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

FORM 10-K

(MARK ONE)

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

For the fiscal year ended September 30, 1998

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 1-11593

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.)
14111 SCOTTSLAWN ROAD, MARYSVILLE, OHIO	43041
(Address of principal executive offices)	(Zip Code)

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

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

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
9 7/8% Senior Subordinated Notes due August 1, 2004	New York Stock Exchange
Common Shares, Without Par Value (18,305,525 Common Shares outstanding at December 2, 1998)	New York Stock Exchange

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

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

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

The aggregate market value of the common shares held by non-affiliates of the registrant at December 2, 1998 was $651,820,209.

DOCUMENTS INCORPORATED BY REFERENCE

PORTIONS OF THE PROXY STATEMENT FOR REGISTRANT'S 1999 ANNUAL MEETING OF SHAREHOLDERS TO BE HELD FEBRUARY 23, 1999, ARE INCORPORATED BY REFERENCE INTO PART III HEREOF.

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PART I

ITEM 1. BUSINESS

GENERAL

The Scotts Company ("Scotts"), and its wholly-owned subsidiaries, Hyponex Corporation ("Hyponex"), Scotts-Sierra Horticultural Products Company ("Sierra"), Republic Tool & Manufacturing Corp. ("Republic"), Scotts' Miracle-Gro Products, Inc. ("Scotts' Miracle-Gro"), Miracle Garden Care Limited ("Miracle Garden Care"), Levington Group Limited ("Levington"), and their respective subsidiaries (collectively, the "Company"), are among the oldest and most widely recognized marketers and manufacturers of products used to grow and maintain landscapes: lawns, gardens and golf courses. The Company's Turf Builder(R) (for consumer lawn care), Miracle-Gro(R) (for consumer garden care) and Osmocote(R) (for professional horticulture) brands command market-leading shares more than double those of the next ranked competitors, in the referenced consumer or professional subgroup. The Company's long history of technical innovation, its reputation for quality and service and its marketing tailored to the needs of do-it-yourselfers and professionals have enabled the Company to maintain leadership in its markets while delivering consistent growth in the Company's net sales.

Do-it-yourselfers and professionals purchase through different distribution channels and have different information and product needs. Accordingly, the Company has historically had two business groups, Consumer and Professional, to serve its domestic markets, as well as an International Group to serve its markets outside of North America. In fiscal 1997, the Company reorganized into six business groups comprised of Consumer Lawns, Consumer Gardens and Consumer Organics (together, the "Consumer Business Group"), the Professional Business Group, the International Business Group, and an Operations Group. During fiscal 1999, the Company re-named the Consumer Business Group, the "North American Consumer Business Group", and the Consumer Organics Business Group, "the Consumer Growing Media Business Group".

In early fiscal 1999, the Company added a fourth business group within the North American Consumer Business Group, named the Consumer Pesticides Business Group, to implement the agreement reached in September 1998 with Monsanto Company ("Monsanto"), for exclusive international agency and marketing rights to Monsanto's consumer Roundup(R)* herbicide products. This group will also integrate the assets of the consumer lawn and garden business of Monsanto (Solaris Division), including its Ortho(R)* product line (the "Ortho Acquisition"), which Scotts intends to purchase from Monsanto in the second quarter of fiscal 1999 for approximately $300.0 million pursuant to a definitive purchase agreement executed in November 1998. Other consumer pesticide trademarks which will be acquired pursuant to the purchase agreement include Weed-B-Gon(R)*, Rose Pride(R)*, Home Defense(R)* and White Swan(R)*. As part of the agreement, Scotts will also acquire the assets of Monsanto's Green Cross(R)* business, the leading consumer pesticides business in Canada, its Phostrogen(R)* business in the United Kingdom and its Defender(R)* business in Australia, as well as formulation facilities in Fort Madison, Iowa and Corwen, the United Kingdom. The purchase price under the purchase agreement is subject to adjustment as of the closing date.

The purchase agreement includes various customary representations and warranties of the parties for transactions of this type and contains customary, limited carve-outs for materiality, knowledge and disclosed information. However, the indemnification provisions limit the Company's total exposure to assumed liabilities, disputes with Central Garden & Pet Company (a distributor to the Solaris Division, "Central Garden") and breaches of representation to $5.0 million in the aggregate. The Company's obligation to close under the purchase agreement is conditioned upon, among other things: (i) receipt of all governmental authorizations, consents and approvals; (ii) the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended; (iii) the execution of certain ancillary agreements, including a glyphosate supply agreement (the active ingredient in Roundup(R)), a formulation agreement and a transition services agreement; and (iv) no material adverse change in the acquired business since December 31, 1997. Either party may terminate the purchase agreement if the closing has not occurred by March 31, 1999.

In September 1998, the Company entered into a long-term Exclusive Agency and Marketing Agreement (the "Roundup Marketing Agreement") with Monsanto. Pursuant to the Roundup Marketing Agreement, the Company became Monsanto's exclusive agent for the marketing and distribution of consumer Roundup(R)

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*Roundup(R) is a registered trademark of Monsanto; Ortho(R), Green Cross(R), Phostrogen(R), Defender(R), Weed-B-Gon(R), Rose Pride(R), Home Defense(R) and White Swan(R) are registered trademarks that will be transferred to the Company upon consummation of the Ortho Acquisition.

products in the consumer lawn and garden market in the United States and other specified countries, including, among others, Australia, Austria, Canada, France, Germany and the United Kingdom. Roundup(R) is a glyphosate-based product and is the leading consumer herbicide brand in the United States, with a substantial presence internationally. The Roundup Marketing Agreement does not involve Monsanto's Roundup business for agricultural, professional turf and horticultural markets. In addition, if Monsanto develops new products containing glyphosate or other non-selective herbicides, the Company has certain rights to market such products to consumers as well in the consumer lawn and garden market.

Under the Roundup Marketing Agreement, the Company and Monsanto will jointly develop global consumer and trade marketing programs for Roundup, and the Company has assumed responsibility for sales support, merchandising, distribution and logistics. Monsanto continues to own all the assets of the consumer Roundup business and will provide significant oversight of its brand. The Company has taken responsibility for its functions in North America with a longer transition expected in Europe and Australia.

FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS

During fiscal 1998, the Company operated in three principal business segments: (1) North American Consumer Business Group, which include products of the Consumer Lawns, Consumer Gardens and Consumer Growing Media groups, sold in the United States and Canada; (2) Professional Business Group, including products of the ProTurf(R) and Horticulture groups, sold in the United States and Canada; and (3) International Business Group. For fiscal 1998, North American Consumer Business Group, Professional Business Group and International Business Group products accounted for 66%, 16%, and 18%, respectively, of consolidated revenues. These businesses accounted for 71%, 11%, and 18%, respectively, of fiscal 1998 income from operations before general corporate expenses. Financial information on the Company's segments for the three years ended September 30, 1998, is presented in Note 18 of the Notes to Consolidated Financial Statements, which are included elsewhere herein.

NORTH AMERICAN CONSUMER BUSINESS GROUP

Products

The Company's consumer products include: lawn fertilizers, lawn fertilizer combination products and lawn control products, pesticides (including herbicides and insecticides), garden tools, walk-behind and riding mowers, grass seed, lawn spreaders and lawn and garden carts; garden and indoor plant care products; and potting soils and other growing media products.

Consumer Lawns Products. Among the Company's most important consumer products are lawn fertilizers, such as Scotts Turf Builder(R), and lawn fertilizer combination products, such as Scotts Turf Builder(R) with Plus 2(TM) Weed Control and Scotts Turf Builder(R) with Halts(R) Crabgrass Preventer. Typically, these are patented, homogeneous, controlled-release products which provide complete controlled feeding for consumers' lawns for up to two months without the risk of damage to the lawn presented by less expensive controlled- and non-controlled-release products. Some of the Company's products are specially formulated for geographical differences and some, such as Bonus(R) S (to control weeds in Southern grasses), are distributed to limited areas. Lawn control products prevent or control lawn problems and contain no fertilizer component. These control products include Scotts(R) Halts(R) Crabgrass Preventer, Scotts(R) Lawn Fungus Control, Scotts(R) Moss Control Granules, Scotts(R) Diazinon Lawn Insect Control and GrubEx(R) Season Long Grub Control. The Company also sells a line of Miracle-Gro(R) lawn fertilizers, including Miracle-Gro(R) Lawn Fertilizer and Miracle-Gro(R) Weed and Feed. The Company's lawn fertilizers, combination products and control products are sold in dry, granular form.

Management estimates that as of September 1998, the Company's share of the U.S. do-it-yourself consumer lawn fertilizer and combination products market was approximately 58%.

The Company sells numerous varieties and blends of high quality grass seed, many of them proprietary, designed for different uses and geographies. Management estimates that the Company's share of the U.S. consumer grass seed market (includes PatchMaster(R) products) was approximately 39% as of September 1998.

Because the Company's granular lawn care products perform best when applied evenly and accurately, the Company sells a line of spreaders specifically manufactured and developed for use with its products. For fiscal 1998, this line included three sizes each of SpeedyGreen(R) rotary spreaders and AccuGreen(R) drop spreaders, and the HandyGreen(R) II hand-held rotary spreaders, all marketed under the Scotts(R) brand name.

Management estimates that the Company's share of the U.S. market for lawn spreaders and lawn and garden carts was approximately 42% as of September 1998.

The Company has a licensing agreement in place with Union Tools, Inc. ("Union") under which Union, in return for the payment of royalties, is granted the right to produce and market a line of garden tools bearing the Scotts(R) trademark. The Company also is a party to a licensing agreement with American Lawn Mower Company ("American") under which American, in return for the payment of royalties, is granted the right to produce and market a line of push-type walk-behind lawn mowers bearing the Scotts(R) trademark. Also, the Company is a party to a licensing agreement with The Home Depot and Murray, Inc. under which, in return for the payment of royalties, The Home Depot markets a line of motorized, walk-behind and riding lawnmowers bearing the Scotts(R) trademark, with the mowers currently manufactured by Murray, Inc. These mowers are sold exclusively through The Home Depot retail stores. In management's estimation, the Company did not have a material share of the markets for these products in fiscal 1998.

Consumer Gardens Products. The Company sells a complete line of water-soluble fertilizers under the Miracle-Gro(R) brand name. These products are primarily used for garden fertilizer application. The Company also produces and sells a line of boxed Scotts(R) plant foods, garden and landscape fertilizers, Osmocote(R) controlled-release garden fertilizers, hose-end feeders and houseplant fertilizer products.

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

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

Management estimates that as of September 1998, the Company's share of the garden fertilizer segment was 52%, and its share of the indoor plant foods market was approximately 33%.

Consumer Growing Media Products. The Company sells a complete line of growing media products for indoor and outdoor uses under the Miracle-Gro(R) , Scotts(R), Hyponex(R), Earthgro(R), Peters Professional(R) and other labels. These products include retail potting soils, topsoil, humus, peat, manures, soil conditioners, barks and mulches. These products are primarily regionally formulated to respond to varying consumer expectations and to utilize the suitable but varying raw materials available in different areas of the country. With the acquisition of EarthGro, Inc. ("EarthGro") in February 1998, the Earthgro(R) and 1881 Select(R) trademarks were acquired, as well as six additional growing media facilities primarily serving the Northeast market area.

Management estimates that as of September 1998, it had approximately a 32% market share of the consumer large-bag outdoor landscaping products market, and approximately a 47% market share of the consumer potting soils market.

Market

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

The Company is the market leader in the lawn, garden and growing media sections of the growing lawn and garden market. U.S. population trends indicate that the consumer segment age of 40 and older, who represent the largest group of lawn and garden product users, will grow by 28% from 1996 to 2010, a growth rate more than twice that of the total population.

Drawing upon its strong research and development capabilities, the Company intends to continue to develop and introduce new and innovative lawn and garden products. The Company believes that its ability to introduce successful new consumer products has been an important element in the Company's growth. New consumer products in recent years include: YardAll(R) (fiscal 1995), an extra-large lawn and garden cart; Miracle-Gro(R) Quick Start (fiscal 1996), a liquid starter solution for newly-planted or young plants; GrubEx(R) (fiscal 1996), providing season-long lawn protection against grubs; the redesigned HandyGreen(R) II (fiscal 1996), a hand-held rotary spreader with an arm support; two new grass seed products, Mirage(TM) and Spring-Up(R) (fiscal 1996), grass seed blends for rapid seeding in the Spring; Scotts(R) potting soils and a complete line of indoor soil amendments such as vermiculite, perlite and charcoal in resealable stand-up bags (fiscal 1997); the No-Clog-4 in 1(R), which allows for sprinkler feeding of fertilizer for gardens and lawns (fiscal 1998); a new line of Miracle-Gro(R) potting soil mix and soil amendment products (fiscal 1998); and an expanded assortment of professional nursery quality potting soil mixes for consumers under the Scotts Pro Gro(TM) and Miracle-Gro(R) brands (fiscal 1998). In fiscal 1999, the Company plans to introduce Miracle-Gro(R) Flower Seeding Mix, a pre-mixed combination of flower seed, fertilizer and mulch; Miracle-Gro(R) Bloom Booster(R), a fertilizer for flowers; and Miracle-Gro(R) Tree Spikes, a fertilizer for outdoor trees.

The Company also seeks to capitalize upon the competitive advantages stemming from its position as the leading nationwide supplier of a full line of consumer lawn and garden products. The Company believes that this gives it an advantage in selling to retailers, who value the efficiency of dealing with a limited number of suppliers. During fiscal 1998, the Company established relationships with key retailers Wal*Mart, as manager of Wal*Mart's lawn and garden fertilizer category, and Kmart, as co-manager with Kmart of Kmart's lawn and garden product category. In the role of "category manager", the Company's representatives advise retailers of advantageous product mix, merchandising, shelving and pricing, based on consumer data. Category management has been successfully utilized in the grocery industry, in reducing "out of stock" situations, identifying retail trends and increasing store sales.

The Company is maintaining agreements with municipalities and waste haulers to compost yard waste. As of December 2, 1998, the Company had 14 compost facilities. During fiscal 1999 and 2000, the Company plans to close nine composting sites in the United States that collect yard and compost waste on behalf of municipalities. The economics of composting have deteriorated as municipalities have found lower-cost alternatives to disposing of their yard waste, resulting in substantial drops in the fees that municipalities had been providing to the Company in return for removing yard waste. In addition, the Company's costs to process and transport composted waste have exceeded original industry expectations. The Company plans to close the nine facilities as their contracts expire, which include six facilities in 1999, and three in 2000.

Marketing, Promotion and Business Strategy

Consumer Lawns products are sold by a 79-person direct sales force to headquarters of national, regional and local retail chains. This sales force, most of whom have college degrees and prior sales experience, also recruits and supervises approximately 225 seasonal part-time merchandisers and in-store weekend counselors, in connection with the Company's emphasis on in-store retail merchandising of lawn and garden products, a strategy the Company intends to continue for fiscal 1999. The Company also employs approximately 50 part-time year-round employees as merchandisers. Most retail sales of the Company's lawn products occur on weekends during the Spring and Fall. The Consumer Lawns Group also employs distributors on a selective basis.

Consumer Gardens products are sold by a 14-person sales force to a network of hardware and lawn and garden wholesale distributors, with certain sales made directly to some retailers. Most retail sales of Consumer Gardens products occur on or near weekends during Spring and early Summer. The Consumer Growing Media Group utilizes a 22-person direct sales force to cover the headquarters of national and regional chains, local accounts of significant size and distributors who sell to smaller accounts. The Consumer Growing Media Group's sales force hires and directs a network of outside merchandising service companies to provide seasonal in-store retail merchandising and re-order support on a national basis. Most retail sales of Consumer Growing Media landscape products occur on weekends during late Spring, while value-added products sell year-round.

The Consumer Lawns Group continues to support independent retailers with a special line of products, marketed under the Lawn Pro(R) name. These products include the 4-Step program, introduced in 1984,

which encourages consumers to purchase four products at one time (fertilizer plus crabgrass preventer, fertilizer plus weed control, fertilizer plus insect control and a special fertilizer for Fall application). The Company promotes the 4-Step program as providing consumers with all their annual lawn care needs for, on average, less than one-third of what a lawn care service would cost. The Company believes the Lawn Pro(R) program has helped the Company to grow its business with independent retailers while they face increasing competition from mass merchandisers and home improvement centers. The Consumer Growing Media Group similarly markets a special line of growing media products under the 1881 Select(R) label, to independent retailers.

The Company supports its sales efforts with extensive advertising and promotional programs. Because of the importance of the Spring sales season in the marketing of consumer lawn, garden and growing media products, the Company focuses advertising and promotional efforts on this period. Through advertising and other promotional efforts, the Company encourages consumers to make the bulk of their lawn, garden and growing media purchases in the early months of Spring in order to moderate the risk to its consumer sales which may result from bad weekend weather. The Consumer Lawns Group utilizes radio and television advertising to build consumer product usage in the Fall, a recommended time to plant grass seed and plants. The Consumer Lawns Group also promotes a Turf Builder(R) annual program for home centers and mass merchandisers. This program encourages consumers to purchase their entire year's supply of Turf Builder(R) products in early Spring, for application in the early Spring, late Spring, Summer and Fall. The Consumer Growing Media Group uses a consumer rebate program for selected Hyponex(R) products to encourage early and multiple purchases in the Spring.

The percentage of North American Consumer Business Group sales to mass merchandisers, warehouse-type clubs, home improvement centers and large buying groups continues to increase as a percentage of sales. The top ten accounts (which include two buying groups of independent retailers) represented 73% of the North American Consumer Business Group sales in fiscal 1997 and 77% in fiscal 1998.

The fiscal 1999 marketing strategies for the Consumer Lawns Group are to continue the efforts begun in prior years to improve the Company's relationship with consumers and retail customers, including: carefully directed consumer research, to increase understanding of its markets, sales trends and consumer needs; increased media advertising, with continuation of television advertising featuring real-life stories of people's experiences with Scotts(R) products, and of weekend radio advertising emphasizing that "this weekend" is the best time to apply selected Scotts(R) products; simplification of the product line; addressing "just-in-time" customer purchasing through continued use of the "never-out" program by which the Company builds pre-season inventory of select high-volume products, which enhances the Company's ability to timely and completely fill customer orders; and use of retail merchandisers to enhance communications with consumers at the point of sale.

The Consumer Lawns Group has used Scotts(R) and Miracle-Gro(R) consumer brand recognition to market the newly-formed "Scotts LawnService(TM)". In January 1995, Scotts entered into a licensing agreement with a lawn care service company, Emerald Green Lawn Service ("Emerald Green"), which allows Emerald Green to use the Scotts(R) name and logo in its marketing efforts. Emerald Green applies Scotts(R) products exclusively. In October 1997, Scotts increased its equity interest in Emerald Green from 28% to 64%, and announced the formation of Scotts LawnService(TM), which provides applications of lawn and garden fertilizer and control products, and tree and shrub pruning services. The Company has introduced Scotts LawnService(TM) to several major markets in the premium lawn and garden services segment. In June 1998, Scotts increased its equity interest in Emerald Green from 64% to 84%. The business ended fiscal 1998 with Scotts LawnService(TM) in ten markets, and 21 franchised outlets marketed as Emerald Green Lawn Service featuring Scotts(R) and Miracle-Gro(R) products. The strategy in fiscal 1998 was to refine the operations model and measure the equity transfer of the Scotts(R) brands into the premium lawn service segment. The fiscal 1999 strategy will be similar with moderate expansion of the business planned through owned or franchised locations, while applying market knowledge learned from 1998 to better optimize opportunities in this service industry.

The fiscal 1999 marketing strategies for the Consumer Gardens Group are to continue: conducting consumer research to determine consumer purchase decisions, attitude and usage data; efforts to consolidate certain package sizes in the Miracle-Gro(R), Scotts(R) ornamental and Osmocote(R) fertilizer lines; implementation of packaging improvements; cost-reduction and quality enhancement efforts throughout all product lines;

increased national network television advertising; and use of Scotts' Miracle-Gro's sales and distribution network for Scotts(R) garden products.

The strategy for the Consumer Growing Media Group is to expand its market share of the potting soil and specialty planting soil market, while becoming the industry's low-cost producer of the more commodity-oriented outdoor landscaping products such as topsoil, manures and barks/mulches. The Company expects to grow its share of the potting and planting soil markets by: developing products and national marketing programs which utilize its Hyponex(R), Scotts(R), Peters Professional(R), Miracle-Gro(R), Earthgro(R) and 1881 Select(R) brand names on high-quality potting mixes, with innovative and consumer-preferred packaging; gaining national distribution of Miracle-Gro(R) value-added potting soils; marketing Earthgro(R)-labeled organic landscape products nationally; expanding the distribution of Scotts(R) and Miracle-Gro(R) potting mix products into Canada; and conducting consumer research to better understand market needs.

An important part of the Company's sales effort is its national toll-free Consumer Helpline, on which its lawn consultants answer questions about the Company's products and give general lawn care advice to consumers. The Company's lawn consultants responded to approximately 400,000 telephone and written inquiries in fiscal 1998, which is consistent with the number of inquiries in prior years. In September 1998, Helpline consultants answered the four millionth call since it began in 1972.

Backing up the Company's marketing effort is its well-known Scotts No-Quibble Guarantee(TM), instituted in 1958, which promises consumers a full refund if for any reason they are not satisfied with the results after using the Company's products. Refunds under this guarantee have consistently amounted to less than 0.4% of net sales for the North American Consumer Business Group on an annual basis.

The Company has an Internet web site at www.scottscompany.com, which provides lawn care and gardening information for consumers, and special sections for the Professional Business Group's customers, along with corporate and investment information. Do-it-yourself consumer topics include basic lawn care and gardening tips, problem solving, frequently asked questions, houseplant care, landscaping with trees and shrubs and product guides. An arrangement with the National Gardening Association (NGA) provides access to a database of more than 5,000 gardening questions with answers by NGA's staff horticulturists. The site also provides an e-mail link to the Company's Consumer Helpline for answers to lawn care questions. The Professional Turf section delivers information for turf managers, by providing the Company's complete professional product guide, a Technical Representative/distributor locator and information aimed at turf maintenance workers and golf course superintendents. The Professional Horticulture section points nursery and greenhouse growers to their nearest distributor, delivers the latest news from the Horticulture business of the Professional Business Group of the Company and directs users to customer service. In its first year, the site received 22 million "hits", over 9,000 e-mails to Scotts' Consumer Helpline and more than 50,000 searches of the NGA database.

Competition

The consumer lawn and garden market is highly competitive. Consumers have a choice of do-it-yourself lawn care or use of a lawn service. Based on a study conducted by Hallberg, Schireson & Sur, Inc. covering the period from 1991 to 1996, management estimates that approximately 15% of all homeowners with lawns use a lawn service. The most significant competitors for the consumer market which uses a lawn service are lawn care service companies. Service Master, which owns the Tru Green Company, ChemLawn(R) and Barefoot Grass(R) lawn care service businesses, operates nationally and is significantly larger than the Company. In the do-it-yourself lawn care and consumer gardens markets, the Company's products compete primarily against regional products and private label products produced by various suppliers and sold by such companies as Kmart Corporation. These products compete across the entire range of the Company's consumer product line. In addition, certain of the Company's consumer products compete against branded fertilizers, pesticides and combination products marketed by such companies as Lebanon Chemical Corp. (Greenview(R)), United Industries Corporation (Peters(R) water-soluble fertilizers for the consumer market), Vigoro/Pursell Industries (Vigoro(R), Sta-Green(R)) and the newly-announced Bayer/Pursell joint venture. Competitors in Canada include Nu Gro, So Green and IMC Vigoro.

Most competitors, with the exception of lawn care service companies, sell their products at prices lower than those of the Company. The Company competes primarily on the basis of its strong brand names, consumer advertising campaigns, quality, value, service, convenience and technological innovation. The

Company's competitive position is also supported by its national sales force and its unconditional guarantee. There can be no assurance, however, that additional competition from new or existing competitors will not erode the Company's share of the consumer market or its profit margins.

The Company's Consumer Growing Media business faces primarily regional competitors who are able to compete very effectively on the basis of price in the areas near their plants where they can reach customers with a lower cost of freight. The low cost of entry to establish a commodity organics bagging facility and the ready availability of raw materials make it likely that the large-bag outdoor market will remain price competitive and lower margin into the future. Customers require short lead-times, with very high on-time and complete fill rates. These demands, combined with the high cost of freight, require the Consumer Growing Media business to continually evaluate production locations to reduce costs.

Roundup's competitors include United Industries Corporation (Spectracide(R)) and Enforcer Products, Inc. (Enforcer(R)).

Backlog

The majority of annual consumer product orders (other than Consumer Growing Media products which are normally ordered in season on an "as needed" basis) are received from retailers during the months of October through April and are shipped during the months of January through April. As of November 27, 1998, orders on hand for retailers totaled approximately $53.6 million compared to approximately $62.9 million on the same date in fiscal 1997. All such orders are expected to be filled in fiscal 1999.

PROFESSIONAL BUSINESS GROUP

Market

The Company sells its professional products to golf courses, commercial nurseries and greenhouses, schools and sportsfields, multi-family housing complexes, business and industrial sites, lawn and landscape services and specialty crop growers. The Professional Group's two core businesses are ProTurf(R), the professionally managed turf market, and Horticulture, the nursery and greenhouse markets. In fiscal 1998, the Professional Business Group served such high-profile golf courses as Augusta National (Georgia), Cypress Point and Pebble Beach (California), Desert Mountain (Arizona), Oakmont Country Club (Pennsylvania), Colonial Country Club (Texas) and Medinah Country Club (Illinois). Sports complexes such as Fenway Park, Camden Yards, Wrigley Field, Yankee Stadium and the Rose Bowl are professional customers, as are major commercial nursery/ greenhouse operations such as Monrovia, Hines and Imperial.

Golf courses and highly visible turf areas accounted for approximately 58% of the Company's Professional Business Group sales in fiscal 1998. During fiscal 1998, the Company sold products to approximately 49% of the over 15,700 golf courses in North America, including 72 of Golf Digest's top 100 U.S. courses. Management estimates, based on an independent bi-annual market survey and other information available to the Company, that the Company's share of its target North American golf course high value turf fertilizer and control products market was approximately 20% in fiscal 1998.

According to the National Golf Foundation, approximately 350 new golf courses have been constructed annually during the last three years. Management believes that the increase in the number of courses, the concentration of the growth in the West/South with a longer growing/maintenance season, the increasing playing time requiring more course maintenance and the trend toward more highly maintained courses should contribute to sales growth in the golf course market.

Horticulture sales accounted for approximately 42% of the Company's Professional Business Group sales in fiscal 1998. The Company sold products to thousands of nursery, greenhouse and specialty crop growers through a network of approximately 75 horticultural distributors. The Company estimates that its leading share of the North American horticultural market was approximately 23% in fiscal 1998.

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

Products

The Company's professional products, marketed under such brand names as ProTurf(R), Osmocote(R), Miracle-Gro(R), Peters(R), Metro-Mix(R) and Terra-Lite(R), include a broad line of sophisticated controlled-release fertilizers, water-soluble fertilizers, pesticide products (herbicides,

insecticides, fungicides and growth regulators), wetting agents, growing media products, grass seed and application devices. The fertilizer lines utilize a range of proprietary controlled-release fertilizer technologies, including Contec(TM), Poly-S(R), Osmocote(R) and ScottKote(R), and proprietary water-soluble fertilizer technologies, including Peters(R) and Miracle-Gro Excel(TM). The Company applies these technologies to meet a wide range of professional customer needs, ranging from quick-release greenhouse fertilizers to controlled-release fairway/
greens fertilizers to extended-release nursery fertilizers that last up to a year or more.

To secure uninterrupted supply and consistent costs of raw materials, the Horticulture group has entered into alliances with suppliers. The Company works closely with basic pesticide manufacturers to secure access to, and if possible, exclusive positions on, advanced control chemistry which can be formulated on granular carriers, including fertilizers, or formulated as a liquid application. In fiscal 1998, Scotts signed an agreement with AgrEvo USA Company ("AgrEvo") for the exclusive domestic distribution rights to various AgrEvo active ingredients for the professional horticulture market. These active ingredients will be used to create Scotts(R) branded herbicides, fungicides and insecticides. The Company expects this product group to represent 10% to 25% of Horticulture sales by fiscal 2002.

Application devices in the professional line include both rotary and drop action spreaders. Over 20 proprietary grass seed varieties are also part of the professional line. The professional horticulture line also includes an established line of soil-less mixes in which controlled-release and control products, and water-soluble fertilizers and wetting agents, can be incorporated or applied, respectively, to customize potting media for nurseries and greenhouses.

Business Strategy

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

A primary focus of the Professional Business Group's strategy is to provide innovative high-value new products to its professional customers. In fiscal 1998, the Contec(TM) line of methylene urea fertilizers was introduced, as well as the Nutriblend(R) water-soluble fertilizer line. For fiscal 1999, the Group will introduce Osmocote(R) Plus, a modification of Osmocote(R) timed-release fertilizer for subtropic U.S. markets. The Company's fertilizer technology is expected to lead to further new combination product introductions in fiscal 1999 and beyond.

The Company intends to take advantage of its strong position in the golf course segment to increase sales of Sierra's products to those users, and intends to expand the distribution of Scotts(R) nursery products in the commercial horticultural segment in which Sierra has a strong position.

In January 1995, Scotts entered into a licensing agreement with Emerald Green, which allows Emerald Green to use the Scotts(R) name and logo in its marketing efforts. In fiscal 1998, Scotts increased its equity interest in Emerald Green from 28% to 84%. See "North American Consumer Business Group--Marketing, Promotion and Business Strategy."

Marketing and Promotion

For fiscal 1998, the Professional Business Group's sales force consisted of approximately 100 territory managers. Many territory managers are experienced former golf course superintendents or nursery managers and most have degrees in agronomy, horticulture or similar disciplines. Territory managers have worked closely with golf course and sports field superintendents, turf and nursery managers, and other landscape professionals. In addition to marketing the Company's products, the Company's territory managers have provided consultation, testing services and advice regarding maintenance practices, including individualized comprehensive programs incorporating various products for use at specified times throughout the year. The professional grower business is served primarily through an extensive network of distributors, all with substantial experience in the horticulture market. Territory managers for this market spend the majority of their time with growers.

In December 1998, the Company reorganized its Professional Business Group to strengthen distribution and technical sales support, integrate brand management across market segments and reduce annual operating expenses. The reorganization will reduce the ProTurf(R) division's personnel from approximately 100 employees to approximately 40 employees. The Group will retain a consultative field sales force and field-based technical group to provide distributors with product training, address questions from customers

and maintain involvement in university trial work. Working with the retained sales force will be four well-known independent distributors. This shift to independent distribution is expected to more than double the number of sales representatives and result in a four-fold increase in the number of warehouses serving the Company's professional turf and landscaping customers. The independent distributors include Turf Partners, Inc. in the Midwest and Northeast, BWI Companies, Inc. in the Southwest and Southeast, Wilbur Ellis Company in the Pacific Northwest and Western Farm Services, Inc. in California. The Professional Business Group has already been effectively and economically distributing its nursery and greenhouse products through most of these distributors. Alliances are expected to be formed with other distributors as necessary.

To reach potential purchasers, the Company uses trade advertising and direct mail and sponsors seminars throughout the country. In addition, the Company maintains a special toll-free number for its professional customers. The professional customer service department responded to over 45,000 telephone inquiries in fiscal 1998.

Competition

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

Backlog

A large portion of professional product orders is received during the months of August through November and is filled during the months of September through November. As of November 27, 1998, orders on hand from professional customers totaled approximately $13.4 million compared with $8.3 million on the same date in 1997. All such orders are expected to be filled in fiscal 1999.

INTERNATIONAL BUSINESS GROUP

Market

The International Business Group regularly sells its products to both consumer and professional users in over 40 countries. Management believes that growth potential should exist in both markets. The Company has established business entities in the markets with significant potential, which include Australia, the United Kingdom, the Benelux countries, Germany, France, Spain and Italy.

Consumer lawn and garden products are sold under the Company's various trademarks, including the Scotts(R) label, in Australia, the European Union, New Zealand and South America. In addition, products bearing the Miracle-Gro(R) trademark are marketed in the Caribbean, Australia, New Zealand, the Netherlands and the United Kingdom. The Company's Hyponex(R) line of products is present in Japan as a result of a long-term agreement with Hyponex Japan Corporation, Ltd., an unaffiliated entity.

