FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

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

FOR THE QUARTERLY PERIOD ENDED JULY 1, 2000

OR

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER 1-13292

THE SCOTTS COMPANY
(Exact name of registrant as specified in its charter)

OHIO	31-1414921
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

41 SOUTH HIGH STREET, SUITE 3500
COLUMBUS, OHIO 43215
(Address of principal executive offices)
(Zip Code)

(614) 719-5500
(Registrant's telephone number, including area code)

NO CHANGE
(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

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

28,040,151	Outstanding at August 7 , 2000
Common Shares, voting, no par value	

THE SCOTTS COMPANY AND SUBSIDIARIES

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PART I - FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

THE SCOTTS COMPANY AND SUBSIDIARIES
CONDENSED, CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
(IN MILLIONS EXCEPT PER SHARE AMOUNTS)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	JULY 1, 2000	JULY 3, 1999	JULY 1, 2000	JULY 3, 1999
Net sales	$598.3	$ 586.2	$1,510.6	$1,402.2
Cost of sales	356.1	349.8	881.4	832.1
Gross profit	242.2	236.4	629.2	570.1
Gross commission earned from agency agreement	16.9	9.9	26.1	27.5
Contribution expenses under agency agreement	1.6	0.4	4.9	1.2
Net commission earned from agency agreement	15.3	9.5	21.2	26.3
Operating expenses:				
Advertising and promotion	64.9	63.8	186.8	166.6
Selling, general and administrative	76.8	80.8	229.8	209.6
Amortization of goodwill and other intangibles	6.4	7.9	19.4	17.3
Restructuring and other charges	--	--	--	1.4
Other expense (income), net	1.0	(1.7)	(0.8)	(3.8)
Income from operations	108.4	95.1	215.2	205.3
Interest expense	24.8	24.6	74.4	59.0
Income before income taxes	83.6	70.5	140.8	146.3
Income taxes	30.6	28.9	53.7	60.0
Net income before extraordinary item	53.0	41.6	87.1	86.3
Extraordinary loss on early extinguishment of debt, net of tax	--	--	--	5.8
Net income	53.0	41.6	87.1	80.5
Payments to preferred shareholders	--	2.4	6.4	7.3
Income available to common shareholders	$ 53.0	$ 39.2	$ 80.7	$ 73.2
Basic earnings per common share:				
Before extraordinary item	$ 1.90	$ 2.14	$ 2.89	$ 4.32
Extraordinary item, net of tax	--	--	--	0.32
	1.90	2.14	2.89	4.00
Diluted earnings per common share:				
Before extraordinary item	$ 1.78	$ 1.35	$ 2.71	$ 2.83
Extraordinary item, net of tax	--	--	--	0.19
	1.78	1.35	2.71	2.64
Common shares used in basic earnings per share calculation	27.9	18.3	27.9	18.3
Common shares and potential common shares used in diluted earnings per share calculation	29.7	30.9	29.7	30.5

See notes to condensed, consolidated financial statements

THE SCOTTS COMPANY AND SUBSIDIARIES
CONDENSED, CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(IN MILLIONS)

	NINE MONTHS ENDED	
	JULY 1, 2000	JULY 3, 1999
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 87.1	$ 80.5
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	46.1	42.8
Loss on sale of property	4.0	0.9
Net change in certain components of working capital	34.8	(14.9)
Net change in other assets and liabilities and other adjustments	(7.5)	(18.8)
Net cash provided by operating activities	164.5	90.5
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in property, plant and equipment	(37.2)	(39.4)
Investment in acquired businesses, net of cash acquired	(3.4)	(533.4)
Other, net	1.7	(5.0)
Net cash used in investing activities	(38.9)	(577.8)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings (repayments) under revolving and bank lines of credit	(24.1)	52.5
Gross borrowings under term loans	--	525.0
Gross repayments under term loans	(18.4)	(1.2)
Issuance of 8 5/8% Senior Subordinated Notes	--	330.0
Extinguishment of $97.1 million 9 7/8% Senior Subordinated Notes	--	(104.1)
Repayment of outstanding balance on previous credit facility	--	(241.0)
Settlement of interest rate locks	--	(12.9)
Financing and issuance fees	(1.0)	(23.8)
Payments to preferred shareholders	(6.4)	(9.8)
Repurchase of treasury shares	(23.9)	(6.3)
Other, net	(0.8)	3.5
Net cash (used in) provided by financing activities	(74.6)	511.9
Effect of exchange rate changes on cash	(1.9)	(1.0)
Net increase in cash	49.1	23.6
Cash and cash equivalents at beginning of period	30.3	10.6
Cash and cash equivalents at end of period	$ 79.4	$ 34.2
SUPPLEMENTAL CASH FLOW INFORMATION:		
Investment in acquired businesses:		
Fair value of assets acquired, net of cash	$ 3.4	$ 635.2
Liabilities assumed	--	(101.8)
Net assets acquired	3.4	533.4
Notes issued to seller	2.2	37.0
Cash paid	1.2	4.8
Debt issued	--	491.6

See notes to condensed, consolidated financial statements

THE SCOTTS COMPANY AND SUBSIDIARIES
CONDENSED, CONSOLIDATED BALANCE SHEETS
(IN MILLIONS)

ASSETS	UNAUDITED JULY 1, 2000	JULY 3, 1999	SEPTEMBER 30, 1999
Current assets:			
Cash and cash equivalents	$ 79.4	$ 34.2	$ 30.3
Accounts receivable, less allowances of $13.1, $15.5 and $16.4, respectively	374.2	319.2	201.4
Inventories, net	294.1	281.1	313.2
Current deferred tax asset	24.4	22.1	29.3
Prepaid and other assets	21.6	36.2	67.5
Total current assets	793.7	692.8	641.7
Property, plant and equipment, net	266.6	241.3	259.4
Intangible assets, net	758.9	777.9	794.1
Other assets	78.7	59.8	74.4
Total assets	$ 1,897.9	$ 1,771.8	$ 1,769.6
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term debt	$ 50.2	$ 41.2	$ 56.4
Accounts payable	195.5	127.2	133.5
Accrued liabilities	259.1	222.6	177.0
Total current liabilities	504.8	391.0	366.9
Long-term debt	836.0	855.6	893.6
Other liabilities	60.8	59.3	65.8
Total liabilities	1,401.6	1,305.9	1,326.3
Commitments and contingencies			
Shareholders' equity:			
Class A Convertible Preferred Stock, no par value	--	176.7	173.9
Common shares, no par value per share, $.01 stated value per share, issued 31.3, 21.1 and 21.3, respectively	0.3	0.2	0.2
Capital in excess of par value	388.1	209.2	213.9
Retained earnings	210.8	149.9	130.1
Treasury stock, 3.4, 2.8, and 2.9 shares, respectively, at cost	(83.7)	(58.9)	(61.9)
Accumulated other comprehensive expense	(19.2)	(11.2)	(12.9)
Total shareholders' equity	496.3	465.9	443.3
Total liabilities and shareholders' equity	$ 1,897.9	$ 1,771.8	$ 1,769.6

See notes to condensed, consolidated financial statements

NOTES TO CONDENSED, CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(All amounts are in millions except per share data or as otherwise noted)

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, lawn and landscape service companies, commercial nurseries and greenhouses, and specialty crop growers. The Company's products are sold in the United States, Canada, the European Union, the Caribbean, South America, Southeast Asia, the Middle East, Africa, Australia, New Zealand, Mexico, Japan, and several Latin American countries.

Organization and Basis of Presentation

The condensed, consolidated financial statements include the accounts of The Scotts Company and its subsidiaries, (collectively, the "Company"). All material intercompany transactions have been eliminated.

The condensed, consolidated balance sheets as of July 1, 2000 and July 3, 1999, and the related condensed, consolidated statements of operations for the three and nine month periods ended July 1, 2000 and July 3, 1999, as well as the condensed, consolidated statement of cash flows for the nine month periods ended July 1, 2000 and July 3, 1999, are unaudited; however, in the opinion of management, such financial statements contain all adjustments necessary for the fair presentation of the Company's financial position and results of operations. Interim results reflect all normal recurring adjustments and are not necessarily indicative of results for a full year. The interim financial statements and notes are presented as specified by Regulation S-X of the Securities and Exchange Commission, and should be read in conjunction with the financial statements and accompanying notes in Scotts' fiscal 1999 Annual Report on Form 10-K.

Revenue Recognition

Revenue is recognized when products are shipped and when title and risk of loss transfer to the customer. For certain large multi-location customers, products may be shipped to third-party warehousing locations. Revenue is not recognized until the customer places orders against that inventory and acknowledges in writing ownership of the goods. Provisions for estimated returns and allowances are recorded at the time of shipment based on historical rates of return as a percentage of sales.

Advertising and Promotion

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 promotional allowances. Certain products are also promoted with direct consumer rebate programs. Advertising and promotion costs (including allowances and rebates) incurred during the year are expensed ratably to interim periods in relation to revenues. All advertising and promotion costs, except for production costs, are expensed within the fiscal year in which such costs are incurred. Production costs for advertising programs are deferred until the period in which the advertising is first aired.

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, expected useful lives assigned to property, plant and equipment and goodwill and other intangible assets, legal and environmental accruals, post-retirement benefits, 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.

Reclassifications

Certain reclassifications have been made in prior periods' financial statements to conform to fiscal 2000 classifications.

2. AGENCY AGREEMENT

Effective September 30, 1998, the Company entered into an agreement with Monsanto Company ("Monsanto") for exclusive domestic and international marketing and agency rights to Monsanto's consumer Roundup(R) herbicide products. Under the terms of the agreement, the Company is entitled to receive an annual commission from Monsanto in consideration for the performance of its duties as agent. The annual commission is calculated as a percentage of the actual earnings before interest and income taxes (EBIT), as defined in the agreement, of the Roundup(R) business. Each year's percentage varies in accordance with the terms of the agreement based on the achievement of two earnings thresholds and commission rates that vary by threshold and program year.

The agreement also requires the Company to make annual payments to Monsanto as a contribution against the overall expenses of the Roundup(R) business. The amount of the contribution payment varies by year and can be increased based on the level of program EBIT achieved during certain years. Annual contribution payments are payable in twelve monthly installments within the year.

The agreement has a term of seven years for all countries within the European Union (at the option of both parties, the agreement can be renewed for up to 20 years for the European Union countries). For countries outside of the European Union, the agreement continues indefinitely unless terminated by either party. The agreement provides Monsanto with the right to terminate the agreement for an event of default (as defined in the agreement) by the Company or a change in control of Monsanto or sale of the Roundup business. The agreement provides the Company with the right to terminate the agreement in certain circumstances including an event of default by Monsanto or the sale of the Roundup business. Unless the agreement is terminated for an event of default by the Company, Monsanto is required to pay a termination fee to the Company that varies by program year. The termination fee is $150 million for each of the first five program years, gradually declines to $100 million by year ten of the program and then declines to a minimum of $16 million if the program continues for years 11 through 20.

In consideration for the rights granted to the Company under the agreement for North America, the Company was required to pay a marketing fee of $32 million to Monsanto. The Company has deferred this amount on the basis that the payment will provide a future benefit through commissions that will be earned under the agreement. Although the agreement for North America has no stated term, the termination provisions ensure that, for any termination caused by Monsanto through year 20 of the agreement, an amount greater than or equal to the unamortized balance of the deferred marketing fees will be due from Monsanto. Accordingly, the Company is amortizing the deferred marketing fee over a period of 20 years.

In fiscal 1999, the Company recognized commission income under the agreement during interim periods based on the estimated percentage of EBIT that would be payable to the Company as commission for the year applied to the actual EBIT for the Roundup(R) business for the interim period. Commission income recorded for that full year is calculated by applying the threshold commission structure for that year to the actual EBIT of the Roundup business for the year. For interim periods beginning in fiscal 2000, in accordance with SEC Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements", the Company will not recognize commission income until actual Roundup EBIT reaches the first commission threshold for that year. The annual contribution payment, if any, is recognized ratably throughout the year.

3. RESTRUCTURING AND OTHER CHARGES

1999 Charges

During the nine months ended July 3, 1999, the Company recorded $1.4 million of restructuring charges associated with management's decision to reorganize the North American Professional Business Group to strengthen distribution and technical sales support, integrate brand management across market segments and reduce annual operating expenses. These charges represent the severance payments for approximately 60 in-house sales associates who were terminated in fiscal 1999. Approximately $1.1 million of severance payments were made to these former associates during fiscal 1999 and substantially all of the remainder has been paid in fiscal 2000.

1998 Charges

During fiscal 1998, the Company recorded charges of $9.3 million in connection with its decision to close nine composting sites. As of September 30, 1999, $0.9 million remained accrued in the Company's consolidated balance sheet for losses to be incurred under contractual commitments and remaining lease obligations (a detailed discussion and rollforward is included in the Company's fiscal 1999 Annual Report on Form 10-K). For the first nine months of fiscal 2000, $0.6 million of the obligations had been paid, leaving the remaining accrual at $0.3 million. The Company expects to make all significant remaining payments in fiscal 2000.

4. ACQUISITIONS AND DIVESTITURES

In January 1999, the Company acquired the assets of Monsanto's consumer lawn and garden businesses, exclusive of the Roundup(R) business ("Ortho"), for approximately $300 million, subject to adjustment based on working capital as of the closing date and as defined in the purchase agreement. Based on the estimate of working capital received from Monsanto, the Company made an additional payment of $39.9 million at the closing date. A revised assessment of working capital provided by Monsanto indicated that an additional payment of approximately $27.0 million (for a total purchase price of approximately $366.0 million) would also have been required, however the Company disputed a significant portion of those working capital amounts. In the third quarter of fiscal 2000, the Company and Monsanto (now known as Pharmacia Corporation) resolved the disputed working capital amounts which resulted in a purchase price of approximately $355.5 million.

In October 1998, the Company acquired Rhone-Poulenc Jardin, continental Europe's largest consumer lawn and garden products company. Management's initial estimate of the purchase price for Rhone-Poulenc Jardin was $192.8 million; however, subsequent adjustments for reductions in acquired working capital have resulted in a final purchase price of approximately $147.5 million.

In connection with the Rhone-Poulenc Jardin acquisition, the Company entered into a Research and Development Access Rights Agreement with Rhone-Poulenc Jardin. In exchange for the rights provided under the agreement, the Company will make four annual payments of 39 million French Francs each beginning on October 1, 1999. The present value of the payments (approximately $23.2 million) is being amortized over the life of the agreement.

Each of the above acquisitions was made in exchange for cash or notes due to seller and was accounted for under the purchase method of accounting. Accordingly, the purchase prices have been allocated to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The allocation of the final purchase price of the Ortho business to the net assets acquired should be completed during the fourth quarter of fiscal 2000. The excess of the estimated purchase price for the Ortho business over the value of tangible assets acquired is currently recorded as an intangible asset and is being amortized over a period of 35 years.

The following unaudited pro forma results of operations give effect to the Ortho acquisition as if it had occurred on October 1, 1998.

	NINE MONTHS ENDED JULY 3, 1999
Net sales	$1,435.2
Income before extraordinary loss	77.9
Net income	72.1
Basic earnings per share:	
Before extraordinary loss	$ 3.86
After extraordinary loss	$ 3.54
Diluted earnings per share:	
Before extraordinary loss	$ 2.56
After extraordinary loss	$ 2.37

The pro forma information provided does not purport to be indicative of actual results of operations if the Ortho acquisition had occurred as of October 1, 1998 and is not intended to be indicative of future results or trends.

In May 2000, the Company sold its North American Professional Turf business to two buyers. The terms of the agreement included the sale of certain inventory for approximately $16.3 million and an arrangement for the use and eventual purchase of related tradenames by the buyers. No gain or loss on the sale transaction is reflected in the Company's third quarter results of operations.

5. INVENTORIES

Inventories, net of provisions for slow moving and obsolete inventory of $24.9 million, $22.0 million, and $30.5 million, respectively, consisted of:

	JULY 1, 2000	JULY 3, 1999	SEPTEMBER 30, 1999
Finished goods	$ 219.1	$ 206.6	$ 206.4
Raw materials	74.0	74.1	106.5
FIFO cost	293.1	280.7	312.9
LIFO reserve	1.0	0.4	0.3
Total	$ 294.1	$ 281.1	$ 313.2

6. INTANGIBLE ASSETS, NET

	JULY 1, 2000	JULY 3, 1999	SEPTEMBER 30, 1999
Goodwill	$ 494.1	$ 619.5	$ 508.6
Trademarks	189.2	115.0	207.9
Other	75.6	43.4	77.6
Total	$ 758.9	$ 777.9	$ 794.1

7. LONG-TERM DEBT

	JULY 1, 2000	JULY 3, 1999	SEPTEMBER 30, 1999
Revolving loans under credit facility.....	$ 38.4	$ 16.8	$ 64.2
Term loans under credit facility.....	471.6	500.6	509.0
Senior Subordinated Notes	318.9	320.5	318.0
Notes due to sellers	37.7	37.9	37.0
Foreign bank borrowings and term loans....	9.7	9.0	17.6
Capital lease obligations and other	9.9	12.0	4.2
	886.2	896.8	950.0
Less current portions.....	50.2	41.2	56.4
	$ 836.0	$ 855.6	$ 893.6

On December 4, 1998, the Company and certain of its subsidiaries entered into a credit facility which provides for borrowings in the aggregate principal amount of $1.025 billion and consists of term loan facilities in the aggregate amount of $525 million and a revolving credit facility in the amount of $500 million. Financial covenants included as part of the facility include, amongst others, minimum net worth, interest coverage and net leverage ratios.

In January 1999, the Company completed an offering of $330 million of 8 5/8% Senior Subordinated Notes ("the Notes") due 2009. The net proceeds from the offering, together with borrowings under the Company's credit facility, were used to fund the Ortho acquisition and to repurchase approximately 97% of Scotts $100.0 million outstanding 9 7/8% Senior Subordinated Notes due August 2004. In August 1999, the Company repurchased the remaining $2.9 million of the 9 7/8% Senior Subordinated Notes.

The Company entered into two interest rate locks in fiscal 1998 to hedge its anticipated interest rate exposure on the Notes offering. The total amount paid under the interest rate locks of $12.9 million has been recorded as a reduction of the Notes' carrying value and is being amortized over the life of the Notes as interest expense.

In conjunction with the acquisitions of Rhone-Poulenc Jardin and Sanford Scientific, Inc., notes were issued for certain portions of the total purchase price or other consideration that are to be paid in annual installments over a four-year period. The present value of the remaining note payments at July 1, 2000 is $25.5 million and $4.1 million, respectively. The Company is imputing interest on the non-interest bearing notes using an interest rate prevalent for similar instruments at the time of acquisition (approximately 9% and 8%, respectively).

In March 2000, the Company acquired certain residual international intellectual property including peat marketing rights and goodwill from Bord na Mona Horticulture Limited. The purchase of the intellectual property was made through the issuance of a promissory note containing five annual payments. The present value of these payments, approximately $6.2 million at July 1, 2000, is included in Notes Due to Sellers above. The Company is imputing interest on the notes using an 8% interest rate.

The foreign term loans of $3.2 million issued on December 12, 1997, have an 8-year term and bear interest at 1% below LIBOR. The loans are denominated in Pounds Sterling and can be redeemed, on demand, by the note holder. The foreign bank borrowings of $6.5 million at July 1, 2000 represent lines of credit for foreign operations and are denominated in French Francs and Canadian Dollars.

8. EARNINGS PER COMMON SHARE

The following table presents information necessary to calculate basic and diluted earnings per common share ("EPS").

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	JULY 1, 2000	JULY 3, 1999	JULY 1, 2000	JULY 3, 1999
Net income before extraordinary item	$ 53.0	$ 41.6	$ 87.1	$ 86.3
Extraordinary loss on early extinguishment of debt, net of taxes	--	--	--	5.8
Net income	53.0	41.6	87.1	80.5
Payments to preferred shareholders	--	2.4	6.4	7.3
Income available to common shareholders	$ 53.0	$ 39.2	$ 80.7	$ 73.2
Weighted-average common shares outstanding during the period	27.9	18.3	27.9	18.3
Assuming conversion of Class A Convertible Preferred Stock	--	10.3	--	10.3
Assuming exercise of warrants	1.0	1.2	1.0	1.0
Assuming exercise of options	0.8	1.1	0.8	0.9
Weighted-average number of common shares outstanding and potential common shares	29.7	30.9	29.7	30.5
Basic earnings per common share:				
Before extraordinary loss	1.90	2.14	2.89	4.32
Extraordinary loss, net of tax	--	--	--	0.32
	$ 1.90	$ 2.14	$ 2.89	$ 4.00
Diluted earnings per common share:				
Before extraordinary loss and impact of early conversion of preferred shares	1.78	1.35	2.93	2.83
Extraordinary loss, net of tax	--	--	--	0.19
Impact of early conversion of preferred shares	--	--	.22	--
	$ 1.78	$ 1.35	$ 2.71	$ 2.64

9. STATEMENT OF COMPREHENSIVE INCOME

Effective October 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 130 (SFAS 130), "Reporting Comprehensive Income". SFAS 130 requires that changes in the amounts of certain items, including foreign currency translation adjustments, be presented in the Company's financial statements. The components of other comprehensive income and total comprehensive income for the three and nine months ended July 1, 2000 and July 3, 1999 are as follows:

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	JULY 1, 2000	JULY 3, 1999	JULY 1, 2000	JULY 3, 1999
Net income	$ 53.0	$ 41.6	$ 87.1	$ 80.5
Other comprehensive income (expense):				
Foreign currency translation adjustments	(0.7)	(2.8)	(6.3)	(8.0)
Comprehensive income	$ 52.3	$ 38.8	$ 80.8	$ 72.5

10. CONTINGENCIES

Management continually evaluates the Company's contingencies, including various lawsuits and claims which arise in the normal course of business, product and general liabilities, property losses and other fiduciary liabilities for which the Company is self-insured. 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 matters are the more significant of the Company's identified contingencies.

OHIO ENVIRONMENTAL PROTECTION AGENCY

The Company has assessed and addressed environmental issues regarding the wastewater treatment plants which had operated at the Marysville facility. The Company decommissioned the old wastewater treatment plants and has connected the facility's wastewater system with the City of Marysville's municipal treatment system. Additionally, the Company has been assessing, under Ohio's Voluntary Action Program ("VAP"), the possible remediation of several discontinued on-site waste disposal areas dating back to the early operations of its Marysville facility.

In February 1997, the Company learned that the Ohio Environmental Protection Agency was referring certain matters relating to environmental conditions at the Company's Marysville site, including the existing wastewater treatment plants and the discontinued on-site waste disposal areas, to the Ohio Attorney General's Office. Representatives from the Ohio Environmental Protection Agency, the Ohio Attorney General and the Company continue to meet to discuss these issues.

In June 1997, the Company received formal notice of an enforcement action and draft Findings and Orders from the Ohio Environmental Protection Agency. The draft Findings and Orders elaborated on the subject of the referral to the Ohio Attorney General alleging: potential surface water violations relating to possible historical sediment contamination possibly impacting water quality; inadequate treatment capabilities of the Company's existing and currently permitted wastewater treatment plants; and that the Marysville site is subject to corrective action under the Resource Conservation Recovery Act ("RCRA"). In late July 1997, the Company received a draft judicial consent order from the Ohio Attorney General which covered many of the same issues contained in the draft Findings and Orders including RCRA corrective action. As a result of on-going discussions, the Company received a revised draft of a judicial consent order from the Ohio Attorney General in late April 1999. Subsequently, the Company replied to the Ohio Attorney General with another revised draft. Comments on that draft were received from the Ohio Attorney General in February 2000, and Scotts replied with another revised draft in March 2000. Since July 2000, the parties have been engaged in settlement discussions resulting in various revisions to the March 2000 draft, as they seek to resolve this matter.

The Company is continuing to meet with the Ohio Attorney General and the Ohio Environmental Protection Agency in an effort to negotiate an amicable resolution of these issues but is unable at this stage to predict the outcome of the negotiations. While negotiations have narrowed the unresolved issues between the Company and the Ohio Attorney General/Ohio Environmental Protection Agency, several critical issues remain the subject of ongoing discussions. The parties have tentatively agreed to a civil penalty cash payment subject to the successful completion of negotiations on the remaining provisions of a judicial consent order. The Company believes that it has viable defenses to the State's enforcement action, including that it had been proceeding under VAP to address specified environmental issues, and will assert those defenses should an amicable resolution of this State's enforcement action not be reached.

In accordance with the Company's past efforts to enter into Ohio's VAP, the Company submitted to the Ohio Environmental Protection Agency a "Demonstration of Sufficient Evidence of VAP Eligibility Compliance" on July 8, 1997. Among other issues contained in the VAP submission, was a description of the Company's ongoing efforts to assess potential environmental impacts of the discontinued on-site waste disposal areas as well as potential remediation efforts. Under the statutes covering VAP, an eligible participant in the program is not subject to State enforcement actions for those environmental matters being addressed. On October 21, 1997, the Company received a letter from the Director of the Ohio Environmental Protection Agency denying VAP eligibility based upon the timeliness of and completeness of the submittal. The Company has appealed the Director's action to the Environmental Review Appeals Commission. No hearing date has been set and the appeal remains pending. While negotiations continue, the Company has been voluntarily addressing a number of the historical onsite waste disposal areas with the knowledge of the Ohio Environmental Protection Agency. Interim measures consisting of capping two onsite waste disposal areas have been implemented.

Since receiving the notice of enforcement action in June 1997, management has continually assessed the potential costs that may be incurred to satisfactorily remediate the Marysville site and to pay any penalties sought by the State. Because the Company and the Ohio Environmental Protection Agency have not agreed as to the extent of any possible contamination and an appropriate remediation plan, the Company has developed and initiated an action plan to remediate the site based on its own assessments and consideration of specific actions which the Ohio Environmental Protection Agency will likely require. Because the extent of the ultimate remediation plan is uncertain, management is unable to predict with certainty the costs that will be incurred to remediate the site and to pay any penalties. Management estimates that the range of possible loss that could be incurred in connection with this matter is $2 million to $10 million. The Company has accrued for the amount it considers to be the most probable within that range and believes the outcome will not differ materially from the amount reserved. Many of the issues raised by the State are already being investigated and addressed by the Company during the normal course of conducting business.

LAFAYETTE

In July 1990, the Philadelphia District of the U.S. Army Corps of Engineers ("Corps") directed that peat harvesting operations be discontinued at Hyponex's Lafayette, New Jersey facility, based on its contention that peat harvesting and related activities result in the "discharge of dredged or fill material into waters of the United States" and, therefore, require a permit under Section 404 of the Clean Water Act. In May 1992, the United States filed suit in the U.S. District Court for the District of New Jersey seeking a permanent injunction against such harvesting, and civil penalties in an unspecified amount. 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. The suit was placed in administrative suspense during fiscal 1996 in order to allow the Company and the government an opportunity to negotiate a settlement, and it remains suspended while the parties develop, exchange and evaluate technical data. In July 1997, the Company's wetlands consultant submitted to the government a draft remediation plan. Comments were received and a revised plan was submitted in early 1998. Further comments from the government were received during 1998 and 1999. The Company believes agreement on the remediation plan has essentially been reached. Before this suit can be fully resolved, however, the Company and the government must reach agreement on the government's civil penalty demand. The Company has reserved for its estimate of the probable loss to be incurred under this proceeding. Furthermore, management believes the Company has sufficient raw material supplies available such that service to customers will not be materially adversely affected by continued closure of this peat harvesting operation.

BRAMFORD

In the United Kingdom, major discharges of waste to air, water and land are regulated by the Environment Agency. The Scotts (UK) Ltd. fertilizer facility in Bramford (Suffolk), United Kingdom, is subject to environmental regulation by this Agency. Two manufacturing processes at this facility require process authorizations and previously required a waste management license (discharge to a licensed waste disposal lagoon having ceased in July 1999). The Company expects to surrender the waste management license in consultation with the Environment Agency. In connection with the renewal of an authorization, the Environment Agency has identified the need for remediation of the lagoon, and the potential for remediation of a former landfill at the site. The Company intends to comply with the reasonable remediation concerns of the Environment Agency. The Company previously installed an environmental enhancement to the facility to the satisfaction of the Environment Agency and believes that it has adequately addressed the environmental concerns of the Environment Agency regarding emissions to air and groundwater. Although The Scotts Company (UK) Ltd. has retained an environmental consulting firm to research remediation designs, The Scotts Company (UK) Ltd. and the Environment Agency have not agreed on a final plan for remediating the lagoon and the landfill. The Company has reserved for its estimate of the probable loss to be incurred in connection with this matter.

AGREVO ENVIRONMENTAL HEALTH

On June 3, 1999, AgrEvo Environmental Health, Inc. ("AgrEvo") (which is reported to have changed its name to Aventis Environmental Health Science USA LP) filed a complaint in the federal District Court for the Southern District of New York (the "New York Action"), against the Company, a subsidiary of the Company and Monsanto seeking damages and injunctive relief for alleged antitrust violations and breach of contract by the Company and its subsidiary and antitrust violations and tortious interference with contact by Monsanto. The Company purchased a consumer herbicide business from AgrEvo in May 1998. AgrEvo claims in the suit that the Company's subsequent agreement to become Monsanto's exclusive sales and marketing agent for Monsanto's consumer Roundup(R) business violated the federal antitrust laws. AgrEvo contends that Monsanto attempted to or did monopolize the market for non-selective herbicides and conspired with the Company to eliminate the herbicide the Company previously purchased from AgrEvo, which competed with Monsanto's Roundup(R), in order to achieve or maintain a monopoly position in that market. AgrEvo also contends that the Company's execution of various agreements with Monsanto, including the Roundup(R) marketing agreement, as well as the Company's subsequent actions, violated the purchase agreements between AgrEvo and the Company.

AgrEvo is requesting unspecified damages as well as affirmative injunctive relief, and seeking to have the court invalidate the Roundup(R) marketing agreement as violative of the federal antitrust laws. On September 20, 1999, the Company filed an answer denying liability and asserting counterclaims that it was fraudulently induced to enter into the agreement for purchase of the consumer herbicide business and the related agreements, and that AgrEvo breached the representations and warranties contained in those agreements. On October 1, 1999, the Company moved to dismiss the antitrust allegations against it on the ground that the claims fail to state claims for which relief may be granted. On October 12, 1999, AgrEvo moved to dismiss the Company's counterclaims. On May 5, 2000, AgrEvo amended its complaint to add a claim for fraud and to incorporate the Delaware Action described below. Thereafter, the Company moved to dismiss the new claims, and defendants renewed their pending motions to dismiss. On June 2, 2000, the court (i) granted the Company's motion to dismiss the fraud claim AgrEvo had added to its complaint; (ii) granted AgrEvo's motion to dismiss the Company's fraudulent-inducement counterclaim; (iii) denied AgrEvo's motion to dismiss the Company's counterclaims related to breach of representations and warranties; and (iv) denied defendants' motion to dismiss the antitrust claims. On July 14, 2000, the Company served an answer to AgrEvo's amended complaint and re-pleaded its fraud counterclaim. Under the indemnification provisions of the Roundup(R) marketing agreement, Monsanto and the Company each have requested that the other indemnify against any losses arising from this lawsuit.

On June 29, 1999, AgrEvo also filed a complaint in the Superior Court of the State of Delaware (the "Delaware Action") against two of the Company's subsidiaries seeking damages for alleged breach of contract. AgrEvo alleges that, under the contracts by which a subsidiary of the Company purchased a herbicide business from AgrEvo in May 1998, two of the Company's subsidiaries have failed to pay AgrEvo approximately $0.6 million. AgrEvo is requesting damages in this amount, as well as pre and post-judgment interest and attorneys' fees and costs. The Company's subsidiaries have moved to dismiss or stay this action. On January 31, 2000, the Delaware court stayed AgrEvo's action pending (a) the resolution of a motion to amend the New York Action and (b) resolution of the New York Action.

CENTRAL GARDEN & PET

On June 30, 2000, Scotts filed suit against Central Garden & Pet Company in the U.S. District Court for the Southern District of Ohio to recover approximately $17 million in outstanding accounts receivable from Central Garden & Pet with respect to Scotts' 2000 fiscal year. Pharmacia Corp. (formerly Monsanto Company) also filed suit against Central Garden & Pet in Missouri state court, seeking unspecified damages allegedly due Pharmacia under a four-year alliance agreement between Pharmacia and Central.

On July 7, 2000, Central Garden & Pet filed suit against Scotts and Pharmacia in the U.S. District Court for the Northern District of California (San Francisco Division) alleging various matters, including breach of contract and violations of federal antitrust laws, and seeking an unspecified amount of damages and injunctive relief. Scotts believes that Central Garden & Pet's claims are entirely without merit and intends to vigorously defend against them.

OTHER

The Company has determined that quantities of cement containing asbestos material at certain manufacturing facilities in the United Kingdom should be removed. The Company has reserved for the estimate of costs to be incurred for this matter.

GENERAL

The Company has accrued $10.1 million at July 1, 2000 for the legal and environmental matters described above. The significant components of the accrual are: (i) costs for site remediation of $6.8 million; (ii) costs for asbestos abatement of $2.8 million; and (iii) fines and penalties of $0.5 million. The significant portion of the costs accrued as of July 1, 2000 are expected to be paid in fiscal years 2000 through 2002; however, some payments are expected to be made through fiscal 2003 and possibly for a period thereafter.

The Company believes that the amounts accrued as of July 1, 2000 are adequate to cover its known environmental expenses based on current facts and estimates of likely outcome. However, the adequacy of these accruals is based on several significant assumptions:

(i) that the Company has identified all of the significant sites that must be remediated;

(ii) that there are no significant conditions of potential contamination that are unknown to the Company;

(iii) that potentially contaminated soil can be remediated in place rather than having to be removed; and

(iv) that only specific stream sediment sites with unacceptable levels of potential contaminant will be remediated.

If there is a significant change in the facts and circumstances surrounding these assumptions, it could have a material impact on the ultimate outcome of these matters and the Company's results of operations, financial position and cash flows.

11. CONVERSION OF PREFERRED STOCK

In October 1999, all of the then outstanding shares of Class A Convertible Preferred Stock were converted into approximately 10.1 million common shares. The Company paid the holders of the Preferred Stock $6.4 million. The amount represents the dividends on the Preferred Stock that otherwise would have been payable through May 2000, the month during which the Preferred Stock could first be redeemed by the Company. In fiscal 1999, certain of the Preferred Stock was converted into 0.2 million common shares at the holder's option.

12. NEW ACCOUNTING STANDARDS

In August 1998, the FASB issued SFAS No. 133, "Accounting For Derivative Instruments and Hedging Activities." SFAS No. 133 (as amended) is effective for fiscal years beginning after June 15, 2000.

SFAS No. 133 establishes accounting and reporting standards for derivative instruments and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. The Company has not yet determined the impact this statement will have on its operating results. The Company plans to adopt SFAS No. 133 in fiscal 2001.

In December 1999, the Securities and Exchange Commission issued SEC Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements." This staff accounting bulletin summarizes certain of the staff's views in applying generally accepted accounting principles to revenue recognition in financial statements. The Company believes its annual accounting policies are consistent with the staff's views. The Company is required, however, to conform its interim period revenue recognition policies for the commission under the Roundup(R) marketing agreement to be consistent with the staff's views and has adopted the guidance in the first quarter of fiscal 2000. Under the new guidance, the Company must defer the recognition of commission earned in interim periods until minimum earnings thresholds are achieved. There will be no impact on the commission earned on an annual basis.

In May 2000, the Emerging Issues Task Force (EITF) reached consensus on Issue 00-14 "Accounting for Certain Sales Incentives". This issue requires certain sales incentives (e.g., discounts, rebates, coupons) offered by the Company to distributors, retail customers and consumers to be classified as a reduction of sales revenue. Like many other consumer products companies, the Company has historically classified most of these costs as advertising, promotion, or selling expenses. The guidance is effective for the fourth quarter of fiscal years beginning after December 15, 1999. The Company plans to adopt the guidance in fiscal 2001 and does not anticipate that the new accounting policy will impact fiscal 2001 results of operations.

13. SEGMENT INFORMATION

The Company is divided into three reportable segments--North American Consumer, Professional and International. The North American Consumer segment consists of the Lawns, Gardens, Growing Media, Ortho and Canadian business units.

The North American Consumer segment specializes in dry, granular slow-release lawn fertilizers, lawn fertilizer combination and lawn control products, grass seed, spreaders, water-soluble and controlled-release garden and indoor plant foods, plant care products, and potting soils, barks, mulches and other growing media products, and pesticide products. Products are marketed to mass merchandisers, home improvement centers, large hardware chains, nurseries and gardens centers.

The Professional segment is focused on a full line of horticulture products including controlled-release and water-soluble fertilizers and plant protection products, grass seed, spreaders, custom application services and growing media. Products are sold to lawn and landscape service

companies, commercial nurseries and greenhouses and specialty crop growers. Prior to June 2000, this segment also included the Company's North American professional turf business, which was sold in May 2000.

The International segment provides a broad range of controlled-release and water-soluble fertilizers and related products, including ornamental horticulture, turf and landscape, and consumer lawn and garden products which are sold to all customer groups mentioned above.

The following table presents segment financial information in accordance with SFAS No. 131. "Disclosures about Segments of an Enterprise and Related Information". Pursuant to that statement, the presentation of the segment financial information is consistent with the basis used by management (i.e., certain costs not allocated to business segments for internal management reporting purposes are not allocated for purposes of this presentation).

(IN MILLIONS)	N.A. CONSUMER	PROFESSIONAL	INTERNATIONAL	OTHER/ CORPORATE	TOTAL
SALES:					
2000 YTD	$ 1,101.4	$ 96.9	$ 312.3		$ 1,510.6
1999 YTD	$ 958.7	$ 109.2	$ 334.3		$ 1,402.2
2000 Q3	$ 451.1	$ 31.7	$ 115.5		$ 598.3
1999 Q3	$ 426.9	$ 35.8	$ 123.5		$ 586.2
OPERATING INCOME (LOSS):					
2000 YTD	$ 226.3	$ 3.9	$ 40.3	$ (55.3)	$ 215.2
1999 YTD	$ 192.5	$ 12.2	$ 52.9	$ (52.3)	$ 205.3
2000 Q3	$ 102.5	$ 0.4	$ 20.8	$ (15.3)	$ 108.4
1999 Q3	$ 88.7	$ 5.9	$ 19.0	$ (18.5)	$ 95.1
OPERATING MARGIN:					
2000 YTD	20.5%	4.0%	12.9%	nm	14.2%
1999 YTD	18.9%	11.2%	15.8%	nm	14.6%
2000 Q3	23.5%	1.3%	18.0%	nm	18.1%
1999 Q3	20.8%	16.5%	15.4%	nm	16.2%
TOTAL ASSETS:					
2000 YTD	$ 1,139.8	$ 168.4	$ 500.0	$ 89.7	$ 1,897.9
1999 YTD	$ 1,028.2	$ 179.2	$ 500.8	$ 63.6	$ 1,771.8

nm Not meaningful.

Operating income reported for the Company's three operating segments represents earnings before amortization of intangible assets, interest and taxes, since this is the measure of profitability used by management. Accordingly, corporate operating loss for the nine month periods ended July 1, 2000 and July 3, 1999 includes amortization of certain intangible assets, corporate general and administrative expenses, and certain "other" income/expense not allocated to the business segments. In the first quarter of fiscal 2000, management changed the measure of profitability for the business segments as compared to the method used at September 30, 1999, to include the allocation of certain costs to the business segments which historically were included in corporate costs. Such costs include research and development, administrative and certain "other" income/expense items which could be directly attributable to a business segment. The results shown above for the nine months of fiscal 1999 have been adjusted to conform to the fiscal 2000 basis of presentation.

Total assets reported for the Company's operating segments include the intangible assets for the acquired business within those segments. Corporate assets primarily include deferred financing and debt issuance costs, corporate fixed assets as well as deferred tax assets.

14. FINANCIAL INFORMATION FOR SUBSIDIARY GUARANTORS AND NON-GUARANTORS

In January 1999, the Company issued $330 million of 8 5/8% Senior Subordinated Notes due 2009 to qualified institutional buyers under the provisions of Rule 144A of the Securities Act of 1933. The Company is in the process of registering an exchange offer for these Notes under the Securities Act.

The Notes are general obligations of the Company and are guaranteed by all of the existing wholly-owned, domestic subsidiaries and all future wholly-owned, significant (as defined in Regulation S-X) domestic subsidiaries of the Company. These subsidiary guarantors jointly and severally guarantee the Company's obligations under the Notes. The guarantees represent full and unconditional general obligations of each subsidiary that are subordinated in right of payment to all existing and future senior debt of that subsidiary but are senior in right of payment to any future junior subordinated debt of that subsidiary.

The following unaudited information presents consolidating statements of operations, statements of cash flows and balance sheets for the three and nine-month periods ended July 1, 2000 and July 3, 1999, and statements of cash flows for the nine-month periods ending July 1, 2000 and July 3, 1999.

Separate audited financial statements of the individual guarantor subsidiaries have not been provided because management does not believe they would be meaningful to investors.

STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED JULY 1, 2000 (IN MILLIONS)
(UNAUDITED)

	PARENT	SUBSIDIARY GUARANTORS	NON-GUARANTORS	ELIMINATIONS	CONSOLIDATED
Net sales	$ 292.3	$ 182.3	$ 123.7		$ 598.3
Cost of sales	186.0	105.9	64.2		356.1
Gross profit	106.3	76.4	59.5	--	242.2
Gross commission earned from agency agreement	15.4	0.4	1.1		16.9
Contribution expenses under agency agreement	1.5	--	0.1		1.6
Net commission	13.9	0.4	1.0	--	15.3
Operating expenses:					
Advertising and promotion	28.5	21.5	14.9		64.9
Selling, general and administrative	45.6	7.8	23.4		76.8
Amortization of goodwill and other intangibles	1.9	1.7	2.8		6.4
Equity income	(35.2)			35.2	--
Intracompany allocations	(3.1)	0.9	2.2		--
Other expense (income), net	0.7	0.6	(0.3)		1.0
Income (loss) from operations	81.8	44.3	17.5	(35.2)	108.4
Interest expense	22.1	(3.6)	6.3		24.8
Income (loss) before income taxes	59.7	47.9	11.2	(35.2)	83.6
Income taxes	6.7	19.4	4.5		30.6
Net income (loss)	$ 53.0	$ 28.5	$ 6.7	$ (35.2)	$ 53.0

FOR THE NINE MONTHS ENDED JULY 1, 2000 (IN MILLIONS)
(UNAUDITED)

	PARENT	SUBSIDIARY GUARANTORS	NON-GUARANTORS	ELIMINATIONS	CONSOLIDATED
Net sales	$ 810.8	$ 374.0	$ 325.8		$ 1,510.6
Cost of sales	490.5	213.5	177.4		881.4
Gross profit	320.3	160.5	148.4	--	629.2
Gross commission earned from agency agreement	22.1	0.8	3.2		26.1
Contribution expenses under agency agreement	4.3	0.1	0.5		4.9
Net commission	17.8	0.7	2.7	--	21.2
Operating expenses:					
Advertising and promotion	99.9	45.0	41.9		186.8
Selling, general and administrative	136.0	22.1	71.7		229.8
Amortization of goodwill and other intangibles	7.0	5.1	7.3		19.4
Equity income	(58.2)			58.2	--
Intracompany allocations	(15.2)	8.9	6.3		--
Other expense (income), net	4.1	(4.4)	(0.5)		(0.8)
Income (loss) from operations	164.5	84.5	24.4	(58.2)	215.2
Interest expense	63.3	(7.3)	18.4		74.4
Income (loss) before income taxes	101.2	91.8	6.0	(58.2)	140.8
Income taxes	14.1	37.2	2.4		53.7
Net income (loss)	$ 87.1	$ 54.6	$ 3.6	$ (58.2)	$ 87.1

STATEMENT OF CASH FLOWS
FOR THE NINE MONTH PERIOD ENDED JULY 1, 2000 (IN MILLIONS) (UNAUDITED)

	PARENT	SUBSIDIARY GUARANTORS	NON-GUARANTORS	ELIMINATIONS	CONSOLIDATED
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income	$ 87.1	$ 54.6	$ 3.6	$ (58.2)	$ 87.1
Adjustments to reconcile net income to net cash used in operating activities:					
Depreciation and amortization	21.4	13.3	11.4		46.1
Loss on sale of property	0.4	1.8	1.8		4.0
Equity income	(58.2)			58.2	0.0
Net change in certain components of working capital	89.6	(58.3)	3.5		34.8
Net changes in other assets and liabilities and other adjustments	(4.5)	(3.1)	0.1		(7.5)
Net cash provided by operating activities	135.8	8.3	20.4	0.0	164.5
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in property, plant and equipment	(28.2)	(2.9)	(6.1)		(37.2)
Investments in acquired businesses, net of cash acquired	0.1		(3.5)		(3.4)
Other, net	(0.1)		1.8		1.7
Net cash used in investing activities	(28.2)	(2.9)	(7.8)	0.0	(38.9)
CASH FLOWS FROM FINANCING ACTIVITIES					
Net borrowings and repayments under revolving and bank lines of credit	(34.8)	2.4	8.3		(24.1)
Gross repayments under term loans	(1.5)		(16.9)		(18.4)
Financing and issuance fees	(1.0)				(1.0)
Payments to preferred shareholders	(6.4)				(6.4)
Repurchase of treasury shares	(23.9)				(23.9)
Intracompany financing	9.1	(10.2)	1.1		--
Other, net	(0.8)				(0.8)
Net cash used in financing activities	(59.3)	(7.8)	(7.5)	0.0	(74.6)
Effect of exchange rate changes on cash	(1.1)	0.0	(0.8)	0.0	(1.9)
Net increase in cash	47.2	(2.4)	4.3	0.0	49.1
Cash and cash equivalents, beginning of period	8.5	3.1	18.7		30.3
Cash and cash equivalents, end of period	$ 55.7	$ 0.7	$ 23.0	$ 0.0	$ 79.4

BALANCE SHEET
AS OF JULY 1, 2000 (IN MILLIONS)
(UNAUDITED)

	PARENT	SUBSIDIARY GUARANTORS	NON-GUARANTORS	ELIMINATIONS	CONSOLIDATED
ASSETS					
Current assets:					
Cash and cash equivalents	$ 55.7	$ 0.7	$ 23.0		$ 79.4
Accounts receivable, net	164.1	97.1	113.0		374.2
Inventories, net	158.8	72.4	62.9		294.1
Current deferred tax asset	28.1	0.5	(4.2)		24.4
Prepaid and other assets	(1.1)	1.5	21.2		21.6
Total current assets	405.6	172.2	215.9	0.0	793.7
Property, plant and equipment, net	171.8	56.1	38.7		266.6
Intangible assets, net	235.1	267.1	256.7		758.9
Other assets	57.1	8.4	13.2		78.7
Investment in affiliates	842.4			(842.4)	--
Intracompany assets	--	380.1		(380.1)	--
Total assets	$ 1,712.0	883.9	524.5	(1,222.5)	1,897.9
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Short-term debt	28.0	6.7	15.5		50.2
Accounts payable	92.2	31.0	72.3		195.5
Accrued liabilities	112.7	99.3	47.1		259.1
Total current liabilities	232.9	137.0	134.9	0.0	504.8
Long-term debt	556.5	5.0	274.5		836.0
Other liabilities	35.2	6.2	19.4		60.8
Intracompany liabilities	376.1		4.0	(380.1)	--
Total liabilities	1,200.7	148.2	432.8	(380.1)	1,401.6
Commitments and contingencies					
Shareholders' equity:					
Investment from parent		488.8	59.8	(548.6)	--
Common shares, no par value per share, $.01 stated value per share	0.3				0.3
Capital in excess of par value	388.1				388.1
Retained earnings	210.8	246.9	46.9	(293.8)	210.8
Accumulated other comprehensive expense	(4.2)		(15.0)		(19.2)
Treasury stock, 3.4 shares at cost	(83.7)				(83.7)
Total shareholders' equity	511.3	735.7	91.7	(842.4)	496.3
Total liabilities and shareholders' equity	$ 1,712.0	$ 883.9	$ 524.5	$ (1,222.5)	$ 1,897.9

STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED JULY 3, 1999 (IN MILLIONS)
(UNAUDITED)

	PARENT	SUBSIDIARY GUARANTORS	NON-GUARANTORS	ELIMINATIONS	CONSOLIDATED
Net sales	$ 296.8	$ 160.6	$ 128.8		$ 586.2
Cost of sales	190.9	90.2	68.7		349.8
Gross profit	105.9	70.4	60.1	--	236.4
Gross commission earned from agency agreement	9.9	--	--		9.9
Contribution expenses under agency agreement	0.4	--	--		0.4
Net commission	9.5	--	--	--	9.5
Operating expenses:					
Advertising and promotion	31.5	14.5	17.8		63.8
Selling, general and administrative	47.1	10.6	23.1		80.8
Amortization of goodwill and other intangibles	1.6	2.6	3.7		7.9
Equity income	(29.0)			29.0	--
Intracompany allocations	(7.2)	1.9	5.3		--
Other (income) expenses, net	(0.4)	(1.3)	--		(1.7)
Income (loss) from operations	71.8	42.1	10.2	(29.0)	95.1
Interest expense	21.0	(3.6)	7.2		24.6
Income (loss) before income taxes	50.8	45.7	3.0	(29.0)	70.5
Income taxes	9.2	18.5	1.2		28.9
Net income (loss)	$ 41.6	$ 27.2	$ 1.8	$ (29.0)	$ 41.6

FOR THE NINE MONTHS ENDED JULY 3, 1999 (IN MILLIONS)
(UNAUDITED)

	PARENT	SUBSIDIARY GUARANTORS	NON-GUARANTORS	ELIMINATIONS	CONSOLIDATED
Net sales	$ 680.6	$ 378.4	$ 343.2		$ 1,402.2
Cost of sales	416.7	229.5	185.9		832.1
Gross profit	263.9	148.9	157.3	--	570.1
Gross commission earned from agency agreement	27.5	--	--		27.5
Contribution expenses under agency agreement	1.2	--	--		1.2
Net commission	26.3	--	--	--	26.3
Operating expenses:					
Advertising and promotion	90.3	33.3	43.0		166.6
Selling, general and administrative	118.0	25.8	65.8		209.6
Amortization of goodwill and other intangibles	2.9	7.1	7.3		17.3
Restructuring and other charges	1.4	--	--		1.4
Equity income	(57.4)	--	--	57.4	--
Intracompany allocations	(28.6)	20.9	7.7		--
Other (income) expenses, net	3.5	(6.8)	(0.5)		(3.8)
Income (loss) from operations	160.1	68.6	34.0	(57.4)	205.3
Interest expense	52.9	(11.1)	17.2		59.0
Income (loss) before income taxes	107.2	79.7	16.8	(57.4)	146.3
Income taxes	20.9	32.3	6.8		60.0
Income (loss) before extraordinary item	86.3	47.4	10.0	(57.4)	86.3
Extraordinary loss on early extinguishment of debt, net of income tax	5.8				5.8
Net income (loss)	$ 80.5	$ 47.4	$ 10.0	$ (57.4)	$ 80.5

STATEMENT OF CASH FLOWS
FOR THE NINE MONTH PERIOD ENDED JULY 3, 1999 (IN MILLIONS)
(UNAUDITED)

	PARENT	SUBSIDIARY GUARANTORS	NON-GUARANTORS	ELIMINATIONS	CONSOLIDATED
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income	$ 80.5	$ 47.4	$ 10.0	$ (57.4)	$ 80.5
Adjustments to reconcile net income to net cash used in operating activities:					
Depreciation and amortization	16.5	13.8	12.5		42.8
Loss on sale of property	(0.3)	1.2			0.9
Equity income	(57.4)			57.4	--
Net change in certain components of working capital	(6.5)	56.3	(64.7)		(14.9)
Net changes in other assets and liabilities and other adjustments	(20.2)	(4.6)	6.0		(18.8)
Net cash used in operating activities	12.6	114.1	(36.2)	--	90.5
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in property, plant and equipment	(31.7)	(3.3)	(4.4)		(39.4)
Investments in acquired businesses, net of cash acquired	(341.8)	(3.5)	(188.1)		(533.4)
Other, net	(5.7)	1.6	(0.9)	--	(5.0)
Net cash used in investing activities	(379.2)	(5.2)	(193.4)	--	(577.8)
CASH FLOWS FROM FINANCING ACTIVITIES					
Net borrowings under revolving and bank lines of credit	(148.1)	(0.7)	202.3		52.5
Gross borrowings under term loans	525.0		(1.0)		525.0
Gross repayments under term loans	(1.2)				(1.2)
Issuance of 8 5/8% Senior Subordinated Notes	330.0				330.0
Extinguishment of 9 7/8% Senior Subordinated Notes	(104.1)				(104.1)
Repayment of outstanding balance on previous credit facility	(241.0)				(241.0)
Settlement of interest rate locks	(12.9)				(12.9)
Financing and issuance fees	(23.8)				(23.8)
Payments to preferred shareholders	(9.8)				(9.8)
Repurchase of treasury shares	(6.3)				(6.3)
Intracompany financing	74.7	(109.5)	34.8		0.0
Other, net	3.5				3.5
Net cash provided by financing activities	386.0	(110.2)	236.1	--	511.9
Effect of exchange rate changes on cash	(0.5)	0.0	(0.5)	0.0	(1.0)
Net increase (decrease) in cash	18.9	(1.3)	6.0	--	23.6
Cash and cash equivalents, beginning of period	4.9	(2.1)	7.8	--	10.6
Cash and cash equivalents, end of period	$ 23.8	$ (3.4)	$ 13.8	$ --	$ 34.2

BALANCE SHEET
AS OF JULY 3, 1999 (IN MILLIONS)
(UNAUDITED)

	PARENT	SUBSIDIARY GUARANTORS	NON-GUARANTORS	ELIMINATIONS	CONSOLIDATED
ASSETS					
Current assets:					
Cash and cash equivalents	$ 23.8	$ (3.4)	$ 13.8		$ 34.2
Accounts receivable, net	199.4	8.2	111.6		319.2
Inventories, net	159.8	55.0	66.3		281.1
Current deferred tax asset	20.4	1.7	--		22.1
Prepaid and other assets	19.2	1.9	15.1		36.2
Total current assets	422.6	63.4	206.8	0.0	692.8
Property, plant and equipment, net	146.1	59.4	35.8		241.3
Intangible assets, net	227.3	270.9	279.7		777.9
Other assets	55.8	2.4	1.6		59.8
Investment in affiliates	709.1			(709.1)	0.0
Intracompany assets		305.1		(305.1)	0.0
Total assets	1,560.9	701.2	523.9	(1,014.2)	1,771.8
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Short-term debt	16.0	5.8	19.4		41.2
Accounts payable	75.8	13.8	37.6		127.2
Accrued liabilities	99.3	76.2	47.1		222.6
Total current liabilities	191.1	95.8	104.1	0.0	391.0
Long-term debt	564.0	(2.9)	294.5		855.6
Other liabilities	31.7	6.7	20.9		59.3
Intracompany liabilities	297.2		7.9	(305.1)	0.0
Total liabilities	1,084.0	99.6	427.4	(305.1)	1,305.9
Commitments and contingencies					
Shareholders' equity:					
Investment from parent		413.6	57.4	(471.0)	--
Common shares, no par value per share, $.01 stated value per share	0.2				0.2
Capital in excess of par value	209.2	--			209.2
Class A Convertible Preferred Stock, no par value	176.7	188.0			176.7
Retained earnings	149.9		50.1	(238.1)	149.9
Accumulated other comprehensive expense	(0.2)		(11.0)		(11.2)
Treasury stock, 2.8 shares at cost	(58.9)				(58.9)
Total shareholders' equity	476.9	601.6	96.5	(709.1)	465.9
Total liabilities and shareholders' equity	$ 1,560.9	$ 701.2	$ 523.9	$ (1,014.2)	$ 1,771.8

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(ALL AMOUNTS ARE IN MILLIONS EXCEPT PER SHARE DATA OR AS OTHERWISE NOTED)

OVERVIEW

Scotts is a leading manufacturer and marketer of consumer branded products for lawn and garden care and professional horticulture businesses in the United States and Europe. Our operations are divided into three business segments: North American Consumer, Professional and International. The North American Consumer segment includes the Lawns, Gardens, Growing Media, Ortho and Canadian business groups.

As a leading consumer branded lawn and garden company, we focus on our consumer marketing efforts, including advertising and consumer research, to create demand to pull product through the retail distribution channels. During the first nine months of fiscal 2000, we spent $186.8 million on advertising and promotional activities, which is a significant increase over fiscal 1999 spending levels. We have applied this consumer marketing focus over the past several years, and we believe that Scotts continues to receive a significant return on these increased marketing expenditures. For example, sales in our domestic consumer businesses increased 14.9% for the first nine months of fiscal 2000 compared to the same period in fiscal 1999. We believe that this dramatic sales growth resulted primarily from our increased consumer-oriented marketing efforts. We expect that we will continue to focus our marketing efforts toward the consumer and to increase consumer marketing expenditures in the future to drive market share and sales growth.

Scotts' sales are seasonal in nature and are susceptible to global weather conditions, primarily in North America and Europe. For instance, periods of wet weather can slow fertilizer sales but can create increased demand for pesticide sales. Periods of dry, hot weather can have the opposite effect on fertilizer and pesticide sales. We believe that our recent acquisitions diversify both our product line risk and geographic risk to weather conditions.

On September 30, 1998, Scotts entered into a long-term marketing agreement with Monsanto for its consumer Roundup(R) herbicide products. Under the marketing agreement, Scotts and Monsanto will jointly develop global consumer and trade marketing programs for Roundup(R), and Scotts has assumed responsibility for sales support, merchandising, distribution, logistics and certain administrative functions. In addition, in January 1999 Scotts purchased from Monsanto the assets of its worldwide consumer lawn and garden businesses, exclusive of the Roundup(R) business, for $355.5 million. These transactions with Monsanto will further our strategic objective of significantly enhancing our position in the pesticides segment of the consumer lawn and garden category. These businesses make up the Ortho business group within the North American Consumer segment.

We believe that these transactions provide us with several strategic benefits including immediate market penetration into new categories, geographic expansion, brand leveraging opportunities, and the achievement of substantial cost savings. With the Ortho acquisition, we are currently a leader by market share in all five segments of the U.S. consumer lawn and garden category: lawn fertilizer, garden fertilizer, growing media, grass seeds and pesticides. We believe that we are now positioned as the only national company with a complete offering of consumer lawn and garden products.

The addition of strong pesticide brands completes our product portfolio of branded consumer lawn and garden products that should provide Scotts with brand leveraging opportunities for revenue growth. For example, our strengthened market position should create category management opportunities to enhance shelf positioning, consumer communication, trade incentives and trade programs. In addition, significant synergies have been and should continue to be realized from the combined businesses, including reductions in general and administrative, selling, distribution, purchasing, research and development and corporate overhead costs. We have redirected, and expect to continue to redirect, a portion of these cost savings into increased consumer marketing spending in support of the Ortho(R) brand.

Over the past few years, we have made several other acquisitions to strengthen our global market position in the lawn and garden category. In October 1998, we purchased Rhone-Poulenc Jardin, a leading European lawn and garden business, for approximately $147.5 million. This acquisition provides a significant addition to our existing European platform and strengthens our foothold in the continental European consumer lawn and garden market. Through this acquisition, we have established a strong presence in France, Germany, Austria, and the Benelux countries. This acquisition may also mitigate, to a certain extent, our susceptibility to weather conditions by expanding the regions in which we operate.

In December 1998, we acquired Asef Holding B.V., a privately-held Netherlands-based lawn and garden products company. In February 1998, we acquired EarthGro, Inc., a Northeastern U.S. growing media producer. In December 1997, we acquired Levington Group Limited, a leading producer of consumer and professional lawn fertilizer and growing media in the United Kingdom. In January 1997, we acquired the approximate two-thirds interest in Miracle Holdings Limited which we did not already own. Miracle Holdings owns Miracle Garden Care Limited, a manufacturer and distributor of lawn and garden products in the United Kingdom. These acquisitions are consistent with our stated objective of becoming the world's foremost branded lawn and garden company.

The following discussion and analysis of the consolidated results of operations and financial position should be read in conjunction with our Condensed, Consolidated Financial Statements included elsewhere in this report. Scotts' Annual Report on Form 10-K for the fiscal year ended September 30, 1999 includes additional information about the Company, our operations, and our financial position, and should be read in conjunction with this Quarterly Report on Form 10-Q.

RESULTS OF OPERATIONS

The following table sets forth sales by business segment for the three and nine months ended July 1, 2000 and July 3, 1999:

	FOR THE THREE MONTHS ENDED		FOR THE NINE MONTHS ENDED	
	JULY 1, 2000	JULY 3, 1999	JULY 1, 2000	JULY 3, 1999
North American Consumer:				
Lawns	$ 110.0	$ 107.6	$ 440.5	$ 390.8
Gardens	63.8	57.3	147.5	131.8
Growing Media	143.4	135.8	261.6	235.2
Ortho	121.9	116.4	224.5	180.3
Canada	12.0	9.8	27.3	20.6
Total	451.1	426.9	1,101.4	958.7
Professional	31.7	35.8	96.9	109.2
International	115.5	123.5	312.3	334.3
Consolidated	$ 598.3	$ 586.2	$ 1,510.6	$ 1,402.2

The following table sets forth the components of income and expense as a percentage of sales for the three and nine months ended July 1, 2000 and July 3, 1999:

	FOR THE THREE MONTHS ENDED		FOR THE NINE MONTHS ENDED	
	JULY 1, 2000	JULY 3, 1999	JULY 1, 2000	JULY 3, 1999
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	59.5	59.7	58.3	59.3
Gross profit	40.5	40.3	41.7	40.7
Gross commission earned from agency agreement	2.8	1.7	1.7	2.0
Contribution expenses under agency agreement	0.3	0.1	0.3	0.1
Net commission	2.5	1.6	1.4	1.9
Operating expenses:				
Advertising and promotion	10.8	10.9	12.4	11.9
Selling, general and administrative	12.8	13.8	15.2	14.9
Amortization of goodwill and other intangibles	1.1	1.3	1.3	1.2
Restructuring and other charges	--	--	--	0.1
Other expense (income), net	0.2	(0.3)	(0.1)	(0.3)
Income from operations	18.1	16.2	14.2	14.6
Interest expense	4.1	4.2	4.9	4.2
Income before income taxes	14.0	12.0	9.3	10.4
Income taxes	5.1	4.9	3.6	4.3
Net income before extraordinary item	8.9	7.1	5.7	6.1
Extraordinary item, net of tax	--	--	--	0.4
Net income	8.9	7.1	5.7	5.7
Payments to preferred shareholders	--	0.4	0.4	0.5
Income available to common shareholders	8.9%	6.7%	5.3%	5.2%

THREE MONTHS ENDED JULY 1, 2000 VERSUS THREE MONTHS ENDED JULY 3, 1999

Sales for the third quarter ended July 1, 2000 were $598.3 million, an increase of 2.1% over sales for the third quarter ended July 3, 1999 of $586.2 million. The increase in sales was driven by increases in sales across all of the North American Consumer businesses, partially offset by decreased sales in the Professional and International segments. The decrease in sales for the Professional segment was due primarily to the sale of the North American Professional Turf business in May 2000. The decrease in sales for the International segment was primarily due to continued weakening of European currencies versus the U.S. dollar. Excluding the impact of unfavorable exchange rates, sales for the International segment increased slightly compared to the prior year.

North American Consumer segment sales were $451.1 million in the third quarter of fiscal 2000, an increase of $24.2 million, or 5.7%, over sales for the third quarter of fiscal 1999 of $426.9 million. Sales in the Consumer Gardens business group increased $6.5 million, or 11.3%, from fiscal 1999 to fiscal 2000, primarily driven by strong sales and market share performance in the water soluble and tree spike product lines and the successful introduction of new products such as Weed Prevent(R) in fiscal 2000.
Sales in the Consumer Growing Media business increased $7.6 million, or 5.6%, due to strong category and market share growth, particularly for value-added products such as Miracle-Gro Potting Soils(R). Sales in the Ortho business group increased $5.5 million, or 4.7%, reflecting significantly improved volume with home center retailers and improved category and market share performance in the selective weed control product lines. Sales in the Consumer Lawns and Canadian businesses also improved for the third quarter of fiscal 2000 compared to the same period of the prior year, increasing 2.2% and 22.5% respectively. Selling price changes did not have a material impact on sales for the North American Consumer segment in the third quarter of fiscal 2000.

Professional segment sales of $31.7 million in the third quarter of fiscal 2000 were $4.1 million, or 11.5%, lower than sales for the third quarter of fiscal 1999 of $35.8 million. The decrease in sales for the Professional segment was primarily due to the sale of the North American Professional Turf business in May 2000, as mentioned above.

International segment sales of $115.5 million in the third quarter of fiscal 2000 were $8.0 million, or 6.5%, lower than sales for the third quarter of fiscal 1999 of $123.5 million. Excluding the adverse impact of changes in exchange rates, sales for the International segment increased 1.9% compared to the prior year. The increase is primarily due to improved results in France and Germany driven by increased consumer marketing spending, as well as increased sales in the international professional business.

Gross profit increased to $242.2 million in the third quarter of fiscal 2000, an increase of 2.4% over third quarter fiscal 1999 gross profit of $236.4 million. The increase in gross profit from the prior year was primarily due to the increase in sales mentioned above. As a percentage of sales, gross profit was 40.5% of sales for the third quarter of fiscal 2000, which was essentially unchanged from the prior year.

The "gross commission from agency agreement" in the third quarter of fiscal 2000 was $16.9 million compared to $9.9 million in the third quarter of fiscal 1999. In fiscal 2000, in accordance with revenue recognition guidance put forth by the SEC, we did not record commission under the Roundup(R) agency agreement until the minimum EBIT thresholds within the agreement were achieved. In the prior year, commission was recorded each period based on the estimated overall commission rate for the year applied to that period's EBIT. The increase in the gross commission in the third quarter of fiscal 2000 compared to the prior year was due to an increase in the quarterly EBIT for the Roundup(R) business as well as the change in the methodology for calculating the commission. The "contribution expenses under agency agreement" increased to $1.6 million in the third quarter of fiscal 2000 from $0.4 million in the prior year due to the additional contribution payment due under the agreement in fiscal 2000 compared to fiscal 1999.

Advertising and promotion expenses for the third quarter of fiscal 2000 were $64.9 million, an increase of $1.1 million over the prior year. As a percentage of sales, advertising and promotion expenses did not change significantly from the third quarter of fiscal 1999 to the third quarter of fiscal 2000.

Selling, general and administrative expenses in the third quarter of fiscal 2000 were $76.8 million, a decrease of $4.0 million, or 5.0% over similar expenses in the third quarter of fiscal 1999 of $80.8 million. As a percentage of sales, selling, general and administrative expenses were 12.8% for the third quarter of fiscal 2000 compared to 13.8% for fiscal 1999. The decrease in selling, general and administrative expenses was primarily related to reduced provisions for bad debts due to charges related to the Hechinger bankruptcy in the prior year, and decreased acquisition integration costs.

Amortization of goodwill and other intangibles decreased to $6.4 million in the third quarter of fiscal 2000, compared to $7.9 million in the prior year, due to reduced goodwill and other intangibles resulting from finalizing the purchase price for the Ortho acquisition.

Other expense for the third quarter of fiscal 2000 was $1.0 million compared to other income of $1.7 million in the prior year. The increase in expense was primarily due to costs incurred in connection with the Company's voluntary return program for Ortho Pull `n Spray products and a gain of $0.6 million in the third quarter of fiscal 1999 resulting from the sale of the Company's interest in a small resins business.

Income from operations for the third quarter of fiscal 2000 was $108.4 million compared to $95.1 million for the third quarter of fiscal 1999. The increase was primarily due to the increased sales and gross margin dollars and an increase in gross commissions recognized under the Roundup(R) agreement as described above.

Interest expense for the third quarter of fiscal 2000 was $24.8 million, an increase of $0.2 million over fiscal 1999 interest expense of $24.6 million. For the quarter, significantly higher interest rates on our credit facility were substantially offset by reduced borrowing levels reflecting reductions in working capital requirements.

Income tax expense was $30.6 million for the third quarter of fiscal 2000 compared to a $28.9 million in the prior year. The Company's effective tax rate decreased to 36.6% in the current quarter from 41.0% in the prior year. The decrease in the tax rate in fiscal 2000 was due to a reversal of $3.2 million of

tax reserves upon resolution of certain outstanding tax matters during the quarter and a reduction in the estimated rate for the year, before adjustment, to 40.5%.

Scotts reported net income of $53.0 million for the third quarter of fiscal 2000, or $1.78 per common share on a diluted basis, compared to net income of $41.6 million for the third quarter of fiscal 1999, or $1.35 per common share on a diluted basis.

NINE MONTHS ENDED JULY 1, 2000 VERSUS NINE MONTHS ENDED JULY 3, 1999

Net sales for the nine months ended July 1, 2000 were $1,510.6 million, an increase of 7.7% over the nine months ended July 3, 1999 of $1,402.2 million. On a pro forma basis, assuming that the Ortho acquisition had occurred on October 1, 1998, sales for the nine months of fiscal 2000 were 5.3% higher than pro forma sales for the nine months of fiscal 1999 of $1,435.2 million. The increase in pro forma sales was driven primarily by significant increases in sales across all businesses in the North American Consumer segment, partially offset by decreases in sales in the Professional and International segments as discussed below.

North American Consumer segment sales were $1,101.4 million for the nine months of fiscal 2000, an increase of $142.7 million, or 14.9%, over sales for the nine months of fiscal 1999 of $958.7 million. Sales in the Consumer Lawns business group within this segment increased $49.7 million, or 12.7%, from fiscal 1999 to fiscal 2000, primarily due to a significant increase in sales to and consumer takeaway from national home centers. Sales in the Consumer Gardens business group increased $15.7 million, or 11.9%, primarily driven by strong sales and market share performance in the water soluble and tree spikes product lines and the successful introduction of new products such as Weed Prevent(R) in fiscal 2000. Sales in the Consumer Growing Media business increased $26.4 million, or 11.2%, due to strong category and market share growth, particularly for value-added products such as Miracle-Gro Potting Soils(R). Sales in the Ortho business group increased $44.2 million, or 24.5%, on an actual basis and $11.2 million, or 5.3%, on a pro forma basis, reflecting significantly improved volume with home center retailers and improved category and market share performance in the selective weed control product lines. Selling price changes did not have a material impact on sales in the North American Consumer segment in the nine months of fiscal 2000.

Professional segment sales of $96.9 million in the nine months of fiscal 2000 were $12.3 million lower than the nine months of fiscal 1999 sales of $109.2 million. The decrease in sales for the Professional segment was primarily due to lower sales of ProTurf(R) products and the sale of the Pro Turf(R) business during the third quarter of fiscal 2000. In the second quarter of fiscal 1999, we changed from selling direct to customers to selling through distributors. The timing of this change and performance issues with one of our largest ProTurf(R) distributors caused sales to decrease when compared to the prior year. Sales of horticulture products within this segment were slightly improved in comparison to the prior year period.

International segment sales of $312.3 million in the nine months of fiscal 2000 were $22.0 million lower than sales for the nine months of fiscal 1999 of $334.3 million. Excluding the adverse impact of changes in exchange rates, sales for the International segment increased 1.6% compared to the prior year period. The slight increase is primarily due to improved results in the segment's continental European consumer businesses and the international professional business, partially offset by decreases in the segment's U.K. consumer business.

Gross profit increased to $629.2 million for the nine months of fiscal 2000, an increase of 10.4% over fiscal 1999 gross profit of $570.1 million, driven by the 7.7% increase in year-to-date sales discussed above. As a percentage of sales, gross profit was 41.7% of sales for fiscal 2000 compared to 40.7% of sales for the nine months of fiscal 1999. This increase in profitability on sales was driven by a successful shift to direct distribution to certain retail accounts and improved efficiencies in the Company's production plants, offsetting higher costs for certain raw materials such as urea, and a shift in sales mix toward higher margin products, particularly within the Consumer Lawns and Consumer Growing Media business groups.

The "gross commission from agency agreement" in the nine months of fiscal 2000 was $26.1 million, compared to $27.5 million in the nine months of fiscal 1999. The decrease in the gross commission from year to year was due to lower EBIT for the Roundup(R) business in fiscal 2000 for purposes of calculating our commission. "Contribution expenses under agency agreement" were $4.9 million for the nine months of fiscal 2000, compared to $1.2 million for fiscal 1999, due to the increased contribution payment due in fiscal 2000 under the agreement.

Advertising and promotion expenses for the nine months of fiscal 2000 were $186.8 million, an increase of $20.2 million, or 12.1%, over fiscal 1999 advertising and promotion expenses of $166.6 million. This increase was primarily due to advertising and promotion expenses for the Ortho business, costs to support the increase in sales within the North American Consumer segment and investments in advertising and promotion to drive future sales growth in the International segment.

Selling, general and administrative expenses in the nine months of fiscal 2000 were $229.8 million, an increase of $20.2 million, or 9.6%, over similar expenses in the nine months of fiscal 1999 of $209.6 million. As a percentage of sales, selling, general and administrative expenses were 15.2% for the nine months of fiscal 2000 compared to 14.9% for fiscal 1999. The increase in selling, general and administrative expenses was primarily related to additional selling and administrative costs needed to support the increased sales levels in the Consumer Lawns business group, infrastructure expenses within the International segment, selling, general and administrative expenses for the Ortho business group which were not incurred in the first quarter of fiscal 1999 due to the timing of the acquisition in January 1999, and increased legal costs as a result of the various legal matters discussed in Item 1.

Amortization of goodwill and other intangibles increased to $19.4 million in the nine months of fiscal 2000, compared to $17.3 million in the prior year, due to additional intangibles resulting from the Ortho acquisition.

Restructuring and other charges were $1.4 million in the nine months of fiscal 1999. These charges represent severance costs associated with the reorganization of North American Professional Business Group to strengthen distribution and technical sales support, integrate brand management across market segments and reduce annual operating expenses. To date, substantially all payments have been made.

Other income for the nine months of fiscal 2000 was $0.8 million compared to other income of $3.8 million in the prior year. The decrease in other income, on a net basis, was primarily due to costs incurred in connection with the Company's voluntary return program for Ortho Pull `n Spray products and additional losses on disposals of miscellaneous fixed assets, partially offset by increase in royalty income compared to the prior year arising from additional royalty arrangements in fiscal 2000.

Income from operations for the nine months of fiscal 2000 was $215.2 million compared to $205.3 million for the nine months of fiscal 1999. The increase in income from operations was due primarily to the increase in sales across the North American consumer businesses as noted above, partially offset by the decrease in sales in the Professional segment and a decline in the net commission earned under the Roundup(R) agreement.

Interest expense for the nine months of fiscal 2000 was $74.4 million, an increase of $15.4 million over fiscal 1999 interest expense of $59.0 million. The increase in interest expense was due to increased borrowings to fund the Ortho acquisition and an increase in average borrowing rates under our credit facility, partially offset by reduced working capital requirements.

Income tax expense was $53.7 million for fiscal 2000 compared to $60.0 million in the prior year. The Company's effective tax rate decreased to 38.1% for the first nine months of fiscal 2000 compared to 41.0% for the previous year. The decrease in the tax rate for fiscal 2000 is due to a reversal of $3.2 million of tax reserves upon resolution of certain outstanding tax matters during the third quarter of fiscal 2000 and a reduction in the estimated rate for the year, before adjustment, to 40.5%.

In conjunction with the Ortho acquisition, in January 1999 Scotts completed an offering of $330 million of 8 5/8% Senior Subordinated Notes due 2009. The net proceeds from this offering, together with borrowings under our credit facility, were used to fund the Ortho acquisition and repurchase the then outstanding $100 million 9 7/8% Senior Subordinated Notes due August 2004. Scotts recorded an extraordinary loss on the extinguishment of the 9 7/8% notes of $9.3 million, including a call premium of $7.2 million and the write-off of unamortized issuance costs and discounts of $2.1 million.

Scotts reported net income of $80.7 million for the nine months of fiscal 2000, or $2.71 per common share on a diluted basis, compared to net income of $73.2 million for fiscal 1999, or $2.83 per common share on a diluted basis before the impact of extraordinary items. The diluted earnings per share for the nine months of fiscal 2000 is net of a one-time reduction of $0.22 per share resulting from the early conversion of preferred stock in October 1999.

LIQUIDITY AND CAPITAL RESOURCES

Cash provided by operating activities totaled $162.1 million for the nine months ended July 1, 2000 compared to providing $90.5 million for the nine months ended July 3, 1999. The seasonal nature of our operations generally requires cash to fund significant increases in working capital (primarily inventory and accounts receivable) during the first and second quarters. The third fiscal quarter is a period for collecting accounts receivable and liquidating inventory levels. The increase in cash provided by operating activities for the nine months of fiscal 2000 compared to the prior year is attributable to a significant decrease in the amount of working capital used during the period as well as the payment of the Roundup(R) marketing fee made in the first quarter of fiscal 1999.

Cash used in investing activities was $36.7 million for the nine months of fiscal 2000 compared to $540.8 million in the prior year. In the first quarter of fiscal 1999, we purchased the Rhone-Poulenc Jardin and Asef businesses for approximately $170 million (excluding consideration for rights acquired under an access rights agreement with Rhone-Poulenc Jardin). In the second quarter of fiscal 1999, we purchased from Monsanto the assets of its worldwide consumer lawn and garden businesses, exclusive of the Roundup(R) business, for $300 million plus an amount for normalized working capital (requiring a total initial payment of $339.9 million). Additionally, capital investments decreased slightly to $37.2 million in the nine months of fiscal 2000 compared to $39.4 million in the nine months of fiscal 1999.

Financing activities required cash of $76.8 million for the nine months ended July 1, 2000 compared to providing $474.9 million in the prior year. In the first quarter of fiscal 1999, Scotts borrowed funds under its credit facility in order to purchase the Rhone-Poulenc Jardin and Asef businesses, to pay marketing fees associated with the Roundup(R) agency agreement, to pay financing fees associated with the new credit facility and to settle the then outstanding interest rate locks (as described below). In the second quarter of fiscal 1999, Scotts completed an offering of $330 million of 8 5/8% Senior Subordinated Notes due 2009. The net proceeds from this offering, together with borrowings under our credit facility, were used to fund the Ortho acquisition and repurchase approximately 97% of the then outstanding $100 million 9 7/8% Senior Subordinated Notes due August 2004. Due to the increase in cash provided by operating activities for the first nine months of fiscal 2000 compared to the prior year as noted above, the Company was able to make additional repayments to its credit facility.

Total debt was $886.2 million as of July 1, 2000, a decrease of $63.8 million compared with debt at September 30, 1999 and a decrease of $10.6 compared with debt levels at July 3, 1999. The decrease in debt as of July 1, 2000 was primarily due to scheduled quarterly debt repayments on the Company's term loans during fiscal 2000.

Our primary sources of liquidity are funds generated by operations and borrowings under our credit facility. The credit facility provides for borrowings in the aggregate principal amount of $1.025 billion and consists of term loan facilities in the aggregate amount of $525 million and a revolving credit facility in the amount of $500 million.

We funded the acquisition of the Rhone-Poulenc Jardin and Asef businesses with borrowings under our credit facility. Additional borrowings under the credit facility, along with proceeds from the January 1999 offering of $330 million of 10-year 8 5/8% Senior Subordinated Notes due 2009, were used to fund the Ortho acquisition and to repurchase approximately 97% of Scotts' then outstanding $100.0 million 9 7/8% Senior Subordinated Notes.

Coincidental with the notes offering, Scotts settled its then outstanding interest rate lock for approximately $3.6 million. We entered into two interest rate locks in fiscal 1998 to hedge the anticipated interest rate exposure on the $330 million note offering. In October 1998, we terminated one of the interest rate locks for $9.3 million and entered into a new interest rate lock instrument. The total amount paid under the interest rate locks of $12.9 million has been deferred and is being amortized over the life of the notes.

In July 1998, our Board of Directors authorized the repurchase of up to $100 million of our common shares on the open market or in privately negotiated transactions on or prior to September 30, 2001. As of July 1, 2000, 1,106,295 common shares (or $40.6 million) have been repurchased under this repurchase program limit. The timing and amount of any purchases under the repurchase program will be at our discretion and will depend upon market conditions and our operating performance and liquidity.

Any repurchase will also be subject to the covenants contained in our credit facility as well as our other debt instruments. The repurchased shares will be held in treasury and will thereafter be used for the exercise of employee stock options and for other valid corporate purposes. We anticipate that any repurchases will be made in the open market or in privately negotiated transactions, and that Hagedorn Partnership, L.P. will sell its pro rata share (approximately 42%) of such repurchased shares in the open market.

In our opinion, cash flows from operations and capital resources will be sufficient to meet debt service and working capital needs during fiscal 2000, and thereafter for the foreseeable future. However, we cannot ensure that our business groups will generate sufficient cash flow from operations, that currently anticipated cost savings and operating improvements will be realized on schedule or at all, or that future borrowings will be available under our credit facilities in amounts sufficient to pay indebtedness or fund other liquidity needs. Actual results of operations will depend on numerous factors, many of which are beyond our control. We cannot ensure that we will be able to refinance any indebtedness, including our credit facility, on commercially reasonable terms, or at all.

ENVIRONMENTAL MATTERS

We are subject to local, state, federal and foreign environmental protection laws and regulations with respect to our business operations and believe we are operating in substantial compliance with, or taking action aimed at ensuring compliance with, such laws and regulations. We are 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 effect on our financial position; however, there can be no assurance that the resolution of these matters will not materially affect future quarterly or annual operating results. Additional information on environmental matters affecting us is provided in Note 10 to the Company's unaudited Condensed, Consolidated Financial Statements as of and for the three and nine months ended July 1, 2000 and in the 1999 Annual Report on Form 10-K under "ITEM 1. BUSINESS - -- ENVIRONMENTAL AND REGULATORY CONSIDERATIONS" and "ITEM 3. LEGAL PROCEEDINGS" sections.

YEAR 2000 READINESS

Through July 2000, we have not experienced any significant issues related to the ability of our information technology and business systems to recognize the year 2000. In addition, we have not experienced any significant supply difficulties related to our vendors' year 2000 readiness. While we believe that we have taken adequate precautions against year 2000 systems issues, there can be no assurance that we will not encounter business interruption or other issues related to the year 2000 in the future.

ENTERPRISE RESOURCE PLANNING ("ERP")

In July 1998, we announced a project designed to bring our information system resources in line with our current strategic objectives. The project includes the redesign of certain key business processes in connection with the installation of new software on a world-wide basis over the course of the next several fiscal years. We estimate that the project will cost in the range of $70 to $75 million, of which we expect 75% will be capitalized and depreciated over a period of four to eight years. SAP has been selected as the primary software provider for this project.

MANAGEMENT'S OUTLOOK

Results for the first nine months of fiscal 2000 are in line with management's expectations and position us to continue our trend of significant sales and earnings growth. We are coming off a very strong fiscal 1999 as we reported record sales of $1.65 billion, achieved market share growth in every one of our major U. S. categories and established a number one market share position in most of the significant lawn and garden categories across the world. The performance in 1999 reflected the successful continuation of our primary growth drivers: to emphasize consumer-oriented marketing efforts to pull demand through distribution channels, and to make strategic acquisitions to increase market share in global markets and within segments of the lawn and garden category.

Looking forward, we maintain the following broad tenets to our strategic plan:

(1) Promote and capitalize on the strengths of the Scotts(R), Miracle-Gro(R), Hyponex(R) and Ortho(R) industry-leading brands, as well as our portfolio of powerful brands in our international markets. This involves a commitment to investors and retail partners that we will support these brands through advertising and promotion unequaled in the lawn and garden consumables market. In the Professional categories, it signifies a commitment to customers to provide value as an integral element in their long-term success;

(2) Commit to continuously study and improve knowledge of the market, the consumer and the competition;

(3) Simplify product lines and business processes, to focus on those that deliver value, evaluate marginal ones and eliminate those that lack future prospects; and

(4) Achieve world leadership in operations, leveraging technology and know-how to deliver outstanding customer service and quality.

As part of our ongoing strategic plans, management has established challenging, but realistic, financial goals, including:

(1) Sales growth of 8% to 10% per year;

(2) A minimum aggregate operating margin improvement of 50 basis points per year;

(3) Minimum compounded annual earnings per share growth of 15% to 20%; and

(4) Increase return on equity from 15% to 18%.

FORWARD-LOOKING STATEMENTS

We have made and will make "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 in our Annual Report, Forms 10-K and 10-Q and in other contexts relating to future growth and profitability targets, and strategies designed to increase total shareholder value. Forward-looking statements include, but are not limited to, information regarding our future economic performance and financial condition, the plans and objectives of our management and our assumptions regarding our performance and these plans and objectives.

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements to encourage companies to provide prospective information, so long as those statements are identified as forward-looking and are accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those discussed in the forward-looking statements. We desire to take advantage of the "safe harbor" provisions of that Act.

The forward-looking statements that we make in our Annual Report, Forms 10-K and 10-Q and in other contexts represent challenging goals for our company, and the achievement of these goals is subject to a variety of risks and assumptions and numerous factors beyond our control. Important factors that could cause actual results to differ materially from the forward-looking statements we make are described below. All forward-looking statements attributable to us or persons working on our behalf are expressly qualified in their entirety by the following cautionary statements:

- ADVERSE WEATHER CONDITIONS COULD ADVERSELY IMPACT OUR FINANCIAL RESULTS.

  Weather conditions in North America and Europe have a significant impact on the timing of sales in the spring selling season and overall annual sales. Periods of wet weather can slow fertilizer sales, while periods of dry, hot weather can decrease pesticide sales. In addition, an abnormally cold spring throughout North America and/or Europe could adversely affect both fertilizer and pesticides sales and therefore our financial results.

- OUR HISTORICAL SEASONALITY COULD IMPAIR OUR ABILITY TO MAKE INTEREST PAYMENTS ON INDEBTEDNESS.

