds, and one or more custodians for all or any portion of any Investment Fund. The Administrative Committee may also establish investment guidelines for the Trustee or any one or more investment managers and may direct that all or any portion of the assets in an Investment Fund be invested in one or more guaranteed investment contracts having such terms and conditions as the Administrative Committee deems appropriate. The Administrative Committee or the Trustee, at the direction of the Administrative

Committee, may enter into such agreements as the Administrative Committee deems advisable to carry out the purposes of this Section.

4.7. SECTION 16 PERSONS. Notwithstanding anything in the Plan to the contrary, Section 16 Persons may not direct the investment of their Accounts into the Company Stock Fund unless the Administrative Committee determines otherwise.

SECTION 5
VALUATIONS AND CREDITING

5.1. VALUATIONS. The Trust Fund shall be valued by the Trustee at fair market value as of the close of business on each Valuation Date. In determining the fair market value of assets other than securities for which trading or bid prices can be obtained, the Trustee shall rely on valuations provided by the Administrative Committee, which may appraise such assets itself or employ one or more appraisers, including the Trustee or an affiliate of the Trustee, for that purpose. The portions of all Accounts

held in the Company Stock Fund shall be maintained on a share basis.

5.2. CREDITS TO AND CHARGES AGAINST ACCOUNTS. All crediting to and charging against Accounts shall be made as follows:

5.2.1. First, there shall be determined the net adjusted Account by (a) charging all distributions and withdrawals made during the period from the prior Valuation Date to the current Valuation Date, and (b) crediting Savings Contributions and Rollover Contributions on such time weighted basis as the Administrative Committee determines.

5.2.2. Second, all earnings of the Trust Fund shall then be allocated to and among the Participants' Accounts according to their net adjusted Accounts and the relative investment results of the Investment Funds in which their Accounts were invested.

5.2.3. Third, at the option of the Administrative Committee, all administrative expenses relating to the maintenance of Accounts of former Participants shall be charged against such Accounts.

5.2.4. Last, there shall be credited to each Participant's Account, (a) Non-Elective Profit Sharing Contributions and Elective Profit Sharing Contributions allocated to such Account, and (b) Savings Contributions and Rollover Contributions to such Account not previously credited under this Section.

5.3. EXPENSES. All brokerage fees, transfer taxes, and other expenses incurred in connection with the investment of the Trust Fund shall be added to the cost of such investments or deducted from the proceeds thereof, as the case may be. All other costs and expenses of administering the Plan shall be paid from the Trust Fund unless the Employer elects to pay such costs and expenses.

SECTION 6
BENEFITS

6.1. FORMS OF BENEFIT PAYMENTS. A Participant or Beneficiary shall receive any benefit to which he or she is entitled in the form of:

6.1.1. A lump sum distribution to the Participant or Beneficiary consisting of cash for amounts not invested in the Company Stock Fund and, for amounts invested in the Company Stock Fund, (i) the greatest number of whole shares of Employer Securities which can be distributed on the basis of the portion of his or her Account balance invested in the Company Stock Fund plus cash for any fractional share, if the number of whole shares is 20 or more and the Participant or Beneficiary elects to receive shares, or (ii)

cash if the number of whole shares is less than 20 or if the Participant or Beneficiary elects to receive cash; or

6.1.2. Effective for distributions made after December 31, 1993, at the election of the Participant or Beneficiary who is the Participant's surviving or former spouse, if the benefit is an Eligible Rollover Distribution, a lump sum payment of the benefit directly to an Eligible Retirement Plan specified by the Participant or Beneficiary in the form of cash for amounts not invested in the Company Stock Fund and, for amounts invested in the Company Stock Fund, (i) the greatest number of whole shares of Employer Securities which can be distributed on the basis of the portion of his or her Account balance invested in the Company Stock Fund plus cash for any fractional share, if the number of whole shares is 20 or more and the Participant or Beneficiary elects to receive shares, or (ii) cash if the number of whole shares is less than 20 or if the Participant or Beneficiary elects to receive cash; or

6.1.3. Effective for distributions made after December 31, 1993, at the election of the Participant or Beneficiary who is the Participant's surviving or former spouse, if the benefit is an Eligible Rollover Distribution, distribution to both the Participant or Beneficiary and an Eligible Retirement Plan as follows:

(a) for amounts not invested in the Company Stock Fund, a lump sum cash payment to:

(i) the Participant or Beneficiary; or

(ii) an Eligible Retirement Plan specified by the Participant or Beneficiary; or

(iii) the Participant or Beneficiary of a portion of the benefit specified by the Participant or Beneficiary, with the remainder paid to an Eligible Retirement Plan, and

(b) for amounts invested in the Company Stock Fund:

(i) a lump sum cash payment to the Participant or Beneficiary; or

(ii) a distribution to the Participant or Beneficiary of the greatest number of whole shares of Employer Securities which can be distributed on the basis of the portion of his or her Account balance invested in the Company Stock Fund plus cash for any fractional share, if the number of whole shares is 20 or more: or

(iii) a lump sum cash payment to an Eligible Retirement Plan specified by the Participant or Beneficiary; or

(iv) a distribution to an Eligible Retirement Plan of the greatest number of whole shares of Employer Securities which can be distributed on the basis of the portion of the Participant's Account balance invested in the Company Stock Fund plus cash for any fractional share, if the number of whole shares is 20 or more.

6.1.4. Effective July 1, 1995 and notwithstanding anything in the Plan to contrary, the portion of the Participant's Account which is attributable to amounts transferred from another plan sponsored by an Affiliate shall be: (a) distributable in any optional form available under the plan from which it was transferred, in addition to forms available under this Plan; and (b) distributed in accordance with any applicable spousal notice and consent requirements under the transferor plan.

6.2. RETIREMENT BENEFIT. Effective January 1, 1993, any Participant who has incurred a Termination Date shall receive his or her retirement benefit as soon as administratively practicable after:

(a) if the Participant's benefit is $3,500 or less (as of the applicable Valuation Date and as of the Valuation Date applicable to any withdrawal), the Valuation Date coincident with or following the Participant's Termination Date; or

(b) if the Participant's benefit is more than $3,500 (as of the applicable Valuation Date and as of the Valuation Date applicable to any withdrawal):

(i) the Valuation Date coincident with or following the later of the Participant's Termination Date and the date the Participant attains age 62, or

(ii) at the election of the Participant (made during the time period, before and after the applicable Valuation Date, that the Administrative Committee establishes for purposes of administrative convenience), the Valuation Date following the Participant's Separation Date; or

(iii) at the election of the Participant (made in the time period, before the applicable Valuation Date, that the Administrative Committee establishes for the purposes of administrative convenience), any Valuation Date, starting with the third Valuation Date after the Participant's Separation Date and ending with the Valuation Date in (i).

The amount of the retirement benefit shall be equal to the undistributed balance in the Participant's Account determined as of the applicable Valuation Date. Such distribution shall be made as soon as practicable after the applicable Valuation Date.

6.3. DEATH BENEFIT.

6.3.1. If a Participant dies before receiving a distribution of his or her retirement benefit, the Participant's Beneficiary shall receive a death benefit, in lieu of the retirement benefit, as soon as administratively practicable after the Valuation Date coincident with or next following the Participant's death. The amount of the death benefit shall be equal to the undistributed balance in the Participant's Account determined as of the applicable Valuation Date.

6.3.2. A married Participant may, with the consent of his or her spouse, designate and from time to time change the designation of one or more Beneficiaries or contingent Beneficiaries to receive any death benefit. The designation and consent shall be on a form supplied by the Administrative Committee, which form shall describe the effect of the designation on the Participant's spouse, and shall be signed by the Participant and the Participant's spouse. The spouse's signature shall be witnessed by a Plan representative or a notary public. Notwithstanding the foregoing, a Beneficiary designation made by a married Participant who has no Hours of Service and no paid leave of absence on or after August 23, 1984, shall be effective without the consent of such Participant's spouse. An unmarried Participant or a married Participant whose spouse has abandoned him or her or cannot be located may designate a Beneficiary or Beneficiaries without the consent of any other person, after having first established to the satisfaction of the Administrative Committee either that he or she has no spouse or that his or her spouse cannot be located. All records of Beneficiary designations shall be maintained by the Administrative Committee.

6.3.3. In the event that the Participant fails to designate a Beneficiary to receive a benefit that becomes payable under the provisions of this Section, or in the event that the Participant is predeceased by all designated primary and contingent Beneficiaries, (a) if the Participant is survived by a spouse, the death benefit shall be payable to the Participant's surviving spouse who shall be deemed to be the Participant's designated Beneficiary for all purposes under this Plan, or (b) if the Participant is not survived by a spouse, the death benefit shall be payable to the Participant's estate.

6.4. IN-SERVICE DISTRIBUTIONS. Any Participant who has completed more than five years of participation in the Plan and who has attained age 59-1/2 may withdraw from the Trust as of any Valuation Date all of his or her Savings Account, or any portion of his or her Savings Account which would not reduce the amount in his or her Savings Account to less than $500. Upon receipt of a request for withdrawal of a portion of a Participant's Savings Account which would reduce it to less than $500, the Trustee shall distribute

the entire amount of the Participant's Savings Account.

6.5. ADVANCE DISTRIBUTION FOR HARDSHIP.

6.5.1. If a Participant has an immediate and heavy financial need and has obtained all distributions, other than hardship distributions, currently available under the Plan and any other plans maintained by the Employer or an Affiliate, he or she may obtain a hardship distribution of his or her Savings Contributions. The amount of the hardship distribution shall be the lesser of the Participant's Savings Contributions or the amount necessary to satisfy the immediate and heavy financial need (including amounts necessary to pay reasonably anticipated taxes and penalties on the hardship distribution). Hardship distributions of other amounts shall not be allowed.

6.5.2. An amount shall not be treated as necessary to satisfy the immediate and heavy financial need if the need can be reasonably relieved by (a) reimbursement or compensation from insurance or otherwise, (b) reasonable liquidation of the Participant's assets, to the extent such liquidation would not itself cause an immediate and heavy financial need, (c) cessation of Savings Contributions and Elective Profit Sharing Contributions, (d) other distributions from the Plan or any other plan, (e) loans from the Plan or any other plans, or (f) loans from commercial sources on reasonable terms. A need cannot reasonably be relieved by one of the listed actions if the effect would be to increase the amount of the need. The Administrative Committee shall be entitled to rely on the Participant's certification of the foregoing except that the Administrative Committee may require further documentation as to the amount necessary to satisfy the immediate and heavy financial need, or deny the hardship distribution, if under the circumstances the Administrative Committee's reliance on the certification is not reasonable.

6.5.3. For purposes of this Plan, an immediate and heavy financial need is the need for money for:

(a) expenses for or necessary to obtain medical care described in Section 213(d) of the Code for the Participant or the Participant's spouse or dependents;

(b) costs directly related to the purchase (excluding mortgage payments) of a principal residence of the Participant;

(c) the payment of tuition and related educational fees for the next 12 months of post-secondary education for the Participant or the Participant's spouse, children or dependents;

(d) the prevention of the eviction of the Participant from his or her principal residence or the foreclosure on the mortgage of the Participant's principal residence; or

(e) any other reason added to the list of deemed immediate and heavy financial needs by the Commissioner of the Internal Revenue Service.

6.5.4. A Participant who has obtained a hardship distribution shall not be eligible to make any Savings Contributions or Elective Profit Sharing Contributions for the 12 months after the hardship distribution.

6.6. LOANS TO PARTICIPANTS.

6.6.1. Loans to a Participant from his or her Savings Account and, effective July 1, 1994, from his or her Rollover Account shall be allowed, subject to such uniform and nondiscriminatory rules as may from time to time be adopted by the Administrative Committee. Loans from other Accounts shall not be allowed. The Trustee may make a loan to a Participant who has applied for a loan, in accordance with rules adopted by the Administrative Committee, on forms provided by the Administrative Committee.

6.6.2. A Participant shall be permitted to borrow no more than the lesser of (a) $50,000 reduced by the excess (if any) of (i) the highest outstanding balance of Plan loans during the previous 12 months over (ii) the current outstanding balance of Plan loans, or (b) 50% of the value of the Participant's Account as of the Valuation Date coincident with or next preceding the date on which the loan is made.

6.6.3. Loans shall be available to all Participants on a reasonably equivalent basis; provided, however, that the Trustee may make reasonable distinctions among prospective borrowers on the basis of creditworthiness and available security. Any amount withdrawn by or payable to a Participant from his or her Account while a loan is outstanding shall be immediately applied to reduce such loan.

6.6.4. (a) All loans to Participants made by the Trustee shall be secured by the pledge of the Participant's Account.

(b) Interest shall be charged at an interest rate which the Administrative Committee finds to be reasonable on the date of the loan.

(c) Loans shall be for a term of five years or for such lesser term as the Administrative Committee and the Trustee agree is appropriate, with substantially level amortization (with payments not less frequently than quarterly) over the term of the loan.

(d) If not paid as and when due, any such outstanding loan or loans may be deducted from any benefit which is or becomes payable to such Participant or the Participant's Beneficiary. The Participant shall remain liable for any deficiency, and any surplus remaining shall be paid to the

Participant.

(e) Any loan made to a Participant shall be (i) treated as an investment of the Participant's Account with interest payments credited and expenses deducted from the Participant's Account, and (ii) excluded from the Participant's Account for purposes of implementing the Participant's investment directions and allocation of the investment results of the Investment Funds.

6.7. LATEST COMMENCEMENT OF BENEFITS. Payment of benefits shall commence in accordance with this Section, provided, however, in no event shall payment of benefits commence later than the April 1 of the calendar year following the calendar year in which the Participant attains age 70-1/2.

Unless a Participant elects otherwise, the payment of benefits shall begin no later than 60 days after the latest of the close of the Plan Year in which (a) the Participant attains age 65; (b) occurs the 10th anniversary of the year in which the Participant commenced participation in the Plan; or (c) the Participant terminates service with the Employer.

6.8. POST-DISTRIBUTION CREDITS. If, after the distribution of retirement or death benefits under this Plan, there remain in a Participant's Account any funds, or any funds shall be subsequently credited thereto, such funds shall be distributed to the Participant or his or her Beneficiary as promptly as practicable.

6.9. PREVENTION OF ESCHEAT. If the Administrative Committee cannot ascertain the whereabouts of any person to whom a payment is due under the Plan, the Administrative Committee may place the amount of the payment in a segregated account. If a segregated account is an interest bearing account, the interest, which may be net of expenses, shall be credited to the segregated account. If a segregated account holds Employer Securities, any dividends may be treated as earnings of the Trust Fund or of the segregated account, at the option of the Administrative Committee. After two years from the date such payment is due, the Administrative Committee may mail a notice of the payment to the last known address of such person as shown on the records of the Plan, the Employer and all Affiliates. If such person has not made claim for the payment within three months after the date of the mailing of the notice or if the notice is returned as undeliverable, then the payment and all remaining payments which would otherwise be due to such person shall be canceled and the amount thereof shall be applied to reduce Profit Sharing Contributions. If any person subsequently has a claim allowed for such benefits, such person shall be treated as an omitted eligible Employee.

6.10. TRANSFERS TO AFFILIATES' PLANS. Effective July 1, 1995, if a Participant transfers to employment with an Affiliate in a category of

employment not eligible for participation in the Plan, the Participant may elect to transfer his or her Account balance to any defined contribution plan for which he or she is then eligible.

6.11 MERGER OF STERN'S MIRACLE-GRO PRODUCTS, INC. EMPLOYEES 401(K) SAVINGS PLAN. A person whose account balance under the Stern's Miracle-Gro Products, Inc. Employees 401(k) Savings Plan (the "Miracle-Gro 401(k) Plan") is transferred to this Plan shall have additional distribution options with respect to the portion of his or her Account attributable to participation in the Miracle-Gro 401(k) Plan, as described in Appendix A.

SECTION 7
TOP-HEAVY PLAN PROVISIONS

7.1. MINIMUM BENEFITS. For any Plan Year that this Plan is a Top-Heavy Plan, the Employer shall contribute, for and on behalf of each Non-Key Employee who is a Participant on the last day of the Plan Year, an amount which is not less than the lesser of (a) 3% of such Participant's Compensation, or (b) such Participant's Compensation multiplied by a fraction, determined with respect to the Key Employee for whom the fraction is greatest, the numerator of which is the

contributions allocated to such Key Employee's Account for the Plan Year and the denominator of which is the Key Employee's Compensation for the Plan Year. In determining the minimum benefit, all contributions, including Savings Contributions, for any Participant to any plan included in the Aggregation Group shall be taken into account. If a Participant participates in this Plan and a defined benefit plan in the Aggregation Group, the Participant shall receive minimum benefits under such defined benefit plan.

7.2. ADJUSTMENT IN BENEFIT LIMITATIONS. In applying the limits of Section 415 of the Code where a Participant participates in both one or more defined benefit plans and one or more defined contribution plans of the Employer, paragraphs (2)(B) and (3)(B) of Section 415(e) of the Code shall be applied by substituting "1.0" for "1.25", unless (a) the sum of the account balances and the present value of the accrued benefits of Key Employees do not exceed 90% of the account balances and the present value of the accrued benefits of all participants and their beneficiaries, as determined under Section 416(h) of the Code, and (b) the Employer elects to have the minimum benefit under Section 416 of the Code applied by substituting "4%" for "3%" therein.

SECTION 8
CLAIMS PROCEDURES

8.1. APPLICATION FOR BENEFITS. Each Participant or Beneficiary believing himself or herself eligible for benefits under this Plan may apply for such benefits by completing and filing with the Administrative Committee an application for benefits on a form supplied by the Administrative Committee. Before the date on which benefit payments commence, each such application must be supported by such information and data as the Administrative Committee deems relevant and appropriate. Evidence of age, marital status (and, in the appropriate instances, death), and location of residence shall be required of all applicants for benefits.

8.2. APPEAL OF DENIAL OF CLAIM FOR BENEFITS. In the event that any claim for benefits is denied in whole or in part, the Participant or Beneficiary whose claim has been so denied shall be notified of such denial in writing by the Administrative Committee within 90 days after the Administrative Committee receives the claim. The notice advising of the denial shall specify the reasons for denial, make specific reference to pertinent Plan provisions, describe any additional material or information necessary for the claimant to perfect the claim (explaining why such material or information is needed), and shall advise the Participant or Beneficiary, as the case may be, of the procedure for the appeal of such denial. If a claimant wishes to appeal the denial of the claim, the claimant shall submit a written appeal to the Administrative Committee within 60 days after the Administrative Committee notifies the claimant of the denial. The appeal shall set forth all of the facts upon which the appeal is based. Appeals which are not timely filed shall be barred. The Administrative Committee shall consider the merits of the claimant's appeal, the merits of any facts or evidence in support of the denial of benefits, and such other facts and circumstances as the Administrative Committee deems relevant. A decision shall be made promptly and not later than 60 days after the receipt of a request for review, unless special circumstances require an extension of the time for processing; in which case, a decision shall be rendered as soon as possible, but not later than 120 days

after receipt of a request for review. The decision on review shall be in writing and shall include specific reasons for the decision, written in a manner calculated to be understood by the claimant, and specific references to the pertinent Plan provisions on which the decision is based.

8.3. EFFECT OF ADMINISTRATIVE COMMITTEE DECISION. The Administrative Committee shall have wide discretion in rendering decisions on claims and appeals. Any decision or action of the Administrative Committee on appeal shall be final and binding on all persons absent fraud or arbitrary abuse of the wide discretion granted to the Administrative Committee. No appeal or contest of any decision or action may be brought other than after following the procedures for claims and appeals as set forth herein by a legal proceeding in a court of competent jurisdiction brought within one year after such decision or action.

SECTION 9
ALLOCATION OF AUTHORITY AND RESPONSIBILITY

9.1. AUTHORITY AND RESPONSIBILITIES OF THE ADMINISTRATIVE COMMITTEE.

9.1.1. If the Board of Directors delegates discretionary authority with respect to Plan amendments to the Administrative Committee, the Administrative Committee may consider and approve amendments to the Plan.

9.1.2. The Administrative Committee shall supervise the maintenance of such accounts and records as shall be necessary or desirable to show the contributions of the Employer, allocation to Participants' Accounts, payments from Participants' Accounts, valuations of the Trust Fund and all other transactions pertinent to the Plan. The Administrative Committee is authorized to perform, in its discretion, all functions necessary to administer the Plan, including, without limitation, to determine the eligibility and qualification of Employees for benefits under the Plan; to determine the allocation and vesting of contributions, earnings and profits of the Plan; to interpret and construe the terms of the Plan; to adopt rules, regulations and procedures consistent therewith and to decide all disputes with respect to the rights and obligations of Participants in the Plan. The Administrative Committee may employ one or more persons to render advice with regard to any responsibility it has under the Plan and may designate others to carry out any of its responsibilities. The Administrative Committee may appoint Employees to perform ministerial acts with respect to the administration of the Plan in their capacity as Employees of the Company.

9.1.3. The construction and interpretation of the Plan provisions are vested with the Administrative Committee, in its absolute discretion, including, without limitation, the determination of benefits, eligibility and interpretation of Plan provisions. The Administrative Committee will endeavor to act, whether by general rules or by particular decisions, so as to treat all persons in similar circumstances without discrimination. All such decisions, determinations and interpretations shall be final, conclusive and binding upon all parties having an interest in the Plan.

9.1.4. The Administrative Committee shall appoint the Trustee, provide direction to the Trustee (including direction of investment of all or part of the Trust Fund and the establishment of investment criteria and Investment Funds), monitor the performance of the Trustee, and terminate the appointment of the Trustee. The Administrative Committee may appoint investment advisors and investment managers, to monitor their performances, and terminate such appointments.

9.2. APPOINTMENT AND TENURE. The Administrative Committee shall consist of a committee of one or more members who shall serve at the pleasure of the Board of Directors. A committee member may be dismissed at any time, with or without cause, upon notice from the Board of Directors. A committee member may resign by delivering his or her written resignation to the Board of Directors. Vacancies arising by the death, resignation or removal of a committee member shall be filled by the Board of Directors. If the Board of Directors fails to act, and in any event, until the Board of Directors so acts, the remaining members of a committee may appoint an interim member to fill any vacancy occurring on the committee. If no person has been appointed to the Administrative Committee, or if no person remains on the committee, the Company shall be deemed to be the Administrative Committee.