Professional markets include both the horticulture and turf industries. The International Business Group markets professional products in Africa, Australia, the Caribbean, the European Union, Japan, Latin America, Mexico, the Middle East, New Zealand, South America and Southeast Asia. Horticultural products mainly carry the Scotts(R), Sierra(R), Peters(R) and Osmocote(R) labels. Turf products primarily use the Scotts(R) trademark.

Consumer products are sold by an approximate 25-person sales force and professional products are sold by an approximate 85-person sales force.

Miracle Garden Care has leading positions in the United Kingdom in a number of lawn and garden market categories. Its major consumer brands include

Miracle-Gro(R), Weedol(R), Pathclear(R) and Grasshopper(R). In December 1997, the Company acquired Levington, the leading producer of consumer and professional lawn fertilizer and growing media in the United Kingdom. Its major brands include Levington(R) (for growing media), Evergreen(R) (for lawn care products), Tumbleweed(R) (for herbicides) and Tomorite(R) (a tomato fertilizer). Management believes this acquisition has expanded the Company's potential in the United Kingdom and Irish consumer markets. During fiscal 1998, management integrated the sales, marketing and manufacturing operations of Miracle Garden Care and Levington, forming a new subsidiary, The Scotts Company (UK) Limited.

In October 1998, the Company, through certain subsidiaries, acquired from various affiliates of Rhone-Poulenc Agro ("RPA"): the shares of Rhone-Poulenc Jardin SAS; the shares of Celaflor GmbH; the shares of Celaflor Handelsgesellschaft m.b.H.; and the home and garden business of Rhone-Poulenc Agro S.A. in Belgium (collectively "RPJ"), each in a privately-negotiated transaction (collectively, the "RPJ Acquisition"). The total consideration paid for the RPJ Acquisition was approximately 1.2 billion French Francs (approximately $216 million). As part of the purchase price, the Company has agreed to pay 156 million French Francs (approximately $35.6 million on a present value basis) over a four-year period for certain access rights to specific research and development services to be provided by RPA.

RPJ is continental Europe's largest producer of consumer lawn and garden products. It manufactures and sells a full line of consumer lawn and garden pesticides, fertilizers and growing media in France, Germany, the Benelux countries, Austria, Italy and Spain. Leading brands include KB(R), Fertiligene(R), Celaflor(R) and Nexa-Lotte(R).

Also in October 1998, the Company acquired from an agency of the Irish government, Bord na Mona, the Shamrock(TM) trademark, a brand used to market peat products in the United Kingdom and Ireland. As part of the agreement, the Company has an option to supply the Shamrock(TM) brand of peat in the leading continental European markets. The Company also acquired the rights to a ten-year horticultural peat supply agreement with Bord na Mona as supplier, with a renewable ten-year term at the Company's option. Under the agreement, Bord na Mona will mix and package peat and other growing media products for the Company. It is expected that this acquisition will secure the Company's access to high quality peat resources for both the consumer and professional markets in the United Kingdom and Ireland and will also enable the Company to enter the professional horticultural compost market in mainland Europe in due course.

In December 1998, the Company completed its acquisition of Asef Holding B.V. ("ASEF"), a privately-held consumer lawn and garden products company, with operations in the Netherlands. As part of the transaction, the Company also acquired related assets in Belgium. ASEF, which sells fertilizers, growing media and pesticides under the ASEF brand and through private label programs with major retailers, had 1997 sales of approximately $17 million. ASEF has approximately 40 employees.

Business Strategy

An increasing portion of the Company's sales and earnings is derived from customers in foreign countries. In fiscal 1998, following the acquisition of Miracle Garden Care, the International Business Group re-located its headquarters office to an area outside of London in the United Kingdom. The Company's managers also travel abroad regularly to visit its facilities, distributors and customers. The Company's own employees manage its affairs in Europe, Australia, Malaysia, Mexico, Brazil and the Caribbean. The International Business Group plans to further develop its international business in both the consumer and professional markets. The Company believes that the technology, quality and value that are widely associated with its domestic and acquired brands should be transferable to the global marketplace.

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

Any significant changes in international economic conditions, expropriations, changes in taxation and regulation by U.S. and/or foreign governments could have a substantial effect upon the international business of the Company. Management believes, how-

ever, that these risks are not unreasonable in view of the opportunities for profit and growth available in foreign markets. The Company's international earnings and cash flows are subject to variations in currency exchange rates, which derive from sales and purchases of the Company's products made in foreign currencies. For a discussion of how the Company manages its foreign currency rate exposure, see "ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS--Liquidity and Capital Resources."

Competition

The International Business Group's consumer business faces strong competition in the lawn and garden market, particularly in Australia and the European Union. Competitors in Australia include Chisso-Asahi, Debco and Yates. Competitors in the European Union include Bayer, BASF and various local companies. The Company has historically responded to competition with superior technology, excellent trade relationships, competitive prices, broad distribution and strong advertising and promotional programs.

The international professional market is very competitive, particularly in the controlled-release and water-soluble fertilizer segments. Numerous U.S. and European companies are pursuing these segments internationally, including Pursell Industries, Lesco, BASF, Norsk Hydro, Haifa Chemicals Israel, Kemira and private label companies. Historically, the Company's response to competition in the professional markets has been to adapt its technology to solve specific user needs which are identified by developing close working relationships with key users.

MATTERS RELATING TO THE COMPANY GENERALLY

Patents, Trademarks and Licenses

The "Scotts(R)", "Miracle-Gro(R)" and "Hyponex(R)" brand names and logos, as well as a number of product trademarks, including "Turf Builder(R)", "Lawn Pro(R)", "ProTurf(R)", "Osmocote(R)" and "Peters(R)", are federally and internationally registered and are considered material to the Company's business. The Company regularly monitors its trademark registrations, which are generally effective for ten years, so that it can renew those nearing expiration. In 1989, the Company assigned rights to certain Hyponex(R) trademarks to Hyponex Japan Corporation, Ltd., an unaffiliated entity. In July 1995, Sierra granted a non-exclusive license to Peters Acquisition Corporation, now owned by United Industries Corporation, to use the Peters(R) trademark in the U.S. consumer market.

As of September 30, 1998, the Company held over 200 U.S. and international patents on processes, compositions, grasses and mechanical spreaders and has several additional patent applications pending. Patent protection generally extends 20 years from the filing date and many of the Company's patents extend well into the next decade. The Company also holds exclusive and non-exclusive patent licenses from certain chemical suppliers permitting the use and sale of patented pesticides. During fiscal 1998, the Company secured new U.S. patents for three Kentucky Bluegrass varieties with high turf performance characteristics and three mechanical devices covering consumer broadcast spreader and utility carts. The Company also secured several international patents, including one for water-soluble fertilizer technology in Europe, and patents for Poly-S(R) technology in New Zealand and Israel.

The Company's methylene-urea product composition patent which covers Scotts Turf Builder(R), Scotts Turf Builder(R) with Weed Control and Scotts Turf Builder(R) with Halts(R) Crabgrass Preventer, is deemed material by the Company and is due to expire in July 2001. The Company believes that the high entry costs of manufacturing needed to replicate this product and the value of the Scotts(R) brand should lessen the likelihood of product duplication by any competitor.

Glyphosate, the active ingredient in Roundup(R), is subject to a patent in the United States that expires in September 2000. The Company cannot predict the success of Roundup(R) after glyphosate ceases to be patented. Substantial new competition in the United States could adversely affect the Company. Glyphosate is no longer subject to patent in the European Union and is not subject to patent in Canada. While sales of Roundup(R) in such countries have continued to increase despite the lack of patent protection, sales in the United States may decline as a result of increased competition after the U.S. patent expires.

Research and Development

The Company has a long history of innovation, and its research and development successes can be measured in terms of sales of new products and by the Company's patents. Most of the Company's fertilizer products, many of its grasses and many of its mechanical devices are covered by one or more of the approximately 200 U.S. and international patents owned by the Company.

The Company maintains a premier research and development organization headquartered in the Dwight G.

Scott Research Center in Marysville, Ohio ("Scotts Research"). The Company also operates three research field stations located in Florida, Texas and Oregon. These field stations facilitate evaluation of products in a variety of climatic and soil composition conditions, an integral part of the Company's product development, quality assurance and competitive product analysis programs. Research to develop new and improved application devices for production at Republic's manufacturing facility in Carlsbad, California, is being transitioned to Scotts Research. Taken together, the research and development effort maintains a focus on superior agronomic performance for lawn, turf and horticultural applications through products which are cost-effective and easy to use. The knowledge and concepts used to formulate products for the professional turf and plant protection markets are also used to provide similar results for the do-it-yourself market.

In addition to Scotts Research, Scotts Europe BV (Netherlands) maintains a research and development facility devoted to the Osmocote(R) controlled-release fertilizer line produced in Heerlen, the Netherlands. Miracle Garden Care leases a research facility and trial station in the United Kingdom for formulating plant protection products for the consumer and professional markets. The Company also maintains a complete research facility in Suffolk (Levington), United Kingdom, for formulating garden and lawn fertilizers, herbicides, insecticides, fungicides and growing media. With the RPJ Acquisition, the Company acquired a research and development facility in Ingelheim, Germany.

Since its introduction of the first slow-release home lawn fertilizer in 1928, the Company has used its research and development strengths to build the do-it-yourself and professional markets. Technology continues to be a Company hallmark. In fiscal 1992, the Company introduced Poly-S(R), a patented proprietary controlled-release fertilizer technology. In fiscal 1993, ScottKote(R), another controlled-release technology primarily for the nursery market, was introduced, as well as a patented methylene urea manufacturing process used in both the consumer and professional turf product lines. Since the Hyponex acquisition in 1988, the Company's research and development organization has worked to improve the quality and reduce the production cost of branded growing media products, in particular potting soils. One of the results of this effort was the introduction, in fiscal 1994, of a line of value-added, premium-quality potting soils and planting mixes sold under the Scotts(R) brand, and in fiscal 1997, a similar line under the Miracle-Gro(R) brand.

Through the acquisition of Sierra, Scotts was able to obtain patents for technological advancements in water-soluble fertilizers. In fiscal 1996, Scotts secured a patent on the use of urea phosphate in water-soluble fertilizers used as the basis for the Peters Excel(R) (and Miracle-Gro Excel(TM), for fiscal 1998) brands of fertilizers, having previously obtained a solution and method patent for such product line. Also during fiscal 1997, the Company completed installation of a dedicated turfgrass genetic engineering laboratory in its existing Scotts Research facility, to develop turfgrass varieties with improved characteristics such as resistance to disease, insects and herbicides. Research in fiscal 1997 also focused on improving the quality and durability of the Company's consumer lawn fertilizer packaging. The Company implemented plans to use plastic packaging for substantially all consumer lawn products shipped in fiscal 1998. The Company's professional product line also used plastic packaging for products shipped in fiscal 1998.

Research has also focused on durability, precision and reduced production costs of the Republic-produced spreaders. Recently, Republic completely redesigned the consumer line of walk-behind spreaders with quality and performance improvements on each model.

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

During fiscal 1997, the Company developed new products in several branded lines including Scotts(R) professional turf products; Osmocote(R) controlled-release fertilizer; Miracle-Gro(R) granular lawn food products; Scotts(R) spreaders; and PatchMaster(R) flowering seed/fertilizer mix. Also during fiscal 1997, several new growing media products were introduced under the Miracle-Gro(R) brand, which included Miracle-Gro(R) Perlite, Miracle-Gro(R) Potting Mix, Miracle-Gro(R) African Violet Potting Mix and Miracle-Gro(R) Seed Starter Potting Mix. In fiscal 1998, new professional growing media products included Miracle-Gro(R) Nutrified Peat with ScottsCoir(TM) and Miracle-Gro(R) Bale Mix with ScottsCoir(TM). These baled products use a compressed mixture of peat and coir (patent pending).

In January 1998, Scotts acquired an 80.8% interest in Sanford Scientific, Inc. ("SSI"), a leading research company in the rapidly growing field of genetic engineering of plants. SSI has developed and licensed a broad portfolio of genes and genetic process technology. It holds the exclusive license to use biolistic ("gene gun") technology in the commercial development of genetically transformed turf grasses, flowers and woody ornamental plants. Biolistic technology involves the delivery of desirable genetic characteristics by high-velocity injection into cells. The technology is widely used in medical research and agricultural fields for applications ranging from immunization and cancer treatment to creation of new agricultural crop varieties, including corn and soybeans. The biolistic approach to genetic engineering of plants has important advantages over other transformation technologies. For certain plant species, transformation using the gene gun is largely considered the only commercially viable method of inserting new gene traits into plants. In addition, SSI has developed and licensed a broad portfolio of genes and genetic process technology with significant commercial potential.

Gene gun technology augments the Company's genetic improvement program by allowing researchers to create desirable varieties of plants with value-added traits beyond the capabilities of conventional plant breeding techniques. Targets of the Company's research effort include disease and insect resistance, herbicide tolerance and other consumer-relevant traits, such as turf grasses that require less mowing and flowers with novel colors and fragrances. The Company expects that it will commercialize certain genetically transformed plants within a few years.

Scotts acquired its interest from SSI founder and president Dr. John Sanford, who retained a 19.2% interest and remains involved with SSI. Dr. Sanford led the team of Cornell University scientists who invented the gene gun technology in the 1980's, and he continues as a leading expert in the field. SSI operates an advanced genetic research facility in Waterloo, New York, and actively collaborates with other leading genetic scientists.

Exclusive access to this technology is a key element in the Company's program to create value by combining the Company's brands and SSI's biolistic transformation process with proven genes licensed from technology partners. Consistent with this strategy, in August 1998, Scotts completed an agreement with Rutgers University, the State University of New Jersey. Under this agreement, Scotts will fund, through research support and future royalties, a combined effort by Rutgers' plant biotechnology and turfgrass breeding programs to develop improved transgenic bentgrass varieties. In return, Scotts will receive exclusive rights to market all Rutgers' patented transgenic bentgrass varieties developed over the next seven years, likely extending to seventeen years. Rutgers' development program will utilize the biolistic process and other enabling technologies under license to SSI to insert and activate genes that are proprietary to Rutgers University. Any superior bentgrass varieties that result from the program are expected to be commercialized in the golf course market.

Company research and development expenses were approximately $14.8 million (1.3% of net sales) for fiscal 1998 including environmental and regulatory expenses. This compares to $10.0 million (1.1% of net sales) and $10.6 million (1.4% of net sales) for fiscal 1997 and 1996, respectively.

Seasonality

The Company's business is highly seasonal with approximately 72% of sales occurring in the second and third fiscal quarters combined for the past two fiscal years. Please also see the discussion in "North American Consumer Business Group -- Backlog" and "Professional Business Group -- Backlog."

OPERATIONS GROUP

Production Facilities

The manufacturing plant for consumer and professional fertilizer products marketed under the Scotts(R) label is located in Marysville, Ohio. Manufacturing for such products is also conducted by approximately 40 contract manufacturers. Demand for Turf Builder(R), Poly-S(R) and other products results in the Company expanding operations (generally from October through May) of its fertilizer processing and packaging lines from five days per week, three-shift operations to seven days, three-shift operations when necessary to prepare for the peak demand periods. The Company currently operates its two Turf Builder(R) lines seven days per week, year round, and has recently installed a third Turf Builder(R) production line to meet capacity needs for those products. Sierra(R) controlled-release fertilizers are produced in Charleston, South Carolina, Milpitas, California and Heerlen, the Netherlands. Expansion at each facility has been completed to permit the blending of products which utilize both Scotts and Sierra proprietary technology. Production schedules at Sierra's facilities vary to meet demand. Seed blending and packaging are outsourced to

various packaging companies located on the West Coast near seed growers. With the acquisition of EarthGro, growing media products are processed and packaged in 29 locations throughout the United States. The Company operates 14 composting facilities where yard waste (grass clippings, leaves, and twigs) is converted to raw materials for the Company's growing media products. Operations at these composting facilities have been integrated with the Company's 29 growing media facilities. The Company also utilizes approximately 43 contract production locations for growing media products. The Company's lawn spreaders are produced at the Republic facility in Carlsbad, California. Republic adjusts assembly capacity from time to time, to meet demand. Both Hyponex's and Republic's operations vary production schedules to meet demand. The majority of Miracle-Gro(R) water-soluble fertilizers is contract-manufactured in three facilities located in Ohio, Texas and Florida.

Granular and water-soluble fertilizers, liquid herbicides and pesticides and growing media for the U.K. market, are produced in East Yorkshire (Howden, Hatfield and Swinefleet) and Suffolk (Bramford), in the United Kingdom.

Bramford is the headquarters for U.K. operations and for the U.K. professional business. The site houses a modern fertilizer granulation plant with automated packing lines, liquid fertilizer production and bottling facilities. In addition, there are facilities for formulating and bottling a wide range of liquid plant protection products including herbicides, insecticides and fungicides. Bramford produces a wide range of products for both the consumer and professional businesses in Europe. These include the Evergreen(R) line of lawn products, Tomorite(R) liquid tomato feed and Greenmaster(R) products for the professional turf market. The Hatfield and Swinefleet factories contain modern facilities for the screening and blending of peat, together with various additives to produce a wide range of growing media. Peat to supply the facilities is harvested on both sites and brought in from satellite sites in Northwest England and Scotland. This facility produces the Levington(R) range of compost for both the consumer and professional businesses. Peat from Ireland is imported to produce the Shamrock(TM) range of growing media. Granular and water-soluble fertilizers and pesticides are produced at Howden and growing media is produced at Swinefleet and Hatfield.

With the RPJ Acquisition, the Company acquired the Hautmont and Bourth plants in France. At Hautmont, growing media and fertilizers for the consumer market are blended and bagged, and at Bourth, pesticide products for the consumer market are formulated, blended and packaged. Production schedules at Hautmont vary from one shift to two shifts to meet demand, while Bourth maintains two shifts year-round.

Resin used for producing Osmocote(R) controlled-release fertilizer in the United States is manufactured at Sierra-Sunpol Resins, Inc., a joint venture company which is 97% owned by Sierra.

Management believes that each of its facilities is well-maintained and suitable for its purpose. However, due to the seasonal nature of the Company's business, the Company's plants operate at maximum capacity during the peak production periods. Therefore, an unplanned serious production interruption could have a substantial adverse affect on the Company's sales of the affected product lines.

Capital Expenditures

Capital expenditures totaled $41.3 million and $28.6 million for the fiscal years ended September 30, 1998 and 1997, respectively. Of the major expenditures in fiscal 1998, approximately $17.8 million was spent on the installation of a third Turf Builder(R) production line, which will increase total site capacity by approximately 25%, with expected annual savings of approximately $4 million. The Company estimates that capital expenditures will approximate $60 million in fiscal 1999, $50 million to $60 million for each of the following three years and approximately $40 million per year thereafter for the foreseeable future.

Purchasing

The key ingredients in the Company's fertilizer and control products are various commodity and specialty chemicals including vermiculite, phosphates, urea, potash, herbicides, insecticides and fungicides. The Company obtains its raw materials from various sources, which the Company presently considers to be adequate. No one source is considered to be essential to any of the Company's North American Consumer, Professional or International Business Groups, or to its business as a whole. The Company has never experienced a significant interruption of supply.

Raw materials for Scotts' Miracle-Gro include phosphates, urea and potash. The Company considers its sources of supply for these materials to be adequate. All of the products sold by Scotts' Miracle-Gro (other than those produced by Miracle Garden

Care) are produced under contract by independent fertilizer blending and packaging companies.

Sierra purchases granular, homogeneous fertilizer substrates to be coated and the resins for coating. These resins are primarily supplied domestically by Sierra-Sunpol Resins, Inc.

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

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

Distribution

The primary distribution centers for the Company's Scotts(R) products are located near the Company's headquarters in central Ohio. The Company's expansion of its Marysville distribution facility was completed in December 1997. The Company's products are shipped by rail and truck. While the majority of truck shipments is made by contract carriers, a portion is made by the Company's own fleet of leased trucks. Inventories are also maintained in contract field or public warehouses located in major markets.

The products of Scotts' Miracle-Gro are warehoused and shipped from five contract packagers located throughout the United States. These contract packagers ship full truckloads of product via common carrier to lawn and garden distributors. Inventories of Miracle Garden Care's and Levington's products for the European market, which are produced at the East Yorkshire (Howden) and Suffolk (Bramford) facilities, are distributed through a public warehouse in Daventry, the United Kingdom. Distributors are used for Miracle Garden Care's professional products.

Most growing media products have low sales value per unit of weight, making freight costs significant to profitability. Therefore, the Consumer Growing Media Business Group has located all of its 29 plant/ distribution locations near large metropolitan areas in order to minimize shipping costs and to be near raw material sources. The Group uses its own fleet of approximately 70 trucks as well as contract haulers to transport its products from plant/distribution points to retail customers. Large-bag outdoor landscaping products and much of the indoor potting soil products are shipped directly to retail stores. A portion of the Company's indoor potting soil and additive products is shipped to retailers' distribution centers for redistribution to their stores. In the United Kingdom, growing media is packaged at Hatfield and Swinefleet and shipped directly to customers in the United Kingdom. With the RPJ Acquisition, growing media is also produced in Hautmont, France and shipped directly to customers.

Sierra's products are produced at two fertilizer and two growing media manufacturing facilities located in the United States and one fertilizer manufacturing facility located in Heerlen, the Netherlands. The majority of shipments is via common carriers through distributors in the United States and a network of public warehouses in Europe.

Fertilizers and pesticide products manufactured in Bourth, France are shipped to customers via a central distribution center located in Blois, France.

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

Significant Customers

The Home Depot and Kmart Corporation represented approximately 17% and 9%, respectively, of the Company's sales in fiscal 1998 and 12% and 2% respectively, of the Company's outstanding trade accounts receivable at September 30, 1998. Wal*Mart sales represented 9% of the Company's fiscal 1998 sales. After allocating buying groups' sales to that retail customer, Wal*Mart sales represented approximately 11% of the Company's sales and 2% of the Company's outstanding trade accounts receivable at September 30, 1998. All three customers hold significant positions in the retail lawn and garden market. The loss of any of these customers or a substantial decrease in the amount of their purchases could have a material adverse effect on the Company's business.

Employees

The Company's corporate culture is a blend of the history, heritage and culture of Scotts and companies acquired over the past ten years. The Company provides a comprehensive benefits program to all full-time associates. As of September 30, 1998, the Company employed approximately 2,500 full-time

workers in the United States (including all subsidiaries) and an additional 530 full-time employees located outside the United States. With the RPJ Acquisition, the Company gained an additional 416 full-time employees outside the United States. As of September 30, 1998, full-time workers averaged approximately nine years employment with the Company or its predecessors. During peak production periods, the Company engages as many as 1,300 temporary workers in the United States. In the United Kingdom, during peak periods, as many as 66 temporary workers are engaged and European operations engage an average of 60 temporary workers annually.

The Company's U.S. employees are not members of a union, with the exception of 20 of Sierra's employees at its Milpitas facility, who are represented by the International Chemical Workers Union. One hundred of the Company's full-time U.K. employees at the Hatfield, Swinefleet and Bramford manufacturing sites are members of the Transport and General Workers Union. A number of the Company's full-time employees at the headquarters office in Lyon, France are members of the Confederation Generale des Cadres (CGC), Confederation Francaise Democratique du Travail (CFDT) and Confederation Generale du Travail (CGT), which number is confidential under French law. The average rate of union membership among employees in France is approximately 15%. A number of union and non-union full-time employees are members of work councils at three sites in Bourth, Hautmont and Lyon, France, and a number of non-union employees are members in Ingelheim, Germany. Work councils represent employees on labor and employment matters and manage social benefits.

ENVIRONMENTAL AND REGULATORY CONSIDERATIONS

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

In addition, the use of certain pesticide and fertilizer products is regulated by various local, state, federal and foreign environmental and public health agencies. These regulations may include requirements that only certified or professional users apply the product or that certain products be used only on certain types of locations (such as "not for use on sod farms or golf courses"), may require users to post notices on properties to which products have been or will be applied, may require notification of individuals in the vicinity that products will be applied in the future or may ban the use of certain ingredients. The Company believes it is operating in substantial compliance with, or taking action aimed at ensuring compliance with, such laws and regulations. Compliance with such regulations and the obtaining of registrations does not assure, however, that the Company's products will not cause injury to the environment or to people under all circumstances. 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 the Company's financial position; however, there can be no assurance that future quarterly or annual operating results will not be materially affected by the resolution of these matters.

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

Regulations and environmental concerns exist surrounding peat extraction in the United Kingdom. Levington played a leading role in the development and implementation of legislation concerning peat extraction. The Scotts Company (UK) Limited believes

it complies with the legislation and regards it as the minimum standard.

Local, state, federal and foreign agencies regulate the disposal, handling and storage of waste and air and water discharges from Company facilities. During fiscal 1998, the Company had approximately $0.7 million in environmental capital expenditures and $3.1 million in other environmental expenses, compared with approximately $0.4 million in environmental capital expenditures and $1.5 million in other environmental expenses in fiscal 1997. The Company has budgeted $0.9 million in environmental capital expenditures and $2.6 million in other environmental expenses for fiscal 1999.

Ohio Environmental Protection Agency

The Company has assessed and addressed certain 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 new 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 ("OEPA") 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 ("OAG"). Representatives from the OEPA, the OAG 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 ("F&O") from the OEPA. The draft F&O elaborated on the subject of the referral to the OAG 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 OAG which covers many of the same issues contained in the draft F&O including RCRA corrective action.

In accordance with the Company's past efforts to enter into Ohio's VAP, the Company submitted to the OEPA 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. Pursuant to 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 OEPA 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.

The Company is continuing to meet with the OAG and the OEPA in an effort to negotiate an amicable resolution of these issues but is unable at this stage to predict the outcome of the negotiations. The Company believes that it has viable defenses to the State's enforcement action, including that it had been proceeding under VAP to address certain environmental issues, and will assert those defenses in any such action.

While the Company is unable to predict the ultimate outcome of this matter, management believes that the probable range of outcome will not be material to the Company. 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 immaterial comments from the government were received in June 1998, and final agreement is expected sometime in 1999. Management does not believe that the outcome of this case will have a material adverse effect on the Company's operations or its financial condition. Furthermore, management believes the Company has sufficient raw material supplies available such that service to customers will not be materially adversely affected by continued closure of this peat harvesting operation.

Hershberger

In September 1991, the Company was identified by the OEPA as a Potentially Responsible Party ("PRP") with respect to a site in Union County, Ohio (the "Hershberger site"), because the Company allegedly arranged for the transportation, treatment or disposal of waste that allegedly contained hazardous substances, at the Hershberger site. Effective February 1998, the Company and four other named PRPs executed an Administrative Order on Consent ("AOC") with the OEPA, by which the named PRPs will fund remedial action at the Hershberger site. After construction of the leachate collection system and reconstruction of the landfill cap, which was substantially completed in August 1998, the Company expects its obligation to consist primarily of its share of annual operating and maintenance expenses. Management does not believe that its obligations under the AOC will have a material adverse effect on the Company's results of operations or financial condition.

YEAR 2000 READINESS

Please see the information contained under the caption "Year 2000 Readiness" in "ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS."

ITEM 2. PROPERTIES

The Company has fee or leasehold interests in approximately 60 facilities.

The Company owns approximately 844 acres of land, with 719 acres at its Marysville, Ohio headquarters. Three research facilities in Apopka, Florida; Cleveland, Texas; and Gervais, Oregon, comprise 125 acres. The Company leases warehouse space throughout the country as needed. Republic leases its 20-acre spreader facility in Carlsbad, California.

With the acquisition of EarthGro, the Company operates 29 growing media facilities located nationwide in 21 states. Twenty-five are owned by the Company and four are leased. Most facilities include production lines, warehouses, offices and field processing areas.

The Company also operates 14 composting facilities nationwide in nine states. Five of these sites are leased and are located in California, Indiana, Oregon and Illinois. Six other composting sites are utilized through agreements with the municipalities of Greensboro, North Carolina; Shreveport, Louisiana; Spokane, Washington; Independent Hill, Virginia; Balls Ford, Virginia and Fairfield, Connecticut. Three other sites are located at bagging facilities in Wisconsin, California and Connecticut. The Company plans to close nine composting sites in the United States that collect and compost yard waste on behalf of municipalities, as their contracts expire. Six facilities will be closed in 1999 and three in 2000.

The Company owns two Sierra manufacturing facilities in Fairfield, California and Heerlen, the Netherlands. It leases two Sierra manufacturing facilities in Milpitas, California and North Charleston, South Carolina. As a result of the acquisition of Miracle Garden Care, the Company owns a manufacturing facility in East Yorkshire (Howden), Great Britain, and a headquarters office for the consumer market, in Suffolk (Godalming). As a result of the acquisition of Levington, the Company owns manufacturing facilities at three sites in the United Kingdom. As a result of the RPJ Acquisition, the Company acquired the Hautmont plant in France, a blending and bagging facility for growing media and fertilizers sold to the consumer market; the Bourth plant, also in France, a facility for formulating, blending and packaging pesticide products for the consumer market; and a sales and research and development facility in Ingelheim, Germany. The Company leases a headquarters office in Lyon, France; and a sales office in A Sol Bergheim, Austria.

The Company leases the land upon which Scotts' Miracle-Gro headquarters is located in Port Washington, New York.

The Company leases property for ten lawn care service centers in Georgia, Illinois, Indiana, Maryland, Missouri and Ohio. The Company also leases the land upon which SSI is located in Waterloo, New York.

It is the opinion of the Company's management that its facilities are adequate to serve their intended purposes at this time and that its property leasing arrangements are stable. Please also see the discussion of the Company's production facilities in "ITEM 1. BUSINESS -- Operations Group -- Production Facilities" above.

ITEM 3. LEGAL PROCEEDINGS

As noted in the discussion of "Environmental and Regulatory Considerations" in "ITEM 1. BUSINESS", the Company is involved in several pending environmental matters. 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 Company is involved in other lawsuits and claims which arise in the normal course of its business. In the opinion of management, these claims individually and in the aggregate are not expected to result in a material adverse effect on the Company's financial position or operations.

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

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

Executive Officers of Registrant

The executive officers of Scotts, their positions and, as of December 10, 1998, their ages and years with Scotts (and its predecessors) are set forth below.

Name	Age	Position(s) Held	Years with the Company (and its Predecessors)
Charles M. Berger	62	Chairman of the Board, President and Chief Executive Officer	2
James Hagedorn	43	President, Scotts North America, and a Director	11
Jean H. Mordo	53	Executive Vice President and Chief Financial Officer, and interim head of International Business Group	1
John Kenlon	67	President, Consumer Gardens Group, and a Director	38
Anthony S. Colatrella	43	Senior Vice President, Planning and Corporate Development	1
William A. Dittman	42	Senior Vice President, Consumer Growing Media Business Group	6
Michael P. Kelty, Ph.D.	48	Senior Vice President, Professional Business Group, and interim head of Operations Group	19
G. Robert Lucas	55	Senior Vice President, General Counsel and Secretary	1
Joseph M. Petite	48	Senior Vice President, Business Process Development	10
William R. Radon	39	Senior Vice President, Information Technology	10 months
James L. Rogula	64	Senior Vice President, Consumer Pesticides Business Group	3
L. Robert Stohler	57	Senior Vice President, Consumer Lawns Business Group	3
Richard Martinez	43	Vice President, Research and Development	19
Rosemary L. Smith	51	Vice President, Human Resources	25

Executive officers serve at the discretion of the Board of Directors and in the case of: Mr. Berger, Mr. Hagedorn, Mr. Mordo, Mr. Kenlon and Mr. Lucas, pursuant to employment agreements.

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

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

Mr. Hagedorn was named President, Scotts North America, in December 1998. He was previously Executive Vice President, U.S. Business Groups, since October 1996. From May 1995 to October 1996, he served as Senior Vice President, Consumer Gardens Group, of Scotts. Mr. Hagedorn has also been Executive Vice President of Scotts' Miracle-Gro since May 1995. He was Executive Vice President of Miracle-Gro Products from 1989 until May 1995. He was previously an officer and an F-16 pilot in the U.S. Air Force.

Mr. Mordo was recently named interim head of the International Business Group, as a result of Mr. Stohler's assumption of duties as head of the Consumer Lawns Business Group. He was named Executive Vice President and Chief Financial Officer of Scotts in January 1997. From 1992 through December 1996, he served as Senior Vice President and Chief Financial Officer of Pratt and Whitney Aircraft, a division of United Technologies Corporation ("UTC").