  Because our products are used primarily in the spring and summer, our business is highly seasonal. For the past two fiscal years, approximately 70% to 75% of our sales have occurred in the second and third fiscal quarters combined. Our working capital needs and our borrowings peak during our first fiscal quarter because we are generating fewer revenues while incurring expenditures in preparation for the spring selling season. If cash on hand is insufficient to cover interest payments due on our indebtedness at a time when we are unable to draw on our credit facility, this seasonality could adversely affect our ability to make interest payments as required by our indebtedness. Adverse weather conditions could heighten this risk.

- PUBLIC PERCEPTIONS THAT THE PRODUCTS WE PRODUCE AND MARKET ARE NOT SAFE COULD ADVERSELY AFFECT US.

  We manufacture and market a number of complex chemical products, such as fertilizers, herbicides and pesticides, bearing one of our brands. On occasion, customers allege that some of these products fail to perform up to expectations or cause damage or injury to individuals or property. Public perception that our products are not safe, whether justified or not, could impair our reputation, damage our brand names and materially adversely affect our business.

- OUR SUBSTANTIAL INDEBTEDNESS COULD ADVERSELY AFFECT OUR FINANCIAL HEALTH AND PREVENT US FROM FULFILLING OUR OBLIGATIONS.

  Our substantial indebtedness could:

  - make it more difficult for us to satisfy our obligations;

  - increase our vulnerability to general adverse economic and industry conditions;

- limit our ability to fund future working capital, capital expenditures, research and development costs and other general corporate requirements;

- require us to dedicate a substantial portion of cash flow from operations to payments on our indebtedness, which would reduce the cash flow available to fund working capital, capital expenditures, research and development efforts and other general corporate requirements;

- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;

- place us at a competitive disadvantage compared to our competitors that have less debt; and

- limit our ability to borrow additional funds.

If we fail to comply with any of the financial or other restrictive covenants of our indebtedness, our indebtedness could become due and payable in full prior to its stated due date. We cannot be sure that our lenders would waive a default or that we could pay the indebtedness in full if it were accelerated.

- TO SERVICE OUR INDEBTEDNESS, WE WILL REQUIRE A SIGNIFICANT AMOUNT OF CASH, WHICH WE MAY NOT BE ABLE TO GENERATE.

Our ability to make payments on and to refinance our indebtedness and to fund planned capital expenditures and research and development efforts will depend on our ability to generate cash in the future. This, to some extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. We cannot assure that our business will generate sufficient cash flow from operations or that currently anticipated cost savings and operating improvements will be realized on schedule or at all. We also cannot assure that future borrowings will be available to us under our credit facility in amounts sufficient to enable us to pay our indebtedness or to fund other liquidity needs. We may need to refinance all or a portion of our indebtedness, on or before maturity. We cannot assure that we will be able to refinance any of our indebtedness on commercially reasonable terms or at all.

- WE MIGHT NOT BE ABLE TO INTEGRATE OUR RECENT ACQUISITIONS INTO OUR BUSINESS OPERATIONS SUCCESSFULLY.

We have made several substantial acquisitions in the past four years. The acquisition of the Ortho business represents the largest acquisition we have ever made. The success of any completed acquisition depends, and the success of the Ortho acquisition will depend, on our ability to effectively integrate the acquired business. We believe that our recent acquisitions provide us with significant cost saving opportunities. However, if we are not able to successfully integrate Ortho, Rhone-Poulenc Jardin or our other acquired businesses, we will not be able to maximize such cost saving opportunities. Rather, the failure to integrate these acquired businesses, because of difficulties in the assimilation of operations and products, the diversion of management's attention from other business concerns, the loss of key employees or other factors, could materially adversely affect our financial results.

- BECAUSE OF THE CONCENTRATION OF OUR SALES TO A SMALL NUMBER OF RETAIL CUSTOMERS, THE LOSS OF ONE OR MORE OF OUR TOP CUSTOMERS COULD ADVERSELY AFFECT OUR FINANCIAL RESULTS.

Our top 10 North American retail customers together accounted for approximately 52% of our fiscal 1999 sales and 41% of our outstanding accounts receivable as of September 30, 1999. Our top three customers, Home Depot, Wal*Mart and Kmart represented approximately 17%, 12% and 9% of our fiscal 1999 sales. These customers hold significant positions in the retail lawn and garden market. The loss of, or reduction in orders from, Home Depot, Wal*Mart, Kmart or any other significant customer could have a material adverse effect on our business and our financial results, as could customer disputes regarding shipments, fees, merchandise

condition or related matters. Our inability to collect accounts receivable from any of these customers could also have a material adverse affect.

- IF MONSANTO OR WE WERE TO TERMINATE THE MARKETING AGREEMENT FOR CONSUMER ROUNDUP(R) PRODUCTS, WE WOULD LOSE A SUBSTANTIAL SOURCE OF FUTURE EARNINGS.

  If we were to commit a serious default under the marketing agreement with Monsanto for consumer Roundup(R) products, Monsanto may have the right to terminate the agreement. If Monsanto were to terminate the marketing agreement rightfully, or if we were to terminate the agreement without appropriate cause, we would not be entitled to any termination fee, and we would lose all, or a significant portion, of the significant source of earnings we believe the marketing agreement provides. Monsanto may also terminate the marketing agreement within a given region, including North America, without paying us a termination fee if sales to consumers in that region decline:

  - Over a cumulative period of three fiscal years; or

  - By more than 5% for each of two consecutive fiscal years.

    Monsanto may not terminate the marketing agreement, however, if we can demonstrate that the sales decline was caused by a severe decline of general economic conditions or a severe decline in the lawn and garden market in the region rather than by our failure to perform our duties under the agreement.

- THE EXPIRATION OF PATENTS RELATING TO ROUNDUP(R) AND THE SCOTTS TURF BUILDER(R) LINE OF PRODUCTS COULD SUBSTANTIALLY INCREASE OUR COMPETITION IN THE UNITED STATES.

  Glyphosate, the active ingredient in Roundup(R), is covered by a patent in the United States that expires in September 2000. Sales in the United States may decline as a result of increased competition after the U.S. patent expires. Any decline in sales would adversely affect our net commission under the marketing agreement for consumer Roundup(R) products and, therefore, our financial results. A sales decline could also trigger Monsanto's regional termination right under the marketing agreement. For fiscal 1999, our commission under the Roundup Marketing Agreement constituted approximately 26% of our income before taxes.

  Our methylene-urea product composition patent, which covers Scotts Turf Builder(R), Scotts Turf Builder(R) with Plus 2(TM) Weed Control and Scotts Turf Builder(R) with Halts(R) Crabgrass Preventer, is due to expire in July 2001, which could also result in increased competition. Any decline in sales of Turf Builder(R) products after the expiration of the methylene-urea product composition patent could adversely affect our financial results. For fiscal 1999, sales of products utilizing our methylene-urea product composition patent accounted for approximately 18% of our total sales.

- THE INTERESTS OF THE FORMER MIRACLE-GRO SHAREHOLDERS COULD CONFLICT WITH THOSE OF OUR OTHER SHAREHOLDERS.

  The former shareholders of Stern's Miracle-Gro Products, Inc., through Hagedorn Partnership, L.P., beneficially own approximately 42% of the outstanding common shares of Scotts on a fully diluted basis. The former Miracle-Gro shareholders have sufficient voting power to significantly control the election of directors and the approval of other actions requiring the approval of our shareholders. The interests of the former Miracle-Gro shareholders could conflict with those of our other shareholders.

- COMPLIANCE WITH ENVIRONMENTAL AND OTHER PUBLIC HEALTH REGULATIONS COULD INCREASE OUR COST OF DOING BUSINESS.

  Local, state, federal and foreign laws and regulations relating to environmental matters affect us in several ways. All products containing pesticides must be registered with the U.S. Environmental Protection Agency and, in many cases, with similar state and/or foreign agencies before they can be sold. The inability to obtain or the

cancellation of any registration could have an adverse effect on us. The severity of the effect would depend on which products were involved, whether another product could be substituted and whether our competitors were similarly affected. We attempt to anticipate regulatory developments and maintain registrations of, and access to, substitute chemicals. We may not always be able to avoid or minimize these risks.

The Food Quality Protection Act, enacted by the U.S. Congress in August 1996, establishes a standard for food-use pesticides, which is that a reasonable certainty of no harm will result from the cumulative effect of pesticide exposures. Under this act, the U.S. Environmental Protection Agency is evaluating the cumulative risks from dietary and non-dietary exposures to pesticides. The pesticides in our products, which are also used on foods, will be evaluated by the U.S. Environmental Protection Agency as part of this non-dietary exposure risk assessment. It is possible that the U.S. Environmental Protection Agency may decide that a pesticide we use in our products would be limited or made unavailable. We cannot predict the outcome or the severity of the effect of the U.S. Environmental Protection Agency's evaluation. We believe that we should be able to obtain substitute ingredients if selected pesticides are limited or made unavailable, but there can be no assurance that we will be able to do so for all products.

Regulations regarding the use of some pesticide and fertilizer products may include requirements that only certified or professional users apply the product or that the products be used only in specified locations. Users may be required to post notices on properties to which products have been or will be applied and may be required to notify individuals in the vicinity that products will be applied in the future. The use of some ingredients has been banned. Even if we are able to comply with all such regulations and obtain all necessary registrations, we cannot assure that our products, particularly pesticide products, will not cause injury to the environment or to people under all circumstances. The costs of compliance, remediation or products liability have adversely affected operating results in the past and could materially affect future quarterly or annual operating results.

The harvesting of peat for our growing media business has come under increasing regulatory and environmental scrutiny. In the United States, state regulations frequently require us to limit our harvesting and to restore the property to its intended use. In some locations we have been required to create water retention ponds to control the sediment content of discharged water. In the United Kingdom, our peat extraction efforts are also the subject of legislation. Since 1990, we have been involved in litigation with the Philadelphia District of the U.S. Army Corps of Engineers involving our peat harvesting operations at Hyponex's Lafayette, New Jersey facility. The Corps of Engineers is seeking a permanent injunction against harvesting and civil penalties in an unspecified amount. While we are unable to predict the outcome of the negotiations on this matter, we have accrued for our estimate of the probable loss. If the ultimate settlement of this proceeding differs significantly from the amount we have accrued, it could materially impact our results of operations, financial position or cash flows.

In addition to the regulations already described, local, state, federal, and foreign agencies regulate the disposal, handling and storage of waste, air and water discharges from our facilities. In June 1997, the Ohio Environmental Protection Agency gave us formal notice of an enforcement action concerning our old, decommissioned wastewater treatment plants that had once operated at our Marysville facility. The Ohio EPA action alleges surface water violations relating to possible historical sediment contamination, inadequate treatment capabilities at our existing and currently permitted wastewater treatment plants and the need for corrective action under the Resource Conservation Recovery Act. We are continuing to meet with the Ohio EPA and the Ohio Attorney General's office to negotiate an amicable resolution of these issues. We are currently unable to predict the ultimate outcome of this matter. See Item 1. "Legal Proceedings" for a more complete summary of current legal and environmental matters.

During fiscal 1999, we made approximately $1.1 million in environmental capital expenditures and $5.9 million in other environmental expenses, compared with approximately $0.7 million in environmental capital expenditures and $3.1 million in other environmental expenses in fiscal 1998. Management anticipates that environmental capital expenditures and other environmental expenses for fiscal 2000 will not differ significantly from those incurred in fiscal 1999. If we are required to significantly increase our actual environmental

capital expenditures and other environmental expenses, it could adversely affect our financial results.

- OUR SIGNIFICANT INTERNATIONAL OPERATIONS MAKE US MORE SUSCEPTIBLE TO FLUCTUATIONS IN CURRENCY EXCHANGE RATES AND TO THE COSTS OF INTERNATIONAL REGULATION.

  We currently operate manufacturing, sales and service facilities outside of North America, particularly in the United Kingdom, Germany and France. Our international operations have increased with the acquisitions of Levington, Miracle Garden, Ortho and Rhone-Poulenc Jardin and with the marketing agreement for consumer Roundup(R) products. In fiscal 1999, international saleS accounted for approximately 24% of our total sales. Accordingly, we are subject to risks associated with operations in foreign countries, including:

  - fluctuations in currency exchange rates;

  - limitations on the conversion of foreign currencies into U.S. dollars;

  - limitations on the remittance of dividends and other payments by foreign subsidiaries;

  - additional costs of compliance with local regulations; and

  - historically, higher rates of inflation than in the United States.

  The costs related to our international operations could adversely affect our operations and financial results in the future.

- WE COULD EXPERIENCE DIFFICULTIES WITH OUR IMPLEMENTATION OF SAP THAT COULD ADVERSELY AFFECT OUR OPERATIONS.

  Our implementation of SAP is in progress and is currently being utilized to provide information to three of our North American business groups. While the implementation has not created business interruption to this point, there can be no assurance that we will not experience difficulties in the remainder of the implementation process over the next several years.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

As noted in Note 10 to the Company's unaudited Condensed, Consolidated Financial Statements as of and for the period ended July 1, 2000, the Company is involved in several pending legal and environmental matters. Pending other material legal proceedings are as follows:

Rhone-Poulenc, S.A., Rhone-Poulenc Agro S.A. and Hoechst, A.G.

On October 15, 1999, Scotts began arbitration proceedings before the International Chamber of Commerce against Rhone-Poulenc S.A. and Rhone-Poulenc Agro S.A. (collectively, "Rhone-Poulenc") under arbitration provisions contained in contracts relating to the purchase by Scotts of Rhone-Poulenc's European lawn and garden business, Rhone-Poulenc Jardin, in 1998. Scotts alleges that the combination of Rhone-Poulenc and Hoechst Schering AgrEvo GmbH into a new entity, Aventis S.A., will result in the violation of non-compete and other provisions in the contracts mentioned above. In the arbitration proceedings, Scotts is seeking injunctive relief as well as an award of damages.

On January 7, 2000, the tribunal issued a segregated Record Agreement and Order requiring Aventis S.A., Rhone-Poulenc and any affiliate or entity controlled by Aventis S.A. or Rhone-Poulenc to maintain a segregated record of select sales of certain products.

Also on October 15, 1999, Scotts filed a complaint styled The Scotts Company, et al. v. Rhone-Poulenc, S.A., Rhone-Poulenc Agro S.A. and Hoechst, A.G. in the Court of Common Pleas for Union County, Ohio, seeking injunctive relief maintaining the status quo in aid of the arbitration proceedings as well as an award of damages against Hoechst for Hoechst's tortious interference with Scotts' contractual rights. On October 19, 1999, the defendants removed the Union County action to the United States District Court for the Southern District of Ohio. On December 8, 1999, Scotts requested that this action be stayed pending the outcome of the arbitration proceedings.

Scotts v. AgrEvo USA Company

The Scotts Company filed suit against AgrEvo USA Company on August 8, 2000 in the Court of Common Pleas for Union County, Ohio, alleging breach of contract relating to an Agreement dated June 22, 1998 entitled "Exclusive Distributor Agreement - Horticulture". The action seeks an unspecified amount of damages resulting from AgrEvo's breaches of the Agreement, an order of specific performance directing AgrEvo to comply with its obligations under the Agreement, a declaratory judgment that Scotts' future performance under the Agreement is waived as a result of AgrEvo's failure to perform, and such other relief to which Scotts might be entitled.

Scotts 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 a material adverse effect on Scotts' financial position or operations.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) See Exhibit Index at page 43 for a list of the exhibits included herewith.

(b) The Registrant filed no Current Reports on Form 8-K for the quarter covered by this Report.

SIGNATURES

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

THE SCOTTS COMPANY

Dated August 15, 2000

/s/ CHRISTOPHER L. NAGEL

Principal Accounting Officer,
Vice President and Corporate
Controller

THE SCOTTS COMPANY
QUARTERLY REPORT ON FORM 10-Q FOR
FISCAL QUARTER ENDED JULY 1, 2000

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION	PAGE NUMBER
2(e)(i)	U.S. Asset Purchase Agreement dated as of March 29, 2000 by and among The Andersons, Inc. and The Andersons Agriservices, Inc., as buyers, and The Scotts Company and OMS Investments, Inc., as sellers	*
2(e)(ii)	Canadian Asset Purchase Agreement dated as of March 29, 2000 by and among The Nu-Gro Corporation, as buyer, and The Scotts Company and OMS Investments, Inc., as sellers	*
4(i)	Amendment No. 2, dated as of June 9, 2000, to the Credit Agreement, dated as of December 4, 1998, as amended by the Waiver, dated as of January 19, 1999, the Amendment No. 1 and Consent, dated as of October 13, 1999, and the Waiver No. 2, dated as of February 14, 2000, among the Registrant; OM Scott International Investments Ltd., Miracle Garden Care Limited, Scotts Holdings Limited, Hyponex Corporation, Scotts Miracle-Gro Products, Inc., Scotts-Sierra Horticultural Products Company, Republic Tool & Manufacturing Corp., Scotts-Sierra Investments, Inc., Scotts France Holdings SARL, Scotts Holding GmbH, Scotts Celaflor GmbH & Co. KG, Scotts France SARL, Scotts Asef BVBA (fka Scotts Belgium 2 BVBA), The Scotts Company (UK) Ltd., Scotts Canada Ltd., Scotts Europe B.V., ASEF B.V., Scotts Australia PTY Ltd., and other subsidiaries of the Registrant who are also borrowers from time to time; the lenders party thereto; The Chase Manhattan Bank as Administrative Agent; Salomon Smith Barney, Inc. as Syndication Agent; Credit Lyonnais Chicago Branch and Bank One, Michigan, as successor to NBD Bank, as Co-Documentation Agents; and Chase Securities Inc., as Lead Arranger and Book Manager	*

EXHIBIT NUMBER	DESCRIPTION	PAGE NUMBER
10(l)	Specimen form of Stock Option Agreement for Non-Qualified Stock Options granted to employees under The Scotts Company 1996 Stock Option Plan (as amended through August 1, 2000)	*
27	Financial Data Schedule	*

* Filed herewith

EXHIBIT 2(e)(i)

[EXECUTION COPY]

U.S. ASSET PURCHASE AGREEMENT

DATED AS OF MARCH 29, 2000

BY AND AMONG

THE ANDERSONS, INC.

AND

THE ANDERSONS AGRISERVICES, INC.

("BUYERS")

AND

THE SCOTTS COMPANY

AND

OMS INVESTMENTS, INC.

("SELLERS")

INDEX
TO
ASSET PURCHASE AGREEMENT

U.S. ASSET PURCHASE AGREEMENT

THIS AGREEMENT (the "Agreement"), is made and entered into as of March 29, 2000 by and among The Andersons, Inc., an Ohio corporation ("Andersons"), The Andersons Agriservices, Inc., an Illinois corporation ("TAAI" and, together with Andersons, the "Buyers"), The Scotts Company, an Ohio corporation ("Scotts"), and OMS Investments, Inc., a Delaware corporation ("OMS" and, together with Scotts, the "Sellers").

WITNESSETH:

WHEREAS, Sellers own and operate assets that are employed by Sellers in the U.S. ProTurf Business (as defined below in Section 1.01);

WHEREAS, Sellers desire to sell to Buyers certain assets of the U.S. ProTurf Business, and Buyers desire to purchase from Sellers certain assets of the U.S. ProTurf Business;

WHEREAS, Sellers desire to license to Buyers certain Intellectual Property Rights of the U.S. ProTurf Business for use in the Territory (as defined in Section 1.01) pursuant to a separate License Agreement in the form attached hereto as Exhibit A (the "U.S. ProTurf License Agreement");

WHEREAS, as of the date hereof, Sellers have entered into an agreement with The Nu-Gro Corporation, a Canadian corporation ("Nu-Gro"), to sell to Nu-Gro certain assets of the Canadian ProTurf Business (as defined in Section 1.01) (the "Canadian Asset Purchase Agreement"); and

WHEREAS, as of the Closing Date, Sellers will enter into a license agreement to license to Nu-Gro certain trademarks and other Intellectual Property Rights of the Canadian ProTurf Business for use in Canada (the "Canadian ProTurf License Agreement").

NOW, THEREFORE, in consideration of the premises and of their mutual agreements, covenants, representations and warranties set forth in this Agreement, and for other good and valuable consideration received to the full satisfaction of each of them, the parties hereto make the following agreement, intending to be bound legally thereby:

ARTICLE I

DEFINITIONS

Section 1.01. TERMS. When used in this Agreement, the following terms shall have the meanings specified in this Section 1.01; and the plural of any such term means more than one thereof:

"Accounting Date" means 11:59 p.m. (local time at Columbus, Ohio) on the Closing Date.

"Business Day" means a day other than a Saturday or a Sunday on which national banks in Columbus, Ohio, are open.

"Canadian ProTurf Business" means the business of selling Products in Canada for the Canadian Professional Turf Market, including the sale of Products directly or through distributors or agents to golf courses, sports fields, municipal properties and professional lawn care service providers in Canada; PROVIDED, that the Canadian ProTurf Business specifically excludes the sale of Products through Retail Channels in Canada.

"Canadian Professional Turf Market" means the market in Canada for the sale, marketing and/or distribution of fertilizer, pesticide, combination fertilizer and pesticide and similar products and related services intended for use by golf courses, sports fields, municipal properties and professional lawn care service providers.

"Canadian Supply Agreement" means that certain Supply Agreement entered into as of the Closing Date between Scotts and Nu-Gro relating to the manufacture and supply of materials used in the Canadian ProTurf Business.

"CERCLA" means the Comprehensive Environmental Responses, Compensation and Liability Act of 1980, as amended.

"Claim" means a claim, loss, damage (excluding consequential or special damages), liability and legal or other expense (including, without limitation, reasonable attorneys' fees, witnesses' fees, investigation fees, court reporters' fees and other out-of-pocket expenses) arising as a result of, among other things, any action, suit, demand, assessment, order, award, decree, judgment, cost, fine, injunction, arbitration, mediation, adjudication, other similar proceeding or penalty, to the extent not compensated by insurance proceeds or by a third party.

"Claim Notice" means a notice specifying, in reasonable detail, (i) the nature of a Claim, (ii) each applicable provision of this Agreement or other instrument under which such Claim arises, and (iii) if then known, the amount of such Claim or the method of computation thereof.

"Closing" means the closing of the sale and purchase of the U.S. ProTurf Assets contemplated by this Agreement.

"Closing Date" means the date of the Closing.

"Environmental Laws" means any and all federal, state and local statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, codes, injunctions, permits and governmental restrictions, relating to human health, the environment or to emissions, discharges or releases of pollutants, contaminants, Hazardous Substances or wastes into the environment, including without limitation ambient air, surface water, ground water or land, or otherwise

relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, Hazardous Substances or wastes or the clean-up or other remediation thereof.

"Environmental Liability" means all liabilities of the Sellers, whether vested or unvested, contingent or fixed, actual or potential, known or unknown, which arise in connection with or relate to (A) a violation of any Environmental Law arising out of operations of the U.S. ProTurf Business on or before the Closing Date or (B) any Release of a Hazardous Substance occurring on or before the Closing Date (whether or not disclosed or required to be disclosed pursuant to any section of this Agreement); PROVIDED, that "Environmental Liabilities" shall not include any liabilities which arise principally as a result of actions taken by Buyers or the U.S. ProTurf Business after the Closing Date other than any such action taken to address the liabilities specified in clauses (A) or (B) above and undertaken in response to (a) any order or ruling issued, or proceeding or other action undertaken, by any court, administrative agency or other governmental body of competent jurisdiction, (b) any litigation or administrative action pending or threatened on or before the Closing Date or (c) any settlement of any of the foregoing.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Excluded Inventory" means (i) the inventory of products of the U.S. ProTurf Business that have not had any sales activity within the twelve-month period ended February 29, 2000, as set forth on Schedule 2.02(e); (ii) the obsolete inventory set forth on Schedule 2.02(e), and (iii) the inventory of discontinued products of the U.S. ProTurf Business in excess of a 24-month supply, based on sales activity for the twelve-month period ended February 29, 2000.

"Hazardous Substance" means any hazardous substances (as defined in CERCLA); hazardous waste (as defined in RCRA or the regulations adopted thereunder); polychlorinated biphenyls; petroleum and/or petroleum products; or solid waste, except for solid waste that Sellers are authorized to manage under any applicable Environmental Laws.

"HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"Indemnitee" means a party hereto claiming indemnification from another party hereto pursuant to the terms hereof.

"Indemnitor" means a party hereto from whom indemnification is claimed pursuant to the terms hereof by an Indemnitee.

"Intellectual Property Right" means any trademark, service mark, registration thereof or application for registration therefor, trade name, patent, patent application, copyright, copyright registration, application for copyright registration or any other similar type of proprietary intellectual property right.

"Inventory" shall mean all finished goods, including but not limited to finished goods purchased for resale, held by the U.S. ProTurf Business for sale or resale to others, from time to time in the ordinary course of the U.S. ProTurf Business, as set forth on Schedule 2.01(b)(4) (with such additions and/or deletions as occur in the ordinary course of the U.S. ProTurf Business and consistent with the provisions of this Agreement), but excluding the Excluded Inventory.

"Inventory Book Value" shall mean Scotts' standard cost at the time of production (including provision for the cost of shipping from the production facility to the distribution warehouse), as reflected in Scotts' books and records.

"Last Twelve Month Sales" means, with respect to a particular SKU of Inventory, the Inventory Book Value of such Inventory sold during the twelve-month period ending at the end of the month immediately prior to the Closing Date.

"Knowledge" means (i) in the case of Sellers, the actual knowledge of any of the officers, directors or other employees of Scotts who have managerial or supervisory responsibilities with respect to the U.S. ProTurf Business and (ii) in the case of Buyers, the actual knowledge of any officers, directors or other employees of Buyers who have managerial or supervisory responsibilities.

"Material Adverse Effect" means an effect that (i) is materially adverse to the business, financial condition or results of operations of a specified Person, and/or (ii) is materially adverse to the transactions contemplated hereby, and/or (iii) materially impairs the ability of a party hereto to consummate the transactions to be undertaken by it as contemplated hereby.

"MU Technology" means all of Scotts' Intellectual Property Rights relating directly or indirectly to the manufacture, formulation or assembly by, or at the direction of, Scotts of methylene urea.

"Net Inventory Book Value" means the aggregate Inventory Book Value of the Inventory less the following discounts: (i) 50% of Inventory Book Value with respect to any Inventory in excess of a 24-month supply, based on Last Twelve Month Sales; and (ii) 25% of Inventory Book Value with respect to any Inventory in excess of an 18-month supply, but less than or equal to a 24-month supply, based on Last Twelve Month Sales.

"Person" means an individual, corporation, partnership, limited liability company, firm, joint venture, association, trust, unincorporated organization, governmental or regulatory authority, or other entity.

"Product Liability" means all liabilities of the Sellers, whether vested or unvested, contingent or fixed, actual or potential, known or unknown, which arise in connection with or relate to the manufacture, marketing, distribution or sale by the Seller of any product of the U.S. ProTurf Business prior to the Closing; PROVIDED, that such liability is not primarily caused by the action or inaction of Buyers following the Closing.

"ProTurf License Agreements" means the Canadian ProTurf License Agreement and the U.S. ProTurf License Agreement.

"RCRA" means the Resource Conservation and Recovery Act, as amended.

"Related Agreements" means the U.S. License Agreements and the U.S. ProTurf Supply Agreement.

"Release" means any discharge, emission or release, including without limitation a Release as defined in CERCLA, at 42 U.S.C. Section 9601(22). The term "Released" has a corresponding meaning.

"Required Approval" means an approval, consent, authorization or clearance of or filing with a governmental or regulatory authority or official required in order to permit, authorize or entitle a specified party hereto to execute and deliver this Agreement, to perform its obligations hereunder, or to consummate one or more of the transactions to be undertaken by it as contemplated hereby.

"Retail Channels" means any channel of distribution which reaches consumer customers, including, but not limited to: (i) retail outlets; (ii) retail nurseries and hardware co-ops; (iii) home centers (e.g., Home Depot or Lowes); (iv) mass merchants (e.g., Wal-Mart or Kmart); (v) membership or warehouse clubs (e.g., Sam's Club); (vi) the Internet and (vii) other current or future channels of trade which arise or become retail channels in the lawn and garden industry.

"Territory" shall have the meaning ascribed thereto in the U.S. ProTurf License Agreement.

"U.S. License Agreements" means the U.S. ProTurf License Agreement, the U.S. Poly-S(R) License Agreement, the U.S. Peters(R) and Starter(R) License Agreement and the U.S. Patent License Agreement.

"U.S. Patent License Agreement" means that certain patent and technology license agreement entered into as of the Closing Date in substantially the form attached as Exhibit E hereto pursuant to which Sellers shall grant Buyers (i) certain long-term limited rights (ownership or license) to certain patents and patent applications and (ii) certain limited rights to the proprietary technology processes, trade secrets and know-how relating primarily to the U.S. ProTurf Business for the term of such agreement, after which point such proprietary technology, processes, trade secrets and know-how shall be transferred to Buyers for use in the U.S. Professional Turf Market in the Territory.

"U.S. Peters(R) and Starter(R) License Agreement" means that certain trademark ingredient license agreement entered into as of the Closing Date in the form attached hereto as Exhibit D pursuant to which Sellers shall grant Buyers certain long-term, limited rights to the "PETERS" and "STARTER" trademarks in the Territory.

"U.S. Poly-S(R) License Agreement" means that certain license agreement entered into as of the Closing Date in the form attached hereto as Exhibit C pursuant to which Sellers shall grant Buyers certain long-term, limited rights to use the "POLY-S" trademark and certain other trademarks in the Territory.

"U.S. Professional Turf Market" means the market in the Territory for the sale, marketing and/or distribution of fertilizer, pesticide, combination fertilizer and pesticide and similar products and related services intended for use by golf courses, sports fields, municipal properties and professional lawn care service providers.

"U.S. ProTurf Business" means the business of marketing, distributing and/or selling Products or related services in the Territory for the U.S. Professional Turf Market, including, but not limited to, the marketing, distribution and/or sale of Products directly or through distributors or agents to golf courses, sports fields, municipal properties and professional lawn care service providers in the Territory; PROVIDED, that the U.S. ProTurf Business specifically excludes the marketing, distribution and/or sale of Products through Retail Channels in the Territory.

"U.S. Supply Agreement" means that certain Supply Agreement entered into as of the Closing Date between Scotts and Buyers in the form attached hereto as Exhibit B and relating to the manufacture and supply of materials used in the U.S. ProTurf Business.

Section 1.02. ADDITIONAL TERMS. When used in this Agreement, the following terms shall have the meanings specified in that part hereof identified in the following table:

TERM	DEFINED IN:
AAA Rules	Section 2.04(b)
Assumed Liabilities	Section 2.07
Buyers	Preamble
Canadian ProTurf License Agreement	Preamble
Closing Receivables	Section 7.05(c)
Contracts	Section 2.01(b)(7)
Exchange Act	Section 3.04
Excluded Assets	Section 2.02
Excluded Liabilities	Section 2.12
Inventory Book Value	Section 2.04(a)
Licenses	Section 3.09
Nu-Gro	Preamble
OMS	Preamble
Product Information	Section 2.01(b)(5)
Products	Section 2.01(b)(5)
ProTurf Assets	Section 2.01
Purchase Price	Section 2.03
Retained Registrations	Section 2.01(b)(1)
Scotts	Preamble
Scotts(R)Trademarks	Section 5.06(a)
Sellers	Preamble
Transferred Employees	Section 11.01
Transferred Registrations	Section 2.01(b)(1)
Turf Partners Receivables	Section 7.05(c)
U.S. ProTurf Assets	Section 2.01(a)
U.S. ProTurf License Agreement	Preamble

ARTICLE II

PURCHASE AND SALE OF ASSETS

Section 2.01. PROTURF ASSETS. (a) At the Closing, and upon the terms and subject to the conditions set forth in this Agreement, Sellers shall sell, transfer, assign and deliver to Buyers, and Buyers shall purchase from Sellers, all of the right, title and interest in and to certain of the assets of Sellers, tangible and intangible, owned by Sellers and used principally in the conduct of the U.S. ProTurf Business (such assets, the "U.S. ProTurf Assets").

(b) The U.S. ProTurf Assets consist only of the following property, plus such additions thereto and minus such deletions therefrom as occur in the usual and ordinary course of the U.S. ProTurf Business, without violating this Agreement, between the date of this Agreement and the Accounting Date:

(1) the "me-too" registrations with respect to the federal environmental registrations set forth on Schedule 2.01(b)(1) (the "Retained Registrations"), as addressed

pursuant to Section 5.06, and the federal and state registrations, applications, permits and approvals of governmental authorities set forth on Schedule 2.01(b)(1) that are being transferred to Buyers (the "Transferred Registrations");

(2) the rights to use the Intellectual Property Rights, which are owned or licensed and used or held for use by the Sellers primarily for the U.S. ProTurf Business, as specifically identified in Schedule 2.01(b)(2), subject to, and only to the extent set forth in, the U.S. License Agreements;

(3) the customer list included as Schedule 2.01(b)(3);

(4) the Inventory of the U.S. ProTurf Business as of the Closing Date;

(5) Sellers' right, title and interest in and to the specifications for the products (the "Products") identified on Schedule 2.01(b)(5), excluding the specifications for any Product containing MU Technology (except to the extent set forth in the U.S. Patent License Agreement) and excluding such specifications to the extent such specifications are addressed by the U.S. Patent License Agreement, but including the promotional brochures and advertising and marketing materials (collectively, the "Product Information") for the Products used by Sellers in connection with the U.S. ProTurf Business;

(6) those books and records relating to the U.S. ProTurf Business;

(7) all rights arising under each contract or agreement listed individually or by category on Schedule 2.01(b)(7), including all renewals, extensions, amendments and modifications thereof and any additional agreements, contracts and orders made or entered into by Sellers in the usual and ordinary course of the U.S. ProTurf Business, without violating this Agreement, after the date hereof that are in effect at the Accounting Date (hereinafter, collectively, the "Contracts");

(8) the non-proprietary technology processes, exclusive of any MU Technology, relating primarily to the U.S. ProTurf Business and, to the extent set forth in the U.S. License Agreements, the proprietary technology processes, trade secrets and know-how relating primarily to the U.S. ProTurf Business; and

(9) the research and development information, data and analyses related primarily to the U.S. ProTurf Business; provided that, to the extent that such information, data and analyses are not readily available or ascertainable, the parties shall cooperate in good faith to provide Buyers with as much of such information, data and analyses as reasonably practicable.

Section 2.02. EXCLUDED ASSETS. Anything contained in this Agreement or elsewhere to the contrary notwithstanding, the U.S. ProTurf Assets will not include any assets, properties or rights, including, but not limited to, Intellectual Property Rights, of Sellers not currently used primarily in the U.S. ProTurf Business, and the following property, all of which shall be retained by Sellers and none of which shall be sold or transferred to Buyers (the "Excluded Assets"):

(a) he rights of Sellers under (i) this Agreement and (ii) the contracts listed on Schedule 2.02(a) (the "Excluded Contracts");

(b) the Intellectual Property Rights and other proprietary technology processes, trade secrets and know-how of the U.S. ProTurf Business, except to the extent set forth in the U.S. License Agreements or otherwise hereunder;

(c) the MU Technology and all other Intellectual Property Rights that are owned or licensed and used or held for use by the Sellers, except to the extent specifically addressed by this Agreement or the U.S. License Agreements;

(d) the Retained Registrations;

(e) the Excluded Inventory, as set forth on Schedule 2.02(e);

(f) any of Sellers' (i) accounts receivable, (ii) cash, (iii) checking account and savings account deposits, (iv) certificates of deposit, (v) utility, security and other deposits, (vi) notes receivable, (vii) similar cash equivalents, and (viii) real and personal property not used by Sellers principally in the conduct of the U.S. ProTurf Business.

Section 2.03. CONSIDERATION. In consideration of the promises contained herein and as consideration for the transactions contemplated by this Agreement and the Related Agreements, at the Closing, Buyers shall pay to Sellers an amount in cash or immediately available funds equal to the sum of:

(a) the Net Inventory Book Value as furnished by Scotts pursuant to Section 2.04(a) below; plus

(b) $414,000 in consideration for Sellers' covenant not to compete set forth in Section 5.05 hereof; plus

(c) $486,000 as a royalty payment in advance and in consideration of the U.S. License Agreements.

Section 2.04. BOOK VALUE OF INVENTORY. (a) At least two business days prior to the Closing, the Sellers shall furnish to the Buyers the Sellers' good faith estimate of the Net Inventory Book Value as of the Closing Date.

(b) Prior to the Closing Date, Sellers agree to segregate the Inventory within Sellers' warehouses in the U.S. and to store such Inventory in a reasonable manner, in each case, in order to facilitate a physical inventory by Buyers. If after conducting a physical inventory within 48 hours of the Accounting Date and after payment at the Closing of the Net Inventory Book Value, as contemplated by Section 2.03(a), Buyers discover discrepancies in the amount of Inventory used in Sellers' calculation of the Net Inventory Book Value, the Buyers shall provide written

notice to the Sellers of such discrepancy, together with the Buyers' recalculation of the Net Inventory Book Value, within thirty days after the Closing Date. The Net Inventory Book Value shall become final and binding upon the parties on the thirty-first day after the Closing Date unless such a notice of disagreement has been delivered to Sellers. In the event that such a notice of disagreement has been delivered, the parties agree to negotiate in good faith for an additional thirty days to determine the Net Inventory Book Value.

(c) If the parties have not reached agreement within the thirty-day negotiation period set forth in Section 2.04(b), they shall submit the resolution of the determination of Net Inventory Book Value to binding arbitration for settlement in accordance with the Commercial Arbitration Rules of the American Arbitration Association (the "AAA Rules"). The determination of the arbitrator selected in accordance with the AAA Rules shall be final and conclusive, and within five business days following resolution of the matter, Sellers shall pay to Buyers the difference between the amount paid to Sellers on the Closing Date and the final determination of Net Inventory Book Value, if such difference is a positive number, or Buyers shall pay to Sellers such difference, if such difference is a negative number. The costs, fees and expenses of the arbitration shall be borne equally by the Buyers and the Sellers.

(d) The parties acknowledge that the adjustment process set forth in this Section 2.04 is separate from, and in addition to, any indemnification set forth in Section 9.02(a).

Section 2.05. CLOSING. (a) The Closing shall be held at the offices of Vorys, Sater, Seymour and Pease LLP, 52 East Gay Street, Columbus, Ohio, and shall take place on the date determined by Buyers as soon as reasonably practicable after the satisfaction or, if applicable, waiver of the conditions to Closing set forth in Article VIII hereof.

(b) At the Closing, Sellers shall cause all of the following to be delivered to Buyers:

(i) an Assignment and Assumption Agreement, substantially in the form attached hereto as Exhibit F, and Sellers shall deliver to Buyers such bills of sale, endorsements, consents, assignments and other good and sufficient instruments of conveyance and assignment as the parties and their respective counsel shall deem reasonably necessary or appropriate to vest in Buyers all right, title and interest in, to and under the U.S. ProTurf Assets;

(ii) a copy of the U.S. ProTurf License Agreement executed by one or both Sellers;

(iii) a copy of the U.S. Supply Agreement executed by Scotts;

(iv) a copy of the U.S. Poly-S(R) License Agreement executed by one or both Sellers;

(v) a copy of the U.S. Peters(R)and Starter(R)License Agreement executed by one or both Sellers;

(vi) a copy of the U.S. Patent License Agreement executed by one or both Sellers; and

(vii) such other documents as contemplated by this Agreement to be delivered by the Sellers to the Buyers or as may be reasonably requested by Buyers.

(c) At the Closing, Buyers shall cause all of the following to be delivered to Sellers:

(i) a certified or official bank check payable to the order of, or a wire transfer for the account of, Scotts in an amount in immediately available funds equal to the Net Inventory Book Value, as set forth in Section 2.04(a);

(ii) a certified or official bank check payable to the order of, or a wire transfer for the account of, Scotts in the amount of $414,000 in immediately available funds;

(iii) a certified or official bank check payable to the order of, or a wire transfer for the account of, OMS in the amount of $486,000 in immediately available funds;

(iv) a copy of the U.S. ProTurf License Agreement executed by one or both Buyers;

(v) a copy of the U.S. Supply Agreement executed by Andersons;

(vi) a copy of the U.S. Poly-S(R) License Agreement executed by one or both Buyers;

(vii) a copy of the U.S. Peters(R) and Starter(R) License Agreement executed by one or both Buyers;

(viii) a copy of the U.S. Patent License Agreement executed by one or both Buyers;

(ix) one or more instruments of assumption, duly executed on behalf of Buyers, as may be reasonably requested by Sellers and their counsel and by which Buyers duly assume those liabilities of Sellers to be assumed by Buyers pursuant to Sections 2.06 and 2.07; and

(x) such other documents as contemplated by this Agreement to be delivered by the Buyers to the Sellers or as may be reasonably requested by Sellers.

Section 2.06. PRORATIONS. All prepaid, accrued, deferred and other revenues, and all prepaid, accrued, deferred and other normal operating liabilities and expenses, pertaining to the U.S. ProTurf Business shall be prorated as of the Accounting Date, so that as between Sellers and Buyers, Sellers shall receive all such revenues and shall be responsible for all such liabilities and expenses allocable to the period ending at the Accounting Date, and Buyers shall receive all such revenues (exclusive of those received by Sellers or by Buyers, on behalf of Sellers, in payment of any of Sellers' accounts receivable) and shall be responsible (subject to the provisions of Section 2.08) for all such liabilities and expenses allocable to the period commencing at the Accounting Date.

Section 2.07. ASSUMED LIABILITIES. From and after the Accounting Date, Buyers shall, subject to Section 2.06, assume and timely pay, discharge, perform and satisfy all liabilities and obligations of Seller (i) arising after Closing under the Contracts (other than liabilities or obligations attributable to any failure by Sellers to comply with the terms thereof); (ii) arising out of or related to the U.S. ProTurf Assets after the Accounting Date and (iii) arising out of the prorated portions of those other obligations and liabilities of Sellers for which Buyers are to be responsible pursuant to Section 2.06 (collectively, the "Assumed Liabilities").

Section 2.08. EXCLUDED LIABILITIES. Notwithstanding any provision in this Agreement to the contrary, Buyers are assuming only the Assumed Liabilities and are not assuming any other liability or obligation of Sellers (or any predecessor owner of all or part of the U.S. ProTurf Business) of whatever nature whether presently in existence or arising hereafter, vested or unvested, contingent or fixed, actual or potential, known or unknown. All such other liabilities and obligations shall be retained by and remain obligations and liabilities of Sellers (all such liabilities and obligations not being assumed being herein referred to as the "Excluded Liabilities"). Notwithstanding anything to the contrary in this Section 2.08, and without limitation, each of the following shall be Excluded Liabilities for purposes of this Agreement:

(i) except as contemplated by or set forth in Article IX, any liabilities or obligations relating to employee or agent benefits, wages, salaries, commissions, bonuses, incentives and/or other compensation arrangements existing on or prior to the Closing Date, including, without limitation, retirement, pension and/or unemployment compensation, workers' compensation and/or similar type benefits;

(ii) any Product Liability;

(iii) any Environmental Liability;

(iv) any Claim against or relating to the U.S. ProTurf Business that arose prior to the Closing Date; or

(v) the obligations and liabilities of Sellers arising under the Excluded Contracts.