9.3. MEETINGS; MAJORITY RULE. Any and all acts of the Administrative Committee taken at a meeting shall be by a majority of all members of the committee. The committee may act by vote taken in a meeting (at which a majority of members shall constitute a quorum). The committee may also act by majority consent in writing without the formality of convening a meeting. The committee shall elect one of its members to serve as chairman. The chairman shall preside at all meetings of the committee or shall delegate such responsibility to another committee member.

9.4. COMPENSATION. The Administrative Committee shall serve without compensation for services as such, but all expenses of such persons shall be paid or reimbursed by the Employer, and if not so paid or reimbursed, shall be paid from the Trust Fund.

9.5. INDEMNIFICATION. Each member of the Administrative Committee and Employees carrying out the duties of the Administrative Committee shall be indemnified by the Employer against costs, expenses and liabilities (other than amounts paid in settlement to which the Employer does not consent) reasonably incurred by the person in connection with any action to which the person may be a party by reason of his or her service as a member of the committee, except in relation to matters as to which he or she shall be adjudged in such action to be personally guilty of negligence or willful misconduct in the performance of his or her duties. The foregoing right to indemnification shall be in addition to such other rights as the person may enjoy as a matter of law or by reason of insurance coverage of any kind, but shall not extend to costs, expenses and/or liabilities otherwise covered by insurance or that would be so covered by any insurance then in force if such insurance contained a waiver of subrogation. Rights granted hereunder shall be in addition to and not in lieu of any rights to indemnification to which the person may be entitled under the bylaws of the Company. Service on the Administrative Committee shall be deemed in partial fulfillment of the person's function as an Employee, officer and/or director of the Employer, if the person serves in such capacity as well.

9.6. AUTHORITY AND RESPONSIBILITIES OF THE COMPANY. The Company, as Plan sponsor, shall have the following (and only the following) authority and responsibilities: (a) to appoint the Administrative Committee and to monitor its performance; (c) to communicate such information to the Administrative Committee and the Trustee as each needs for the proper performance of its duties; (d) to provide channels and mechanisms through which the Administrative Committee and/or the Trustee can communicate with Participants and Beneficiaries; and (e) to perform such duties as are imposed by law or by regulation and to serve as Administrative Committee in the absence of an appointed committee. Any action which may be taken and any decision which may be made by the Company under the Plan (including authorization of Plan amendments or termination) may be made by: (a) the Board of Directors; or (b) any committee (including the Administrative Committee) to which the Board of Directors delegates discretionary authority with respect to the Plan.

9.7. OBLIGATIONS OF NAMED FIDUCIARIES. The Administrative Committee and the Trustee are named fiduciaries within the meaning of Section 402(a) of ERISA. A named fiduciary shall have only those particular powers, duties, responsibilities and obligations specifically given to it under this Plan or the Trust Agreement. No named fiduciary shall have authority or responsibility to deal with matters other than as delegated to it under this Plan, under the Trust Agreement or by operation of law. Notwithstanding the foregoing, named fiduciaries may perform in more than one fiduciary capacity if so appointed and may reallocate duties between themselves by mutual agreement. A named fiduciary shall not in any event be liable for breach of fiduciary responsibility or obligation by another fiduciary (including named fiduciaries) if the responsibility or authority of the act or omission deemed to be a breach was not within the scope of such named fiduciary's authority or responsibility.

SECTION 10
AMENDMENT, TERMINATION, MERGERS AND CONSOLIDATIONS OF THE PLAN

10.1. AMENDMENT. The Company (by its Board of Directors, an executive committee of its Board of Directors or other committee to which the Board of Directors delegates discretionary authority with respect to the Plan) may amend the provisions of this Plan at any time and from time to time; provided, however, that:

10.1.1. No amendment shall increase the duties or liabilities of the Trustee without the consent of such party.

10.1.2. No amendment shall deprive any Participant or Beneficiary of a deceased Participant of any of the benefits to which such person is entitled under the Plan with respect to contributions previously made or decrease the balance in any Participant's Account, except as permitted by Section 412(c)(8) of the Code and Section 302(c)(8) of ERISA.

10.1.3. No amendment changing the vesting schedule shall

decrease the vested percentage of any Participant.

10.1.4. No amendment shall eliminate an optional form of benefit in violation of Section 411(d)(6).

10.1.5. No amendment shall provide for the use of funds or assets held to provide benefits under the Plan other than for the benefit of Employees and Beneficiaries, except as may be specifically authorized by statute or regulation.

10.1.6. Any amendment necessary to maintain the qualification of the Plan under Section 401(a) of the Code may be made without the further approval of the Board of Directors or any committee if signed by an officer of the Company.

10.2. PLAN TERMINATION. The Company reserves the right to terminate the Plan in whole or in part. Plan termination shall be effective as of the date specified by resolution of the Board of Directors. The Company shall instruct the Trustee to either (a) continue to manage and administer the assets of the Trust for the benefit of Participants and Beneficiaries under the terms and provisions of the Trust Agreement, or (b) pay over to each Participant the value of his or her interest, and thereupon dissolve the Trust.

10.3. PERMANENT DISCONTINUANCE OF PROFIT SHARING CONTRIBUTIONS. While it is the Company's intention to make substantial and recurring contributions to the Trust Fund under the provisions of the Plan, the right is, nevertheless, reserved to permanently discontinue Profit Sharing Contributions at any time. Such permanent discontinuance shall have the effect of a termination of the Plan, except that the Trustee shall not have the authority to dissolve the Trust Fund except upon adoption of a further resolution by the Board of Directors to the effect that the Plan is terminated and upon receipt from the Company of instructions to dissolve the Trust Fund. Failure to make a contribution solely because of a lack of net income shall not be deemed to be a permanent discontinuance of Profit Sharing Contributions.

10.4. SUSPENSION OF PROFIT SHARING CONTRIBUTIONS. The Company shall have the right, at any time and from time to time, to suspend Profit Sharing Contributions to the Trust Fund under the Plan. Such suspension shall have no effect on the operation of the Plan except as set forth below:

10.4.1. If the Board of Directors determines by resolution that such suspension shall be permanent, a permanent discontinuance of contributions shall be deemed to have occurred as of the date of such resolution or such earlier date as is therein specified.

10.4.2. If a temporary suspension becomes a permanent discontinuance or a Plan termination, the discontinuance or termination shall be

deemed to have occurred on the earlier of: (a) the date specified by resolution of the Board of Directors, or (b) the last day of the Plan Year next following the first Plan Year during the period of suspension in which there occurred a failure of the Employer to make contributions in a year in which there was net income out of which such contributions could have been made.

10.5. MERGERS AND CONSOLIDATIONS OF PLANS. In the event of any merger or consolidation of the Plan with, or transfer of assets or liabilities to, any other plan, each Participant and Beneficiary shall have a benefit in the surviving or transferee plan (determined as if such plan were then terminated immediately after such merger, etc.) that is equal to or greater than the benefit he or she would have been entitled to receive immediately before such merger, etc., in this Plan (had this Plan been terminated at that time).

10.6. TRANSFERS OF ASSETS TO OR FROM THIS PLAN. A transfer of all or any portion of the assets or liabilities of the Plan to any other plan, or the transfer of all or any portion of the assets or liabilities of another plan to this Plan, shall be in accordance with directions of the Company.

10.7. EFFECT OF AMENDMENT AND RESTATEMENT. Notwithstanding anything herein to the contrary, the identities, Account balances, Hours of Service, and Years of Eligibility Service of Participants and Employees as of the Effective Amendment Date, and the rights of persons terminating their employment with the Employer and all Affiliates prior to the Effective Amendment Date, shall be determined under the Plan as in effect prior to the Effective Amendment Date.

SECTION 11
PARTICIPATING EMPLOYERS

11.1. ADOPTION BY AFFILIATES. With the consent of the Company, any Affiliate may adopt the Plan as a participating Employer. Each participating Employer shall be required to use the same Trustee and Trust Agreement as provided in this Plan, and the Trustee shall commingle, hold and invest as one Trust Fund all contributions made by participating Employers, as well as all increments thereof. With respect to all relations with the Trustee and the Administrative Committee, each participating Employer shall be deemed to have irrevocably designated the Company as its agent. The Company shall have authority to make any and all necessary rules or regulations, binding upon all participating Employers and all Participants, to effectuate the purposes of the Plan.

11.2. EMPLOYEE TRANSFERS. If an Employee is transferred between Employers, the Employee involved shall carry with him or her the Employee's accumulated service and eligibility, no such transfer shall effect a termination of employment hereunder, and the participating Employer to which the Employee is transferred shall thereupon become obligated with respect to such Employee in the same manner as was the participating Employer from whom the Employee was

transferred.

11.3. DISCONTINUANCE OF PARTICIPATION. Any participating Employer may discontinue or revoke its participation in the Plan. At the time of any such discontinuance or revocation, satisfactory evidence thereof and of any applicable conditions imposed shall be delivered to the Trustee. The Trustee shall retain assets for the Employees of the participating Employer under the Plan.

SECTION 12
MISCELLANEOUS PROVISIONS

12.1. NONALIENATION OF BENEFITS.

12.1.1. None of the payments, benefits or rights of any Participant or Beneficiary shall be subject to any claim of any creditor, and, in particular, to the fullest extent permitted by law, all such payments, benefits and rights shall be free from attachment, garnishment, trustee's process or any other legal or equitable process available to any creditor of such Participant or Beneficiary. No Participant or Beneficiary shall have the right to alienate, anticipate, commute, pledge, encumber, or assign any of the benefits or payments which he or she may expect to receive, contingently or otherwise, under this Plan, except the right to designate a Beneficiary or Beneficiaries as hereinbefore provided. Notwithstanding the foregoing, assignments permitted under the Code shall be permitted under the Plan, including (a) assignments pursuant to a qualified domestic relations order, and (b) any loans made by the Trustee to a Participant that are secured by a pledge of the borrower's Account, which shall give the Trustee a first lien on such interest to the extent of the entire outstanding amount of such loan, unpaid interest thereon, and all costs of collection.

12.1.2. If a domestic relations order is received by the Administrative Committee, the Administrative Committee shall make a determination as to whether the domestic relations order is a qualified domestic relations order as defined in Section 414(p) of the Code, treating the domestic relations order as a claim for benefits under the Plan and all alternate payees and the Participant as claimants. Within 30 days after the Administrative Committee's receipt of the domestic relations order and at least 30 days prior to its determination, the Administrative Committee shall notify the Participant and any alternate payees other than the one who is the subject of the domestic relations order of the receipt of the domestic relations order and the procedures that the Administrative Committee will follow in determining the qualified status of the domestic relations order. During any period in which the issue of whether the domestic relations order is a qualified domestic relations order is pending, the Administrative Committee shall segregate in a separate account under the Plan the amounts which would have been payable to the alternate payee during such period if the domestic relations order had been determined to be a qualified domestic relations order. If, within 18 months, it

is finally determined that the domestic relations order is a qualified domestic relations order, the Administrative Committee shall direct the Trustee to pay the segregated amount to the person entitled thereto. If, within 18 months, it is finally determined that the domestic relations order is not a qualified domestic relations order, or the issue has not yet been resolved, the Administrative Committee shall direct the Trustee to pay the segregated amount without regard to the terms of the domestic relations order. Any determination that a domestic relations order is a qualified domestic relations order which is made after the close of the 18 month period shall be applied prospectively only.

12.1.3. The Trustee may make a lump sum distribution to an alternate payee pursuant to a qualified domestic relations order as soon as administratively practical after the Valuation Date following the earlier of the date a Participant attains age 50 or the date a Participant terminates employment. The Trustee may make a lump sum distribution pursuant to a qualified domestic relations order before such date provided no more than one distribution is made to each alternate payee.

12.2. NO CONTRACT OF EMPLOYMENT. Neither the establishment of the Plan, nor any modification thereof, nor the creation of any fund, trust or Account, nor the payment of any benefits, shall be construed as giving any Participant or Employee, or any person whomsoever, the right to be retained in the service of the Employer, and all Participants and other Employees shall remain subject to discharge to the same extent as if the Plan had never been adopted.

12.3. TITLE TO ASSETS. No Participant or Beneficiary shall have any right to, or interest in, any assets of the Trust Fund upon termination of his or her employment or otherwise, except to the extent of the benefits payable under the Plan to such Participant or Beneficiary out of the assets of the Trust Fund. All payments of benefits as provided for in this Plan shall be made from the assets of the Trust Fund, and neither the Employer nor any other person shall be liable therefor in any manner.

12.4. EFFECT OF ADMISSION. By becoming a Participant, each Employee shall be conclusively deemed to have assented to the provisions of the Plan and the corresponding Trust Agreement and to all amendments to such instruments.

12.5. PAYMENTS TO MINORS, ETC. Any benefit payable to or for the benefit of a minor, an incompetent person or other person incapable of receipting therefor shall be deemed paid when paid to such person's guardian or to the party providing, or reasonably appearing to provide, for the care of such person, and such payment shall fully discharge the Trustee, the Administrative Committee, the Employer and all other parties with respect thereto.

12.6. APPROVAL OF RESTATEMENT BY INTERNAL REVENUE SERVICE. Notwithstanding anything herein to the contrary, if the Commissioner of the

Internal Revenue Service or his delegate should determine that the Plan, as amended and restated, does not qualify as a tax-exempt plan and trust under Sections 401 and 501 of the Code, and such determination is not contested, or if contested, is finally upheld, then the Plan shall operate as if it had not been amended and restated.

12.7. OTHER MISCELLANEOUS. If any provision of this Plan is held invalid or unenforceable, such holding will not affect any other provisions hereof, and the Plan shall be construed and enforced as if such provisions were not been included. The Plan shall be binding upon the heirs, executors, administrators, personal representatives, successors, and assigns of the parties, including each Participant and Beneficiary, present and future. The headings and captions herein are provided for convenience only, shall not be considered a part of the Plan, and shall not be employed in the construction of the Plan. Except where otherwise clearly indicated by context, the masculine and the neuter shall include the feminine and the neuter, the singular shall include the plural, and vice-versa. The Plan shall be construed and enforced according to the laws of the State of Ohio to the extent not preempted by federal law, which shall otherwise control.

IN WITNESS WHEREOF, the Company has caused this Plan to be executed as of the 12th day of January, 1996.

THE SCOTTS COMPANY

By: /s/ ROBERT A. STERN

Robert A. Stern, Vice President - Human Resources

APPENDIX A

MERGER

Effective as of December 31, 1995, the Stern's Miracle-Gro Products, Inc. Employees 401(k) Savings Plan (the "Miracle-Gro 401(k) Plan") is merged into this Plan. On and after such date:

(a) Assets and liabilities of the Miracle-Gro 401(k) Plan shall be transferred to this Plan.

(b) Each person with an account balance under the Miracle-Gro 401(k) Plan shall have an Account under this Plan.

(c) Each participant in the Miracle-Gro 401(k) Plan who is employed on December 31, 1995 shall become a Participant in this Plan on December 31, 1995. Such persons are referred to herein as "Miracle-Gro Transferees."

Notwithstanding, assets may continue to be invested under the terms of the Miracle-Gro 401(k) Plan until it is administratively practicable to transfer assets to the Investment Funds.

ELIGIBILITY AND VESTING

All years of service under the Miracle-Gro 401(k) Plan shall count as Years of Eligibility Service under this Plan. The Account balance of a Miracle-Gro

Transferee shall be fully vested and nonforfeitable. However, the vesting of a participant in the Miracle-Gro 401(k) Plan who terminated employment before December 31, 1995 shall be governed by the terms of the Miracle-Gro 401(k) Plan as in effect when he or she terminated employment.

ADDITIONAL FORMS OF DISTRIBUTION

Notwithstanding anything in the Plan to the contrary, a Participant may elect to have the portion of his or her Account which is attributable to participation in the Miracle-Gro 401(k) Plan distributed in any of the following forms:

(a) a lump sum, which shall be the normal form of benefit as provided above;

(b) periodic installments over a period of time to be elected by the Participant;

(c) an annuity for the life of the Participant;

(d) an immediate annuity for the life of the Participant with a survivor annuity for the life of the Participant's Beneficiary which is equal to 50% of the amount of the annuity which is payable during the joint lives of the Participant and his Beneficiary;

(e) any other annuity form of payment provided by an insurance company through the purchase of an annuity contract.

SPOUSE'S RIGHTS IF ANNUITY ELECTED

(a) In the event that a married Participant elects any optional method of payment which provides an annuity, the benefit of such married Participant shall be paid in the form of a Qualified Joint and Survivor Annuity, unless, within the 90-day period ending on the Annuity Starting Date, the spouse of the Participant consents, pursuant to a Qualified Election, to another method of payment.

(b) "Qualified Election" means a waiver of a Qualified Joint and Survivor Annuity. Any waiver of a Qualified Joint and Survivor Annuity shall not be effective unless (a) the Participant's spouse consents in writing to the election; (b) the spouse's consent acknowledges the effect of the election; and (c) the spouse's consent is witnessed by a Plan representative or notary public. Additionally, a Participant's waiver of the Qualified Joint and Survivor Annuity shall not be effective unless the election designates a form of benefit payment which may not be changed without consent of the spouse (or the spouse expressly permits designations by the Participant without any further consent of the spouse). If it is established to the satisfaction of a Plan representative that there is no spouse or that the spouse cannot be located, a waiver will be deemed a Qualified Election. Any consent by a spouse obtained under this provision (or establishment

that the consent of a spouse may not be obtained) shall be effective only with respect to such spouse. A consent that permits designations by the Participant without any requirement of further consent by such spouse must acknowledge that the spouse has the right to limit consent to a specific Beneficiary, and a specific form of benefit where applicable, and that the spouse voluntarily elects to relinquish either or both of such rights. A revocation of a prior waiver may be made by a Participant without the consent of the spouse at any time before the commencement of benefits. The number of revocations shall not be limited. No consent obtained under this provision shall be valid unless the Participant has received notice as provided in this Appendix.

(c) "Qualified Joint and Survivor Annuity" means an immediate annuity, purchased with the Participant's Account balance, for the life of the Participant with a survivor annuity for the life of the spouse which is equal to 50% of the amount of the annuity which is payable during the joint lives of the Participant and the spouse.

MAXIMUM PAYMENT PERIOD

If a Participant's Account is to be distributed in other than an immediate lump sum, minimum annual payments under the Plan must be paid over one of the following periods (or a combination thereof):

(a) the life of the Participant;

(b) the life of the Participant and a designated Beneficiary;

(c) a period certain not extending beyond the life expectancy of the Participant; or

(d) a period certain not extending beyond the joint and last survivor expectancy of the Participant and a designated Beneficiary.

DEFERRED DISTRIBUTION

A Participant may elect to defer payment of the portion of his or her Account attributable to participation in the Miracle-Gro 401(k) Plan. However, the entire interest of the Participant must be distributed, or begin to be distributed, no later that the Participant's required beginning date. The required beginning date of a retired or active Participant is the first day of April following the calendar year in which such individual attains age 70-1/2, except as otherwise elected in accordance with Appendix A of the Miracle-Gro 401(k) Plan (applicable to pre-TEFRA Section 242 elections). The minimum distribution for other calendar years, including the minimum distribution for the calendar year in which the Participant's required beginning date occurs, must be made on or before the December 31 of that distribution calendar year. A distribution calendar year is a calendar year

for which a minimum distribution is required. The first distribution calendar year is the calendar year immediately preceding the calendar year which contains the Participant's required beginning date. All distributions required under this Section shall be determined and made in accordance with the Income Tax Regulations under Code Section 401(a)(9), including the minimum distribution incidental benefit requirement of Section 1.401(a)(9)-2 of the Proposed Regulations.

EXHIBIT 10(g)

THE SCOTTS COMPANY
1996 EXECUTIVE ANNUAL INCENTIVE PLAN
4/10/96

PURPOSE: To motivate performance of executives to achieve corporate and business unit profitability.

MEASUREMENTS: FOR CORPORATE PARTICIPANTS.....

2/3rds based on consolidated corporate results

1/3rd based on CEO discretion

FOR BUSINESS UNIT PARTICIPANTS....

1/3 based on business unit results

1/3 based on consolidated corporate results

1/3 based on CEO discretion

The business unit must achieve its "threshold" profitability level in order to be eligible for the 1/3 corporate component.

FOR OPERATIONS PARTICIPANTS....

1/2 based on consolidated corporate results

1/2 based on CEO discretion

TARGET AWARD: Each participant will be assigned a 1996 "Bonus Target % of Salary" equal to one-half of the defunct plan's target: the aggregation of these amounts approximates $500,000.

EARNED AWARDS: Consolidated corporate performance, as measured by net income, will tie to an earned award percentage. For purposes of this Plan, net income is defined as income after

tax but before accounting for extraordinary items or accounting changes.

EARNED AWARDS (CONT.):

CORPORATE PERFORMANCE	NET INCOME	INCENTIVE PAYOUT
THRESHOLD (90% OF TARGET)	$ 19,133	25%
1996 TARGET	$ 21,259	100%
SUPERIOR (110% OF TARGET)	$ 23,385	125%
OUTSTANDING (LAST YEAR PROFORMA)	$ 32,943	300%

[GRAPH]

Results between "Superior" and "Outstanding" performance will be incrementally calculated so that participants will receive a prorated payout calculated on a straight line basis.

Based upon actual results as compared to the four performance levels, the quantitative portion of the award can be calculated.

QUANTITATIVE AWARD:

FOR CORPORATE PARTICIPANTS...

1996 Target x 2/3 x Consolidated Earned Award Percentage = Quantitative Award

FOR BUSINESS UNIT PARTICIPANTS...

1996 Target x 1/3 x Business Unit Earned Award Percentage

+

1996 Target x 1/3 x Consolidated Earned Award Percentage (PROVIDED BUSINESS UNIT ATTAINS THRESHOLD PROFITABILITY LEVEL)

= Quantitative Award

QUANTITATIVE AWARD (CONT.):

FOR OPERATIONS PARTICIPANTS...