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

Mr. Colatrella was named Senior Vice President, Planning and Corporate Development, of Scotts in July 1998. Before joining Scotts in February 1997 as Vice President, Planning and Corporate Development, he was Vice President and Chief Financial Officer of the General Electric/Pratt & Whitney Engine Alliance, a joint venture between UTC and GE Aircraft Engines, having served in that role since September 1996. From 1993 to September 1996, he was Director, Business Development, at the Pratt & Whitney Aircraft Engine Division of UTC.

Mr. Dittman was named Senior Vice President, Consumer Growing Media Business Group, of Scotts, in April 1998. From December 1996 to April 1998, he was Senior Vice President of Sales, Marketing and Advertising of the Consumer Gardens Group of Scotts. From 1992 to December 1996, he was Vice President of Sales, Miracle-Gro Products, n/k/a Scotts' Miracle-Gro.

Dr. Kelty was named interim head of the Operations Group in September 1998. He was named Senior Vice President, Professional Business Group, of Scotts in July 1995. Dr. Kelty had been Senior Vice President, Technology and Operations, of Scotts from 1994 to July 1995. From 1988 to 1994, he served first as Director, then as Vice President, of Research and Development of Scotts. Prior to that, Dr. Kelty was the Director of Advanced Technology, Research of Scotts, and from 1983 to 1987, he was Director, Chemical Technology Development, of Scotts and its predecessors.

Mr. Lucas was named Senior Vice President, General Counsel and Secretary of Scotts in May 1997. From 1990 until the time he joined Scotts, Mr. Lucas was a partner with the law firm Vorys, Sater, Seymour and Pease LLP ("VSSP"). From 1993 to the time he joined Scotts, he was the lead outside counsel at VSSP representing the Company. Mr. Lucas is a director of Bob Evans Farms, Inc.

Mr. Petite was named Senior Vice President, Business Process Development, in February 1998. He served as Senior Vice President, Consumer Growing Media Business Group, of Scotts from December 1996 to February 1998. From July 1996 to December 1996, he served as Vice President, Consumer Growing Media Business Group, of Scotts. From November 1995 to July 1996, Mr. Petite served as Vice President, Strategic Planning of Scotts. From 1989 to November 1995, he was Vice President of Marketing, North American Consumer Business Group, of Scotts.

Mr. Radon joined Scotts in February 1998, as Senior Vice President, Information Technology. From September 1995 to the time he joined Scotts, Mr. Radon was

Vice President, Chief Information Officer at Lamson & Sessions, a manufacturer and distributor of plastic pipe, conduit and consumer electrical devices. From 1984 to September 1995, he was a management consultant at Ernst & Young.

Mr. Rogula was named Senior Vice President, Consumer Pesticides Business Group, in October 1998. Prior thereto, he had been Senior Vice President, Consumer Lawns Group, of Scotts since October 1996. He served as Senior Vice President, North American Consumer Business Group, of Scotts from January 1995 to October 1996. From 1990 until the time he joined Scotts, he was President of The American Candy Company, a producer of non-chocolate candies. He is also a former director of Miracle-Gro Products.

Mr. Stohler was named Senior Vice President, Consumer Lawns Business Group, in October 1998. Prior thereto, he had been Senior Vice President, International Business Group, of Scotts since December 1996. From November 1995 to December 1996, he served as Vice President, International Business Group, of Scotts. From January 1994 to October 1995, he was President of Rubbermaid Europe S.A., a marketer of plastic housewares, toys, office supplies and janitorial and food service products. From 1992 to January 1994, he was Vice President and Chief Financial Officer of Synthes (USA), a marketer and manufacturer of implants and surgical instruments for orthopedic health care.

Mr. Martinez was named Vice President, Research and Development, of Scotts in December 1997. From October 1995 to December 1997, he was Director, Operations Strategic Planning, and from January 1994 to October 1995, he was Director, Chemical Technology Development, of Scotts. From 1993 to January 1994, he was Director, Research and Development, of Scotts. Mr. Martinez has been with Scotts since 1979.

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

PART II

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

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

	Sales Prices	
	High	Low
FISCAL 1997		
1st quarter	$20 1/2	$17 3/4
2nd quarter	24 7/8	19 1/2
3rd quarter	29 3/4	22 7/8
4th quarter	30 9/16	25 5/8
FISCAL 1998		
1st quarter	$31 1/16	$26 1/4
2nd quarter	35 1/2	29 7/16
3rd quarter	38	32 1/2
4th quarter	41 3/8	26 3/8

Scotts has not paid dividends on the common shares in the past and does not presently plan to pay dividends on the common shares. It is presently anticipated that earnings will be retained and reinvested to support the growth of the Company's business. The payment of any future dividends on common shares will be determined by the Board of Directors of Scotts in light of conditions then existing, including the Company's earnings, financial condition and capital requirements, restrictions in financing agreements, business conditions and other factors.

As of December 2, 1998, Scotts estimates there were approximately 6,500 shareholders including holders of record and Scotts' estimate of beneficial holders.

In a series of private placements during May 1998, Scotts issued put options with respect to 0.3 million common shares providing the right to sell to Scotts one Scotts common share at a fixed price. The puts mature in May 1999 and can only be exercised at maturity. The strike price is $35.32 per share. Scotts received a premium for the issues of $0.5 million.

ITEM 6. SELECTED FINANCIAL DATA

FIVE YEAR SUMMARY

For the fiscal year ended September 30, (in millions except per share amounts)	1998(4)	1997	1996(3)	1995(2)
OPERATING RESULTS:				
Sales	$1,113.0	$899.3	$750.4	$731.1
Gross profit	$ 398.0	$325.7	$238.0	$232.3
Income from operations (5)	$ 94.1	$ 94.8	$ 26.3	$ 60.9
Income (loss) before extraordinary items and accounting changes	$ 37.0	$ 39.5	$ (2.5)	$ 22.4
Income (loss) applicable to common shareholders	$ 26.5	$ 29.7	$(12.3)	$ 18.8
Net cash provided by operating activities	$ 71.0	$121.1	$ 82.3	$ 4.4
Depreciation and amortization	$ 37.8	$ 30.4	$ 29.3	$ 25.7
FINANCIAL POSITION:				
Working capital	$ 135.3	$146.5	$181.1	$227.0
Investment in property, plant and equipment	$ 41.3	$ 28.6	$ 18.2	$ 23.6
Property, plant and equipment, net	$ 197.0	$146.1	$139.5	$148.8
Total assets	$1,035.2	$787.6	$731.7	$809.0
Total debt	$ 372.5	$221.3	$225.3	$272.5
Total shareholders' equity	$ 403.9	$389.2	$364.3	$380.8
RATIOS:				
Operating margin	8.5%	10.5%	3.5%	8.3%
Current ratio	1.6	2.1	2.6	2.8
Total debt to total capitalization	48.0%	36.2%	38.2%	41.7%
Return on average shareholders' equity	9.2%	10.5%	(0.7)%	8.2%
PER SHARE DATA:				
Diluted earnings (loss) per common share before extraordinary items and accounting changes	$ 1.22	$ 1.35	$(0.65)	$ 0.99
Diluted earnings (loss) per common share	$ 1.20	$ 1.35	$(0.65)	$ 0.99
Shareholders' equity	$ 12.82	$12.19	$11.44	$11.92
Price to earnings, end of period	25.5	19.4	nm	22.4
Stock price at year-end	$ 30.63	$26.25	$19.25	$22.13
Stock price range High	$ 41.38	$30.56	$21.88	$23.88
Low	$ 26.25	$17.75	$16.13	$14.75
OTHER:				
EBITDA (6)	$ 131.9	$125.2	$ 55.6	$ 86.6
EBITDA margin	11.9%	13.9%	7.4%	11.8%
Interest coverage (EBITDA/interest)	4.1	5.0	2.2	3.5
Average common shares outstanding	18.7	18.6	18.8	18.7
Common shares used in diluted earnings (loss) per common share calculation	30.3	29.3	18.8	22.6
Preferred stock dividends	$ 9.8	$ 9.8	$ 9.8	$ 3.6

For the fiscal year ended September 30, (in millions except per share amounts)	1994(1)
OPERATING RESULTS:	
Sales	$606.3
Gross profit	$202.2
Income from operations (5)	$ 59.3
Income (loss) before extraordinary items and accounting changes	$ 23.9
Income (loss) applicable to common shareholders	$ 22.9
Net cash provided by operating activities	$ 9.9
Depreciation and amortization	$ 21.9
FINANCIAL POSITION:	
Working capital	$140.6
Investment in property, plant and equipment	$ 33.4
Property, plant and equipment, net	$140.1
Total assets	$528.6
Total debt	$247.3
Total shareholders' equity	$168.2
RATIOS:	
Operating margin	9.8%
Current ratio	2.3
Total debt to total capitalization	59.5%
Return on average shareholders' equity	14.7%
PER SHARE DATA:	
Diluted earnings (loss) per common share before extraordinary items and accounting changes	$ 1.27
Diluted earnings (loss) per common share	$ 1.22
Shareholders' equity	$ 9.01
Price to earnings, end of period	12.7
Stock price at year-end	$15.50
Stock price range High	$20.13
Low	$15.25
OTHER:	
EBITDA (6)	$ 81.2
EBITDA margin	13.4%
Interest coverage (EBITDA/interest)	4.6
Average common shares outstanding	18.7
Common shares used in diluted earnings (loss) per common share calculation	18.8
Preferred stock dividends	$ --

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NOTE: Prior year presentations have been changed to conform to fiscal 1998 presentation; these changes did not impact net income.

(1) Includes Scotts-Sierra Horticultural Products Company from December 1993.

(2) Includes Scotts' Miracle-Gro Products, Inc. from May 1995.

(3) Includes Miracle Holdings Limited from January 1997.

(4) Includes Levington Group Limited from December 1997 and EarthGro, Inc. from February 1998.

(5) Operating income for fiscal 1998 and 1996 includes $20.4 million and $17.7 million of restructuring charges, respectively.

(6) EBITDA is defined as income from operations, plus depreciation and amortization. The Company believes that EBITDA provides additional information for determining its ability to meet debt service requirements. EBITDA does not represent and should not be considered as an alternative to net income or cash flow from operations as determined by generally accepted accounting principles, and EBITDA does not necessarily indicate whether cash flow will be sufficient to meet cash requirements.

nm Not meaningful

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

OVERVIEW

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

As a leading consumer branded lawn and garden company, the Company focuses on its consumer marketing efforts, including advertising and consumer research, to create demand to pull product through the retail distribution channels. During fiscal 1998, the Company spent $104.4 million on advertising and promotional activities, an increase of 17.3% over fiscal 1997 excluding the impact of fiscal 1998 acquisitions. Management believes that the Company receives a significant return on these increased marketing expenditures. For example, sales in the Company's Consumer Lawns business group increased 12.9% from fiscal 1997 to fiscal 1998, which the Company believes resulted primarily from its increased consumer-oriented marketing efforts. The Company expects that it will continue to focus its marketing efforts toward the consumer and to increase consumer marketing expenditures in the future to drive market share and sales growth.

The Company's 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 pesticides. Periods of dry, hot weather can have the opposite effect on fertilizer and pesticide sales. The Company believes that its recent acquisitions diversify both its product line risk and geographic risk to weather conditions.

On September 30, 1998, the Company entered into a long-term Exclusive Agency and Marketing Agreement (the "Roundup Marketing Agreement") with Monsanto for its consumer Roundup(R) herbicide products. Under the Roundup Marketing Agreement, the Company and Monsanto will jointly develop global consumer and trade marketing programs for Roundup(R) and the Company has assumed responsibility for sales support, merchandising, distribution, logistics and certain administrative functions. In addition, the Company has signed a definitive agreement to purchase from Monsanto the assets of its worldwide consumer lawn and garden businesses, exclusive of the Roundup business (the "Ortho Acquisition"). These transactions with Monsanto will further the Company's strategic objective of significantly enhancing its position in the pesticides segment of the consumer lawn and garden category. These businesses will make up the newly created Consumer Pesticides business group within the North American Consumer segment.

Management believes that the acquisitions will provide the Company with several strategic benefits including immediate market penetration, geographic expansion, brand leveraging opportunities and the achievement of substantial cost savings. The Company is currently a leader in four segments of the consumer lawn and garden category: lawn fertilizer, garden fertilizer, growing media and grass seeds. The Ortho Acquisition (when completed) and the Roundup Marketing Agreement will provide the Company with an immediate entry into the fifth segment of the consumer lawn and garden category: the U.S. pesticides segment. The addition of the U.S. pesticides product line completes the Company's product portfolio and positions the Company as the only national company with a complete offering of consumer products.

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

Over the past two years, the Company has made several other acquisitions to strengthen its global market position in the lawn and garden category. In October 1998, the Company purchased RPJ, for an estimated purchase price of $216 million. RPJ is a leading European consumer lawn and garden business. The RPJ Acquisition provides a significant addition to

the Company's existing European platform and strengthens its foothold in the continental European consumer lawn and garden market. Through this acquisition, the Company will establish a strong presence in France, Germany, Austria and the Benelux countries. The RPJ Acquisition may also mitigate, to a certain extent, the Company's susceptibility to weather conditions by expanding the regions in which the Company operates. In February 1998, the Company acquired EarthGro, Inc. ("EarthGro"), a Northeastern U.S. growing media producer. In December 1997, the Company acquired Levington Group Limited ("Levington"), a leading producer of consumer and professional lawn fertilizer and growing media in the United Kingdom. In January 1997, the Company acquired the approximate two-thirds interest in Miracle Holdings Limited ("Miracle Holdings") which the Company did not already own. Miracle Holdings owns Miracle Garden Care Limited ("Miracle Garden"), a manufacturer and distributor of lawn and garden products in the United Kingdom. These acquisitions are consistent with the Company's 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 of the Company should be read in conjunction with the Consolidated Financial Statements of the Company included elsewhere in this report. Dollars are in millions except per share data.

RESULTS OF OPERATIONS

The following table sets forth the components of income and expense as a percentage of sales for the three years ended September 30, 1998:

	Fiscal Year Ended September 30,		
	1998	1997	1996
Sales	100.0%	100.0%	100.0%
Cost of sales	64.2	63.8	68.3
Gross profit	35.8	36.2	31.7
Advertising and promotion	9.4	9.3	9.2
Selling, general and administrative	15.0	14.5	15.5
Amortization of goodwill and other intangibles	1.2	1.1	1.2
Restructuring and other charges	1.4	-	-
Other expense, net	0.4	0.7	2.3
Income from operations	8.4	10.5	3.5
Interest expense	2.9	2.8	3.3
Income before income taxes	5.5	7.7	0.2
Income taxes	2.2	3.3	0.5
Income (loss) before extraordinary items	3.3	4.4	(0.3)
Extraordinary loss	0.1	--	--
Net income (loss)	3.2	4.4	(0.3)
Preferred stock dividends	0.9	1.1	1.3
Income (loss) applicable to common shareholders	2.3%	3.3%	(1.6)%

The following table sets forth sales by business segment for the three years ended September 30, 1998:

	Fiscal Year Ended September 30,		
	1998	1997	1996
North American Consumer:			
Lawns	$ 369.1	$309.6	$228.2
Gardens	133.0	127.0	115.3
Growing Media	231.6	182.6	180.6
Total	733.7	619.2	524.1
Professional	179.4	165.5	160.4
International	199.9	114.6	65.9
Consolidated	$1,113.0	$899.3	$750.4

FISCAL 1998 COMPARED TO FISCAL 1997

Sales in fiscal 1998 were $1.1 billion, an increase of 23.8% over fiscal 1997 sales of $899.3 million. On a pro forma basis, assuming that the Levington and EarthGro acquisitions had occurred on October 1, 1996, fiscal 1998 sales would have been $1.1 billion, an increase of $100.1 million, or 9.7%, over fiscal 1997 pro forma sales of $1.0 billion. The increase in these pro forma sales was driven primarily by significant increases in sales in the Consumer Lawns business group and the Professional segment as discussed below.

North American Consumer segment sales were $733.7 million in fiscal 1998, an increase of $114.5 million, or 18.5%, over fiscal 1997 sales of $619.2 million. Sales in the Consumer Lawns business group within this segment increased $59.5 million, or 19.2%, from fiscal 1997 to fiscal 1998, reflecting significant volume growth year to year in the Company's Turf Builder(R) line of products driven by continued increases in consumer-oriented marketing efforts such as advertising and packaging improvements. Sales in the Consumer Gardens and Consumer Growing Media business groups increased $6.0 million, or 4.7%, and $49.0 million, or 26.8%, respectively, from fiscal 1997 to fiscal 1998. The increase in the Consumer Growing Media business group was primarily the result of the EarthGro acquisition made earlier in fiscal 1998. The increase in sales for the Consumer Gardens business group was driven primarily by strong volume, particularly in the Osmocote(R) and Miracle-Gro(R) product lines, which the Company believes was due to increased advertising. Increases were also due to the introduction of certain new products. On a pro forma basis, including the EarthGro acquisition, sales in the Consumer Growing Media business group increased 4.4% from fiscal 1997 to fiscal 1998. More importantly, the Company made a strategic decision to emphasize sales of higher margin, value-added products and to deemphasize sales of lower margin landscape products. Selling price changes did not have a material impact in the North American Consumer segment in fiscal 1998.

Professional segment sales were $179.4 million in fiscal 1998, an increase of $13.9 million, or 8.4%, over fiscal 1997 sales of $165.5 million. This increase in sales was primarily reflected in the ProTurf(R) business and resulted from increased volumes as a result of emphasizing more technological support for customers and new product introductions.

International segment sales were $199.9 million in fiscal 1998, an increase of $85.3 million, or 74.4%, over fiscal 1997 sales of $114.6 million. After considering the Levington acquisition, on a pro forma basis, sales in the International segment increased 11.4% from fiscal 1997 to fiscal 1998, primarily in the European professional business.

Gross profit increased to $398.0 million in fiscal 1998, an increase of 22.2% over fiscal 1997 gross profit of $325.7 million. As a percentage of sales, gross profit was 35.7% of sales for fiscal 1998, compared to 36.2% of sales for fiscal 1997. Fiscal 1998 gross profit reflects a charge of $2.9 million, or 0.3% of fiscal 1998 sales, for restructuring and other charges as discussed below. Also impacting fiscal 1998 gross margins were start-up costs associated with the upgrade of certain domestic manufacturing facilities, demolition costs associated with the removal of certain old manufacturing facilities, unplanned outsourcing of certain production and unfavorable inventory adjustments. The aggregate impact of these items, approximately $8.0 million, was offset by favorable raw material pricing of approximately $8.0 million.

Advertising and promotion expenses in fiscal 1998 were $104.4 million, an increase of $20.5 million, or 24.4%, over fiscal 1997 advertising and promotion expenses of $83.9 million. On a pro forma basis, including the Levington and EarthGro acquisitions, advertising and promotion expenses increased 17.3% from fiscal 1997 to fiscal 1998. This increase reflects continued emphasis on building consumer demand through consumer-oriented marketing efforts, and is highlighted by 18.5% and 58.9% increases in advertising and promotion expenses in the Consumer Lawns business group and International segment (excluding the Levington acquisition), respectively. As a percentage of sales, advertising and promotion increased slightly to 9.4%, compared to 9.3% for the prior year.

Selling, general and administrative (SG&A) expenses in fiscal 1998 were $167.2 million, an increase of $36.7 million, or 28.1%, over SG&A expenses in fiscal 1997 of $130.5 million. As a percentage of sales, SG&A was 15.0% for fiscal 1998, compared to 14.5% for fiscal 1997. On a pro forma basis, including the Levington and EarthGro acquisitions, SG&A expenses increased 13.1% from fiscal 1997 to fiscal 1998. The increase in SG&A expenses was due to several factors: the assumption of selling, marketing, research and development and administrative functions related to acquired businesses;

information systems expenses of $1.9 million for Year 2000 compliance and $1.2 million for the enterprise system implementation efforts, as well as an increase in information systems spending to support the new initiatives and additional businesses; and a $2.1 million charge for costs to integrate the acquired Levington business as discussed below.

Amortization of goodwill and other intangibles increased to $12.9 million in fiscal 1998, compared to $10.2 million in fiscal 1997, as a result of the Levington and EarthGro acquisitions during the year.

Restructuring and other charges in fiscal 1998 were $20.4 million, $15.4 million of which is identified separately within operating expenses, $2.9 million of which is included in cost of sales and $2.1 million of which is included in SG&A charges. These charges represent primarily the costs to integrate the Company's U.K. operations, discontinue most of the U.S. composting operations over the next two years and divest an existing pesticides business. Costs to integrate the U.K. businesses include charges for closing duplicate facilities, discontinuing overlapping product lines and providing for severance related to headcount reductions in sales, administrative and manufacturing functions. Costs to discontinue most of the composting facilities include the write-off of certain assets, estimated losses under contractual commitments for which no future revenues will be realized and certain closing costs. Costs to divest the pesticides business reflect the estimated loss on its sale. Included in the $20.4 million restructuring charge are non-cash write-offs of $9.4 million. The balance of $11.0 million represents cash obligations, of which $1.1 million have been paid as of September 30, 1998.

Other expenses for fiscal 1998 were $4.0 million, compared to $6.3 million in fiscal 1997. The decrease was primarily due to a reduction in charges provided for the disposal of certain assets and an increase in royalty income from licensing arrangements for certain of the Company's brand names, partially offset by increased foreign currency losses and legal and environmental provisions.

Income from operations for fiscal 1998 was $94.1 million, compared to $94.8 million for fiscal 1997. On a pro forma basis, including the Levington and EarthGro acquisitions, income from operations for fiscal 1998 was $94.6 million, compared to $102.0 million in fiscal 1997. Excluding the restructuring and other charges of $20.4 million discussed above, income from operations in fiscal 1998 was $114.5 million, or 10.3% of sales, which was just slightly below income from operations as a percentage of sales for fiscal 1997 of 10.5%.

Interest expense for fiscal 1998 was $32.2 million, an increase of 27.8% over fiscal 1997 interest expense of $25.2 million. The increase in interest expense was due to increased borrowings to fund the Levington, EarthGro and Miracle Garden acquisitions, partially offset by lower average debt levels excluding the acquisition borrowings.

Income tax expense was $24.9 million for fiscal 1998, a 17.3% decrease from income tax expense for fiscal 1997. The Company's effective tax rate decreased to 40.3% in fiscal 1998 from 43.2% in fiscal 1997 as a result of favorable tax planning strategies.

In February 1998, the Company secured an interim revolving credit facility to replace its then existing credit facility. Write-off of deferred financing costs associated with the then existing credit facility resulted in an extraordinary loss, net of income taxes, on the early extinguishment of debt of $0.7 million.

The Company reported net income of $36.3 million for fiscal 1998, or $1.20 per common share on a diluted basis, compared to net income of $39.5 million for fiscal 1997, or $1.35 per common share on a diluted basis. Excluding the impact of the restructuring charges and extraordinary loss discussed above, the Company earned net income of $1.62 per share on a diluted basis, a 20% increase over fiscal 1997. This increase reflects the impact of strong sales volumes during fiscal 1998 as discussed above.

FISCAL 1997 COMPARED TO FISCAL 1996

Sales in fiscal 1997 were $899.3 million, an increase of $148.9 million, or 19.8%, over fiscal 1996 sales. On a pro forma basis, assuming the remaining two-thirds interest in Miracle Garden was acquired at the beginning of fiscal 1996, fiscal 1997 sales would have been $910.7 million, an increase of 13.3% over fiscal 1996 pro forma sales of $803.4 million. Further adjusting for the impact on fiscal 1996 sales of the fiscal 1995 Consumer Lawns group's retailer early purchase program, management estimates consolidated sales would have increased 6.4% in fiscal 1997.

North American Consumer segment sales totaled $619.2 million, an increase of $95.1 million, or 18.1%, over fiscal 1996. After adjusting for the estimated impact of the fiscal 1995 early purchase

program on the Consumer Lawns group's fiscal 1996 sales, management estimates that fiscal 1997 North American Consumer segment sales increased 7.4%. This reflects strong sales volume gains in the Consumer Gardens (15.5%) and Consumer Lawns (8.2%) operating groups. The Consumer Growing Media group's sales were up slightly as this group emphasized increased profitability, not sales growth, in fiscal 1997.

Professional segment sales increased $5.1 million, or 3.2%, to $165.5 million in fiscal 1997. Beginning late in fiscal 1996, this segment refocused its strategy on growth in its core ProTurf(R) and Horticultural product lines, and significantly curtailed certain initiatives that increased sales in prior years, but had little net income contribution.

International segment sales increased to $114.6 million in fiscal 1997, up $48.7 million, or 73.9%, over fiscal 1996. Reflecting the Company's international growth strategy, sales for this segment were 12.7% of consolidated revenues in fiscal 1997, up from 8.8% in fiscal 1996. Including Miracle Garden on a pro forma basis, International sales increased 6.0% from $118.9 million in fiscal 1996 to $126.0 million in fiscal 1997. The year-to-year pro forma sales comparison for the International segment was negatively impacted by approximately 1% as a result of unfavorable exchange rate movements.

Gross profit increased to 36.2% of sales in fiscal 1997, a 4.5% improvement compared to 31.7% in fiscal 1996. This improvement is attributable to the discontinuance of promotional programs that drove out-of-season sales, the discontinuance of lower margin Professional and Consumer products and manufacturing and distribution efficiencies.

Advertising and promotion expenses increased by $14.7 million, or 21.2%, to $83.9 million. As a percentage-of-sales, advertising and promotion expenses increased to 9.3% from 9.2%. Reflecting the "pull" marketing strategy of the Lawns and Gardens groups of the North American Consumer segment, U.S. consumer media advertising increased $5.6 million, or 22.5%, in fiscal 1997. The inclusion of Miracle Garden ($6.4 million) in fiscal 1997, as well as higher trade allowances and cooperative advertising, also contributed to the overall advertising and promotional expense increase in 1997. The Company believes retailer promotions and cooperative advertising are an integral part of the consumer lawn and garden care business, but to a lesser extent than practiced in prior years.

SG&A expenses increased $13.9 million or 11.9% to $130.5 million. As a percentage-of-sales, SG&A expenses decreased from 15.5% to 14.5%. The overall increase in this expense category reflects the inclusion of Miracle Garden ($8.0 million), higher selling and general management incentives and profit sharing expenses, increased emphasis on in-store merchandisers and higher spending on certain support functions.

Amortization of goodwill and other intangibles increased as a result of the inclusion of Miracle Garden.

Other expense (income), net for fiscal 1997 included approximately $6.0 million in charges related to the disposal of and valuation charges related to certain assets. These charges were partially offset by higher Scotts(R) brand name licensing royalties. During fiscal 1996, the Company recorded $4.9 million in severance costs related to workforce reductions and $12.8 million in write-downs and write-offs for various under-utilized or idle assets, including several plant closings.

Primarily as a result of higher sales volumes, improved manufacturing and distribution efficiencies and other cost improvements, income from operations increased by $68.5 million, or 360.5%, to $96.3 million. Income from operations increased to 10.5% from 3.5% as a percentage of sales. Excluding asset valuation charges in both years and severance expense in fiscal 1996, income from operations was 11.4% in fiscal 1997 compared to 6.1% in fiscal 1996.

Interest expense increased $0.2 million, or 0.8%, in fiscal 1997. Excluding Miracle Garden related borrowings, interest expense decreased by approximately $3.8 million, or 14.3%, primarily due to a $69.2 million reduction in average borrowings for the year. Miracle Garden related interest expense was approximately $4.0 million, reflecting both acquisition debt and seasonal working capital requirements, from the January 3, 1997 effective date of the acquisition transaction.

The Company's effective tax rate was 43.2% in fiscal 1997 compared to 302.3% in fiscal 1996. The high effective tax rate in fiscal 1996 was attributable to the low level of reported pre-tax income and non-tax deductible amortization of goodwill and certain intangibles. Additional information on the effective income tax rate is described in Note 11 to the Company's Consolidated Financial Statements.

During fiscal 1997, the Company reported net income of $39.5 million, or $1.35 per common share, compared with a net loss of $2.5 million, or $0.65 per

common share, in fiscal 1996. The return to profitability in 1997 was attributable to a variety of factors, including: the refocused, "pull" directed marketing strategy of the Consumer Lawns group compared to the retailer early purchase program that severely discounted this group's leading branded products; sales volume increases in the Consumer Gardens group; Consumer Growing Media group and Professional segment strategies that focused on profitable growth and eliminated sales of marginal products and to unprofitable distribution channels; improved weather conditions in fiscal 1997 in most key markets; improved manufacturing and distribution efficiencies, and other cost improvements; and lower interest expense before the impact of Miracle Garden related borrowings.

LIQUIDITY AND CAPITAL RESOURCES

Cash provided by operating activities was $71.0 million, $121.1 million and $82.3 million in fiscal 1998, 1997 and 1996, respectively. The decrease in cash provided from operations for fiscal 1998 compared to fiscal 1997 was primarily due to increased working capital levels in fiscal 1998 to support increased sales revenues. The fiscal 1997 improvement compared to fiscal 1996 was driven by higher earnings and improved working capital management. The seasonal nature of the Company's sales results in a significant increase in working capital (primarily accounts receivable and inventory) during the first half of the fiscal year, with the third quarter being a significant cash collection period.

Cash used in investing activities was $192.1 million, $72.5 million and $17.4 million in fiscal 1998, 1997 and 1996, respectively. The increase in cash used in investing activities in fiscal 1998 was due to the cost of businesses acquired during the year (or to be acquired in fiscal 1999) and an increase in capital expenditures of $14.8 million primarily due to costs incurred to upgrade certain manufacturing facilities to more technologically advanced production capabilities. The fiscal 1997 increase was partially attributable to the acquisition of the remaining two-thirds interest in Miracle Garden for approximately $47.0 million effective January 3, 1997. The largest capital project during fiscal 1997 was an approximate $9.0 million expansion of the Company's Marysville distribution facility, estimated to generate annual distribution expense savings of at least $1.5 million beginning in fiscal 1998. The Company's new credit facilities (as described below) restrict annual capital investments to $70.0 million.

Financing activities generated cash of $118.4 million in fiscal 1998 and used cash of $46.2 million and $61.1 million in fiscal 1997 and 1996, respectively. Cash generated in fiscal 1998 was generally provided by the Company's credit facilities in order to provide funds for the acquisitions during the year. The lower level of debt repayment in fiscal 1997 reflects the usage of higher operating cash flows to support the additional investment in Miracle Garden and higher net capital investments.

Total debt as of September 30, 1998 was $372.5 million, an increase of $151.2 million from a year earlier. The increase in debt year to year was primarily due to borrowings to fund the Levington and EarthGro acquisitions.

Shareholders' equity as of September 30, 1998 was $403.9 million, a $14.7 million increase compared to September 30, 1997. This increase was primarily attributable to net income of $36.3 million, offset by Convertible Preferred Stock dividends of $9.8 million and net treasury stock purchases of $14.0 million.

The primary sources of liquidity for the Company are funds generated by operations and borrowings under the Company's credit facilities. The Company entered into a credit agreement in February 1998 which provided for an available line of credit of $550 million, an increase of $125 million from the previous facility, and allowed up to the equivalent of $200 million of the available credit to be borrowed in British Pounds Sterling and $50 million of the available credit to be borrowed in other foreign currencies.

On December 4, 1998, the Company and certain of its subsidiaries entered into new credit facilities which provide for borrowings in the aggregate principal amount of $1.025 billion and consist of term loan facilities in the aggregate amount of $525 million and a revolving credit facility in the amount of $500 million.

The term loan facilities consist of three tranches. The Tranche A Term Loan Facility consists of a 6 1/2 year term loan facility in an aggregate principal amount of $265 million, which is divided into three sub-tranches of French Francs, German Deutschemarks and British Pounds Sterling. The Tranche A Term Loans are to be repaid quarterly over a 6 1/2 year period. The Tranche B Term Loan Facility consists of a 7 1/2 year term loan facility in an aggregate principal amount of $140 million, which is to be repaid in nominal quarterly installments for the first 6 1/2 years and in substantial quarterly installments in the final year. The Tranche C

Term Loan Facility consists of a 8 1/2 year term loan facility in an aggregate principal amount of $120 million, which is to be repaid in nominal quarterly installments for the first 7 1/2 years and in substantial quarterly installments in the final year.