Section 2.09. ASSIGNMENT OF CONTRACTS AND RIGHTS. Anything in this Agreement to the contrary notwithstanding, this Agreement shall not constitute an agreement to assign any claim, contract, license, lease, commitment, sales order, purchase order or any claim or right or any benefit arising thereunder or resulting therefrom if an attempted assignment thereof, without the consent of a third party thereto, would constitute a breach or other contravention thereof or in any way adversely affect the rights of Buyers or Sellers thereunder. The parties hereto will use their reasonable efforts to obtain the consent of the other parties to any such claim, contract, license, lease, commitment, sales order, purchase order or any claim or right or any benefit arising thereunder for the assignment thereof to Buyers as Buyers may request. If such consent is not obtained, or if an attempted assignment thereof would be ineffective or would adversely affect the rights of Sellers thereunder so that Buyers would not in fact receive all such rights, Sellers and Buyers will cooperate in a mutually agreeable arrangement under which Buyers would obtain the benefits and assume the obligations under any such claims, contracts, licenses, leases, commitments, sales orders or purchase orders, including subcontracting, sub-licensing, or subleasing to Buyers, or which Sellers would enforce for the benefit of Buyers, with Buyers' assuming Sellers' obligations, any and all rights of Sellers against a third party thereto arising out of the breach of cancellation by such third party or otherwise. Sellers will promptly pay to Buyers when received all monies received by Sellers under any such claim, contract, license, lease, commitment, sales order, purchase order or any claim or right or any benefit arising thereunder, except to the extent the same represents an Excluded Asset.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF SELLERS

Sellers, jointly and severally, represent and warrant to Buyers that, as of the date hereof:

Section 3.01. CORPORATE EXISTENCE AND POWER.

(a) OMS is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware; is duly qualified, licensed and otherwise in good standing as a foreign corporation in each jurisdiction where the ownership of its property or the conduct of its business makes necessary such qualification, licensing or good standing, except to the extent that the failure to be so qualified would not have a Material Adverse Effect on Scotts.

(b) Scotts is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Ohio; is duly qualified, licensed and otherwise in good standing as a foreign corporation in each jurisdiction where the ownership of its property or the conduct of its business makes necessary such qualification, licensing or good standing, except to the extent that the failure to be so qualified would not have a Material Adverse Effect on Scotts.

Section 3.02. CORPORATE AUTHORITY.

(a) Each of OMS and Scotts has all requisite corporate power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions to be undertaken by it as contemplated hereby.

(b) The execution and delivery of this Agreement by each of OMS and Scotts, the performance by it of its obligations hereunder and the consummation by it of the transactions to be undertaken by it as contemplated hereby have been duly and validly authorized by all necessary corporate action of each of OMS and Scotts.

(c) This Agreement has been duly and validly executed and delivered on behalf of each of OMS and Scotts and constitutes its valid and binding agreement.

Section 3.03. CONSENTS AND APPROVALS; NO VIOLATIONS.

(a) Neither the execution and delivery of this Agreement by Scotts, nor its consummation of the transactions to be undertaken by it as contemplated hereby, will (i) violate any provision of its amended and restated articles of incorporation or regulations; (ii) constitute (upon notice, lapse of time or otherwise) a breach or a default (or give rise to any right of termination, cancellation or acceleration) under any note, bond, mortgage, indenture, franchise, lease, contract or other agreement to which Scotts is a party or by which it may be bound or subject; (iii) violate any order, judgment, injunction, award or decree of any court, arbitrator or governmental or regulatory authority against, or any agreement with or condition imposed by, any governmental or regulatory authority, binding upon it; or (iv) violate any statute, law, rule or regulation of any federal, state, local or other governmental authority applicable to it or its property, assets or business, excluding from the foregoing clauses (i) to and including (iv) such breaches, defaults, rights and violations that, in the aggregate, do not have a Material Adverse Effect with respect to the U.S. ProTurf Business or the U.S. ProTurf Assets.

(b) Neither the execution and delivery of this Agreement by OMS, nor its consummation of the transactions to be undertaken by it as contemplated hereby, will (i) violate any provision of its certificate of incorporation or by-laws; (ii) constitute (upon notice, lapse of time or otherwise) a breach or a default (or give rise to any right of termination, cancellation or acceleration) under any note, bond, mortgage, indenture, franchise, lease, contract or other agreement to which OMS is a party or by which it may be bound or subject; (iii) violate any order, judgment, injunction, award or decree of any court, arbitrator or governmental or regulatory authority against, or any agreement with or condition imposed by, any governmental or regulatory authority, binding upon it; or (iv) violate any statute, law, rule or regulation of any federal, state, local or other governmental authority applicable to it or its property, assets or business, excluding from the foregoing clauses (i) to and including (iv) such breaches, defaults, rights and violations that, in the aggregate, do not have a Material Adverse Effect with respect to the U.S. ProTurf Business or the U.S. ProTurf Assets.

Section 3.04. GOVERNMENTAL AUTHORIZATION. The execution, delivery and performance by Sellers of this Agreement require and are subject to the Required Approvals of any and all applicable governmental bodies, agencies, officials or authorities, including, without limitation, (i) compliance with any applicable requirements of the HSR Act; (ii) compliance with any applicable requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"); (iii) compliance with any applicable environmental rules and regulations and (iv) any other applicable rules, regulations and/or laws.

Section 3.05. COMPLIANCE WITH LAWS. (a) Neither OMS nor Scotts is in violation of any applicable order, judgment, injunction, award, decree or other requirement of any federal, state, local or foreign law, statute, ordinance, rule, regulation, order, writ, injunction, or decree applicable to the U.S. ProTurf Assets or the U.S. ProTurf Business, and Sellers have not received notice (written or oral) from any governmental agency that any such violation is being alleged; and (b) each of OMS and Scotts has complied in all material respects with all laws, statutes, ordinances, rules, regulations and requirements applicable to the conduct of the U.S. ProTurf Business and to the U.S. ProTurf Assets, and neither Seller has received notice (written or oral) from any governmental agency that any such violation is being alleged, excluding from the foregoing clauses (a) and (b) such violations and failures to comply that, in the aggregate, do not have a Material Adverse Effect on the U.S. ProTurf Business or the U.S. ProTurf Assets.

Section 3.06. THE U.S. PROTURF ASSETS.

(a) The U.S. ProTurf Assets include all property and assets used by Sellers primarily in the conduct of the U.S. ProTurf Business as of the date hereof, plus such additions thereto and minus (i) such deletions therefrom as arise in the ordinary course of the U.S. ProTurf Business, without violating this Agreement, between the date hereof and the Accounting Date and (ii) the Excluded Assets.

(b) Upon consummation of the transactions contemplated hereby, Buyers will have acquired good and marketable title in and to each of the U.S. ProTurf Assets, free and clear of all liens, security interests, pledges, charges or other encumbrances.

Section 3.07. CONTRACTS. (a) Except as set forth on Schedule 2.01(b)(7), each of the Contracts listed therein is a valid and binding agreement of a Seller and is in full force and effect, and neither Sellers nor, to the Sellers' Knowledge, any other party thereto is in default in any material respect under the terms of any such Contract.

(b) Except as described in Schedule 3.07, neither Seller is a party to or bound by any of the types of agreements enumerated below which affects the U.S. ProTurf Business or the U.S. ProTurf Assets:

(i) agreements or contracts not made in the ordinary course of business;

(ii) employee collective bargaining agreements or other contracts with any labor union;

(iii) agreements or contracts with any shareholder, officer, director or employee of either Seller or any of their respective subsidiaries; or

(iv) agreements or contracts the terms of which could reasonably be expected to have a Material Adverse Effect on the U.S. ProTurf Business or the U.S. ProTurf Assets.

Section 3.08. INTELLECTUAL PROPERTY. Neither Seller has infringed, or received notice of any infringement, upon one or more of the rights of third parties in respect of any Intellectual Property Right that is currently used primarily in the U.S. ProTurf Business. Except to the extent set forth on Schedule 3.08, Sellers have no Knowledge of any continuing material infringement by any other Person of any Intellectual Property Right that is currently used primarily in the U.S. ProTurf Business.

Section 3.09. LEGAL PROCEEDINGS. Except as set forth on Schedule 3.09, neither Seller has received notice of nor has Knowledge of any, nor are there any pending or outstanding, Claims or Claim Notices, by or affecting OMS or Scotts, or any of the directors, officers or employees thereof in their capacities as such, that could (i) prevent the performance of this Agreement or the consummation of any of the transactions contemplated hereby, (ii) prevent materially the use by Buyers of any of the U.S. ProTurf Assets in accordance with past practices, (iii) affect the validity or enforceability of this Agreement or compliance with the terms hereof by Sellers, (iv) affect materially the business, financial condition or results of operations of the U.S. ProTurf Business, or (v) have a Material Adverse Effect on the U.S. ProTurf Assets or the U.S. ProTurf Business.

Section 3.10. LICENSES. Except as set forth on Schedule 3.10, there are no licenses, permits or other governmental authorizations (collectively hereinafter referred to as "Licenses") held by either Seller which affect the U.S. ProTurf Business or the U.S. ProTurf Assets in any material manner. Except as set forth on Schedule 3.10, (a) Sellers hold all Licenses which are required for the operation of the U.S. ProTurf Business, (b) all such Licenses are in full force and effect; and (c) all such Licenses will be effectively transferred to Buyers at the Closing or as soon thereafter as reasonably practicable.

Section 3.11. EMPLOYEE AND RELATED MATTERS. (a) Schedule 3.11 sets forth a true and complete list of (i) the names, titles, annual salaries and other compensation of all employees dedicated to the U.S. ProTurf Business and (b) the wage rates for non-salaried employees of the U.S. ProTurf Business (by classification). None of the employees set forth on Schedule 3.11 and no other key employee of the U.S. ProTurf Business has indicated to Sellers that he or she intends to resign or retire as a result of the transactions contemplated by this Agreement or otherwise within one year after the Closing Date.

(b) Except as set forth on Schedule 3.11, there are no employment-related claims, actions, proceedings or investigations pending or threatened against either Seller relating to the U.S. ProTurf Business or the U.S. ProTurf Assets before any court, governmental, regulatory or administrative authority or body, or arbitrator or arbitration panel, except for such claims, actions, proceedings or investigations as would not be reasonably likely to have a Material Adverse Effect on the U.S. ProTurf Business.

Section 3.12. EMPLOYMENT BENEFIT PLANS. Except as described in Section 11.02, there are no plans of either Seller in effect for pension, profit sharing, deferred compensation, severance pay, bonuses, stock options, stock purchases, or any other form of retirement or deferred benefit, or for any health, accident or other welfare plan, as to which Buyers will become liable as a result of the transactions contemplated hereby.

Section 3.13. INVENTORY. All of the Inventory is of a quality usable and saleable in the ordinary course of the U.S. ProTurf Business in accordance with past practices.

Section 3.14. PRODUCTS. Except as set forth on Schedule 3.14, each of the Products produced or sold by Sellers in connection with the U.S. ProTurf Business (a) is, and at all times has been, in compliance in all material respects with all applicable federal, state, local and foreign laws and regulations and (b) is, and at all relevant times has been, fit for the ordinary purposes for which it is intended to be used and conforms in all material respects to any promises or affirmations of fact made on the container or label for such product or in connection with its sale. There is no design defect with respect to any of such Products, and each of such Products contains adequate warnings, presented in a reasonably prominent manner, in accordance with applicable laws and current industry practice with respect to its contents and use.

Section 3.15. FINDER'S FEES. There is no investment banker, broker, finder or other intermediary which has been retained by or is authorized to act on behalf of Sellers who might be entitled to any fee or commission from Buyers or any of its affiliates upon consummation of the transactions contemplated by this Agreement.

Section 3.16. REPRESENTATIONS. The representations and warranties of Sellers contained in this Agreement, disregarding all qualifications and exceptions contained therein relating to materiality or Material Adverse Effect, are true and correct with only such exceptions as would not in the aggregate reasonably be expected to have a Material Adverse Effect with respect to the U.S. ProTurf Business or the U.S. ProTurf Assets.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF BUYERS

Buyers, jointly and severally, represent and warrant to Sellers that:

Section 4.01. CORPORATE EXISTENCE AND POWER. (a) Andersons is an Ohio corporation duly incorporated, validly existing in good standing under the laws of the state of Ohio and has all

requisite corporate power and authority to purchase, own and hold the U.S. ProTurf Assets and to conduct the U.S. ProTurf Business.

(b) TAAI is an Illinois corporation duly incorporated, validly existing in good standing under the laws of the state of Illinois and has all requisite corporate power and authority to purchase, own and hold the U.S. ProTurf Assets and to conduct the U.S. ProTurf Business.

Section 4.02. CORPORATE AUTHORITY. (a) Each of Andersons and TAAI has all requisite corporate power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions to be undertaken by it as contemplated hereby.

(b) The execution and delivery of this Agreement by each of Andersons and TAAI, the performance by it of its obligations hereunder and the consummation by it of the transactions to be undertaken by it as contemplated hereby have been duly and validly authorized by all necessary corporate action of each of Andersons and TAAI.

(c) This Agreement has been duly and validly executed and delivered on behalf of each of Andersons and TAAI and constitutes its valid and binding agreement.

Section 4.03. CONSENTS AND APPROVALS; NO VIOLATIONS. (a) Neither the execution and delivery of this Agreement by Andersons, nor its consummation of the transactions to be undertaken by it as contemplated hereby, will (i) violate any provision of its articles of incorporation or regulations (or any equivalent governing documents); (ii) constitute (upon notice, lapse of time or otherwise) a breach or a default (or give rise to any right of termination, cancellation or acceleration) under any note, bond, mortgage, indenture, franchise, lease, contract or other agreement to which Andersons is a party or by which it may be bound or subject; (iii) violate any order, judgment, injunction, award or decree of any court, arbitrator or governmental or regulatory authority against, or any agreement with or condition imposed by, any governmental or regulatory authority, binding upon it; or (iv) violate any statute, law, rule or regulation of any federal, state, local or other governmental authority applicable to it or its property, assets or business, excluding from the foregoing clauses (i) to and including (iv) such breaches, defaults, rights and violations that, in the aggregate, do not have a Material Adverse Effect on Andersons.

(b) Neither the execution and delivery of this Agreement by TAAI, nor its consummation of the transactions to be undertaken by it as contemplated hereby, will (i) violate any provision of its articles of incorporation or regulations (or any equivalent governing documents); (ii) constitute (upon notice, lapse of time or otherwise) a breach or a default (or give rise to any right of termination, cancellation or acceleration) under any note, bond, mortgage, indenture, franchise, lease, contract or other agreement to which TAAI is a party or by which it may be bound or subject; (iii) violate any order, judgment, injunction, award or decree of any court, arbitrator or governmental or regulatory authority against, or any agreement with or condition imposed by, any governmental or regulatory authority, binding upon it; or (iv) violate any statute, law, rule or regulation of any federal, state, local or other governmental authority applicable to it or its property, assets or business, excluding from the foregoing clauses (i) to and including (iv)

such breaches, defaults, rights and violations that, in the aggregate, do not have a Material Adverse Effect on Andersons.

Section 4.04. GOVERNMENTAL AUTHORIZATION. The execution, delivery and performance by Buyers of this Agreement require and are subject to the Required Approvals of any and all applicable governmental bodies, agencies, officials or authorities, including, without limitation, (i) compliance with any applicable requirements of the HSR Act; (ii) compliance with any applicable requirements of the Exchange Act; (iii) compliance with any applicable environmental rules and regulations and (iv) any other applicable rules, regulations and/or laws.

Section 4.05. LEGAL PROCEEDINGS. Neither Buyer has received notice of nor has Knowledge of any, nor are there any pending or outstanding, Claims or Claim Notices by or affecting Buyers, or any of its directors, officers or employees in their capacities as such, that could (i) prevent the performance of this Agreement or the consummation of any of the transactions contemplated hereby or (ii) affect the validity or enforceability of this Agreement or compliance with the terms hereof by Buyers, excluding from the foregoing clauses (i) and (ii) such orders, judgments, injunctions, awards and decrees that, in the aggregate, do not have a Material Adverse Effect on Buyers.

Section 4.06. FINDER'S FEES. There is no investment banker, broker, finder or other intermediary which has been retained by or is authorized to act on behalf of Buyers who might be entitled to any fee or commission from Sellers or any of their affiliates upon consummation of the transactions contemplated by this Agreement.

Section 4.07. FINANCING. Andersons has sufficient funds available to make the payments set forth in Section 2.03.

ARTICLE V

COVENANTS OF SELLERS

Section 5.01. CONDUCT OF BUSINESS. Except as otherwise permitted or required by this Agreement or as set forth on Schedule 5.01, from the date hereof until the Closing Date:

(a) Sellers will use reasonable efforts to conduct the U.S. ProTurf Business in the ordinary course of business consistent with past practices, use reasonable efforts to preserve intact the business organizations and relationships with third parties and keep available the services of the present employees of the U.S. ProTurf Business; and

(b) without limiting the generality of the foregoing, Sellers will not, except in the ordinary course of business:

(i) incur, create or assume any mortgage, security interest or other encumbrance on the U.S. ProTurf Assets;

(ii) sell, assign, lease or otherwise transfer or dispose of any of the U.S. ProTurf Assets;

(iii) renegotiate, modify, amend or terminate any of the Contracts or fail to comply with the terms and conditions of any of the Contracts in any material respect; or

(v) agree or commit to do any of the foregoing.

Furthermore, Sellers will not take or agree or commit to take any action that would make any of Sellers' representations and warranties contained in this Agreement to become untrue or incorrect in any material respect at, or as of any time prior to, the Closing Date. Notwithstanding anything to the contrary contained herein, the parties acknowledge and agree that between the date hereof and the Closing Date, Sellers will be actively marketing and selling the Excluded Inventory and that such sales may be made outside of the ordinary course of business and may be made above, at or below the standard cost of such Excluded Inventory.

Section 5.02. REQUIRED APPROVALS. Sellers shall (a) take all reasonable steps necessary or appropriate to obtain, as promptly as possible, all Required Approvals required of them, (ii) cooperate reasonably with Buyers in obtaining all Required Approvals required of Buyers and (iii) provide such information and communications to governmental and regulatory authorities as any such authority or Buyers reasonably requests in connection with obtaining any Required Approval required of any party hereto.

Section 5.03. ACCESS TO INFORMATION. From the date hereof until the Closing Date, Sellers (a) will give Buyers, their counsel, financial advisors, auditors and other authorized representatives reasonable access to the offices, properties, books and records of Sellers relating to the U.S. ProTurf Business; (b) will furnish to Buyers, their counsel, financial advisors, auditors and other authorized representatives such financial and operating data and other information relating to the U.S. ProTurf Business as such Persons may reasonably request and (c) will instruct the employees, counsel and financial advisors of Sellers to cooperate with Buyers in its investigation of the U.S. ProTurf Business; PROVIDED that no investigation pursuant to this Section shall affect any representation or warranty given by Sellers hereunder; and, PROVIDED, FURTHER, that any investigation pursuant to this Section shall be conducted in such manner as not to interfere unreasonably with the conduct of the business of Seller.

Section 5.04. NOTICES OF CERTAIN EVENTS. Sellers shall promptly notify Buyers of:

(a) any notice or other communication from any Person alleging that the consent of such Person is or may be required in connection with the transactions contemplated by this Agreement;

(b) any notice or other communication from any governmental or regulatory agency or authority in connection with the transactions contemplated by this Agreement; and

(c) any actions, suits, claims, investigations or proceedings commenced or, to Sellers' Knowledge threatened against, relating to or involving or otherwise affecting the U.S. ProTurf Business or the U.S. ProTurf Assets that, if pending on the date of this Agreement, would have been required to have been disclosed pursuant to Section 3.09 or that relate to the consummation of the transactions contemplated by this Agreement.

Section 5.05. NON-COMPETITION.

(a) Sellers agree that for the period during which TAAI is paying royalties to Sellers pursuant to the U.S. ProTurf License Agreement (or, in the event that TAAI properly terminates the U.S. ProTurf License Agreement before the fifth anniversary of the Closing Date, through the fifth anniversary of the Closing Date), neither Seller shall engage, either directly or indirectly, as a principal or for its own account or solely or jointly with others in any business that competes with the U.S. ProTurf Business or that competes in the U.S. Professional Turf Market, in each case, as it exists on the Closing Date; PROVIDED, that nothing herein shall prohibit the acquisition by Scotts or any of its affiliates of a diversified company having not more than 10% of its sales (based on its latest published annual audited financial statements) attributable to any business that competes with the U.S. ProTurf Business or in the U.S. Professional Turf Market.

(b) Notwithstanding anything to the contrary contained herein, Buyers specifically acknowledge that this Section 5.05 shall not prohibit Scotts from engaging, directly or indirectly, in any one or more of the following activities: (i) the manufacture, formulation, marketing, distribution and/or sale of grass seed products in and/or for use in the Territory, whether for the U.S. Professional Turf Market or not; (ii) the manufacture or formulation of any product, whether it competes with a Product or not, and the marketing, distribution and/or sale of such product through Retail Channels in the Territory, so long as such product does not bear any of the trademarks that are being licensed to the Buyers pursuant to the U.S. ProTurf License Agreement; (iii) the provision of services and products, whether such products compete with any Product or not, to residential and commercial properties (excluding golf courses and excluding the sale of products, but not services, to the remainder of the U.S. Professional Turf Market) through Scotts' lawn service business (including locations owned by Scotts, those owned by Scotts' franchisees and those owned by licensees of the "SCOTTS" trademark), so long as such services and products do not bear any of the trademarks that are being licensed to Buyers pursuant to the U.S. ProTurf License Agreement; (iv) the manufacture, formulation, marketing, distribution and/or sale of any product or service outside of the Territory or (v) the marketing, distribution and/or sale of any or all of the Excluded Inventory at any time, or from time to time, through August 31, 2000. Scotts agrees that, notwithstanding the definition of "Retail Channels" and notwithstanding anything to the contrary contained herein, Scotts shall not intentionally sell any products that compete with the Products directly to participants in the U.S. Professional Turf Market via the Internet.

(c) If any provision contained in this Section 5.05 shall for any reason be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Section, but this Section shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein. It is the intention of the

parties that if any of the restrictions or covenants contained herein is held to cover a geographic area or to be for a length of time which is not permitted by applicable law, or in any way construed to be too broad or to any extent invalid, such provision shall not be construed to be null, void and of no effect, but to the extent such provision would be valid or enforceable under applicable law, a court of competent jurisdiction shall construe and interpret or reform this Section 5.05 to provide for a covenant having the maximum enforceable geographic area, time period and other provisions (not greater than those contained herein) as shall be valid and enforceable under such applicable law. Sellers acknowledge that Buyers would be irreparably harmed by any breach of this Section 5.05 and that there would be no adequate remedy at law or in damages to compensate Buyers for any such breach. Sellers agree that Buyers shall be entitled to injunctive relief requiring specific performance by Sellers of this Section 5.05.

Section 5.06. TRANSFER OF REGISTRATIONS. (a) The Sellers will transfer all U.S. Environmental Protection Agency pesticide registrations primarily used in the U.S. ProTurf Business to the Buyers as soon after the Closing Date as is reasonable. Sellers have the option of transferring either the existing U.S. Environmental Protection Agency registration or applying for a "me-too" registration and transferring that "me-too" registration to the Buyers. In the situation where a registration is not obtained by the Buyers within one year after the Closing Date, Sellers will provide Buyers with a means of continuing in business until such time as the registration is procured. A list of all Scotts' U.S. Environmental Protection Agency registrations for the U.S. ProTurf Business is included in Schedule 2.01(b)(1).

(b) Sellers acknowledge that certain of the U.S. Environmental Protection Agency registrations included on Schedule 2.01(b)(1) are "range" registrations, which may not be transferable to the Buyers. Under circumstances where the U.S. Environmental Protection Agency will not allow the transfer of a "range" registration, Sellers agree to apply for, obtain and then transfer a sufficient number of individual U.S. Environmental Protection Agency registrations needed to support the transfer of all the Inventory included as a part of this transaction from the Sellers to the Buyers.

(c) All data used in support of the U.S. Environmental Protection Agency registrations on Schedule 2.01(b)(1) are to be given to the Buyer within sixty (60) days of the Closing Date and Buyers and Sellers agree that each shares equally in the ownership of such data. Additionally, Sellers will provide to Buyers all data used by Sellers to support the state registrations.

(d) Sellers agree to assist Buyers in procuring Scotts' existing subregistrations of the U.S. Environmental Protection Agency federal registrations.

(e) Schedule 2.01(b)(1)(i) represents the active and 1999 discontinued U.S. ProTurf Business products, and the states in which these products are registered. Sellers agree to manage and maintain the individual state registrations for all the active and 1999 discontinued products included as a part of this transaction until the federal registrations have transferred to the Buyers and the Buyers have obtained individual state registrations. Buyers agree to reimburse the Sellers for all state regulatory fees, including any discontinuance fees for all active products. Unless the

parties otherwise agree, Sellers are responsible for all regulatory fees, including any discontinuance fees, for 1999 discontinued products represented on Schedule 2.01(b)(1)(i) for a period of one year after Closing Date. Thereafter, Sellers agree to continue the administration of state registration renewals for the 1999 discontinued products at the Buyers' request on a SKU by SKU basis provided that the Buyers have used commercially reasonable efforts to sell these discontinued products. Buyers agree to reimburse the Sellers for any registration and discontinuance fees related to the 1999 discontinued U.S. ProTurf Business products beyond one year after Closing.

(f) Buyers acknowledge that products listed on Schedule 2.01(b)(4), if not listed on Schedule 2.01(b)(1)(i), do not have operable state registrations. Sellers agree to assist Buyers in obtaining necessary state registrations and manage the registrations for these products. Unless the parties agree otherwise, to the extent that Sellers pay any registration fees on Buyers' behalf, Buyers agree to reimburse Sellers promptly.

(g) Buyers are responsible for all tonnage and inspection or millage fees for all products sold by Buyers. Sellers are responsible for all tonnage and inspection or millage fees for all products sold by the Sellers. Sellers agree to manage any individual state tonnage reporting until such time as the Buyers have obtained the appropriate state registrations. To the extent that Sellers pay any such fees on Buyers' behalf, Buyers agree to reimburse Sellers promptly in full.

(h) Buyers will forward any adverse effects notices, as required by Section 6(a)(2) of FIFRA, to the Sellers for any Scotts-labeled pesticide products sold by Buyers.

ARTICLE VI

COVENANTS OF BUYERS

Section 6.01. REQUIRED APPROVALS. Buyers shall (i) take all steps necessary or appropriate to obtain, as promptly as is possible, all Required Approvals required of them; (ii) cooperate reasonably with Sellers in obtaining all Required Approvals required of them; and (iii) provide such information and communications to governmental and regulatory authorities as any such authority or Scotts reasonably requests in connection with obtaining each Required Approval required of any party hereto.

Section 6.02. NON-COMPETITION.

(a) Buyers agree that for a period of five years following the Closing Date, neither Buyer shall, either directly or indirectly, as a principal or for its own account or solely or jointly with others, sell any Product or any other product that bears any of the trademarks that are subject of the U.S. License Agreements through any Retail Channel in the Territory. The parties acknowledge and agree that communications and transactions via the Internet to purchasers, potential purchasers or their agents in the U.S. Professional Turf Market shall not be deemed to be a violation of this Section 6.02(a). Furthermore, the parties acknowledge and agree that this Section 6.02(a) is not intended to prevent, and shall not be deemed to apply to, the manufacture, formulation, distribution, marketing or sale of any professional turf product line through Retail

Channels, other than any Product or product that bears any of the trademarks subject to the U.S. License Agreements.

(b) If any provision contained in this Section 6.02 shall for any reason be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Section, but this Section shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein. It is the intention of the parties that if any of the restrictions or covenants contained herein is held to cover a geographic area or to be for a length of time which is not permitted by applicable law, or in any way construed to be too broad or to any extent invalid, such provision shall not be construed to be null, void and of no effect, but to the extent such provision would be valid or enforceable under applicable law, a court of competent jurisdiction shall construe and interpret or reform this Section 6.02 to provide for a covenant having the maximum enforceable geographic area, time period and other provisions (not greater than those contained herein) as shall be valid and enforceable under such applicable law. Buyers acknowledge that Sellers would be irreparably harmed by any breach of this Section 6.02 and that there would be no adequate remedy at law or in damages to compensate Sellers for any such breach. Buyers agree that Sellers shall be entitled to injunctive relief requiring specific performance by Buyers of this Section 6.02.

Section 6.03. CONFIDENTIALITY. Prior to the Closing Date and after any termination of this Agreement, Buyers and their affiliates will hold, and will use their reasonable best efforts to cause their respective officers, directors, employees, accountants, counsel, consultants, advisors and agents to hold, in confidence, unless compelled to disclose by judicial or administrative process or by other requirements of law, all confidential documents and information concerning the U.S. ProTurf Business, the Canadian ProTurf Business or Sellers furnished to Buyers or their affiliates in connection with the transactions contemplated by this Agreement, except to the extent that such information can be shown to have been (i) previously known on a nonconfidential basis by Buyers, (ii) in the public domain through no fault of Buyers or (iii) later lawfully acquired by Buyers from sources other than Sellers; PROVIDED, that Buyers may disclose such information to their officers, directors, employees, accountants, counsel, consultants, advisors and agents in connection with the transactions contemplated by this Agreement so long as such Persons are informed by Buyers of the confidential nature of such information and are directed by Buyers to treat such information confidentially. The obligation of Buyers and their affiliates to hold any such information in confidence shall be satisfied if they exercise the same care with respect to such information as they would take to preserve the confidentiality of their own similar information. If this Agreement is terminated, Buyers and their affiliates will, and will use their reasonable best efforts to cause their respective officers, directors, employees, accountants, counsel, consultants, advisors and agents to, destroy or deliver to Seller, upon request, all documents and other materials, and all copies thereof, obtained by Buyers or their affiliates or on their behalf from Sellers in connection with this Agreement that are subject to such confidence.

ARTICLE VII
COVENANTS OF ALL PARTIES

Section 7.01. WARRANTY DISCLAIMER. Except to the extent set forth under Section 9.02(a) or otherwise as expressly provided in this Agreement, Buyers and Sellers agree that SELLERS MAKE NO FURTHER OR OTHER REPRESENTATION OR WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, AS TO MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR ANY OTHER MATTER WITH RESPECT TO THE INVENTORY AND/OR ANY OTHER PART OF THE U.S. PROTURF ASSETS, AND SELLERS SPECIFICALLY DISCLAIM ANY LIABILITY FOR INCIDENTAL, CONSEQUENTIAL OR OTHER DAMAGES.

Section 7.02. EXPENSES. Except as otherwise expressly provided herein, each party to this Agreement shall bear its own expenses incurred in connection with the preparation, execution and performance of this Agreement and the consummation of the transactions contemplated hereby, including, without limitation, all fees of agents, representatives, legal counsel and accountants, whether or not the transactions contemplated hereby shall be consummated.

Section 7.03. FURTHER ASSURANCES. Subject to the terms and conditions of this Agreement, each party will use its reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary or desirable under applicable laws and regulations to consummate the transactions contemplated by this Agreement. Each party agrees to execute and deliver such other documents, certificates, agreements and other writings and to take such other actions as may be necessary or desirable in order to consummate or implement expeditiously the transactions contemplated by this Agreement and to vest in Buyers good and marketable title to the U.S. ProTurf Assets.

Section 7.04. PUBLIC ANNOUNCEMENTS. Except as may be required by law, no party to this Agreement shall make, encourage or permit disclosure of any kind or form in respect of this Agreement or the transactions contemplated hereby unless Scotts and Buyers mutually agree in advance on the form, timing and content of any such disclosure, whether to the financial community, a governmental agency, the public generally or otherwise. Each party agrees to promptly review any disclosure provided by the other party pursuant to this Section 7.04 and shall not unreasonably withhold, delay or condition its consent to any such disclosure.

Section 7.05. COLLECTION OF ACCOUNTS RECEIVABLE.

(a) As of the date hereof, there are outstanding accounts receivable owing from Turf Partners, Inc. Buyers and Sellers specifically acknowledge and agree that none of the accounts receivable of the U.S. ProTurf Business are included among the U.S. ProTurf Assets and that such accounts receivable shall remain the property of Sellers.

(b) Between the date hereof and the Closing Date, Sellers agree to use their reasonable efforts, consistent with past practices, to collect all of such accounts receivable, including those from Turf Partners, Inc.

(c) In connection with the Closing, the parties shall mutually prepare a statement setting forth (i) the amount of accounts receivable of the U.S. ProTurf Business as of the Closing Date (the "Closing Receivables") and (ii) the amount of such accounts receivable attributable to Turf Partners, Inc. (the "Turf Partners Receivable"), including, without limitation, to the extent available, a schedule of all invoices for the Turf Partners Receivable.

(d) From and after the Closing Date, Buyers and Sellers agree to use their reasonable efforts to collect the Closing Receivables on behalf of Sellers. Any monies received by Buyers after the Closing Date in connection with such Closing Receivables shall be for the benefit and account of Sellers and shall be promptly remitted to Sellers. Scotts and Buyers agree to reasonably cooperate in the collection of the Closing Receivables.

(e) From time to time after the Closing Date, Buyers and Scotts shall consult with respect to the status of any uncollected Closing Receivables generally, and specifically with respect to the Turf Partners Receivable. If, and to the extent that, Buyers and Scotts determine in good faith that all or any portion of the Turf Partners Receivable is uncollectible, Buyers agree to promptly reimburse Scotts for 33.75% of the portion of the Turf Partners Receivable deemed uncollectible, up to an aggregate amount of $2,700,000; PROVIDED, that, for purposes of the foregoing, any portion of the Turf Partners Receivable that has not been collected within 120 days of its due date, shall automatically be deemed to be uncollectible, unless Buyers and Scotts mutually agree otherwise. If, and to the extent that Scotts or Buyers collect any portion of the Turf Partners Receivable after it has been deemed uncollectible, Buyers shall be reimbursed for 33.75% of such portion so collected (net of any reasonable, out-of-pocket costs of collection) up to an aggregate amount of $2,700,000.

Section 7.06. INSURANCE. As of the Closing Date, (i) Buyers agree to furnish insurance certificates naming the Sellers as additional insureds under its general and automobile liability policies with limits of at least $2,000,000 per occurrence and (ii) Sellers agree to furnish insurance certificates naming the Buyers as an additional insured under its general and automobile liability policies with limits of at least $2,000,000 per occurrence. The specified limits of insurance may be satisfied by any combination of a self-insured retention and primary or excess/umbrella liability insurance policies. For purposes of this Section 7.06, "self-insured" means that the party is itself acting as though it were the insurance company providing the insurance required under the provisions hereof and shall pay any amounts due in lieu of insurance proceeds which would have been payable if the insurance policies had been carried by a third party insurance company, which amounts shall be treated as insurance proceeds for all purposes under this Agreement.

Section 7.07. USE OF THE "SCOTTS" TRADEMARK.

(a) Except as set forth in the other subsections of this Section 7.07, after the Closing, neither Buyers nor any of their affiliates shall use any of the following names or marks that were used in the U.S. ProTurf Business: "SCOTTS" and "Scotts and Oval Design," as set forth on Schedule 7.07. Such names shall be referred to, collectively or individually as the context requires, as the "Scotts(R) Trademarks."

(b) After the Closing, Buyers shall have the right to sell existing Inventory bearing any Scotts(R) Trademarks, and to use existing packaging, labeling, containers, supplies, advertising materials, technical data sheets and any similar materials with respect to such Inventory, until the earlier of (i) August 31, 2001, and (ii) the date existing stocks are exhausted. Buyers shall also have the right to continue to use existing brochures relating to the Inventory, including technical data sheets bearing the Scotts(R) Trademarks, until the earlier of (i) August 31, 2001 and (ii) the date existing stocks are exhausted. Notwithstanding the foregoing, in the event that Buyers are unable to exhaust the existing stocks of one or more SKUs of Inventory by August 31, 2001 so long as Buyers have used commercially reasonable efforts to do so, Scotts shall consent in writing to extend such date, on a SKU by SKU basis, for a reasonable period of time, as negotiated in good faith by Scotts and Andersons, to permit the exhaustion of such SKUs of Inventory.

(c) Sellers agree to and do hereby grant to Buyers, for the period and upon the terms and conditions set forth in this Section 7.07, the right and license: (i) to use the Scotts(R) Trademarks solely within the Territory in the sale of existing Inventory using existing packaging, labels, containers and supplies and (ii) to produce advertising and promotional materials subject to the terms herein. Buyers acknowledge and agree that Sellers are the sole and exclusive owners of the Scotts(R) Trademarks in any form or embodiment thereof and are also the owners of the goodwill attached or which shall become attached to the Scotts(R) Trademarks in connection with the business and goods in relation of which the same has, is or shall be used. Buyers' rights to use the Scotts(R) Trademarks shall be governed exclusively by this Agreement, and all use of the Scotts(R) Trademarks by Buyers shall inure to the benefit of Sellers. Any sales of Inventory bearing a Scotts(R) Trademark shall be deemed to have been made by Sellers for purposes of trademark registration. All rights in the Scotts(R) Trademarks other than those specifically granted in this Agreement are reserved by Sellers for their own use and benefit.

(d) Buyers shall sell the Inventory in accordance with all applicable laws, rules and regulations. Upon Sellers' reasonable request, Buyers will provide samples of any batch of packaged Inventory or other inventory bearing a Scotts(R) Trademark to enable Sellers to determine if Buyers are complying with the Sellers' standards of quality control. Scotts shall approve or disapprove (specifying the reasons for any disapproval) in writing within 30 days of receipt of such sample. Failure to give notice of disapproval within such period shall constitute Scotts' approval for that Inventory or other inventory bearing a Scotts(R) Trademark.

(e) In addition to the foregoing, until no later than February 28, 2001, Buyers shall have the right to use the Scotts(R) Trademarks in advertising and other promotional materials

prepared by Buyers for the sole purpose of transitioning the U.S. ProTurf Business from Sellers to Buyers. In connection with such advertising and promotion, Buyers shall comply with all applicable laws and regulations. Buyers agree not to use the Scotts(R) Trademarks, trade dress or any reproduction thereof in any advertising, promotion or display material without prior written approval from Scotts. All copy and material utilizing the Scotts(R) Trademarks shall be submitted for the approval of Scotts, and any material submitted and not disapproved by Scotts within 30 days shall be deemed approved.

(f) Neither Andersons nor any of its affiliates will use any Scotts(R) Trademark as all or a portion of Andersons' or any such affiliate's corporate name, trade name or other designation. Buyers' employees will not represent themselves as being representatives of or being from Sellers. Buyer will not associate the Scotts(R) Trademarks with another trademark of packaging or containers without the prior written approval of such other trademark by Scotts. Buyers agree to use the Scotts(R) Trademarks only in the form approved by Scotts and may not modify, change or alter the Scotts(R) Trademarks in any manner whatsoever without the prior written approval of Scotts, which approval shall not be unreasonably delayed, conditioned or withheld. Buyers will display the Scotts(R) Trademarks only in such form and manner as is specifically approved by Scotts, which approval shall not be unreasonably delayed, conditioned or withheld.

(g) Sellers may terminate Buyers' rights to use the Scotts(R) Trademarks pursuant to this Section 7.07 immediately: (i) if Buyers or any of their respective affiliates breaches any of the provisions of this Section 7.07 and fails to cure such breach within 10 days of written notice thereof by Scotts or (ii) upon the insolvency of Buyers, any assignment by Buyers for the benefit of its creditors, the failure to obtain the dismissal of any involuntary bankruptcy or reorganization petition filed against Buyers within 60 days from the date of such filing, the failure of Buyers to vacate the appointment of a receiver for all or any part of its business within 60 days from the date of such appointment or the dissolution of Buyers. Sellers shall provide Buyers prompt written notice of any such termination.

(h) Buyers acknowledge that Sellers would be irreparably harmed by any breach of this Section 7.07 by Buyers and that there would be no adequate remedy at law or in damages to compensate Sellers for any such breach. Buyers agree that Sellers shall be entitled to injunctive relief requiring specific performance by Buyers of this Section 7.07.

ARTICLE VIII

CONDITIONS TO CLOSING

Section 8.01. CONDITIONS TO OBLIGATIONS OF ALL PARTIES. The respective obligations of the parties to this Agreement to consummate the transactions contemplated hereby are subject to the satisfaction, at or prior to the Closing, of each of the following conditions precedent:

(a) Any applicable waiting period under the HSR Act relating to the transactions contemplated hereby shall have expired.

(b) No judgment, injunction, order or decree of a court of competent jurisdiction shall (i) prohibit the consummation of any of the transactions contemplated hereby or (ii) restrain, prohibit or otherwise materially interfere with the effect, operation or enjoyment by Buyers of all or any material portion of the U.S. ProTurf Assets.

(c) Each of the parties hereto shall have obtained each Required Approval to be obtained by it, without conditions or limitations that unreasonably restrict the ability of the parties hereto to perform this Agreement, and each of Sellers and Buyers shall have been furnished with appropriate evidence, reasonably satisfactory to it and its counsel, that each such Required Approval has been obtained and is in full force and effect.

Section 8.02. CONDITIONS TO OBLIGATIONS OF BUYERS. The obligations of Buyers to consummate the transactions contemplated by this Agreement are subject to the satisfaction, at or prior to the Closing, of each of the following further conditions, any one or more of which may be waived by Buyers:

(a)(i) Sellers shall have performed in all material respects all of their obligations hereunder required to be preformed by them at or prior to the Closing Date; (ii) the representations and warranties of Sellers contained in this Agreement and in any certificate or other writing delivered by Sellers pursuant hereto, disregarding all qualifications and exceptions contained therein relating to materiality or Material Adverse Effect, shall be true at and as of the Closing Date, as if made at and as such time, with only such exceptions as would not in the aggregate reasonably be expected to have a Material Adverse Effect with respect to the U.S. ProTurf Assets or the U.S. ProTurf Business; and (iii) Buyers shall have received a certificate signed by an executive officer of each Seller to the foregoing effect.

(b) Sellers shall have delivered the documents referred to in Section 2.05(b).

(c) Buyers shall have received all documents it may reasonably request relating to the existence of Sellers and the authority of Sellers for this Agreement, all in form and substance reasonably satisfactory to Buyers.

Section 8.03. CONDITIONS TO OBLIGATIONS OF SELLERS. The obligations of Sellers to consummate the transactions contemplated by this Agreement are subject to the satisfaction, at or prior to the Closing, of each of the following further conditions, any one or more of which may be waived by Scotts:

(a) Buyers shall have performed in all material respects all of its obligations hereunder required to be performed by them at or prior to the Closing Date; (ii) the representations and warranties of Buyers contained in this Agreement and in any certificate or other writing delivered by Buyers pursuant hereto, disregarding all qualifications and exceptions contained therein relating to materiality or Material Adverse Effect, shall be true at and as of the Closing Date, as if made at and as such time, with only such exceptions as would not in the aggregate reasonably be expected to have a Material Adverse Effect with respect to Buyers; and

(iii) Sellers shall have received a certificate signed by an executive officer of Buyers to the foregoing effect.