1996 Target x 1/2 x Consolidated Earned Award

Percentage = Quantitative Award

DISCRETIONARY AWARDS: As limited by the total funds available, the CEO applies a discretionary adjustment to reward superior results, teamwork, inventory reduction or other special contributions. Such discretionary bonus is largely based on achievements within the individual's area of responsibility. If applicable, specific quantifiable goals may be established; the discretionary award may be applied based on the performance of such goals.

BONUS POOL: Provided corporate performance is "superior" or above, a pool for awards will be generated to provide recognition to associates who are not eligible for participation in the Executive Annual Incentive Plan or the Management Incentive Plan and whose individual performance is exceptional. The number of awards granted will vary from year to year, however, recipients must be employed on the last day of the fiscal year to be eligible for consideration of an award. The total pool will not exceed $100,000, with awards typically ranging from $500 to $2,000.

COMPENSATION COMMITTEE/ BOARD OF DIRECTORS: The Compensation Committee shall review the operation of the Plan and, if at any time the continuation of the Plan, or any of its provisions becomes inappropriate or inadvisable, the Compensation Committee shall revise or modify Plan provisions or recommend to the Board that the Plan be suspended or withdrawn. In addition, the Compensation Committee reserves the right to modify incentive formulas to reflect unusual circumstances.

The Board of Directors reserves to itself the right to suspend the Plan, to withdraw the Plan, and to make substantial alterations in Plan concept.

EXHIBIT 10(i)

THE SCOTTS COMPANY
1996 STOCK OPTION PLAN
(AS AMENDED THROUGH DECEMBER 16, 1996)

THE SCOTTS COMPANY
1996 STOCK OPTION PLAN
(AS AMENDED THROUGH DECEMBER 16, 1996)

SECTION 1.

PURPOSE

The purpose of the Plan is to foster and promote the long-term financial success of the Company and materially increase shareholder value by (a) encouraging and providing for the acquisition of an ownership interest in the Company by Employees and Eligible Directors, and (b) enabling the Company to attract and retain the services of an outstanding management team upon whose judgment, interest, and special effort the successful conduct of its operations is largely dependent.

SECTION 2.

DEFINITIONS

2.1 DEFINITIONS. Whenever used herein, the following terms shall have the respective meanings set forth below:

(a) "Act" means the Securities Exchange Act of 1934, as amended.

(b) "Award" means any Option.

(c) "Board" means the Board of Directors of the Company.

(d) "Cause" means (i) the willful failure by a Participant to perform substantially his duties as an Employee of the Company (other than due to physical or mental illness) after reasonable notice to the Participant of such failure, (ii) the Participant's engaging in serious misconduct that is injurious to the Company or any Subsidiary, (iii) the Participant's having

been convicted of, or entered a plea of NOLO CONTENDERE to, a crime that constitutes a felony or (iv) the breach by the Participant of any written covenant or agreement with the Company or any Subsidiary not to disclose any information pertaining to the Company or any Subsidiary or not to compete or interfere with the Company or any Subsidiary.

(e) "Change in Control" means the occurrence of any of the following events:

(i) the members of the Board at the beginning of any consecutive twenty-four calendar month period (the "Incumbent Directors") cease for any reason other than due to death to constitute at least a majority of the members of the Board, provided that any director whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the members of the Board then still in office who were members of the Board at the beginning of such twenty-four calendar month period, shall be treated as an Incumbent Director; or

(ii) any "person," including a "group" (as such terms are used in Sections 13(d) and 14(d)(2) of the Act, but excluding the Company, any of its Subsidiaries, or any employee benefit plan of the Company or of any of its Subsidiaries,) is or becomes the "beneficial owner" (as defined in Rule 13(d)(3) under the Act), directly or indirectly, of securities of the Company representing more than 49% of the combined voting power of the Company's then outstanding securities; or

(iii) the shareholders of the Company shall approve a definitive agreement (1) for the merger or other business combination of the Company with or into another corporation, a majority of the directors

of which were not directors of the Company immediately prior to the merger and in which the shareholders of the Company immediately prior to the effective date of such merger own less than 50% of the voting power in such corporation; or (2) for the sale or other disposition of all or substantially all of the assets of the Company; or

(iv) the purchase of Stock pursuant to any tender or exchange offer made by any "person," including a "group" (as such terms are used in Sections 13(d) and 14(d)(2) of the Act), other than the Company, any of its Subsidiaries, or an employee benefit plan of the Company or of any of its Subsidiaries, for more than 49% of the Stock of the Company.

(f) "Change in Control Price" means the highest price per share of Stock offered in conjunction with any transaction resulting in a Change in Control (as determined in good faith by the Committee if any part of the offered price is payable other than in cash) or, in the case of a Change in Control occurring solely by reason of a change in the composition of the Board, the highest Fair Market Value of the Stock on any of the 30 trading days immediately preceding the date on which a Change in Control occurs.

(g) "Code" means the Internal Revenue Code of 1986, as amended.

(h) "Committee" means the Compensation and Organization Committee of the Board which shall have the meaning ascribed to a "compensation committee" in Section 1.162-27(c)(4) of the final regulations promulgated under Section 162(m) of the Code and which shall consist of three or more members, each of whom shall be (i) a person from time to time permitted by the rules promulgated under Section 16 of the Act in order for grants of Awards to be exempt transactions under said Section 16 and (ii) receiving remuneration in no other capacity than as a director, except as permitted under Section 1.162-27(e)(3) of the final regulations promulgated under Section 162(m) of the Code and the rulings thereunder.

(i) "Company" means The Scotts Company, an Ohio corporation, and any successor thereto.

(j) "Director Option" means a Nonstatutory Stock Option granted to each Eligible Director pursuant to Section 6.7 without any action by the Board or the Committee.

(k) "Disability" means the inability of the Participant to perform his duties for a period of at least six months due to a physical or medical infirmity. Notwithstanding the foregoing, with respect to Incentive Stock Options, the term "Disability" shall be defined as such term is defined in Section 22(e)(3) of the Code.

(l) "Eligible Director" means, on any date, a person who is serving as a member of the Board and who is not an Employee.

(m) "Employee" means any officer or other key executive and management employee of the Company or of any of its Subsidiaries.

(n) "Fair Market Value" means, on any date, the closing price of the Stock as reported on the New York Stock Exchange (or on such other recognized market or quotation system on which the trading prices of the Stock are traded or quoted at the relevant time) on such date. In the event that there are no Stock transactions reported on the New York Stock Exchange (or such other market or system) on such date, Fair Market Value shall mean the closing price on the immediately preceding date on which Stock transactions were so reported.

(o) "Option" means the right to purchase Stock at a stated price for a specified period of time. For purposes of the Plan, an Option may be either (i) an "Incentive Stock Option" (ISO) within the meaning of Section 422 of the Code or (ii) a "Nonstatutory Stock Option" (NSO) which does not qualify for treatment as an "Incentive Stock Option."

(p) "Participant" means any Employee designated by the Committee to participate in the Plan.

(q) "Plan" means The Scotts Company 1996 Stock Option Plan, as in effect from time to time.

(r) "Retirement" means termination of a Participant's employment on or after the normal retirement date or, with the Committee's approval, on or after any early retirement date established under any retirement plan maintained by the Company or a Subsidiary in which the Participant participates.

(s) "Stock" means the Common Shares, without par value, of the Company.

(t) "Subsidiary" means any corporation or partnership in which the Company owns, directly or indirectly, 50% or more of the total combined voting power of all classes of stock of such corporation or of the capital interest or profits interest of such partnership.

2.2 GENDER AND NUMBER. Except when otherwise indicated by the context, words in the masculine gender used in the Plan shall include the feminine gender, the singular shall include the plural, and the plural shall include the singular.

SECTION 3.

ELIGIBILITY AND PARTICIPATION

Except as otherwise provided in Section 6.7, the only persons eligible to participate in the Plan shall be those Employees selected by the Committee as Participants.

SECTION 4.

POWERS OF THE COMMITTEE

4.1 POWER TO GRANT. The Committee shall determine the Participants to whom Awards shall be granted, the type or types of Awards to be granted and the terms and conditions of any and all such Awards. The Committee may establish different terms and conditions for different types of

Awards, for different Participants receiving the same type of Award and for the same Participant for each Award such Participant may receive, whether or not granted at different times.

4.2 ADMINISTRATION. The Committee shall be responsible for the administration of the Plan. The Committee, by majority action thereof, is authorized to prescribe, amend, and rescind rules and regulations relating to the Plan, to provide for conditions deemed necessary or advisable to protect the interests of the Company, and to make all other determinations (including, without limitation, whether a Participant has incurred a Disability) necessary or advisable for the administration and interpretation of the Plan in order to carry out its provisions and purposes. Determinations, interpretations, or other actions made or taken by the Committee pursuant to the provisions of the Plan shall be final, binding, and conclusive for all purposes and upon all persons.

SECTION 5.

STOCK SUBJECT TO PLAN

5.1 NUMBER. Subject to the provisions of Section 5.3, the number of shares of Stock subject to Awards under the Plan may not exceed 1,500,000 shares of Stock. Subject to the provisions of Section 5.3, no Employee shall receive Awards for more than 150,000 shares of Stock over any one-year period. For this purpose, to the extent that any Award is cancelled (as described in Section 1.162-27(e)(2)(vi)(B) of the final regulations promulgated under Section 162(m) of the Code), such cancelled Award shall continue to be counted against the maximum number of shares of Stock for which Awards may be granted to an Employee under the Plan. The shares of Stock to be delivered under the Plan may consist, in whole or in part, of treasury Stock or authorized but unissued Stock, not reserved for any other purpose.

5.2 CANCELLED, TERMINATED, OR FORFEITED AWARDS. Except as provided in Section 5.1, any shares of Stock subject to an Award which for any reason is cancelled, terminated or otherwise settled without the issuance of any Stock shall again be available for Awards under the Plan.

5.3 ADJUSTMENT IN CAPITALIZATION. In the event of any Stock dividend or Stock split, recapitalization (including, without limitation, the payment of an extraordinary dividend), merger, consolidation, combination, spin-off, distribution of assets to shareholders, exchange of shares, or other similar corporate change, the aggregate number of shares of Stock available for Awards under Section 5.1 or subject to outstanding Awards and the respective prices and/or limitations applicable to outstanding Awards may be appropriately adjusted by the Committee, whose determination shall be conclusive. If, pursuant to the preceding sentence, an adjustment is made to

the number of shares subject to outstanding Options held by Participants a corresponding adjustment shall be made to the number of shares subject to outstanding Director Options and if an adjustment is made to the number of shares of Stock authorized for issuance under the Plan, a corresponding adjustment shall be made to the number of shares subject to each Director Option thereafter granted pursuant to Section 6.7.

SECTION 6.

OPTIONS

6.1 GRANT OF OPTIONS. Options may be granted to Participants at such time or times as shall be determined by the Committee. Options granted under the Plan may be of two types: (i) Incentive Stock Options and (ii) Nonstatutory Stock Options. The Committee shall have complete discretion in determining the number of Options, if any, to be granted to a Participant. Without limiting the foregoing, the Committee may grant Options containing provisions for the issuance to the Participant, upon exercise of such Option and payment of the exercise price therefor with previously owned shares of Stock, of an additional Option for the number of shares so delivered, having such other terms and conditions not inconsistent with the Plan as the Committee shall determine. Each Option shall be evidenced by an Option agreement that shall specify the type of Option granted, the exercise price, the duration of the Option, the number of shares of Stock to which the Option pertains, and such other terms and conditions not inconsistent with the Plan as the Committee shall determine.

6.2 OPTION PRICE. Nonstatutory Stock Options and Incentive Stock Options granted pursuant to the Plan shall have an exercise price which is not less than the Fair Market Value of the Stock on the date the Option is granted. To the extent that an Incentive Stock Option is granted to a Participant who owns (actually or constructively under the provisions of Section 424(d) of the Code) Stock possessing more than 10% of the total combined voting power of all classes of Stock of the Company or of any Subsidiary, such Incentive Stock Option shall have an exercise price which is not less than 110% of the Fair Market Value on the date the Option is granted.

6.3 EXERCISE OF OPTIONS. Options awarded to a Participant under the Plan shall be exercisable at such times and shall be subject to such restrictions and conditions including the performance of a minimum period of service, as the Committee may impose, either at or after the time of grant of such Options; provided, however, that if the Committee does not specify another exercise schedule at the time of grant, each Option shall become exercisable in three approximately equal installments on each of the first three anniversaries of the date of grant, subject to the Committee's right to accelerate the exercisability of such Option in its discretion. Notwithstanding the foregoing, no Option shall be exercisable for more than 10 years after the date on which it is granted; provided, however, in the case of an Incentive Stock Option granted to a Participant who owns (actually or constructively under the provisions of Section 424(d) of the Code) Stock possessing more than 10% of total combined voting power of all classes of

Stock of the Company or any Subsidiary, such Incentive Stock Option shall not be exercisable for more than 5 years after the date on which it is granted.

6.4 PAYMENT. The Committee shall establish procedures governing the exercise of Options, which shall require that written notice of exercise be given and that the Option price be paid in full in cash or equivalents, including by personal check, at the time of exercise or pursuant to any arrangement that the Committee shall approve. The Committee may, in its discretion, permit a Participant to make payment in Stock already owned by

him, valued at its Fair Market Value on the date of exercise, as partial or full payment of the exercise price. As soon as practicable after receipt of a written exercise notice and full payment of the exercise price, the Company shall deliver to the Participant a certificate or certificates representing the acquired shares of Stock.

6.5 INCENTIVE STOCK OPTIONS. Notwithstanding anything in the Plan to the contrary, no term of this Plan relating to Incentive Stock Options shall be interpreted, amended or altered, nor shall any discretion or authority granted under the Plan be so exercised, so as to disqualify the Plan under Section 422 of the Code, or, without the consent of any Participant affected thereby, to cause any Incentive Stock Option previously granted to fail to qualify for the Federal income tax treatment afforded under Section 421 of the Code. Further, the aggregate Fair Market Value (determined as of the time an Incentive Stock Option is granted) of the Stock with respect to which Incentive Stock Options are exercisable for the first time by any Participant during any calendar year (under all option plans of the Company and all Subsidiaries of the Company) shall not exceed $100,000.

6.6 DIRECTOR OPTIONS. Notwithstanding anything else contained herein to the contrary, on the first business day following the date of each annual meeting of shareholders during the term of the Plan, each Eligible Director shall receive a Director Option to purchase 5,000 shares of Stock at an exercise price per share equal to the Fair Market Value of the Stock on the date of grant. Each Director Option shall be exercisable six months after the date of grant and shall remain exercisable until the earlier to occur of (i) the tenth anniversary of the date of grant or (ii) the first anniversary of the date the Eligible Director ceases to be a member of the Board, except that if the Eligible Director ceases to be a member of the Board after having been convicted of, or pled guilty or NOLO CONTENDERE to, a felony, his Director Options shall be cancelled on the date he ceases to be a director. An Eligible Director may exercise a Director Option in the manner described in Section 6.4.

SECTION 7.

7.1 TERMINATION OF EMPLOYMENT DUE TO RETIREMENT. Unless otherwise determined by the Committee at the time of grant, in the event a Participant's employment terminates by reason of Retirement, any Options granted to such Participant which are then outstanding (whether or not exercisable prior to the date of such termination) may be exercised at any time prior to the expiration of the term of the Options or within five (5) years (or such shorter period as the Committee shall determine at the time of grant) following the Participant's termination of employment, whichever period is shorter. Notwithstanding any provision contained herein, with respect to any Incentive Stock Option, a Participant who terminates his employment by reason of Retirement may exercise such Incentive Stock Option at any time prior to the expiration of the term of the Option or within three (3) months following the Participant's termination of employment, whichever period is shorter.

7.2 TERMINATION OF EMPLOYMENT DUE TO DEATH OR DISABILITY. Unless otherwise determined by the Committee at the time of grant, in the event a Participant's employment terminates by reason of death or Disability, any Options granted to such Participant which are then outstanding (whether or not exercisable prior to the date of such termination) may be exercised by the Participant or the Participant's designated beneficiary, and if none is named, in accordance with Section 10.2, at any time prior to the expiration date of the term of the Options or within five (5) years (or such shorter period as the Committee shall determine at the time of grant) following the Participant's termination of employment, whichever period is shorter. Notwithstanding any provision contained herein, with respect to any Incentive Stock Option, a Participant whose employment terminates by reason of death or Disability may exercise (or his designated beneficiary may exercise, in the case of death) such Incentive Stock Option at any time prior to the expiration of the term of the Option or within one (1) year following the Participant's termination of employment, whichever period is shorter.

7.3 TERMINATION OF EMPLOYMENT FOR CAUSE. Unless otherwise determined by the Committee at the time of grant, in the event a Participant's employment is terminated for Cause, any Options granted to such Participant which are then outstanding (whether or not exercisable prior to the date of such termination) shall be forfeited.

7.4 TERMINATION OF EMPLOYMENT FOR ANY OTHER REASON. Unless otherwise determined by the Committee at or after the time of grant, in the event the employment of the Participant shall terminate for any reason other than one described in Section 7.1, 7.2 or 7.3, any Options granted to such Participant which are exercisable at the date of the Participant's termination of employment shall remain exercisable until the earlier to occur of (i) the expiration of the term of such Options or (ii) the thirtieth day

following the Participant's termination of employment, whichever period is shorter.

SECTION 8.

CHANGE IN CONTROL

8.1 ACCELERATED VESTING AND PAYMENT. Subject to the provisions of Section 8.2 below, in the event of a Change in Control, each Option (excluding any Director Option) shall be cancelled in exchange for a payment in cash of an amount equal to the excess of the Change in Control Price over the exercise price for such Option.

8.2 ALTERNATIVE AWARDS. Notwithstanding Section 8.1, no cancellation or cash settlement or other payment shall occur with respect to any Award or any class of Awards if the Committee reasonably determines in good faith prior to the occurrence of a Change in Control that such Award or Awards shall be honored or assumed, or new rights substituted therefor (such honored, assumed or substituted award hereinafter called an "Alternative Award"), by a Participant's employer (or the parent or a subsidiary of such employer) immediately following the Change in Control, provided that any such Alternative Award must:

(i) be based on stock which is traded on an established securities market, or which will be so traded within 60 days of the Change in Control;

(ii) provide such Participant (or each Participant in a class of Participants) with rights and entitlements substantially equivalent to or better than the rights, terms and conditions applicable under such Award, including, but not limited to, an identical or better exercise or vesting schedule and identical or better timing and methods of payment;

(iii) have substantially equivalent economic value to such Award (determined at the time of the Change in Control); and

(iv) have terms and conditions which provide that in the event that the Participant's employment is involuntarily terminated or constructively terminated, any conditions on a Participant's rights under, or any restrictions on transfer or exercisability applicable to, each such Alternative Award shall be waived or shall lapse, as the case may be.

For this purpose, a constructive termination shall mean a termination by a Participant following a material reduction in the Participant's compensation, a material reduction in the Participant's responsibilities or the relocation of the Participant's principal place of employment to another location, in each case without the Participant's written consent.

8.3 DIRECTOR OPTIONS. Upon a Change in Control, each Director Option granted to an Eligible Director shall be cancelled in

exchange for a payment in cash of an amount equal to the excess of the Change in Control Price over the exercise price for such Director Option unless (i) the Stock remains traded on an established securities market following the Change in Control and (ii) such Eligible Director remains on the Board following the Change in Control.

8.4 OPTIONS GRANTED WITHIN SIX MONTHS OF THE CHANGE IN CONTROL. If any Option (including a Director Option) granted within six months of the date on which a Change in Control occurs (i) is held by a person subject to the reporting requirements of Section 16(a) of the Act and (ii) is to be cashed out pursuant to Section 8.1 or 8.3, such cash out shall not occur unless and until, in the opinion of the Company's counsel, such cash out could

occur without such reporting person being potentially subject to liability under Section 16(b) of the Act by reason of such cash out.

SECTION 9.

AMENDMENT, MODIFICATION, AND TERMINATION OF PLAN

The Board or the Committee may at any time terminate or suspend the Plan, and from time to time may amend or modify the Plan; provided, however, that no amendment may be made to Section 6.6 or any other provision of the Plan relating to Director Options within six months of the last date on which any such provision was amended. Any such amendment, termination or suspension may be made without the approval of the shareholders of the Company except as such shareholder approval may be required (a) to satisfy the requirements of Rule 16b-3 under the Act, or any successor rule or regulation, (b) to satisfy applicable requirements of the Code or (c) to satisfy applicable requirements of any securities exchange on which are listed any of the Company's equity securities. No amendment of the Plan shall result in any Committee member's losing his status as a "disinterested person" as defined in Rule 16b-3 under the Act, or any successor rule or regulation, with respect to any employee benefit plan of the Company or result in the Plan's losing its status as a plan satisfying the requirements of said Rule 16b-3. No amendment, modification, or termination of the Plan shall in any manner adversely affect any Award therefore granted under the Plan, without the consent of the Participant.

SECTION 10

MISCELLANEOUS PROVISIONS

10.1 NONTRANSFERABILITY OF AWARDS. No Awards granted under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and

distribution. All rights with respect to Awards granted to a Participant under the Plan shall be exercisable during his lifetime only by such Participant and all rights with respect to any Director Options granted to an Eligible Director shall be exercisable during his lifetime only by such Eligible Director.

10.2 BENEFICIARY DESIGNATION. Each Participant and each Eligible Director under the Plan may from time to time name any beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under the Plan is to be paid or by whom any right under the Plan is to be exercised in case of his death. Each designation shall revoke all prior designations by the same Participant or Eligible Director, shall be in a form prescribed by the Committee, and shall be effective only when filed in writing with the Committee. In the absence of any such designation, benefits remaining unpaid at the Participant's death shall be paid to or exercised by his surviving spouse, if any, or otherwise to or by his estate and Director Options outstanding at the Eligible Director's death shall be exercised by his surviving spouse, if any, or otherwise by his estate.

10.3 NO GUARANTEE OF EMPLOYMENT OR PARTICIPATION. Nothing in the Plan shall interfere with or limit in any way the right of the Company or any Subsidiary to terminate any Participant's employment at any time, nor confer upon any Participant any right to continue in the employ of the Company or any Subsidiary. No Employee shall have a right to be selected as a Participant, or, having been so selected, to receive any future Awards. Nothing in the Plan shall confer upon an Eligible Director a right to continue to serve on the Board or to be nominated for reelection to the Board.