The revolving credit facility consists of loans up to $500 million, which are available on a revolving basis for a term of 6 1/2 years. A portion of the revolving credit facility not to exceed $100 million is available for the issuance of letters of credit. Additionally, a portion of the facility, not to exceed $30 million, is available for swing line loans on same-day notice. A portion of the facility, not to exceed $225 million, is available for borrowings in optional currencies, including German Deutschemarks, British Pounds Sterling, French Francs, Belgian Francs, Italian Lira and other specified currencies, provided that the outstanding revolving loans in optional currencies other than British Pounds Sterling do not exceed $120 million. The outstanding principal amount of all revolving credit loans may not exceed $150 million for at least 30 consecutive days during any calendar year.

The Company funded the RPJ Acquisition with borrowings under the new credit facilities. The Company expects to fund the Ortho Acquisition with proceeds from an anticipated private debt offering to qualified institutional buyers and certain borrowings under the new credit facilities.

Management estimates that capital expenditures will approximate $60 million in fiscal 1999, $50 million to $60 million for each of the following three years and approximately $40 million per year thereafter for the foreseeable future. Included in these estimates are amounts to be spent on the Company's information systems initiative in fiscal 1999 and fiscal 2000.

Subject to certain contingencies, including the successful completion of the Ortho Acquisition, the Board of Directors of the Company has authorized the repurchase of up to $100 million of the Company's common shares on the open market or in privately negotiated transactions on or prior to September 30, 2001. As of September 30, 1998, approximately 250,000 common shares (or $8.4 million) had been repurchased under the Company's previously announced stock repurchase program, all of which will be applied to the new repurchase program limit. The timing and amount of any purchases under the new repurchase program will be at the Company's discretion and will depend upon market conditions and the Company's operating performance and liquidity. Any repurchase will also be subject to the covenants contained in the Company's new credit facilities as well as its 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. The Company anticipates that any repurchases would be made pro rata from the former shareholders of Stern's Miracle-Gro Products, Inc. (the "Miracle-Gro Shareholders") upon terms no less favorable to the Company than those obtainable in the public market. The agreement governing the merger transactions with the Miracle-Gro Shareholders requires that they reduce their percentage ownership in the Company to no more than 44% on a fully diluted basis to the extent that repurchases by the Company would cause such ownership to exceed 44%.

Gains and losses on foreign currency transaction hedges are recognized in income and offset the foreign exchange gains and losses on the underlying transactions. Gains and losses on foreign currency firm commitment hedges are deferred and included in the basis of the transactions underlying the commitments. At September 30, 1998, there were no outstanding foreign currency transaction hedges or firm commitment hedges.

In the opinion of the Company's management, cash flows from operations and capital resources will be sufficient to meet debt service and working capital needs during fiscal 1999 and thereafter for the foreseeable future. However, the Company cannot ensure that its 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 the new 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 the Company's control. The Company cannot ensure that it will be able to refinance any indebtedness, including the new credit facilities, on commercially reasonable terms, or at all.

ENVIRONMENTAL MATTERS

The Company is subject to local, state, federal and foreign environmental protection laws and regulations with respect to its business operations and believes it is operating in substantial compliance with, or taking action aimed at ensuring compliance with, such laws and regulations. The Company is involved in several

environmental related legal actions with various governmental agencies. While it is difficult to quantify the potential financial impact of actions involving environmental matters, particularly remediation costs at waste disposal sites and future capital expenditures for environmental control equipment, in the opinion of management, the ultimate liability arising from such environmental matters, taking into account established reserves, should not have a material adverse effect on the Company's financial position; however, there can be no assurance that future quarterly or annual operating results will not be materially affected by the resolution of these matters. Additional information on environmental matters affecting the Company is provided in Note 15 to the Company's Consolidated Financial Statements and in this Annual Report on Form 10-K under "ITEM 1. BUSINESS--Environmental and Regulatory Considerations" and "ITEM 3. LEGAL PROCEEDINGS."

YEAR 2000 READINESS

General

The Company may be impacted by the inability of its computer software applications and other business systems (e.g., embedded microchips) to properly identify the Year 2000 due to a commonly used programming convention of using only two digits to identify a year. Unless modified or replaced, these systems could fail or create erroneous results when referencing the Year 2000.

Management is assessing the extent and impact of this issue and is implementing a readiness program to mitigate the possibility of business interruption or other risks. The objective of the program is to have all significant business systems Year 2000 compliant by mid-1999.

The Company has established a Year 2000 Program Office to oversee the readiness program. The Program Office functions include regular communication with Year 2000 project managers and site visits to the Company's various businesses to monitor remediation efforts and verify progress toward stated compliance goals. The Program Office reports to senior management, who in turn reports regularly to the Board of Directors regarding the Company's progress toward Year 2000 readiness.

Information Technology (IT) Systems

Currently, the mainframe computer operations at the Company's Marysville, Ohio headquarters support all U. S. business groups with the exception of the Scotts' Miracle-Gro administrative headquarters in New York and the Republic Tool (spreaders) manufacturing operation in California. The Company's foreign operations generally do not electronically interface with the U.S. headquarters.

The headquarters mainframe operations consist primarily of internally developed systems which are being remediated, while other domestic and international operations utilize commercial packaged software which, if not Year 2000 compliant, is being upgraded or replaced. Remediation of headquarters applications, which is the Company's most complex and costly effort, is being managed and executed by a project team including 15 external consultants working full-time in conjunction with seven Company associates. The Company maintains overall project management control while a project manager for the consultants is responsible for daily administration of the project.

Personal computers are being made Year 2000 compliant by systematic upgrade through lease renewals. Many other hardware/software upgrades are being executed under ongoing maintenance and support agreements with vendors. Testing of upgrades will be performed internally.

In support of the Company's long-range strategic plans, an enterprise-wide application systems (ERP) project is under way to link all business groups. This enterprise-wide system will be implemented in stages starting in 1999 and is expected to be completed in 2000. The primary software provider for the enterprise-wide system has represented that its software is Year 2000 compliant, which will be verified as part of testing prior to implementation.

The Company's Year 2000 compliance efforts are being concentrated on the currently existing systems to ensure there is adequate information systems support until implementation of the enterprise-wide system is completed.

Non-IT Systems

Non-IT systems, comprised mainly of equipment and machinery operating and control systems, telecommunication systems, building air management systems, security and fire control systems, electrical and natural gas systems, are being assessed by each business group with advice from suppliers of these systems/services. Upgrades or replacements are being made as necessary.

Third Party Suppliers

The Company relies on third party suppliers for finished goods, raw materials, water, other utilities, transportation and a variety of other key services. Interruption of supplier operation due to Year 2000 issues could affect Company operations. The Company is evaluating the status of suppliers' efforts through confirmation and follow-up procedures to determine contingency planning where necessary.

Recent Acquisitions

The Company has recently completed the RPJ Acquisition and has entered into an agreement with Monsanto under which it agreed to become the exclusive consumer marketing agent for Monsanto's Roundup(R) herbicide products. Due diligence reviews of the Year 2000 readiness status for each of these businesses have been completed. The RPJ Acquisition has both IT and non-IT Year 2000 considerations. The Roundup Marketing Agreement does not involve the acquisition of assets; however, additional efforts are necessary to confirm Year 2000 readiness by the Company's business partners. Representations have been provided in the definitive agreement signed in conjunction with the Ortho Acquisition that the Ortho business is Year 2000 compliant in all material respects. The Company is in the process of compiling Year 2000 reporting from these operations and will include site visits as part of the verification efforts. Due to the timing of these transactions, the Company's current estimates of costs and completion dates do not include these businesses.

State of Readiness

Each business group has substantially completed an internal inventory which is designed to identify IT and non-IT systems that are susceptible to system failure or processing errors as a result of Year 2000 issues.

The headquarters mainframe remediation project is more than half complete and is scheduled for completion (including testing) in mid-1999. Plans are in place for the upgrade or replacement and testing of IT systems at other U. S. operations by mid-1999. Non-IT efforts are being performed concurrently and replacement and testing is expected to be completed by mid-1999. Site visits are being planned by the Program Office to verify progress against plans.

Year 2000 readiness plans are being executed within the International segment. Upgrades of packaged software for the primary systems will be completed by early 1999. Completion of all IT and non-IT upgrades and testing is scheduled for mid-1999. Site visits are being planned by the Program Office to verify progress against plans.

A confirmation process with respect to third party suppliers is in progress. Plans are being formulated for site visits and other testing with critical suppliers to determine if alternative sources are needed.

Due diligence efforts to date for pending acquisitions have revealed that plans exist by the seller to timely address material Year 2000 issues.

Costs

The Company has been tracking incremental Year 2000 costs which excludes the costs of internally dedicated resources. The current estimate of incremental costs for the Year 2000 efforts (excluding those related to the RPJ Acquisition, the Roundup Marketing Agreement, other pending acquisitions and the ERP project) is approximately $5.2 million. Of this amount, $1.9 million has been incurred to date. These costs, with the exception of relatively small capital expenditures, are being expensed as incurred and are being funded through operating cash flows. A summary of the cost components follows ($ in millions):

LOCATION	Fiscal 1998 (actual)	Fiscal 1999 (estimate)	TOTAL
Headquarters mainframe	$1.5	$1.5	$3.0
Other U. S. operations and Program Office	0.1	1.1	1.2
International operations	0.3	0.7	1.0
Total	$1.9	$3.3	$5.2

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The above costs do not include costs of Year 2000 efforts for acquisitions not deemed material. The costs of the headquarters mainframe work represents 15% and 20% of 1998 actual and 1999 budgeted IT expenditures excluding ERP, respectively. The Company believes that Year 2000 costs have not had and will not have a material impact on the Company's results of operations, financial condition or cash flows.

Risks

The principal business risks to the Company relating to completion of Year 2000 efforts are:

- Reliance on key business partners to not have disruption in the ability to provide goods and services as a result of Year 2000 issues.

- The ability to recruit and/or retain key staff for the Year 2000 effort.

- Unforeseen issues arising in connection with recent and future acquisitions/business partnerships.

- The ability to continue to focus on Year 2000 issues by internal and external resources.

Because the Company's Year 2000 readiness is dependent upon key business partners also being Year 2000 ready, there can be no guarantee that the Company's efforts will prevent a material adverse impact on its results of operations, financial condition and cash flows. The possible consequences to the Company of its key business partners' inability to provide goods and services as a result of Year 2000 issues include temporary plant closings; delays in delivery of finished products; delays in receipt of key ingredients, containers and packaging supplies; invoice and collection errors; and inventory and supply obsolescence. The Company believes that its readiness efforts, which include confirmation, site visits and other testing with critical suppliers to determine if contingency planning is needed, should reduce the likelihood of such disruptions.

Contingency Plans

A formal contingency plan has not yet been developed. The Company will continue to assess where alternative courses of action are needed as the IT and non-IT readiness plans are executed. The drive for formal contingency planning will be in the second quarter of 1999, once a significant amount of the business groups' readiness plans have been completed.

Ongoing Process

The Company's readiness program is an ongoing process and the estimates of costs and completion dates for various components of the program described above are subject to change.

ENTERPRISE RESOURCE PLANNING ("ERP")

In July 1998, the Company announced a project designed to bring its information system resources in line with the Company's current strategic objectives. The project will include 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 two fiscal years. The Company estimates that the project will cost $50.0 million, approximately 75% of which will be capitalized over a period of four to eight years. SAP has been selected as the primary software provider for this project.

EURO

Beginning in January 1999, a new currency called the "euro" is scheduled to be introduced in certain Economic and Monetary Union ("EMU") countries. During 2002, all EMU countries are expected to be operating with the euro as their single currency. Uncertainty exists as to the effects the euro currency will have on the marketplace. Additionally, the European Commission has not yet defined and formalized all of the final rules and regulations. The Company is still assessing the impact the EMU formation and euro implementation will have on its internal systems and the sale of its products. The Company expects to take appropriate actions based on the results of such assessment. The Company has not yet determined the cost related to addressing this issue and there can be no assurance that this issue and its related costs will not have a materially adverse effect on the Company's business, operating results and financial condition.

MANAGEMENT'S OUTLOOK

Fiscal 1998 was a very strong year for the Company as it reported record sales of $1.1 billion and achieved market share growth in every one of its major U. S. categories. The year's performance reflected the successful continuation of its primary growth drivers: to emphasize consumer-oriented marketing efforts to pull demand through its distribution channels, and to make strategic acquisitions to increase market share in global markets and within segments of the lawn and garden category. Restructuring charges taken in fiscal 1998 reflect the costs to integrate recent acquisitions and to exit businesses that are not strategically aligned with the Company's core businesses. Going forward, these actions should allow the Company to fully realize the operational synergies created by the acquisitions and to focus resources in businesses that provide opportunities for growth.

Looking forward, the Company maintains the following broad tenets to its strategic plan:

(1) Promote and capitalize on the strengths of the Scotts(R), Miracle-Gro(R) and Hyponex(R) industry-leading brands, as well as those brands acquired and to be acquired in conjunction with the RPJ Acquisition and Ortho Acquisition, respectively. This involves a commitment to investors and retail partners that the Company 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.

Within the Company's four-year strategic plan, management has established challenging, but realistic, financial goals, including:

(1) Sales growth of 6% to 8% in core businesses;

(2) An aggregate operating margin improvement of at least 2% over the next four years; and

(3) Minimum compounded annual EPS growth of 15%.

FORWARD-LOOKING STATEMENTS

The Company has made and will make certain forward-looking statements in its Annual Report, Form 10-K and in other contexts relating to future growth and profitability targets and strategies designed to increase total shareholder value. The Private Securities Litigation Reform Act of 1995 (the "Act") 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. The Company desires to take advantage of the "safe harbor" provisions of the Act.

These forward-looking statements represent challenging goals for the Company, and the achievement thereof is subject to a variety of risks and assumptions and numerous factors beyond the Company's control. These forward-looking statements include, but are not limited to, information regarding the future economic performance and financial condition of the Company, the plans and objectives of the Company's management and the Company's assumptions regarding such performance and plans. Therefore, it is possible that the Company's future actual financial results may differ materially from those expressed in these forward-looking statements due to a variety of factors, including, but not limited to, the following:

- Effect of Weather Conditions -- Adverse weather conditions could adversely impact 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 particular, an abnormally cold Spring throughout the United States could adversely affect the Company's financial results;

- Effect of Seasonality -- Historical seasonality could impair the Company's ability to make interest payments on indebtedness. Because the Company's products are used primarily in the Spring and Summer, the business is highly seasonal. For the past two fiscal years, approximately 72% of sales have occurred in the second and third fiscal quarters combined. Working capital needs, and correspondingly borrowings, peak at the end of the first fiscal quarter during which the Company generates fewer revenues while incurring expenditures in preparation for the Spring selling season. If the Company is unable to draw on the new credit facilities when an interest payment is due on the other indebtedness, this seasonality could adversely affect the Company's ability to make interest payments as required by other indebtedness. Adverse weather conditions could heighten this risk;

- Continued marketplace acceptance of the Company's North American Consumer groups' "pull" advertising marketing strategies -- Acceptance is particularly important in the Consumer Lawns group which refocused its general marketing strategy beginning in fiscal 1996;

- The ability to maintain profit margins on its products, to produce its products on a timely basis and to maintain and develop additional production capacity as necessary to meet demand;

- Competition among lawn and garden care product producers supplying the consumer and professional markets, both in North America and Europe;

- Competition between and the recent consolidation within the retail outlets selling lawn and garden care products produced by the Company;

- Public perceptions regarding the safety of the products produced and marketed by the Company;

- Risks Associated with International Operations -- The Company's significant international operations make it more susceptible to fluctuations in currency exchange rates and to the costs of international regulation. The Company currently operates manufacturing, sales and service facilities outside of North America and particularly in the United Kingdom, Germany and France. International operations have increased with the acquisitions of Levington, Miracle Garden and RPJ and will increase further through the Roundup Marketing Agreement and the Ortho Acquisition. In fiscal 1998, international sales accounted for approximately 18% of total sales. Therefore, the Company is subject to risks associated with operations in foreign countries, including fluctuations in currency exchange rates, the imposition of limitations on conversion of foreign currencies into dollars or remittance of dividends and other payments by foreign subsidiaries. Many foreign countries have tended to suffer from inflation more than the United States. In addition, by operating in a large number of countries, the Company incurs additional costs of compliance with local regulations. The Company has attempted to hedge some currency exchange rate risks, including by borrowing in local currencies, but such hedges do not eliminate the risk completely. The costs related to international operations could adversely affect operations and financial results in the future;

- Effect of New European Currency -- The implementation of the euro currency in certain European countries in 2002 could adversely impact the Company. Beginning in January 1999, a new currency called the "euro" is scheduled to be introduced in certain Economic and Monetary Union ("EMU") countries. During 2002, all EMU countries are expected to be operating with the euro as their single currency. Uncertainty exists as to the effects the euro currency will have on the marketplace. Additionally, all of the final rules and regulations have not yet been defined and finalized by the European Commission with regard to the euro currency. The Company is still assessing the impact the EMU formation and euro implementation will have on internal systems and the sale of its products. The Company expects to take appropriate actions based on the results of such assessment. However, the Company has not yet determined the cost related to addressing this issue and there can be no assurance that this issue and its related costs will not have a materially adverse effect on the Company's business, operating results and financial condition;

- Changes in economic conditions in the United States and the impact of changes in interest rates;

- Addressing Year 2000 Issues -- The failure of the Company, or the failure of third party suppliers or retailer customers, to address information technology issues related to the Year 2000 could adversely affect operations. Like other business entities, the Company must address the ability of its computer software applications and other business systems (e.g., embedded microchips) to properly identify the Year 2000 due to a commonly used programming convention of using only two digits to identify a year. Unless modified or replaced, these systems could fail or create erroneous results when referencing the Year 2000. While the Company is assessing the relevant issues related to the Year 2000 problem and has implemented a readiness program to mitigate the possibility of business interruption or other risks, the Company cannot be sure that it will have adequately addressed the issue, particularly with respect to recent and pending acquisitions. Moreover, the Company relies on third party suppliers for finished goods, raw materials, water, other utilities, transportation and a variety of other key services. If one or more of these suppliers fail to address the Year 2000 problem adequately, such suppliers' operations could be interrupted. Such interruption, in turn, could adversely affect the Company's operations. In addition, the failure of retailer customers adequately to address the Year 2000 problem could adversely affect financial results;

- The ability to improve processes and business practices to keep pace with the economic, competitive and technological environment, including successful completion of the ERP project;

- Environmental Regulation -- Compliance with environmental and other public health regulations could result in the expenditure of significant capital resources. Local, state, federal and foreign laws and regulations relating to environmental matters affect the Company in several ways. All products containing pesticides must be registered with the U.S. Environmental Protection Agency (and in many cases, similar state and/or foreign agencies) before they can be sold. The inability to obtain or the cancellation of any such registration could have an

adverse effect on the Company. The severity of the effect would depend on which products were involved, whether another product could be substituted and whether competitors were similarly affected. The Company attempts to anticipate regulatory developments and maintain registrations of, and access to, substitute chemicals, but may not always be able to avoid or minimize these risks. Regulations regarding the use of certain pesticide and fertilizer products may include requirements that only certified or professional users apply the product or that certain products be used only on certain types of locations (such as "not for use on sod farms or golf courses"), may require users to post notices on properties to which products have been or will be applied, may require notification of individuals in the vicinity that products will be applied in the future or may ban the use of certain ingredients. In addition, with the RPJ Acquisition and assuming the Ortho Acquisition is consummated, the Company has acquired or will acquire many new pesticide product lines that are subject to additional regulations. Even if the Company is able to comply with all such regulations and obtain all necessary registrations, the Company cannot assure that its 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;

- Control by Significant Shareholders -- The interests of the Miracle-Gro Shareholders could conflict with those of the other shareholders or noteholders. The Miracle-Gro Shareholders (through the Hagedorn Partnership, L.P.) beneficially own approximately 42% of the outstanding common shares of the Company on a fully diluted basis. While the agreement governing the merger transactions with the Miracle-Gro Shareholders places certain voting restrictions on the Miracle-Gro Shareholders through May 19, 2000, the Miracle-Gro Shareholders have the right to designate three members of the Company's Board of Directors and have the ability to veto significant corporate actions by the Company. In addition, after May 19, 2000, the Miracle-Gro Shareholders will be able to vote their shares without restriction and will be able to significantly control the election of directors and the approval of other actions requiring the approval of the Company's shareholders. The interests of the Miracle-Gro Shareholders could conflict with those of the Company's other shareholders;

- Substantial Leverage -- The Company has substantial indebtedness which could adversely affect the financial health of the Company and prevent the Company from fulfilling its obligations under certain indebtedness. Substantial indebtedness could have important consequences to shareholders. For example, it could:

  - make it more difficult to satisfy obligations with respect to such indebtedness;

  - increase vulnerability to general adverse economic and industry conditions;

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

  - require the Company to dedicate a substantial portion of cash flow from operations to payments on indebtedness, thereby reducing the availability of cash flow to fund working capital, capital expenditures, research and development efforts and other general corporate requirements;

  - limit flexibility in planning for, or reacting to, changes in the Company's business and the industry in which it operates;

  - place the Company at a competitive disadvantage compared to competitors that have less debt; and

  - limit, along with the financial and other restrictive covenants in the Company's indebtedness, among other things, the ability to borrow additional funds. And, failing to comply with those covenants could result in an event of default which, if not cured or waived, could have a material adverse effect on the Company;

- Ability to Service Debt -- To service indebtedness, the Company will require a significant amount of cash. The Company's ability to generate cash depends on many factors beyond its control. The ability to make payments on and to refinance indebtedness and to fund planned capital expenditures and research and development efforts will depend on the ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond the Company's control. Based on the current level

of operations and anticipated cost savings and operating improvements, the Company believes its cash flow from operations, available cash and available borrowings under the new credit facility will be adequate to meet its future liquidity needs for at least the next few years. The Company cannot assure, however, that its business 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 the new credit facility in amounts sufficient to enable us to pay our indebtedness, or to fund other liquidity needs. The Company may need to refinance all or a portion of its indebtedness, on or before maturity. The Company cannot ensure that it will be able to refinance any of its indebtedness, on commercially reasonable terms or at all;

- Integration Issues -- Inability to integrate the acquisitions made could prevent the Company from maximizing synergies and could adversely affect financial results. The Company has made several substantial acquisitions in the past four years. The Ortho Acquisition will represent the largest. The success of any completed acquisition depends, and the success of the Ortho Acquisition will depend, on the ability to integrate effectively the acquired business. The Company believes that the RPJ Acquisition provides and the Ortho Acquisition will provide significant cost saving opportunities. However, if the Company is not able to successfully integrate Ortho, RPJ or other acquired businesses, the Company will not be able to maximize such cost saving opportunities. Rather, the failure to integrate such 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 financial results;

- Customer Concentration -- Because of the concentration of sales to a small number of retail customers, the loss of one or more of the Company's top 10 customers could adversely affect financial results. The Company's top 10 customers together accounted for approximately 50% of 1998 fiscal year sales and 27% of outstanding accounts receivable as of September 30, 1998. The top two customers, The Home Depot and Wal*Mart, represented approximately 17% and 10%, respectively, of 1998 fiscal year sales and approximately 12% and 2%, respectively, of outstanding accounts receivable at September 30, 1998. The loss of, or reduction in orders from, The Home Depot, Wal*Mart or any other significant customer could have a material adverse effect on the Company and its financial results, as could customer disputes regarding shipments, fees, merchandise condition or related matters with, or the inability to collect accounts receivable from, any of such customers;

- Termination of Roundup Marketing Agreement -- Monsanto has the right to terminate the Roundup Marketing Agreement, either as a whole or within a particular region, for certain events of default. If Monsanto terminates the Roundup Marketing Agreement without having to pay a termination fee, the Company would lose a substantial source of future earnings;

- Post-Patent Sales of Roundup(R) in the United States -- Glyphosate, the active ingredient in Roundup(R), is subject to a patent in the United States that expires in September 2000. The Company cannot predict the success of Roundup(R) after glyphosate ceases to be patented. Substantial new competition in the United States could adversely affect the Company. Glyphosate is no longer subject to patent in the European Union and is not subject to patent in Canada. While sales of Roundup(R) in such countries have continued to increase despite the lack of patent protection, sales in the United States may decline as a result of increased competition after the U.S. patent expires.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISE

As part of its ongoing business, the Company is exposed to certain market risks, including fluctuations in interest rates, foreign currency exchange rates, commodity prices and its common share price. The Company uses derivative financial and other instruments, where appropriate, to manage these risks. The Company does not enter into transactions designed to mitigate its market risks for trading or speculative purposes.

INTEREST RATE RISK

The Company has various debt instruments outstanding at September 30, 1998 and anticipates issuing new debt instruments in fiscal 1999 as well. Accordingly, the Company is impacted by changes in interest rates. As a means of managing its interest rate risk on existing debt instruments, the Company has entered

into an interest rate swap agreement to effectively convert certain variable rate debt obligations denominated in British Pounds Sterling to a fixed rate. The exchange rate used to convert British Pounds Sterling to U.S. dollars at September 30, 1998 was $1.6989:1 LBP. In order to manage its interest rate risk on an anticipated fixed-rate debt issuance, the Company has entered into two interest rate locks.

The following table summarizes information about the Company's derivative financial instruments and debt instruments that are sensitive to changes in interest rates as of September 30, 1998. For debt instruments, the table presents principal cash flows and related weighted-average interest rates by expected maturity dates. For interest rate swaps and locks, the table presents expected cash flows based on notional amounts and weighted-average interest rates by contractual maturity dates. Weighted-average variable rates are based on implied forward rates in the yield curve at September 30, 1998. The information is presented in U.S. dollars (in millions):

	Expected maturity date							
	1999	2000	2001	2002	2003	THEREAFTER	TOTAL	FAIR VALUE
Long-term debt:								
Fixed rate debt						$100.0	$100.0	$106.8
Average rate						9.88%	9.88%	
Variable rate debt					$253.5		$253.5	$253.5
Average rate					6.33%			
Interest rate derivatives:								
Interest rate swap	$ 0.3	$ 0.4	$ 0.4	$ 0.2				$ (1.5)
Average rate	7.62%	7.62%	7.62%	7.62%				
Interest rate lock	$ 16.7							$(16.7)
Average rate	5.44%							

On December 4, 1998, the Company entered into new credit facilities and terminated its then existing credit facility. See additional discussion of the Company's new credit facilities in "Liquidity and Capital Resources" in "ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS".

EQUITY PRICE RISK

In May 1998, the Company sold 0.3 million put options which give the holder the option to sell one of the Company's common shares at a specified price for each option held. The put options have a strike price of $35.32 per share and expire in May 1999. The put options can only be exercised on their date of expiration. At September 30, 1998, the buy-out value of these put options was $1.4 million as estimated using an option pricing model.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and other information required by this Item are contained in the financial statements, footnotes thereto and schedules listed in the Index to Consolidated Financial Statements and Financial Statement Schedules on page F-1 herein.

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

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

In accordance with General Instruction G(3), the information contained under the captions "BENEFICIAL OWNERSHIP OF SECURITIES OF THE COMPANY -- Voting Restrictions on the Miracle-Gro Shareholders", and " -- Section 16(a) Beneficial Ownership Reporting Compliance" and "ELECTION OF DIRECTORS" in the Registrant's definitive Proxy Statement for the 1999 Annual Meeting of Shareholders to be held on February 23, 1999 to be filed with the Securities and Exchange Commission pursuant to Regulation 14A promulgated under the Securities Exchange Act of 1934 (the "Proxy Statement"), is incorporated herein by reference. The information regarding executive officers required by Item 401 of Regulation S-K is included in Part I hereof under the caption "Executive Officers of Registrant."

ITEM 11. EXECUTIVE COMPENSATION

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

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

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

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

In accordance with General Instruction G(3), the information contained under the captions "BENEFICIAL OWNERSHIP OF SECURITIES OF THE COMPANY" and "EXECUTIVE COMPENSATION -- Certain Relationships and Related Transactions" in the Registrant's Proxy Statement, is incorporated herein by reference.

PART IV

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

(a) DOCUMENTS FILED AS PART OF THIS REPORT

1 and 2. Financial Statements and Financial Statement Schedules:

The response to this portion of Item 14 is submitted as a separate section of this Annual Report on Form 10-K. Reference is made to "Index to Consolidated Financial Statements and Financial Statement Schedules" beginning at Page F-1.

3. Exhibits:

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

EXECUTIVE COMPENSATORY PLANS AND ARRANGEMENTS

EXHIBIT NO.	DESCRIPTION	LOCATION
10(a)	The Scotts Company Associates' Pension Plan as amended effective January 1, 1989 and December 31, 1995 (the "Pension Plan")	Incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 1996 (File No. 1-11593) [Exhibit 10(a)]
10(b)	First Amendment to the Pension Plan	Incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 1997 (File No. 1-11593) [Exhibit 10(b)]
10(c)	The Scotts Company Retirement Savings Plan	*
10(d)	First Amendment to The Scotts Company Retirement Savings Plan	*
10(e)	Second Amendment to The Scotts Company Retirement Savings Plan	*
10(f)	The O.M. Scott & Sons Company Excess Benefit Plan, effective October 1, 1993	Incorporated herein by reference to the Annual Report on Form 10-K for the fiscal year ended September 30, 1993, of The Scotts Company, a Delaware corporation which was predecessor to the Registrant ("Scotts Delaware") (File No. 0-19768) [Exhibit 10(h)]
10(g)	The Scotts Company 1992 Long Term Incentive Plan	Incorporated herein by reference to Scotts Delaware's Registration Statement on Form S-8 filed on March 26, 1993 (Registration No. 33-60056) [Exhibit 4(f)]
10(h)	The Scotts Company 1998 Executive Annual Incentive Plan	*
10(i)	The Scotts Company 1996 Stock Option Plan (as amended through September 1, 1998)	*
10(j)	The Scotts Company Executive Retirement Plan	*
10(k)	Employment Agreement, dated as of May 19, 1995, between the Registrant and James Hagedorn	Incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 1995 (File No. 1-11593) [Exhibit 10(p)]

EXHIBIT NO.	DESCRIPTION	LOCATION
10(l)	Consulting Agreement, dated July 9, 1997, among Scotts' Miracle-Gro Products, Inc., the Registrant and Horace Hagedorn	Incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 1997 (File No. 1-11593)[Exhibit 10(1)]
10(m)	Employment Agreement, dated as of May 19, 1995, among Stern's Miracle-Gro Products, Inc. (nka Scotts' Miracle-Gro Products, Inc.), the Registrant and John Kenlon	Incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 1996 (File No. 1-11593) [Exhibit 10(k)]
10(n)	Employment Agreement, dated as of August 7, 1998, between the Registrant and Charles M. Berger, with three attached Stock Option Agreements with the following effective dates: September 23, 1998; October 21, 1998 and September 24, 1999	*
10(o)	Stock Option Agreement, dated as of August 7, 1996, between the Registrant and Charles M. Berger	Incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 1996 (File No. 1-11593) [Exhibit 10(m)]
10(p)	Letter Agreement, dated December 23, 1996, between the Registrant and Jean H. Mordo	Incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 1997 (File No. 1-11593) [Exhibit 10(p)]
10(q)	Specimen form of Stock Option Agreement for Non-Qualified Stock Options	*
10(r)	Letter Agreement, dated April 10, 1997, between the Registrant and G. Robert Lucas	Incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 1997 (File No. 1-11593) [Exhibit 10(r)]
10(s)	Letter Agreement, dated December 17, 1997, between the Registrant and William R. Radon	*
10(t)	Letter Agreement, dated March 30, 1998, between the Registrant and William A. Dittman	*

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* Filed herewith.

(b) REPORTS ON FORM 8-K

The Registrant filed no Current Reports on Form 8-K for the last quarter of the period covered by this Report.

(c) EXHIBITS

See Item 14(a)(3) above.