(b) Buyers shall have delivered the documents referred to in Section 2.05(c).

(c) All of the closing conditions to Sellers' obligations under the Canadian Asset Purchase Agreement shall have been satisfied or shall have been waived by Scotts, in its sole discretion.

(d) Sellers shall have received all documents they may reasonably request relating to the existence of Buyers and the authority of Buyers for this Agreement, all in form and substance reasonably satisfactory to Scotts.

ARTICLE IX

SURVIVAL; INDEMNIFICATION

Section 9.01. SURVIVAL OF WARRANTIES; TERMINATION. Except as otherwise set forth herein, the covenants, agreements, representations and warranties of the parties contained in this Agreement shall survive the Closing and shall expire on, and shall be of no further force and effect after, the first anniversary of the Closing Date; PROVIDED, that the covenants set forth in Section 5.05 and Section 6.02 shall survive the Closing and, except as otherwise set forth therein, shall expire on and shall be of no further force and effect after the fifth anniversary of the Closing Date; PROVIDED, FURTHER, that the indemnities set forth in Section 9.02(a)(ii) and Section 9.02(b)(ii) and the covenants set forth in Section 7.07, to the extent set forth therein, shall survive the Closing without expiration. Notwithstanding the preceding sentence, any covenant, agreement, representation or warranty in respect of which indemnity may be sought under Section 9.02 shall survive the time at which it would otherwise terminate pursuant to the preceding sentence, if notice of the inaccuracy or breach thereof giving rise to such right to indemnity shall have been given to the party against whom indemnity may be sought prior to such time.

Section 9.02. INDEMNIFICATION. (a) After consummation of the Closing, Sellers hereby, jointly and severally, indemnify Buyers against and agree to hold them harmless from any and all Claims incurred or suffered by Buyers, or any officer, director, employee, agent, representative or affiliate thereof, arising out of:

(i) any misrepresentation or breach of warranty, covenant or agreement made or to be performed by Sellers pursuant to this Agreement; or

(ii) any Excluded Liability or any obligation or liability of the U.S. ProTurf Business relating to the Excluded Assets; or

(iii) the U.S. ProTurf Business prior to Closing;

PROVIDED, that (x) Sellers shall not be liable under this Section 9.02(a)(i) unless the aggregate amount of Buyers' Claims with respect to all matters referred to in this Section 9.02(a) (determined without regard to any materiality or Material Adverse Effect qualification contained in any representation, warranty or covenant giving rise to the Claim) exceeds $500,000 and then only to the extent of such excess and (y) Sellers' maximum liability under this Section 11.02(a) shall not exceed $2,000,000; PROVIDED, FURTHER, that the immediately preceding proviso shall not apply to a breach of Sellers' obligations pursuant to Section 5.05(a) or Section 13.07 for which Sellers shall be liable from the first dollar and without limitation as to amount. In addition, Sellers agree to indemnify Buyers and hold them harmless from any and all Claims by Turf Partners, Inc. arising out of any alleged breach by Scotts of Scotts' distribution agreement with Turf Partners, Inc. from the first dollar and without limitation as to amount; PROVIDED that Andersons agrees to use reasonable efforts to establish a distributor relationship with Turf Partners, Inc. or its successor.

(b) After consummation of the Closing, and subject to the provisions of Section 9.04, Buyers hereby indemnify Sellers against and agree to hold them harmless from any and all Claims incurred or suffered by either Seller, or any officer, director, employee, agent, representative or affiliate thereof, arising out of:

(i) any misrepresentation or breach of warranty, covenant or agreement made or to be performed by Buyers pursuant to this Agreement;

(ii) any Assumed Liability;

(iii) any failure to pay any amounts due pursuant to Section 7.05(e); or

(iv) the U.S. ProTurf Business after Closing;

PROVIDED, that (x) Buyers shall not be liable under this Section 9.02(b)(i) unless the aggregate amount of Sellers' Claims with respect to all matters referred to in this Section 9.02(b) (determined without regard to any materiality or Material Adverse Effect qualification contained in any representation, warranty or covenant giving rise to the Claim) exceeds $500,000 and then only to the extent of such excess and (y) Buyers' maximum liability under this Section 11.02(b) shall not exceed $2,000,000; PROVIDED, FURTHER, that the immediately preceding proviso shall not apply to (A) a breach of Buyers' obligations pursuant to Section 7.05(e) for which Buyers shall be liable from the first dollar up to the amount set forth in such Section 7.05(e) or (B) a breach of Section 6.02 or Section 7.07 for which Buyers shall be liable from the first dollar and without limitation as to amount.

Section 9.03. PROCEDURES. (a) The Indemnitee agrees to give prompt notice to the Indemnitor of any Claim hereunder.

(b) In addition to, and not in limitation of, the foregoing, if any Claim for which Indemnitee would be entitled to indemnification under this Agreement arises out of a claim or liability asserted against or sought to be collected from Indemnitee by a third party, Indemnitee

shall promptly give to Indemnitor a Claim Notice in respect of such Claim. Indemnitor shall have thirty (30) Business Days following the giving of a Claim Notice to it to notify Indemnitee whether or not Indemnitor elects to defend Indemnitee in respect of such Claim; and

(i) If Indemnitor so elects to defend Indemnitee in respect of such Claim, Indemnitor shall either settle or, by appropriate proceedings, defend such Claim in a manner intended to protect the interests of Indemnitee; and Indemnitee shall cooperate as reasonably requested by Indemnitor in connection with such settlement or defense. Indemnitor shall (i) have the right to control the defense or settlement of the Claim involved, (ii) pay all costs and expenses of such proceedings incurred by it, and (iii) pay the amount of any resulting settlement, judgment or award if it shall be determined that such Claim is subject to indemnification by Indemnitor under this Agreement; provided, however, that Indemnitor shall effect no settlement of such Claim if such settlement would affect the liability of Indemnitee unless Indemnitee shall consent thereto in writing, which consent shall not be unreasonably delayed or withheld. If Indemnitee desires to participate in, without controlling, any such defense or settlement by Indemnitor, it may do so at Indemnitee's sole cost and expense and without affecting any rights Indemnitee may have against Indemnitor.

(ii) If Indemnitor shall not so elect to defend Indemnitee in respect of such Claim, Indemnitee shall either settle or, by appropriate proceedings, defend such Claim in a manner intended to protect the interests of Indemnitor; and Indemnitor shall cooperate as reasonably requested by Indemnitee in connection with such settlement or defense. Indemnitee shall (x) have the right to control the defense or settlement of the Claim involved and (y) be indemnified by Indemnitor for its reasonable costs and expenses of such defenses, and for the amount of any resulting settlement, judgment or award, if it shall be determined that such Claim is subject to indemnification by Indemnitor under this Agreement; PROVIDED, HOWEVER, that Indemnitee shall effect no settlement of such Claim if such settlement would affect the liability of Indemnitor unless Indemnitor shall consent to such settlement in writing, which consent shall not be unreasonably delayed or withheld. If Indemnitor desires to participate in, without controlling, any such defense or settlement by Indemnitee, it may do so at its sole cost and expense and without affecting any rights Indemnitor may have against Indemnitee.

ARTICLE X

TAX MATTERS

Section 10.01. TAX COOPERATION. Buyers and Sellers agree to furnish or cause to be furnished to each other, upon request, as promptly as practicable, such information and assistance relating to the U.S. ProTurf Assets and the U.S. ProTurf Business as is reasonably necessary for the filing of all tax returns, and making of any election related to taxes, the preparation for any audit by any taxing authority, and the prosecution or defense of any claim, suit or proceeding relating to any tax return. Sellers and Buyers shall cooperate with each other in the conduct of any audit or other proceeding related to taxes involving the U.S. ProTurf Business and each shall execute and deliver such powers of attorney and other documents as are necessary to carry out the intent of this Section 10.01.

Section 10.02. ALLOCATION OF TAXES. (a) All personal property taxes and similar ad valorem obligations levied with respect to the U.S. ProTurf Assets that accrue during the Sellers' taxable period that ends on the Closing Date shall be paid by Sellers. All personal property taxes and similar ad valorem obligations levied with respect to the U.S. ProTurf Assets that accrue during Buyers' taxable period that begins after the Closing Date shall be paid by Buyers. All personal property taxes and similar ad valorem obligations levied with respect to the U.S. ProTurf Assets that accrue for a taxable period which includes (but does not end on) the Closing Date shall be apportioned between Sellers, on the one hand, and Buyers, on the other, as of the Closing Date based on the number of days of such taxable period included in the pre-Closing tax period and the number of days of such taxable period included in the post-Closing tax period. Sellers shall be liable for the proportionate amount of such taxes that is attributable to the pre-Closing tax period. Within 180 days after the Closing Date, Sellers and Buyers shall present a statement to the other setting forth the amount of reimbursement to which each is entitled under this Section 10.02 together with such supporting evidence as is reasonably necessary to calculate any allocated amount. The allocated amount shall be paid by the party or parties owing it to the other(s) within 10 days after delivery of such statement. Thereafter, Sellers shall notify Buyers upon receipt of any bill for personal property taxes relating to the U.S. ProTurf Assets, part or all of which are attributable to the post-Closing tax period, and shall promptly deliver such bill to Buyers who shall pay the same to the appropriate taxing authority, PROVIDED, that if such bill covers the pre-Closing tax period, Sellers shall also remit prior to the due date of assessment to Buyers payment for the proportionate amount of such bill that is attributable to the pre-Closing tax period. In the event that either Sellers, on the one hand, or Buyers, on the other, shall thereafter make a payment for which it is entitled to reimbursement under this Section 10.02, the other party or parties shall make such reimbursement promptly but in no event later than 30 days after the presentation of a statement setting forth the amount of reimbursement to which the presenting party is entitled along with such supporting evidence as is reasonably necessary to calculate the amount of reimbursement.

(b) Any payment required under this Section 10.02 and not made within 10 days of delivery of the statement shall bear interest at the rate per annum determined, from time to time, under the provisions of Section 6621(a)(2) of the Internal Revenue Code of 1986, as amended, for each day until paid.

Section 10.03. SALES AND USE TAXES. Any transfer, documentary, sales, use or other taxes assessed upon or with respect to the transfer of the U.S. ProTurf Assets to Buyers and any recording of filing fees with respect thereto shall be the responsibility of Buyers.

ARTICLE XI

LABOR AND EMPLOYMENT MATTERS

Section 11.01. EMPLOYEES AND OFFERS OF EMPLOYMENT. (a) Andersons shall offer employment to all non-Marysville-based active employees listed on Schedule 3.11 and may offer employment to such Marysville-based active employees listed on Schedule 3.11 as Andersons in its sole discretion may determine. For purposes of this Article XI, the term "active employees" shall mean any Person listed on Schedule 3.11 who, on the Closing Date, is actively employed by Sellers in the U.S. ProTurf Business or who is on short-term disability leave, authorized leave of absence, military service or lay-off with recall rights as of the Closing Date (such inactive employees shall be offered employment by Andersons as of the date they return to active employment), but shall exclude any other inactive or former employee, including any Person who has been on long-term disability leave or unauthorized leave of absence or who has terminated his or her employment, retired or died on or before the Closing Date. The employees who accept and commence employment with Andersons are hereinafter collectively referred to as the "Transferred Employees."

(b) Offers of employment (i) shall be for equivalent total compensation opportunity as provided by Sellers to the Transferred Employees immediately prior to the Closing. Based on current information, it appears that, on average, the Sellers' current compensation mix is 60% base salary and 40% incentive opportunity. Under the Buyers' program, this mix is approximately 80% base salary and 20% incentive opportunity, based on the achievement of established performance goals. Offers of employment will also include employee benefits provided by Andersons to its similarly situated employees. Andersons shall not reduce any Transferred Employee's initial base salary as described in this Section as an employee of Andersons during the twelve month period after the Transferred Employee's Employment Date.

(c) Sellers will not take any action that would impede, hinder, interfere or otherwise compete with Andersons' efforts to hire any employees listed on Schedule 3.11. Andersons shall not assume responsibility for any Transferred Employee until such employee commences employment with Andersons. The date on which a Transferred Employee commences work for Andersons is the Transferred Employee's "Employment Date."

(d) If during the twelve month period after a Transferred Employee's Employment Date (i) Andersons terminates the employment of the Transferred Employee without cause; or (ii) Andersons relocates the Transferred Employee without the Transferred Employee's consent, Andersons shall pay to such Transferred Employee the amount which the Transferred Employee would have received under Scotts Termination Policy, minus the transition payment of approximately $650,000 made by Scotts at the time of transfer to Andersons employment. The

payments under this Section 11.01(d) shall be in lieu of and not in addition to severance under Andersons' severance pay programs for terminations during the twelve month period after a Transferred Employee's Employment Date.

(e) For the purposes of Sections 11.01(d), "cause" shall mean (i) the conviction of a felony, (ii) the willful failure to perform reasonable job-related requests, (iii) an act of intentional fraud, embezzlement or theft, (iv) an act or omission of gross misconduct injurious to Andersons, or (v) a material violation of Andersons' rules, policies or procedures. Andersons agrees to indemnify and hold the Sellers harmless from and against any and all claims, damages, liabilities or losses arising out of or related to Andersons' hiring, promotion or termination of any Transferred Employee, including any severance payments required under Sections 11.01(d).

Section 11.02. SELLERS' EMPLOYEE BENEFIT PLANS. (a) Sellers shall retain all obligations and liabilities under the employee benefit plans and benefit arrangements in respect of each employee or former employee (including any beneficiary thereof) who is not a Transferred Employee. Scotts or one of its affiliates shall retain all liabilities and obligations in respect of benefits accrued as of the Closing Date by Transferred Employees under Scotts' employee benefit plans and benefit arrangements, and neither Andersons nor any of its affiliates shall have any liability with respect thereto. No assets of any of Sellers' employee benefit plans or benefit arrangements shall be transferred to either Andersons or any of its affiliates or to any plan of either Andersons or any of its affiliates.

(b) With respect to the Transferred Employees (including any beneficiary or dependent thereof), Sellers shall retain (i) all liabilities and obligations arising under any group life, accident, medical, dental or disability plan or similar arrangement (whether or not insured) to the extent that such liability or obligation relates to contributions or premiums accrued (whether or not payable), or to claims incurred (whether or not reported), on or prior to the Closing Date; (ii) all liabilities and obligations arising under any worker's compensation arrangement to the extent such liability or obligation relates to the period prior to the Closing Date, including liability for any retroactive worker's compensation premiums attributable to such period and (iii) all other liabilities and obligations arising under Scotts' employee benefit plans and benefit arrangements to the extent any such liability or obligation relates to the period prior to the Closing Date, including, without limitation, liabilities and obligations in respect of accruals through the Closing Date under any bonus plan or arrangement, any vacation plans, arrangements and policies.

(c) With respect to any Transferred Employee (including any beneficiary or dependent thereof) who is on short-term disability under any Scotts' benefit plan on or prior to the Closing Date and continues on short-term disability after the Closing Date, Sellers shall be responsible for claims and expenses incurred both before and after the Closing Date in connection with such Person, to the extent that such claims and expenses are covered by Scotts' benefit plans or arrangements, until such time, (if any) that, in the case of a Transferred Employee, such Person resumes full-time employment with either Andersons or one of its affiliates.

Section 11.03. BUYERS BENEFIT PLANS. (a) Andersons shall treat the Transferred Employees' service with Sellers as service with Andersons under Andersons' defined benefit pension plan for purposes of eligibility and vesting but not for purposes of benefit accruals.

(b) Andersons shall treat the Transferred Employees' service with Sellers as service with Andersons under Andersons' defined contribution retirement plan for purposes of eligibility to make Section 401(k) contributions but not for vesting. Matching contributions will be allocated at the time of employee deferral contributions.

(c) Andersons shall treat service with Sellers as service with Andersons under Andersons' retiree medical plans only in the case of Transferred Employees who have attained age 47 as of the Closing Date but are not eligible for, and are not eligible to bridge to eligibility for, Scotts' retiree medical plan. Andersons will not treat any other Transferred Employees' service with Sellers as service under Andersons' retiree medical plan.

(d) Andersons will not treat the Transferred Employees' service with Sellers as service under Andersons' severance pay programs.

(e) Andersons shall treat the Transferred Employees' service with Sellers as service with Andersons under all of Andersons other employee benefit plans, programs and arrangements for similarly situated employees (including vacation pay programs, group health plans, sick pay, short-term disability programs, long-term disability programs, nonqualified deferred compensation plans and group term life insurance).

(f) Sellers shall cooperate with Andersons to provide applicable service data. No provision of this Agreement shall constitute a limitation on rights to amend, modify or terminate after the Closing Date any of Andersons' employee benefit plans, programs or arrangements; provided that any amendment, modification or termination of any of Andersons' employee benefit plans, programs or arrangements shall not distinguish between Transferred Employees and Andersons' similarly situated employees.

Section 11.04. NO THIRD PARTY BENEFICIARIES. No provision of this Article XI shall create any third party beneficiary or other rights in any employee or former employee (including any beneficiary or dependent thereof) of Sellers or of any of their subsidiaries in respect of continued employment (or resumed employment) with either Andersons or the U.S. ProTurf Business, and no provision of this Article XI shall create any such rights in any such Persons in respect of any benefits that may be provided, directly or indirectly, under any pre-existing Scotts employee benefit plan or benefit arrangement or any plan or arrangement which may be established by Andersons.

ARTICLE XII

TERMINATION

Section 12.01. GROUNDS FOR TERMINATION. This Agreement may be terminated at any time prior to the Closing, as follows:

(i) by the mutual, written consent of Scotts and Andersons;

(ii) by either Scotts or Andersons, if the Closing has not occurred by May 31, 2000, except as a result of the failure of any applicable waiting period under the HSR Act relating to the transactions contemplated hereby to have expired, in which case such date shall be extended to December 31, 2000; or

(iii) by either Scotts or Andersons, if consummation of the transactions contemplated hereby would violate any nonappealable final order, decree or judgment of any court or governmental body having competent jurisdiction.

The party desiring to terminate this Agreement pursuant to clauses (ii) or (iii) shall give notice of such termination to the other party.

Section 12.02. EFFECT OF TERMINATION. If this Agreement is terminated as permitted by Section 12.01, such termination shall be without liability of any party (or any shareholder, director, officer, employee, agent, consultant or representative of such party) to the other parties to this Agreement; PROVIDED that if such termination shall result from the willful failure of either party to fulfill a condition to the performance of the obligations of the other party or to perform a covenant of this Agreement or from a willful breach by either party to this Agreement, such party shall be fully liable for any and all Claims incurred or suffered by the other party as a result of such failure or breach. The provisions of Sections 6.04 and 7.02 shall survive any termination hereof pursuant to Section 12.01.

ARTICLE XIII

MISCELLANEOUS

Section 13.01. NOTICES. Any notice or other communication required or permitted hereunder must be in writing and shall be deemed to have been duly given when (i) delivered to the party to whom it is given personally, (ii) deposited in the U.S. Mail if sent by certified or registered mail (return receipt requested, postage prepaid and addressed to the party to whom it is given as provided immediately below), or (iii) sent by facsimile transmission if transmitted to each telephone number specified immediately below for so giving such notice or communication to the party to whom it is given:

if to Sellers, to:

The Scotts Company
14111 Scottslawn Road
Marysville, OH 43041
Attention: James Hagedorn
David Aronowitz
FAX Telephone No. (937) 644-7568

and

OMS Investments, Inc.
c/o Delaware Corporate Management
1105 N. Market Street
Wilmington, DE 19899
Attention: Susan T. Dubb
FAX Telephone No. (302) 427-7664

with a copy to:

Vorys, Sater, Seymour and Pease LLP
52 East Gay Street
Columbus, OH 43215
Attention: Ronald A. Robins, Jr.
FAX Telephone No. (614) 719-4926

if to Buyers, to:

The Andersons, Inc.
P.O. Box 119
Maumee, OH 43537
Attention: Michael J. Anderson
FAX Telephone No. (419) 891-6695

and

The Andersons Agriservices, Inc.
3315 N. Staley Road
P.O. Box 6659
Champaign, IL 61822
Attention: Larry Wood
FAX Telephone No. (217) 352-0848

with a copy to:

The Andersons, Inc.
P.O. Box 119
Maumee, OH 43537
Attention: General Counsel
FAX Telephone No. (419) 891-6695

Any party hereto may from time to time by notice given in accordance with this Section 13.01 to each other party hereto substitute a different address, telephone number or Person for receipt of notices and communications hereunder by the party giving such notice.

Section 13.02. ASSIGNMENT. This Agreement shall be binding upon, and shall inure to the benefit of and be enforceable by, the respective successors and permitted assigns (including successive, as well as immediate, successors and permitted assigns) of the parties hereto, but neither this Agreement nor any right hereunder may be assigned by any party without the written consent of each other party hereto; PROVIDED, HOWEVER, that Buyers may assign their rights hereunder to any wholly-owned subsidiary of Andersons, or to any other subsidiary or affiliate of Andersons of which Andersons owns more than 50% of the total voting power and over which Andersons exercises actual control, in each case, so long as Buyers unconditionally guarantee the assignee's performance of its obligations hereunder; PROVIDED, FURTHER, that Scotts may assign its rights hereunder to any subsidiary or affiliate of Scotts so long as Scotts unconditionally guarantees the assignee's performance of its obligations hereunder.

Section 13.03. NO THIRD PARTY BENEFICIARIES. Nothing contained in this Agreement is intended or shall be construed to afford to any Person, other than a party hereto, any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision hereof.

Section 13.04. COUNTERPARTS; EFFECTIVENESS. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be a duplicate original, but all of which, taken together, shall be deemed to constitute a single instrument. This Agreement shall become effective when each party shall have received a counterpart hereof signed by the other party hereto.

Section 13.05 ENTIRE AGREEMENT. This Agreement, the U.S. License Agreements, the U.S. Supply Agreement and that certain Confidentiality Agreement dated as of October 1, 1999, by and among Scotts and Andersons constitute the entire agreement among the parties with respect to the subject matter hereof and supersedes all prior agreements, understandings and negotiations, both written and oral, between the parties with respect to the subject matter of this Agreement. No representation, inducement, promise, understanding, condition or warranty not set forth herein has been made or relied upon by any party hereto. Neither this Agreement nor any provision hereof is intended to confer upon a Person other than the parties hereto any rights or remedies hereunder. Notwithstanding the foregoing, between the date hereof and the Closing Date, the parties agree to enter into a mutual non-disclosure and confidentiality agreement

protecting each party's disclosure of information pursuant to this Agreement or any of the Related Agreements.

Section 13.06. AMENDMENTS; NO WAIVERS. (a) Any provision of this Agreement may be amended or waived prior to the Closing Date if, and only if, such amendment or waiver is in writing and signed, in the case of an amendment, by Scotts and Andersons or in the case of a waiver, by the party against whom the waiver is to be effective.

(b) No failure or delay by either party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

Section 13.07. BULK SALES LAWS. Each of Buyers and Sellers hereby waives compliance by Sellers with the provisions of the "bulk sales," "bulk transfer" or similar laws of any state. Sellers agree to indemnify, defend and hold Buyers harmless against any and all claims, losses, damages, liabilities, costs and expenses incurred by Buyers or any of its affiliates (including, without limitation, reasonable attorneys' fees and court and other costs) as a result of any failure to comply with any such "bulk sales," "bulk transfer" or similar laws.

Section 13.08. SEVERABILITY. If any provision of this Agreement shall be invalid or unenforceable for any reason, such invalidity or unenforceability shall not affect the validity or enforceability of any other provision or portion hereof.

Section 13.09. GOVERNING LAW. This Agreement shall be governed by and construed and enforced in accordance with the internal laws of the State of Ohio, without giving effect to the choice-of-law or conflict-of-laws principles thereof.

Section 13.10. CONSENT TO JURISDICTION. Each of the parties hereto irrevocably submits to the jurisdiction of any Ohio state or federal court over any suit, action or proceeding arising out of or relating to this agreement or any related document. Each of the parties hereto irrevocably waives, to the fullest extent permitted by law, any objection which they may have or hereafter have to the laying of the venue of any such suit, action or proceeding brought in such a court and any claim that any such suit, action or proceeding has been brought in an inconvenient forum.

Section 13.11. CAPTIONS; EXHIBITS. (a) The Article and Section headings and any other captions appearing in this Agreement are included only for ease of reference and do not define, limit, explain or modify this Agreement or its interpretation, construction or meaning and are not to be construed as a part hereof.

(b) Neither the specification of any dollar amount in the representations and warranties of the parties contained herein not the indemnification provisions of Article IX nor the inclusion of any items in the Schedules to this Agreement will be deemed to constitute an

admission by any party, or otherwise imply, that any such amounts or the items so included are material for the purpose of this Agreement.

(c) The Schedules and Exhibits referred to herein and included herewith are part of this Agreement as if fully set forth herein. All documents or information disclosed in any of the Schedules are intended to be disclosed for all purposes under this Agreement and will also be deemed to be incorporated by reference in each of the other Schedules to which, and to the extent, they may be applicable.

(d) The parties acknowledge and agree that, between the date hereof and the Closing Date, the Schedules and/or Exhibits to this Agreement may need to be modified as a result of information that arises after the date hereof. The parties agree to cooperate in good faith to make such modifications; PROVIDED, that any such modification shall be agreed to in writing by Scotts and Andersons.

[signature page to follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers to be effective as of the date first above written.

SELLERS:	BUYERS:
THE SCOTTS COMPANY	THE ANDERSONS, INC.
By: /s/ G. Robert Lucas	By: /s/ Richard M. Anderson
Name:	Name:
Title: Executive Vice President and General Counsel	Title: President, Processing Group
OMS INVESTMENTS, INC.	THE ANDERSONS AGRISERVICES, INC.
By: /s/ G. Robert Lucas	By: /s/ Michael J. Anderson
Name:	Name:
Title: President and Chief Executive Officer	Title: Director

SCHEDULES AND EXHIBITS*

DESCRIPTION	SCHEDULE NO.
Registrations	2.01(b)(1)
Intellectual Property Rights	2.01(b)(2)
Customer List	2.01(b)(3)
Inventory	2.01(b)(4)
Products	2.01(b)(5)
Contracts	2.01(b)(7)
Excluded Contracts	2.02(a)
Excluded Inventory	2.02(e)
Other Contracts	3.07
Intellectual Property Infringement	3.08
Litigation	3.09
Licenses	3.10
Employees	3.11
Product Compliance	3.14
Conduct of Business	5.01
Scotts(R) Trademark	7.07
Transferred Employees	11.01

DESCRIPTION	EXHIBIT
U.S. ProTurf License Agreement	Exhibit A
U.S. Supply Agreement	Exhibit B
U.S. Poly-S(R) License Agreement	Exhibit C
U.S. Peters(R) and Starter(R) License Agreement	Exhibit D
U.S. Patent License Agreement	Exhibit E
Assignment and Assumption Agreement	Exhibit F

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* Not filed with this U.S. Asset Purchase Agreement

EXHIBIT 2(e)(ii)

[EXECUTION COPY]

CANADIAN ASSET PURCHASE AGREEMENT

DATED AS OF MARCH 29, 2000

BY AND AMONG

THE NU-GRO CORPORATION

("BUYER")

AND

THE SCOTTS COMPANY

AND

OMS INVESTMENTS, INC.

("SELLERS")

INDEX
TO
ASSET PURCHASE AGREEMENT

CANADIAN ASSET PURCHASE AGREEMENT

THIS AGREEMENT (the "Agreement"), is made and entered into as of March 29, 2000 by and among The Nu-Gro Corporation, a Canadian corporation (the "Buyer"), The Scotts Company, an Ohio corporation ("Scotts"), and OMS Investments, Inc., a Delaware corporation ("OMS" and, together with Scotts, the "Sellers").

WITNESSETH:

WHEREAS, Sellers own and operate assets that are employed by Sellers in the Canadian ProTurf Business (as defined below in Section 1.01);

WHEREAS, Sellers desire to sell to Buyer certain assets of the Canadian ProTurf Business, and Buyer desires to purchase from Sellers certain assets of the Canadian ProTurf Business;

WHEREAS, Sellers desire to license to Buyer certain Intellectual Property Rights of the Canadian ProTurf Business for use in the Territory (as defined in Section 1.01) pursuant to a separate License Agreement in the form attached hereto as Exhibit A (the "Canadian ProTurf License Agreement");

WHEREAS, as of the date hereof, Sellers have entered into an agreement with The Andersons, Inc., an Ohio corporation ("Andersons") and The Anderson Agriservices, Inc. ("TAAI"), to sell to Andersons and TAAI certain assets of the U.S. ProTurf Business (as defined in Section 1.01) (the "U.S. Asset Purchase Agreement"); and

WHEREAS, as of the Closing Date, Sellers will enter into a license agreement to license to TAAI certain trademarks and other Intellectual Property Rights of the U.S. ProTurf Business for use in the United States (the "U.S. ProTurf License Agreement").

NOW, THEREFORE, in consideration of the premises and of their mutual agreements, covenants, representations and warranties set forth in this Agreement, and for other good and valuable consideration received to the full satisfaction of each of them, the parties hereto make the following agreement, intending to be bound legally thereby:

ARTICLE I

DEFINITIONS

Section 1.01. TERMS. When used in this Agreement, the following terms shall have the meanings specified in this Section 1.01; and the plural of any such term means more than one thereof:

"Accounting Date" means 11:59 p.m. (local time at Columbus, Ohio) on the Closing Date.

"Business Day" means a day other than a Saturday or a Sunday on which national banks in Columbus, Ohio, are open.

"Canadian ProTurf Business" means the business of selling Products in Canada for the Canadian Professional Turf Market, including the sale of Products directly or through distributors or agents to golf courses, sports fields, municipal properties and professional lawn care service providers in the Territory; PROVIDED, that the Canadian ProTurf Business specifically excludes the sale of Products through Retail Channels in the Territory.

"Canadian License Agreements" means the Canadian ProTurf License Agreement, the Canadian Poly-S(R) License Agreement, the Canadian Peters(R) and Starter(R) License Agreement and the Canadian Patent License Agreement.

"Canadian Patent License Agreement" means that certain patent and technology license agreement entered into as of the Closing Date in substantially the form attached as Exhibit E hereto pursuant to which Sellers shall grant Buyer (i) certain long-term limited rights (ownership or license) to certain patents and patent applications and (ii) certain limited rights to the proprietary technology processes, trade secrets and know-how relating primarily to the U.S. ProTurf Business for the term of such agreement, after which point such proprietary technology, processes, trade secrets and know-how shall be transferred to Buyer for use in the Canadian Professional Turf Market in the Territory.

"Canadian Peters(R) and Starter(R) License Agreement" means that certain trademark license agreement entered into as of the Closing Date in the form attached hereto as Exhibit D pursuant to which Sellers shall grant Buyer certain long-term, limited rights to the "PETERS" and "STARTER" trademarks in the Territory.

"Canadian Poly-S(R) License Agreement" means that certain license agreement entered into as of the Closing Date in the form attached hereto as Exhibit C pursuant to which Sellers shall grant Buyer certain long-term, limited rights to use the "POLY-S" trademark and certain other trademarks in the Territory.

"Canadian Professional Turf Market" means the market in the Territory for the sale, marketing and/or distribution of fertilizer, pesticide, combination fertilizer and pesticide and similar products and related services intended for use by golf courses, sports fields, municipal properties and professional lawn care service providers.

"Canadian Supply Agreement" means that certain Supply Agreement in the form attached hereto as Exhibit B entered into as of the Closing Date between Scotts and Buyer relating to the manufacture and supply of materials used in the Canadian ProTurf Business.

"Claim" means a claim, loss, damage (excluding consequential or special damages), liability and legal or other expense (including, without limitation, reasonable attorneys' fees, witnesses' fees, investigation fees, court reporters' fees and other out-of-pocket expenses) arising as a result of, among other things, any action, suit, demand, assessment, order, award, decree, judgment, cost, fine, injunction, arbitration, mediation, adjudication, other similar proceeding or penalty, to the extent not compensated by insurance proceeds or by a third party.

"Claim Notice" means a notice specifying, in reasonable detail, (i) the nature of a Claim, (ii) each applicable provision of this Agreement or other instrument under which such Claim arises, and (iii) if then known, the amount of such Claim or the method of computation thereof.

"Closing" means the closing of the sale and purchase of the Canadian ProTurf Assets contemplated by this Agreement.

"Closing Date" means the date of the Closing.

"Environmental Laws" means the EPA and any and all other federal, provincial and local statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, codes, injunctions, permits and governmental restrictions, relating to human health, the environment or to emissions, discharges or releases of pollutants, contaminants, Hazardous Substances or wastes into the environment, including without limitation ambient air, surface water, ground water or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, Hazardous Substances or wastes or the clean-up or other remediation thereof.

"Environmental Liability" means all liabilities of the Sellers, whether vested or unvested, contingent or fixed, actual or potential, known or unknown, which arise in connection with or relate to (A) a violation of any Environmental Law arising out of operations of the Canadian ProTurf Business on or before the Closing Date or (B) any Release of a Hazardous Substance occurring on or before the Closing Date (whether or not disclosed or required to be disclosed pursuant to any section of this Agreement); PROVIDED, that "Environmental Liabilities" shall not include any liabilities which arise principally as a result of actions taken by Buyer or the Canadian ProTurf Business after the Closing Date other than any such action taken to address the liabilities specified in clauses (A) or (B) above and undertaken in response to (a) any order or ruling issued, or proceeding or other action undertaken, by any court, administrative agency or other governmental body of competent jurisdiction, (b) any litigation or administrative action pending or threatened on or before the Closing Date or (c) any settlement of any of the foregoing.

"EPA" means the Environmental Protection Act, R.S.O. 1990, c.E.19.

"Excluded Inventory" means (i) the inventory of products of the Canadian ProTurf Business that have not had any sales activity within the twelve-month period ended February 29, 2000, as set forth on Schedule 2.02(e); (ii) the obsolete inventory set forth on Schedule 2.02(e), and (iii) the inventory of discontinued products of the Canadian ProTurf Business in excess of a 24-month supply, based on sales activity for the twelve-month period ended February 29, 2000.

"Hazardous Substance" means any hazardous substances; hazardous waste; polychlorinated biphenyls; petroleum and/or petroleum products; dioxins; or solid, liquid or gaseous waste, except for such waste that Sellers are authorized to manage under any applicable Environmental Laws.

"Indemnitee" means a party hereto claiming indemnification from another party hereto pursuant to the terms hereof.

"Indemnitor" means a party hereto from whom indemnification is claimed pursuant to the terms hereof by an Indemnitee.

"Intellectual Property Right" means any trademark, service mark, registration thereof or application for registration therefor, trade name, patent, patent application, copyright, copyright registration, application for copyright registration or any other similar type of proprietary intellectual property right.

"Inventory" shall mean all finished goods, including but not limited to finished goods purchased for resale, held by the Canadian ProTurf Business for sale or resale to others, from time to time in the ordinary course of the Canadian ProTurf Business, as set forth on Schedule 2.01(b)(4), but excluding the Excluded Inventory (with such additions and/or deletions as occur in the ordinary course of the Canadian ProTurf Business and consistent with the provisions of this Agreement).

"Inventory Book Value" shall mean Scotts' standard cost at the time of production (including provision for the cost of shipping from the production facility to the distribution warehouse), as reflected in Scotts' books and records.

"Last Twelve Month Sales" means, with respect to a particular SKU of Inventory, the Inventory Book Value of such Inventory sold during the twelve-month period ending at the end of the month immediately prior to the Closing Date.

"Knowledge" means (i) in the case of Sellers, the actual knowledge of any of the officers, directors or other employees of Scotts who have managerial or supervisory responsibilities with respect to the Canadian ProTurf Business and (ii) in the case of Buyer, the actual knowledge of any officers, directors or other employees of Buyer who have managerial or supervisory responsibilities.

"Material Adverse Effect" means an effect that (i) is materially adverse to the business, financial condition or results of operations of a specified Person, and/or (ii) is materially adverse to the transactions contemplated hereby, and/or (iii) materially impairs the ability of a party hereto to consummate the transactions to be undertaken by it as contemplated hereby.

"MU Technology" means all of Scotts' Intellectual Property Rights relating directly or indirectly to the manufacture, formulation or assembly by, or at the direction of, Scotts of methylene urea.

"Net Inventory Book Value" means the aggregate Inventory Book Value of the Inventory less the following discounts: (i) 50% of Inventory Book Value with respect to any Inventory in excess of a 24-month supply, based on Last Twelve Month Sales; and (ii) 25% of Inventory Book Value with respect to any Inventory in excess of an 18-month supply, but less than or equal to a 24-month supply, based on Last Twelve Month Sales.

"Person" means an individual, corporation, partnership, limited liability company, firm, joint venture, association, trust, unincorporated organization, governmental or regulatory authority, or other entity.

"Product Liability" means all liabilities of the Sellers, whether vested or unvested, contingent or fixed, actual or potential, known or unknown, which arise in connection with or relate to the manufacture, marketing, distribution or sale by the Seller of any product of the Canadian ProTurf Business prior to the Closing; PROVIDED, that such liability is not primarily caused by the action or inaction of Buyer following the Closing.

"ProTurf License Agreements" means the Canadian ProTurf License Agreement and the U.S. ProTurf License Agreement.

"Related Agreements" means the Canadian License Agreements and the Canadian ProTurf Supply Agreement.

"Release" means any discharge, emission or release into the natural environment, including, without limitation, a "release" as defined in the EPA. The term "Released" has a corresponding meaning.

"Required Approval" means an approval, consent, authorization or clearance of or filing with a governmental or regulatory authority or official required in order to permit, authorize or entitle a specified party hereto to execute and deliver this Agreement, to perform its obligations hereunder, or to consummate one or more of the transactions to be undertaken by it as contemplated hereby.

"Retail Channels" means any channel of distribution which reaches consumer customers, including, but not limited to: (i) retail outlets; (ii) retail nurseries and hardware co-ops; (iii) home centers (e.g., Home Depot or Lowes); (iv) mass merchants (e.g., Wal-Mart or Kmart); (v) membership or warehouse clubs (e.g., Sam's Club); (vi) the Internet and (vii) other current or future channels of trade which arise or become retail channels in the lawn and garden industry.

"Territory" shall have the meaning ascribed thereto in the Canadian ProTurf License Agreement.

"U.S. Professional Turf Market" means the market in the Unites States for the sale, marketing and/or distribution of fertilizer, pesticide, combination fertilizer and pesticide and similar products and related services intended for use by golf courses, sports fields, municipal properties and professional lawn care service providers.

"U.S. ProTurf Business" means the business of marketing, distributing and/or selling Products or related services in the United States for the U.S. Professional Turf Market, including, but not limited to, the marketing, distribution and/or sale of Products directly or through distributors or agents to golf courses, sports fields, municipal properties and professional lawn care service providers in the United States; PROVIDED, that the U.S. ProTurf Business specifically excludes the marketing, distribution and/or sale of Products through Retail Channels in the United States.

"U.S. Supply Agreement" means that certain Supply Agreement entered into as of the Closing Date between Scotts and Andersons and relating to the manufacture and supply of materials used in the U.S. ProTurf Business.

Section 1.02. ADDITIONAL TERMS. When used in this Agreement, the following terms shall have the meanings specified in that part hereof identified in the following table:

TERM	DEFINED IN:
AAA Rules	Section 2.04(b)
Andersons	Preamble
Assumed Liabilities	Section 2.07
Buyer	Preamble
Canadian ProTurf Assets	Section 2.01(a)
Canadian ProTurf License Agreement	Preamble
Closing Receivables	Section 7.05(c)
Contracts	Section 2.01(b)(7)
Exchange Act	Section 3.04
Excluded Assets	Section 2.02
Excluded Liabilities	Section 2.12
Inventory Book Value	Section 2.04(a)
Licenses	Section 3.09
OMS	Preamble
Product Information	Section 2.01(b)(5)
Products	Section 2.01(b)(5)
ProTurf Assets	Section 2.01
Purchase Price	Section 2.03
Registrations	Section 2.01(b)(1)
Scotts	Preamble
Scotts(R) Trademarks	Section 5.06(a)
Sellers	Preamble
TAAI	Preamble
Turf Partners Receivables	Section 7.05(c)
U.S. ProTurf License Agreement	Preamble

All references herein to dollar amounts or "$" shall be deemed to be U.S. Dollars, unless specifically expressed to the contrary.

ARTICLE II

PURCHASE AND SALE OF ASSETS

Section 2.01. PROTURF ASSETS. (a) At the Closing, and upon the terms and subject to the conditions set forth in this Agreement, Sellers shall sell, transfer, assign and deliver to Buyer, and Buyer shall purchase from Sellers, all of the right, title and interest in and to certain of the assets of Sellers, tangible and intangible, owned by Sellers and used principally in the conduct of the Canadian ProTurf Business (such assets, the "Canadian ProTurf Assets").

(b) The Canadian ProTurf Assets consist only of the following property, plus such additions thereto and minus such deletions therefrom as occur in the usual and ordinary course of the Canadian ProTurf Business, without violating this Agreement, between the date of this Agreement and the Accounting Date:

(1) the federal and provincial registrations, applications, permits and approvals of governmental authorities set forth on Schedule 2.01(b)(1) (the "Registrations");

(2) the rights to use the Intellectual Property Rights, which are owned or licensed and used or held for use by the Sellers primarily for the Canadian ProTurf Business, as specifically identified in Schedule 2.01(b)(2), subject to, and only to the extent set forth in, the Canadian License Agreements;

(3) the customer list included as Schedule 2.01(b)(3);

(4) the Inventory of the Canadian ProTurf Business as of the Closing Date;

(5) Sellers' right, title and interest in and to the specifications for the products (the "Products") identified on Schedule 2.01(b)(5), excluding the specifications for any Product containing MU Technology (except to the extent set forth in the Canadian Patent License Agreement) and excluding such specifications to the extent such specifications are addressed by the Canadian Patent License Agreement, but including the promotional brochures and advertising and marketing materials (collectively, the "Product Information") for the Products used by Sellers in connection with the Canadian ProTurf Business;

(6) those books and records relating to the Canadian ProTurf Business;

(7) all rights arising under each contract or agreement listed individually or by category on Schedule 2.01(b)(7), including all renewals, extensions, amendments and modifications thereof and any additional agreements, contracts and orders made or entered into by Sellers in the usual and ordinary course of the Canadian ProTurf Business, without violating this Agreement, after the date hereof that are in effect at the Accounting Date (hereinafter, collectively, the "Contracts");

(8) the non-proprietary technology processes, exclusive of any MU Technology, relating primarily to the Canadian ProTurf Business and, to the extent set forth in the Canadian License Agreements, the proprietary technology processes, trade secrets and know-how relating primarily to the Canadian ProTurf Business; and

(9) the research and development information, data and analyses related primarily to the Canadian ProTurf Business; provided that, to the extent that such information, data and analyses are not readily available or ascertainable, the parties shall cooperate in good faith to provide Buyer with as much of such information, data and analyses as reasonably practicable.