10.4 TAX WITHHOLDING. The Company shall have the power to withhold, or require a Participant or Eligible Director to remit to the Company, an amount sufficient to satisfy Federal, State, and local withholding tax requirements on any Award under the Plan, and the Company may defer payment of cash or issuance of Stock until such requirements are satisfied. The Committee may, in its discretion, permit a Participant to elect, subject to such conditions as the Committee shall impose, (i) to have shares of Stock otherwise issuable under the Plan withheld by the Company or (ii) to deliver to the Company previously acquired shares of Stock having a Fair Market Value sufficient to satisfy all or part of the Participant's estimated total Federal, state, and local tax obligation associated with the transaction.

10.5 INDEMNIFICATION. Each person who is or shall have been a member of the Committee or of the Board shall be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him in connection with or resulting from any claim, action, suit, or proceeding to which he may be made a party or in which he may be involved by reason of any action taken

or failure to act under the Plan and against and from any and all amounts paid by him in settlement thereof, with the Company's approval, or paid by him in satisfaction of any judgment in any such action, suit, or proceeding against him, provided he shall give the Company an opportunity, at its own expense, to handle and defend the same before he undertakes to handle and defend it on his own behalf. The foregoing right of indemnification shall not be exclusive and shall be independent of any other rights of indemnification to which such persons may be entitled under the Company's Articles of Incorporation or Code of Regulations, by contract, as a matter of law, or otherwise.

10.6 NO LIMITATION ON COMPENSATION. Nothing in the Plan shall be construed to limit the right of the Company to establish other plans or to pay compensation to its Employees or directors, in cash or property, in a manner which is not expressly authorized under the Plan.

10.7 REQUIREMENTS OF LAW. The granting of Awards and the issuance of shares of Stock shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required. Notwithstanding the foregoing, no Stock shall be issued under the Plan unless the Company is satisfied that such issuance will be in compliance with applicable federal and state securities laws. Certificates for Stock delivered under the Plan may be subject to such stock transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Stock is then listed or traded, the Nasdaq National Market or any applicable federal or state securities law. The Committee may cause a legend or legends to be placed on any such certificates to make appropriate reference to such restrictions.

10.8 TERM OF PLAN. The Plan shall be effective upon its adoption by the Committee, subject to approval by the Board and approval by the affirmative vote of the holders of a majority of the shares of voting stock present in person or represented by proxy at the 1996 Annual Meeting of Shareholders. The Plan shall continue in effect, unless sooner terminated pursuant to Section 9, until the tenth anniversary of the date on which it is adopted by the Board.

10.9 GOVERNING LAW. The Plan, and all agreements hereunder, shall be construed in accordance with and governed by the laws of the State of Ohio.

10.10 NO IMPACT ON BENEFITS. Plan Awards are not compensation for purposes of calculating an Employee's rights under any employee benefit plan.

EXHIBIT 10(j)

Employment Agreement, dated as of May 19, 1995, among Stern's Miracle-Gro Products, Inc. (nka Scotts' Miracle-Gro Products, Inc.), The Scotts Company and Horace Hagedorn

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT (this "Agreement"), dated as of May 19, 1995, by and among Stern's Miracle-Gro Products, Inc., a New Jersey corporation (the "Company"), The Scotts Company, an Ohio corporation ("Scotts"), and Horace Hagedorn (the "Employee").

WHEREAS, the Company and Scotts have entered into an Agreement and Plan of Merger (the "Merger Agreement"), dated as of January 26, 1995, and amended as of May 1, 1995;

WHEREAS, in connection with the transactions contemplated by the Merger Agreement and in recognition of the Employee's experience and abilities, the Company desires to assure itself of the employment of the Employee in accordance with the terms and conditions provided herein; and

WHEREAS, the Employee wishes to continue to perform services for the Company in accordance with the terms and conditions provided herein.

NOW, THEREFORE, in consideration of the premises and the respective covenants and agreements of the parties herein contained, and intending to be legally bound hereby, the parties hereto agree as follows:

1. EMPLOYMENT. The Company hereby agrees to employ the Employee, and the Employee hereby agrees to perform services for the Company, on the terms and conditions set forth herein.

2. TERM. This Agreement is for the three-year period (the "Term") commencing as of the "Effective Time," as defined in the Merger Agreement, and terminating on the third anniversary of such date, or upon the Employee's earlier death, disability or other termination of employment pursuant to Section 7 hereof; PROVIDED, HOWEVER, that commencing on the second anniversary of the Effective Time and each anniversary thereafter the Term shall automatically be extended for one additional year beyond its otherwise scheduled expiration unless, not later than 30 days prior to any such anniversary, either the Employee or the Company shall have notified the other parties hereto in writing that such extension shall not take effect.

3. POSITIONS. During the Term, the Employee shall serve as the Chief Executive Officer of the Company.

4. DUTIES AND REPORTING RELATIONSHIP.

(a) During the Term, the Employee shall, on a full time basis, use his skills and render services to the best of his abilities in supervising and conducting the operations of the Company; PROVIDED, HOWEVER, that, subject to Section 10 hereof, the foregoing shall not prevent the Employee from devoting a portion of his time and efforts to his personal business affairs so long as they do not materially interfere with the performance of his duties hereunder. The Employee shall report directly to the Chief Executive Officer of Scotts.

(b) The Employee shall be permitted to serve on the boards of other for-profit and not-for-profit organizations so long as such activities do not materially interfere with the performance of his duties hereunder.

5. PLACE OF PERFORMANCE. The Employee shall perform his duties and conduct his business at the offices of the Company, located in Port Washington, New York, except for required travel on the Company's business.

6. COMPENSATION AND RELATED MATTERS.

(a) ANNUAL BASE SALARY. Commencing on the Effective Time, the Company shall pay to the Employee an annual base salary (the "Base Salary") at a rate not less than $200,000, such salary to be paid in conformity with the Company's payroll policies relating to its senior executive officers. The Base Salary may, from time to time, be increased, subject to and in accordance with the performance review procedures for senior executive officers of the Company or Scotts; PROVIDED, HOWEVER, if the Employee's Base Salary is increased, it shall not thereafter be decreased during the Term.

(b) EXECUTIVE BENEFIT PLANS. During the Term, the Employee shall be entitled to participate in those incentive plans, programs and arrangements which are available to other senior executive officers of the Company or Scotts (the "Benefit Plans"), including, but not limited to, (i) annual and long-term bonus plans (payments in any given year with respect thereto, collectively, the "Bonus") and (ii) stock option and other equity-based compensation plans now or hereinafter maintained by the Company or Scotts. The Employee shall be provided benefits under the Benefit Plans substantially equivalent (in the aggregate) to the benefits provided to other senior executive officers of the Company or Scotts and on substantially similar terms and conditions as such benefits are provided to other senior executive officers of the Company or Scotts.

(c) PENSION AND WELFARE BENEFITS. During the Term, the Employee shall be eligible to participate in the pension and retirement plans (the "Pension Plans") provided to other senior executive officers of the Company or Scotts (including, without limitation, Scotts' Pension Plan and Scotts' Excess Benefit Plan), and participate fully in all health benefits, insurance programs and other similar employee welfare benefit arrangements available to other senior executive officers of the Company or Scotts and shall be provided benefits under such plans and arrangements substantially equivalent (in the aggregate) to the benefits provided to other senior executive officers of the Company or Scotts and on substantially similar terms and conditions as such benefits are provided to other senior executive officers of the Company or Scotts. All service with the Company accrued by the Employee during his employment therewith shall be preserved and maintained for eligibility and vesting purposes under the Pension Plans that are maintained by Scotts. This Section 6(c) is not intended to provide the Employee with a duplication of benefits.

(d) STOCK OPTIONS. Effective as of the Effective Time, Scotts shall grant to the Employee a non-qualified stock option (the "Option") to acquire 24,000 of Scotts' common shares without par value ("Common Stock"), pursuant to the terms and conditions of Scotts' 1992 Long Term Incentive Plan, or any successor or replacement plan thereto (the "Plan"), and pursuant to a stock option agreement which shall provide terms and conditions no less favorable to the Employee than any stock option agreement entered into by and between Scotts and its other senior executive officers.

(e) FRINGE BENEFITS AND PERQUISITES. During the Term, the Company shall provide to the Employee all of the fringe benefits and perquisites that are provided to other senior executive officers of the Company or Scotts, and the Employee shall be entitled to receive any other fringe benefits or perquisites that become available to other senior executive officers of the Company or Scotts subsequent to the Effective Time. Without limiting the generality of the foregoing, the Company or Scotts shall provide the Employee with the following benefits during the Term: (i) paid vacation, paid holidays and sick leave in accordance with the Company's or Scotts' standard policies for its senior executive officers, which policies shall provide the Employee with benefits no less favorable (in the aggregate) than those provided to other senior executive officers of the Company or Scotts, and (ii) an automobile allowance no less than any such allowance provided to any other senior executive officer of the Company or Scotts.

(f) BUSINESS EXPENSES. The Employee will be reimbursed for all ordinary and necessary business expenses incurred by him in connection with his employment (including without limitation, expenses for travel and entertainment incurred in conducting or promoting business for the Company) upon submission by

the Employee of receipts and other documentation in accordance with the Company's normal reimbursement procedures.

7. TERMINATION. The Employee's employment hereunder may be terminated without breach of this Agreement only under the following circumstances:

(a) DEATH. The Employee's employment hereunder shall terminate upon his death.

(b) DISABILITY. If, as a result of the Employee's incapacity due to physical or mental illness, the Employee shall have been absent from his duties hereunder for the entire period of six consecutive months, and within thirty (30) days after written Notice of Termination (as defined in paragraph (e) below) is given, shall not have returned to the performance of his duties hereunder, the Company may terminate the Employee's employment hereunder for "Disability."

(c) CAUSE. The Company may terminate the Employee's employment hereunder for "Cause." For purposes of this Agreement, the Company shall have "Cause" to terminate the Employee's employment hereunder (i) upon the Employee's conviction for the commission of an act or acts constituting a felony under the laws of the United States or any state thereof, or (ii) upon the Employee's willful and continued failure to substantially perform his duties hereunder (other than any such failure resulting from the Employee's incapacity due to physical or mental illness), after written notice has been delivered to the Employee by the Company, which notice specifically identifies the manner in which the Employee has not substantially performed his duties, and the Employee's failure to substantially perform his duties is not cured within ten business days after notice of such failure has been given to the Employee. For purposes of this Section 7(c), no acts or failure to act, on the Employee's part shall be deemed "willful" unless done, or omitted to be done, by the Employee not in good faith and without reasonable belief that the Employee's act, or failure to act, was in the best interest of the Company.

(d) TERMINATION BY THE EMPLOYEE. The Employee may terminate his employment hereunder for "Good Reason." "Good Reason" for termination by the Employee of the Employee's employment shall mean the occurrence (without the Employee's express

written consent) of any one of the following acts by the Company, or failures by the Company to act, unless, in the case of any act or failure to act described in paragraph (i), (v), (vi), or (vii) below, such act or failure to act is corrected prior to the Date of Termination specified in the Notice of Termination given in respect thereof:

(i) the assignment to the Employee of any duties inconsistent with the Employee's status as a senior executive officer of the Company or a substantial adverse alteration in the nature or status of the Employee's responsibilities;

(ii) a reduction by the Company of the Base Salary as in effect on the date hereof or as the same may be increased from time to time;

(iii) the relocation of the Employee's place of performance, by the Company, outside of the New York City metropolitan area;

(iv) the failure by the Company or Scotts, without the Employee's consent, to pay to the Employee any portion of the Employee's current compensation, or to pay to the Employee any portion of an installment of deferred compensation under any deferred compensation program of the Company or Scotts, within seven (7) days of the date such compensation is due;

(v) the failure by the Company or Scotts to continue in effect any compensation or benefit plan in which the Employee is entitled to participate which is material to the Employee's total compensation, unless an equitable arrangement has been made with respect to such plan, or the failure by the Company or Scotts to continue the Employee's participation therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of the Employee's participation relative to other participants;

(vi) the failure by the Company or Scotts to continue to provide the Employee with benefits substantially similar to those enjoyed by the Employee under any of the Company's or Scotts' pension, life insurance, medical, health and accident, or disability plans in which the Employee is entitled to participate, the taking of any action by the Company or Scotts which would directly or indirectly materially reduce any of such benefits or deprive the Employee of any material fringe benefit or perquisite enjoyed by the Employee, or the failure by the Company or

Scotts to provide the Employee with the number of paid vacation days to which the Employee is entitled pursuant to this Agreement; or

(vii) any purported termination of the Employee's employment which is not effected pursuant to a Notice of Termination satisfying the requirement of paragraph (e) below; for purposes of this Agreement, no such purported termination shall be effective.

The Employee's right to terminate the Employee's employment for Good

Reason shall not be affected by the Employee's incapacity due to physical or mental illness. The Employee's continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder.

(e) NOTICE OF TERMINATION. Any termination of the Employee's employment by the Company or by the Employee (other than termination under Section 7(a) hereof) shall be communicated by written Notice of Termination to the other parties hereto in accordance with Section 12 hereof. For purposes of this Agreement, a "Notice of Termination" shall mean a notice that shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Employee's employment under the provision so indicated. Further, a Notice of Termination for Cause is required to include a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the entire membership of the Board at a meeting of the Board (after reasonable notice to the Employee and an opportunity for the Employee, together with the Employee's counsel, to be heard before the Board) finding that, in the good faith opinion of the Board, the Employee was guilty of conduct set forth in the definition of Cause herein, and specifying the particulars thereof.

(f) DATE OF TERMINATION. "Date of Termination" shall mean (i) if the Employee's employment is terminated by his death, the date of his death, (ii) if the Employee's employment is terminated pursuant to paragraph (b) above, thirty (30) days after Notice of Termination is given (provided that the Employee shall not have returned to the performance of his duties on a full-time basis during such thirty (30)-day period), and (iii) if the Employee's employment is terminated pursuant to paragraph (c) or (d) above, the date specified in the Notice of Termination; PROVIDED, HOWEVER, that if within thirty (30) days after any Notice of Termination is given the party receiving such Notice of Termination notifies the other parties that a dispute exists

concerning the termination, the Date of Termination shall be the date on which the dispute is finally determined. If within fifteen (15) days after any Notice of Termination is given, or, if later, prior to the Date of Termination (as determined without regard to this Section 7(f)), the party receiving such Notice of Termination notifies the other parties that a dispute exists concerning the termination, the Date of Termination shall be the date on which the dispute is finally resolved, either by mutual written agreement of the parties or by a final judgment, order or decree of a court of competent jurisdiction (which is not appealable or with respect to which the time for appeal therefrom has expired and no appeal has been perfected); provided further that the Date of Termination shall be extended by a notice of dispute only if such notice is given in good faith and the party giving such notice pursues the resolution of such dispute with reasonable diligence.

(g) COMPENSATION DURING DISPUTE. If a purported termination occurs during the term of this Agreement, and such termination is disputed in accordance with Section 7(f) hereof, the Company or Scotts shall continue to pay the Employee the full compensation in effect when the notice giving rise to the dispute was given (including, but not limited to, Base Salary) and continue the Employee as a participant in all compensation, benefit and insurance plans in which the Employee was participating when the notice giving rise to the dispute was given, until the dispute is finally resolved. Amounts paid under this Section 7(g) are in addition to all other amounts due under this Agreement and shall not be offset against or reduce any other amounts due under this Agreement.

8. COMPENSATION UPON TERMINATION OR DURING DISABILITY.

(a) DISABILITY OR DEATH. During any period that the Employee fails to perform his duties hereunder as a result of incapacity due to physical or mental illness, the Employee shall continue to receive his full Base Salary, as well as other applicable employee benefits provided to other senior executives of the Company or Scotts, as provided in this Agreement, until his employment is terminated pursuant to Section 7(b) hereof. In the event the Employee's employment is terminated pursuant to Section 7(a) or 7(b) hereof, then as soon as practicable thereafter, the Company or Scotts shall pay the Employee or the Employee's Beneficiary (as defined in Section 11(b) hereof), as the case may be, (i) all unpaid amounts, if any, to which the Employee was entitled as of the Date of Termination under Section 6(a) hereof and (ii) all unpaid amounts to which the Employee was then entitled under the Benefit Plans, the Pension Plans and any other unpaid employee benefits, perquisites or other reimburse-

ments (the amounts set forth in clauses (i) and (ii) above being hereinafter referred to as the "Accrued Obligation").

(b) TERMINATION FOR CAUSE; VOLUNTARY TERMINATION WITHOUT GOOD REASON. If the Employee's employment is terminated by the Company for Cause or by the Employee other than for Good Reason, then the Company or Scotts shall pay all Accrued Obligations to the Employee and neither the Company nor Scotts shall have any further obligations to the Employee under this Agreement.

(c) TERMINATION WITHOUT CAUSE; TERMINATION FOR GOOD REASON. If (i) the Company shall terminate the Employee's employment, other than for Disability or for Cause, or (ii) the Employee shall terminate his employment for Good Reason, then:

(1) the Company or Scotts shall pay to the Employee, within ten (10) days after the Date of Termination, the Accrued Obligations;

(2) the Company or Scotts shall pay to the Employee, within ten (10) days after the Date of Termination, a lump sum amount in cash equal to three (3) multiplied by the sum of (i) the Employee's Base Salary as in effect immediately prior to the circumstances giving rise to the Notice of Termination plus (ii) the highest annual Bonus paid to the Employee in respect of the three years preceding the Date of Termination;

(3) to the extent permitted under the terms and conditions of each applicable plan or arrangement, the Company or Scotts shall pay to the Employee a lump sum payment, in cash, within ten (10) days after the Date of Termination, equal to the Employee's accrued benefits (or the actuarial equivalent if applicable) as of the Date of Termination under the Pension Plans and the Benefit Plans. In addition, to the extent permitted under the terms and conditions of each applicable plan or arrangement, for purposes of computing the benefits payable to the Employee under the Pension Plans and Benefit Plans in which the Employee participated as of the Date of Termination, the Employee shall be treated as if he had continued in employment for three (3) years following the Date of Termination; and

(4) for a period of three (3) years following the Date of Termination the Company or Scotts shall pay all costs and expenses associated with the continuation of coverage of the Employee (as contemplated under Section 4980B of the Internal Revenue Code of 1986, as amended) under all applicable medical, disability and life insurance plans as existed immediately prior to the circumstances giving rise to the Notice of Termination; PROVIDED, HOWEVER, that such coverage shall be reduced to the extent that the Employee obtains similar coverage paid by a subsequent employer.

9. NON-DISCLOSURE. The parties hereto agree, recognize and acknowledge that during the Term the Employee shall obtain knowledge of confidential information regarding the business and affairs of the Company. It is therefore agreed that the Employee will respect and protect the confidentiality of all confidential information pertaining to the Company, and will not (i) without the prior written consent of the Company, (ii) unless required in the course of the Employee's employment hereunder, or (iii) unless required by applicable law, rules, regulations or court, governmental or regulatory authority order or decree, disclose in any fashion such confidential information to any person (other than a person who is a director of, or who is

employed by, the Company or any subsidiary or who is engaged to render services to the Company or any subsidiary) at any time during the Term.

10. COVENANT NOT TO COMPETE. (a) Employee hereby agrees that for a period of three (3) years following the termination of this Agreement (other than a termination of the Employee's employment (i) by the Employee for Good Reason, or (ii) by the Company other than for Cause or Disability) (the "Restricted Period") the Employee shall not, directly or indirectly, whether acting individually or through any person, firm, corporation, business or any other entity:

(i) engage in, or have any interest in any person, firm, corporation, business or other entity (as an officer, director, employee, agent, stockholder or other security holder, creditor, consultant or otherwise) that engages in any business activity where any aspect of the business of the Company is conducted, or planned to be conducted, at any time during the Restricted Period, which business activity is the same as, similar to or competitive with the Company as the same may be conducted from time to time;

(ii) interfere with any contractual relationship that may exist from time to time of the business of the Company, including, but not limited to, any contractual relationship with any director, officer, employee, or sales agent, or supplier of the Company; or

(iii) solicit, induce or influence, or seek to induce or influence, any person who currently is, or from time to time may be, engaged or employed by the Company (as an officer, director, employee, agent or independent contractor) to terminate his or her employment or engagement by the Company.

(b) Notwithstanding anything to the contrary contained herein, Employee, directly or indirectly, may own publicly traded stock constituting not more than three percent (3%) of the outstanding shares of such class of stock of any corporation if, and as long as, Employee is not an officer, director, employee or agent of, or consultant or advisor to, or has any other relationship or agreement with such corporation.

(c) Employee acknowledges that the non-competition provisions contained in this Agreement are reasonable and necessary, in view of the nature of the Company and his knowledge thereof, in order to protect the legitimate interests of the Company.

11. SUCCESSORS; BINDING AGREEMENT.

(a) The Company and Scotts shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company or Scotts, by

agreement in form and substance reasonably satisfactory to the Employee, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company and Scotts would be required to perform it if no such succession had taken place. Failure of the Company or Scotts to obtain such assumption and agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle the Employee to compensation from the Company and/or Scotts in the same amount and on the same terms as he would be entitled to hereunder if he terminated his employment for Good Reason, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination. As used in this Agreement, each of "Company" and "Scotts" shall mean the Company and Scotts, respectively in each case as hereinbefore defined and any of their respective successors to their businesses and/or assets as aforesaid that executes and delivers the agreement provided for in this

Section 11 or that otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.

(b) This Agreement and all rights of the Employee hereunder shall inure to the benefit of and be enforceable by the Employee's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Employee should die while any amounts would still be payable to him hereunder if he had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the Employee's devisee, legatee, or other designee or, if there be no such designee, to the Employee's estate (any of which is referred to herein as a "Beneficiary").