(d) FINANCIAL STATEMENT SCHEDULES

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

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE SCOTTS COMPANY

Dated: December 21, 1998

By: /s/ CHARLES M. BERGER

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

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

SIGNATURES	TITLE	DATE
/s/ JAMES B BEARD, PH.D. James B Beard, Ph.D.	Director	December 21, 1998
/s/ CHARLES M. BERGER Charles M. Berger	Chairman of the Board/President/Chief Executive Officer	December 21, 1998
/s/ JOSEPH P. FLANNERY Joseph P. Flannery	Director	December 21, 1998
/s/ HORACE HAGEDORN Horace Hagedorn	Vice Chairman/Director	December 21, 1998
/s/ JAMES HAGEDORN James Hagedorn	Executive Vice President/Director	December 21, 1998
/s/ ALBERT E. HARRIS Albert E. Harris	Director	December 21, 1998
/s/ JOHN KENLON John Kenlon	Director	December 21, 1998
/s/ KAREN GORDON MILLS Karen Gordon Mills	Director	December 21, 1998
/s/ JEAN H. MORDO Jean H. Mordo	Executive Vice President/Chief Financial Officer/Principal Accounting Officer	December 21, 1998
/s/ PATRICK J. NORTON Patrick J. Norton	Director	December 21, 1998
/s/ JOHN M. SULLIVAN John M. Sullivan	Director	December 21, 1998
/s/ L. JACK VAN FOSSEN L. Jack Van Fossen	Director	December 21, 1998
/s/ JOHN WALKER, PH.D. John Walker, Ph.D.	Director	December 21, 1998

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
AND FINANCIAL STATEMENT SCHEDULES

Schedules other than those listed above are omitted since they are not required or are not applicable, or the required information is shown in the Consolidated Financial Statements or Notes thereto.

REPORT OF MANAGEMENT

Management of The Scotts Company is responsible for the preparation, integrity and objectivity of the financial information presented in this Form 10-K. The accompanying financial statements have been prepared in conformity with generally accepted accounting principles appropriate in the circumstances and, accordingly, include some amounts that are based on management's best judgments and estimates.

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

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

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

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of
The Scotts Company

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, cash flows and changes in shareholders' equity present fairly, in all material respects, the financial position of The Scotts Company and Subsidiaries at September 30, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 1998, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP
Columbus, Ohio

October 23, 1998
Except for Note 20
as to which the date is December 15, 1998.

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The Scotts Company and Subsidiaries

CONSOLIDATED STATEMENTS OF OPERATIONS

For the fiscal years ended September 30, 1998, 1997 and 1996 (in millions except per share amounts)	1998	1997
Sales	$1,113.0	$899.3
Cost of sales	715.0	573.6
Gross profit	398.0	325.7
Advertising and promotion	104.4	83.9
Selling, general and administrative	167.2	130.5
Amortization of goodwill and other intangibles	12.9	10.2
Restructuring and other charges	15.4	--
Other expense (income), net	4.0	6.3
Income from operations	94.1	94.8
Interest expense	32.2	25.2
Income before income taxes	61.9	69.6
Income taxes	24.9	30.1
Income (loss) before extraordinary item	37.0	39.5
Extraordinary loss on early extinguishment of debt, net of income tax benefit	0.7	--
Net income (loss)	36.3	39.5
Preferred stock dividends	9.8	9.8
Income (loss) applicable to common shareholders	$ 26.5	$ 29.7
Basic earnings (loss) per share:		
Before extraordinary loss	$ 1.46	$ 1.60
Extraordinary loss, net of tax	(0.04)	--
	$ 1.42	$ 1.60
Diluted earnings (loss) per share:		
Before extraordinary loss	$ 1.22	$ 1.35
Extraordinary loss, net of tax	(0.02)	--
	$ 1.20	$ 1.35
Common shares used in basic earnings (loss) per share calculation	18.7	18.6
Common shares and potential common shares used in diluted earnings (loss) per share calculation	30.3	29.3

For the fiscal years ended September 30, 1998, 1997 and 1996 (in millions except per share amounts)	1996
Sales	$750.4
Cost of sales	512.4
Gross profit	238.0
Advertising and promotion	69.2
Selling, general and administrative	116.6
Amortization of goodwill and other intangibles	8.8
Restructuring and other charges	17.7
Other expense (income), net	(0.6)
Income from operations	26.3
Interest expense	25.0
Income before income taxes	1.3
Income taxes	3.8
Income (loss) before extraordinary item	(2.5)
Extraordinary loss on early extinguishment of debt, net of income tax benefit	--
Net income (loss)	(2.5)
Preferred stock dividends	9.8
Income (loss) applicable to common shareholders	$(12.3)
Basic earnings (loss) per share:	
Before extraordinary loss	$(0.65)
Extraordinary loss, net of tax	--
	$(0.65)
Diluted earnings (loss) per share:	
Before extraordinary loss	$(0.65)
Extraordinary loss, net of tax	--
	$(0.65)
Common shares used in basic earnings (loss) per share calculation	18.8
Common shares and potential common shares used in diluted earnings (loss) per share calculation	18.8

See Notes to Consolidated Financial Statements.

The Scotts Company and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the fiscal years ended September 30, 1998, 1997 and 1996 (in millions)	1998	1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)	$ 36.3	$ 39.5	$ (2.5)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation	21.6	16.6	16.8
Amortization	16.2	13.8	12.5
Extraordinary loss	0.7	--	--
Restructuring and other charges	19.3	--	15.1
Loss (gain) on sale of fixed assets	2.3	5.6	(0.1)
Deferred income taxes	(2.4)	(1.5)	(5.7)
Changes in assets and liabilities, net of acquired businesses:			
Accounts receivable	(8.6)	18.3	66.1
Inventories	(5.7)	17.3	(4.9)
Prepaid and other current assets	(2.1)	0.4	2.1
Accounts payable	8.8	1.1	(16.9)
Accrued taxes and other liabilities	(14.4)	12.7	0.6
Other, net	(1.0)	(2.7)	(0.8)
Net cash provided by operating activities	71.0	121.1	82.3
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in property, plant and equipment	(41.3)	(28.6)	(18.2)
Proceeds from sale of equipment	0.6	2.7	0.8
Investments in acquired businesses, net of cash acquired	(151.4)	(46.6)	--
Net cash used in investing activities	(192.1)	(72.5)	(17.4)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net borrowings (repayments) under revolving and bank lines of credit	140.0	(37.3)	(46.6)
Dividends on Class A Convertible Preferred Stock	(7.3)	(9.8)	(12.2)
Repurchase of common shares	(15.3)	--	--
Other, net	1.0	0.9	(2.3)
Net cash provided by (used in) financing activities	118.4	(46.2)	(61.1)
Effect of exchange rate changes on cash	0.3	--	(0.2)
Net increase (decrease) in cash	(2.4)	2.4	3.6
Cash, beginning of period	13.0	10.6	7.0
Cash, end of period	$ 10.6	$ 13.0	$ 10.6
SUPPLEMENTAL CASH FLOW INFORMATION			
Interest paid (net of amount capitalized)	$ 31.5	$ 24.2	$ 25.5
Income taxes paid	38.6	20.5	4.4
Dividends declared not paid	2.5	--	--
Businesses acquired:			
Fair value of assets acquired	195.8	115.8	
Liabilities assumed and minority interest	(45.9)	(69.2)	
Cash paid	0.4	--	
Debt issued	149.5	46.6	

See Notes to Consolidated Financial Statements.

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The Scotts Company and Subsidiaries

CONSOLIDATED BALANCE SHEETS

September 30, 1998 and 1997 (in millions)	1998	1997
ASSETS		
Current Assets:		
Cash	$ 10.6	$ 13.0
Accounts receivable, less allowance for uncollectible accounts of $6.3 in 1998 and $5.7 in 1997	146.6	104.3
Inventories, net	177.7	146.1
Current deferred tax asset	20.8	19.0
Prepaid and other assets	11.5	3.4
Total current assets	367.2	285.8
Property, plant and equipment, net	197.0	146.1
Intangible assets, net	435.1	352.2
Other assets	35.9	3.5
Total assets	$1,035.2	$787.6
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Short-term debt	$ 13.3	$ 1.5
Accounts payable	77.8	54.1
Accrued liabilities	124.9	57.8
Accrued taxes	15.9	25.9
Total current liabilities	231.9	139.3
Long-term debt	359.2	219.8
Other liabilities	40.2	39.3
Total liabilities	631.3	398.4
COMMITMENTS AND CONTINGENCIES		
Shareholders' Equity:		
Class A Convertible Preferred Stock, no par value	177.3	177.3
Common shares, no par value per share, $.01 stated value per share, issued 21.1 shares in 1998 and 1997	0.2	0.2
Capital in excess of par value	208.7	207.8
Retained earnings	76.6	50.1
Cumulative foreign currency translation account	(3.0)	(4.3)
Treasury stock, 2.8 shares in 1998 and 2.4 shares in 1997, at cost	(55.9)	(41.9)
Total shareholders' equity	403.9	389.2
Total liabilities and shareholders' equity	$1,035.2	$787.6

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the fiscal years ended September 30, 1998, 1997 and 1996 (in millions)	Class A Convertible Preferred Stock		Common Shares		Capital in Excess of Par Value	Retained Earnings	Treasury Stock		Cumulative Foreign Currency Translation Account
	Shares	Amount	Shares	Amount			Shares	Amount	
Balance, September 30, 1995	0.2	$177.3	21.1	$0.2	$207.5	$32.7	(2.4)	$(41.0)	$ 4.1
Issuance of common shares held in treasury					0.1		0.4	7.4	
Purchase of common shares							(0.5)	(9.8)	
Net loss						(2.5)			
Preferred Stock dividends						(9.8)			
Foreign currency translation									(1.9)
Balance, September 30, 1996	0.2	$177.3	21.1	$0.2	$207.6	$20.4	(2.5)	$(43.4)	2.2
Issuance of common shares held in treasury					0.2		0.1	1.5	
Net income						39.5			
Preferred stock dividends						(9.8)			
Foreign currency translation									(6.5)
Balance, September 30, 1997	0.2	$177.3	21.1	$0.2	$207.8	$50.1	(2.4)	$(41.9)	$(4.3)
Issuance of common shares held in treasury							0.1	1.7	
Purchase of common shares							(0.5)	(15.3)	
Net income						36.3			
Preferred Stock dividends						(9.8)			
Foreign currency translation									1.3
Other					0.9			(0.4)	
Balance, September 30, 1998	0.2	$177.3	21.1	$0.2	$208.7	$76.6	(2.8)	$(55.9)	$(3.0)

For the fiscal years ended September 30, 1998, 1997 and 1996 (in millions)	Total
Balance, September 30, 1995	$380.8
Issuance of common shares held in treasury	7.5
Purchase of common shares	(9.8)
Net loss	(2.5)
Preferred Stock dividends	(9.8)
Foreign currency translation	(1.9)
Balance, September 30, 1996	$364.3
Issuance of common shares held in treasury	1.7
Net income	39.5
Preferred stock dividends	(9.8)
Foreign currency translation	(6.5)
Balance, September 30, 1997	$389.2
Issuance of common shares held in treasury	1.7
Purchase of common shares	(15.3)
Net income	36.3
Preferred Stock dividends	(9.8)
Foreign currency translation	1.3
Other	0.5
Balance, September 30, 1998	$403.9

See Notes to Consolidated Financial Statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

The Scotts Company is engaged in the manufacture and sale of lawn care and garden products. The Company's major customers include mass merchandisers, home improvement centers, large hardware chains, independent hardware stores, nurseries, garden centers, food and drug stores, golf courses, professional sports stadiums, lawn and landscape service companies, commercial nurseries and greenhouses, and specialty crop growers. 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 consolidated financial statements include the accounts of The Scotts Company and its subsidiaries (collectively, the "Company"). All material intercompany transactions have been eliminated.

REVENUE RECOGNITION

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

RESEARCH AND DEVELOPMENT

All costs associated with research and development are charged to expense as incurred. Expense for fiscal 1998, 1997 and 1996 was $14.8 million, $10.0 million, and $10.6 million, respectively.

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. The Company expenses advertising and promotion costs as incurred, although costs incurred during interim periods are generally expensed ratably in relation to revenues or related performance measures.

EARNINGS PER COMMON SHARE

Basic earnings per common share is based on the weighted-average number of common shares outstanding each period. Diluted earnings per common share is based on the weighted-average number of common shares and dilutive potential common shares (stock options, convertible preferred stock and warrants) outstanding each period.

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.

INVENTORIES

Inventories are principally stated at the lower of cost or market, determined by the FIFO method; however, certain growing media inventories are accounted for by the LIFO method. At September 30, 1998 and 1997, approximately 12% and 14% of inventories, respectively, are valued at the lower of LIFO cost or market. Inventories include the cost of raw materials, labor and manufacturing overhead. The Company makes provisions for obsolete or slow-moving inventories as necessary to properly reflect inventory value.

PROPERTY, PLANT AND EQUIPMENT

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

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

Land improvements	10-25 years
Buildings	10-40 years
Machinery and equipment	3-15 years
Furniture and fixtures	6-10 years
Software	3-8 years

Interest is capitalized on all material projects, generally those over $1.0 million. The Company capitalized $0.8 million and $0.4 million of interest costs during fiscal 1998 and 1997, respectively.

INTANGIBLE ASSETS

Goodwill arising from business acquisitions is amortized over its useful life, which is generally 40 years, on a straight-line basis. Intangible assets also consist of patents, trademarks and debt issuance costs. Debt issuance costs are being amortized over the terms of the various agreements. Patents and trademarks are being amortized on a straight-line basis over periods varying from 7 to 40 years. Accumulated amortization at September 30, 1998 and 1997 was $71.7 million and $68.9 million, respectively.

Management periodically assesses the recoverability of goodwill, trademarks and other intangible assets by determining whether the amortization of such assets over the remaining lives can be recovered through projected undiscounted net cash flows produced by such assets.

INTERNAL USE SOFTWARE

In July of fiscal 1998, the Company announced an initiative designed to enhance its information system resources. The project includes re-design of certain key business processes and the installation of new software on a world-wide basis over the next two fiscal years. SAP has been chosen as the primary software provider for this project. The Company is accounting for the costs of the project in accordance with Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use". Accordingly, costs other than reengineering are expensed or capitalized depending on whether they are incurred in the preliminary project stage, application development stage, or the post-implementation/operation stage. Any reengineering costs are expensed as incurred.

CASH AND CASH EQUIVALENTS

The Company considers all highly liquid financial instruments with original maturities of three months or less to be cash equivalents. The Company did not have any cash equivalents as of September 30, 1998.

FOREIGN EXCHANGE INSTRUMENTS

Gains and losses on foreign currency transaction hedges are recognized in income and offset the foreign exchange gains and losses on the underlying transactions. Gains and losses on foreign currency firm commitment hedges are deferred and included in the basis of the transactions underlying the commitments. At September 30, 1998, there were no outstanding transaction hedges or firm commitment hedges.

All assets and liabilities in the balance sheets of foreign subsidiaries whose functional currency is other than the U.S. dollar are translated into U.S. dollar equivalents at year-end exchange rates. Translation gains and losses are accumulated as a separate component of shareholders' equity. Income and expense items are translated at average monthly exchange rates. Foreign currency transaction gains and losses are included in the determination of net income.

ENVIRONMENTAL COSTS

The Company recognizes environmental liabilities when conditions requiring remediation are identified. The Company determines its liability on a site by site basis and records a liability at the time when it is probable and can be reasonably estimated. Expenditures which extend the life of the related property or mitigate or prevent future environmental contamination are capitalized. Environmental liabilities are not discounted or reduced for possible recoveries from insurance carriers.

RECLASSIFICATIONS

Certain reclassifications have been made to the prior years' financial statements to conform to fiscal 1998 classifications.

NOTE 2. DETAIL OF CERTAIN FINANCIAL STATEMENT ACCOUNTS

(IN MILLIONS)	1998	1997
INVENTORIES, NET:		
Finished Goods	$121.0	$102.8

Raw Materials	55.8	42.8
FIFO Cost	176.8	145.6
LIFO Reserve	0.9	0.5
Total	$177.7	$146.1

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Inventory balances are shown net of provisions for slow moving and obsolete inventory, of $12.0 million and $11.8 million as of September 30, 1998 and 1997, respectively. Inventory for 1998 is also shown net of $2.7 million non-cash reserves associated with the 1998 restructuring program. See further discussion in Note 4.

(IN MILLIONS)	1998	1997
PROPERTY, PLANT AND EQUIPMENT, NET:		
Land and improvements	$ 41.1	$ 27.6
Buildings	70.9	44.9
Machinery and equipment	169.7	136.8
Furniture and fixtures	17.0	11.5
Software	3.7	3.2
Construction in progress	28.8	24.5
Less: accumulated depreciation	(134.2)	(102.4)
Total	$197.0	$146.1

Balances for 1998 are shown net of $4.4 million non-cash reserves associated with the 1998 restructuring program. See further discussion in Note 4.

(IN MILLIONS)	1998	1997
INTANGIBLE ASSETS, NET:		
Goodwill	$268.1	$215.6
Trademarks	144.0	114.6
Other	23.0	22.0
Total	$435.1	$352.2

(IN MILLIONS)	1998	1997
ACCRUED LIABILITIES:		
Payroll and other compensation accruals	$ 20.4	$ 21.2
Advertising and promotional accruals	26.5	15.6
Current restructuring reserves	7.8	--
Other	70.2	21.0
Total	$124.9	$ 57.8

The current restructuring reserve consists of $2.3 million for non-cash write-offs and $5.5 million for cash payments to be made in fiscal 1999, primarily related to estimated losses under contractual commitments, the elimination of 80 associate positions in the United Kingdom, and product development costs in the United Kingdom. See further discussion in Note 4.

(IN MILLIONS)	1998	1997
OTHER NON-CURRENT LIABILITIES:		
Accrued postretirement liabilities	$ 26.0	$ 26.6
Non-current restructuring reserves	4.4	--
Environmental reserves	6.2	5.0
Other	3.6	7.7
Total	$ 40.2	$ 39.3

The long term restructuring reserve consists of accruals for cash payments to be made in fiscal 2000 primarily related to estimated losses under contractual commitments. See further discussion in Note 4.

NOTE 3. OTHER EXPENSE (INCOME)

Other expense (income) consisted of the following for the fiscal years ended September 30:

(IN MILLIONS)	1998	1997	1996
Royalty income	$(3.4)	$(2.0)	$(1.0)
Asset valuation and write-off charges	2.3	6.0	--
Foreign currency loss	2.5	--	1.2
Legal and environmental charges	2.7	1.1	--
Other, net	(0.1)	1.2	(0.8)
Total	$ 4.0	$ 6.3	$(0.6)

NOTE 4. RESTRUCTURING AND OTHER CHARGES

During fiscal 1998, the Company recorded $20.4 million of restructuring and other charges. Included in these charges are the following: (1) $6.0 million for consolidation of the Company's two U.K. operations into one lower-cost business, consisting primarily of property and equipment and packaging write-offs of $3.9 million and severance costs of $1.4 million; (2) $9.3 million for the closure of nine composting operations in the United States that collect yard and compost waste for certain municipalities, consisting of losses of $4.5 million to be incurred under contractual commitments for which no future revenues will be realized and inventory and fixed asset write-offs of $4.8 million; and (3) $5.1 million for the sale or closure of certain other U.S. plants and businesses. The Company expects that these restructuring efforts will be completed during fiscal 1999, with the exception of certain losses under contractual commitments which are expected to be incurred through fiscal 2000.

Such charges are included in the fiscal 1998 results of operations as follows (amounts in millions):

Cost of sales	$ 2.9
Selling, general and administrative	2.1
Restructuring and other charges	15.4
	$20.4

During fiscal 1996, the Company recorded $17.7 million of unusual, non-recurring charges as part of management's plan to reduce costs and improve operating efficiencies. This program included the following charges: (1) $4.9 million for severance costs; (2) $3.5 million for previously deferred packaging costs; and (3) $9.3 million related to the write-down of various under-utilized or idle assets, including several plant closings.

NOTE 5. ACQUISITIONS

Effective February 1998, the Company acquired all the shares of EarthGro, Inc. ("EarthGro"), a regional

growing media company located in Glastonbury, Connecticut, for approximately $47.0 million, including deal costs and refinancing of certain assumed debt.

Effective December 1997, the Company acquired all the shares of Levington Group Limited ("Levington"), a leading producer of consumer and professional lawn fertilizer and growing media in the United Kingdom, for approximately $94.0 million, including deal costs and refinancing of certain assumed debt.

Effective January 1997, the Company acquired the approximate two-thirds interest in Miracle Holdings Limited ("Miracle Holdings") which the Company did not already own for approximately $47.0 million. Miracle Holdings owns Miracle Garden Care Limited ("MGC"), a manufacturer and distributor of lawn and garden products in the United Kingdom.

During fiscal 1998, the Company also invested in or acquired other entities consistent with its long-term strategic plan. These investments include Scotts Lawn Service, Sanford Scientific, Inc. (genetics) and the U.S. Home and Garden Consumer Products Business of AgrEvo Environmental Health, Inc. (pesticides), which is expected to be divested in fiscal 1999.

Each of the above acquisitions 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. Goodwill and identifiable intangibles associated with the purchase of Levington were $44.0 million and $18.8 million, respectively. Goodwill and identifiable intangibles associated with the purchase of EarthGro were $5.2 million and $10.6 million, respectively.

The following unaudited pro forma results of operations give effect to the Levington, EarthGro and Miracle Holdings acquisitions as if they had occurred on October 1, 1996.

(IN MILLIONS)	1998	1997
Net sales	$1,135.0	$1,034.8
Income before extraordinary loss	35.6	37.2
Net income	34.9	37.2
Basic earnings per share:		
Before extraordinary loss	$ 1.38	$ 1.47
After extraordinary loss	1.34	1.47
Diluted earnings per share		
Before extraordinary loss	$ 1.17	$ 1.27
After extraordinary loss	1.15	1.27

The pro forma information provided does not purport to be indicative of actual results of operations if the EarthGro, Levington and Miracle Holdings acquisitions had occurred as of October 1, 1996, and is not intended to be indicative of future results or trends.

NOTE 6. RETIREMENT PLANS

In September 1997, in conjunction with the decision to offer a new defined contribution retirement savings plan to domestic Company associates, management decided to suspend benefits under its Scotts and Sierra defined benefit pension plans. The suspension of benefits under the defined benefit plans was accounted for as a curtailment under SFAS No. 88 ("Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits"). The gain recognized from the reduction of the projected benefit obligation was offset by the recognition of previously unrecognized net losses and obligations.

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

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

	September 30,	
(IN MILLIONS)	1998	1997
Actuarial present value of accumulated and projected benefit obligations:		
Vested benefits	$(49.3)	$(42.5)
Nonvested benefits	(7.6)	(7.4)
	(56.9)	(49.9)
Plan assets at fair value, primarily corporate bonds, U.S. Government bonds and cash equivalents	58.0	53.9
Plan assets greater than projected benefit obligations	1.1	4.0

Unrecognized items	3.7	--
Prepaid pension costs	$ 4.8	$ 4.0

Pension cost includes the following components:

(IN MILLIONS)	Fiscal year ended September 30, 1998	1997	1996
Service cost	$ -	$ 1.9	$ 1.8
Interest cost	3.6	4.1	3.8
Actual return on plan assets	(3.7)	(7.0)	(4.3)
Net amortization and deferral	--	2.8	0.6
Net pension cost	$(0.1)	$ 1.8	$ 1.9

The weighted-average settlement rate used in determining the actuarial present value of the projected benefit obligation was 6.75%, 7.25% and 8.0% as of September 30, 1998, 1997 and 1996, respectively. Future compensation was assumed to increase 4% annually for fiscal 1997 and 1996. The expected long-term rate of return on plan assets was 7.0% for fiscal 1998 and 9.0% in fiscal 1997 and 1996.

The following table sets forth the funded status and the related amounts recognized in the Consolidated Balance Sheets for defined benefit plans which exist as of September 30, 1998 and 1997 for MGC, Levington and Scotts Europe BV on a combined basis:

(IN MILLIONS)	September 30, 1998	1997
Actuarial present value of benefit obligation:		
Accumulated benefit obligations:		
Vested benefits	$(46.0)	$(13.8)
Nonvested benefits	(0.2)	--
Additional obligation for projected compensation increase	(8.9)	(4.1)
Projected benefit obligation	(55.1)	(17.9)
Plan assets at fair value	51.2	14.7
Plan assets less than projected benefit obligations	(3.9)	(3.2)
Unrecognized items	(1.2)	0.3
Net pension liability	$ (5.1)	$ (2.9)

Pension expense for fiscal 1998 for the International plans was $3.1, consisting of $2.8 service cost, $3.1 interest cost, $0.4 loss on plan assets, offset by $3.2 amortization of unrecognized items.

At September 30, 1997, the Company also curtailed its non-qualified supplemental pension plan which provides for incremental pension payments from the Company so that total pension payments equal amounts that would have been payable from the Company's pension plans if it were not for limitations imposed by income tax regulations. The projected benefit obligation at September 30, 1998 and 1997 was $1.5 million and $1.4 million, respectively. Pension expense for the plan was $0.1 million, $0.2 million and $0.3 million in fiscal 1998, 1997 and 1996, respectively.

NOTE 7. ASSOCIATE BENEFITS

The Company provides comprehensive major medical benefits to certain of its retired associates and their dependents. Substantially all of the Company's domestic associates become eligible for these benefits if they retire at age 55 or older with more than ten years of service. The plan requires certain minimum contributions from retired associates and includes provisions to limit the overall cost increases the Company is required to cover. The Company funds its portion of retiree medical benefits on a pay-as-you-go basis.

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

The following table sets forth the retiree medical plan status reconciled to the amounts included in the Consolidated Balance Sheets, as of September 30, 1998 and 1997.

(IN MILLIONS)	1998	1997
Accumulated postretirement benefit obligations:		
Retirees	$ 7.3	$ 7.8
Fully eligible active plan participants	0.4	0.4
Other active plan participants	7.4	7.6
Total accumulated postretirement benefit obligation	15.1	15.8
Unrecognized items	10.9	10.8
Accrued postretirement liability	$ 26.0	$ 26.6

Net periodic postretirement benefit cost includes the following components:

	Fiscal year ended September 30,

(IN MILLIONS)	1998	1997	1996
Service cost	$ 0.4	$ 0.3	$ 0.4
Interest cost	1.0	1.1	1.5
Net amortization	(1.3)	(1.2)	(0.9)
Net periodic postretirement benefit cost	$ 0.1	$ 0.2	$ 1.0

The discount rates used in determining the accumulated postretirement benefit obligation were 6.75% and 7.25% in fiscal 1998 and 1997, respectively. For measurement purposes, an 8.5% annual rate of increase in per capita cost of covered retiree medical benefits was assumed for 1998 and 1997; the rate was assumed to decrease gradually to 5.5% through the year 2003 and remain at that level thereafter. A 1% increase in the health care cost trend rate assumptions would increase the accumulated postretirement benefit obligation as of September 30, 1998 and 1997 by $0.7 million and $1.0 million, respectively. A 1% increase in the same rate would not have a material effect on service or interest costs.

Effective January 1, 1998, the Scotts, Hyponex and Sierra defined contribution profit sharing and 401(k) plans were merged and the surviving plan was expanded and amended to serve as the sole, active retirement savings plan for substantially all U.S. employees. Full-time employees may participate in the plan on the first day of the month after being hired.

Temporary employees may participate after working at least 1,000 hours in their first twelve months of employment and after reaching the age of 21. The plan allows participants to contribute up to 15% of their compensation in the form of pre-tax or post-tax contributions. The Company provides a matching contribution equivalent to 100% of participants' initial 3% contribution and 50% of the participants' remaining contribution up to 5%. Participants are immediately vested in employee contributions, the Company's matching contributions and the investment return on those monies. The Company also provides a 2% automatic base contribution to employees' accounts regardless of whether employees are active in the plan. Participants become vested in the Company's 2% base contribution after three years of service. The Company recorded charges of $4.7 million under the new plan in fiscal 1998. Under the terminated profit sharing and 401(k) plans, the Company recorded charges of $2.3 million and $0.9 million in fiscal 1997 and 1996, respectively.

The Company is self-insured for certain health benefits up to $0.2 million per occurrence per individual. The cost of such benefits is recognized as expense in the period the claim incurred. This cost was $8.6 million, $7.9 million and $9.4 million in fiscal 1998, 1997 and 1996, respectively. The Company is self-insured for State of Ohio workers compensation up to $0.5 million per claim. Claims in excess of stated limits of liability and claims for workers compensation outside of the State of Ohio are insured with commercial carriers.

NOTE 8. DEBT

(IN MILLIONS)	September 30, 1998	1997
Revolving credit line	$253.5	$114.7
9 7/8% Senior Subordinated Notes, $100 face amount (net of unamortized discount)	99.5	99.4
Foreign term loans	9.0	5.6
Short-term bank debt	0.0	1.5
Capital lease obligations and other	10.5	0.1
	372.5	221.3
Less current portions	13.3	1.5
	$359.2	$219.8

Maturities of short and long-term debt, including capital leases for the next five fiscal years and thereafter are as follows:

(IN MILLIONS)	CAPITAL LEASES	OTHER DEBT
1999	$1.0	$13.3
2000	1.2	1.4
2001	1.1	1.0
2002	0.2	2.0
2003	0.1	251.5
Thereafter	0.2	100.0

On February 26, 1998, the Company replaced its existing credit facility with a five-year, senior unsecured revolving credit facility with The Chase Manhattan Bank ("Chase") and various participating banks. The new facility provided up to $550 million to the Company, an increase of $125 million over the previous facility, and established a $200 million sub-tranche available in British Pounds Sterling and a $50 million sub-tranche available in other foreign currencies in which the Company transacts business. Interest pursuant to the competitive advance facility was determined by auction. Interest pursuant to the revolving credit facility was at a floating rate initially equal, at the Company's option, to the Alternate Base Rate, as defined, without additional margin, or the Eurodollar Rate, as defined, plus a margin of .30% per annum, which margin was decreased to .20% or increased up to .50% based on the unsecured debt ratings of the Company. The new facility provided for the payment of a facility fee of .15% per annum, which fee was be reduced to .10% or increased up to .375% based on the unsecured debt ratings of the Company. The agreement contained certain financial and operating covenants, including maintenance of interest coverage and leverage ratios, as well as restrictions on capital expenditures. All other provisions of the credit facility remained substantially the same as the extinguished facility. Gross borrowings and gross repayments under the credit facility were $576.1 million and $436.1 million, respectively, for the year ended September 30, 1998.

In conjunction with the early extinguishment of the previous credit facility, the Company recorded an extraordinary loss of $1.2 million ($0.7 million after tax) related to the write-off of unamortized deferred financing costs.

On July 19, 1994, the Company issued $100.0 million in principal of 9 7/8% Senior Subordinated Notes with a 10 year term. The Notes are subject to redemption, at the option of the Company, in whole or in part at any time on or after August 1, 1999 at a declining premium to par until 2001 and at par thereafter and are not subject to sinking fund requirements. The fair market value of the 9 7/8% Senior Subordinated Notes, estimated based on the quoted

market prices for same or similar issues, was approximately $106.8 million at September 30, 1998. The Notes are subject to certain covenants limiting, among other things, indebtedness of subsidiaries, dividends and other payment restrictions.

The foreign term loans, which were issued on December 12, 1997, have an 8 year term and bear interest at

1% below LIBOR. The foreign term loans can be redeemed, on demand, by the note holder.

NOTE 9. SHAREHOLDERS' EQUITY

(IN MILLIONS)	1998	1997
STOCK		
Class A Convertible Preferred Stock, no par value:		
Authorized	0.2 shares	0.2 shares
Issued	0.2 shares	0.2 shares
Common shares, no par value		
Authorized	50.0 shares	50.0 shares
Issued	21.1 shares	21.1 shares

Class A Convertible Preferred Stock with a face amount of $195.0 million was issued in conjunction with the 1995 Miracle-Gro merger transactions. This Preferred Stock has a 5% dividend yield and is convertible upon shareholder demand into 10.3 million common shares at $19.00 per common share. Additionally, warrants to purchase 3.0 million common shares of Scotts were issued as part of the purchase price. The warrants are exercisable upon shareholder demand for 1.0 million common shares at $21.00 per share, 1.0 million common shares at $25.00 per share and 1.0 million common shares at $29.00 per share. The exercise term for the warrants expires September 2003. The fair value of the warrants at issuance has been included in capital in excess of par value in the Company's Consolidated Balance Sheets.

The Class A Convertible Preferred Stock has certain voting restrictions and limits the preferred shareholders from acquiring additional voting securities of the Company. The Class A Convertible Preferred Stock is subject to redemption at any time after May 19, 2000 for $1,000 per share plus accrued unpaid dividends. Both the Class A Convertible Preferred Stock and the warrants have limits on transferability.