Section 2.02. EXCLUDED ASSETS. Anything contained in this Agreement or elsewhere to the contrary notwithstanding, the Canadian ProTurf Assets will not include any assets, properties or rights, including, but not limited to, Intellectual Property Rights, of Sellers not currently used primarily in the Canadian ProTurf Business, and the following property, all of which shall be

retained by Sellers and none of which shall be sold or transferred to Buyer (the "Excluded Assets"):

(a) the rights of Sellers under (i) this Agreement and (ii) the contracts listed on Schedule 2.02(a) (the "Excluded Contracts");

(b) the Intellectual Property Rights and other proprietary technology processes, trade secrets and know-how of the Canadian ProTurf Business, except to the extent set forth in the Canadian License Agreements or otherwise hereunder;

(c) the MU Technology and all other Intellectual Property Rights that are owned or licensed and used or held for use by the Sellers, except to the extent specifically addressed by this Agreement or the Canadian ProTurf License Agreement;

(d) [intentionally omitted];

(e) the Excluded Inventory, as set forth on Schedule 2.02(e);

(f) any of Sellers' (i) accounts receivable, (ii) cash, (iii) checking account and savings account deposits, (iv) certificates of deposit, (v) utility, security and other deposits, (vi) notes receivable, (vii) similar cash equivalents, and (viii) real and personal property not used by Sellers principally in the conduct of the Canadian ProTurf Business.

Section 2.03. CONSIDERATION. In consideration of the promises contained herein and as consideration for the transactions contemplated by this Agreement and the Related Agreements, at the Closing, Buyer shall pay to Sellers an amount, denominated in U.S. Dollars, in cash or immediately available funds equal to the sum of:

(a) the Net Inventory Book Value as furnished by Scotts pursuant to Section 2.04(a) below; plus

(b) $46,000 in consideration for Sellers' covenant not to compete set forth in Section 5.05 hereof; plus

(c) $54,000 as a royalty payment in advance pursuant to the terms of the Canadian License Agreements.

Section 2.04. BOOK VALUE OF INVENTORY. (a) At least two business days prior to the Closing, the Sellers shall furnish to the Buyer the Sellers' good faith estimate of the Net Inventory Book Value as of the Closing Date.

(b) Prior to the Closing Date, Sellers agree to segregate the Inventory within Sellers' warehouses in the U.S. or Canada and to store such Inventory in a reasonable manner, in each case, in order to facilitate a physical inventory by Buyer. If after conducting a physical inventory within 48 hours of the Accounting Date and after payment at the Closing of the Net Inventory

Book Value, as contemplated by Section 2.03(a), Buyer discovers discrepancies in the amount of Inventory used in Sellers' calculation of the Net Inventory Book Value, the Buyer shall provide written notice to the Sellers of such discrepancy, together with the Buyer's recalculation of the Net Inventory Book Value, within thirty days after the Closing Date. The Net Inventory Book Value shall become final and binding upon the parties on the thirty-first day after the Closing Date unless such a notice of disagreement has been delivered to Sellers. In the event that such a notice of disagreement has been delivered, the parties agree to negotiate in good faith for an additional thirty days to determine the Net Inventory Book Value.

(c) If the parties have not reached agreement within the thirty-day negotiation period set forth in Section 2.04(b), they shall submit the resolution of the determination of Net Inventory Book Value to binding arbitration for settlement in accordance with the Commercial Arbitration Rules of the American Arbitration Association (the "AAA Rules"). The determination of the arbitrator selected in accordance with the AAA Rules shall be final and conclusive, and within five business days following resolution of the matter, Sellers shall pay to Buyer the difference between the amount paid to Sellers on the Closing Date and the final determination of Net Inventory Book Value, if such difference is a positive number, or Buyer shall pay to Sellers such difference, if such difference is a negative number. The costs, fees and expenses of the arbitration shall be borne equally by the Buyer and the Sellers.

(d) The parties acknowledge that the adjustment process set forth in this Section 2.04 is separate from, and in addition to, any indemnification set forth in Section 9.02(a).

Section 2.05. CLOSING. (a) The Closing shall be held at the offices of Vorys, Sater, Seymour and Pease LLP, 52 East Gay Street, Columbus, Ohio, and shall take place on the date determined by Buyer as soon as reasonably practicable after the satisfaction or, if applicable, waiver of the conditions to Closing set forth in Article VIII hereof.

(b) At the Closing, Sellers shall cause all of the following to be delivered to Buyer:

(i) an Assignment and Assumption Agreement, substantially in the form attached hereto as Exhibit F, and Sellers shall deliver to Buyer such bills of sale, endorsements, consents, assignments and other good and sufficient instruments of conveyance and assignment as the parties and their respective counsel shall deem reasonably necessary or appropriate to vest in Buyer all right, title and interest in, to and under the Canadian. ProTurf Assets;

(ii) a copy of the Canadian ProTurf License Agreement executed by one or both Sellers;

(iii) a copy of the Canadian Supply Agreement executed by Scotts;

(iv) a copy of the Canadian Poly-S(R) License Agreement executed by one or both Sellers;

(v) a copy of the Canadian Peters(R) and Starter(R) License Agreement executed by one or both Sellers;

(vi) a copy of the Canadian Patent License Agreement executed by one or both Sellers; and

(vii) such other documents as contemplated by this Agreement to be delivered by the Sellers to the Buyer or as may be reasonably requested by Buyer.

(c) At the Closing, Buyer shall cause all of the following to be delivered to Sellers:

(i) a certified or official bank check payable to the order of, or a wire transfer for the account of, Scotts in an amount in immediately available funds, denominated in U.S. Dollars, equal to the Net Inventory Book Value, as set forth in Section 2.04(a);

(ii) a certified or official bank check payable to the order of, or a wire transfer for the account of, Scotts in the amount of U.S.$46,000 in immediately available funds;

(iii) a certified or official bank check payable to the order of, or a wire transfer for the account of, OMS in the amount of U.S.$54,000 in immediately available funds;

(iv) a copy of the Canadian ProTurf License Agreement executed by Buyer;

(v) a copy of the Canadian Supply Agreement executed by Buyer;

(vi) a copy of the Canadian Poly-S(R) License Agreement executed by Buyer;

(vii) a copy of the Canadian Peters(R) and Starter(R) License Agreement executed by Buyer;

(viii) a copy of the Canadian Patent License Agreement executed by Buyer;

(ix) one or more instruments of assumption, duly executed on behalf of Buyer, as may be reasonably requested by Sellers and their counsel and by which Buyer duly assumes those liabilities of Sellers to be assumed by Buyer pursuant to Sections 2.06 and 2.07; and

(x) such other documents as contemplated by this Agreement to be delivered by the Buyer to the Sellers or as may be reasonably requested by Sellers.

Section 2.06. PRORATIONS. All prepaid, accrued, deferred and other revenues, and all prepaid, accrued, deferred and other normal operating liabilities and expenses, pertaining to the Canadian ProTurf Business shall be prorated as of the Accounting Date, so that as between Sellers and Buyer, Sellers shall receive all such revenues and shall be responsible for all such liabilities and expenses allocable to the period ending at the Accounting Date, and Buyer shall receive all such revenues (exclusive of those received by Sellers or by Buyer, on behalf of Sellers, in payment of any of Sellers' accounts receivable) and shall be responsible (subject to the provisions of Section 2.08) for all such liabilities and expenses allocable to the period commencing at the Accounting Date.

Section 2.07. ASSUMED LIABILITIES. From and after the Accounting Date, Buyer shall, subject to Section 2.06, assume and timely pay, discharge, perform and satisfy all liabilities and obligations of Seller (i) arising after Closing under the Contracts (other than liabilities or obligations attributable to any failure by Sellers to comply with the terms thereof); (ii) arising out of or related to the Canadian ProTurf Assets after the Accounting Date and (iii) arising out of the prorated portions of those other obligations and liabilities of Sellers for which Buyer is to be responsible pursuant to Section 2.06 (collectively, the "Assumed Liabilities").

Section 2.08. EXCLUDED LIABILITIES. Notwithstanding any provision in this Agreement to the contrary, Buyer is assuming only the Assumed Liabilities and is not assuming any other liability or obligation of Sellers (or any predecessor owner of all or part of the Canadian ProTurf Business) of whatever nature whether presently in existence or arising hereafter, vested or unvested, contingent or fixed, actual or potential, known or unknown. All such other liabilities and obligations shall be retained by and remain obligations and liabilities of Sellers (all such liabilities and obligations not being assumed being herein referred to as the "Excluded Liabilities"). Notwithstanding anything to the contrary in this Section 2.08, and without limitation, each of the following shall be Excluded Liabilities for purposes of this Agreement:

(i) any liabilities or obligations relating to employee or agent benefits, wages, salaries, commissions, bonuses, incentives and/or other compensation arrangements existing on or prior to the Closing Date, including, without limitation, retirement, pension and/or unemployment compensation, workers' compensation and/or similar type benefits;

(ii) any Product Liability;

(iii) any Environmental Liability;

(iv) any Claim against or relating to the Canadian ProTurf Business that arose prior to the Closing Date; or

(v) the obligations and liabilities of Sellers arising under the Excluded Contracts.

Section 2.09. ASSIGNMENT OF CONTRACTS AND RIGHTS. Anything in this Agreement to the contrary notwithstanding, this Agreement shall not constitute an agreement to assign any claim, contract, license, lease, commitment, sales order, purchase order or any claim or right or any benefit arising thereunder or resulting therefrom if an attempted assignment thereof, without the consent of a third party thereto, would constitute a breach or other contravention thereof or in any way adversely affect the rights of Buyer or Sellers thereunder. The parties hereto will use their reasonable efforts to obtain the consent of the other parties to any such claim, contract, license, lease, commitment, sales order, purchase order or any claim or right or any benefit arising thereunder for the assignment thereof to Buyer as Buyer may request. If such consent is not obtained, or if an attempted assignment thereof would be ineffective or would adversely affect the rights of Sellers thereunder so that Buyer would not in fact receive all such rights, Sellers and Buyer will cooperate in a mutually agreeable arrangement under which Buyer would obtain the benefits and assume the obligations under any such claims, contracts, licenses, leases, commitments, sales orders or purchase orders, including subcontracting, sub-licensing, or subleasing to Buyer, or which Sellers would enforce for the benefit of Buyer, with Buyer's assuming Sellers' obligations, any and all rights of Sellers against a third party thereto arising out of the breach of cancellation by such third party or otherwise. Sellers will promptly pay to Buyer when received all monies received by Sellers under any such claim, contract, license, lease, commitment, sales order, purchase order or any claim or right or any benefit arising thereunder, except to the extent the same represents an Excluded Asset.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF SELLERS

Sellers, jointly and severally, represent and warrant to Buyer that, as of the date hereof:

Section 3.01. CORPORATE EXISTENCE AND POWER.

(a) OMS is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware; is duly qualified, licensed and otherwise in good standing as a foreign corporation in each jurisdiction where the ownership of its property or the conduct of its business makes necessary such qualification, licensing or good standing, except to the extent that the failure to be so qualified would not have a Material Adverse Effect on Scotts.

(b) Scotts is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Ohio; is duly qualified, licensed and otherwise in good standing as a foreign corporation in each jurisdiction where the ownership of its property or the conduct of its business makes necessary such qualification, licensing or good standing, except to the extent that the failure to be so qualified would not have a Material Adverse Effect on Scotts.

Section 3.02. CORPORATE AUTHORITY.

(a) Each of OMS and Scotts has all requisite corporate power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions to be undertaken by it as contemplated hereby.

(b) The execution and delivery of this Agreement by each of OMS and Scotts, the performance by it of its obligations hereunder and the consummation by it of the transactions to be undertaken by it as contemplated hereby have been duly and validly authorized by all necessary corporate action of each of OMS and Scotts.

(c) This Agreement has been duly and validly executed and delivered on behalf of each of OMS and Scotts and constitutes its valid and binding agreement.

Section 3.03. CONSENTS AND APPROVALS; NO VIOLATIONS.

(a) Neither the execution and delivery of this Agreement by Scotts, nor its consummation of the transactions to be undertaken by it as contemplated hereby, will (i) violate any provision of its amended and restated articles of incorporation or regulations; (ii) constitute (upon notice, lapse of time or otherwise) a breach or a default (or give rise to any right of termination, cancellation or acceleration) under any note, bond, mortgage, indenture, franchise, lease, contract or other agreement to which Scotts is a party or by which it may be bound or subject; (iii) violate any order, judgment, injunction, award or decree of any court, arbitrator or governmental or regulatory authority against, or any agreement with or condition imposed by, any governmental or regulatory authority, binding upon it; or (iv) violate any statute, law, rule or regulation of any federal, state, local or other governmental authority applicable to it or its property, assets or business, excluding from the foregoing clauses (i) to and including (iv) such breaches, defaults, rights and violations that, in the aggregate, do not have a Material Adverse Effect with respect to the Canadian ProTurf Business or the Canadian ProTurf Assets.

(b) Neither the execution and delivery of this Agreement by OMS, nor its consummation of the transactions to be undertaken by it as contemplated hereby, will (i) violate any provision of its certificate of incorporation or by-laws; (ii) constitute (upon notice, lapse of time or otherwise) a breach or a default (or give rise to any right of termination, cancellation or acceleration) under any note, bond, mortgage, indenture, franchise, lease, contract or other agreement to which OMS is a party or by which it may be bound or subject; (iii) violate any order, judgment, injunction, award or decree of any court, arbitrator or governmental or regulatory authority against, or any agreement with or condition imposed by, any governmental or regulatory authority, binding upon it; or (iv) violate any statute, law, rule or regulation of any federal, state, local or other governmental authority applicable to it or its property, assets or business, excluding from the foregoing clauses (i) to and including (iv) such breaches, defaults, rights and violations that, in the aggregate, do not have a Material Adverse Effect with respect to the Canadian ProTurf Business or the Canadian ProTurf Assets.

Section 3.04. GOVERNMENTAL AUTHORIZATION. The execution, delivery and performance by Sellers of this Agreement require and are subject to the Required Approvals of any and all applicable governmental bodies, agencies, officials or authorities, including, without limitation, (i) compliance with any applicable environmental rules and regulations and (ii) any other applicable rules, regulations and/or laws.

Section 3.05. COMPLIANCE WITH LAWS. (a) Neither OMS nor Scotts is in violation of any applicable order, judgment, injunction, award, decree or other requirement of any federal, state, local or foreign law, statute, ordinance, rule, regulation, order, writ, injunction, or decree applicable to the Canadian ProTurf Assets or the Canadian ProTurf Business, and Sellers have not received notice (written or oral) from any governmental agency that any such violation is being alleged; and (b) each of OMS and Scotts has complied in all material respects with all laws, statutes, ordinances, rules, regulations and requirements applicable to the conduct of the Canadian ProTurf Business and to the Canadian ProTurf Assets, and neither Seller has received notice (written or oral) from any governmental agency that any such violation is being alleged, excluding from the foregoing clauses (a) and (b) such violations and failures to comply that, in the aggregate, do not have a Material Adverse Effect on the Canadian ProTurf Business or the Canadian ProTurf Assets.

Section 3.06. THE CANADIAN PROTURF ASSETS.

(a) The Canadian ProTurf Assets include all property and assets used by Sellers primarily in the conduct of the Canadian ProTurf Business as of the date hereof, plus such additions thereto and minus (i) such deletions therefrom as arise in the ordinary course of the Canadian ProTurf Business, without violating this Agreement, between the date hereof and the Accounting Date and (ii) the Excluded Assets.

(b) Upon consummation of the transactions contemplated hereby, Buyer will have acquired good and marketable title in and to each of the Canadian ProTurf Assets, free and clear of all liens, security interests, pledges, charges or other encumbrances.

Section 3.07. CONTRACTS. (a) Except as set forth on Schedule 2.01(b)(7), each of the Contracts listed therein is a valid and binding agreement of a Seller and is in full force and effect, and neither Sellers nor, to the Sellers' Knowledge, any other party thereto is in default in any material respect under the terms of any such Contract.

(b) Except as described in Schedule 3.07, neither Seller is a party to or bound by any of the types of agreements enumerated below which affects the Canadian ProTurf Business or the Canadian ProTurf Assets:

(i) agreements or contracts not made in the ordinary course of business;

(ii) employee collective bargaining agreements or other contracts with any labor union;

(iii) agreements or contracts with any shareholder, officer, director or employee of either Seller or any of their respective subsidiaries; or

(iv) agreements or contracts the terms of which could reasonably be expected to have a Material Adverse Effect on the Canadian ProTurf Business or the Canadian ProTurf Assets.

Section 3.08. INTELLECTUAL PROPERTY. Neither Seller has infringed, or received notice of any infringement, upon one or more of the rights of third parties in respect of any Intellectual Property Right that is currently used primarily in the Canadian ProTurf Business. Except to the extent set forth on Schedule 3.08, Sellers have no Knowledge of any continuing material infringement by any other Person of any Intellectual Property Right that is currently used primarily in the Canadian ProTurf Business.

Section 3.09. LEGAL PROCEEDINGS. Except as set forth on Schedule 3.09, neither Seller has received notice of nor has Knowledge of any, nor are there any pending or outstanding, Claims or Claim Notices, by or affecting OMS or Scotts, or any of the directors, officers or employees thereof in their capacities as such, that could (i) prevent the performance of this Agreement or the consummation of any of the transactions contemplated hereby, (ii) prevent materially the use by Buyer of any of the Canadian ProTurf Assets in accordance with past practices, (iii) affect the validity or enforceability of this Agreement or compliance with the terms hereof by Sellers, (iv) affect materially the business, financial condition or results of operations of the Canadian ProTurf Business, or (v) have a Material Adverse Effect on the Canadian ProTurf Assets or the Canadian ProTurf Business.

Section 3.10. LICENSES. Except as set forth on Schedule 3.10, there are no licenses, permits or other governmental authorizations (collectively hereinafter referred to as "Licenses") held by either Seller which affect the Canadian ProTurf Business or the Canadian ProTurf Assets in any material manner. Except as set forth on Schedule 3.10, (a) Sellers hold all Licenses which are required for the operation of the Canadian ProTurf Business, (b) all such Licenses are in full force and effect; and (c) all such Licenses will be effectively transferred to Buyer at the Closing or as soon thereafter as reasonably practicable.

Section 3.11. EMPLOYEE AND RELATED MATTERS. There are no employment-related claims, actions, proceedings or investigations pending or threatened against either Seller relating to the Canadian ProTurf Business or the Canadian ProTurf Assets before any court, governmental, regulatory or administrative authority or body, or arbitrator or arbitration panel, except for such claims, actions, proceedings or investigations as would not be reasonably likely to have a Material Adverse Effect on the Canadian ProTurf Business .

Section 3.12. EMPLOYMENT BENEFIT PLANS. There are no plans of either Seller in effect for pension, profit sharing, deferred compensation, severance pay, bonuses, stock options, stock

purchases, or any other form of retirement or deferred benefit, or for any health, accident or other welfare plan, as to which Buyer will become liable as a result of the transactions contemplated hereby.

Section 3.13. INVENTORY. All of the Inventory is of a quality usable and saleable in the ordinary course of the Canadian ProTurf Business in accordance with past practices.

Section 3.14. PRODUCTS. Except as set forth on Schedule 3.14, each of the Products produced or sold by Sellers in connection with the Canadian ProTurf Business (a) is, and at all times has been, in compliance in all material respects with all applicable federal, state, local and foreign laws and regulations and (b) is, and at all relevant times has been, fit for the ordinary purposes for which it is intended to be used and conforms in all material respects to any promises or affirmations of fact made on the container or label for such product or in connection with its sale. There is no design defect with respect to any of such Products, and each of such Products contains adequate warnings, presented in a reasonably prominent manner, in accordance with applicable laws and current industry practice with respect to its contents and use.

Section 3.15. FINDER'S FEES. There is no investment banker, broker, finder or other intermediary which has been retained by or is authorized to act on behalf of Sellers who might be entitled to any fee or commission from Buyer or any of its affiliates upon consummation of the transactions contemplated by this Agreement.

Section 3.16. REPRESENTATIONS. The representations and warranties of Sellers contained in this Agreement, disregarding all qualifications and exceptions contained therein relating to materiality or Material Adverse Effect, are true and correct with only such exceptions as would not in the aggregate reasonably be expected to have a Material Adverse Effect with respect to the Canadian ProTurf Business or the Canadian ProTurf Assets.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to Sellers that:

Section 4.01. CORPORATE EXISTENCE AND POWER. Buyer is a Canadian corporation duly incorporated, validly existing in good standing under the laws of the province of Ontario and has all requisite corporate power and authority to purchase, own and hold the Canadian ProTurf Assets and to conduct the Canadian ProTurf Business.

Section 4.02. CORPORATE AUTHORITY. (a) Buyer has all requisite corporate power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions to be undertaken by it as contemplated hereby.

(b) The execution and delivery of this Agreement by Buyer, the performance by it of its obligations hereunder and the consummation by it of the transactions to be undertaken by it as

contemplated hereby have been duly and validly authorized by all necessary corporate action of Buyer.

(c) This Agreement has been duly and validly executed and delivered on behalf of Buyer and constitutes its valid and binding agreement.

Section 4.03. CONSENTS AND APPROVALS; NO VIOLATIONS. Neither the execution and delivery of this Agreement by Buyer, nor its consummation of the transactions to be undertaken by it as contemplated hereby, will (i) violate any provision of its articles of incorporation or regulations (or any equivalent governing documents); (ii) constitute (upon notice, lapse of time or otherwise) a breach or a default (or give rise to any right of termination, cancellation or acceleration) under any note, bond, mortgage, indenture, franchise, lease, contract or other agreement to which Buyer is a party or by which it may be bound or subject; (iii) violate any order, judgment, injunction, award or decree of any court, arbitrator or governmental or regulatory authority against, or any agreement with or condition imposed by, any governmental or regulatory authority, binding upon it; or (iv) violate any statute, law, rule or regulation of any federal, state, local or other governmental authority applicable to it or its property, assets or business, excluding from the foregoing clauses (i) to and including (iv) such breaches, defaults, rights and violations that, in the aggregate, do not have a Material Adverse Effect on Buyer.

Section 4.04. GOVERNMENTAL AUTHORIZATION. The execution, delivery and performance by Buyer of this Agreement require and are subject to the Required Approvals of any and all applicable governmental bodies, agencies, officials or authorities, including, without limitation, (i) compliance with any applicable environmental rules and regulations and (ii) any other applicable rules, regulations and/or laws.

Section 4.05. LEGAL PROCEEDINGS. Buyer has not received notice of nor has Knowledge of any, nor are there any pending or outstanding, Claims or Claim Notices by or affecting Buyer, or any of its directors, officers or employees in their capacities as such, that could (i) prevent the performance of this Agreement or the consummation of any of the transactions contemplated hereby or (ii) affect the validity or enforceability of this Agreement or compliance with the terms hereof by Buyer, excluding from the foregoing clauses (i) and (ii) such orders, judgments, injunctions, awards and decrees that, in the aggregate, do not have a Material Adverse Effect on Buyer.

Section 4.06. FINDER'S FEES. There is no investment banker, broker, finder or other intermediary which has been retained by or is authorized to act on behalf of Buyer who might be entitled to any fee or commission from Sellers or any of their affiliates upon consummation of the transactions contemplated by this Agreement.

Section 4.07. FINANCING. Buyer has sufficient funds available to make the payments set forth in Section 2.03.

ARTICLE V

COVENANTS OF SELLERS

Section 5.01. CONDUCT OF BUSINESS. Except as otherwise permitted or required by this Agreement or as set forth on Schedule 5.01, from the date hereof until the Closing Date:

(a) Sellers will use reasonable efforts to conduct the Canadian ProTurf Business in the ordinary course of business consistent with past practices, use reasonable efforts to preserve intact the business organizations and relationships with third parties; and

(b) without limiting the generality of the foregoing, Sellers will not, except in the ordinary course of business:

(i) incur, create or assume any mortgage, security interest or other encumbrance on the Canadian ProTurf Assets;

(ii) sell, assign, lease or otherwise transfer or dispose of any of the Canadian ProTurf Assets;

(iii) renegotiate, modify, amend or terminate any of the Contracts or fail to comply with the terms and conditions of any of the Contracts in any material respect; or

(v) agree or commit to do any of the foregoing.

Furthermore, Sellers will not take or agree or commit to take any action that would make any of Sellers' representations and warranties contained in this Agreement to become untrue or incorrect in any material respect at, or as of any time prior to, the Closing Date. Notwithstanding anything to the contrary contained herein, the parties acknowledge and agree that between the date hereof and the Closing Date, Sellers will be actively marketing and selling the Excluded Inventory and that such sales may be made outside of the ordinary course of business and may be made above, at or below the standard cost of such Excluded Inventory.

Section 5.02. REQUIRED APPROVALS. Sellers shall (a) take all reasonable steps necessary or appropriate to obtain, as promptly as possible, all Required Approvals required of them, (ii) cooperate reasonably with Buyer in obtaining all Required Approvals required of Buyer and (iii) provide such information and communications to governmental and regulatory authorities as any such authority or Buyer reasonably requests in connection with obtaining any Required Approval required of any party hereto.

Section 5.03. ACCESS TO INFORMATION. From the date hereof until the Closing Date, Sellers (a) will give Buyer, its counsel, financial advisors, auditors and other authorized representatives reasonable access to the offices, properties, books and records of Sellers relating to the Canadian ProTurf Business; (b) will furnish to Buyer, its counsel, financial advisors, auditors and other authorized representatives such financial and operating data and other information relating to the

Canadian ProTurf Business as such Persons may reasonably request and (c) will instruct the employees, counsel and financial advisors of Sellers to cooperate with Buyer in its investigation of the Canadian ProTurf Business; PROVIDED that no investigation pursuant to this Section shall affect any representation or warranty given by Sellers hereunder; and, PROVIDED, FURTHER, that any investigation pursuant to this Section shall be conducted in such manner as not to interfere unreasonably with the conduct of the business of Seller.

Section 5.04. NOTICES OF CERTAIN EVENTS. Sellers shall promptly notify Buyer of:

(a) any notice or other communication from any Person alleging that the consent of such Person is or may be required in connection with the transactions contemplated by this Agreement;

(b) any notice or other communication from any governmental or regulatory agency or authority in connection with the transactions contemplated by this Agreement; and

(c) any actions, suits, claims, investigations or proceedings commenced or, to Sellers' Knowledge threatened against, relating to or involving or otherwise affecting the Canadian ProTurf Business or the Canadian ProTurf Assets that, if pending on the date of this Agreement, would have been required to have been disclosed pursuant to Section 3.09 or that relate to the consummation of the transactions contemplated by this Agreement.

Section 5.05. NON-COMPETITION.

(a) Sellers agree that for the period during which Buyer is paying royalties to Sellers pursuant to the Canadian ProTurf License Agreement (or, in the event that Buyer properly terminates the Canadian ProTurf License Agreement before the fifth anniversary of the Closing Date, through the fifth anniversary of the Closing Date), neither Seller shall engage, either directly or indirectly, as a principal or for its own account or solely or jointly with others in any business that competes with the Canadian ProTurf Business or that competes in the Canadian Professional Turf Market, in each case, as it exists on the Closing Date; PROVIDED, that nothing herein shall prohibit the acquisition by Scotts or any of its affiliates of a diversified company having not more than 10% of its sales (based on its latest published annual audited financial statements) attributable to any business that competes with the Canadian ProTurf Business or in the Canadian Professional Turf Market.

(b) Notwithstanding anything to the contrary contained herein, Buyer specifically acknowledges that this Section 5.05 shall not prohibit Scotts from engaging, directly or indirectly, in any one or more of the following activities: (i) the manufacture, formulation, marketing, distribution and/or sale of grass seed products in and/or for use in the Territory, whether for the Canadian Professional Turf Market or not; (ii) the manufacture or formulation of any product, whether it competes with a Product or not, and the marketing, distribution and/or sale of such product through Retail Channels in the Territory, so long as such product does not bear any of the trademarks that are being licensed to the Buyer pursuant to the Canadian ProTurf License Agreement; (iii) the provision of services and products, whether such products compete

with any Product or not, to residential and commercial properties (excluding golf courses and excluding the sale of products, but not services, to the remainder of the Canadian Professional Turf Market) through Scotts' lawn service business (including locations owned by Scotts, those owned by Scotts' franchisees and those owned by licensees of the "SCOTTS" trademark), so long as such services and products do not bear any of the trademarks that are being licensed to Buyer pursuant to the Canadian ProTurf License Agreement; (iv) the manufacture, formulation, marketing, distribution and/or sale of any product or service outside of the Territory or (v) the marketing, distribution and/or sale of any or all of the Excluded Inventory at any time, or from time to time, through August 31, 2000. Scotts agrees that, notwithstanding the definition of "Retail Channels" and notwithstanding anything to the contrary contained herein, Scotts shall not intentionally sell any products that compete with the Products directly to participants in the Canadian Professional Turf Market via the Internet.

(c) If any provision contained in this Section 5.05 shall for any reason be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Section, but this Section shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein. It is the intention of the parties that if any of the restrictions or covenants contained herein is held to cover a geographic area or to be for a length of time which is not permitted by applicable law, or in any way construed to be too broad or to any extent invalid, such provision shall not be construed to be null, void and of no effect, but to the extent such provision would be valid or enforceable under applicable law, a court of competent jurisdiction shall construe and interpret or reform this Section 5.05 to provide for a covenant having the maximum enforceable geographic area, time period and other provisions (not greater than those contained herein) as shall be valid and enforceable under such applicable law. Sellers acknowledge that Buyer would be irreparably harmed by any breach of this Section 5.05 and that there would be no adequate remedy at law or in damages to compensate Buyer for any such breach. Sellers agree that Buyer shall be entitled to injunctive relief requiring specific performance by Sellers of this Section 5.05.

Section 5.06. TRANSFER OF REGISTRATIONS. [Intentionally omitted.]

ARTICLE VI

COVENANTS OF BUYER

Section 6.01. REQUIRED APPROVALS. Buyer shall (i) take all steps necessary or appropriate to obtain, as promptly as is possible, all Required Approvals required of it; (ii) cooperate reasonably with Sellers in obtaining all Required Approvals required of them; and (iii) provide such information and communications to governmental and regulatory authorities as any such authority or Scotts reasonably requests in connection with obtaining each Required Approval required of any party hereto.

Section 6.02. NON-COMPETITION.

(a) Buyer agrees that for a period of five years following the Closing Date, Buyer shall not, either directly or indirectly, as a principal or for its own account or solely or jointly

with others, sell any Product or any other product that bears any of the trademarks that are subject of the Canadian License Agreements through any Retail Channel in the Territory. The parties acknowledge and agree that communications and transactions via the Internet to purchasers, potential purchasers or their agents in the Canadian Professional Turf Market shall not be deemed to be a violation of this Section 6.02(a). Furthermore, the parties acknowledge and agree that this Section 6.02(a) is not intended to prevent, and shall not be deemed to apply to, the manufacture, formulation, distribution, marketing or sale of any professional turf product line through Retail Channels, other than any Product or product that bears any of the trademarks subject to the Canadian License Agreements.

(b) If any provision contained in this Section 6.02 shall for any reason be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Section, but this Section shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein. It is the intention of the parties that if any of the restrictions or covenants contained herein is held to cover a geographic area or to be for a length of time which is not permitted by applicable law, or in any way construed to be too broad or to any extent invalid, such provision shall not be construed to be null, void and of no effect, but to the extent such provision would be valid or enforceable under applicable law, a court of competent jurisdiction shall construe and interpret or reform this Section 6.02 to provide for a covenant having the maximum enforceable geographic area, time period and other provisions (not greater than those contained herein) as shall be valid and enforceable under such applicable law. Buyer acknowledges that Sellers would be irreparably harmed by any breach of this Section 6.02 and that there would be no adequate remedy at law or in damages to compensate Sellers for any such breach. Buyer agrees that Sellers shall be entitled to injunctive relief requiring specific performance by Buyer of this Section 6.02.

Section 6.03. CONFIDENTIALITY. Prior to the Closing Date and after any termination of this Agreement, Buyer and its affiliates will hold, and will use their reasonable best efforts to cause their respective officers, directors, employees, accountants, counsel, consultants, advisors and agents to hold, in confidence, unless compelled to disclose by judicial or administrative process or by other requirements of law, all confidential documents and information concerning the U.S. ProTurf Business, the Canadian ProTurf Business or Sellers furnished to Buyer or its affiliates in connection with the transactions contemplated by this Agreement, except to the extent that such information can be shown to have been (i) previously known on a nonconfidential basis by Buyer, (ii) in the public domain through no fault of Buyer or (iii) later lawfully acquired by Buyer from sources other than Sellers; PROVIDED, that Buyer may disclose such information to its officers, directors, employees, accountants, counsel, consultants, advisors and agents in connection with the transactions contemplated by this Agreement so long as such Persons are informed by Buyer of the confidential nature of such information and are directed by Buyer to treat such information confidentially. The obligation of Buyer and its affiliates to hold any such information in confidence shall be satisfied if they exercise the same care with respect to such information as they would take to preserve the confidentiality of their own similar information. If this Agreement is terminated, Buyer and its affiliates will, and will use their reasonable best efforts to cause their respective officers, directors, employees, accountants, counsel, consultants, advisors and agents to, destroy or deliver to Seller, upon request, all documents and other

materials, and all copies thereof, obtained by Buyer or its affiliates or on their behalf from Sellers in connection with this Agreement that are subject to such confidence.

ARTICLE VII

COVENANTS OF ALL PARTIES

Section 7.01. WARRANTY DISCLAIMER. Except to the extent set forth under Section 9.02(a) or otherwise as expressly provided in this Agreement, Buyer and Sellers agree that SELLERS MAKE NO FURTHER OR OTHER REPRESENTATION OR WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, AS TO MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR ANY OTHER MATTER WITH RESPECT TO THE INVENTORY AND/OR ANY OTHER PART OF THE CANADIAN PROTURF ASSETS, AND SELLERS SPECIFICALLY DISCLAIM ANY LIABILITY FOR INCIDENTAL, CONSEQUENTIAL OR OTHER DAMAGES.

Section 7.02. EXPENSES. Except as otherwise expressly provided herein, each party to this Agreement shall bear its own expenses incurred in connection with the preparation, execution and performance of this Agreement and the consummation of the transactions contemplated hereby, including, without limitation, all fees of agents, representatives, legal counsel and accountants, whether or not the transactions contemplated hereby shall be consummated.

Section 7.03. FURTHER ASSURANCES. Subject to the terms and conditions of this Agreement, each party will use its reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary or desirable under applicable laws and regulations to consummate the transactions contemplated by this Agreement. Each party agrees to execute and deliver such other documents, certificates, agreements and other writings and to take such other actions as may be necessary or desirable in order to consummate or implement expeditiously the transactions contemplated by this Agreement (including, but not limited to, the transfer of the Registrations) and to vest in Buyer good and marketable title to the Canadian ProTurf Assets.

Section 7.04. PUBLIC ANNOUNCEMENTS. Except as may be required by law, no party to this Agreement shall make, encourage or permit disclosure of any kind or form in respect of this Agreement or the transactions contemplated hereby unless Scotts and Buyer mutually agree in advance on the form, timing and content of any such disclosure, whether to the financial community, a governmental agency, the public generally or otherwise. Each party agrees to promptly review any disclosure provided by the other party pursuant to this Section 7.04 and shall not unreasonably withhold, delay or condition its consent to any such disclosure.

Section 7.05. COLLECTION OF ACCOUNTS RECEIVABLE.

(a) As of the date hereof, there are outstanding accounts receivable owing from Turf Partners, Inc. with respect to the U.S. ProTurf Business. Buyer and Sellers specifically acknowledge and agree that none of the accounts receivable of the Canadian ProTurf Business

are included among the Canadian ProTurf Assets and that such accounts receivable shall remain the property of Sellers.

(b) Between the date hereof and the Closing Date, Sellers agree to use their reasonable efforts, consistent with past practices, to collect all of such accounts receivable, including those from Turf Partners, Inc.

(c) In connection with the Closing, the parties shall mutually prepare a statement setting forth (i) the amount of accounts receivable of the Canadian ProTurf Business as of the Closing Date (the "Closing Receivables") and (ii) the amount of accounts receivable attributable to Turf Partners, Inc. (the "Turf Partners Receivable"), including, without limitation, to the extent available, a schedule of all invoices for the Turf Partners Receivable.

(d) From and after the Closing Date, Buyer and Sellers agree to use their reasonable efforts to collect the Closing Receivables on behalf of Sellers. Any monies received by Buyer after the Closing Date in connection with such Closing Receivables shall be for the benefit and account of Sellers and shall be promptly remitted to Sellers. Scotts and Buyer agree to reasonably cooperate in the collection of the Closing Receivables.

(e) From time to time after the Closing Date, Buyer and Scotts shall consult with respect to the status of any uncollected Closing Receivables generally, and specifically with respect to the Turf Partners Receivable. If, and to the extent that, Andersons and Scotts determine in good faith that all or any portion of the Turf Partners Receivable is uncollectible, Buyer agrees to promptly reimburse Scotts for 3.75% of the portion of the Turf Partners Receivable deemed uncollectible, up to an aggregate amount of U.S.$300,000; PROVIDED, that, for purposes of the foregoing, any portion of the Turf Partners Receivable that has not been collected within 120 days of its due date, shall automatically be deemed to be uncollectible, unless Andersons and Scotts mutually agree otherwise. If, and to the extent that Scotts or Andersons collect any portion of the Turf Partners Receivable after it has been deemed uncollectible, Buyer shall be reimbursed for 3.75% of such portion so collected (net of any reasonable, out-of-pocket costs of collection) up to an aggregate amount of U.S.$300,000.

Section 7.06. INSURANCE. As of the Closing Date, (i) Buyer agrees to furnish insurance certificates naming the Sellers as additional insureds under its general and automobile liability policies with limits of at least U.S.$2,000,000 per occurrence and (ii) Sellers agree to furnish insurance certificates naming the Buyer as an additional insured under its general and automobile liability policies with limits of at least U.S.$2,000,000 per occurrence. The specified limits of insurance may be satisfied by any combination of a self-insured retention and primary or excess/umbrella liability insurance policies. For purposes of this Section 7.06, "self-insured" means that the party is itself acting as though it were the insurance company providing the insurance required under the provisions hereof and shall pay any amounts due in lieu of insurance proceeds which would have been payable if the insurance policies had been carried by a third party insurance company, which amounts shall be treated as insurance proceeds for all purposes under this Agreement.

Section 7.07. USE OF THE "SCOTTS" TRADEMARK.

(a) Except as set forth in the other subsections of this Section 7.07, after the Closing, neither Buyer nor any of its affiliates shall use any of the following names or marks that were used in the Canadian ProTurf Business: "SCOTTS" and "Scotts and Oval Design," as set forth on Schedule 7.07. Such names shall be referred to, collectively or individually as the context requires, as the "Scotts(R) Trademarks."

(b) After the Closing, Buyer shall have the right to sell existing Inventory bearing any Scotts(R) Trademarks, and to use existing packaging, labeling, containers, supplies, advertising materials, technical data sheets and any similar materials with respect to such Inventory, until the earlier of (i) August 31, 2001, and (ii) the date existing stocks are exhausted. Buyer shall also have the right to continue to use existing brochures relating to the Inventory, including technical data sheets bearing the Scotts(R) Trademarks, until the earlier of (i) August 31, 2001 and (ii) the date existing stocks are exhausted. Notwithstanding the foregoing, in the event that Buyer is unable to exhaust the existing stocks of one or more SKUs of Inventory by August 31, 2001 so long as Buyer has used commercially reasonable efforts to do so, Scotts shall consent in writing to extend such date, on a SKU by SKU basis, for a reasonable period of time, as negotiated in good faith by Scotts and Buyer, to permit the exhaustion of such SKUs of Inventory.

(c) Sellers agree to and do hereby grant to Buyer, for the period and upon the terms and conditions set forth in this Section 7.07, the right and license: (i) to use the Scotts(R) Trademarks solely within the Territory in the sale of existing Inventory using existing packaging, labels, containers and supplies and (ii) to produce advertising and promotional materials subject to the terms herein. Buyer acknowledges and agrees that Sellers are the sole and exclusive owners of the Scotts(R) Trademarks in any form or embodiment thereof and are also the owners of the goodwill attached or which shall become attached to the Scotts(R) Trademarks in connection with the business and goods in relation of which the same has, is or shall be used. Buyer's rights to use the Scotts(R) Trademarks shall be governed exclusively by this Agreement, and all use of the Scotts(R) Trademarks by Buyer shall inure to the benefit of Sellers. Any sales of Inventory bearing a Scotts(R) Trademark shall be deemed to have been made by Sellers for purposes of trademark registration. All rights in the Scotts(R) Trademarks other than those specifically granted in this Agreement are reserved by Sellers for their own use and benefit.

(d) Buyer shall sell the Inventory in accordance with all applicable laws, rules and regulations. Upon Sellers' reasonable request, Buyer will provide samples of any batch of packaged Inventory or other inventory bearing a Scotts(R) Trademark to enable Sellers to determine if Buyer is complying with the Sellers' standards of quality control. Scotts shall approve or disapprove (specifying the reasons for any disapproval) in writing within 30 days of receipt of such sample. Failure to give notice of disapproval within such period shall constitute Scotts' approval for that Inventory or other inventory bearing a Scotts(R) Trademark.

(e) In addition to the foregoing, until no later than February 28, 2001, Buyer shall have the right to use the Scotts(R) Trademarks in advertising and other promotional materials prepared by Buyer for the sole purpose of transitioning the Canadian ProTurf Business from

Sellers to Buyer. In connection with such advertising and promotion, Buyer shall comply with all applicable laws and regulations. Buyer agrees not to use the Scotts(R) Trademarks, trade dress or any reproduction thereof in any advertising, promotion or display material without prior written approval from Scotts. All copy and material utilizing the Scotts(R) Trademarks shall be submitted for the approval of Scotts, and any material submitted and not disapproved by Scotts within 30 days shall be deemed approved.

(f) Neither Buyer nor any of its affiliates will use any Scotts(R) Trademark as all or a portion of Buyer's or any such affiliate's corporate name, trade name or other designation. Buyer's employees will not represent themselves as being representatives of or being from Sellers. Buyer will not associate the Scotts(R) Trademarks with another trademark of packaging or containers without the prior written approval of such other trademark by Scotts. Buyer agrees to use the Scotts(R) Trademarks only in the form approved by Scotts and may not modify, change or alter the Scotts(R) Trademarks in any manner whatsoever without the prior written approval of Scotts, which approval shall not be unreasonably delayed, conditioned or withheld. Buyer will display the Scotts(R) Trademarks only in such form and manner as is specifically approved by Scotts, which approval shall not be unreasonably delayed, conditioned or withheld.