12. NOTICE. For the purposes of this Agreement, notices, demands and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or (unless otherwise specified) mailed by United States certified or registered mail, return receipt requested, postage prepaid, addressed as follows:

If to the Company:

Stern's Miracle-Gro Products, Inc.
800 Port Washington Boulevard
Port Washington, New York 11050
Attn: General Counsel

If to Scotts:

The Scotts Company
14111 Scottslawn Road
Marysville, Ohio 43201

Attn: General Counsel

If to the Employee:

Horace Hagedorn
Old House Lane
Sands Point, New York 11050

or to such other address as each party may have furnished to the others in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

13. MISCELLANEOUS. No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by the Employee and such officer of the Company as may be

specifically designated by the Board. No waiver by a party hereto at any time of any breach by another party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by the parties which are not set forth expressly in this Agreement. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the state of Ohio without regard to its conflicts of law principles.

14. VALIDITY. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect. To the extent that any of the provisions hereof are inconsistent with the provisions of the Agreement Containing Consent Order and the Agreement to Hold Separate (collectively, the "Consent Order") between Scotts and the Federal Trade Commission, the provisions of the Consent Order shall govern in all respects.

15. COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

16. ENTIRE AGREEMENT. This Agreement sets forth the entire agreement of the parties hereto in respect of the subject matter contained herein and supersedes any and all other prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any officer, employee or representative of any party hereto; and any

prior agreement of the parties hereto in respect of the subject matter contained herein is hereby terminated and cancelled.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date and year first above written.

STERN'S MIRACLE-GRO PRODUCTS, INC.

By: /S/ HORACE HAGEDORN

Name:
Title:

THE SCOTTS COMPANY

By: /S/ CRAIG WALLEY

Name:
Title:

EMPLOYEE

/S/ HORACE HAGEDORN

HORACE HAGEDORN

EXHIBIT 10(K)

Employment Agreement, dated as of May 19, 1995, among Stern's Miracle-Gro Products, Inc. (nka Scotts' Miracle-Gro Products, Inc.), The Scotts Company and John Kenlon

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT (this "Agreement"), dated as of May 19, 1995, by and among Stern's Miracle-Gro Products, Inc., a New Jersey corporation (the "Company"), The Scotts Company, an Ohio corporation ("Scotts"), and John Kenlon (the "Employee").

WHEREAS, the Company and Scotts have entered into an Agreement and Plan of Merger (the "Merger Agreement"), dated as of January 26, 1995, and amended as of May 1, 1995;

WHEREAS in connection with the transactions contemplated by the Merger Agreement and in recognition of the Employee's experience and abilities, the Company desires to assure itself of the employment of the Employee in accordance with the terms and conditions provided herein; and

WHEREAS, the Employee wishes to continue to perform services for the Company in accordance with the terms and conditions provided herein.

NOW, THEREFORE, in consideration of the premises and the respective covenants and agreements of the parties herein contained, and intending to be legally bound hereby, the parties hereto agree as follows:

1. EMPLOYMENT. The Company hereby agrees to employ the Employee, and the Employee hereby agrees to perform services for the Company, on the terms and conditions set forth herein.

2. TERM. This Agreement is for the three-year period (the "Term") commencing as of the "Effective Time," as defined in the Merger Agreement, and terminating on the third anniversary of such date, or upon the Employee's earlier death, disability or other termination of employment pursuant to Section 7 hereof; PROVIDED, HOWEVER, that commencing on the second anniversary of the Effective Time and each anniversary thereafter the Term shall automatically be extended for one additional year beyond its otherwise scheduled expiration unless, not later than 30 days prior to any such anniversary, either

the Employee or the Company shall have notified the other parties hereto in writing that such extension shall not take effect.

3. POSITIONS. During the Term, the Employee shall serve as the President of the Company.

4. DUTIES AND REPORTING RELATIONSHIP.

(a) During the Term, the Employee shall, on a full time basis, use his skills and render services to the best of his abilities in supervising and conducting the operations of the Company; PROVIDED, HOWEVER, that, subject to Section 10 hereof, the foregoing shall not prevent the Employee from devoting a portion of his time and efforts to his personal business affairs so long as they do not materially interfere with the performance of his duties hereunder. The Employee shall report directly to the Chief Executive Officer of the Company.

(b) The Employee shall be permitted to serve on the boards of other for-profit and not-for-profit organizations so long as such activities do not materially interfere with the performance of his duties hereunder.

5. PLACE OF PERFORMANCE. The Employee shall perform his duties and conduct his business at the offices of the Company, located in Port Washington, New York, except for required travel on the Company's business.

6. COMPENSATION AND RELATED MATTERS.

(a) ANNUAL BASE SALARY. Commencing on the Effective Time, the Company shall pay to the Employee an annual base salary (the "Base Salary") at a rate not less than $195,000, such salary to be paid in conformity with the Company's payroll policies relating to its senior executive officers. The Base Salary may, from time to time, be increased, subject to and in accordance with the performance review procedures for senior executive officers of the Company or Scotts; PROVIDED, HOWEVER, if the Employee's Base Salary is increased, it shall not thereafter be decreased during the Term.

(b) EXECUTIVE BENEFIT PLANS. During the Term, the Employee shall be entitled to participate in those incentive plans, programs and arrangements which are available to other senior executive officers of the Company or Scotts (the "Benefit Plans"), including, but not limited to, (i) annual and long-term bonus plans (payments in any given year with respect thereto, collectively, the "Bonus") and (ii) stock option and other equity-based compensation plans now or hereinafter maintained by the Company or Scotts. The Employee shall be provided benefits under the Benefit Plans substantially equivalent (in the aggregate) to the benefits provided to other senior executive officers of the Company or Scotts and on substantially similar terms and conditions as such benefits are provided to other senior executive officers of the Company or Scotts.

(c) PENSION AND WELFARE BENEFITS. During the Term, the Employee shall be eligible to participate in the pension and retirement plans (the "Pension Plans") provided to other senior executive officers of the Company or Scotts (including, without limitation, Scotts' Pension Plan and Scotts' Excess Benefit Plan), and participate fully in all health benefits, insurance programs and other similar employee welfare benefit arrangements available to other senior executive officers of the Company or Scotts and shall be provided benefits under such plans and arrangements substantially equivalent (in the aggregate) to the benefits provided to other senior executive officers of the Company or Scotts and on substantially similar terms and conditions as such benefits are provided to other senior executive officers of the Company or Scotts. All service with the Company accrued by the Employee during his employment therewith shall be preserved and maintained for eligibility and vesting purposes under the Pension Plans that are maintained by Scotts. This Section 6(c) is not intended to provide the Employee with a duplication of benefits.

(d) STOCK OPTIONS. Effective as of the Effective Time, Scotts shall grant to the Employee a non-qualified stock option (the "Option") to acquire 24,000 of Scotts' common shares without par value ("Common Stock"), pursuant to the terms and conditions of Scotts' 1992 Long Term Incentive Plan, or any successor or replacement plan there to (the "Plan"), and pursuant to a stock option agreement which shall provide terms and conditions no less favorable to the Employee than any stock option agreement entered into by and between Scotts and its other senior executive officers.

(e) FRINGE BENEFITS AND PERQUISITES. During the Term, the Company shall provide to the Employee all of the fringe benefits and perquisites that are provided to other senior executive officers of the Company or Scotts, and the Employee shall be entitled to receive any other fringe benefits or perquisites that become available to other senior executive officers of the Company or Scotts subsequent to the Effective Time. Without limiting the generality of the foregoing, the Company or Scotts shall provide the Employee with the following benefits during the Term: (i) paid vacation, paid holidays and sick leave in accordance with the Company's or Scotts' standard policies for its senior executive officers, which policies shall provide the Employee with benefits no less favorable (in the aggregate) than those provided to other senior executive officers of the Company or Scotts, and (ii) an automobile allowance no less than any such allowance provided to any other senior executive officer of the Company or Scotts.

(f) BUSINESS EXPENSES. The Employee will be reimbursed for all ordinary and necessary business expenses incurred by him in connection with his employment (including without limitation, expenses for travel and entertainment incurred in conducting or promoting business for the Company) upon submission by the Employee of receipts and other documentation in accordance with the Company's normal reimbursement procedures.

7. TERMINATION. The Employee's employment hereunder may be terminated without breach of this Agreement only under the following circumstances:

(a) DEATH. The Employee's employment hereunder shall terminate upon his death.

(b) DISABILITY. If, as a result of the Employee's incapacity due to physical or mental illness, the Employee shall have been absent from his duties hereunder for the entire period of six consecutive months, and within thirty (30) days after written Notice of Termination (as defined in paragraph (e) below) is given, shall not have returned to the performance of his duties hereunder, the Company may terminate the Employee's employment hereunder for "Disability."

(c) CAUSE. The Company may terminate the Employee's employment hereunder for "Cause." For purposes of this Agreement, the Company shall have "Cause" to terminate the Employee's employment hereunder (i) upon the Employee's conviction for the commission of an act or acts constituting a felony under the laws of the United States or any state thereof, or (ii) upon the Employee's willful and continued failure to substantially perform his duties hereunder (other than any such failure resulting from the Employee's incapacity due to physical or mental illness), after written notice has been delivered to the Employee by the Company, which notice specifically identifies the manner in which the Employee has not substantially performed his duties, and the Employee's failure to substantially perform his duties is not cured within ten business days after notice of such failure has been given to the Employee. For purposes of this Section 7(c), no act, or failure to act, on the Employee's part shall be deemed "willful" unless done, or omitted to be done, by the Employee not in good faith and without reasonable belief that the Employee's act, or failure to act, was in the best interest of the Company.

(d) TERMINATION BY THE EMPLOYEE. The Employee may terminate his employment hereunder for "Good Reason." "Good Reason" for termination by the Employee of the Employee's employment shall mean the occurrence (without the Employee's express

written consent) of any one of the following acts by the Company, or failures

by the Company to act, unless, in the case of any act or failure to act described in paragraph (i), (v), (vi), or (vii) below, such act or failure to act is corrected prior to the Date of Termination specified in the Notice of Termination given in respect thereof:

(i) the assignment to the Employee of any duties inconsistent with the Employee's status as a senior executive officer of the Company or a substantial adverse alteration in the nature or status of the Employee's responsibilities;

(ii) a reduction by the Company of the Base Salary as in effect on the date hereof or as the same may be increased from time to time;

(iii) the relocation of the Employee's place of performance, by the Company, outside of the New York City metropolitan area;

(iv) the failure by the Company or Scotts, without the Employee's consent, to pay to the Employee any portion of the Employee's current compensation, or to pay to the Employee any portion of an installment of deferred compensation under any deferred compensation program of the Company or Scotts, within seven (7) days of the date such compensation is due;

(v) the failure by the Company or Scotts to continue in effect any compensation or benefit plan in which the Employee is entitled to participate which is material to the Employee's total compensation, unless an equitable arrangement has been made with respect to such plan, or the failure by the Company or Scotts to continue the Employee's participation therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of the Employee's participation relative to other participants;

(vi) the failure by the Company or Scotts to continue to provide the Employee with benefits substantially similar to those enjoyed by the Employee under any of the Company's or Scotts' pension, life insurance, medical, health and accident, or disability plans in which the Employee is entitled to participate, the taking of any action by the Company or Scotts which would directly or indirectly materially reduce any of such benefits or deprive the Employee of any material fringe benefit or perquisite enjoyed by the Employee, or the failure by the Company or

Scotts to provide the Employee with the number of paid vacation days to which the Employee is entitled pursuant to this Agreement; or

(vii) any purported termination of the Employee's employment

which is not effected pursuant to a Notice of Termination satisfying the requirement of paragraph (e) below; for purposes of this Agreement, no such purported termination shall be effective.

The Employee's right to terminate the Employee's employment for Good Reason shall not be affected by the Employee's incapacity due to physical or mental illness. The Employee's continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder.

(e) NOTICE OF TERMINATION. Any termination of the Employee's employment by the Company or by the Employee (other than termination under Section 7(a) hereof) shall be communicated by written Notice of Termination to the other parties hereto in accordance with Section 12 hereof. For purposes of this Agreement, a "Notice of Termination" shall mean a notice that shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Employee's employment under the provision so indicated. Further, a Notice of Termination for Cause is required to include a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the entire membership of the Board at a meeting of the Board (after reasonable notice to the Employee and an opportunity for the Employee, together with the Employee's counsel, to be heard before the Board) finding that, in the good faith opinion of the Board, the Employee was guilty of conduct set forth in the definition of Cause herein, and specifying the particulars thereof.

(f) DATE OF TERMINATION. "Date of Termination" shall mean (i) if the Employee's employment is terminated by his death, the date of his death, (ii) if the Employee's employment is terminated pursuant to paragraph (b) above, thirty (30) days after Notice of Termination is given (provided that the Employee shall not have returned to the performance of his duties on a full-time basis during such thirty (30)-day period), and (iii) if the Employee's employment is terminated pursuant to paragraph (c) or (d) above, the date specified in the Notice of Termination; PROVIDED, HOWEVER, that if within thirty (30) days after any Notice of Termination is given the party receiving such Notice of Termination notifies the other parties that a dispute exists

concerning the termination, the Date of Termination shall be the date on which the dispute is finally determined. If within fifteen (15) days after any Notice of Termination is given, or, if later, prior to the Date of Termination (as determined without regard to this Section 7(f)), the party receiving such Notice of Termination notifies the other parties that a dispute exists concerning the termination, the Date of Termination shall be the date on which the dispute is finally resolved, either by mutual written agreement of the parties or by a final judgment, order or decree of a court of competent jurisdiction (which is not appealable or with respect to which the time for appeal therefrom has

expired and no appeal has been perfected); provided further that the Date of Termination shall be extended by a notice of dispute only if such notice is given in good faith and the party giving such notice pursues the resolution of such dispute with reasonable diligence.

(g) COMPENSATION DURING DISPUTE. If a purported termination occurs during the term of this Agreement, and such termination is disputed in accordance with Section 7(f) hereof, the Company or Scotts shall continue to pay the Employee the full compensation in effect when the notice giving rise to the dispute was given (including, but not limited to, Base Salary) and. continue the Employee as a participant in all compensation, benefit and insurance plans in which the Employee was participating when the notice giving rise to the dispute was given, until the dispute is finally resolved. Amounts paid under this Section 7(g) are in addition to all other amounts due under this Agreement and shall not be offset against or reduce any other amounts due under this Agreement.

8. COMPENSATION UPON TERMINATION OR DURING DISABILITY.

(a) DISABILITY OR DEATH. During any period that the Employee fails to perform his duties hereunder as a result of incapacity due to physical or mental illness, the Employee shall continue to receive his full Base Salary, as well as other applicable employee benefits provided to other senior executives of the Company or Scotts, as provided in this Agreement, until his employment is terminated pursuant to Section 7(b) hereof. In the event the Employee's employment is terminated pursuant to Section 7(a) or 7(b) hereof, then as soon as practicable thereafter, the Company or Scotts shall pay the Employee or the Employee's Beneficiary (as defined in Section 11(b) hereof), as the case may be, (i) all unpaid amounts, if any, to which the Employee was entitled as of the Date of Termination under Section 6(a) hereof and (ii) all unpaid amounts to which the Employee was then entitled under the Benefit Plans, the Pension Plans and any other unpaid employee benefits, perquisites or

other reimbursements (the amounts set forth in clauses (i) and (ii) above being hereinafter referred to as the "Accrued Obligation").

(b) TERMINATION FOR CAUSE; VOLUNTARY TERMINATION WITHOUT GOOD REASON. If the Employee's employment is terminated by the Company for Cause or by the Employee other than for Good Reason, then the Company or Scotts shall pay all Accrued Obligations to the Employee and neither the Company nor Scotts shall have any further obligations to the Employee under this Agreement.

(c) TERMINATION WITHOUT CAUSE; TERMINATION FOR GOOD REASON. If (i) the Company shall terminate the Employee's employment, other than for Disability or for Cause, or (ii) the Employee shall terminate his employment for Good Reason, then:

(1) the Company or Scotts shall pay to the Employee, within ten (10) days after the Date of Termination, the Accrued Obligations;

(2) the Company or Scotts shall pay to the Employee, within ten (10) days after the Date of Termination, a lump sum amount in cash equal to three (3) multiplied by the sum of (i) the Employee's Base Salary as in effect immediately prior to the circumstances giving rise to the Notice of Termination plus (ii) the highest annual Bonus paid to the Employee in respect of the three years preceding the Date of Termination;

(3) to the extent permitted under the terms and conditions of each applicable plan or arrangement, the Company or Scotts shall pay to the Employee a lump sum payment, in cash, within ten (10) days after the Date of Termination, equal to the Employee's accrued benefits (or the actuarial equivalent if applicable) as of the Date of Termination under the Pension Plans and the Benefit Plans. In addition, to the extent permitted under the terms and conditions of each applicable plan or arrangement, for purposes of computing the benefits payable to the Employee under the Pension Plans and Benefit Plans in which the Employee participated as of the Date of Termination, the Employee shall be treated as if he had continued in

employment for three (3) years following the Date of Termination; and

(4) for a period of three (3) years following the Date of Termination the Company or Scotts shall pay all costs and expenses associated with the continuation of coverage of the Employee (as contemplated under Section 4980B of the Internal Revenue Code of 1986, as amended) under all applicable medical, disability and life insurance plans as existed immediately prior to the circumstances giving rise to the Notice of Termination; PROVIDED, HOWEVER, that such coverage shall be reduced to the extent that the Employee obtains similar coverage paid by a subsequent employer.

9. NON-DISCLOSURE. The parties hereto agree, recognize and acknowledge that during the Term the Employee shall obtain knowledge of confidential information regarding the business and affairs of the Company. It is therefore agreed that the Employee will respect and protect the

confidentiality of all confidential information pertaining to the Company, and will not (i) without the prior written consent of the Company, (ii) unless required in the course of the Employee's employment hereunder, or (iii) unless required by applicable law, rules, regulations or court, governmental or regulatory authority order or decree, disclose in any fashion such confidential information to any person (other than a person who is a director of, or who is employed by, the Company or any subsidiary or who is engaged to render services to the Company or any subsidiary) at any time during the Term.

10. COVENANT NOT TO COMPETE. (a) Employee hereby agrees that for a period of three (3) years following the termination of this Agreement (other than a termination of the Employee's employment (i) by the Employee for Good Reason, or (ii) by the Company other than for Cause or Disability) (the "Restricted Period") the Employee shall not, directly or indirectly, whether acting individually or through any person, firm, corporation, business or any other entity:

(i) engage in, or have any interest in any person, firm, corporation, business or other entity (as an officer, director, employee, agent, stockholder or other security holder, creditor, consultant or otherwise) that engages in any business activity where any aspect of the business of the Company is conducted, or planned to be conducted, at any time during the Restricted Period, which business activity is the same as,

similar to or competitive with the Company as the same may be conducted from time to time;

(ii) interfere with any contractual relationship that may exist from time to time of the business of the Company, including, but not limited to, any contractual relationship with any director, officer, employee, or sales agent, or supplier of the Company; or

(iii) solicit, induce or influence, or seek to induce or influence, any person who currently is, or from time to time may be, engaged or employed by the Company (as an officer, director, employee, agent or independent contractor) to terminate his or her employment or engagement by the Company.

(b) Notwithstanding anything to the contrary contained herein, Employee, directly or indirectly, may own publicly traded stock constituting not more than three percent (3%) of the outstanding shares of such class of stock of any corporation if, and as long as, Employee is not an officer, director, employee or agent of, or consultant or advisor to, or has any other relationship or agreement with such corporation.

(c) Employee acknowledges that the non-competition provisions contained in this Agreement are reasonable and necessary, in view of the nature

of the Company and his knowledge thereof, in order to protect the legitimate interests of the Company.

11. SUCCESSORS; BINDING AGREEMENT.

(a) The Company and Scotts shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company or Scotts, by agreement in form and substance reasonably satisfactory to the Employee, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company and Scotts would be required to perform it if no such succession had taken place. Failure of the Company or Scotts to obtain such assumption and agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle the Employee to compensation from the Company and/or Scotts in the same amount and on the same terms as he would be entitled to hereunder if he terminated his employment for Good Reason, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination. As used in this Agreement, each of "Company" and "Scotts" shall mean the Company and Scotts; respectively, in each case as hereinbefore defined and any of their respective

successors to their businesses and/or assets as aforesaid that executes and delivers the agreement provided for in this Section 11 or that otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.

(b) This Agreement and all rights of the Employee hereunder shall inure to the benefit of and be enforceable by the Employee's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Employee should die while any amounts would still be payable to him hereunder if he had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the Employee's devisee, legatee, or other designee or, if there be no such designee, to the Employee's estate (any of which is referred to herein as a "Beneficiary").

12. NOTICE. For the purposes of this Agreement, notices, demands and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or (unless otherwise specified) mailed by United States certified or registered mail, return receipt requested, postage prepaid, addressed as follows:

If to the Company:

Stern's Miracle-Gro Products, Inc.

800 Port Washington Boulevard
Port Washington, New York 11050
Attn: General Counsel

If to Scotts:

The Scotts Company
14111 Scottslawn Road
Marysville, Ohio 43201
Attn: General Counsel

If to the Employee:

John Kenlon
21 Rocky Wood Road
Manhassett, New York 11030

or to such other address as each party may have furnished to the others in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

13. MISCELLANEOUS. No provisions of this Agreement may be modified, waived or discharged unless such waiver,

modification or discharge is agreed to in writing signed by the Employee and such officer of the Company as may be specifically designated by the Board. No waiver by a party hereto at any time of any breach by another party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by the parties which are not set forth expressly in this Agreement. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the state of Ohio without regard to its conflicts of law principles.

14. VALIDITY. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect. To the extent that any of the provisions hereof are inconsistent with the provisions of the Agreement Containing Consent Order and the Agreement to Hold Separate (collectively, the "Consent Order") between Scotts and the Federal Trade Commission, the provisions of the Consent Order shall govern in all respects.

15. COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

16. ENTIRE AGREEMENT. This Agreement sets forth the entire agreement of the parties hereto in respect of the subject matter contained herein and supersedes any and all other prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any officer, employee or representative of any party hereto; and any prior agreement of the parties hereto in respect of the subject matter contained herein is hereby terminated and cancelled.

IN WITNESS WHEREOF, the parties have executed Agreement as of the date and year first above written.

STERN'S MIRACLE-GRO PRODUCTS, INC.

By/s/ JAMES HAGEDORN

Name:
Title: Exec. V.P.