Under The Scotts Company 1992 Long Term Incentive Plan (the "Plan"), stock options, stock appreciation rights and performance share awards were granted to officers and other key employees of the Company. The Plan also provided for the grant of stock options to non-employee directors of the Company. The maximum number of common shares that may be issued upon the exercise of options granted under the Plan is 1.7 million, plus the number of shares surrendered to exercise options (other than director options) granted under the Plan, up to a maximum of 1.0 million surrendered shares. Vesting periods under the Plan vary and are determined by the Compensation and Organization Committee of the Company's Board of Directors.

Under The Scotts Company 1996 Stock Option Plan (the "1996 Plan"), stock options may be granted to officers, other key employees and non-employee directors of the Company. The maximum number of common shares that may be issued under the 1996 Plan is 3.0 million. Vesting periods under the 1996 Plan vary and are determined by the Compensation and Organization Committee of the Company's Board of Directors.

Aggregate stock option activity consists of the following:

	Fiscal year ended September 30,					
	1998		1997		1996	
(IN MILLIONS)	NUMBER OF SHARES	WTD. AVG. PRICE	NUMBER OF SHARES	WTD. AVG. PRICE	NUMBER OF SHARES	WTD. AVG. PRICE
Beginning balance	2.6	$18.35	1.6	$16.73	1.7	$16.51
Options granted	1.4	29.43	1.1	20.18	0.5	18.29
Options exercised	(0.1)	16.60	(0.1)	12.72	(0.4)	17.17
Options canceled	(0.1)	29.63	0.0	19.27	(0.2)	18.13
Ending balance	3.8	20.70	2.6	18.35	1.6	16.73
Exercisable at September 30	1.8	18.17	1.5	17.30	1.2	16.23

The following summarizes certain information pertaining to stock options outstanding and exercisable at September 30, 1998:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
(IN MILLIONS) RANGE OF EXERCISE PRICES	NO. OF OPTIONS	WTD. AVG. REMAINING LIFE	WTD. AVG. EXERCISE PRICE	NO. OF OPTIONS	WTD. AVG. EXERCISE PRICE

$9.90	0.1	3.05	$ 9.90	0.1	$ 9.90
$15.50-$17.75	1.1	5.80	16.72	1.0	16.72
$18.00-$20.75	0.9	8.02	19.03	0.3	18.42
$21.13-$22.89	0.3	7.73	21.45	0.3	21.44
$26.25-$30.13	1.2	9.52	28.30	0.1	26.61
$31.56-$36.63	0.2	9.52	34.06	0.0	34.38
	3.8		$22.14	1.8	$18.17

In October 1995, the Financial Accounting Standards Board issued SFAS No. 123, "Accounting for Stock-Based Compensation," which changes the measurement, recognition and disclosure standards for stock-based compensation. The Company, as allowable, has adopted SFAS No. 123 for disclosure purposes only.

The fair value of each option granted has been estimated on the grant date using the Black-Scholes option-pricing model based on the following assumptions for those granted in fiscal 1998, 1997 and 1996: (1) expected market-price volatility of 23.23%, 22.48% and 21.85%, respectively; (2) risk-free interest rates of 4.3%, 6.6% and 6.1%, respectively; and (3) expected life of options of 6 years. The estimated weighted-average fair values of options granted during fiscal 1998, 1997 and 1996 are $13.0 million, $8.8 million and $3.2 million, respectively.

Had compensation expense been recognized for fiscal 1998, 1997 and 1996 in accordance with provisions of

SFAS No. 123, the Company would have recorded net income and earnings per share as

(IN MILLIONS)	1998	1997	1996
Net income (loss) used in per share calculation	$31.3	$37.3	$(12.9)
Diluted earnings per share	$1.03	$1.27	$ (.69)

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The pro forma amounts shown above are not necessarily representative of the impact on net income in future years as additional option grants may be made each year.

In fiscal 1998, the Company sold 0.3 million put options which give the holder the option to sell the Company's common shares to the Company at a strike price of $35.32. The options can only be exercised on their expiration date in May 1999. Settlement obligations can be satisfied in cash or Company common shares at the Company's option.

NOTE 10. EARNINGS PER COMMON SHARE

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

	Year Ended September 30,		
(IN MILLIONS)	1998	1997	1996
BASIC EARNINGS PER COMMON SHARE:			
Net income (loss) before extraordinary loss	37.0	39.5	(2.5)
Net income (loss)	36.3	39.5	(2.5)
Class A Convertible Preferred Stock dividend	(9.8)	(9.8)	(9.8)
Income (loss) available to common shareholders	26.5	29.7	(12.3)
Weighted-average common shares outstanding during the period	18.7	18.6	18.8
Basic earnings per common share			
Before extraordinary item	$1.46	$1.60	$(0.65)
After extraordinary item	$1.42	$1.60	$(0.65)
DILUTED EARNINGS PER COMMON SHARE:			
Net income (loss) used in diluted earnings per common share calculation	$36.3	$39.5	$(12.3)
Weighted-average common shares outstanding during the period	18.7	18.6	18.8
Potential common shares:			
Assuming conversion of Class A Convertible Preferred Stock	10.3	10.3	na
Assuming exercise of options	0.7	0.3	na
Assuming exercise of warrants	0.6	0.1	na
Weighted-average number of common shares outstanding and dilutive potential common shares	30.3	29.3	18.8
Diluted earnings per common share			
Before extraordinary item	$1.22	$1.35	$(0.65)
After extraordinary item	$1.20	$1.35	$(0.65)

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Basic earnings per common share is computed by dividing income (loss) available to common shareholders by the weighted average number of common shares outstanding during the period.

Diluted earnings per share is computed by dividing net income (loss) by the weighted-average number of common shares and dilutive potential common shares (stock options, Class A Convertible Preferred Stock and warrants) outstanding during each period. The potential common shares were not considered in the earnings per share computation for the year ended September 30, 1996 because their effect was antidilutive for the period. Consequently, the dividends attributable to the Class A Convertible Preferred Stock were included in determining the net loss used in the fiscal 1996 calculation.

NOTE 11. INCOME TAXES

The provision for income taxes, net of a $0.5 million tax benefit associated with the 1998 extraordinary loss, consists of the following:

(IN MILLIONS)	Year Ended September 30, 1998	1997	1996
Currently payable:			
Federal	$22.1	$21.6	$ 4.2
State	3.9	3.4	2.5
Foreign	2.7	6.6	2.8
Deferred:			
Federal	(4.0)	(1.3)	(5.1)
State	(0.3)	(0.2)	(0.6)
Income tax expense	$24.4	$30.1	$ 3.8

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

(IN MILLIONS)	Year Ended September 30, 1998	1997	1996
Statutory income tax rate	35.0%	35.0%	35.0%
Pension amortization		0.1	6.3
Meals and entertainment	0.9	0.4	17.6
Effect of foreign operations	(1.6)		
Goodwill amortization and other effects resulting from purchase accounting	4.6	4.2	206.9
State taxes, net of federal benefit	3.8	3.0	97.6
Resolution of previous tax contingencies	(0.3)	(0.8)	(42.0)
Equity income of affiliate			(13.8)
Other	(2.1)	1.3	(5.3)
Effective income tax rate	40.3%	43.2%	302.3%

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

(IN MILLIONS)	1998	1997
Net current asset	$ 20.8	$ 19.0
Net non-current liability (included in other liabilities)	(1.2)	(6.7)
Net asset	$ 19.6	$ 12.3

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

(IN MILLIONS)	September 30, 1998	1997
ASSETS		
Inventories	$ 5.9	$ 6.8
Accrued liabilities	11.7	11.0
Postretirement benefits	9.8	10.5
Foreign net operating losses	6.0	6.7
Other	11.1	5.3
Gross deferred tax assets	44.5	40.3
Valuation allowance	(4.5)	(6.7)
Net deferred tax assets	40.0	33.6
LIABILITIES		
Property, plant and equipment	(20.4)	(21.3)
Net asset	$ 19.6	$ 12.3

Net operating loss carryforwards in foreign jurisdictions total $6.0 million, $4.5 million of which the Company expects not to be utilized. The remaining $1.5 million can be carried forward indefinitely. The use of these acquired carryforwards is subject to limitations imposed by the tax laws of each applicable country.

NOTE 12. FINANCIAL INSTRUMENTS

A description of the Company's financial instruments and the methods and assumptions used to estimate their fair values are as follows:

LONG-TERM DEBT

The Company has issued $100.0 million in principal of 9 7/8% Senior Subordinated Notes due 2004. The fair value of the Notes is estimated based on the quoted market prices for the same or similar issues.

The Company has borrowings outstanding under a revolving credit facility, including amounts borrowed in foreign currencies. The borrowings under the credit facility are at variable rates. The carrying amounts of these borrowings are considered to approximate their fair values.

INTEREST RATE SWAP AGREEMENT

In fiscal 1997, the Company entered into an interest rate swap agreement with a notional amount of 20.0 million British Pounds Sterling which expires in March 2002. The Company entered into the swap agreement to effectively convert 20.0 million of British Pounds Sterling debt obligations from a variable to a fixed rate.

The Company enters into interest rate swap agreements as a means to hedge its interest rate exposure on debt instruments. Since the interest rate swap agreement has been designated as a hedging instrument, its fair value is not reflected in the Company's Consolidated Balance Sheets. Net amounts to be received or paid under the swap agreement are reflected as adjustments to interest expense. The fair value of the swap agreement was determined based on the present value of the estimated future net cash flows using implied rates in the applicable yield curve as of the valuation date.

INTEREST RATE LOCKS

In fiscal 1998, the Company entered into two contracts, each with notional amounts of $100.0 million to lock the treasury rate component of the Company's anticipated offering of debt securities in the first quarter of fiscal 1999. One of the interest rate locks expired in October 1998 and was rolled over into a new rate lock that expires in February 1999. The other rate lock also expires in February 1999.

The Company entered into the interest rate locks to hedge its interest rate exposure on the anticipated debt offering. Since the interest rate lock has been designated as a hedging instrument, its fair value is not reflected in the Company's Consolidated Balance Sheets; net amounts to be received or paid under the interest rate locks will be reflected as an adjustment to the carrying amount of the future debt offering. The fair value of the interest rate locks was estimated based on the difference between the contracted interest rates and the yield on treasury notes at September 30, 1998.

The estimated fair values of the Company's financial instruments are as follows for the fiscal years ended September 30:

	1998		1997	
(in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	$99.5	$106.8	$99.4	$107.8

Interest rate swap agreement	--	(1.5)	--	(1.0)
Interest rate locks	--	(16.7)	--	--

NOTE 13. OPERATING LEASES

The Company leases buildings, land and equipment under various noncancellable lease agreements for periods of two to six years. The lease agreements generally provide that the Company pay taxes, insurance and maintenance expenses related to the leased assets. Certain lease agreements contain purchase

options. At September 30, 1998, future minimum lease payments were as follows:

	(in millions)
1999	$14.4
2000	11.2
2001	8.5
2002	6.9
2003	6.2
Thereafter	1.4
Total minimum lease payments	$48.6

The Company also leases transportation and production equipment under various one-year operating leases, which provide for the extension of the initial term on a monthly or annual basis. Total rental expenses for operating leases were $13.5 million, $12.3 million and $14.0 million for fiscal 1998, 1997 and 1996, respectively.

NOTE 14. COMMITMENTS

The Company has entered into the following purchase commitments:

SEED: The Company is obligated to make future purchases based on estimated yields. At September 30, 1998, estimated annual seed purchase commitments were as follows:

	(in millions)
1999	$15.0
2000	18.3
2001	7.2
2002	1.8
2003	1.1

UREA: The Company is obligated to purchase 90,000 tons of urea annually. The value to the Company based on current market prices of urea is approximately $13.0 million. The purchase contract expires December 31, 2000.

GLUFOSINATE AMMONIUM: The Company is obligated to purchase product valued at $12.6 million through September 2001. If the Company does not purchase product with a value of $12.6 million, the Company is required to provide cash settlement in an amount equal to 50% of the shortfall.

PEAT: The Company is obligated to purchase 470,000 cubic meters annually (approximately $6.8 million based on average prices) for ten years. The contract can be extended another ten years at the Company's option. No penalties are applicable to the first year of the contract; however, if the Company does not purchase required amounts after year one, the Company will be required to provide cash settlement equal to 50% of the quantity shortfall multiplied by the average product price.

NOTE 15. 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 details are the more significant of the Company's identified contingencies.

OHIO ENVIRONMENTAL PROTECTION AGENCY

The Company has assessed and addressed certain 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 new 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 ("OEPA") 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 ("OAG"). Representatives from the OEPA, the OAG 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 ("F&O") from the OEPA. The draft F&O elaborated on the subject of the referral to the OAG 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 OAG which covers many of the same issues contained in the draft F&O including RCRA corrective action.

In accordance with the Company's past efforts to enter into Ohio's VAP, the Company submitted to the OEPA 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. Pursuant to 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 OEPA 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.

The Company is continuing to meet with the OAG and the OEPA in an effort to negotiate an amicable resolution of these issues but is unable at this stage to predict the outcome of the negotiations. The Company believes that it has viable defenses to the State's enforcement action, including that it had been proceeding under VAP to address certain environmental issues, and will assert those defenses in any such action.

While the Company is unable to predict the ultimate outcome of this matter, management believes that the probable range of outcome will not be material to the Company. 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 in June 1998, and final agreement is expected sometime in 1999. Management does not believe that the outcome of this case will have a material adverse effect on the Company's operations or its financial condition. Furthermore, management believes the Company has sufficient raw material supplies available such that service to customers will not be materially adversely affected by continued closure of this peat harvesting operation.

HERSHBERGER

In September 1991, the Company was identified by the OEPA as a Potentially Responsible Party ("PRP") with respect to a site in Union County, Ohio (the "Hershberger site"), because the Company allegedly arranged for the transportation, treatment or disposal of waste that allegedly contained hazardous substances, at the Hershberger site. Effective February 1998, the Company and four other named PRPs executed an Administrative Order on Consent ("AOC") with the OEPA, by which the named PRPs will fund remedial action at the Hershberger site. After construction of the leachate collection system and reconstruction of the landfill cap, which was substantially completed in August 1998, the Company expects its obligation thereafter to consist primarily of its share of annual operating and maintenance expenses. Management does not believe that its obligations under the AOC will have a material adverse effect on the Company's results of operations or financial condition.

NOTE 16. CONCENTRATIONS OF CREDIT RISK

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

The Company's two largest customers accounted for the following % of net sales in each respective period:

	LARGEST CUSTOMER	2(ND) LARGEST CUSTOMER
1998	16.8%	10.6%
1997	16.1%	11.9%
1996	15.1%	13.9%

No other customers represent more than 10% of net sales or receivables recorded by the Company as of September 30, 1998.

NOTE 17. NEW ACCOUNTING STANDARDS

In June 1997, the FASB issued SFAS No. 130, "Reporting Comprehensive Income" and SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information". In February 1998, the FASB issued SFAS No. 132, "Employers' Disclosure about Pensions and Other Postretirement Benefits." In August 1998, the FASB issued SFAS No. 133, "Accounting For Derivative Instruments and Hedging Activities." SFAS No. 130, 131 and 132 are effective for financial statements for fiscal years beginning after December 15, 1997. SFAS NO. 133 is effective for fiscal years beginning after June 15, 1999.

SFAS No. 130 establishes standards for reporting and display of comprehensive income and its components (revenues, expenses, gains and losses). SFAS No. 130 requires that all items that are required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. The Company believes the only significant differences between comprehensive income and currently reported income will be the impact of foreign currency translation. The Company plans to adopt SFAS No. 130 in fiscal 1999.

SFAS No. 131 establishes standards for the way that public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports issued to shareholders. This statement defines business segments as components of an enterprise about which separate financial information is available and used internally for evaluating segment performance and decision making on resource allocations. SFAS No. 131 requires reporting a measure of segment profit or loss, certain specific revenue and expense items, and segment assets; and other reporting about geographic and customer matters. The Company plans to adopt SFAS No. 131 in fiscal 1999; however, the Company believes that the business segments identified and set forth in Note 18 are in substantial compliance with SFAS No. 131.

SFAS No. 132 revises employers' disclosures about pension and other postretirement benefit plans. It does not change the measurement or recognition of those plans. It standardizes the disclosure requirements for pensions and other postretirement benefits to the extent practicable, requires additional information on changes in the benefit obligations and fair values of plan assets that will facilitate financial analysis, and eliminates certain disclosures that are no longer useful. The Company plans to adopt SFAS No. 132 in fiscal 1999.

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 2000.

NOTE 18. 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 and Growing Media 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. 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 turf and 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 golf courses, professional baseball, football and soccer stadiums, lawn and landscape service companies,

commercial nurseries and greenhouses and specialty crop growers.

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 tables summarizes certain segment information for fiscal 1998, 1997 and 1996. The Company did not assign interest expense of $32.2 million, $25.2 million, or $25.0 million for fiscal 1998, 1997 or 1996, respectively, to the reportable segments.

(IN MILLIONS)		N.A. CONSUMER	PROFESSIONAL	INTERNATIONAL	OTHER/ CORPORATE	TOTAL
Sales:						
	1998	$733.7	$179.4	$199.9		$1,113.0
	1997	619.2	165.5	114.6		899.3
	1996	524.1	160.4	65.9		750.4
Operating Income (Loss):						
	1998	$ 85.5	$ 13.9	$ 21.7	$ (27.0)	$ 94.1
	1997	87.1	14.6	19.4	(26.3)	94.8
	1996	40.9	2.2	14.7	(31.5)	26.3
Operating Margin:						
	1998	11.7%	7.7%	10.9%	nm	8.4%
	1997	14.1	8.8	16.9	nm	10.5
	1996	7.8	1.4	22.3	nm	3.5
Depreciation and Amortization:						
	1998	$ 11.9	$ 2.4	$ 4.0	$ 19.5	$ 37.8
	1997	11.3	1.7	1.5	15.9	30.4
	1996	12.4	1.7	0.4	14.8	29.3
Capital Expenditures:						
	1998	$ 19.6	$ 9.2	$ 5.1	$ 7.4	$ 41.3
	1997	17.6	4.2	2.2	4.6	28.6
	1996	10.4	2.4	1.4	4.0	18.2
Total Assets:						
	1998	$315.9	$119.4	$108.8	$ 491.1	$1,035.2
	1997	256.1	94.3	62.6	374.6	787.6

nm Not meaningful.

Other/Corporate operating loss for the fiscal years ended September 30, 1998, 1997 and 1996 primarily includes unallocated portions of the unusual charges described in Note 4 of $4.9 million, $7.8 million and $17.4 million, respectively; amortization of intangibles not assigned to business segments of $12.9 million, $10.0 million and $8.9 million, respectively; and corporate general and administrative expense of $9.2 million, $8.5 million and $5.2 million, respectively.

Operating income for fiscal 1998 and 1996 includes $20.4 million and $17.7 million of restructuring charges, respectively.

Other/Corporate assets primarily include all intangible assets (including goodwill) not assigned to the business segments as well as deferred tax assets.

NOTE 19. QUARTERLY CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

The following is a summary of the unaudited quarterly results of operations for fiscal 1998 and 1997:

(IN MILLIONS)	1(ST) QTR	2(ND) QTR	3(RD) QTR	4(TH) QTR	FULL YEAR
FISCAL 1998					
Net sales	$124.8	$430.1	$367.0	$191.1	$1,113.0
Gross profit	41.3	170.5	131.3	54.9	398.0
Net income (loss)	(5.5)	32.8	24.4	(15.4)	36.3
Basic earnings per common share	(.42)	1.62	1.18	(.96)	1.42
Shares used in basic EPS calculation	18.7	18.7	18.7	18.6	18.7
Diluted earnings per Common share	(.42)	1.08	.80	(.96)	1.20
Shares used in diluted EPS calculation	18.7	30.4	30.6	18.6	30.3

(IN MILLIONS)	1(ST) QTR	2(ND) QTR	3(RD) QTR	4(TH) QTR	FULL YEAR
FISCAL 1997					
Net sales	$ 99.9	$345.9	$298.5	$155.0	$899.3
Gross profit	32.3	138.1	110.2	45.1	325.7
Net income (loss)	(6.0)	27.9	21.1	(3.5)	39.5
Basic earnings per common share	(.45)	1.37	1.01	(.32)	1.60
Shares used in basic EPS calculation	18.6	18.6	18.6	18.7	18.6

Diluted earnings per common share	(.45)	.95	.71	(.32)	1.35
Shares used in diluted EPS calculation	18.6	29.3	29.9	18.7	29.3

NOTES:

Certain reclassifications have been made within interim periods.

Fiscal 1998 results of operations included $20.4 million of restructuring and other non-recurring charges, all of which were recorded in the fourth quarter.

Fiscal 1997 results of operations included $6.0 million of asset valuation charges, $4.2 million and $1.8 million in the second and fourth quarters, respectively.

The Company's business is highly seasonal with approximately 72% of sales occurring in the second and third fiscal quarters combined.

NOTE 20. SUBSEQUENT EVENTS

On November 13, 1998, the Company signed a definitive agreement with Monsanto Company to acquire the assets of Monsanto's consumer lawn and garden businesses, exclusive of the Roundup(R) business, for approximately $300 million. The acquired businesses will include the Ortho(R) line of pesticides which encompasses brands such as Weed-B-Gon(R), Rose Pride(R) and Home Defense(R). As part of the agreement, the Company will also acquire Green Cross(R), a leading pesticides business in Canada. The

Company expects to consummate the purchase of the non-Roundup(R) businesses in the second quarter of fiscal 1999.

On October 7, 1998, the Company acquired RPJ, continental Europe's largest consumer lawn and garden products company, for approximately $216 million, from Rhone-Poulenc Agro and its affiliates.

On December 4, 1998, the Company and certain of its subsidiaries entered into new credit facilities which provide for borrowings in the aggregate principal amount of $1.025 billion and consist of term loan facilities in the aggregate amount of $525 million and a revolving credit facility in the amount of $500 million.

The term loan facilities consist of three tranches. The Tranche A Term Loan Facility consists of a 6 1/2 year term loan facility in an aggregate principal amount of $265 million, which is divided into three sub-tranches of French Francs, German Deutschemarks and British Pounds Sterling. The Tranche A Term Loans are to be repaid quarterly over a 6 1/2 year period. The Tranche B Term Loan Facility consists of a 7 1/2 year term loan facility in an aggregate principal amount of $140 million, which is to be repaid in nominal quarterly installments for the first 6 1/2 years and in substantial quarterly installments in the final year. The Tranche C Term Loan Facility consists of a 8 1/2 year term loan facility in an aggregate principal amount of $120 million, which is to be repaid in nominal quarterly installments for the first 7 1/2 years and in substantial quarterly installments in the final year.

The revolving credit facility provides for loans up to $500 million, which are available on a revolving basis for a term of 6 1/2 years. A portion of the revolving credit facility, not to exceed $40 million, is available for the issuance of letters of credit. Additionally, a portion of the facility, not to exceed $30 million, is available for swing line loans on same-day notice. A portion of the facility, not to exceed $225 million, is available for borrowings in optional currencies, including German Deutschemarks, British Pounds Sterling, French Francs, Belgian Francs, Italian Lira and other specified currencies, provided that the outstanding revolving loans in optional currencies other than British Pounds Sterling do not exceed $120 million. The outstanding principal amount of all revolving credit loans may not exceed $150 million for at least 30 consecutive days during any calendar year.

Interest rates and commitment fees pursuant to the new credit facilities vary according to the Company's leverage ratios and also within tranches. Financial covenants include minimum net worth, interest coverage and net leverage ratios. Other covenants include limitations on: indebtedness, liens, mergers, consolidations, liquidations and dissolutions, sale of assets, leases, dividends, capital expenditures, and investments, among others.

On December 15, 1998, the Company acquired Asef Holding B.V., a privately-held Netherlands-based lawn and garden products company, for approximately $22 million.

REPORT OF INDEPENDENT ACCOUNTANTS ON FINANCIAL STATEMENT SCHEDULES

To the Shareholders and Board of Directors of The Scotts Company

Our report on the consolidated financial statements of The Scotts Company is included on page F-2 of this Form 10-K. In connection with our audits of such financial statements, we have also audited the financial statement schedules listed in the Index on page F-1 of this Form 10-K.

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

PricewaterhouseCoopers LLP
Columbus, Ohio

October 23, 1998
Except for Note 20 as to which the date is December 15, 1998.

THE SCOTTS COMPANY AND SUBSIDIARIES

SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1998
(IN MILLIONS)

Column A Classification	Column B Balance at beginning of period	Column C Reserves Acquired	Column D Additions charged to expense	Column E Deductions credited and write-offs	Column F Balance at end of period
Valuation and qualifying accounts deducted from the assets to which they apply:					
Inventory reserve	$11.8	$0.5	$4.8	$(5.1)	$12.0
Allowance for doubtful Accounts	5.7	0.8	2.6	(2.8)	6.3

SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1997
(IN MILLIONS)

Column A Classification	Column B Balance at beginning of period	Column C Reserves Acquired	Column D Additions charged to expense	Column E Deductions credited and write-offs	Column F Balance at end of period
Valuation and qualifying accounts deducted from the assets to which they apply:					
Inventory reserve	$8.7	$2.0	$8.5	$(7.4)	$11.8
Allowance for doubtful accounts	4.1	0.9	1.6	(0.9)	5.7

SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1996
(IN MILLIONS)

Column A Classification	Column B Balance at beginning of period	Column C Reserves Acquired	Column D Additions charged to expense	Column E Deductions credited and write-offs	Column F Balance at end of period
Valuation and qualifying accounts deducted from the assets to which they apply:					
Inventory reserve	$6.7	--	$8.0	$(6.0)	$8.7
Allowance for doubtful accounts	3.4	--	3.4	(2.7)	4.1

THE SCOTTS COMPANY

ANNUAL REPORT ON FORM 10-K
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1998

INDEX TO EXHIBITS

Exhibit No.	Description	Location
2(a)	Amended and Restated Agreement and Plan of Merger, dated as of May 19, 1995, among Stern's Miracle-Gro Products, Inc., Stern's Nurseries, Inc., Miracle-Gro Lawn Products, Inc., Miracle-Gro Products Limited, Hagedorn Partnership, L.P., the general partners of Hagedorn Partnership, L.P., Horace Hagedorn, Community Funds, Inc., and John Kenlon, The Scotts Company (the "Registrant"), and ZYX Corporation	Incorporated herein by reference to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission (the "SEC") on June 2, 1995 (File No. 0-19768) [Exhibit 2(b)]
2(b)	Agreement for the Sale and Purchase of Levington Group Limited, dated December 12, 1997, between Scotts Holdings Limited, as Purchaser, and Prudential Nominees Limited PAC Account; Prudential Nominees Limited PSPS Account; Prudential Nominees Limited USV Account; Prudential Nominees Limited BMV Account; Prudential Nominees Limited Holborn Account; Prutec Limited; The Sears Pension Plan by The Chase Manhattan Bank NA; HSBC Equity Limited; Candover Investments plc; Candover Trustees Limited; Candover Partners Limited as General Partner of Candover 1991 Lead Investors Limited Partner; Candover Partners Limited as General Partner of Candover 1991 UK Limited Partnership; Candover Partners Limited as General Partner of Candover 1991 US Limited Partnership; 3i Group plc; NatWest Ventures Investments Limited; Philip Parry; Mrs. L. Parry; Philip Parry and Lynne Parry as trustees of the Parry Trust; N.W. Gibbs; Mrs. A. Gibbs; N.W. Gibbs and A. Gibbs as trustees of the Gibbs Trusts; P.J. Elsdon; Mrs. B. Elsdon; P.J. Elsdon and B. Elsdon as trustees of the Elsdon Trust; and Fairmount Trustee Services Limited as trustee for the time being of the Levington Unapproved Pension Fund, as Sellers	Incorporated herein by reference to the Registrant's Current Report on Form 8-K dated December 29, 1997 (File No. 1-11593) [Exhibit 2]
2(c)	Master Contract, dated September 30, 1998, by and between Rhone-Poulenc Agro; the Registrant; Scotts Celaflor GmbH & Co. K.G.; "David" Sechsundfunfzigste Beteiligungs und Verwaltungsgesellschaft mbH; Rhone-Poulenc Agro Europe GmbH; Scotts France Holdings S.A.R.L.; Scotts France S.A.R.L.; and Scotts Belgium 2 B.V.B.A.	Incorporated herein by reference to the Registrant's Current Report on Form 8-K dated October 22, 1998 (File No. 1-11593) [Exhibit 2]
2(d)	Asset Purchase Agreement, dated as of November 11, 1998, between Monsanto Company and the Registrant	*
3(a)	Amended Articles of Incorporation of the Registrant as filed with the Ohio Secretary of State on September 20, 1994	Incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 1994 (File No. 0-19768) [Exhibit 3(a)]

Exhibit No.	Description	Location
3(b)	Certificate of Amendment by Shareholders to the Articles of Incorporation of the Registrant as filed with the Ohio Secretary of State on May 4, 1995	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended April 1, 1995 (File No. 0-19768) [Exhibit 4(b)]
3(c)	Regulations of the Registrant (reflecting amendments adopted by the shareholders of the Registrant on April 6, 1995)	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended April 1, 1995 (File No. 0-19768) [Exhibit 4(c)]
4(a)	Form of Series A Warrant	Included in Exhibit 2(a) above
4(b)	Form of Series B Warrant	Included in Exhibit 2(a) above
4(c)	Form of Series C Warrant	Included in Exhibit 2(a) above
4(d)	Credit Agreement, dated as of December 4, 1998, by and 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 Belgium 2 BVBA and The Scotts Company (UK) Ltd. as Subsidiary Borrowers; the lenders party thereto; The Chase Manhattan Bank as Administrative Agent; Salomon Smith Barney, Inc. as Syndication Agent; Credit Lyonnais Chicago Branch and NBD Bank as Co-Documentation Agents; and Chase Securities Inc. as Lead Arranger and as Book Manager	Incorporated herein by reference to the Registrant's Current Report on Form 8-K, dated December 11, 1998 (File No. 1-11593) [Exhibit 4]
4(e)	Subordinated Indenture, dated as of June 1, 1994, among The Scotts Company, a Delaware corporation ("Scotts Delaware"), The O.M. Scott & Sons Company ("OMS") and Chemical Bank, as trustee	Incorporated herein by reference to the Registration Statement on Form S-3 of Scotts Delaware filed with the SEC on June 1, 1994 (Registration No. 33-53941) [Exhibit 4(b)]

Exhibit No.	Description	Location
4(f)	First Supplemental Indenture, dated as of July 12, 1994, among Scotts Delaware, OMS and Chemical Bank, as trustee	Incorporated herein by reference to Scotts Delaware's Current Report on Form 8-K dated July 18, 1994 (File No. 0-19768) [Exhibit 4.1]
4(g)	Second Supplemental Indenture, dated as of September 20, 1994, among the Registrant, OMS, Scotts Delaware and Chemical Bank, as trustee	Incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 1994 (File No. 0-19768) [Exhibit 4(i)]
4(h)	Third Supplemental Indenture, dated as of September 30, 1994, between the Registrant and Chemical Bank, as trustee	Incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 1994 (File No. 0-19768) [Exhibit 4(j)]
10(a)	The Scotts Company Associates' Pension Plan as amended effective January 1, 1989 and December 31, 1995 (the "Pension Plan")	Incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 1996 (File No. 1-11593) [Exhibit 10(a)]
10(b)	First Amendment to the Pension Plan	Incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 1997 (File No. 1-11593) [Exhibit 10(b)]
10(c)	The Scotts Company Retirement Savings Plan	*
10(d)	First Amendment to The Scotts Company Retirement Savings Plan	*
10(e)	Second Amendment to The Scotts Company Retirement Savings Plan	*
10(f)	The O.M. Scott & Sons Company Excess Benefit Plan, effective October 1, 1993	Incorporated herein by reference to Scotts Delaware's Annual Report on Form 10-K for the fiscal year ended September 30, 1993 (File No. 0-19768) [Exhibit 10(h)]

Exhibit No.	Description	Location
10(g)	The Scotts Company 1992 Long Term Incentive Plan	Incorporated herein by reference to Scotts Delaware's Registration Statement on Form S-8 filed on March 26, 1993 (Registration No. 33-60056) [Exhibit 4(f)]
10(h)	The Scotts Company 1998 Executive Annual Incentive Plan	*
10(i)	The Scotts Company 1996 Stock Option Plan (as amended through September 1, 1998)	*
10(j)	The Scotts Company Executive Retirement Plan	*
10(k)	Employment Agreement, dated as of May 19, 1995, between the Registrant and James Hagedorn	Incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 1995 (File No. 1-11593) [Exhibit 10(p)]
10(l)	Consulting Agreement, dated July 9, 1997, among Scotts' Miracle-Gro Products, Inc., the Registrant and Horace Hagedorn	Incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 1997 (File No. 1-11593 [Exhibit 10(1)]
10(m)	Employment Agreement, dated as of May 19, 1995, among Stern's Miracle-Gro Products, Inc. (nka Scotts' Miracle-Gro Products, Inc.), the Registrant and John Kenlon	Incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 1996 (File No. 1-11593) [Exhibit 10(k)]
10(n)	Employment Agreement, dated as of August 7, 1998, between the Registrant and Charles M. Berger, and three attached Stock Option Agreements with the following effective dates: September 23, 1998; October 21, 1998 and September 24, 1999	*
10(o)	Stock Option Agreement, dated as of August 7, 1996, between the Registrant and Charles M. Berger	Incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 1996 (File No. 1-11593) [Exhibit 10(m)]

Exhibit No.	Description	Location
10(p)	Letter Agreement, dated December 23, 1996, between the Registrant and Jean H. Mordo	Incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 1997 (File No. 1-11593) [Exhibit 10(p)]
10(q)	Specimen form of Stock Option Agreement for Non-Qualified Stock Options	*
10(r)	Letter Agreement, dated April 10, 1997, between the Registrant and G. Robert Lucas	Incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 1997 (File No. 1-11593) [Exhibit 10(r)]
10(s)	Letter Agreement, dated December 17, 1997, between the Registrant and William R. Radon	*
10(t)	Letter Agreement, dated March 30, 1998, between the Registrant and William A. Dittman	*
10(u)	Amended and Restated Exclusive Agency and Marketing Agreement, dated as of September 30, 1998, between Monsanto Company and the Registrant	*
10(v)	Exclusive Distributor Agreement -- Horticulture, effective as of June 22, 1998, between the Registrant and AgrEvo USA	*
21	Subsidiaries of the Registrant	*
23	Consent of Independent Accountants	*
27	Financial Data Schedule	*

*Filed herewith.