(g) Sellers may terminate Buyer's rights to use the Scotts(R) Trademarks pursuant to this Section 7.07 immediately: (i) if Buyer or any of its affiliates breaches any of the provisions of this Section 7.07 and fails to cure such breach within 10 days of written notice thereof by Scotts or (ii) upon the insolvency of Buyer, any assignment by Buyer for the benefit of its creditors, the failure to obtain the dismissal of any involuntary bankruptcy or reorganization petition filed against Buyer within 60 days from the date of such filing, the failure of Buyer to vacate the appointment of a receiver for all or any part of its business within 60 days from the date of such appointment or the dissolution of Buyer. Sellers shall provide Buyer prompt written notice of any such termination.

(h) Buyer acknowledges that Sellers would be irreparably harmed by any breach of this Section 7.07 by Buyer and that there would be no adequate remedy at law or in damages to compensate Sellers for any such breach. Buyer agrees that Sellers shall be entitled to injunctive relief requiring specific performance by Buyer of this Section 7.07.

ARTICLE VIII

CONDITIONS TO CLOSING

Section 8.01. CONDITIONS TO OBLIGATIONS OF ALL PARTIES. The respective obligations of the parties to this Agreement to consummate the transactions contemplated hereby are subject to the satisfaction, at or prior to the Closing, of each of the following conditions precedent:

(a) No judgment, injunction, order or decree of a court of competent jurisdiction shall (i) prohibit the consummation of any of the transactions contemplated hereby or (ii) restrain, prohibit or otherwise materially interfere with the effect, operation or enjoyment by Buyer of all or any material portion of the Canadian ProTurf Assets.

(b) Each of the parties hereto shall have obtained each Required Approval to be obtained by it, without conditions or limitations that unreasonably restrict the ability of the parties hereto to perform this Agreement, and each of Sellers and Buyer shall have been furnished with appropriate evidence, reasonably satisfactory to it and its counsel, that each such Required Approval has been obtained and is in full force and effect.

Section 8.02. CONDITIONS TO OBLIGATIONS OF BUYER. The obligations of Buyer to consummate the transactions contemplated by this Agreement are subject to the satisfaction, at or prior to the Closing, of each of the following further conditions, any one or more of which may be waived by Buyer:

(a)(i) Sellers shall have performed in all material respects all of their obligations hereunder required to be preformed by them at or prior to the Closing Date; (ii) the representations and warranties of Sellers contained in this Agreement and in any certificate or other writing delivered by Sellers pursuant hereto, disregarding all qualifications and exceptions contained therein relating to materiality or Material Adverse Effect, shall be true at and as of the Closing Date, as if made at and as such time, with only such exceptions as would not in the aggregate reasonably be expected to have a Material Adverse Effect with respect to the Canadian ProTurf Assets or the Canadian ProTurf Business; and (iii) Buyer shall have received a certificate signed by an executive officer of each Seller to the foregoing effect.

(b) Sellers shall have delivered the documents referred to in Section 2.05(b).

(c) Buyer shall have received all documents it may reasonably request relating to the existence of Sellers and the authority of Sellers for this Agreement, all in form and substance reasonably satisfactory to Buyer.

Section 8.03. CONDITIONS TO OBLIGATIONS OF SELLERS. The obligations of Sellers to consummate the transactions contemplated by this Agreement are subject to the satisfaction, at or prior to the Closing, of each of the following further conditions, any one or more of which may be waived by Scotts:

(a) Buyer shall have performed in all material respects all of its obligations hereunder required to be performed by them at or prior to the Closing Date; (ii) the representations and warranties of Buyer contained in this Agreement and in any certificate or other writing delivered by Buyer pursuant hereto, disregarding all qualifications and exceptions contained therein relating to materiality or Material Adverse Effect, shall be true at and as of the Closing Date, as if made at and as such time, with only such exceptions as would not in the aggregate reasonably be expected to have a Material Adverse Effect with respect to Buyer; and (iii) Sellers shall have received a certificate signed by an executive officer of Buyer to the foregoing effect.

(b) Buyer shall have delivered the documents referred to in Section 2.05(c).

(c) All of the closing conditions to Sellers' obligations under the U.S. Asset Purchase Agreement shall have been satisfied or shall have been waived by Scotts, in its sole discretion.

(d) Sellers shall have received all documents they may reasonably request relating to the existence of Buyer and the authority of Buyer for this Agreement, all in form and substance reasonably satisfactory to Scotts.

ARTICLE IX

SURVIVAL; INDEMNIFICATION

Section 9.01. SURVIVAL OF WARRANTIES; TERMINATION. Except as otherwise set forth herein, the covenants, agreements, representations and warranties of the parties contained in this Agreement shall survive the Closing and shall expire on, and shall be of no further force and effect after, the first anniversary of the Closing Date; PROVIDED, that the covenants set forth in Section 5.05 and Section 6.02 shall survive the Closing and, except as otherwise set forth therein, shall expire on and shall be of no further force and effect after the fifth anniversary of the Closing Date; PROVIDED, FURTHER, that the indemnities set forth in Section 9.02(a)(ii) and Section 9.02(b)(ii) and the covenants set forth in Section 7.07, to the extent set forth therein, shall survive the Closing without expiration. Notwithstanding the preceding sentence, any covenant, agreement, representation or warranty in respect of which indemnity may be sought under Section 9.02 shall survive the time at which it would otherwise terminate pursuant to the preceding sentence, if notice of the inaccuracy or breach thereof giving rise to such right to indemnity shall have been given to the party against whom indemnity may be sought prior to such time.

Section 9.02. INDEMNIFICATION. (a) After consummation of the Closing, Sellers hereby, jointly and severally, indemnify Buyer against and agree to hold it harmless from any and all Claims incurred or suffered by Buyer, or any officer, director, employee, agent, representative or affiliate thereof, arising out of:

(i) any misrepresentation or breach of warranty, covenant or agreement made or to be performed by Sellers pursuant to this Agreement; or

(ii) any Excluded Liability or any obligation or liability of the Canadian ProTurf Business relating to the Excluded Assets; or

(iii) the Canadian ProTurf Business prior to Closing;

PROVIDED, that (x) Sellers shall not be liable under this Section 9.02(a)(i) unless the aggregate amount of Buyer's Claims with respect to all matters referred to in this Section 9.02(a) (determined without regard to any materiality or Material Adverse Effect qualification contained in any representation, warranty or covenant giving rise to the Claim) exceeds $50,000 and then only to the extent of such excess and (y) Sellers' maximum liability under this Section 11.02(a) shall not exceed $200,000; PROVIDED, FURTHER, that the immediately preceding proviso shall not apply to a breach of Sellers' obligations pursuant to Section 5.05(a) or Section 13.07 for which Sellers shall be liable from the first dollar and without limitation as to amount. In addition, Sellers agree to indemnify Buyer and hold it harmless from any and all Claims by Turf Partners,

Inc. arising out of any alleged breach by Scotts of Scotts' distribution agreement with Turf Partners, Inc. from the first dollar and without limitation as to amount;

(b) After consummation of the Closing, and subject to the provisions of Section 9.04, Buyer hereby indemnifies Sellers against and agree to hold them harmless from any and all Claims incurred or suffered by either Seller, or any officer, director, employee, agent, representative or affiliate thereof, arising out of: In addition, Sellers agree to indemnify Buyer and hold it harmless from any and all Claims by Turf Partners, Inc. arising out of any alleged breach by Scotts of Scotts' distribution agreement with Turf Partners, Inc. from the first dollar and without limitation as to amount;

(i) any misrepresentation or breach of warranty, covenant or agreement made or to be performed by Buyer pursuant to this Agreement;

(ii) any Assumed Liability;

(iii) any failure to pay any amounts due pursuant to Section 7.05(e); or

(iv) the Canadian ProTurf Business after Closing;

PROVIDED, that (x) Buyer shall not be liable under this Section 9.02(b)(i) unless the aggregate amount of Sellers' Claims with respect to all matters referred to in this Section 9.02(b) (determined without regard to any materiality or Material Adverse Effect qualification contained in any representation, warranty or covenant giving rise to the Claim) exceeds $50,000 and then only to the extent of such excess and (y) Buyer's maximum liability under this Section 11.02(b) shall not exceed $200,000; PROVIDED, FURTHER, that the immediately preceding proviso shall not apply to (A) a breach of Buyer's obligations pursuant to Section 7.05(e) for which Buyer shall be liable from the first dollar up to the amount set forth in such Section 7.05(e) or (B) a breach of Section 6.02 or Section 7.07 for which Buyer shall be liable from the first dollar and without limitation as to amount.

Section 9.03. PROCEDURES. (a) The Indemnitee agrees to give prompt notice to the Indemnitor of any Claim hereunder.

(b) In addition to, and not in limitation of, the foregoing, if any Claim for which Indemnitee would be entitled to indemnification under this Agreement arises out of a claim or liability asserted against or sought to be collected from Indemnitee by a third party, Indemnitee shall promptly give to Indemnitor a Claim Notice in respect of such Claim. Indemnitor shall have thirty (30) Business Days following the giving of a Claim Notice to it to notify Indemnitee whether or not Indemnitor elects to defend Indemnitee in respect of such Claim; and

(i) If Indemnitor so elects to defend Indemnitee in respect of such Claim, Indemnitor shall either settle or, by appropriate proceedings, defend such Claim in a manner intended to protect the interests of Indemnitee; and Indemnitee shall cooperate as reasonably requested

by Indemnitor in connection with such settlement or defense. Indemnitor shall (i) have the right to control the defense or settlement of the Claim involved, (ii) pay all costs and expenses of such proceedings incurred by it, and (iii) pay the amount of any resulting settlement, judgment or award if it shall be determined that such Claim is subject to indemnification by Indemnitor under this Agreement; provided, however, that Indemnitor shall effect no settlement of such Claim if such settlement would affect the liability of Indemnitee unless Indemnitee shall consent thereto in writing, which consent shall not be unreasonably delayed or withheld. If Indemnitee desires to participate in, without controlling, any such defense or settlement by Indemnitor, it may do so at Indemnitee's sole cost and expense and without affecting any rights Indemnitee may have against Indemnitor.

(ii) If Indemnitor shall not so elect to defend Indemnitee in respect of such Claim, Indemnitee shall either settle or, by appropriate proceedings, defend such Claim in a manner intended to protect the interests of Indemnitor; and Indemnitor shall cooperate as reasonably requested by Indemnitee in connection with such settlement or defense. Indemnitee shall (x) have the right to control the defense or settlement of the Claim involved and (y) be indemnified by Indemnitor for its reasonable costs and expenses of such defenses, and for the amount of any resulting settlement, judgment or award, if it shall be determined that such Claim is subject to indemnification by Indemnitor under this Agreement; PROVIDED, HOWEVER, that Indemnitee shall effect no settlement of such Claim if such settlement would affect the liability of Indemnitor unless Indemnitor shall consent to such settlement in writing, which consent shall not be unreasonably delayed or withheld. If Indemnitor desires to participate in, without controlling, any such defense or settlement by Indemnitee, it may do so at its sole cost and expense and without affecting any rights Indemnitor may have against Indemnitee.

ARTICLE X

TAX MATTERS

Section 10.01. TAX COOPERATION. Buyer and Sellers agree to furnish or cause to be furnished to each other, upon request, as promptly as practicable, such information and assistance relating to the Canadian ProTurf Assets and the Canadian ProTurf Business as is reasonably necessary for the filing of all tax returns, and making of any election related to taxes, the preparation for any audit by any taxing authority, and the prosecution or defense of any claim, suit or proceeding relating to any tax return. Sellers and Buyer shall cooperate with each other in the conduct of any audit or other proceeding related to taxes involving the Canadian ProTurf

Business and each shall execute and deliver such powers of attorney and other documents as are necessary to carry out the intent of this Section 10.01.

Section 10.02. ALLOCATION OF TAXES. (a) All personal property taxes and similar ad valorem obligations levied with respect to the Canadian ProTurf Assets that accrue during the Sellers' taxable period that ends on the Closing Date shall be paid by Sellers. All personal property taxes and similar ad valorem obligations levied with respect to the Canadian ProTurf Assets that accrue during Buyer's taxable period that begins after the Closing Date shall be paid by Buyer. All personal property taxes and similar ad valorem obligations levied with respect to the Canadian ProTurf Assets that accrue for a taxable period which includes (but does not end on) the Closing Date shall be apportioned between Sellers, on the one hand, and Buyer, on the other, as of the Closing Date based on the number of days of such taxable period included in the pre-Closing tax period and the number of days of such taxable period included in the post-Closing tax period. Sellers shall be liable for the proportionate amount of such taxes that is attributable to the pre-Closing tax period. Within 180 days after the Closing Date, Sellers and Buyer shall present a statement to the other setting forth the amount of reimbursement to which each is entitled under this Section 10.02 together with such supporting evidence as is reasonably necessary to calculate any allocated amount. The allocated amount shall be paid by the party or parties owing it to the other(s) within 10 days after delivery of such statement. Thereafter, Sellers shall notify Buyer upon receipt of any bill for personal property taxes relating to the Canadian ProTurf Assets, part or all of which are attributable to the post-Closing tax period, and shall promptly deliver such bill to Buyer who shall pay the same to the appropriate taxing authority, PROVIDED, that if such bill covers the pre-Closing tax period, Sellers shall also remit prior to the due date of assessment to Buyer payment for the proportionate amount of such bill that is attributable to the pre-Closing tax period. In the event that either Sellers, on the one hand, or Buyer, on the other, shall thereafter make a payment for which it is entitled to reimbursement under this Section 10.02, the other party or parties shall make such reimbursement promptly but in no event later than 30 days after the presentation of a statement setting forth the amount of reimbursement to which the presenting party is entitled along with such supporting evidence as is reasonably necessary to calculate the amount of reimbursement. Any payment required under this Section and not made within 10 days of delivery of the statement shall bear interest at the rate per annum determined, from time to time, under the provisions of Section 6621(a)(2) of the U.S. Internal Revenue Code of 1986, as amended, for each day until paid.

Section 10.03. SALES AND USE TAXES. Any transfer, documentary, sales, use or other taxes assessed upon or with respect to the transfer of the Canadian ProTurf Assets to Buyer and any recording of filing fees with respect thereto shall be the responsibility of Buyer.

ARTICLE XI
LABOR AND EMPLOYMENT MATTERS

The parties agree that Buyer is not assuming the employment of any employees of Sellers with respect to the Canadian ProTurf Business.

ARTICLE XII
TERMINATION

Section 12.01. GROUNDS FOR TERMINATION. This Agreement may be terminated at any time prior to the Closing, as follows:

(i) by the mutual, written consent of Scotts and Buyer;

(ii) by either Scotts or Buyer, if the Closing has not occurred by May 31, 2000; or

(iii) by either Scotts or Buyer, if consummation of the transactions contemplated hereby would violate any nonappealable final order, decree or judgment of any court or governmental body having competent jurisdiction.

The party desiring to terminate this Agreement pursuant to clauses (ii) or (iii) shall give notice of such termination to the other party.

Section 12.02. EFFECT OF TERMINATION. If this Agreement is terminated as permitted by Section 12.01, such termination shall be without liability of any party (or any shareholder, director, officer, employee, agent, consultant or representative of such party) to the other parties to this Agreement; PROVIDED that if such termination shall result from the willful failure of either party to fulfill a condition to the performance of the obligations of the other party or to perform a covenant of this Agreement or from a willful breach by either party to this Agreement, such party shall be fully liable for any and all Claims incurred or suffered by the other party as a result of such failure or breach. The provisions of Sections 6.04 and 7.02 shall survive any termination hereof pursuant to Section 12.01.

ARTICLE XIII
MISCELLANEOUS

Section 13.01. NOTICES. Any notice or other communication required or permitted hereunder must be in writing and shall be deemed to have been duly given when (i) delivered to the party to whom it is given personally, (ii) deposited in the U.S. or Canadian Mail if sent by certified or registered mail (return receipt requested, postage prepaid and addressed to the party to whom it is given as provided immediately below), or (iii) sent by facsimile transmission if transmitted to each telephone number specified immediately below for so giving such notice or communication to the party to whom it is given:

if to Sellers, to:

The Scotts Company
14111 Scottslawn Road
Marysville, OH 43041
Attention: James Hagedorn
David Aronowitz
FAX Telephone No. (937) 644-7568

and

OMS Investments, Inc.
c/o Delaware Corporate Management
1105 N. Market Street
Wilmington, DE 19899
Attention: Susan T. Dubb
FAX Telephone No. (302) 427-7664

with a copy to:

Vorys, Sater, Seymour and Pease LLP
52 East Gay Street
Columbus, OH 43215
Attention: Ronald A. Robins, Jr.
FAX Telephone No. (614) 719-4926

if to Buyer, to:

The Nu-Gro Corporation
10 Craig Street
Brantford, Ontario
Canada N3R 7J1
Attention: John D. Hill
FAX Telephone No. (519) 757-0282

with a copy to:

McCarter Grespan Robson Beynon
675 Riverbend Drive
Kitchener, Ontario
Canada N2K 3S3
Attention: Paul Grespan
FAX Telephone No. (519) 742-1841

Any party hereto may from time to time by notice given in accordance with this Section 13.01 to each other party hereto substitute a different address, telephone number or Person for receipt of notices and communications hereunder by the party giving such notice.

Section 13.02. ASSIGNMENT. This Agreement shall be binding upon, and shall inure to the benefit of and be enforceable by, the respective successors and permitted assigns (including successive, as well as immediate, successors and permitted assigns) of the parties hereto, but neither this Agreement nor any right hereunder may be assigned by any party without the written consent of each other party hereto; PROVIDED, HOWEVER, that Buyer may assign its rights hereunder to any wholly-owned subsidiary of Buyer, or to any other subsidiary or affiliate of Buyer of which Buyer owns more than 50% of the total voting power and over which Buyer exercises actual control, in each case, so long as Buyer unconditionally guarantees the assignee's performance of its obligations hereunder; PROVIDED, FURTHER, that Scotts may assign its rights hereunder to any subsidiary or affiliate of Scotts so long as Scotts unconditionally guarantees the assignee's performance of its obligations hereunder.

Section 13.03. NO THIRD PARTY BENEFICIARIES. Nothing contained in this Agreement is intended or shall be construed to afford to any Person, other than a party hereto, any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision hereof.

Section 13.04. COUNTERPARTS; EFFECTIVENESS. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be a duplicate original, but all of which, taken together, shall be deemed to constitute a single instrument. This Agreement shall become effective when each party shall have received a counterpart hereof signed by the other party hereto.

Section 13.05 ENTIRE AGREEMENT. This Agreement, the Canadian License Agreements, the Canadian Supply Agreement and that certain Confidentiality Agreement dated as of _____, 1999, by and among Scotts and Buyer constitute the entire agreement among the parties with respect to the subject matter hereof and supersedes all prior agreements, understandings and negotiations, both written and oral, between the parties with respect to the subject matter of this Agreement. No representation, inducement, promise, understanding, condition or warranty not set forth herein has been made or relied upon by any party hereto. Neither this Agreement nor any provision hereof is intended to confer upon a Person other than the parties hereto any rights or remedies hereunder. Notwithstanding the foregoing, between the date hereof and the Closing Date, the parties agree to enter into a mutual non-disclosure and confidentiality agreement protecting each party's disclosure of information pursuant to this Agreement or any of the Related Agreements.

Section 13.06. AMENDMENTS; NO WAIVERS. (a) Any provision of this Agreement may be amended or waived prior to the Closing Date if, and only if, such amendment or waiver is in writing and signed, in the case of an amendment, by Scotts and Buyer or in the case of a waiver, by the party against whom the waiver is to be effective.

(b) No failure or delay by either party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

Section 13.07. BULK SALES LAWS. Each of Buyer and Sellers hereby waives compliance by Sellers with the provisions of the "bulk sales," "bulk transfer" or similar laws of any province. Sellers agree to indemnify, defend and hold Buyer harmless against any and all claims, losses, damages, liabilities, costs and expenses incurred by Buyer or any of its affiliates (including, without limitation, reasonable attorneys' fees and court and other costs) as a result of any failure to comply with any such "bulk sales," "bulk transfer" or similar laws.

Section 13.08. SEVERABILITY. If any provision of this Agreement shall be invalid or unenforceable for any reason, such invalidity or unenforceability shall not affect the validity or enforceability of any other provision or portion hereof.

Section 13.09. GOVERNING LAW. This Agreement shall be governed by and construed and enforced in accordance with the internal laws of the State of Ohio, without giving effect to the choice-of-law or conflict-of-laws principles thereof.

Section 13.10. CONSENT TO JURISDICTION. Each of the parties hereto irrevocably submits to the jurisdiction of any Ohio state or federal court sitting in the City of Columbus, Ohio over any suit, action or proceeding arising out of or relating to this agreement or any related document. Each of the parties hereto irrevocably waives, to the fullest extent permitted by law, any objection which they may have or hereafter have to the laying of the venue of any such suit, action or proceeding brought in such a court and any claim that any such suit, action or proceeding has been brought in an inconvenient forum.

Section 13.11. CAPTIONS; EXHIBITS. (a) The Article and Section headings and any other captions appearing in this Agreement are included only for ease of reference and do not define, limit, explain or modify this Agreement or its interpretation, construction or meaning and are not to be construed as a part hereof.

(b) Neither the specification of any dollar amount in the representations and warranties of the parties contained herein nor the indemnification provisions of Article IX nor the inclusion of any items in the Schedules to this Agreement will be deemed to constitute an admission by any party, or otherwise imply, that any such amounts or the items so included are material for the purpose of this Agreement.

(c) The Schedules and Exhibits referred to herein and included herewith are part of this Agreement as if fully set forth herein. All documents or information disclosed in any of the Schedules are intended to be disclosed for all purposes under this Agreement and will also be deemed to be incorporated by reference in each of the other Schedules to which, and to the extent, they may be applicable.

(d) The parties acknowledge and agree that, between the date hereof and the Closing Date, the Schedules and/or Exhibits to this Agreement may need to be modified as a result of information that arises after the date hereof. The parties agree to cooperate in good faith to make such modifications; PROVIDED, that any such modification shall be agreed to in writing by Scotts and Buyer.

[signature page to follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers to be effective as of the date first above written.

SELLERS:

THE SCOTTS COMPANY

By: /s/ G. Robert Lucas

Name:
Title: Executive Vice President and General Counsel

OMS INVESTMENTS, INC.

By: /s/ G. Robert Lucas

Name:
Title: President and Chief Executive Officer

BUYER:

THE NU-GRO CORPORATION

By: /s/ John D. Hill

Name:
Title: President and CEO

SCHEDULES AND EXHIBITS*

DESCRIPTION	SCHEDULE NO.
Registrations	2.01(b)(1)
Intellectual Property Rights	2.01(b)(2)
Customer List	2.01(b)(3)
Inventory	2.01(b)(4)
Products	2.01(b)(5)
Contracts	2.01(b)(7)
Excluded Contracts	2.02(a)
Other Contracts	3.07
Intellectual Property Infringement	3.08
Litigation	3.09
Licenses	3.10
Employees	3.11
Product Compliance	3.14
Conduct of Business	5.01
Scotts(R) Trademark	7.07

DESCRIPTION	EXHIBIT
Canadian ProTurf License Agreement	Exhibit A
Canadian Supply Agreement	Exhibit B
Canadian Poly-S(R) License Agreement	Exhibit C
Canadian Peters(R) and Starter(R) License Agreement	Exhibit D
Canadian Patent License Agreement	Exhibit E
Assignment and Assumption Agreement	Exhibit F

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* Not filed with this Canadian Asset Purchase Agreement

Exhibit 4(i)

CONFORMED COPY

AMENDMENT NO. 2

AMENDMENT NO. 2 dated as of June 9, 2000 (the "SECOND AMENDMENT") to the Credit Agreement, dated as of December 4, 1998, as amended by the Waiver, dated as of January 19, 1999, the Amendment No. 1 and Consent, dated as of October 13, 1999, and the Waiver No. 2, dated as of February 14, 2000 (the "CREDIT AGREEMENT"), among THE SCOTTS COMPANY, an Ohio corporation (the "BORROWER" or "SCOTTS"), OM Scott International Investments Ltd., Miracle Garden Care Limited, Scotts Holdings Limited, Hyponex Corporation, Scotts' Miracle-Gro Products, Inc., Scotts-Sierra Horticultural Products Company, Republic Tool & Manufacturing Corp., Scotts-Sierra Investments, Inc., Scotts France Holdings SARL, Scotts Holding GmbH, Scotts Celaflor GmbH & Co. KG, Scotts France SARL, Scotts Asef BVBA, f/k/a Scotts Belgium 2 BVBA, The Scotts Company (UK) Ltd., Scotts Canada Ltd., Scotts Europe B.V., ASEF B.V., Scotts Australia PTY Ltd., and the other subsidiaries of the Borrower who are also borrowers from time to time under the Credit Agreement (the "SUBSIDIARY BORROWERS"), the several banks and other financial institutions from time to time parties to the Credit Agreement (the "LENDERS"), THE CHASE MANHATTAN BANK, a New York banking corporation (together with its banking affiliates, "Chase"), as agent for the Lenders (in such capacity, the "ADMINISTRATIVE AGENT"), SALOMON SMITH BARNEY, INC., as syndication agent (the "SYNDICATION AGENT"), CREDIT LYONNAIS NEW YORK BRANCH (together with its banking affiliates, "CREDIT LYONNAIS") and BANK ONE, MICHIGAN, as successor to NBD BANK, as co-documentation agents (the "CO-DOCUMENTATION AGENTS"), and Chase Securities Inc., as lead arranger (the "LEAD ARRANGER") and as the book manager (the "BOOK MANAGER").

W I T N E S S E T H:

WHEREAS, the Borrower wishes to amend the Credit Agreement as described herein; and

WHEREAS, the Lenders and the Administrative Agent consent to the proposed amendments under the following terms and conditions;

NOW, THEREFORE, in consideration of the premises and of the mutual agreements herein contained, the parties hereto agree as follows:

I. AMENDMENTS

A. DEFINED TERMS. Unless otherwise noted, capitalized terms have the meanings given to them in the Credit Agreement.

B. AMENDMENT OF SUBSECTION 1.1 (DEFINED TERMS).

1. Subsection 1.1 of the Credit Agreement is hereby amended by adding the following definitions in their proper alphabetical order:

"MAXIMUM NON-STERLING OPTIONAL CURRENCY AMOUNT" shall have the meaning specified in subsection 2.4(i).

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"MAXIMUM OPTIONAL CURRENCY AMOUNT" shall have the meaning specified in subsection 2.4(ii).

"`SUBSTRAL ACQUISITION' means the proposed acquisition by OMS Investments, Inc. and certain Foreign Subsidiaries of certain assets of Henkel KGaA and its affiliates related to their consumer home and garden plant care business under the Substral, Blomin, Simontrop or other brand names."

"`WHOLLY OWNED SUBSIDIARY' or `WHOLLY-OWNED SUBSIDIARY' means any subsidiary of any Person all of the Capital Stock of which (other than directors' qualifying shares required by law) is owned by such Person directly and/or through other wholly owned Subsidiaries."

2. Subsection 1.1 of the Credit Agreement is hereby further amended by deleting in the definition of "Permitted Acquisition" clause (c)(v) thereof and substituting, in lieu thereof, the following new clause (c)(v):

"(v) after giving effect to the consummation thereof, the aggregate amount of consideration (whether cash or property, as valued in good faith by the Board of Directors of the Borrower) for all Permitted Acquisitions other than the ASEF Acquisition and the Ortho Acquisition shall not exceed in the aggregate: (A) $100,000,000 if such acquisition or acquisitions shall occur prior to or during fiscal year 2000; (B) $175,000,000 (representing an incremental $75,000,000) if such acquisition or acquisitions shall occur prior to or during fiscal year 2001; (C) $200,000,000 (representing an incremental $25,000,000) if such acquisition or acquisitions shall occur prior to or during fiscal year 2002; and (D) $225,000,000 (representing an incremental $25,000,000) thereafter."

C. AMENDMENT OF SUBSECTION 2.4 (REVOLVING CREDIT COMMITMENT). Subsection 2.4 of the Credit Agreement is hereby amended by deleting the second proviso to the first sentence therein in its entirety and by substituting, in lieu thereof, the following:

"PROVIDED further that the Revolving Credit Lenders shall not make any Revolving Credit Loans in Optional Currencies if, after giving effect to the making of any such Revolving Credit Loan:

(i) the sum of the Dollar Equivalent of the then outstanding Revolving Credit Loans in Optional Currencies other than Sterling and the then outstanding L/C Obligations in Optional Currencies other than Sterling would exceed the Optional Currency Equivalent of the product of (p) $120,000,000 and (q) the ratio of (1) the sum of the Total Revolving Credit Commitments as of the Closing Date and the aggregate amount of increases in the Total Revolving Credit Commitments pursuant to subsection 2.28 since the Closing Date over (2) the Total Revolving Credit Commitments as of the Closing Date (such Optional Currency Equivalent the "MAXIMUM NON-STERLING OPTIONAL CURRENCY AMOUNT"); or

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(ii) the sum of the Dollar Equivalent of the then outstanding Revolving Credit Loans in Optional Currencies including Sterling and the then outstanding L/C Obligations in Optional Currencies including Sterling would exceed the Optional Currency Equivalent of the product of (p) $225,000,000 and (q) the ratio of (1) the sum of the Total Revolving Credit Commitments as of the Closing Date and the aggregate amount of increases in the Total Revolving Credit Commitments pursuant to subsection 2.28 since the Closing Date over (2) the Total Revolving Credit Commitments as of the Closing Date (such Optional Currency Equivalent the "MAXIMUM OPTIONAL CURRENCY AMOUNT") and"

D. AMENDMENT OF SUBSECTION 2.12 (MANDATORY PREPAYMENTS). Subsection 2.12(d) of the Credit Agreement is hereby amended by deleting such subsection in its entirety and by substituting, in lieu thereof, the following:

"(d) Unless the Required Prepayment Lenders shall otherwise agree, if on any date the Borrower or any of its Subsidiaries shall receive Net Cash Proceeds from any Asset Sale (including any Asset Sale permitted under clause (c) of subsection 7.9) or Recovery Event then, unless a Reinvestment Notice shall be delivered in respect thereof, an amount equal to such Net Cash Proceeds shall be paid by the Borrower or any of its Subsidiaries, and shall be applied on such date toward the prepayment of the Term Loans and the reduction of the Revolving Credit Commitments as set forth in subsection 2.12(f); PROVIDED, that, notwithstanding the foregoing, (i) the aggregate Net Cash Proceeds of Asset Sales and Recovery Events that may be excluded from the foregoing requirement pursuant to a Reinvestment Notice shall not exceed (x) if the Net Cash Proceeds are of Asset Sales of (1) assets of Phostrogen Limited or (2) assets of the Borrower or OMS Investments, Inc. and used in the Borrower's "Professional Turf" line of business, $50,000,000 in the aggregate, (y) if the Net Cash Proceeds are of the sale and leaseback of the Borrower's North American headquarters in Marysville, Ohio, $10,000,000 in the aggregate, and (z) otherwise, $25,000,000 in any fiscal year of the Borrower or $100,000,000 in the aggregate, and (ii) on each Reinvestment Prepayment Date, an amount equal to the Reinvestment Prepayment Amount with respect to the relevant Reinvestment Event shall be applied toward the prepayment of the Term Loans and the reduction of the Revolving Credit Commitments as set forth in subsection 2.12(f)."

E. AMENDMENT OF SUBSECTION 2.18 (PRO RATA TREATMENT AND PAYMENTS).

1. Subsection 2.18(c)(i)(A) of the Credit Agreement is hereby amended by deleting such subsection in its entirety and by substituting, in lieu thereof, the following:

"(A) if such Asset Sale is of the Capital Stock of a Subsidiary Borrower that is the borrower of the Tranche A French Subtranche Term Loans, the Tranche A German Subtranche Term Loans or the Tranche A British Subtranche Term Loans or of any assets of such Subsidiary Borrower or any Subsidiary thereof, to the extent that such subtranche of Tranche A Term Loans are then outstanding, to such Tranche A French Subtranche Term Loans, to such Tranche A German Subtranche Term Loans or to the Tranche A British Subtranche Term Loans, as the case may be, in each case PRO RATA to the remaining

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installments thereof, and thereafter as provided above; provided that any such application to the Tranche A British Subtranche Term Loans may, at the option of such Subsidiary Borrower, first be applied to the Tranche A British Subtranche Term Loans made by Lenders that are not Eligible U.K. Banks and thereafter to the Tranche A British Subtranche Term Loans made by Eligible U.K. Banks; and"

2. Subsection 2.18(c)(i)(B) of the Credit Agreement is hereby amended by deleting therefrom the phrase "the other Tranche A British Subtranche Term Loans and".

F. AMENDMENT OF SECTION 2 (AMOUNT AND TERMS OF LOANS). Section 2 of the Credit Agreement is hereby amended by adding the following new subsection 2.28 to the end thereof:

"2.28 COMMITMENT INCREASES. (a) From time to time the Borrower may, with the consent of the Administrative Agent and one or more of the Revolving Credit Lenders, increase the Revolving Credit Commitments of such Revolving Credit Lenders by an aggregate amount of not less than $25,000,000. Any such increase in the Revolving Credit Commitment of any Revolving Credit Lender shall be evidenced by the execution and delivery by the Borrower, the Subsidiary Borrowers, the Administrative Agent and such Revolving Credit Lender of a Commitment Increase Supplement, substantially in the form of Exhibit N (a "COMMITMENT INCREASE SUPPLEMENT"), and shall be effective as of the date specified for effectiveness in such Commitment Increase Supplement, whereupon such Revolving Credit Lender shall be bound by and entitled to the benefits of this Agreement with respect to the full amount of its Revolving Credit Commitment as so increased, and Schedule 1 shall be deemed to be amended to so increase the Revolving Credit Commitment of such Lender.

(b) If, on the date upon which the Revolving Credit Commitment of any Revolving Credit Lender is increased pursuant to subsection 2.28(a), there is an unpaid principal amount of Revolving Credit Loans in any currency to the Borrower or any Subsidiary Borrower in which such Revolving Credit Lender has agreed to participate, the principal outstanding amount of all such Revolving Credit Loans shall (A) in the case of such Revolving Credit Loans which are ABR Loans, be immediately prepaid by the Borrower or Subsidiary Borrower (but all such Revolving Credit Loans may, on the terms and conditions hereof, be reborrowed on such date on a pro rata basis, based on the revised Revolving Credit Commitments as then in effect) and (B) in the case of such Revolving Credit Loans which are LIBOR Loans, continue to remain outstanding (notwithstanding any other requirement in this Agreement that such Revolving Credit Loans be held on a pro rata basis based on the revised Revolving Credit Commitments as then in effect) until the end of the then current Interest Period therefor, at which time such LIBOR Loans shall be paid by the Borrower or Subsidiary Borrower (but all such Revolving Credit Loans may, on the terms and conditions hereof, be reborrowed on such date on a pro rata basis, based on the Revolving Credit Commitments as then in effect).

(c) Notwithstanding anything to the contrary in this subsection 2.28, (i) in no event shall any transaction effected pursuant to this subsection 2.28 cause the aggregate Revolving Credit Commitments to exceed $575,000,000, less the aggregate amount of any

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reduction in the Revolving Credit Commitments pursuant to subsection 2.10 or 2.12, and (ii) no Lender shall have any obligation to increase its Revolving Credit Commitment unless it agrees to do so in its sole discretion. Each Commitment Increase Supplement shall be deemed to be a supplement to this Agreement."

G. AMENDMENT OF SUBSECTION 6.13 (ADDITIONAL COLLATERAL, ETC.).

1. Subsection 6.13(c) of the Credit Agreement is hereby amended by adding at the end thereof immediately prior to the period the following:

", PROVIDED that, if the initial investment in or purchase price of such new Domestic Subsidiary is less than $1,000,000, the obligations of the Borrower discussed in clauses (i) through (iv) of this subsection 6.13(c) shall not take effect unless and until the financial statements delivered to the Administrative Agent following the end of each fiscal year of the Borrower pursuant to subsection 6.1(a) show the tangible net worth of such new Domestic Subsidiary to be more than $1,000,000"

2. Subsection 6.13(d) of the Credit Agreement is hereby amended by (a) deleting the word "Subsidiaries" that appears before clause (i) thereof, (b) adding in lieu thereof the words "Domestic Subsidiaries or any Foreign Subsidiary Borrower", and (c) adding at the end of the first sentence thereof immediately prior to the period the following:

", PROVIDED that, if the initial investment in or purchase price of such new Foreign Subsidiary or Foreign Subsidiary Borrower (as applicable) is less than $1,000,000, the obligations of the Borrower discussed in clauses (i) through (iv) of this subsection 6.13(d) shall not take effect unless and until the financial statements delivered to the Administrative Agent following the end of each fiscal year of the Borrower pursuant to subsection 6.1(a) show the tangible net worth of such new Foreign Subsidiary or Foreign Subsidiary Borrower (as applicable) to be more than $1,000,000"

3. Subsection 6.13(e) of the Credit Agreement is hereby amended by adding at the end thereof immediately prior to the period the following:

", PROVIDED that, if the initial investment in or purchase price of such new Excluded Foreign Subsidiary is less than $1,000,000, the obligations of the Borrower discussed in clauses (i) through (iii) of this subsection 6.13(e) shall not take effect unless and until the financial statements delivered to the Administrative Agent following the end of each fiscal year of the Borrower pursuant to subsection 6.1(a) show the tangible net worth of such new Excluded Foreign Subsidiary to be more than $1,000,000"

H. AMENDMENT OF SUBSECTION 7.1 (LIMITATION ON LIENS). Subsection 7.1 of the Credit Agreement is hereby amended by deleting the word "and" at the end of clause (m) thereof, deleting the period at the end of clause (n) thereof, inserting in lieu thereof "; and", and adding immediately thereafter the following:

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"(o) Purchase money Liens on assets acquired with seller-financed Indebtedness permitted pursuant to subsection 7.6(m), so long as such Liens encumber only assets (and proceeds thereof) acquired with such Indebtedness and do not secure any other Indebtedness."

I. AMENDMENT OF SUBSECTION 7.2 (LIMITATION ON CONTINGENT OBLIGATIONS). Subsection 7.2 of the Credit Agreement is hereby amended by deleting such subsection in its entirety and by substituting, in lieu thereof, the following:

"7.2 LIMITATION ON CONTINGENT OBLIGATIONS. Agree to or assume, guarantee, indorse or otherwise in any way be or become responsible or liable for, directly or indirectly, any Contingent Obligation except for (i) the guarantees contemplated by the Guarantee and Collateral Agreements, (ii)(x) guarantees by the Borrower of Indebtedness of Foreign Subsidiary Borrowers in an aggregate amount not to exceed $25,000,000 at any one time outstanding, (y) guarantees by the Borrower of Permitted Foreign Debt of any Foreign Subsidiary, PROVIDED that such Permitted Foreign Debt is not secured by any Liens, and (z) guarantees by Foreign Subsidiaries of Permitted Foreign Debt and other obligations of other Foreign Subsidiaries, the Dollar Equivalent of which Permitted Foreign Debt and other such obligations shall not exceed $50,000,000 in aggregate principal outstanding at any time, (iii) guarantees in existence on the Closing Date as described in Schedule 7.2(iii), (iv) Contingent Obligations in an aggregate amount not to exceed $20,000,000 at any one time outstanding, (v) Contingent Obligations of any Subsidiary Guarantor in respect of Indebtedness permitted under subsection 7.6(e), PROVIDED that such Contingent Obligations are subordinated to the same extent as the obligations of the Borrower in respect of the related Indebtedness, (vi) to the extent that any of the obligations of the Borrower under the Roundup Agreement may constitute Contingent Obligations, such obligations, (vii) any guarantees of the Borrower or any of its Subsidiaries under clause (ii) of subsection 5.1(d), (viii) any guarantee of the obligations of the Borrower by its Subsidiaries of Indebtedness under the Senior Subordinated Notes and the Bridge Subordinated Debt Documents (if any) PROVIDED that such Contingent Obligations are subordinated to the same extent as the obligations of the Borrower in respect of the related Indebtedness, or (ix) any guarantee by the Borrower of Indebtedness incurred by OMS Investments, Inc. in connection with the Substral Acquisition."

J. AMENDMENT OF SUBSECTION 7.4 (LIMITATION ON CAPITAL EXPENDITURES). Subsection 7.4 of the Credit Agreement is hereby amended by deleting in each instance "$70,000,000" and by replacing it with "$90,000,000".

K. AMENDMENT OF SUBSECTION 7.6 (LIMITATION ON INDEBTEDNESS).

1. Subsection 7.6 of the Credit Agreement is hereby amended by deleting in clause (f) thereof "$10,000,000" and inserting in lieu thereof "$20,000,000".

2. Subsection 7.6 of the Credit Agreement is hereby further amended by deleting the word "and" at the end of clause (k) thereof, deleting the period at the end of clause (l), inserting in lieu thereof "; and", and adding immediately thereafter the following:

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"(m) seller-financed Indebtedness (i) incurred by OMS Investments, Inc. in connection with its acquiring trademarks and trade names as part of the Substral Acquisition or (ii) incurred by the Borrower or any of its Subsidiaries in an aggregate principal amount not to exceed $40,000,000 at any one time outstanding."

L. FORM OF COMMITMENT INCREASE SUPPLEMENT. The Credit Agreement is hereby amended by adding a new Exhibit N in the form attached to this Second Amendment as Annex A.

M. AMENDMENT OF CERTAIN AMOUNTS. Subsections 2.12, 2.14, 2.25 and 3.1 of the Credit Agreement are hereby amended by deleting the amounts "$120,000,000" and "$225,000,000" whereever they appear therein and by substituting in lieu thereof the phrases "Maximum Non-Sterling Optional Currency Amount" and "Maximum Optional Currency Amount" respectively.

II. GENERAL PROVISIONS

A. REPRESENTATIONS AND WARRANTIES. On and as of the date hereof, and after giving effect to this Second Amendment, each of the Borrower and each applicable Subsidiary Borrower hereby confirms, reaffirms and restates the representations and warranties set forth in Section 4 of the Credit Agreement MUTATIS MUTANDIS, and to the extent that such representations and warranties expressly relate to a specific earlier date in which case each of the Borrower and each applicable Subsidiary Borrower hereby confirms, reaffirms and restates such representations and warranties as of such earlier date.

B. CONDITIONS TO EFFECTIVENESS. This Second Amendment shall become effective as of the date (the "ACCEPTANCE DATE") the Administrative Agent receives counterparts of this Second Amendment, duly executed and delivered by the Borrower, each Subsidiary Borrower, the Administrative Agent and the Required Lenders, PROVIDED that the amendments described in Sections I.D and I.E hereof shall become effective as of the date (the "SECOND ACCEPTANCE DATE") the Administrative Agent receives counterparts of this Second Amendment, duly executed and delivered by the Borrower, each Subsidiary Borrower, the Administrative Agent and the Required Prepayment Lenders.

C. CONTINUING EFFECT; NO OTHER AMENDMENTS. Except as expressly amended or waived hereby, all of the terms and provisions of the Credit Agreement are and shall remain in full force and effect. The amendments provided for herein are limited to the specific subsections of the Credit Agreement specified herein and shall not constitute an amendment of, or an indication of any Lender's willingness to amend or waive, any other provisions of the Credit Agreement or the same subsections for any other date or time period (whether or not such other provisions or compliance with such subsections for another date or time period are affected by the circumstances addressed in this Second Amendment).