THE SCOTTS COMPANY

By:/s/ CRAIG WALLEY

Name:
Title:

EMPLOYEE

By:/s/ JOHN KENLON

JOHN KENLON

EXHIBIT 10(l)

Employment Agreement, dated as of August 7, 1996, between The Scotts Company and Charles M. Berger

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT, dated as of August 7, 1996, between THE SCOTTS COMPANY, an Ohio corporation (the "Company"), and CHARLES M. BERGER (the "Employee");

W I T N E S S E T H :
- - - - - - - - - - -

WHEREAS, the Company desires to enter into this Agreement with the Employee; and

WHEREAS, the Employee desires to enter into this Agreement with the Company and agrees to be bound by the covenants herein;

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth hereinafter, the Company and the Employee agree as follows:

1. EMPLOYMENT. The Company shall employ the Employee for a period of three (3) years commencing on the date hereof, unless this Agreement is terminated earlier as provided herein.

2. DUTIES. During the period of his employment, the Employee will be employed as the Chairman, President and Chief Executive Officer of the Company and, in addition, in such other executive capacity or capacities (to which he is suited on the basis of his education and experience and which do not require time and attention in excess of that reasonably available after performance of the foregoing duties) for the Company or any subsidiary of the Company as may be determined from time to time by or under the authority of the Company's Board of Directors, and he will devote all of his skill, knowledge and full working time (reasonable vacation time, service as a member of any outside Boards of Directors and absence for sickness or similar disability excepted) solely and exclusively to the conscientious performance of such duties. The Employee hereby represents that his employment hereunder and compliance by him with the terms and conditions of this Agreement will not conflict with or result in the breach of any agreement to which he is a party or by which he may be bound.

3. COMPENSATION.

(a) BASE SALARY. As compensation for the duties to be performed by him hereunder, the Company will pay the Employee a base salary at a rate of not less than $400,000 per year during the period of his employment hereunder, payable in equal monthly installments. It is contemplated that the Company will review the Employee's base salary from time to time during the period of his employment (the first such review to take place in October, 1997) and, at the discretion of the Board of Directors, may increase his base salary from time to time based upon his performance, the then generally prevailing industry salary scales and other relevant factors.

(b) INCENTIVE COMPENSATION. The Employee shall be entitled to participate in The Scotts Company Executive Management Incentive Plan, as the same may be amended from time to time, or any substitute or successor plan, with an initial target percentage of fifty-five percent (55%) of salary (the full target percentage to be paid assuming 100% of the Employee's objectives are met), in accordance with the terms of the said Plan. The Company shall pay the Employee a bonus with respect to fiscal 1997 of at least $100,000, so long as the Employee is a full-time employee of the Company at the end of such fiscal year.

(c) STOCK AND OPTIONS. In consideration of and as an inducement to the Employee to enter into this Agreement, and to provide an incentive for successful management of the Company, the Employee shall have the right to purchase up to 250,000 shares of Common Stock (the "Common Stock") of the Company at the closing price of the Company's Common Stock on the New York Stock Exchange on August 7, 1996, and otherwise on the terms and conditions set forth in the Stock Option Agreement attached hereto as Exhibit A. The Company makes no representation regarding the value of the Common Stock and the Employee agrees that he shall be solely responsible for any tax consequences to him of the purchase of such stock and the grant of such options.

4. EXPENSES. The Company shall reimburse the Employee for reasonable travel, lodging and meal expenses incurred by him in connection with his performance of services hereunder in accordance with Company policy.

5. BENEFITS.

(a) GENERAL. The Company shall, at its expense, provide the Employee life insurance, medical insurance, disability insurance and other benefits comparable to those provided to the Company's other executive officers. The Employee shall be compensated for the expense of any relocation in accordance with the standard relocation policies of the Company.

(b) AUTOMOBILE. The Company shall provide Employee with a car allowance of $7,000 per year.

(c) FINANCIAL SERVICES. The Company shall reimburse Employee for the cost of financial services provided by AYCO.

6. TERMINATION PROVISIONS.

(a) AUTOMATIC TERMINATION; TERMINATION BY THE COMPANY. The Employee's employment hereunder shall automatically terminate upon his death or Disability (as hereinafter defined), and the Company may terminate the Employee's employment for "Cause" (as hereinafter defined). For purposes of this Agreement, "Disability" is defined to mean that, as a result of the Employee's incapacity due to physical or mental illness, the Employee shall have been absent from his duties as an officer of the Company on a substantially full-time basis for six (6) consecutive months, and the Employee shall not have returned to the performance of such duties on a full-time

basis within thirty (30) days after the Company notifies the Employee in writing that it intends to replace him.

For purposes of this Agreement, the Company shall have "Cause" to terminate the Employee's employment hereunder upon (i) the failure by the Employee to substantially perform his duties pursuant to Section 2 hereof (other than such failure due to physical or mental illness) and continuance of such failure for more than twenty (20) days (or, if not reasonably correctable within 20 days, such additional time as may reasonably be required) after the Company notifies the Employee in writing that he is failing to substantially perform his duties; (ii) the engaging by the Employee in willful misconduct which is materially injurious to the Company or any subsidiary of the Company; or (iii) the conviction of the Employee of, or the entering by the Employee of a plea of NOLO CONTENDERE to, a crime which constitutes a felony involving moral turpitude. Notwithstanding the foregoing, the Employee shall not be deemed to have been terminated for Cause unless and until there should be delivered to him a copy of a resolution, duly adopted by the Board of Directors of the Company, finding that the Company has "Cause" to terminate the Employee as contemplated in this Section 6(a).

(b) NOTICE OF TERMINATION. Any termination by the Company pursuant to Section 6(a) hereof shall be communicated by a written Notice of Termination (as hereinafter defined) to the other party to this Agreement. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provisions in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of employment.

(c) PAYMENTS UPON TERMINATION. If the Employee's employment is

terminated by the Company without Cause, as a result of the Employee's death or Disability, as a result of Employee's Cause (as hereinafter defined) or as a result of a Change of Control (as hereinafter defined), the Company shall pay the Employee (i) his full base salary at the annual base rate in effect immediately prior to the Date of Termination (as hereinafter defined) for a period of twenty-four (24) months after the Date of Termination and (ii) incentive compensation for a period of twenty-four (24) months after the Date of Termination equal to the lesser of Employee's target percentage in effect at the Date of Termination (the Employee being deemed to have earned his target percentage for such year) or the amount of the Employee's last actual bonus. If the Employee's employment is terminated during the Company's 1997 fiscal year for any reason which would entitle the Employee to receive the payments provided for in the immediately preceding sentence, the amount of incentive compensation which the Employee shall be deemed to have earned in fiscal 1997 for the purpose of calculating the payments owed to the Employee upon termination shall be the sum of $100,000. The parties acknowledge that the 24-month period in the first sentence of this Section 6(c) may extend beyond the term hereof. If the Employee voluntarily terminates his employment, or if the Employee's employment with the Company is terminated for any other reason (including for Cause as set forth in Section 6(a)), the Company shall pay the Employee his full base salary through the Date of Termination at the annual base rate in effect immediately prior to the Date of Termination and shall have no other obligation to the Employee except to honor his stock options according to their terms.

(d) DATE OF TERMINATION. As used in this Agreement, the term "Date of Termination" shall mean (i) if the Employee's employment is terminated for Cause, the date on which the Company delivers a written Notice of Termination as contemplated by Section 6(b), (ii) if the Employee's employment is terminated by his death, the date of his death, (iii) if the Employee's employment is terminated upon his Disability, the date thirty (30) days after the Company notifies the Employee in writing that it intends to replace him as contemplated by Section 6(a) hereof and (iv) if the Employee's employment is terminated for any other reason, the date on which Notice of Termination is given.

(e) CHANGE OF CONTROL. If the employment of the Employee is terminated as a result of a Change of Control, he shall be entitled to the payments set forth in the first sentence of Section 6(c) above. As used in this Agreement, "Change of Control" means the occurrence of any of the following events:

(i) the members of the Board at the beginning of any consecutive twenty-four (24) calendar month period (the "Incumbent Directors") cease for any reason other than due to death to constitute at least a majority of the members of the Board, provided that any director whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a

majority of the members of the Board then still in office who were members of the Board at the beginning of such twenty-four (24) calendar month period, shall be treated as an Incumbent Director; or

(ii) any "person," including a "group" (as such terms are used in Section 13(d) and 14(d)(2) of the Securities Exchange Act of 1934 (the "Act"), but excluding the Company, any of its Subsidiaries, or any employee benefit plan of the Company or of any of its Subsidiaries) is or becomes the "beneficial owner" (as defined in Rule 13(d)(3) under the Act), directly or indirectly, of securities of the Company representing more than forty-nine percent (49%) of the combined voting power of the Company's then outstanding securities; or

(iii) the shareholders of the Company shall approve a definitive agreement (1) for the merger or other business combination of the Company with or into another corporation, a majority of the directors of which were not directors of the Company immediately prior to the merger and in which the shareholders of the Company immediately prior to the effective date of such merger own less than fifty percent (50%) of the voting power in such corporation; or (2) for the sale or other disposition of all or substantially all of the assets of the Company; or

(iv) the purchase of Stock pursuant to any tender or exchange offer made by any "person," including a "group" (as such terms are used in Sections 13(d) and 14(d)(2) of the Act), other than the Company, any of its Subsidiaries, or an employee benefit plan of the Company or of any of its Subsidiaries, for more than forty-nine percent (49%) of the Stock of the Company.

(f) MITIGATION METHOD OF PAYMENT: LUMP SUM. Any compensation or benefits to which the Employee may be entitled for termination without Cause or as a result of a

Change of Control pursuant to Section 6(c) shall be reduced or canceled to the extent that the Employee receives compensation or benefits of like nature by reason of his securing other employment. Employee agrees to make a good faith effort to obtain other employment subject to the limitations imposed upon the Employee pursuant to Section 8. Compensation payable pursuant to Section 6(c) shall be paid monthly in 24 equal monthly consecutive installments. Notwithstanding anything else contained in this Section 6, the Company may pay to the Employee at any time after the Date of Termination, in a lump sum, an amount equal to the Company's good faith determination of the present value of the compensation remaining to be paid to the Employee as of the date of such lump sum payment, calculated using a discount factor based on the prime rate of any major New York bank plus one percent (1%), whereupon the Company's obligations under this Section 6 shall be discharged in full and it shall have no further obligation to the Employee except to honor his

stock options according to their terms.

(g) LIMITATION. Anything in this Agreement or the Stock Option Plan and Agreement to the contrary notwithstanding, the Employee's entitlement to payments under this Section 6 or under any other plan or agreement and the acceleration of the exercisability of stock options under the terms of any applicable stock option plan shall be limited to the extent necessary so that no payment to be made to the Employee on account of termination of his employment with the Company (or the value of such acceleration on account thereof) will be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), as then in effect, but only if, by reason of such limitation, the Employee's net after tax benefit shall exceed the net after tax benefit if such reduction were not made. "Net after tax benefit" shall mean (i) the sum of all payments and benefits (including the value of acceleration of stock options) that the Employee is then entitled to receive under this Section 6 or under any other plan or agreement that would constitute a "parachute payment" within the meaning of Section 280G of the Code, less (ii) the amount of federal income tax payable with respect to the payments and benefits described in clause (i) above calculated at the maximum marginal income tax rate for each year in which such payments and benefits shall be paid to the Employee (based upon the rate in effect for such year as set forth in the Code at the time of the first payment of the foregoing), less (iii) the amount of excise tax imposed with respect to the payments and benefits described in clause (i) above by Section 4999 of the Code. Any limitation under this subsection 6(g) of the Employee's entitlement to payments or upon the acceleration of exercisability of stock options shall be made in the manner and in the order directed by the Employee.

(h) EMPLOYEE'S CAUSE. The Employee shall have the right to terminate his employment at any time, without cause, on at least 30 days' advance written notice to the Company.

In addition, the Employee may terminate his employment, effectively immediately upon notice (or, effective as otherwise provided in subparagraphs (i) and (iii), below) in the event of the following ("Employee's Cause"):

(i) the failure of the Company to substantially perform its duties pursuant to this Agreement or the Stock Option Agreement attached hereto as Exhibit A and the continuance of such failure for more than 20 days (or, if not reasonably correctable within 20

days, such additional time as may reasonably be required) after the Employee notifies the Company in writing that it is failing to substantially perform its duties;

(ii) the Company's filing a voluntary petition in bankruptcy or

insolvency;

(iii) the filing against the Company of an involuntary petition in bankruptcy or insolvency which is not dismissed within 30 days after its filing;

(iv) the Company's being convicted of a criminal act relating to any activity occurring prior to the date hereof, the effect of which has a material adverse effect on the business operations of the Company; or

(v) the breach or inaccuracy in any material respect of the Company's representations and warranties contained herein.

In the event of his termination as a result of Employee Cause, notwithstanding any provision of this Agreement to the contrary, the Employee shall be entitled to all compensation and benefits provided for in the first sentence of Section 6(c) hereof.

7. UNAUTHORIZED DISCLOSURE.

(a) During the period of his employment hereunder and thereafter, the Employee shall not, without the written consent of the Board of the Company or a person authorized thereby, disclose to any person, information, knowledge or data which is not theretofore publicly known and in the public domain obtained by him while in the employ of the Company with respect to the Company or any of its subsidiaries or of any products, improvements, formulas, designs of styles, processes, customers, methods of distribution or methods of manufacture, sales, prices, profits, costs, contracts, suppliers, business prospects, business methods, techniques, research, trade secrets, or know-how of the Company or any of its subsidiaries, regardless of whether such information is confidential, except as the Employee, in good faith, reasonably believes to be for the Company's benefit. For a period of five (5) years following the termination of employment hereunder, the Employee shall not disclose any information, knowledge or data of the type described above except as may be required in connection with any judicial or administrative proceedings or inquiry, or otherwise required by law. The covenant contained in this Section 7 shall survive the termination of the Employee's employment pursuant to this Agreement.

(b) The foregoing provision of this Section 7 shall be binding upon the Employee's heirs, successors and legal representatives.

(c) The foregoing does not apply to disclosure of the terms of this Agreement and any other aspects of the Employee's compensation and benefits to the Employee's accountants, financial planners, insurance agents and advisors.

8. COVENANT NOT TO COMPETE. In consideration of his employment hereunder and in view of the key position in which he will serve the Company,

the Employee agrees that during the period of his employment by the Company hereunder and (unless the Company terminates his employment for Cause as provided in Section 6(a) hereof) for two (2) years after the date of termination of such employment he will not directly or indirectly own, manage, operate, control, be employed by, participate in or be connected in any manner with the ownership, management, operation or control of any business involving lawn, garden, horticultural or turf care products or services in any area where the Company's business is being conducted at the time of such termination. The covenant contained in this Section 8 shall survive the termination of the Agreement. The foregoing shall (i) be ineffective in the event of the Employee's termination of his employment on the basis of Employee Cause, and (ii) not apply in the event of a reorganization of the Company which results in any of its divisions or subsidiaries becoming separate enterprises of which the Employee becomes an employee.

9. ARBITRATION. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in Columbus, Ohio, in accordance with the rules of the American Arbitration Association then in effect.

10. SUCCESSORS; BINDING AGREEMENT. The Company will require any successor (by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, by agreement in form and substance satisfactory to the Employee, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle the Employee to compensation from the Company in the same amount and on the same terms as the Employee would be entitled hereunder according to the provisions of the first sentence of Section 6(c) hereof, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which executed and delivers the agreement provided for in this Section 10 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law. This Agreement shall inure to the benefit of and be enforceable by the Employee's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. Any amounts payable to the Employee hereunder after his death shall be paid in accordance with the terms of this Agreement to the Employee's devisee, legatee, or other designee or, if there be no such designee, to his estate, unless otherwise provided herein.

11. INDEMNIFICATION. The Company agrees that it shall indemnify the Employee to the fullest extent permitted by Ohio law.

12. NOTICES. All notices and other communications required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been given if delivered personally or sent by certified express mail, return receipt requested, postage prepaid, to the

parties to this Agreement at the following addresses or to such other address as either party to this Agreement shall specify by notice to the other:

If to the Company, to it at:

The Scotts Company
14111 Scottslawn Road
Marysville, Ohio 43041
Attn: General Counsel

If to the Employee:

Charles M. Berger
40 Hill Road
Sands Point, New York 11050

With a Copy to:

Sheldon P. Berger
Resch Polster Alpert & Berger LLP
10390 Santa Monica Blvd., 4th Floor
Los Angeles, California 90025-5058

All notices and communications shall be deemed to have been received on the date of delivery or on the third business day after the mailing thereof.

13. MISCELLANEOUS. No provisions of this Agreement may be modified, waived or discharged unless such modification, waiver or discharge is approved by the Board of Directors of the Company or a person authorized thereby and is agreed to in a writing signed by the Employee and such officer as may be specifically designated by the Board. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Ohio.

14. VALIDITY. The invalidity or unenforceability of any one or more provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

15. COUNTERPARTS. This Agreement may be executed in one or more

counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

16. AUTHORITY. The individual signing this Agreement on behalf of the Company hereby represents and warrants that he, acting alone, is fully authorized and empowered to do so, that he does so to the fullest extent of his authority, and that this Agreement is binding upon and enforceable against the Company.

17. REPRESENTATIONS AND WARRANTIES. The Company represents and warrants to the Employee that:

(a) The Company and each of its subsidiaries have been duly organized and are validly existing under the laws of their respective states of organization, and each is qualified or licensed as a foreign corporation in each jurisdiction where the character of the property owned or leased by it or the nature of its activities makes such qualification or licensing necessary, except for those jurisdictions where the failure to be so qualified or licensed would not, individually or in the aggregate, have a material adverse effect on the business operation of the Company or its subsidiaries.

(b) The Company has the full right, power, and authority to execute and deliver this Employment Agreement and the Stock Option Agreement with the Employee, and to perform all of the Company's obligations under each and to carry out all of the transactions contemplated by each Agreement. Except as otherwise disclosed in writing to the Employee, neither the execution and delivery of the Employment Agreement or the Stock Option Agreement, nor the consummation of the transactions contemplated therein, will, to the best of the Company's knowledge, (i) violate any statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any government, governmental agency, or court to which the Company is subject or any provision of the Company's articles of incorporation or code of regulations, or (ii) conflict with, result in a breach of, constitute a default under, result in acceleration of, or create in any party the right to terminate, modify, or cancel, any material contract to which the Company or any of its subsidiaries is a party or to which any of their assets is subject.

(c) The business of the Company and its subsidiaries has been and is being conducted in all material respects in compliance with all applicable statutes, laws, rules, ordinances, codes and regulations of foreign, federal, state, and local governmental authorities (collectively, "Laws"), and the Company and each of its subsidiaries holds, and is in all material respects in compliance with, all licenses, permits, and authorizations necessary for the conduct of the Company's and each subsidiary's business pursuant to all Laws to which the Company, any subsidiary, and/or any of their businesses or assets may be subject.

(d) There are no actions, suits, or proceedings pending, or, to the best of the Company's knowledge, threatened or anticipated, before a court or governmental or administrative body or agency which are materially affecting, or could materially affect, the Company, any of its subsidiaries, or any of their businesses or assets, except as set forth in Schedule 1 hereto. Neither the Company nor any of its subsidiaries is presently subject to any injunction, order, or other decree of any court of competent jurisdiction which materially affects

the business or assets of the Company or any subsidiary, nor to the best of the Company's knowledge, is the Company, any of its subsidiaries, or any of their officers or directors subject to any private investigation or audit being conducted by any governmental or administrative body or agency, except as set forth in Schedule 1 hereto.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date and year first above written.

THE SCOTTS COMPANY

By: /S/ P. D. YEAGER

/S/ CHARLES M. BERGER

Charles M. Berger

EXHIBIT 10(m)

Stock Option Agreement, dated as of August 7, 1996, between The Scotts Company and Charles M. Berger

STOCK OPTION AGREEMENT
(NON-QUALIFIED STOCK OPTIONS)

THIS AGREEMENT is made to be effective as of August 7, 1996, by and between The Scotts Company, an Ohio corporation (the "Company"), and Charles M. Berger (the "Optionee").

WITNESSETH:

WHEREAS, the Board of Directors of The Scotts Company, a Delaware corporation ("Scotts Delaware"), adopted The Scotts Company 1992 Long Term Incentive Plan (the "1992 Plan") on November 11, 1992; and

WHEREAS, the stockholders of Scotts Delaware, upon the recommendation of the Board of Directors of Scotts Delaware, approved the Plan at the Annual Meeting of Stockholders of Scotts Delaware held on February 25, 1993; and

WHEREAS, pursuant to Section 2.04(a) of the Agreement of Merger, dated as of August 16, 1994, between Scotts Delaware and the Company, the Company assumed the Plan and all of the obligations of Scotts Delaware thereunder effective as of September 20, 1994, the effective date of the merger of Scotts Delaware with and into the Company; and

WHEREAS, the Board of Directors of the Company adopted The Scotts Company 1996 Stock Option Plan (the "1996 Plan") on February 12, 1996; and

WHEREAS, the shareholders of the Company, approved the 1996 Plan at the Annual Meeting of Shareholders of the Company held on April 9, 1996; and

WHEREAS, the 1992 Plan and the 1996 Plan are hereinafter sometimes referred to collectively as "the Plans"; and

WHEREAS, pursuant to the provisions of the Plans, the Board of Directors of the Company has appointed a Compensation and Organization Committee (the "Committee") to administer the Plans and the Committee has determined that options to acquire common shares, without par value (the "Common Shares"), of the Company should be granted to the Optionee under the terms and conditions set forth in this Agreement;

NOW, THEREFORE, in consideration of the premises, the parties hereto make the following agreements, intending to be legally bound thereby:

1. GRANT OF OPTIONS. The Company hereby grants to the Optionee two options (the "Options") to purchase a total of 250,000 Common Shares of the

Company. The first Option shall cover 150,000 Common Shares and be granted under the 1992 Plan, while the second Option shall cover 100,000 Common Shares and be granted under the 1996 Plan. The Options are not intended to qualify as incentive stock options under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

2. TERMS AND CONDITIONS OF THE OPTIONS.

(A) OPTION PRICE. The purchase price (the "Option Price") to be paid by the Optionee to the Company upon the exercise of each of the Options shall be $17.75 per share (being 100% of the Fair Market Value (as that term is defined in the Plans) for the Common Shares of the Company on the date of grant of the Options), subject to adjustment as provided in Section 3.