Exhibit 2(d)

Asset Purchase Agreement
dated as of November 11, 1998
between Monsanto Company
and The Scotts Company

[EXECUTION COPY]

ASSET PURCHASE AGREEMENT

DATED AS OF

NOVEMBER 11, 1998

BETWEEN

MONSANTO COMPANY

AND

THE SCOTTS COMPANY

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ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (this "Agreement"), made and entered into as of this 11th day of November, 1998, between Monsanto Company, a Delaware corporation, having its principal place of business at 800 North Lindbergh Blvd., St. Louis, Missouri 63167 (the "Seller"), and The Scotts Company, an Ohio corporation, having its principal place of business at 14111 Scottslawn Road, Marysville, Ohio 43041 (the "Buyer").

WITNESSETH:

WHEREAS, upon and subject to the terms and conditions of this Agreement, the Seller desires to sell to the Buyer, and the Buyer desires to purchase from the Seller, certain assets of the Solaris Group, an operating unit of the Seller ("Solaris").

NOW, THEREFORE, in consideration of the mutual promises and covenants and the terms and conditions set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I. - PURCHASE AND SALE OF ASSETS

SECTION 1.1. PURCHASE AND SALE. Subject to the terms of this Agreement, at the Closing (as defined in Section 10.1), the Seller will sell, convey, transfer, assign and deliver to the Buyer, and the Buyer will purchase, acquire and accept from the Seller, free and clear of any Liens other than Permitted Liens, the assets, properties and rights of every kind, nature, character or description, currently used principally by the Seller in the non-glyphosate Solaris business to (i) develop, manufacture, sell and market non-glyphosate weed control products (except for such glyphosate-containing weed control products set forth on Schedule 1.1), insect control products,

garden seeds and decorative garden items, fertilizers and applicators for use by consumers for lawn and garden care and (ii) participate in a joint venture to market a series of gardening and home improvement books for consumers (such clauses (i) and (ii), collectively, the "Business"), including any additions to such assets, properties and rights in the ordinary course of business between the date hereof and the Closing, but specifically excluding (X) the Excluded Assets (as defined in Section 1.2) and (Y) any deletions to such assets, properties and rights in the ordinary course of business consistent with past practices, except as prohibited by Section 5.1, between the date hereof and the Closing (the "Assets"), including, but not limited to:

(a) The originals or copies of records, operating data and business files, including, but not limited to, customer lists and files, customer credit files, advertising materials and sales literature, information directly relating to purchasing histories and procedures, vendor files and financial records (including all sales invoices and purchase order records and supporting documents with respect to accounts receivable and accounts payable outstanding at the Closing), other marketing information, and electronic files of employee data for the Transferred Employees (as defined in Section 7.1(a)) which are in the Seller's possession on the Closing Date (as defined in Section 10.1);

(b) (i) Copyrights, trade names, trademarks, service marks and trademark and service mark registrations and registration applications, including the goodwill associated with the same, including, but not limited to those listed on Schedule 3.9 hereto (the "Trademarks"); (ii) inventions, patents and patent applications (including utility patents and applications), including, but not limited to those listed on Schedule 3.9 hereto (the "Patents"); (iii) governmental registrations, registration applications, temporary registrations, all data pertaining to such registrations as submitted to governmental agencies, experimental use permits, applications and emergency use exemptions, including, but not limited to those listed on Schedule 3.9 hereto (the "Registrations"), and (iv) trade secrets, processes or any other proprietary intellectual property rights, including, but not limited to, those listed on Schedule 3.9 hereto (collectively, the "Other Intellectual Property");

(c) Governmental authorizations, licenses and permits (other than the Registrations), including, but not limited to, those listed on Schedule 3.16 (collectively, the "Permits");

(d) Real property (including the buildings, improvements and fixtures located thereon), including that which is listed on Schedule 3.6(a) (the "Real Property");

(e) Contracts, agreements, intellectual property licenses, arrangements, instruments, undertakings, commitments or understandings (other than the Leases as defined in 1.1(g)), including any renewals and amendments thereto and any new contracts entered into prior to the Closing in accordance with the terms of this Agreement and in the ordinary course of business, and including those listed on Schedule 3.17, but excluding any such contracts that expire or are terminated prior to Closing (the "Contracts");

(f) Machinery, motor vehicles, tools, furniture, instruments, laboratory equipment, research equipment, fixtures and personal property, including, but not limited to those listed on Schedule 1.1(f) hereto, and to the extent not included therein, those at Seller's Fort Madison, Iowa and Corwen, UK facilities (the "Equipment");

(g) Leases of Real Property and Equipment, including those listed on Schedule 3.8 (the "Leases");

(h) Computer, data processing and telecommunications systems software, equipment and databases, including those listed on Schedule 3.9 (the "Software");

(i) Accounts receivable of the Business, net of trade or other discounts, as of the Closing;

(j) Inventories shown on the books of the Business, including, but not limited to, raw materials, finished goods and products, goods and products in process, and other materials and supplies on hand and in transit, as of the Closing; and

(k) All property, factual knowledge and information to the extent used by the Seller principally in the Business, including all chemical, biochemical, organic and manufacturing information and/or formulation procedures whether or not capable of precise separate description, but which in an accumulated form gives to the one acquiring

it an ability to study, test or produce something which one otherwise would not have known how to study, test or produce with the accuracy or precision necessary for commercial success or acceptance by governmental regulatory agencies.

SECTION 1.2. EXCLUDED ASSETS. The Assets shall not include assets, properties and rights of Seller not currently used principally in the Business, and all other assets, properties and rights identified on Schedule 1.2 (the "Excluded Assets").

SECTION 1.3. TRANSFER. The sale, conveyance, transfer, assignment and delivery of the Assets by the Seller to the Buyer will be effected by such deeds, bills of sale, endorsements, assignments, transfers and other instruments of transfer and conveyance in forms reasonably satisfactory to the parties, and the Seller and the Buyer hereby agree to cooperate in executing any such further instruments necessary to consummate the transfer after the Closing Date as may be reasonably requested from time to time by the parties.

ARTICLE II. - PURCHASE PRICE

SECTION 2.1. PURCHASE PRICE. The purchase price for the Assets shall be Three Hundred Million Dollars ($300,000,000.00) subject to adjustment in accordance with Section 2.2 hereof and, if applicable, Article 6 hereof (the "Purchase Price"). The Purchase Price is payable by Buyer to Seller at Closing in immediately available funds by wire transfer.

SECTION 2.2. PURCHASE PRICE ADJUSTMENT.

(a) At least five (5) business days prior to the Closing, the Seller shall furnish to the Buyer a statement setting forth the Seller's best estimate of Working Capital (as defined in Section 2.2(b)) as of the Closing Date (the "Estimated Working Capital"),

based on the most recent unaudited financial statements of the Business prepared in the ordinary course of business. To the extent that the Estimated Working Capital is less than (or greater than) the sum of $86,000,000 plus the Load Adjustment, if any, the cash payable to the Seller at the Closing shall be decreased (or increased) dollar for dollar by the amount of such difference; provided, however, that no adjustment to the Purchase Price shall be made if the difference between Estimated Working Capital and $86,000,000 plus such Load Adjustment is less than $1,000,000. For purposes of this Section 2.2, "Load Adjustment" shall mean the amount, calculated utilizing a weighted average methodology, equal to the difference between (i) the value of the accounts receivable reflected on the books of the Business with respect to inventory deployed at Monsanto's initiative into Central Garden & Pet Company branches and sub-agent branches from the date hereof through the Closing in excess of Ten Million Dollars ($10,000,000), which inventory is not sold through to retail customers prior to the Closing, and (ii) the inventory value of such accounts receivable for inventory not sold through to retail customers prior to the Closing.

(b) Within sixty (60) days after the Closing Date, the Buyer shall cause its independent auditors to prepare and deliver to the Seller a statement setting forth each of the components of Working Capital as of the close of business on the Closing Date (the "Statement of Working Capital"). As used herein, the term "Working Capital" consists of the following items relating to the Business and included in the Assets (i) accounts receivable of the Business, net of trade or other discounts; plus (ii) inventory calculated on a first-in, first-out basis (excluding the inventory premium associated with the acquisition of the Ortho business as shown in the Financial Statements); minus (iii) accounts payable and accrued liabilities, except such payables and accrued liabilities which are Excluded Liabilities (as defined in Section 2.3); provided that the items described in clauses (i) through (iii) above shall be determined in accordance with the principles set forth on Schedule 2.2(b) attached hereto, and in each case shall be determined as of the close of business on the Closing Date. The Statement of Working Capital shall be prepared in accordance with the principles set forth on Schedule 2.2(b) attached hereto.

(c) During the thirty (30) days immediately following the receipt of the Statement of Working Capital by the Seller, the Seller and its accountants shall, at the Seller's expense, be entitled to review the Statement of Working Capital and any working papers, trial balances and similar materials (collectively, "Working Papers") relating to the Statement of Working Capital prepared by the Buyer. During such thirty (30) day period, the Buyer will provide the Seller and its accountants with access, not unreasonably interfering with the operations of the Business, during normal business hours, to the personnel, properties, books and records of the Business. The Statement of Working Capital shall become final and binding upon the parties on the thirty-first (31st) day following delivery thereof unless the Seller gives written notice to the Buyer of its disagreement with the Statement of Working Capital (a "Notice of Disagreement") prior to such date. Any Notice of Disagreement shall specify in reasonable detail the nature of any disagreement so asserted. If a timely Notice of Disagreement is delivered by the Buyer, then the Statement of Working Capital (as revised, if at all, in accordance with this Section 2.2), shall become final and binding upon the parties on the earlier of (X) the date the parties hereto resolve in writing all differences they have with respect to any matter specified in the Notice of Disagreement or (Y) the date all matters in dispute are finally resolved by the Independent Accounting Firm (as defined below) (the date on which the Statement of Working Capital so becomes final and binding being hereafter referred to as the "Final Determination Date"). During the thirty (30) days immediately following the delivery of any Notice of Disagreement, the Buyer and the Seller shall seek in good faith to resolve in writing any differences which they may have with respect to any matters specified in such Notice of Disagreement. During such period, the Buyer and the Seller shall have access to the other's working papers prepared in connection with the Statement of Working Capital and the Notice of Disagreement, as the case may be. At the end of such thirty (30) day period, the Buyer and the Seller shall submit to an independent, national public accounting firm which has no prior relationship with the Buyer or the

Seller (the "Independent Accounting Firm") for review and resolution of any and all matters which remain in dispute and which are included in the Notice of Disagreement. The Independent Accounting Firm shall reach a final resolution of all matters and shall furnish such resolution in writing to the Buyer and Seller as soon as practicable, but in no event more than thirty (30) days, after such matters have been referred to the Independent Accounting Firm. Such resolution shall be made in accordance with this Agreement and will be conclusive and binding upon the Buyer and the Seller. The cost of such resolution shall be allocated to the parties such that the party against whom any item set forth in the Notice of Disagreement is resolved shall bear the costs attributable to such item.

(d) Upon final determination of the Working Capital in accordance with this Section 2.2, the following purchase price adjustment will be paid in accordance with Section 2.2(f) (the "Purchase Price Adjustment"):

i. If Working Capital (as finally stated in the Statement of Working Capital) is greater than the Estimated Working Capital by more than $1,000,000, then the Buyer shall pay to the Seller the amount by which Working Capital exceeds the Estimated Working Capital; or

ii. If Working Capital (as finally stated in the Statement of Working Capital) is less than the Estimated Working Capital by more than $1,000,000, then the Seller shall pay to the Buyer the amount by which the Estimated Working Capital exceeds Working Capital.

If Working Capital is equal to Estimated Working Capital or the adjustment would be less than $1,000,000, no adjustment shall be made to the Purchase Price.

(e) If no Notice of Disagreement has been given by the Seller, the Seller shall remit to the Buyer or the Buyer shall remit to the Seller, as the case may be, in immediately available funds, all amounts constituting a Purchase Price Adjustment within thirty-three (33) days after receipt by the Seller of the Statement of Working Capital in accordance with this Section 2.2. If the Seller gives the Buyer a Notice of Disagreement, payment shall be made in immediately available funds within three (3) business days after the Final Determination Date. Each payment made pursuant to this

Section 2.2 shall be made with interest on the amount of such payment at an annual rate equal to the prime interest rate per annum as stated in the Wall Street Journal on the date of such payment for the period from the Closing Date to the date of payment.

SECTION 2.3. ASSUMPTION OF LIABILITIES. At the Closing, pursuant to one or more written agreements in a form reasonably satisfactory to the parties, the Buyer will assume and agree to pay, perform and discharge, and, to the extent set forth herein, to indemnify Seller against and hold it harmless from, all obligations and liabilities of the Seller relating to the Assets or the Business of any nature or kind, known or unknown, fixed, accrued, absolute or contingent, which arise, accrue or are incurred before or after the Closing Date relating to or based upon the past, present or future Business or operation of the Assets or the Business as heretofore, currently or hereafter conducted ("Assumed Liabilities"), including without limitation: (i) all liabilities and obligations of Seller under the Contracts, Permits or Leases included in the Assets; (ii) all accounts payable and accrued liabilities; (iii) all liabilities shown on the books and records of the Business as of the Closing Date; (iv) the obligations with respect to the Transferred Employees in accordance with Article 7 of this Agreement; (v) the obligations of Seller pursuant to Section 2.3 of that certain Asset Purchase Agreement, dated April 15, 1996 by and between the Seller and White Swan, Ltd.; and (vi) all liabilities under Environmental Laws (as defined in Section 3.15). Notwithstanding the foregoing, the Assumed Liabilities shall not include, and Buyer shall not assume or become liable for, the obligations and liabilities of Seller set forth on Schedule 2.3 (the "Excluded Liabilities").

SECTION 2.4. PURCHASE PRICE ALLOCATION. Seller and Buyer agree that they will report (and will cause their respective Affiliates to report, as appropriate), to the extent required under Section 1060 of the Internal Revenue Code of 1986, as amended or any successor federal tax legislation (the "Code") and the temporary regulations thereunder and any other applicable laws and regulations, the allocation of the Purchase Price (and all other capitalized costs) to the Assets in a manner consistent with an appraisal to be performed within ninety (90) days after the Closing Date. The firm conducting the appraisal shall be selected by agreement between Seller and Buyer. The cost of the appraisal shall be borne equally by the Buyer and the Seller.

SECTION 2.5. LIKE-KIND EXCHANGE. Notwithstanding any other provision hereof, in the event that Seller desires to transfer any of the Assets located in the United States as part of a like-kind exchange pursuant to Section 1031 of the Code, Buyer agrees that Seller may, upon prior written notice to Buyer, assign its rights under this Agreement (but not its obligations under the Agreement) insofar as may be required in order to effect such exchange, and thereafter such assignee shall have such rights as assigned; provided, however, Seller agrees to indemnify the Buyer for, and to hold the Buyer harmless from and against, any and all damages arising or resulting from, such assignment or like-kind exchange; and provided, further, that the Buyer shall incur no additional costs, expenses, fees, delays or liabilities of any kind as a result of or connected with such like-kind exchange.

ARTICLE III. - SELLER'S REPRESENTATIONS AND WARRANTIES

The Seller makes the representations and warranties set forth in this Article.

SECTION 3.1. ORGANIZATION AND CORPORATE STANDING. The Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite corporate power and authority to carry on and conduct the Business as it is now being conducted and to own or lease the Assets, and is duly qualified and in good standing in every jurisdiction in which the conduct of the Business or the ownership of the Assets requires it to be so qualified, and the absence of such qualification would have a material adverse effect. For purposes of Articles III, V and VI of this Agreement, a material adverse effect shall mean any material adverse effect on the financial condition, the Assets or the operation of the Business, taken as a whole. The terms "material" and "material adverse change" shall have a corresponding meaning.

SECTION 3.2. CORPORATE POWER AND AUTHORITY. The Seller has the right, power and capacity to execute, deliver and perform this Agreement and all the documents and instruments referred to herein and contemplated hereby together with all other agreements to be signed or delivered at Closing (the "Transaction Agreements") and to consummate the transaction contemplated by this Agreement. The execution, delivery and performance of this Agreement and the Transaction Agreements, and the consummation of the transactions contemplated hereby and thereby, have been duly and validly authorized by all necessary corporate action on the part of the Seller. This Agreement has been, and each of the Transaction Agreements after execution and delivery thereof at the Closing will have been, duly and validly executed and delivered by the Seller and constitute the Seller's legal, valid and binding obligations, enforceable in accordance with their respective terms.

SECTION 3.3. [INTENTIONALLY OMITTED].

SECTION 3.4. ABSENCE OF CERTAIN CHANGES AND EVENTS. Except as set forth on Schedule 3.4, since December 31, 1997, the Seller has conducted the Business in the ordinary course in all material respects, and has not:

(a) suffered any damage or destruction to the Assets which individually or in the aggregate had a material adverse effect on the Assets or the Business;

(b) caused the Business to incur or discharge any obligation or liability, except in the ordinary course of business or obligations and liabilities that did not have a material adverse effect;

(c) increased the rate or terms of the compensation payable to the Transferred Employees (as defined in Section 7.1(a)); or increased or amended any Employee Benefit Plan (as defined in Section 3.12) in which the Transferred Employees participate; granted

any severance or termination pay to any Transferred Employee; or entered into any employment, deferred compensation or similar agreement with any Transferred Employee, except increases, amendments, grants or agreements occurring in the ordinary course of normal periodic performance reviews and related compensation and benefit increases, or as required by any Contract;

(d) incurred any material adverse change or any event, occurrence, development or state of circumstances or facts which could reasonably be expected to result in a material adverse change;

(e) effected any change in any method of accounting or accounting practice with respect to the Business other than any change required to conform to GAAP;

(f) incurred any indebtedness for borrowed money or agreed to become contingently liable, by guaranty or otherwise, for the obligations or indebtedness of any other Person, other than endorsement of negotiable instruments for deposit or collection;

(g) other than as disclosed in any Schedule to this Agreement or except in the ordinary course of business consistent with past practices, engaged in any transaction with any Affiliate;

(h) created or assumed any Lien (as defined in Section 3.6) on the Assets, except for Permitted Liens (as defined in Section 3.6);

(i) sold, transferred or otherwise disposed of any of the Assets, except in the ordinary course of business and transfers which did not have a material adverse effect;

(j) waived any claims or rights, except any waiver which did not have a material adverse effect;

(k) entered into, amended or terminated any material contract, agreement, franchise, permit or license except in the ordinary course of business and except that did not have a material adverse effect;

(l) acquired any assets which are material, individually or in the aggregate, to the Business, except in the ordinary course of business and except that did not have a material adverse effect;

(m) made any capital expenditure or commitment for a capital expenditure, for additions to or improvements to property, plant or equipment, except in the ordinary course of business consistent with past practice;

(n) suffered any material labor dispute, other than routine individual grievances, or any activity or proceeding by a labor union or representative thereof to organize any employees of the Business, which employees were not subject to a collective bargaining agreement as of December 31, 1997, or any lockouts, strikes, material slowdowns, material work stoppages or, to the Seller's knowledge, threats thereof, by or with respect to such employees;

(o) made any payment or other distribution reducing any Excluded Liability, other than in the ordinary course of business consistent with past practice; or

(p) agreed to take any action described in this Section 3.4.

SECTION 3.5. NO VIOLATION OF LAW. Except as described on Schedule 3.5, to the Seller's knowledge, the Seller is not in violation of any applicable foreign, local, state, federal or foreign law, ordinance, regulation, order, judgment, injunction or decree, or any other requirement of any arbitrator, governmental or regulatory official, body, agency or authority or court binding on it, or relating to the Assets or the Business, except for violations, if any, which would not have a material adverse effect. Except as set forth in Schedule 3.5, Seller has received no written notice of an enforcement action against Seller relating to the Business in connection with any violation or alleged violation of applicable law.

SECTION 3.6. PROPERTIES.

(a) Schedule 3.6(a) sets forth a list of Real Property that the Seller owns or leases, has agreed (or has an option) to purchase, sell or lease, or may be obligated to purchase, sell or lease, which is included in the Assets, together with, in the case of Real Property owned, any title insurance policies and surveys with respect thereto and any title defects or objections, liens, restrictions, claims, charges, security interests, easements or other encumbrances (each, a "Lien") thereon except Permitted Liens (as defined below).

(b) Schedule 3.6(b) sets forth a list of all material personal property used in the Business included in the Assets, including but not limited to the Equipment and other trade fixtures and fixed assets, which the Seller owns, leases or subleases.

(c) (i) The Real Property includes all real property, as is used or held for use primarily in connection with the conduct of the Business as of Closing;

(ii) The plants, buildings, structures and equipment included in the Assets have no material defects, are in good operating condition and repair and have been reasonably maintained (ordinary wear and tear excepted), are suitable for their present uses and, in the case of plants, buildings and other structures, are structurally sound.

(iii) The plants, buildings and structures included in the Assets currently have access to (1) public roads or valid easements over private streets or private property for such ingress to and egress from all such plants, buildings and structures and (2) water supply, storm and sanitary sewer facilities, telephone, gas and electrical connections, fire protection, drainage and other public utilities, as is reasonably necessary for the conduct of the Business.

(iv) To the Seller's knowledge, none of the material structures on the Real Property encroaches upon real property of another Person, and no structure of any other Person substantially encroaches upon any Real Property.

(d) Except for (X) the Liens set forth on Schedule 3.6(d); and (Y) Permitted Liens (as defined herein), the Seller (i) has good and marketable fee simple title to all Real Property which is identified as "Owned Real Property" on Schedule 3.6(a), and (ii) owns such Owned Real Property, free and clear of all Liens. "Permitted Liens" are (A) Liens for taxes not yet due and payable; (B) carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like liens arising in the ordinary course of business, payment for which is not yet due or which is being contested in good faith; (C) deposits to secure the performance of utilities, leases, statutory obligations and surety and appeal bonds and other obligations of a like nature incurred in the ordinary course of business; and (D) title defects or objections, liens, restrictions, claims, charges, security interests,

easements or other encumbrances that do not materially affect the use and enjoyment of such property for the purposes for which it is currently used. The Real Property constitutes all of the real property used in the Business, except for Excluded Assets.

SECTION 3.7. TITLE TO ASSETS. The Seller has good and marketable title to the Assets which it owns, free and clear of all Liens, except (i) as set forth on Schedule 3.7 and (ii) Permitted Liens.

SECTION 3.8. LEASES. Schedule 3.8 contains a list of material Leases (including any capital leases) and lease-purchase arrangements pursuant to which the Seller leases Real Property or Assets from others. Except as set forth on Schedule 3.8, (i) all of the Leases are in full force and effect and have not been modified or amended in any material respect, and (ii) there are no disputes, oral agreements or forbearance programs in effect as to the Leases except disputes, agreements and forbearance programs, if any, which would not have a material adverse effect. There has not occurred any default by the Seller of any such lease, except for defaults, if any, which would not have a material adverse effect, and to the Seller's knowledge, there has not occurred any material default thereunder by any other party thereto except for defaults, if any, which would not have a material adverse effect.

SECTION 3.9. INTELLECTUAL PROPERTY. Schedule 3.9 sets forth a list of all Trademarks, Patents, Registrations, Software and Other Intellectual Property (collectively the "Rights"). Except as set forth on Schedule 3.9, the Seller owns or is licensed to use all the Rights, free and clear of any Liens, except for any Liens which would not have a material adverse effect. Unless otherwise noted on Schedule 3.9, none of the Rights is subject to any pending or, to the knowledge of the Seller, threatened challenge or reversion, except such challenges which would not have a material adverse effect. To the Seller's knowledge, the conduct of the Business as now being conducted, and the use of the Rights in the conduct of the Business, do not infringe or otherwise conflict with any trademarks, patents, registrations, or other intellectual property or proprietary rights of others, nor has any claim been made that the

conduct of the Business as now being conducted infringes or otherwise is covered by the intellectual property of a third party, except for any conflict or infringement which would not have a material adverse effect. To the knowledge of the Seller, none of the Rights are currently being infringed by a third party.

SECTION 3.10. LITIGATION. Schedule 3.10 sets forth all litigation, suits, actions, investigations, indictments or informations, or proceedings or arbitrations pending, or to the knowledge of the Seller, threatened, before any court, arbitration tribunal, or judicial, governmental or administrative agency, against the Seller relating to the Business or the Assets that would have a material adverse effect. Further, except as set forth in Schedule 3.10, there are no judgments, orders, writs, injunctions, decrees, indictments or informations, grand jury subpoenas or civil investigative demands, or awards against the Seller relating to the Business or the Assets that would have a material adverse effect.

SECTION 3.11. EMPLOYEES OF THE BUSINESS. Schedule 3.11 sets forth the names and current compensation of all employees of the Seller who are now working primarily in the Business (the "Employees"). Except as set forth on Schedule 3.11, Seller has not received a copy of any agreement to which an Employee is a party which would adversely affect the performance of his (or her) duties as an employee of the Buyer.

SECTION 3.12. EMPLOYEE BENEFIT PLANS. Except as described on Schedule 3.12, the Seller's Employees do not participate in any employee benefit plans, as defined in Section 3(3) of Employee Retirement Income Security Act of 1974, as amended ("ERISA") nor any other type of retirement, deferred compensation, insurance, bonus, medical, stock option, profit sharing, severance, retention, vision, dental, vacation policy or other plan ("Employee Benefit Plans"). The Seller has provided to the Buyer complete and correct copies of all Employee Benefit Plans, related trust agreements, insurance contracts or other related agreements, the current summary plan description for each Employee Benefit Plan subject to ERISA, and any similar description of any other Employee Benefit Plan. None of the Seller's

Employees participate in a multiemployer plan (as defined in Section 3(37) of ERISA) which is subject to Title IV of ERISA. The Employee Benefit Plans do not violate any applicable local, state, federal or foreign law, ordinance, regulation, order, judgment, injunction or decree or any other requirement of any arbitrator or governmental or regulatory official, body, agency or authority or court binding on it (including ERISA and the Code) except for violations, if any, which would not have a material adverse effect. To Seller's knowledge, the Assets are not currently subject to a lien or other process under Title IV of ERISA and, except as described on Schedule 3.12, to the Seller's knowledge, there is no threatened or pending action related to the Employee Benefit Plans by an Employee or former employee, a plan participant, the Department of Labor, Internal Revenue Service or Pension Benefit Guaranty Corporation or any other party. Any group health plan maintained by the Seller covering any Employee or former employee has, to Seller's knowledge, been administered in all material respects in compliance with the health care continuation coverage provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985. Except as set forth in Schedule 3.12, no officer of the Seller has agreed to any future increases in benefit levels or the creation of new benefits with respect to any Employee Benefit Plan.

SECTION 3.13. COLLECTIVE BARGAINING. Except as described on Schedule 3.13, Seller has no labor contracts or collective bargaining agreements covering wages, hours or working conditions for any of the Employees and no collective bargaining agreement or union contract is currently being negotiated by the Seller. None of the Employees are represented by any union or labor organization.

SECTION 3.14. LABOR MATTERS. The Seller is not in violation of any applicable local, state, federal or foreign law, ordinance, regulation, order, injunction, judgment or decree, or any other requirement of any arbitrator or governmental or regulatory official, body, agency or authority or court binding on it, respecting employment and employment practices except for violations, if any, which would not have a material adverse effect. Except as set forth in Schedule 3.14, the Seller has not received any written notification that any of the Employees

have any claim against the Seller. The Seller has received no notice of any charge of, nor are there any actions or proceedings relating to, unfair labor practices by the Seller pending before the National Labor Relations Board, the Equal Employment Opportunity Commission, or the United States Department of Labor. There is no labor strike or, to the knowledge of Seller, any other labor trouble pending or threatened against the Business. To the Seller's knowledge, there have not been any attempts to organize non-union employees.

SECTION 3.15. ENVIRONMENTAL MATTERS.

(a) Definitions. For purposes of this Section 3.15, the following definitions apply:

i. The term "Environmental Claims" means any and all administrative, regulatory or judicial actions or proceedings relating to the Release (as defined in (v) below) or alleged Release into the environment of any Hazardous Material (as defined in (iii) below), including, without limitation, Claims by any governmental or regulatory authority or by any third party or other person for enforcement, mitigation, cleanup, removal, response, remediation or other actions for damages, fines, penalties, contribution, indemnification, cost recovery, compensation or injunctive or declaratory relief pursuant to any Environmental Law (as defined in (ii) below).

ii. The term "Environmental Laws" means all federal, state and local laws, rules and regulations relating to the regulation or protection of human health, safety, natural resources or the environment and applicable to the Business, including but not limited to the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq., as amended; the ComprehensivE Environmental Response, Compensation & Liability Act of 1980, 42 U.S.C. Section 9601, et seq., as amended; the Clean Water Act, 33 U.S.C. Section 1251, et seq., as amended; the Clean Air Act, 42 U.S.C. Section 7401, et seq., as amended; the Toxic Substances Control Act, 15 U.S.C. Section 2601, et seq., as amended; and the Federal Insecticide, Fungicide and Rodenticide Act, 7 U.S.C. Section 136, et seq., as amended.

iii. The term "Hazardous Materials" means any substance or material that is included within the definition of a "hazardous substance," "hazardous waste," "hazardous constituent," "hazardous material," "hazardous chemical" or "extremely hazardous substance" contained in the Environmental Laws.

iv. The term "Off-Site Facility" means any site or property other than the Real Property used by, for or in connection with the Business.

v. The term "Release" means spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping or disposing into the environment (including the abandonment or discarding of barrels, containers, and other closed receptacles containing any Hazardous Materials).

(b) Seller's Premises. Except as disclosed in Schedule 3.15, to the Seller's knowledge, during the Seller's ownership and operation of the Business, there have been no Releases of Hazardous Materials to the Real Property that would have a material adverse effect, nor are there any pending Environmental Claims against or relating to the Business that would have a material adverse effect.

(c) Off-Site Facilities. Except as disclosed in Schedule 3.15, to the Seller's knowledge: there are no pending Environmental Claims against any Off-Site Facility and relating to any transportation, recycling, handling, treatment, storage or disposal of Hazardous Materials used or generated by the Seller, its Affiliates (as defined in Section 12.11) or by its toll contractors on behalf of Seller that are expected to have a material adverse effect (on the Business); there are no pending Environmental Claims against any Off-Site Facility relating to the production, formulation, packaging or mixing of products on behalf of the Seller or its Affiliates that are expected to have a material adverse effect and there are no pending Environmental Claims arising from the use, application, release or testing of any products of the Business at any Off-Site Facility that are expected to have a material adverse effect.