D. EXPENSES. The Borrower agrees to pay and reimburse the Administrative Agent for all its reasonable costs and expenses incurred in connection with the preparation and delivery of this Second Amendment, including, without limitation, the reasonable fees and disbursements of counsel to the Administrative Agent.

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E. GOVERNING LAW. THIS SECOND AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

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

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

THE SCOTTS COMPANY

By: /s/ Rebecca J. Bruening

Name: Rebecca J. Bruening
Title: Vice President, Corporate Treasurer

OM SCOTT INTERNATIONAL INVESTMENTS LTD.

By: /s/ Rebecca J. Bruening

Name: Rebecca J. Bruening
Title: Power of Attorney

MIRACLE GARDEN CARE LIMITED

By: /s/ Rebecca J. Bruening

Name: Rebecca J. Bruening
Title: Power of Attorney

SCOTTS HOLDINGS LIMITED

By: /s/ Rebecca J. Bruening

Name: Rebecca J. Bruening
Title: Power of Attorney

HYPONEX CORPORATION

By: /s/ Rebecca J. Bruening

Name: Rebecca J. Bruening
Title: Vice President

SCOTTS' MIRACLE-GRO PRODUCTS, INC.

By: /s/ Rebecca J. Bruening

Name: Rebecca J. Bruening
Title: Vice President

SCOTTS-SIERRA HORTICULTURAL PRODUCTS COMPANY

By: /s/ Rebecca J. Bruening

Name: Rebecca J. Bruening
Title: Vice President

REPUBLIC TOOL & MANUFACTURING CORP.

By: /s/ Rebecca J. Bruening

Name: Rebecca J. Bruening
Title: Vice President

SCOTTS-SIERRA INVESTMENTS, INC.

By: /s/ Rebecca J. Bruening

Name: Rebecca J. Bruening
Title: Vice President

SCOTTS FRANCE HOLDINGS SARL

By: /s/ Rebecca J. Bruening

Name: Rebecca J. Bruening
Title: Power of Attorney

SCOTTS FRANCE SARL

By: /s/ Rebecca J. Bruening

Name: Rebecca J. Bruening
Title: Power of Attorney

SCOTTS HOLDING GMBH

By: /s/ Rebecca J. Bruening

Name: Rebecca J. Bruening
Title: Power of Attorney

SCOTTS CELAFLOR GMBH & CO. KG

By: /s/ Rebecca J. Bruening

Name: Rebecca J. Bruening
Title: Power of Attorney

SCOTTS ASEF BVBA

By: /s/ Rebecca J. Bruening

Name: Rebecca J. Bruening
Title: Vice President of Scotts-Sierra Investments, Inc., as shareholder

THE SCOTTS COMPANY (UK) LTD.

By: /s/ Rebecca J. Bruening

Name: Rebecca J. Bruening
Title: Power of Attorney

SCOTTS CANADA LTD.

By: /s/ Rebecca J. Bruening

Name: Rebecca J. Bruening
Title: Vice President, Corporate Treasurer

SCOTTS EUROPE B.V.

By: /s/ Rebecca J. Bruening

Name: Rebecca J. Bruening
Title: Power of Attorney

ASEF B.V.

By: /s/ Rebecca J. Bruening

Name: Rebecca J. Bruening
Title: Power of Attorney

SCOTTS AUSTRALIA PTY LTD.

By: /s/ Rebecca J. Bruening

Name: Rebecca J. Bruening
Title: Power of Attorney

SALOMON SMITH BARNEY, INC., as Syndication Agent

By: /s/ Nicolas T. Erni

Name: Nicolas T. Erni
Title: Attorney In Fact

CREDIT LYONNAIS NEW YORK BRANCH, as
Co-Documentation Agent and as a Lender

By: /s/ Robert Ivosevich

Name: Robert Ivosevich
Title: Senior Vice President

BANK ONE, MICHIGAN, as successor to
NBD BANK, as Co-Documentation Agent and as a
Lender

By: /s/ Thomas E. Redmond

Name: Thomas E. Redmond
Title: Managing Director

THE CHASE MANHATTAN BANK, as
Administrative Agent and as a Lender

By: /s/ Randolph E. Cates

Name: Randolph E. Cates
Title: Vice President

ABN AMRO BANK N.V., Pittsburgh

By: /s/ Laurie D. Flom

Name: Laurie D. Flom
Title: Group Vice President

By: /s/ Thomas M. Toerpe

Name: Thomas M. Toerpe
Title: Vice President

AMMC CDO I, LIMITED
By: American Money Management Corp., as
Collateral Manager

By: /s/ David P. Meyer

Name: David P. Meyer
Title: Vice President

AERIES - II FINANCE LTD.
By: INVESCO Senior Secured Management, Inc., as
Sub-Managing Agent

By: /s/ Thomas H.B. Ewald

Name: Thomas H.B. Ewald
Title: Authorized Signatory

ALLSTATE LIFE INSURANCE CO.

By: /s/ Patricia W. Wilson

Name: Patricia W. Wilson
Title: Authorized Signatory

By: /s/ Daniel C. Leimbach

Name: Daniel C. Leimbach
Title: Authorized Signatory

ARES LEVERAGED INVESTMENT FUND II, L.P.
By: ARES Management II, L.P., its General Partner

By: /s/ Seth J. Brufsky

Name: Seth J. Brufsky
Title: Vice President

ATHENA CDO, LIMITED
By: Pacific Investment Management Company as its
investment advisor

By: /s/ Bradley W. Paulson

Name: Bradley W. Paulson
Title: Senior Vice President

BHF (USA) CAPITAL CORPORATION

By: /s/ Nina Zhou

Name: Nina Zhou
Title: Associate

By: /s/ Perry Forman

Name: Perry Forman
Title: Vice President

BW CAPITAL MARKETS, INC.

By: /s/ Richard P. Vrfer

Name: Richard P. Vrfer
Title: President

By: /s/ Philip G. Waldrop

Name: Philip G. Waldrop
Title: Vice President

BALANCED HIGH YIELD FUND II LTD.
By: BHF (USA) Capital Corporation, as Attorney-in-Fact

By: /s/ Nina Zhou

Name: Nina Zhou
Title: Associate

By: /s/ Perry Forman

Name: Perry Forman
Title: Vice President

BANK AUSTRIA CREDITANSTALT CORPORATE FINANCE, INC.

By: /s/ G. Steven Kalin

Name: G. Steven Kalin
Title: Vice President

By: /s/ David M. Harnisch

Name: David M. Harnisch
Title: Vice President

BANK OF AMERICA, N.A.

By: /s/ Gretchen Spoo

Name: Gretchen Spoo
Title: Vice President

BANK OF HAWAII

By: /s/ Luke Yeh

Name: Luke Yeh
Title: Vice President

BANK OF MONTREAL

By: /s/ Michael P. Joyce

Name: Michael P. Joyce
Title: Managing Director

THE BANK OF NEW YORK

By: /s/ Thomas C. McCrohan

Name: Thomas C. McCrohan
Title: Vice President

THE BANK OF NOVA SCOTIA

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

Name: F.C.H. Ashby
Title: Senior Manager Loan Operations

BANK OF TOKYO-MITSUBISHI TRUST
COMPANY

By: /s/ Heather Zimmerman

Name: Heather Zimmerman
Title: Vice President

BANQUE NATIONALE DE PARIS

By: /s/ Jo Ellen Bender

Name: Jo Ellen Bender
Title: Senior Vice President

BLACK DIAMOND CLO 1998-1 LTD.

By: /s/ John H. Cullinane

Name: John H. Cullinane
Title: Director

CAPTIVA III FINANCE LTD.

By: /s/ David Dyer

Name: David Dyer
Title: Director

CERES FINANCE, LTD.
By: INVESCO Senior Secured Management, Inc., as
Sub-Managing Agent

By: /s/ Thomas H.B. Ewald

Name: Thomas H.B. Ewald
Title: Authorized Signatory

CITICORP USA, INC.

By: /s/ Nicolas T. Erni

Name: Nicolas T. Erni
Title: Vice President

COMERICA BANK, Detroit

By: /s/ Anthony L. Davis

Name: Anthony L. Davis
Title: Assistant Vice President

CREDIT AGRICOLE INDOSUEZ, Chicago

By: /s/ Theodore D. Tice

Name: Theodore D. Tice
Title: Vice President
Senior Relationship Manager

By: /s/ Alan I. Schmeizer

Name: Alan I. Schmeizer
Title: Vice President
Senior Relationship Manager

CYPRESSTREE INSTITUTIONAL FUND, LLC
By: CypressTree Investment Management Company, Inc. its Managing Member

By: /s/ Jonathan D. Sharkey

Name: Jonathan D. Sharkey
Title: Principal

CYPRESSTREE INVESTMENT FUND, LLC
By: CypressTree Investment Management Company, Inc. its Managing Member

By: /s/ Jonathan D. Sharkey

Name: Jonathan D. Sharkey
Title: Principal

DELANO COMPANY
By: Pacific Investment Management Company as its investment advisor

By: /s/ Bradley W. Paulson

Name: Bradley W. Paulson
Title: Senior Vice President

DRESDNER BANK AG, NEW YORK AND
GRAND CAYMAN BRANCHES

By: /s/ Ken Hamilton

Name: Ken Hamilton
Title: Senior Vice President

By: /s/ Xinyue Jasmine Geffner

Name: Xinyue Jasmine Geffner
Title: Assistant Vice President

ELC (CAYMAN) 2000-I LTD.

By: /s/ E.A. Kratzman, III

Name: E.A. Kratzman, III
Title: Managing Director
IDM

EATON VANCE SENIOR INCOME TRUST
By: Eaton Vance Management, as Investment
Advisor

By: /s/ Scott H. Page

Name: Scott H. Page
Title: Vice President

FIFTH THIRD BANK OF COLUMBUS

By: /s/ Ted Lape

Name: Ted Lape
Title: Vice President

FIRST UNION NATIONAL BANK

By: /s/ Joel Thomas

Name: Joel Thomas
Title: Vice President

FOOTHILL INCOME TRUST, L.P.
By: FIT GP LLC, its general partner

By: /s/ Denis R. Ascher

Name: Denis R. Ascher
Title: Managing Member

GENERAL ELECTRIC CAPITAL CORP.

By: /s/ Robert M. Kadlick

Name: Robert M. Kadlick
Title: Duly Authorized Signatory

HARRIS TRUST AND SAVINGS BANK

By: /s/ C. Scott Place

Name: C. Scott Place
Title: Vice President

HELLER FINANCIAL INC.

By: /s/ David R. Campbell

Name: David R. Campbell
Title: Vice President

THE HUNTINGTON NATIONAL BANK

By: /s/ Mark A. Koscielski

Name: Mark A. Koscielski
Title: Vice President

INDOSUEZ CAPITAL FUNDING IIA, LTD.
By: Indosuez Capital, as Portfolio Advisor

By: /s/ Melissa Mora

Name: Melissa Mora
Title: Vice President

KZH CRESCENT 3 LLC

By: /s/ Nicholas Lucente

Name: Nicholas Lucente
Title: Authorized Agent

KZH ING-3 LLC

By: /s/ Susan Lee

Name: Susan Lee
Title: Authorized Agent

KZH RIVERSIDE LLC

By: /s/ Susan Lee

Name: Susan Lee
Title: Authorized Agent

KZH WATERSIDE LLC

By: /s/ Susan Lee

Name: Susan Lee
Title: Authorized Agent

KZH CNC LLC

By: /s/ Susan Lee

Name: Susan Lee
Title: Authorized Agent

KZH-CYPRESSTREE-1 LLC

By: /s/ Susan Lee

Name: Susan Lee
Title: Authorized Agent

KZH-ING-2 LLC

By: /s/ Nicholas Lucente

Name: Nicholas Lucente
Title: Authorized Agent

KZH-SOLEIL-2 LLC

By: /s/ Nicholas Lucente

Name: Nicholas Lucente
Title: Authorized Agent

KEYBANK NATIONAL ASSOCIATION

By: /s/ Brendan A. Lawlor

Name: Brendan A. Lawlor
Title: Vice President

MONUMENTAL LIFE INSURANCE COMPANY

By: /s/ John F. Bailey

Name: John F. Bailey
Title: Vice President

BANK ONE, MICHIGAN, as successor to
NBD BANK

By: /s/ Thomas E. Redmond

Name: Thomas E. Redmond
Title: Managing Director

NATIONAL CITY BANK

By: /s/ Anthony F. Salvatore

Name: Anthony F. Salvatore
Title: Vice President

NORTH AMERICAN SENIOR FLOATING RATE
FUND
By: CypressTree Investment Management Company,
Inc. as Portfolio Manager

By: /s/ Jonathan D. Sharkey

Name: Jonathan D. Sharkey
Title: Principal

NUVEEN SENIOR INCOME FUND

By: /s/ Lisa M. Mincheski

Name: Lisa M. Mincheski
Title: Managing Director

OAK HILL SECURITIES FUND, L.P.
By: Oak Hill Securities GenPar, L.P. its General Partner
By: Oak Hill Securities MGP, Inc. its General Partner

By: /s/ Scott D. Krase

Name: Scott D. Krase
Title: Vice President

OASIS COLLATERALIZED HIGH INCOME
By: INVESCO Senior Secured Management, Inc., as Sub-Managing Agent

By: /s/ Thomas H.B. Ewald

Name: Thomas H.B. Ewald
Title: Authorized Signatory

OLYMPIC FUNDING TRUST, SERIES 1999-1

By: /s/ Ashley R. Hamilton

Name: Ashley R. Hamilton
Title: Authorized Agent

OSPREY INVESTMENTS PORTFOLIO
By: Citibank Global Asset Management

By: /s/ Mike Regan

Name: Mike Regan
Title: Vice President

OXFORD STRATEGIC INCOME FUND
By: Eaton Vance Management as Investment Advisor

By: /s/ Scott H. Page

Name: Scott H. Page
Title: Vice President

PINEHURST TRADING, INC.

By: /s/ Ashley R. Hamilton

Name: Ashley R. Hamilton
Title: Assistant Vice President

SKM LIBERTYVIEW CBO I LTD.

By: /s/ Kenneth C. Kleger

Name: Kenneth C. Kleger
Title: Authorized Signatory

SENIOR DEBT PORTFOLIO
By: Boston Management and Research, as
Investment Advisor

By: /s/ Scott H. Page

Name: Scott H. Page
Title: Vice President

SUNTRUST BANK

By: /s/ Jennifer P. Harrelson

Name: Jennifer P. Harrelson
Title: Managing Director

TORONTO DOMINION (TEXAS) INC.

By: /s/ Mark A. Baird

Name: Mark A. Baird
Title: Vice President

VAN KAMPEN CLO I, LIMITED
By: Van Kampen Management Inc., as Collateral Manager

By: /s/ Darvin D. Pierce

Name: Darvin D. Pierce
Title: Vice President

ACKNOWLEDGMENT AND CONSENT

In consideration of each Agent's and the Lenders' execution, delivery and performance of the foregoing Amendment No. 2 (the "SECOND AMENDMENT"), each of the undersigned hereby (i) acknowledges the terms and provisions of the Second Amendment and consents thereto and (ii) confirms and agrees that (x) the Borrower and Domestic Subsidiary Guarantee and Collateral Agreement (the "GUARANTEE AND COLLATERAL AGREEMENT) is, and shall continue to be, in full force and effect and is hereby ratified and confirmed in all respects and shall apply to the Credit Agreement as amended by the Second Amendment and (y) the guarantees and all of the Collateral (as defined in the Guarantee and Collateral Agreement) do, and shall continue to, secure the payment of all of the Obligations (as defined in the Guarantee and Collateral Agreement) pursuant to the terms of the Guarantee and Collateral Agreement. Capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Credit Agreement referred to in the Second Amendment to which this Acknowledgment and Consent is attached.

SCOTTS' MIRACLE-GRO PRODUCTS, INC.
SCOTTS-SIERRA HORTICULTURAL
PRODUCTS COMPANY
REPUBLIC TOOL & MANUFACTURING CORP.
SCOTTS-SIERRA INVESTMENTS, INC.
SCOTTS PROFESSIONAL PRODUCTS CO.
SCOTTS PRODUCTS CO.
OMS INVESTMENTS, INC.
MIRACLE-GRO LAWN PRODUCTS, INC.
MIRACLE-GRO PRODUCTS LTD.
SCOTTS-SIERRA CROP PROTECTION
COMPANY
EARTHGRO, INC.
SANFORD SCIENTIFIC, INC.
EG SYSTEMS, INC.
SWISS FARMS PRODUCTS, INC.

By: /s/ Rebecca J. Bruening

Name: Rebecca J. Bruening
Title: Vice President, Treasurer

OLD FORT FINANCIAL CORP.

By: /s/ Rebecca J. Bruening

Name: Rebecca J. Bruening
Title: Treasurer

Annex A
to Second Amendment

EXHIBIT N
TO SCOTTS CREDIT AGREEMENT

[FORM OF COMMITMENT INCREASE SUPPLEMENT]

SUPPLEMENT, dated _____, to the Credit Agreement dated as of December 4, 1998 as amended by the Waiver, dated as of January 19, 1999, the Amendment No. 1 and Consent, dated as of October 13, 1999, the Waiver No. 2, dated as of February 14, 2000, and the Amendment No. 2 (the "Second Amendment") dated as of June __, 2000, and as amended, supplemented or modified from time to time (the "Credit Agreement") among THE SCOTTS COMPANY, an Ohio corporation (the "BORROWER" or "SCOTTS"), OM Scott International Investments Ltd., Miracle Garden Care Limited, Scotts Holdings Limited, Hyponex Corporation, Scotts' Miracle-Gro Products, Inc., Scotts-Sierra Horticultural Products Company, Republic Tool & Manufacturing Corp., Scotts-Sierra Investments, Inc., Scotts France Holdings SARL, Scotts Holding GmbH, Scotts Celaflor GmbH & Co. KG, Scotts France SARL, Scotts Asef BVBA, f/k/a Scotts Belgium 2 BVBA, The Scotts Company (UK) Ltd., Scotts Canada Ltd., Scotts Europe B.V., ASEF B.V., Scotts Australia PTY Ltd. and the other subsidiaries of the Borrower who are also borrowers from time to time under the Credit Agreement (the "SUBSIDIARY BORROWERS"), the several banks and other financial institutions from time to time parties to the Credit Agreement (the "LENDERS"), THE CHASE MANHATTAN BANK, a New York banking corporation (together with its banking affiliates, "CHASE"), as agent for the Lenders (in such capacity, the "ADMINISTRATIVE AGENT"), SALOMON SMITH BARNEY, INC., as syndication agent (the "SYNDICATION AGENT"), CREDIT LYONNAIS NEW YORK BRANCH (together with its banking affiliates, "CREDIT LYONNAIS") and BANK ONE, MICHIGAN, as successor to NBD BANK, as co-documentation agents (the "CO-DOCUMENTATION AGENTS"), and Chase Securities Inc., as lead arranger (the "LEAD ARRANGER") and as the book manager (the "BOOK MANAGER").

W I T N E S S E T H:

WHEREAS, the Credit Agreement provides in subsection 2.28(a) thereof that any Lender to which a Commitment Increase Offer is addressed may increase the amount of its Revolving Credit Commitment by executing and delivering to the Borrower, the Subsidiary Borrowers and the Administrative Agent a supplement to the Credit Agreement in substantially the form of this Supplement; and

WHEREAS, the undersigned now desires to increase the amount of its Revolving Credit Commitment under the Credit Agreement;

NOW THEREFORE, the undersigned hereby agrees as follows:

1. The undersigned agrees, subject to the terms and conditions of the Credit Agreement, that on the date this Supplement is accepted by the Borrower, the Subsidiary Borrowers and the Administrative Agent (a) it shall have its Revolving Credit Commitment increased by $_____, thereby making the amount of its Revolving Credit Commitment $_____, and (b) it shall have its maximum commitments to make Revolving Credit Loans in each of the Optional Currencies increased (if at all) to the amounts specified in Schedule N-1 hereto.

2. Terms defined in the Credit Agreement shall have their defined meanings when used herein.

IN WITNESS WHEREOF, the undersigned has caused this Supplement to be executed and delivered by a duly authorized officer on the date first above written.

[INSERT NAME OF LENDER]

By

Name:
Title:

Accepted this _____ day of
_____, _____.

THE SCOTTS COMPANY

By:

Name:
Title:

OM SCOTT INTERNATIONAL INVESTMENTS LTD.

By:

Name:
Title:

MIRACLE GARDEN CARE LIMITED

By:

Name:
Title:

SCOTTS HOLDINGS LIMITED

By:

Name:
Title:

HYPONEX CORPORATION

By:

Name:
Title:

SCOTTS' MIRACLE-GRO PRODUCTS, INC.

By:

Name:
Title:

SCOTTS-SIERRA HORTICULTURAL PRODUCTS COMPANY

By:

Name:
Title:

REPUBLIC TOOL & MANUFACTURING CORP.

By:

Name:
Title:

SCOTTS-SIERRA INVESTMENTS, INC.

By:

Name:
Title:

SCOTTS FRANCE HOLDINGS SARL

By:

Name:
Title:

SCOTTS FRANCE SARL

By:

Name:
Title:

SCOTTS HOLDING GMBH

By:

Name:
Title:

SCOTTS CELAFLOR GMBH & CO. KG

By:

Name:
Title:

SCOTTS ASEF BVBA

By:

Name:
Title:

THE SCOTTS COMPANY (UK) LTD.

By:

Name:
Title:

SCOTTS CANADA LTD.

By:

Name:
Title:

SCOTTS EUROPE B.V.

By:

Name:
Title:

ASEF B.V.

By:

Name:
Title:

SCOTTS AUSTRALIA PTY LTD.

By:

Name:
Title:

Accepted this ____ day of
_____, _____.

THE CHASE MANHATTAN BANK,
as Administrative Agent

By:

Name:
Title:

SCHEDULE N-1

[FORM OF SCHEDULE REGARDING
OPTIONAL CURRENCY MAXIMUM COMMITMENT INCREASE]

[LENDER]

OPTIONAL CURRENCY	MAXIMUM COMMITMENT
[]	[]

CONFORMED COPY

WAIVER NO. 2

WAIVER NO. 2, dated as of February 14, 2000 (the "Second Waiver"), to the Credit Agreement, dated as of December 4, 1998, as amended by the Waiver, dated as of January 19, 1999, and the Amendment No. 1 and Consent, dated as of October 13, 1999, and as amended, supplemented or modified from time to time (the "Credit Agreement") among THE SCOTTS COMPANY, an Ohio corporation (the "Borrower" or "Scotts"), OM Scott International Investments Ltd., Miracle Garden Care Limited, Scotts Holdings Limited, Hyponex Corporation, Scotts' Miracle-Gro Products, Inc., Scotts-Sierra Horticultural Products Company, Republic Tool & Manufacturing Corp., Scotts-Sierra Investments, Inc., Scotts France Holdings SARL, Scotts Holding GmbH, Scotts Celaflor GmbH & Co. KG, Scotts France SARL, Scotts Asef BVBA, f/k/a Scotts Belgium 2 BVBA, The Scotts Company (UK) Ltd., Scotts Canada Ltd., Scotts Europe B.V., ASEF B.V., Scotts Australia PTY Ltd., and the other subsidiaries of the Borrower who are also borrowers from time to time under the Credit Agreement (the "Subsidiary Borrowers"), the several banks and other financial institutions from time to time parties to the Credit Agreement (the "Lenders"), THE CHASE MANHATTAN BANK, a New York banking corporation (together with its banking affiliates, "Chase"), as agent for the Lenders (in such capacity, the "Administrative Agent"), SALOMON SMITH BARNEY, INC., as syndication agent (the "Syndication Agent"), CREDIT LYONNAIS CHICAGO BRANCH (together with its banking affiliates, "Credit Lyonnais") and BANK ONE, MICHIGAN, as successor to NBD BANK, as co-documentation agents (the "Co-Documentation Agents"), and Chase Securities Inc., as lead arranger (the "Lead Arranger") and as the book manager (the "Book Manager").

W I T N E S S E T H :

WHEREAS, subsection 6.11 of the Credit Agreement, Maintenance of Consolidated Net Worth, sets forth a formula which required that Borrower's Consolidated Net Worth (as defined in the Credit Agreement) be in an amount of not less than $385,500,000 as of the last day of Borrower's fiscal quarter ending January 1, 2000. Borrower reports that its Consolidated Net Worth as of the last day of such fiscal quarter was $383,100,000;

WHEREAS, the Borrower has requested that the Required Lenders waive, with respect to the fiscal quarter ending January 1, 2000, the requirement under subsection 6.11 of the Credit Agreement that the Borrower maintain its Consolidated Net Worth above the amount described herein; and

WHEREAS, the Required Lenders have agreed to waive such requirement with respect to such period but only on the terms and subject to the conditions set forth herein;

NOW, THEREFORE, in consideration of the premises and of the mutual agreements herein contained, the parties hereto agree as follows:

1. Defined Terms. Unless otherwise noted, capitalized terms have the meanings given to them in the Credit Agreement.

2. Compliance with Subsection 6.11 (Maintenance of Consolidated Net Worth). The Required Lenders hereby waive the requirements of subsection 6.11 of the Credit Agreement with respect to the fiscal quarter ending January 1, 2000; provided that the Borrower's Consolidated Net Worth as of the last day of such fiscal quarter was not less than $383,000,000.

3. Representations and Warranties. On and as of the date hereof, and after giving effect to this Second Waiver, the Borrower hereby confirms, reaffirms and restates the representations and warranties set forth in Section 4 of the Credit Agreement mutatis mutandis, and to the extent that such representations and warranties expressly relate to a specific earlier date in which case the Borrower hereby confirms, reaffirms and restates such representations and warranties as of such earlier date.

4. Conditions to Effectiveness. This Second Waiver shall become effective as of the date the Administrative Agent receives counterparts of this Second Waiver, duly executed and delivered by the Borrower, the Administrative Agent and the Required Lenders.

5. Continuing Effect; No Other Waiver. Except as expressly waived hereby, all of the terms and provisions of the Credit Agreement are and shall remain in full force and effect. The waiver provided for herein is limited to the specific subsections of the Credit Agreement specified herein and shall not constitute an waiver of, or an indication of any Lender's willingness to waive, any other provisions of the Credit Agreement or the same subsections for any other date or time period (whether or not such other provisions or compliance with such subsections for another date or time period are affected by the circumstances addressed in this Second Waiver).

6. Expenses. The Borrower agrees to pay and reimburse the Administrative Agent for all its reasonable costs and expenses incurred in connection with the preparation and delivery of this Second Waiver, including, without limitation, the reasonable fees and disbursements of counsel to the Administrative Agent.

7. GOVERNING LAW. THIS SECOND WAIVER SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

8. Counterparts. This Second Waiver may be executed by the parties hereto in any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

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

THE SCOTTS COMPANY

By: /s/ REBECCA J. BRUENING

Title: Vice President, Corporate Treasurer

SALOMON SMITH BARNEY, INC., as Syndication Agent and as a Lender

By: /s/ B. CROOK

Title: Managing Director

CREDIT LYONNAIS CHICAGO BRANCH, as Co-Documentation Agent and as a Lender

By: /s/ MARY ANN KLEMM

Title: Vice President

BANK ONE, MICHIGAN, as successor to NBD BANK, as Co-Documentation Agent and as a Lender

By: /s/ THOMAS E. REDMOND

Title: Managing Director

THE CHASE MANHATTAN BANK, as Administrative Agent and as a Lender

By: /s/ RANDOLPH CATES

Title: Vice President

ABN AMRO BANK N.V., Pittsburgh

By: /s/ PATRICK PASTORE /s/ GREGORY AMOROSO

Title: Vice President Senior Vice President

AERIES - II FINANCE LTD.

By: /s/ GREG STOECKLE

Title: Authorized Signatory

ALLIANCE INVESTMENT OPPORTUNITIES

By:

Name:
Title:

ALLSTATE LIFE INSURANCE CO.

By:

Name:
Title:

ARES LEVERAGED INVESTMENT FUND II, L.P.

By: /s/ SETH BRUFSKY

Title: Vice President

ATHENA CDO, LIMITED

By: Pacific Investment Management Company as
its investment advisor

By: PIMCO Management Inc., a general partner

By:

Name:
Title:

BHF (USA) CAPITAL CORPORATION

By:

Name:
Title:

BHF BANK AKTIENGESELLSCHAFT

By:

Name:
Title:

BW CAPITAL MARKETS, INC.

By: /s/ PHILIP WALDROP RICHARD P. URFER

Title: Vice President President

BALANCED HIGH YIELD FUND II LTD.

By:

Name:
Title:

BANK AUSTRIA

By:

Name:
Title:

BANK OF AMERICA

By: /s/ GRETCHEN SPOO

Title: Vice President

BANK OF HAWAII

By:

Name:
Title:

BANK OF MONTREAL

By: /s/ BRIAN L. BANKS

Title: Director

THE BANK OF NEW YORK

By: /s/ THOMAS MCCROHAN

Title: Vice President

THE BANK OF NOVA SCOTIA
By: /s/ F.C.H. ASHBY

Title: Senior Manager Loan Operations

BANK OF TOKYO-MITSUBISHI TRUST COMPANY

By:

Name:
Title:

BANQUE NATIONALE DE PARIS

By: /s/ ARNAUD COLLIN DE BOCAGE

Title: Executive Vice President & General Manager

BANQUE WORMS CAPITAL CORPORATION

By: /s/ MICHAEL M. FLEMMING F. GAMET

Title: Vice President & General Counsel
Senior Vice President

BLACK DIAMOND CLO 1998-1 LTD.

By:

Name:
Title:

BOEING CAPITAL CORPORATION

By: /s/ JAMES C. HAMMERSMITH

Title: Senior Documentation Officer

CIT GROUP/EQUIPMENT FINANCING, INC.

By:

Name:
Title:

CAPTIVA III FINANCE LTD.

By:

Name:
Title:

CARAVELLE INVESTMENT FUND, L.L.C.

By:

Name:
Title:

CERES FINANCE, LTD.

By: /s/ GREGORY STOECKLE

Title: Authorized Signatory

CITICORP USA, INC.

By: /s/ NICHOLAS T. ERNI

Title: Attorney in Fact

COMERICA BANK, Detroit

By: /s/ ANTHONY L. DAVIS

Title: Assistant Vice President

CREDIT AGRICOLE INDOSUEZ, Chicago

By:

Name:
Title:

CREDIT LYONNAIS

By:

Name:
Title:

CYPRESSTREE INSTITUTIONAL FUND, LLC

By: CypressTree Investment Management Company,
Inc. its Managing Member

By:

Name:
Title:

CYPRESSTREE INVESTMENT FUND, LLC

By: CypressTree Investment Management Company,
Inc. its Managing Member

By:

Name:
Title:

DELANO COMPANY

By: Pacific Investment Management Company as its
investment advisor

By: PIMCO Management Inc., a general partner

By:

Name:
Title:

DRESDNER BANK, AG

By: /s/ A. RICHARD MORRIS KEN HAMILTON

Title: First Vice President Senior Vice President

EATON VANCE SENIOR INCOME TRUST

By: /s/ PAYSON F. SWAFFIELD

Title: Vice President

ERSTE BANK

By:

Name:
Title:

FIFTH THIRD BANK OF COLUMBUS

By: /s/ MARK RANSOM

Title: Vice President

FIRST UNION NATIONAL BANK

By: /s/ ANDREW PAYNE

Title: Vice President

FLEET NATIONAL BANK

By:

Name:
Title:

FOOTHILL INCOME TRUST, L.P.

By: /s/ DENNIS ASCHER

Title: Managing Member

FRANKLIN FLOATING RATE TRUST

By:

Name:
Title:

FREEMONT INVESTMENT & LOAN

By:

Name:
Title:

GENERAL ELECTRIC CAPITAL CORP.

By:

Name:
Title:

HARRIS TRUST AND SAVINGS BANK

By: /s/ C. SCOTT PLACE

Title: Vice President

HELLER FINANCIAL INC.

By: /s/ LINDA W. WOLF

Title: Senior Vice President

THE HUNTINGTON NATIONAL BANK

By: /s/ J. STEPHEN BENNETT

Title: Vice President

IKB DEUTSCHE INDUSTRIEBANK

By: /s/ MANFORD ZIWEY

Title: Director

INDOSUEZ CAPITAL

By: /s/ MELISSA MARANO

Title: Vice President

INDOSUEZ CAPITAL FUNDING IIA, LTD.

By:

Name:
Title:

KZH APPALOOSA LLC

By:

Name:
Title:

KZH BDC LLC

By:

Name:
Title:

KZH CRESCENT 3 LLC

By:

Name:
Title:

KZH III LLC

By:

Name:
Title:

KZH ING-3 LLC

By: /s/ SUSAN LEE

Title: Authorized Agent

KZH PAMCO LLC

By:

Name:
Title:

KZH RIVERSIDE LLC

By: /s/ SUSAN LEE

Title: Authorized Agent

KZH WATERSIDE LLC

By: /s/ SUSAN LEE

Title: Authorized Agent

KZH CNC LLC

By: /s/ SUSAN LEE

Title: Authorized Agent

KZH-CYPRESSTREE-1 LLC

By:

Name:
Title:

KZH-ING-2 LLC

By:

    Name:
    Title:

KZH-SOLEIL-2 LLC
By:

    Name:
    Title:

KEY BANK NATIONAL ASSOCIATION

By: /s/ BRENDAN LAWLOR

    Title: Vice President

LANDESBANK RHEINLAND-PFALZ GIR

By: /s/ GILSDORF DETLEF KREJOI

    Title: Assistant Vice President Manager

LEHMAN COMMERCIAL PAPER INC.

By:

    Name:
    Title:

ML CBO IV (CAYMAN) LTD.

By:

    Name:
    Title:

ML CLO XII PILGRIM AMERICA

By: Pilgrim Investments, Inc., as its investment manager

By:

Name:
Title:

ML CLO XX PILGRIM AMERICA

By: Pilgrim Investments, Inc., as its investment manager

By:

Name:
Title:

MSDW PRIME INCOME TRUST

By:

Name:
Title:

MEESPIERSON N.V.

By: /s/ W. GIBSON P. HANRATTY

Title: Manager Head of Acquisition & Finance

MERRILL LYNCH PRIME RATE PORTFOLIO

By:

Name:
Title:

MERRILL LYNCH SENIOR FLOATING RATE FUND

By:

Name:
Title:

METROPOLITAN LIFE INSURANCE CO.

By: /s/ JAMES R. DINGLER

Title: Director

MONUMENTAL LIFE INSURANCE COMPANY

By:

Name:
Title:

MOUNTAIN CLO TRUST

By:

Name:
Title:

MOUNTAIN CAPITAL CLO I, LTD.

By:

Name:
Title:

BANK ONE, MICHIGAN, as successor to
NBD BANK

By: /s/ THOMAS E. REDMOND

Title: Managing Director

NATIONAL CITY BANK

By: /s/ DAVID B. YATES

Title: Vice President

NATIONAL WESTMINSTER BANK, PLC
By:

Name:
Title:

NORSE CBO, LTD.

By:

Name:
Title:

NORTH AMERICAN SENIOR FLOATING RATE FUND

By: CypressTree Investment Management Company, Inc. as Portfolio Manager

By:

Name:
Title:

ORIX USA CORPORATION

By: /s/ HIROYUKI MIYAUCKHI

Title: EVP, Corporate Finance Group

OAK HILL SECURITIES FUND, L.P.

By: Oak Hill Securities GenPar, L.P. its General Partner

By: Oak Hill Securities MGP, Inc. its General Partner

By: /s/ SCOTT KRASE

Title: Vice President

OASIS COLLATERALIZED HIGH INCOME

By: /s/ GREGORY STOECKLE

Title: Authorized Signatory

OCTAGON LOAN TRUST

By:

Name:
Title:

OLYMPIC FUNDING TRUST, SERIES 1999-1

By: /s/ KELLY WALKER

Title: Authorized Agent

OSPREY INVESTMENTS PORTFOLIO

By: /s/ MIKE REGAN

Title: Vice President

OXFORD STRATEGIC INCOME FUND

By: EATON VANCE MANAGEMENT AS INVESTMENT ADVISOR

By: /s/ PAYSON F. SWAFFIELD

Title: Vice President

PACIFICA PARTNERS I, L.P.

By: /s/ THOMAS COLWELL

Title: Vice President

PARIBAS

By:

Name:
Title:

PINEHURST TRADING, INC.

By: /s/ KELLY WALKER

Title: Vice President

COOPERATIEVE CENTRALE RAIFFEISEN-BOERENLEENBANK B.A.,
"RABOBANK NEDERLAND", Utrecht Branch

By: /s/ MICHAEL BUTZ NANCY O'CONNOR

Title: Vice President
Vice President

COOPERATIEVE CENTRALE RAIFFEISEN-BOERENLEENBANK B.A.,
"RABOBANK NEDERLAND", Utrecht Branch

By:

Name:
Title:

SKM LIBERTYVIEW CBO I LTD.

By: /s/ KENNETH KLEGAR

Title: Authorized Signatory

SANKATY HIGH YIELD ASSET PARTNERS

By: /s/ DIANE EXTER

Title: Executive Vice President & Portfolio Manager

SCOTIABANC, INC.

By:

Name:
Title:

SENIOR DEBT PORTFOLIO

By: Boston Management and Research
as Investment Advisor

By: /s/ PAYSON SWAFFIELD

Title: Vice President

SUNTRUST BANK, CENTRAL FLORIDA, N.A.

By: /s/ STEPHEN LEISTER
Title: Vice President

TORONTO DOMINION (TEXAS) INC.

By:

Name:
Title:

TRAVELERS INSURANCE COMPANY

By:

Name:
Title:

VAN KAMPEN CLO I, LIMITED

By: Van Kampen Management Inc., as Collateral Manager

By: /s/ DARVIN D. PIERCE

Title: Vice President

ACKNOWLEDGEMENT AND CONSENT

In consideration of each Agent's and the Lenders' execution, delivery and performance of the foregoing Waiver No. 2 (the "Second Waiver"), each of the undersigned hereby (i) acknowledges the terms and provisions of the Second Waiver and consents thereto and (ii) confirms and agrees that (x) the Borrower and Domestic Subsidiary Guarantee and Collateral Agreement (the "Guarantee and Collateral Agreement) is, and shall continue to be, in full force and effect and is hereby ratified and confirmed in all respects and shall apply to the Credit Agreement and (y) the guarantees and all of the Collateral (as defined in the Guarantee and Collateral Agreement) do, and shall continue to, secure the payment of all of the Obligations (as defined in the Guarantee and Collateral Agreement) pursuant to the terms of the Guarantee and Collateral Agreement. Capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Credit Agreement referred to in the Second Waiver to which this Acknowledgment and Consent is attached.

SCOTTS-SIERRA INVESTMENTS, INC.
SCOTTS PROFESSIONAL PRODUCTS CO.
SCOTTS PRODUCTS CO.
OMS INVESTMENTS, INC.
MIRACLE-GRO LAWN PRODUCTS, INC.
MIRACLE-GRO PRODUCTS LTD.
SCOTTS-SIERRA CROP PROTECTION COMPANY
OLD FORT FINANCIAL CORP.
EARTHGRO, INC.
SANFORD SCIENTIFIC, INC.
EG SYSTEMS, INC.
SWISS FARMS PRODUCTS, INC.

By: /s/ REBECCA J. BRUENING

Title: Vice President

Exhibit 10(l)

STOCK OPTION AGREEMENT
(Non-Qualified Stock Option)

THIS STOCK OPTION AGREEMENT is entered into as of _____ (the "Grant Date") by and between The Scotts Company ("Scotts" or "we") and _____ ("Optionee" or "you").

1. GRANT OF OPTION. You are granted an option (the "Option") under The Scotts Company 1996 Stock Option Plan (the "Plan") to purchase _____ common shares of Scotts. This Option is not intended to qualify as an incentive stock option under Section 422 of the Internal Revenue Code of 1986.

2. TERMS AND CONDITIONS OF YOUR OPTION. The purchase price (the "Option Price") to be paid by you upon the exercise of your Option is $_____ per share. You may exercise your Option beginning on the third anniversary of the Grant Date. Your Option terminates and ceases to be exercisable on the tenth anniversary of the Grant Date. Your Option is subject to all of the terms and conditions of the Plan including those addressing the following matters:

- Consequences of termination of employment with Scotts and our subsidiaries - Section 7

- Consequences of a Change in Control of Scotts - Section 8

- Assignability of your Option - Section 10

3. EXERCISE. Once vested, you may exercise your Option, in whole or in part, by delivering to Merrill Lynch a signed notice of exercise. If you die, or transfer your Option as permitted under the Plan, the person entitled to exercise the Option must deliver the signed notice of exercise. The notice of exercise must state the number of whole common shares being purchased. You may pay the Option Price in any manner permitted by Section 6.4 of the Plan. You (or if you die, your estate) will be responsible for paying to Scotts the amount of any taxes we are required by law to withhold in connection with the exercise of the Option. You may satisfy these tax withholding requirements in any manner permitted under Section 10.4 of the Plan.

4. YOUR RIGHTS AS A SHAREHOLDER. You have no rights or privileges as a shareholder of Scotts as to any of the common shares covered by the Option until you are issued a share certificate.

5. GENERAL. This Agreement incorporates all of the provisions of the Plan which are not specifically described in this Agreement. If there is any inconsistency between the provisions of this Agreement and those of the Plan, the provisions of the Plan control. This Agreement is governed by Ohio law. This Agreement represents the entire and exclusive agreement between you and Scotts concerning your Option grant. Any change, termination or attempted waiver of the provisions of this Agreement must be made in a writing signed by you and Scotts. The rights and obligations of Scotts under this Agreement will also extend to our successors and assigns.

IN WITNESS WHEREOF, Scotts has caused this Agreement to be executed by its duly authorized officer, and Optionee has executed this Agreement, in each case, effective as of the Grant Date.

THE SCOTTS COMPANY

By:

G. Robert Lucas
Executive Vice President, General Counsel

Optionee acknowledges receipt of a copy of the Plan and the Prospectus dated _____, 2000, and all supplements thereto, related to the Plan. Optionee represents that Optionee is familiar with the terms and conditions of the Plan. By signing below, Optionee accepts the Option subject to all terms and conditions of this Agreement and the Plan. Optionee agrees to accept as binding, conclusive and final all decisions or interpretations of the committee administering the Plan upon any questions arising under the Plan or this Agreement.

OPTIONEE:

Signature of Optionee

SSN:

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEET AND CONSOLIDATED STATEMENT OF OPERATIONS OF THE SCOTTS COMPANY AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE FORM 10-Q FOR THE QUARTER ENDED JULY 1, 2000

OTHER
SEP-30-2000
JAN-01-2000
JUL-01-2000
79,400,000
0
387,300,000
(13,100,000)
294,100,000
793,700,000
444,527,000
177,894,000
1,897,900,000
504,800,000
0
0
0
0
300,000
496,000,000
1,897,900,000
598,300,000
598,300,000
356,100,000
506,808,000
1,000,000
0
24,800,000
83,600,000
30,600,000
53,000,000
0
0
0
53,000,000
1.90
1.78