(B) EXERCISE OF THE OPTIONS. The Options shall become vested and may be exercised as follows:

(i) at any time, as to the 150,000 Common Shares subject to the Option granted under the 1992 Plan;

(ii) assuming the Optionee is employed by the Company 12 months from the date of this Agreement, at any time after 12 months from the date of this Agreement, as to 50,000 of the Common Shares subject to the Option granted under the 1996 Plan; and

(iii) assuming the Optionee is employed by the Company 24 months from the date of this Agreement, at any time after 24 months from the date of this Agreement, as to the remaining 50,000 of the Common Shares subject to the Option granted under the 1996 Plan.

Subject to the other provisions of this Agreement and to the provisions of the Plans, if the Options become exercisable as to certain Common Shares, they shall remain exercisable as to those Common Shares until the date of expiration of the term of the Options. The Committee may, but shall not be required to (unless otherwise provided in this Agreement or in the Plans), accelerate the schedule of the time or times when the Options may first be exercised, but shall not shorten the Term of each Option set forth in Paragraph C of this Section 2.

The grant of the Options shall not confer upon the Optionee any right to continue in the employment of the Company nor limit in any way the right of the

Company to terminate the employment of the Optionee at any time in accordance with law and the Company's governing corporate documents.

(C) TERM OF OPTION. The Options shall in no event be exercisable after the expiration of ten years from the date of this Agreement.

(D) METHOD OF EXERCISE. To the extent that any portion of either Option is exercisable, that portion of such Option may be exercised in whole or in part by delivering to the Committee in the care of the General Counsel or the Director, Legal Affairs of the Company, a written notice of exercise, signed by the Optionee or, in the event of the death of the Optionee, by such other person as is entitled to exercise the Option. The notice of exercise shall state the number of full Common Shares in respect of which the Option is being exercised. Payment for all such Common Shares shall be made to the Company at the time the Option is exercised. The Option Price may be paid in cash (including check, bank draft or money order) in U.S. dollars, or with the consent of the Committee, by the transfer by the Optionee to the Company of free and clear Common Shares already owned by the Optionee having a Fair Market Value (as that term is defined in the Plans) on the exercise date equal to the Option Price, or by a combination of cash and Common Shares already owned by the Optionee equal in the aggregate to the Option Price for the Common Shares being purchased. After payment in full for the Common Shares to be purchased upon exercise of the Option has been made, the Company shall take all such action as is necessary to deliver appropriate share certificates evidencing the Common Shares purchased upon the exercise of the Option to the Optionee as promptly thereafter as is reasonably practicable.

(E) SATISFACTION OF TAXES AND TAX WITHHOLDING REQUIREMENTS. The Company has the right to withhold, or require the Optionee to remit to the Company, an amount sufficient to satisfy any applicable federal, state or local withholding tax requirements. The Committee may permit the Optionee to elect (i) to have Common Shares otherwise issuable under the applicable Plan withheld by the Company or (ii) to deliver to the Company free and clear Common Shares already owned by the Optionee having a Fair Market Value (as that term is defined in the Plans) on the exercise date sufficient to pay all or part of the Optionee's estimated total federal, state and local tax obligations.

3. ADJUSTMENTS AND CHANGES IN THE COMMON SHARES. In the event of any share dividend or share split, recapitalization (including, without limitation, the payment of an extraordinary dividend), merger, consolidation, combination, spin-off, distribution of assets to shareholders, exchange of shares, or other similar corporate change, appropriate adjustments shall be made by the Committee in the number of Common Shares and Option Price applicable to the Options to reflect such change.

4. CHANGE OF CONTROL PROVISIONS. In the event of a Change of Control (as defined in the Plans), the Options shall be canceled in exchange for the payment to the Optionee of cash in an amount equal to the excess of the highest price paid for Common Shares of the Company during the preceding 30 day period over the exercise price for such Options. Notwithstanding the foregoing, if the Committee determines that the Optionee will receive a new award (or have the Options honored in a manner which preserves its value and eliminates the risk that the value of the Options will be forfeited due to involuntary termination), no cash payment will be made as a result of a

Change of Control. If any cash payment with respect to the Options would result in the Optionee's incurring potential liability under Section 16(b) of the Securities Exchange Act of 1934, the cash payment will be deferred until the first time at which such cash payment may be made without subjecting the Optionee to such potential liability under Section 16(b) by reason of such cash payment.

5. NONTRANSFERABILITY OF THE OPTIONS. The Options may not be sold, transferred, pledged, assigned or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. The Options may not be exercised during the lifetime of the Optionee except by the Optionee.

6. EXERCISE AFTER TERMINATION OF EMPLOYMENT.

(A) In the event of the termination of the Optionee's employment by reason of retirement, Disability (as that term is defined in the Plans), or death, the Options may thereafter be exercised in full (whether or not then exercisable by their terms) for a period of five years, subject to the stated term of the Options.

(B) In the event of the Company's termination of the Optionee's employment for Cause, as defined in that certain Employment Agreement entered into between the Optionee and the Company as of even date herewith, the Options shall be forfeited.

(C) In the event of the Optionee's termination of employment for any reason other than retirement, Disability, death or for Cause, the Options shall be exercisable, to the extent exercisable at the date of termination of employment, for a period of 90 days, subject to the stated term of the Options.

7. RESTRICTIONS OF TRANSFER OF COMMON SHARES. Anything contained in this Agreement or elsewhere to the contrary notwithstanding:

(A) The Options shall not be exercisable for the purchase of any Common Shares subject thereto except for:

(i) Common Shares subject thereto which at the time of such exercise and purchase are registered under the Securities Act of 1933, as amended (the "1933 Act");

(ii) Common Shares subject thereto which at the time of such exercise and purchase are exempt or are the subject matter of an exempt transaction or are registered by description, by coordination or by qualification, or at such time are the subject matter of a transaction which has been registered by description, all in accordance with Chapter 1707 of the Ohio Revised Code, as amended; and

(iii) Common Shares subject thereto in respect of which the laws of any state applicable to such exercise and purchase have been satisfied.

The Company hereby covenants that it shall have adequate amounts of Common Shares available, at all times after the Options are exercisable in whole or in part, to satisfy the foregoing, and shall take all necessary actions to insure compliance with the foregoing conditions.

(B) If any Common Shares subject to the Options are sold or issued upon the exercise thereof to a person who (at the time of such exercise or thereafter) is an affiliate of the Company for purposes of Rule 144 promulgated under the 1933 Act, then upon such sale and issuance:

(i) such Common Shares shall not be transferable by the holder thereof, and neither the Company nor its transfer agent or registrar, if any, shall be required to register or otherwise to give effect to any transfer thereof and may prevent any such transfer, unless the Company shall have received an opinion from its counsel to the effect that any such transfer would not violate the 1933 Act; and

(ii) the Company may cause each share certificate evidencing such Common Shares to bear a legend reflecting the applicable restrictions on the transfer thereof.

(C) Any share certificate issued to evidence Common Shares as to which the Options have been exercised may bear such legends and statements as shall be required to comply with applicable federal and state laws and regulations, provided that this paragraph does not relieve the Company of its obligations pursuant to Section 7(A) above.

(D) Nothing contained in this Agreement (other than Paragraph 7(A)(iii)) or elsewhere shall be construed to require the Company to take any action whatsoever to make the Options exercisable or to make transferable any

Common Shares purchased and issued upon the exercise of the Options.

(8) RIGHTS OF THE OPTIONEE AS A SHAREHOLDER. The Optionee shall have no rights or privileges as a shareholder of the Company with respect to any Common Shares of the Company covered by the Options until the date of exercise.

(9) PLANS AS CONTROLLING. All terms and conditions of the Plans on the effective date hereof applicable to the Options which are not set forth in this Agreement shall be deemed incorporated herein by reference. In the event that any term or condition of this Agreement is inconsistent with the terms and conditions of the Plans, the Plans shall be deemed controlling.

(10) GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Ohio.

(11) RIGHTS AND REMEDIES CUMULATIVE. All rights and remedies of the Company and of the Optionee enumerated in this Agreement shall be cumulative and, except as expressly provided otherwise in this Agreement, none shall exclude any other rights or remedies allowed by law or in equity, and each of said rights and remedies may be exercised and enforced concurrently.

(12) CAPTIONS. The captions contained in this Agreement are included only for convenience of reference and do not define, limit, explain or modify this Agreement or its interpretation, construction or meaning and are in no way to be construed as a part of this Agreement.

(13) SEVERABILITY. If any provision of this Agreement or the application of any provision hereof to any person or any circumstance shall be determined to be invalid or unenforceable, then such determination shall not affect any other provision of this Agreement or the application of such provision to any other person or circumstance, all of which other provisions shall remain in full force and effect, and it is the intention of each party to this Agreement that if any provision of this Agreement is susceptible of two or more constructions, one of which would render the provision enforceable and the other or others of which would render the provision unenforceable, then the provision shall have the meaning which renders it enforceable.

(14) NUMBER AND GENDER. When used in this Agreement, the number and gender of each pronoun shall be construed to be such number and gender as the context, circumstances or its antecedent may require.

(15) ENTIRE AGREEMENT. This Agreement constitutes the entire Agreement between the Company and the Optionee in respect of the subject matter of this Agreement, and this Agreement supersedes all prior and contemporaneous agreements between the parties hereto in connection with the subject matter of

this Agreement. No change, termination or attempted waiver of any of the provisions of this Agreement shall be binding upon any party hereto unless contained in a writing signed by the party to be charged.

(16) SUCCESSORS AND ASSIGNS. This Agreement shall inure to the benefit of and be binding upon the successors and assigns (including successive, as well as immediate, successors and assigns) of the Company.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed to be effective as of the date first written above.

COMPANY:

The Scotts Company,
an Ohio corporation

By: /S/ P. D. YEAGER

Its: Executive Vice President and
Chief Financial Officer

OPTIONEE:

Charles M. Berger

/S/ CHARLES M. BERGER

Signature of Optionee

Address: 40 Hill Road
Sands Point, NY 11050

SSN: ###-##-####

EXHIBIT 10(n)

Stock Option Agreement, dated as of March 5, 1996,
between The Scotts Company and Tadd C. Seitz

STOCK OPTION AGREEMENT
(NON-QUALIFIED STOCK OPTIONS)

THIS AGREEMENT is made to be effective as of March 5, 1996, by and between The Scotts Company, an Ohio corporation (the "Company"), and Tadd C. Seitz (the "Optionee").

WITNESSETH:

WHEREAS, the Board of Directors of The Scotts Company, a Delaware corporation ("Scotts Delaware"), adopted The Scotts Company 1992 Long Term Incentive Plan (the "Plan") on November 11, 1992; and

WHEREAS, the stockholders of Scotts Delaware, upon the recommendation of

the Board of Directors of Scotts Delaware, approved the Plan at the Annual Meeting of Stockholders of Scotts Delaware held on February 25, 1993; and

WHEREAS, pursuant to Section 2.04(a) of the Agreement of Merger, dated as of August 16, 1994, between Scotts Delaware and the Company, the Company assumed the Plan and all of the obligations of Scotts Delaware thereunder effective as of September 20, 1994, the effective date of the merger of Scotts Delaware with and into the Company; and

WHEREAS, the Board of Directors of the Company adopted The Scotts Company 1996 Stock Option Plan (the "1996 Plan") on February 12, 1996; and

WHEREAS, the shareholders of the Company, approved the 1996 Plan at the Annual Meeting of Shareholders of the Company held on April 9, 1996; and

WHEREAS, the 1992 Plan and the 1996 Plan are hereinafter sometimes referred to collectively as "the Plans"; and

WHEREAS, pursuant to the provisions of the Plans, the Board of Directors of the Company has appointed a Compensation and Organization Committee (the "Committee") to administer the Plans and the Committee has determined that options to acquire common shares, without par value (the "Common Shares"), of the Company should be granted to the Optionee under the terms and conditions set forth in this Agreement;

NOW, THEREFORE, in consideration of the premises, the parties hereto make the following agreements, intending to be legally bound thereby:

1. GRANT OF OPTIONS. The Company hereby grants to the Optionee three options (the "Options") to purchase a total of 100,000 Common Shares of the Company. The first option shall cover 60,000 Common Shares and be granted under the 1992 Plan, while the second and third options shall cover 20,000 Common Shares each and be granted under the 1996 Plan. The Options are not intended to qualify as incentive stock options under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

2. TERMS AND CONDITIONS OF THE OPTIONS.

(A) OPTION PRICE. The purchase price (the "Option Price") to be paid by the Optionee to the Company upon the exercise of the Options shall be:

- 60,000 @ $17.125 per share (granted under the 1992 Plan),
- 20,000 @ $18.00 per share (granted under the 1996 Plan),
- 20,000 @ $22.00 per share (granted under the 1996 Plan).

The purchase price is subject to adjustment as provided in Section 3.

(B) EXERCISE OF THE OPTIONS. The Options may be exercised immediately.

The grant of the Options shall not confer upon the Optionee any right to continue in the employment of the Company nor limit in any way the right of the Company to terminate the employment of the Optionee at any time in accordance with law and the Company's governing corporate documents.

(C) OPTION TERM. The Options shall in no event be exercisable after the expiration of ten years from the date of this Agreement.

(D) METHOD OF EXERCISE. To the extent that any portion of these Options is exercisable, that portion of such Option may be exercised in whole or in part by delivering to the Committee in the care of the General Counsel or the Director, Legal Affairs of the Company, a written notice of exercise, signed by the Optionee or, in the event of the death of the Optionee, by such other person as is entitled to exercise the Option. The notice of exercise shall state the number of full Common Shares in respect of which the Option is being exercised. Payment for all such Common Shares shall be made to the Company at the time the Option is exercised. The Option Price may be paid in cash (including check, bank draft or money order) in U.S. dollars, or with the consent of the Committee, by the transfer by the Optionee to the Company of free and clear Common Shares already owned by the Optionee having a Fair Market Value (as that term is defined in the Plans) on the exercise date equal to the Option Price, or by a combination of cash and Common Shares already owned by the Optionee equal in the aggregate to the Option Price for the Common Shares being purchased. After payment in full for the Common Shares to be purchased upon exercise of the Option has been

made, the Company shall take all such action as is necessary to deliver appropriate share certificates evidencing the Common Shares purchased upon the exercise of the Option to the Optionee as promptly thereafter as is reasonably practicable.

(E) SATISFACTION OF TAXES AND TAX WITHHOLDING REQUIREMENTS. The Company has the right to withhold, or require the Optionee to remit to the Company, an amount sufficient to satisfy any applicable federal, state or local withholding tax requirements. The Committee may permit the Optionee to elect (i) to have Common Shares otherwise issuable under the Plans withheld by the Company or (ii) to deliver to the Company free and clear Common Shares already owned by the Optionee having a Fair Market Value (as that term is defined in the Plans) on the exercise date sufficient to pay all or part of the Optionee's estimated total federal, state and local tax obligations.

3. ADJUSTMENTS AND CHANGES IN THE COMMON SHARES. In the event of any share dividend or share split, recapitalization (including, without limitation, the payment of an extraordinary dividend), merger, consolidation, combination, spin-off, distribution of assets to shareholders, exchange of shares, or other similar corporate change, appropriate adjustments shall be made by the Committee in the number of Common Shares and Option Price applicable to the Options to reflect such change.

4. CHANGE IN CONTROL PROVISIONS. In the event of a Change in Control (as defined in the Plans), the Options shall be canceled in exchange for the payment to the Optionee of cash in an amount equal to the excess of the highest price paid (or offered) for Common Shares of the Company during the preceding 30 day period over the exercise price for such Options. Notwithstanding the foregoing, if the Committee determines that the Optionee will receive a new award (or have the Options honored in a manner which preserves their value and eliminates the risk that the value of the Options will be forfeited due to involuntary termination), no cash payment will be made as a result of a Change in Control. If any cash payment with respect to the Options would result in the Optionee's incurring potential liability under Section 16(b) of the Securities Exchange Act of 1934, the cash payment will be deferred until the first time at which such cash payment may be made without subjecting the Optionee to such potential liability under Section 16 (b) by reason of such cash payment.

5. NONTRANSFERABILITY OF THE OPTIONS. The Options may not be sold, transferred, pledged, assigned or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. The Options may not be exercised during the lifetime of the Optionee except by the Optionee.

6. EXERCISE AFTER TERMINATION OF EMPLOYMENT.

(A) In the event of the termination of the Optionee's employment by reason of retirement, Disability (as that term is defined in the Plans), or death, the

Options may thereafter be exercised in full for a period of five years, subject to the stated term of the Options.

(B) In the event of the Optionee's termination of employment for cause, the Options shall be forfeited.

(C) In the event of the Optionee's termination of employment for any reason other than retirement, Disability, death or for cause, the Options shall be exercisable, to the extent exercisable at the date of termination of employment, for a period of 30 days, subject to the stated term of the Options.

7. RESTRICTIONS OF TRANSFER OF COMMON SHARES. Anything contained in this Agreement or elsewhere to the contrary notwithstanding:

(A) The Options shall not be exercisable for the purchase of any Common Shares subject thereto except for:

(i) Common Shares subject thereto which at the time of such exercise and purchase are registered under the Securities Act of 1933, as amended (the "1933 Act");

(ii) Common Shares subject thereto which at the time of such exercise and purchase are exempt or are the subject matter of an exempt transaction or are registered by description, by coordination or by qualification, or at such time are the subject matter of a transaction which has been registered by description, all in accordance with Chapter 1707 of the Ohio Revised Code, as amended; and

(iii) Common Shares subject thereto in respect of which the laws of any state applicable to such exercise and purchase have been satisfied.

(B) If any Common Shares subject to the Options are sold or issued upon the exercise thereof to a person who (at the time of such exercise or thereafter) is an affiliate of the Company for purposes of Rule 144 promulgated under the 1933 Act, then upon such sale and issuance:

(i) such Common Shares shall not be transferable by the holder thereof, and neither the Company nor its transfer agent or registrar, if any, shall be required to register or otherwise to give effect to any transfer thereof and may prevent any such transfer, unless the Company shall have received an opinion from its counsel to the effect that any such transfer would not violate the 1933 Act; and

(ii) the Company may cause each share certificate evidencing such Common Shares to bear a legend reflecting the applicable restrictions on the transfer thereof.

(C) Any share certificate issued to evidence Common Shares as to which the Options have been exercised may bear such legends and statements as the Company shall deem advisable to ensure compliance with applicable federal and state laws and regulations.

(D) Nothing contained in this Agreement or elsewhere shall be construed to require the Company to take any action whatsoever to make the Options exercisable or to make transferable any Common Shares purchased and

issued upon the exercise of the Options.

(8) RIGHTS OF THE OPTIONEE AS A SHAREHOLDER. The Optionee shall have no rights or privileges as a shareholder of the Company with respect to any Common Shares of the Company covered by the Options until the date of issuance and delivery of a certificate to the Optionee evidencing such Common Shares.

(9) PLANS AS CONTROLLING. All terms and conditions of the Plans applicable to the Options which are not set forth in this Agreement shall be deemed incorporated herein by reference. In the event that any term or condition of this Agreement is inconsistent with the terms and conditions of the Plans, the Plans shall be deemed controlling.

(10) GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Ohio.

(11) RIGHTS AND REMEDIES CUMULATIVE. All rights and remedies of the Company and of the Optionee enumerated in this Agreement shall be cumulative and, except as expressly provided otherwise in this Agreement, none shall exclude any other rights or remedies allowed by law or in equity, and each of said rights or remedies may be exercised and enforced concurrently.

(12) CAPTIONS. The captions contained in this Agreement are included only for convenience or reference and do not define, limit, explain or modify this Agreement or its interpretation, construction or meaning and are in no way to be construed as a part of this Agreement.

(13) SEVERABILITY. If any provision of this Agreement or the application of any provision hereof to any person or any circumstance shall be determined to be invalid or unenforceable, then such determination shall not affect any other provision of this Agreement or the application of such provision to any other person or circumstance, all of which other provisions shall remain in full force and effect, and it is the intention of each party to this Agreement that if any provision of this Agreement is susceptible of two or more constructions, one of which would render the provision enforceable and the other or others of which would render the provision unenforceable, then the provision shall have the meaning which renders it enforceable.

(14) NUMBER AND GENDER. When used in this Agreement, the number and gender of each pronoun shall be construed to be such number and gender as the context, circumstances or its antecedent may require.

(15) ENTIRE AGREEMENT. This Agreement constitutes the entire Agreement between the Company and the Optionee in respect of the subject matter of this Agreement, and this Agreement supersedes all prior and contemporaneous

agreements between the parties hereto in connection with the subject matter of this Agreement. No change, termination or attempted waiver of any of the provisions of this Agreement shall be binding upon any party hereto unless contained in a writing signed by the party to be charged.

(16) SUCCESSORS AND ASSIGNS. This Agreement shall inure to the benefit of and be binding upon the successors and assigns (including successive, as well as immediate, successors and assigns) of the Company.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed to be effective as of the date first written above.

COMPANY:

The Scotts Company,
an Ohio corporation

By: /s/ PAUL D. YEAGER

Paul D. Yeager

Its:

Executive Vice President

OPTIONEE:

Tadd C. Seitz

/s/ TADD C. SEITZ

Signature of Optionee

7500 Bridlespur Drive
Delaware, OH 43015

SSN: ###-##-####

EXHIBIT 10(o)

Letter Agreement, dated April 10, 1996, between
Theodore J. Host and The Scotts Company

[Scotts logo]

The Scotts Company
and Subsidiaries

Tadd C. Seitz
Chairman

April 10, 1996

Theodore J. Host
10019 Wellington Blvd.
Powell, OH 43065

Dear Ted:

The purpose of this letter is to set forth the understanding of The Scotts Company (hereinafter "Scotts" or the "Company") regarding the termination of your employment with Scotts and various of its subsidiaries and affiliates. Under the terms of your Employment Agreement dated as of October 21, 1991, you may terminate your employment for "Good Reason" if the Company removes you from the position of President of the Company. While it may be subject to some debate whether you were removed or whether you resigned, the Company is willing to assume that you were removed from office, thus triggering your ability to terminate your employment for Good Reason. A form of letter stating that you are terminating your employment for Good Reason is attached to this letter as Exhibit A. Also attached are letters of resignation from each position you held with the Company, its subsidiaries and affiliates. I would appreciate it if you would sign the letter attached as Exhibit A and each resignation letter and return each to me..

Your Employment Agreement provides that if you terminate your employment for Good Reason, you are entitled to the following benefits:

1. Your full base salary at the annual base rate in effect immediately prior to the date of termination;

2. A pro rata share of any incentive compensation due you for the year in

which you terminated your employment; and

3. Reimbursement for reasonable outplacement expenses.

You have already received a check for 1/12 of your full base salary. Checks, net of normal deductions, will continue through February, 1997, subject to the provisions of paragraph 6(f) of your Employment Agreement. So long as you are receiving monthly checks, you will continue to be covered under Scotts' medical and dental plans (and will be entitled to continue any flexible spending accounts under those plans). Prior to the end of the period for which you are being compensated, you will receive notice of your ability to continue medical and dental coverage at your expense under the provisions of COBRA.

14111 Scottslawn Road, Marysville, Ohio 43041 (513) 644-7251 Fax (513) 644-7136

Your pro rata share of any incentive compensation due you for fiscal 1996 will be figured using the restated net income of the Company for fiscal 1995 - $22,356,000. You will be entitled to 5/12 of whatever award would have been paid to you under the terms of the Company's 1996 Executive Annual Incentive Plan.

We have agreed to reimburse you for up to $15,000 of outplacement expenses, payable against invoices submitted by you to Rosemary Smith.

In addition to the payments due you pursuant to the terms of your Employment Agreement as outlined above, the Company has agreed with you, as follows:

1. Within a reasonable time after you have executed a copy of this letter agreeing to its terms, you will be paid for two years of accrued vacation. You are not eligible for any payments for sick leave.

2. During the period you are receiving monthly payments for your full base salary, you will not receive vesting credit under the Company's Profit Sharing and Savings Plan, nor under its Associates' Pension Plan (including the Company's Excess Benefit Plan).

3. Your coverage under the Company's base life/ad&d plan, its supplemental life insurance plan, its business travel accident plan, its short and long term disability plans (including supplemental long term disability) and its associate assistance program, as well as your eligibility for a car allowance, terminated as of February 29, 1996.

4. You will be entitled to use the financial planning services offered through AYCO through the end of calendar 1996.

5. The Company will reimburse you for legal fees incurred in connection with your termination of employment up to a maximum amount of $5,000, to be paid against invoices actually received by you from your legal counsel for this work. Please submit such invoices to Rosemary Smith.

6. In connection with the execution of your Employment Agreement in 1991, you received a grant of options for 136,364 shares of common stock of the Company at $9.90 per share. These options, all of which are non-qualified, are fully vested and may be exercised until January 8, 2002. The exercisability of

these options is not affected by the termination of your employment.

7. During your employment, you were the recipient of several other option grants, a summary of which is provided in Exhibit B attached to this letter. You agree that Exhibit B properly sets forth the vesting arrangements with respect to said options and that no further vesting will occur during the period you are receiving monthly payments or other benefits from the Company.

Options which have vested would normally have to be exercised, if at all, within 30 days of the termination of your employment. For a variety of reasons, you and we have agreed that this 30 day exercise period shall be extended until the earlier of (1) 30 days after the first day after the date of this letter on which Company "insiders" are permitted to buy or sell shares of the Company in the open market (i.e., 30 days after the next "window period" commences) or (2) the date on which the window period, once having commenced, is halted. (The Company agrees to give you written notice, with a copy to Robert Rupp, your counsel, of the opening and closing of the next window period.) Provided, however, that you shall be free to exercise any options and sell any underlying shares at any time after you have delivered to the Company a legal opinion reasonably acceptable to the Company opining that you are no longer an "insider" of the Company and that you have met any other requirements (such as those contained in Rule 144 of the Securities Act of 1933) in connection with your proposed exercise and sale. Any options not exercised within the period set forth in this paragraph shall expire.

We have further agreed to consider the purchase from you, in a privately negotiated transaction, of shares of the Company owned by you as the result of your exercise of options at a price equal to the closing price of the Company's shares on the New York Stock Exchange on the date you offer such shares to the Company (except that this agreement to consider purchasing shares does not extend to shares subject to the option granted pursuant to your Employment Agreement). If the Company elects to purchase any shares from you, the Company will also consider making such purchase on a net basis (i.e., you will be paid the net amount between your exercise price for such shares and the closing price for such shares on the date of purchase). Let me emphasize (1) that the Company is not making any commitment to purchase any shares from you and (2) that so long as you are an "insider," any such purchase would only be made during an open "window period".

Finally, the Company has agreed to consider the purchase from you, in a privately negotiated transaction, of up to 45,454 shares of common stock of the Company currently owned

by you. Should the Company elect to make such a purchase, it would be at a purchase price equal to the closing price of the Company's shares on the New York Stock Exchange on the date of purchase, and, so long as you remained an "insider" of the Company, would be effected only during an open "window period."

8. We have agreed on a form of reference letter to be used should one be requested. A copy of the form of letter agreed upon is attached as Exhibit C.

9. You resigned as an officer and director of Scotts and certain of its subsidiaries and affiliates effective February 22, 1996. Any actions which you undertook while an officer and director of Scotts, its subsidiaries or affiliates, will be covered by the indemnity provisions in the By-Laws or Code of Regulations of Scotts (or of its subsidiaries and affiliates, as the case may be) according to the terms thereof and you will continue to be covered after

that date by the directors' and officers' insurance policy which Scotts maintains according to its terms.

10. You agree, except for the obligations set forth in this Agreement, that all of Scotts' other obligations and any claims by you against Scotts and the officers, directors and employees of Scotts, are released by your acceptance of this Agreement, including but not limited to claims of age discrimination in employment under the Federal Age Discrimination in Employment Act and the Older Workers Benefit Protection Act. Except as specifically stated herein and except as provided in any benefit plans maintained by Scotts in which you are participating, you have no claim for and will not be entitled to any other benefits, bonus, compensation, perquisites, vacation or sick pay allowance or any kind of other remuneration arising out of your employment or the termination thereof, provided, however, that this release shall not be construed to prevent you from pursuing any rights you have to COBRA benefits or any rights you have to enforce the terms of this letter.

11. You agree to keep the terms of this Agreement confidential and that you will not disclose any information concerning these matters to anyone, including but not limited to past, present or future employees of Scotts or its affiliates (but excepting your legal and financial advisors and your spouse). You agree to indemnify Scotts from any loss or costs arising from any breach by you of this Agreement.

12. You understand that you are entering into this Agreement (and the release contained herein) voluntarily in order to be the recipient of certain of the agreements described herein that were not required pursuant to the terms of your Employment Agreement. You understand that Scotts would not enter into these agreements to which you would not otherwise be entitled without your voluntary consent to this Agreement.

13. In making your decision whether or not to accept this Agreement, you recognize that you have the right to seek advice and counsel from others, including that of an attorney if you so choose. You acknowledge that you have 21 days within which to consider this offer.

14. You have seven calendar days from the date you sign this Agreement to cancel it in writing. No payments (other than those to which you are entitled pursuant to your Employment

Agreement) will be made under this Agreement until the expiration of the seven day revocation period. You may cancel this Agreement by signing the cancellation notice below (or by any other written signed notice) and delivering it to Scotts (to my attention) within seven days of the date you signed this Agreement.

You are reminded that certain provisions of your Employment Agreement survive the termination of your employment with Scotts. Nothing in this letter is intended to constitute a waiver by Scotts of the provisions of such Agreement.

This Agreement will be construed in accordance with the substantive laws of the State of Ohio. The rights and duties of the parties shall not be assignable. This Agreement may not be amended except in writing signed by the party against whom an obligation is to be enforced. No representations, other than those contained herein, have been made as an inducement.

If this letter satisfactorily sets forth the provisions relating to your

termination of employment with the Company, please execute the enclosed copy and return it to me.

Very truly yours,

/s/ Tadd C. Seitz

Tadd C. Seitz

Dear Tadd:

This letter satisfactorily set forth the terms of my termination of employment with The Scotts Company.

Dated: April 10, 1996

/s/ Theodore J. Host

Theodore J. Host

CANCELLATION NOTICE

To cancel this Agreement, sign below and deliver this copy of the Agreement to Tadd Seitz within seven days of the date you signed the Agreement.

I hereby cancel this Agreement.

_____ (Date)

_____ (Signature)

Exhibit A

THEODORE J. HOST
10019 WELLINGTON BLVD.
POWELL, OHIO 43065

February 22, 1996

Tadd C. Seitz, Chairman
The Scotts Company
14111 Scottslawn Road
Marysville, Ohio 43041

Dear Tadd:

It is with deep regret that I hereby submit my resignation, effective today, as President, Chief Operating Officer and Directors of The Scotts Company ("Scotts").

I am terminating my employment and submitting my resignation for "Good Reason" pursuant to the provisions of Paragraph 6(b) of my Employment Agreement with

Scotts dated October 21, 1991. In recent months, it has become apparent that the Board and my philosophies regarding sales and profitability have taken different directions. I understand that this philosophical difference may cause the Board to diminish my duties or remove me from my present positions. Accordingly, I have chosen to resign.

I have enjoyed my time at Scotts, and I look forward to finalizing my severance arrangements.

Sincerely,

/s/ Theodore J. Host

Theodore J. Host

EXHIBIT B

Theodore J. Host
10019 Wellington Blvd.
Powell, OH 43065

The Scotts Company LONG TERM INCENTIVE STATEMENT Run Date 2/23/96
Page No. 1

As of 02/23/96

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11/04/92	NON-QUAL	26,000	26,000	$16.2500	11/03/02	26,000 (CURRENT)	26,000
11/04/92	NON-QUAL	25,987	25,987	$16.2500	11/03/02	25,987 (CURRENT)	25,987
11/04/92	NON-QUAL	25,987	25,987	$16.2500	11/03/02	25,987 (CURRENT)	25,987
11/04/92	NON-QUAL	27,108	27,108	$16.2500	11/03/02	27,108 (CURRENT)	27,108
10/01/93	NON-QUAL	28,290	28,290	$17.2500	09/30/03	18,860 (CURRENT)	18,860
						9,430 on 10/01/96	
10/01/93	NON-QUAL	28,290	28,290	$17.2500	09/30/03	0 (CURRENT)	0
						28,290 on 10/01/96	
10/01/94	NON-QUAL	56,580	56,580	$15.5000	09/30/04	18,860 (CURRENT)	18,860
						18,860 on 10/01/96	
						18,860 on 10/01/97	
12/13/95	NON-QUAL	46,000	46,000	$20.1875	12/12/05	0 (CURRENT)	0
						15,333 on 12/13/96	
						15,333 on 12/13/97	
						15,334 on 12/13/98	
		---	---				---
	Shares	264,242					42,802

</TABLE>

EXHIBIT C

To whom it may concern,

I am pleased to offer this letter of reference for Theodore J. Host. He was

employed by The Scotts Company as President, C.O.O. and a member of the company's Board of Directors on October 21, 1991. On April 19, 1995, he was promoted to President, Chief Executive Officer.

During his tenure with the Company, significant progress was made. He was a significant participant in the acquisitions of The Republic Tool Company in 1992, The Grace Sierra Division of W.R. Grace Company in January of 1994, and the merger with Miracle-Gro Products in May, 1995.

As a result of this effort, the Company during his time as President, grew in sales from $388,000,000 to $733,000,000 in a four year period. In the same period, net income grew from $1,735,000 to $22,400,000.

His contribution to the growth of The Scotts Company is appreciated.

EXHIBIT 10(p)

Letter Agreement, dated January 18, 1996, between
The Scotts Company and Paul D. Yeager, and
amendment dated September 16, 1996

January 18, 1996

Paul Yeager
17910 Timber Lane
Marysville, OH 43040

Dear Paul:

As you have indicated your desire to retire from The Scotts Company ("Scotts"), this letter states the terms and conditions of your retirement on which we have mutually agreed.

You will cease active employment with the Company as of September 30, 1996. Thereafter and until your retirement date, July 1, 1998, you will be paid in the following manner. From October 1996 through December 1996, you will continue to receive your base salary which was in effect on September 30, 1996; and from January 1997 through June 1998, on a monthly basis, at the rate calculated by dividing 12 months' base salary in effect on September 30, 1996 by 18. In addition, your 400 unused leave hours will also be paid out to you with no additional accrual after September 30, 1996.

You will be eligible for consideration under the 1996 Executive Annual incentive Plan for payout, if any. Payouts under the terms of this plan are normally made in December.

The AYCO program will be available to you through December 31, 1996. This program or its cash value will also be available for calendar year 1997.

Assuming you retire as of July 1, 1998, all stock options will vest on that date and you will have the shorter of the normal term of the options or five years to exercise.

Your car allowance will be paid monthly through September 30, 1996.

You are entitled to outplacement or a payment of $10,000 in lieu

thereof.

Your medical and dental insurance coverage as you elected under the terms of the plans available will be continued while you are being paid on the Scotts payroll. You are reminded that in order to be eligible for retiree medical coverage, you must do so at the aforementioned retirement date of July 1, 1998 or you will lose access to this benefit.

Your eligibility for short and long term disability benefits under current Scotts group plans expires on your last day worked. Life insurance coverage will continue through September 30, 1996. Within 30 days following the expiration of your life insurance coverage, you have the right to convert all or part of your group life insurance.

This agreement anticipates that you may be asked to perform a limited amount of consulting work for Scotts after September 30, 1996 and during the term of this agreement. The Company does not anticipate this to be more than 15 days during the term of this agreement. The retainer for this has been included in your salary continuation as previously provided in this agreement. Any additional services and fees paid will be mutually determined at a subsequent time and included in your W-2 earnings under this Agreement. As the fees are included, they are eligible for consideration under the terms and conditions of the qualified plans of the company.

As long as you continue to receive monthly payments, you will continue to be eligible to participate in the qualified plans of The Scotts Company. At the time that you leave the payroll of the Company, your pension benefit will be handled in accordance with plan provisions. Your Profit Sharing and 401(k) Plan benefits will be handled according to your election under the plan options. As always, you should discuss the tax effect of these decisions with your advisors.

You are reminded of the terms of the Scotts Associate Agreement, a copy of which is attached.

You will resign as an officer of The Scotts Company effective September 30, 1996. Any actions which you undertook while an officer of the Company which were consistent with Company policy will continue to be covered after that date by the directors and officers insurance policy which the Company maintains.

You agree, except for the obligations set forth in this agreement, that all of the employer's other obligations and any claims by you against Scotts or affiliated corporations or employees thereof are released by your acceptance of this agreement including claims of Age Discrimination in employment under the Federal Age Discrimination in Employment Act and the

Older Workers Benefit Protection Age.

Except as specifically stated herein and except as provided in the Scotts Pension Plan, you have no claim for and will not be entitled to any other benefits, bonus, compensation, perquisites, sick pay allowance or any kind of other remuneration arising out of your employment or the termination of employment.

You will have until February 9, 1996 to consider this offer. If you accept, you will have seven (7) calendar days from date of acceptance to revoke this agreement.

This Agreement contains the release of important legal rights. You should consult with an attorney before executing it.

This Agreement will be construed in accordance with the substantive law of the State of Ohio. The rights and duties of the parties shall not be assignable. The Agreement may not be amended except in writing signed by the party against whom an obligation is to be enforced. No representations, other than those contained herein, have been made as an inducement.

Intending to be legally bound hereby, we have executed this Agreement this 18th day of January, 1996.

THE SCOTTS COMPANY

BY: /s/ Robert A. Stern

Robert A. Stern
Vice President, Human Resources

/s/ Paul Yeager

Paul Yeager

September 16, 1996

Paul Yeager
17910 Timber Lane
Marysville, Ohio 43040

RE: AMENDMENT TO LETTER DATED JANUARY 18, 1996

Dear Paul:

This letter is to amend the letter agreement between you and The Scotts Company ("Scotts") dated January 18, 1996 (the "Letter Agreement").

We have agreed to amend the terms of the Letter Agreement as follows:

- Your new date to cease active employment with Scotts will be December 31, 1996;

- After December 31, 1996 and until your retirement date, July 1, 1998, you will be paid in the following manner. From January 1, 1997 through June 30, 1998, on a monthly basis, at the rate calculated by dividing 15 months' base salary in effect on December 31, 1996 by 18;

- You will continue to accrue leave hours on a normal basis until December 31, 1996, and after that date, any unused hours will be paid out to you. You may take reasonable leave between now and December 31 as long as you are able to adequately perform your essential job responsibilities;

- You will be eligible for consideration under the 1996 and 1997 Executive Annual Incentive Plans for payout, if any;

- Your car allowance will be paid monthly through December 31, 1996;

- Your life insurance coverage and all other benefits which you are currently covered under will continue through December 31, 1996, except for dental and medical coverage to retirement and at retirement if selected, and

- You will resign as an officer of The Scotts Company effective December 31, 1996.

- You will have until September 30, 1996 to accept this offer. If you accept, you will have seven calendar days from acceptance to revoke. If you accept, you agree to release Scotts from any claims or obligations (other than those set forth in the Letter Agreement and this amendment), including claims of age discrimination in employment under the Federal Age Discrimination in Employment Act and the Older Workers Benefit Protection Act. You should consult your attorney before signing this document.

- Intending to be legally bound, we have hereby executed this agreement

on this 30th day of September, 1996.

THE SCOTTS COMPANY

BY: /s/ Charles M. Berger

Charles M. Berger
Chairman, CEO and President

/s/ Paul Yeager

Paul Yeager

Exhibit 11(a)

THE SCOTTS COMPANY
Computation of Net Income Per Common Share
(in thousands except share amounts)

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	For the Three Months Ended		For the Year Ended	
	September 30 1995	September 30 1996	September 30 1995	September 30 1996
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Net income for computing net income per common share:				
Net income (loss)	$ 135	$(13,592)	$22,356	$ (2,530)
Preferred stock dividend (1)	(2,437)	(2,438)	--	(9,750)
Net income (loss) applicable to common shares	$(2,302)	$(16,030)	$22,356	$(12,280)
Net income (loss) per common share:	$ (.12)	$ (.86)	$ 0.99	$ (.65)

</TABLE>

Computation of Weighted Average Number of Common Shares Outstanding

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	For the Three Months Ended		For the Year Ended	
	September 30 1995	September 30 1996	September 30 1995	September 30 1996
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Weighted average common shares outstanding during the period	18,678,382	18,646,755	18,669,894	18,785,724
Assuming conversion of preferred stock	--	--	3,706,140	--
Assuming exercise of options using the Treasury Stock Method	--	--	230,126	--
Assuming exercise of warrants using the Treasury Stock Method	--	--	10,525	--
Weighted average number of common shares outstanding as adjusted	18,678,382	18,646,755	22,616,685	18,785,724

</TABLE>

Fully diluted weighted average common shares outstanding were not materially different than primary weighted average common shares outstanding for the periods presented.

EXHIBIT 21

SUBSIDIARIES OF REGISTRANT

Scotts Grass Co., an Ohio corporation
Scotts Sod Co., an Ohio corporation
Scotts Energy Co., an Ohio corporation
Scotts Pesticide Co., an Ohio corporation
Scotts Green Lawns Co., an Ohio corporation
Scotts Plant Co., an Ohio corporation
Scotts Tree Co., an Ohio corporation
Scotts Service Co., an Ohio corporation
Scotts Products Co., an Ohio corporation
Scotts Fertilizer Co., an Ohio corporation
Scotts Park Co., an Ohio corporation
Scotts Pro Turf Co., an Ohio corporation
Scotts Control Co., an Ohio corporation
Scotts Professional Products Co., an Ohio corporation
Scotts Turf Co., an Ohio corporation
Scotts Best Lawns Co., an Ohio corporation
Scotts Weed Control Co., an Ohio corporation
Scotts Golf Co., an Ohio corporation
Scotts Garden Co., an Ohio corporation
Scotts Design Co., an Ohio corporation
Scotts Tech Rep Co., an Ohio corporation
Scotts Broad Leaf Co., an Ohio corporation
Scotts Insecticide Co., an Ohio corporation
Scotts Spreader Co., an Ohio corporation
Scotts Improvement Co., an Ohio corporation
Hyponex Corporation, a Delaware corporation
Old Fort Financial Corp., a Delaware corporation
OMS Investments, Inc., a Delaware corporation
Republic Tool & Manufacturing Corp., a Delaware corporation
Scotts-Sierra Horticultural Products Company, a California corporation
Scotts-Sierra Crop Protection Company, a California corporation
**Sierra-Sunpol Resins, Inc., a California corporation

#Scotts France, SARL (France)
#Scotts Deutschland GMBH (Germany)
#Scotts O M Espana, S.A. (Spain)
Scotts-Sierra Investments, Inc., a Delaware corporation
#Scotts Australia Pty, Ltd. (Australia)
#O M Scott International Investments Limited (United Kingdom)

#O M Scott & Sons Limited (United Kingdom)
#Scotts United Kingdom, Limited (United Kingdom)
#Scotts Italia, SRL (Italy)
#Scotts Europe, BV (Netherlands)
#Scotts Belgium, B.V.B.A. (Belgium)

Scott's Miracle-Gro Products, Inc., an Ohio corporation
Miracle-Gro Lawn Products, Inc., a Delaware corporation
Miracle-Gro Products Limited, a New York corporation

\# Foreign
** Not wholly-owned

EXHIBIT 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the Registration Statements of The Scotts Company on Form S-8 (File Nos. 33-47073, 33-60056, 333-00021 and 333-06061) of our report dated November 15, 1996 on our audits of the consolidated financial statements and our report dated November 15, 1996 on our audits of the financial statement schedules of The Scotts Company as of September 30, 1995 and 1996 and for the years ended September 30, 1994, 1995 and 1996, which reports are incorporated by reference in this Annual Report on Form 10-K.

Coopers & Lybrand L.L.P.
Columbus, Ohio
December 23, 1996

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEETS AND STATEMENTS OF OPERATIONS OF THE SCOTTS COMPANY AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FORM 10-K FOR THE YEAR ENDED SEPTEMBER 30, 1996.
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