SECTION 3.16. PERMITS. Schedule 3.16 contains a list of all material Permits. The Permits disclosed on

Schedule 3.16 are all material Permits or other authorizations of governmental authorities necessary or required for the production and sale of products of the Business or for the conduct of the Business as is being conducted by Seller as of the Closing Date. There is no action pending, or to the Seller's knowledge, threatened, seeking the revocation, cancellation, suspension or adverse modification or amendment of any Permit, which action, if determined adversely to the Business, would have a material adverse effect.

SECTION 3.17. CONTRACTS. Schedule 3.17 sets forth a list of the material Contracts. For purposes of this Section 3.17, "material" shall mean any (i) contract which requires payments by or to the Business of $200,000 or more in the aggregate; (ii) contract for employment of any employee; (iii) agreement for the sale (otherwise than in the ordinary course of business) of any material Assets; (iv) agreement, contract or indenture relating to the borrowing of money; (v) agreement with unions; (vi) lease of any real or personal property involving an annual rental of $200,000 or more; and (vii) agreement restricting the Business from competing with any person or in any geographic area. Except as set forth on Schedule 3.17, such Contracts are valid, in full force and effect and have not been modified or amended. To the Seller's knowledge, there are no disputes, oral agreements or forbearance programs in effect as to the Contracts except for disputes, agreements and forbearance programs, if any, which would not have a material adverse effect. There has not occurred any default by Seller of any such Contracts except for defaults, if any, which would not have a material adverse effect and, to the Seller's knowledge, there has not occurred any default thereunder by any other party thereto except for defaults, if any, which would not have a material adverse effect.

SECTION 3.18. REQUIRED CONSENTS, APPROVALS AND FILINGS. Except as set forth in Schedule 3.18, no consent or approval is required by virtue of the execution hereof by the Seller or the consummation of any of the transactions contemplated herein by the Seller to avoid the violation or breach of, or the default under, or the creation of a lien or other encumbrance on the Assets pursuant to the terms of any regulation, order, decree or award of any court or

governmental agency or any lease, agreement, contract, mortgage, note or license to which the Seller is a party or to which the Business or the Assets is subject, the absence of which would have a material adverse effect. Except for filings under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended ("HSR"), and as set forth on Schedule 3.18, there are no filings or similar procedures required of Seller with respect to any governmental body in connection with the consummation of the transactions contemplated hereby.

SECTION 3.19. NO CONFLICT. Subject to obtaining the consents and approvals and making the filings described in Section 3.18 and except as set forth on Schedule 3.19, the execution, delivery and performance of this Agreement by the Seller, and the consummation of the transactions contemplated herein by the Seller will not: (i) violate or conflict with any of the provisions of any charter document or bylaw of the Seller, or (ii) violate, conflict with or result in a breach or default under or cause termination of any term or condition of any mortgage, indenture, contract, license, permit, instrument, or other agreement, document or instrument to which the Seller is a party or by which the Seller or the Business or Assets may be bound or affected, or (iii) violate any provision of law or any valid and enforceable requirement, order, judgment, decree or ruling of any court, arbitrator, governmental or regulatory official body or authority, to which the Seller is a party or by which it, the Business or Assets may be bound or affected, or (iv) result in the creation or imposition of any Lien upon any Asset except as to clauses (i) through (iv) above, any such matters that would not (x) have a material adverse effect, or (y) prevent the consummation of the transactions contemplated herein.

SECTION 3.20. ASSETS ARE YEAR 2000 COMPLIANT. All of the computer, data processing and telecommunications systems software, equipment and databases (the "Information Systems") that are being transferred to the Buyer as part of the Assets are warranted to be year 2000 compliant by the vendors from whom Seller purchased, leased or licensed the Information Systems except as set forth in Schedule 3.20 and except any noncompliance which would not have a material adverse effect.

SECTION 3.21. FOREIGN CUSTOMERS. Schedule 3.21 contains a true and correct list of the largest ten (10) foreign customers (based on sales for the fiscal years 1996 and 1997, respectively) of the Business for the last two years. Except as set forth in Schedule 3.21, the Seller has no knowledge which might reasonably indicate that any of its ten (10) largest foreign customers (based on sales for the fiscal year 1997) intends to cease dealing with the Seller or materially reduce its business with the Seller.

SECTION 3.22. INVENTORY. All raw materials, works-in-process, and finished goods, including but not limited to finished goods purchased for resale, held by the Business for manufacturing, assembly, processing, finishing, sale, or resale to others, from time to time in the ordinary course of the Business, whether or not reflected in the Financial Statements, are of a quality and quantity usable and saleable in the ordinary course of business, except for obsolete items and items of below standard quality, all of which do not have a material adverse effect. Items included in the foregoing are carried on the books of the Business, and are valued in the Financial Statements, at the lower of cost or market and, in any event, at not greater than their net realizable value, after appropriate deduction for costs of manufacture, marketing costs, transportation expense, and allocation of overhead, except that glyphosate-based products are carried on the books of the Business at the *.

SECTION 3.23. ACCOUNTS Receivable. All accounts receivable of the Business set forth in the Statement of Working Capital represent or will represent valid obligations arising from sales actually made in the ordinary course of business or in accordance with the distribution alliance agreements between Solaris and Central Garden and Pet Company and are fully collectible in the aggregate amount thereof in the ordinary course of business (assuming diligent collection efforts of the Buyer following the Closing consistent with past practices of the Business), subject to normal and customary trade discounts and less the reserve for doubtful accounts recorded on the Statement of Working Capital.

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* Confidential provision omitted and filed separately with the Securities and Exchange Commission.

SECTION 3.24. ASSETS. Except for assets disposed of in the ordinary course of business consistent with past practices and Excluded Assets, the Assets consist of all assets which have been used in the Business since December 31, 1997. Together with the assets and rights to be made available to the Buyer pursuant to the Supply Agreement (described in Section 8.6) and the Transition Services Agreement (described in Section 8.8), the Assets include all material assets which are reasonably required to (i) operate the Business in the manner the Business is being conducted by the Seller as of the Closing Date, and (ii) allow Buyer to perform its obligations under the Formulation Agreement (as defined in Section 8.7).

SECTION 3.25. INSURANCE. The Seller has provided to Buyer summaries of all insurance policies owned by the Seller or inuring to the Seller's benefit which insure any part of the Assets or the Business. All such insurance policies are in full force and effect. The Seller has not knowingly made any false statements in any application for such policies, and the Seller has no knowledge of any failure to pay any premiums when due, or any other set of facts or circumstances which might form the basis for termination of any such policies. The Seller will maintain such insurance between the date hereof and the Closing Date.

SECTION 3.26. PRODUCTS. Each of the products produced or sold by the Seller in connection with the Business prior to the Closing (i) is, and except as disclosed in Schedule 3.5, at all times has been, in compliance in all material respects with all applicable Federal, state, local and foreign laws and regulations and (ii) except as would not have a material adverse effect 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. Except as would not have a material adverse effect, 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 3.27. TAXES. The Seller has timely paid all Taxes payable by it for any Tax period (or portion thereof) ending on or before the close of business on the Closing Date, or, with respect to any Tax period beginning before and ending after the Closing Date, any portion thereof ending with the close of business on the Closing Date (the "Pre-Closing Tax Period") which will have been required to be paid on or prior to the Closing Date, the non-payment of which would result in a Lien on any Assets, would otherwise materially adversely affect the Business or would result in the Buyer becoming liable or responsible therefor.

SECTION 3.28. NO UNDISCLOSED MATERIAL LIABILITIES. Except as set forth on Schedule 3.28, there are no material liabilities of a type required to be disclosed or provided for in the Financial Statements of the Business of any kind whatsoever, whether accrued, contingent, absolute, determined, determinable or otherwise, and, to the Seller's knowledge, there is no condition, situation or set of circumstances which could reasonably be expected to result in any such liability, other than:

i. liabilities disclosed in the Financial Statements for the fiscal year ended December 31, 1997; and

ii. liabilities incurred in the ordinary course of business consistent with past practices since December 31, 1997 which would not in the aggregate have a material adverse effect.

SECTION 3.29. TRANSACTIONS WITH AFFILIATES. Except as set forth on Schedule 3.29, the Seller is not a party to any material agreement, arrangement or understanding or other obligation with any Affiliate of the Seller with respect to the Assets or the Business.

SECTION 3.30. RULE 10B-5. No representation or warranty made by the Seller in this Agreement contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements contained herein or therein not misleading.

SECTION 3.31. DISCLAIMER. EXCEPT AS SET FORTH IN THIS ARTICLE 3, (a) SELLER MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, RELATING TO THE ASSETS OR THE BUSINESS, INCLUDING, WITHOUT LIMITATION, ANY REPRESENTATION OR WARRANTY AS TO VALUE, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR FOR ORDINARY PURPOSES, OR ANY OTHER MATTER, AND (b) THE ASSETS AND BUSINESS OF THE SELLER BEING TRANSFERRED TO THE BUYER ARE CONVEYED ON AN "AS IS, WHERE IS" BASIS AS OF THE CLOSING, AND, EXCEPT TO THE EXTENT SET FORTH HEREIN, BUYER SHALL RELY UPON ITS OWN EXAMINATION THEREOF.

SECTION 3.32. AGGREGATION. The representations and warranties of Seller set forth in this Article 3, disregarding any materiality, material adverse effect or knowledge qualifications contained in such representations and warranties, are true and correct with only such exceptions as would not in the aggregate be reasonably expected to cause a Loss (as defined in Section 11.1 herein) in excess of Two Million Dollars ($2,000,000.00).

ARTICLE IV. - BUYER'S REPRESENTATIONS AND WARRANTIES

The Buyer makes the representations and warranties set forth in this Article.

SECTION 4.1. ORGANIZATION. The Buyer is a corporation duly organized, validly existing and in good standing under the laws of Ohio and has all requisite corporate power and authority to carry on and conduct its business as it is now being conducted, to own or lease its assets and properties and is duly qualified and in good standing in every jurisdiction in which the conduct of its business or ownership of its assets requires it to be so qualified, and the absence of such qualification would have a material adverse effect on the Buyer.

SECTION 4.2. CORPORATE POWER AND AUTHORITY. The Buyer has the right, power and capacity to execute, deliver and perform this Agreement and the Transaction Agreements and to consummate the transactions contemplated by this Agreement. The execution, delivery and performance of this Agreement, and the consummation of the transactions contemplated hereby, have been duly and validly authorized by all necessary corporate action on the part of the Buyer. This Agreement has been, and each of the Transaction Agreements after execution and delivery thereof at the Closing will have been, duly and validly executed and delivered by the Buyer and constitute the Buyer's legal, valid and binding obligations, enforceable in accordance with their terms.

SECTION 4.3. REQUIRED CONSENTS, APPROVALS AND FILINGS. Except as set forth in Schedule 4.3, no consent or approval is required by virtue of the execution hereof by the Buyer or the consummation of any of the transactions contemplated herein by the Buyer to avoid the violation or breach of, or the default under, or the creation of a Lien on assets of the Buyer pursuant to the terms of any regulation, order, decree or award of any court or governmental agency or any lease, agreement, contract, mortgage, note, license, or any other instrument to which the Buyer is a party or to which it or any of its property is subject, the absence of which would have a material adverse effect upon the Buyer's business, properties, financial condition, results of operations, or net worth. Except for filings under HSR, and as set forth on Schedule 4.3, to the Buyer's knowledge, there are no filings or similar procedures required with respect to any governmental body in connection with the consummation of the transactions contemplated hereby.

SECTION 4.4. NO CONFLICT. Subject to obtaining the consent and approvals and making the filings described in Section 4.3, the execution and delivery of this Agreement by the Buyer, and the consummation

of the transactions contemplated herein by the Buyer will not, with or without the giving of notice or the lapse of time, or both, (i) violate or conflict with any of the provisions of any charter document or bylaw of the Buyer, (ii) violate, conflict with or result in breach or default under or cause termination of any term or condition of any mortgage, indenture, contract, license, permit, instrument, or other agreement, document or instrument to which the Buyer is a party or by which the Buyer or any of its properties may be bound, or (iii) violate any provision of law or any valid and enforceable requirement, court order, judgment or decree, or ruling of any court, arbitrator or governmental or regulatory official, body or authority to which Buyer is a party or by which Buyer or its properties may be bound, except, as to clauses (i) through (iii) above, any such matters that would not (X) have a material adverse effect upon Buyer's business, properties, financial condition, results of operations or net worth, or (Y) prevent the consummation of the transactions contemplated herein.

SECTION 4.5. LITIGATION. There is no suit, investigation, action or other proceeding pending, or to the Buyer's knowledge, threatened before any court, arbitration tribunal, or judicial, governmental or administrative agency, against the Buyer which would have a material adverse effect on the ability of the Buyer to perform its obligations hereunder or which seeks to prevent the consummation of the transactions contemplated herein.

SECTION 4.6. RULE 10B-5. No representation or warranty made by the Buyer in this Agreement contains any untrue statement of material fact or omits to state any material fact necessary to make the statements contained herein or therein not misleading.

ARTICLE V. - COVENANTS OF THE PARTIES

SECTION 5.1. OPERATIONS PENDING CLOSING. The Seller hereby agrees that, except as set forth on Schedule 5.1 or as consented to in writing by the Buyer, pending the Closing, the Seller will operate and conduct its business in the ordinary course consistent with past practice. Pursuant thereto and not in limitation of the foregoing:

(a) The Seller will maintain, in all material respects, the Assets in their present state of repair (ordinary wear and tear excepted), and will use commercially reasonable efforts to keep available the services of the Employees and to preserve the goodwill of the Business and relationships with the customers and suppliers, with whom it has business relations.

(b) Except as forth on Schedule 5.1(b), the Seller will not take any of the following actions after the date of this Agreement without the prior written consent of the Buyer:

i. Sell, transfer or otherwise dispose of any material Assets other than in the ordinary course of business;

ii. Enter into any new material contract, lease, or commitment relating to the Business or the Assets (for purposes of this Section 5.1, a "material" contract or commitment shall mean a contract or commitment which would be required to be disclosed on Schedule 3.17 hereto);

iii. Mortgage, pledge or subject to liens or other encumbrances, any Assets, except by incurring Permitted Liens;

iv. Purchase or commit to purchase any capital asset relating to the Business for a price exceeding $500,000 individually, or $1,000,000 in the aggregate;

v. Amend in any material respect or terminate any Contract, including any Employee Benefit Plan (except as otherwise contemplated by this Agreement) or any insurance policy, in force on the date hereof relating to the Business or the Assets;

vi. Make any election with respect to Taxes, or any change in a current election with respect to Taxes, affecting the Assets or the Business;

vii. Deploy more than $10,000,000 of inventory into Central Garden & Pet Company branches and sub-agent branches during December 1998 without notifying the Buyer in writing of the amount of such excess;

viii. Agree or commit to do any of the foregoing;

ix. Take or agree or commit to take any action that would make any representation or warranty of the Seller hereunder inaccurate in any material respect at, or as of any time prior to, the Closing Date; or

x. Take, or fail to take, any other action which would require disclosure on Schedule 3.4 under the terms of Section 3.4 hereof.

SECTION 5.2. ACCESS From the date of this Agreement through the Closing Date, the Seller will (i) provide the Buyer and its designees (officers, counsel, accountants, actuaries, financing sources and other authorized representatives) with such information, other than the employee information set forth in Section 7.1 hereof, as the Buyer may from time to time reasonably request with respect to the Assets and the Business and the transactions contemplated by this Agreement, (ii) provide the Buyer and its designees access, during regular business hours and upon reasonable notice, to the property, books, records, offices, personnel, counsel, accountants and actuaries of the Seller as such relate to the Business, other than the personnel records set forth in Section 7.1 hereof, as the Buyer or its designees may from time to time reasonably request; provided, however, that Buyer's designees shall not intentionally interfere with or disrupt the ongoing management of the Business prior to Closing, and (iii) permit the Buyer and its designees to make such inspections thereof, as the Buyer may reasonably request. Any investigation will be conducted in such a manner so as not to interfere unreasonably with the operation of the business of the Seller, and any representative of Buyer shall, at all times while in Seller's facilities, be accompanied by an employee or representative of Seller. Buyer shall inform its representatives and agents of the Confidentiality Agreement, by and between Seller and Buyer, and shall cause said representatives to abide by such Confidentiality Agreement and Seller's rules and regulations regarding safety, security and operations.

SECTION 5.3. PREPARATION OF SUPPORTING DOCUMENTS. In addition to such actions as the parties may otherwise be required to take under this Agreement or applicable law in order to consummate this Agreement and the transactions contemplated hereby and by the Transaction Agreements, the parties will take such action, furnish such information, and prepare, or cooperate in preparing, and execute and deliver such certificates, agreements and other instruments as the other party may reasonably request from time to time, before, at or after the Closing, with respect to compliance with obligations of the Buyer or the Seller in connection with the transactions contemplated hereby or by the Transaction Agreements.

SECTION 5.4. APPROVALS OF THIRD PARTIES; SATISFACTION OF CONDITIONS TO CLOSING. The Seller and the Buyer will use their reasonable, good faith efforts, and will cooperate with one another, to secure all necessary consents, approvals, authorizations and exemptions from governmental agencies and other third parties, including, without limitation, all consents required by Sections 8.4, 8.5, 9.4 and 9.5. The Seller will use its reasonable, good faith efforts to obtain the satisfaction of the conditions specified in Article 9. The Buyer will use its reasonable, good faith efforts to obtain the satisfaction of the conditions specified in Article 8.

SECTION 5.5. HART-SCOTT-RODINO NOTIFICATION. The Seller and the Buyer will each promptly prepare and file a notification with the United States Justice Department (the "Justice Department") and the Federal Trade Commission (the "FTC") as required by HSR by November 15, 1998. The Seller and the Buyer will cooperate with each other in connection with the preparation of such notification, including sharing information concerning sales and ownership and such other information as may be needed to complete such notification, and providing a copy of such notification to the other prior to filing. Each of the Seller and the Buyer will keep confidential all information about the other

obtained in connection with the preparation of such notification. The Buyer will pay the filing fee required under the regulations promulgated pursuant to HSR. Buyer and Seller will cooperate to respond to all inquiries and requests for further information associated with the HSR filing. Buyer shall take all actions as are reasonably prescribed by the FTC or the Justice Department as conditions to the FTC's or the Justice Department's approval, pursuant to HSR, of the transaction contemplated hereby; provided, however, Buyer need not take any such action prescribed by the FTC or Justice Department which action, in the reasonable judgment of Buyer, would materially and adversely affect the value of the transactions contemplated by this Agreement or any other agreement between the parties.

SECTION 5.6. FINANCIAL AND TAX SERVICES. It is recognized that one or more parties may need tax, financial or other data after the Closing Date with respect to the Business covering several fiscal periods prior to the Closing Date in order to facilitate the preparation of Tax returns or in connection with any audit, investigation, litigation, amended return, claim for refund or any proceeding in connection therewith or to comply with the rules and regulations of the Internal Revenue Service, the Securities and Exchange Commission or any other governmental organization or agency. The parties will render reasonable cooperation and will afford access during normal business hours to all books, records, data and personnel concerning use and ownership of the Assets and the operation and conduct of the Business, other than the personnel records set forth in Section 7.1 hereof, with respect to periods prior to and including the Closing Date to each other and their auditors, accountants, counsel or other authorized representatives for such purpose; provided, however, that Buyer's designees shall not intentionally interfere with or disrupt the ongoing management of the Business prior to Closing. The parties will also each execute such documents as the other may reasonably request in order to file any required reports or Tax returns and provide the other with prompt written notice upon receipt of any written claim, notice of deficiency or proposed or actual assessment pertaining to the Business which could affect the Tax liability of the other. The party requesting assistance from the other party will bear all reasonable out-of-pocket costs and expenses incurred by such assisting party (excluding salaries or wages of its employees).

SECTION 5.7. TRANSFER TAXES. All sales or transfer Taxes, including but not limited to, document recording fees, real property transfer Taxes, sales and excise Taxes, arising out of or in connection with the consummation of the transactions contemplated herein shall be paid equally by the Buyer and the Seller.

SECTION 5.8. COMPLIANCE WITH EEOC CONSENT DECREE. Seller hereby represents that it has complied in all material respects with each of the obligations imposed by the Consent Decree entered in the United States District Court for the Eastern District of Missouri in the matter of Billouin, et al. and the Equal Employment Opportunity Commission v. Monsanto Company and Chevron Chemical Company (the "Consent Decree"), up to and including the date of Closing. Seller will undertake reasonable efforts to have the Consent Decree vacated as soon as practicable following the Closing. From and after the Closing, Buyer will assume any remaining obligations imposed by the Consent Decree only to the extent provided by law; provided, however, that to the extent Seller has any obligations under the Consent Decree following the Closing, Buyer shall use reasonable efforts to assist Seller in complying with such obligations.

SECTION 5.9. [Intentionally Omitted]

SECTION 5.10. AMENDMENT OF SCHEDULES. Each party hereto agrees that the parties shall have the right and the obligation as of the Closing Date to supplement or amend the Schedules hereto (except Schedule 1.2) with respect to any matter hereafter arising or discovered which, if existing or known at the date of this Agreement, would have been required to be set forth or described in the Schedules, and subject to Section 9.1 and the rights set forth in Section 10.2, such supplement or amendment shall be deemed to cure any breach of the representation and warranty to which such Schedule applies with respect to such matter but shall not relieve the Seller of its obligations pursuant to Section 11.1 hereof.

SECTION 5.11. CONSULTATION WITH WORKS COUNCIL. Prior to the Closing Date, the Seller agrees to consult with all appropriate Works Council in the European Union. Buyer agrees to provide Seller with information regarding its intent with respect to each overseas location with a Works Council for Seller's use in its consultations with such Works Councils. Buyer agrees to indemnify and hold Seller harmless for any and all Losses incurred as a result of its use of the information provided by the Seller. A list of overseas locations with Works Councils is attached as Schedule 5.11.

SECTION 5.12. MONSANTO COMPLIANCE WITH OBLIGATIONS TO CHEVRON AND OTHER PREDECESSORS. From and after the Closing, Buyer shall use reasonable efforts to assist Seller in complying with Seller's continuing rights and obligations under the following agreements, which Seller has provided Buyer with true and correct copies of: (i) Sections 6.4, 6.6, 19.11(c), 19.14 and Article 16 of that certain Asset Sale Agreement and related agreements dated May 14, 1993, by and between Chevron Chemical Company and Monsanto Company; (ii) that certain Sale of Business Agreement dated May 5, 1997, by and between Monsanto Australia Limited, Monsanto Company, Defender Garden Products Pty. Limited, Defender Home Garden Pty. Limited and Select Harvests Limited; (iii) that certain Asset Purchase Agreement and related agreements, dated April 15, 1996 between Monsanto Company and White Swan, Ltd., (iv) those certain documents related to the "Phostrogen" Business Acquisition, dated June 6, 1997, by and between Monsanto p.l.c., Monsanto Company, Phostrogen Ltd., Gaskell Properties Ltd., and S.V. Gaskell; and (v) that certain Asset Purchase Agreement and related agreements, dated June 1, 1994, by and between Monsanto Canada Inc., Green Cross Garden Products Ltd., and Sun Gro Horticulture Canada Ltd. (collectively, the "Acquisition Agreements"). Buyer will cooperate with Seller to establish procedures necessary to enable Seller to comply with such obligations, including, but not limited to, providing to Seller all necessary information and assistance necessary to enable Seller to preserve and prosecute its rights to indemnification under the Acquisition Agreements.

SECTION 5.13. CHEMCOPACK AGREEMENT. From and after the Closing, (i) Buyer shall use its reasonable efforts to assist Seller in benefitting from Seller's continuing rights and complying with Seller's continuing obligations and (ii) Seller shall use its reasonable efforts to assist Buyer in procuring and benefitting from the applicable rights pertaining to the Business and complying with the applicable obligations pertaining to the Business, in each case, which rights and obligations arise pursuant to that certain Service Agreement, between Monsanto Europe S.A. and Chemcopack N.V. dated July 1, 1998.

SECTION 5.14. NOTICE OF CERTAIN EVENTS. So long as Seller is permitted by contract and law to do so, the Seller shall promptly notify Buyer, and, so long as permitted by contract and law to do so, Buyer shall promptly notify the Seller, of:

i. 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;

ii. any notice of other communication from any governmental or regulatory agency or authority in connection with the transactions contemplated by this Agreement; and

iii. any actions, suits, claims, investigations or proceedings commenced or, to the knowledge of the Seller or Buyer, as the case may be, threatened against, relating to or involving or otherwise affecting the Seller or the Business that, if pending on the date of this Agreement, would have to have been disclosed pursuant to Section 3.10 or that relate to the consummation of the transactions contemplated by this Agreement.

SECTION 5.15. OTHER OFFERS. From the date hereof until the earlier of the termination of this Agreement and the Closing, the Seller agrees that none of the Seller or any officer, director, employee or other agent of the Seller will, directly or indirectly, (i) solicit, initiate or encourage any inquiries or the making or implementation of any proposal or offer with respect to a merger,

acquisition, consolidation or similar transaction involving, or any purchase of all or any significant portion of the Assets or the Business (an "Acquisition Proposal"), other than the transactions contemplated by this Agreement, or (ii) engage in negotiations with, or disclose any nonpublic information relating to the Assets or the Business or afford access to the properties, books or records of the Seller relating to the Assets or the Business to any Person that the Seller reasonably believes may be considering making, or has made, an Acquisition Proposal. The Seller will promptly notify Buyer upon receipt of any Acquisition Proposal or any indication that any Person is considering making an Acquisition Proposal or any request for nonpublic information relating to the Assets or the Business or for access to the properties, books or records of the Seller relating to the Assets or the Business by any Person that may be considering making, or has made, an Acquisition Proposal and will keep Buyer fully informed of the status and details of any such Acquisition Proposal, indication or request.

SECTION 5.16. NONCOMPETITION.

(a) Noncompetition Period. The "Noncompetition Period" shall be five (5) years.

(b) Seller Covenant. Seller covenants and agrees that for the Noncompetition Period, Seller will not, nor will it permit any Affiliate to, directly or indirectly, own, manage, operate or control, or participate in the ownership, management, operation or control of, or be connected with or have any interest in, as a shareholder, partner, creditor or otherwise, any Competitive Business; provided, that Seller shall not be deemed to have violated this covenant if Seller undertakes a transaction in which Seller (i) is acquired by or merges with an unrelated third party who is engaged in a Competitive Business (defined below) or (ii) acquires an unrelated third party engaged in a Competitive Business, and, with respect to this clause (ii) only, which Competitive Business is not a material component of such party's overall business so long as Seller divests itself of the Competitive Business in such time period as is reasonable for the completion of a transaction of such type and complexity, but in no event later than nine months following the closing of the acquisition of the Competitive Business. A Competitive Business shall be any business which, anywhere in the world (x) develops, manufactures, sells and

markets non-glyphosate weed control products, insect control products, garden seeds and decorative garden items, fertilizers and applicators for use by consumers for lawn and garden care or (y) markets gardening and home improvement books for consumers; provided, however, this Section 5.16 shall not apply to those actions of Seller or any Affiliate (A) to the extent such actions are expressly contemplated by the Agency Agreement (as defined in Section 10.2(h) herein), for the duration of the Agency Agreement, (B) to the extent that immediately upon termination of the Agency Agreement, for whatever reason, Seller or any Affiliates or successor to the Roundup L&G Business (as defined in the Agency Agreement) continues to operate the Roundup L&G Business, or (C) to the extent that Seller's interest in a Competitive Business, as a shareholder, partner, creditor or otherwise, is equal to or less than 5%.

(c) Consideration. The consideration for the agreements contained in this Section 5.16 are the mutual covenants contained herein, the agreement of the parties to consummate the Transaction, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged.

(d) Modification. In the event a court (or other authority) refuses to enforce the covenants and agreements contained in this Section 5.16, either because of the scope of the geographical area specified in this Section 5.16, the duration of the restrictions, or otherwise, the parties hereto expressly confirm their intention that the geographical areas covered hereby, the time period of the restrictions, or such other provision, be deemed automatically reduced to the minimum extent necessary to permit enforcement.

(e) Injunctive Relief. The parties acknowledge and agree that the extent of damages to one party (the "non-breaching party") in the event of an actual or threatened breach of this Section 5.16 by the other party (the "breaching party") may be impossible to ascertain and there may be available to the non-breaching party no adequate remedy at law to compensate the non-breaching party in the event of such an actual or threatened reach by the breaching party. Consequently, the parties agree that, in the event that either party breaches or threatens to breach any such covenant or agreement, the non-breaching party shall be entitled, in addition to any other remedy or relief to which it may be entitled, including without limitation, money damages, to seek to enforce any or all of such agreements or covenants against the breaching party by injunctive or other equitable relief ordered by any court of competent jurisdiction.

SECTION 5.17 FINANCIAL STATEMENTS. Seller will deliver to Buyer, as soon as is reasonably practicable, (a) an audited statement of the assets of the Business to be purchased and the liabilities of the Business to be assumed by Buyer as of December 31, 1997 (the "1997 Statement of Assets and Liabilities") and the related audited statement of net sales, cost of sales and direct operating costs of the Business for the year then ended and (b) an unaudited statement of the assets of the Business to be purchased and the liabilities of the Business to be assumed as of September 30, 1998 (the "Interim Statement of Assets and Liabilities") and the related unaudited statement of net sales, cost of sales and direct operating costs of the Business for the nine months ended September 30, 1998 and 1997 (collectively, the "Financial Statements"). At such time, Seller will provide to Buyer the following representation and warranty with respect to the Financial Statements: "The Financial Statements have been prepared from the books and records of Solaris in conformity with generally accepted accounting principles in the United States ("GAAP"), and, subject in the case of the Interim Statement of Assets and Liabilities and the related unaudited statements of net sales, cost of sales and direct operating costs for the nine months ended September 30, 1998 and 1997, to the absence of notes, (i) the 1997 Statement of Assets and Liabilities and the Interim Statement of Assets and Liabilities, respectively, fairly present, in all material respects, the assets that would have been purchased and the net liabilities that would have been assumed by Buyer as of December 31, 1997 and September 30, 1998, if the transactions contemplated hereby had been consummated on December 31, 1997 (in the case of the 1997 Statement of Assets and Liabilities) and September 30, 1998 (in the case of the Interim Statement of Assets and Liabilities), respectively, and (ii) the statements of net sales, cost of sales and direct operating costs of the Business fairly present, in all material respects, the net sales, cost of sales and direct operating costs of the Business for the year ended December 31, 1997 and for the nine months ended September 30, 1998 and 1997, respectively." Following the delivery of the Financial Statements to Buyer, Buyer shall have five (5) business days to accept such Financial Statements, in which case the foregoing representation shall become part of Seller's representations and warranties in Article III hereof, or terminate this Agreement pursuant to Section 10.2(h) hereof.

SECTION 5.18. COOPERATION. The Seller agrees to reasonably cooperate, and to use reasonable efforts to cause its accountants to cooperate, with the Buyer in connection with the preparation of financial statements or information with respect to the Business that comply with the rules and regulations of the Securities and Exchange Commission, if, and to the extent, so requested by the Buyer in connection with the transactions contemplated hereby. The Buyer agrees to indemnify the Seller for 100% of the incremental costs of the Seller's accountants in connection with the preparation of such financial statements.

ARTICLE VI. - CASUALTY AND CONDEMNATION

SECTION 6.1. CASUALTY. The Seller will bear the risk of any loss or damage or destruction to any of the Assets from fire or other casualty or cause at all times prior to the Closing. Upon the occurrence of any loss or damage to any of the Assets as a result of fire, casualty, or other causes prior to the Closing, the Seller will notify the Buyer of the same in writing as soon as practicable thereafter. If such loss or damage could reasonably be deemed to have a material adverse effect, the Buyer will have the option, exercisable within ten (10) days after receipt of such notice from the Seller to terminate this Agreement. If Buyer elects to terminate, this Agreement will be of no further force or effect and neither the Seller nor the Buyer will have any further rights, duties, or obligations hereunder. If Buyer does not elect to terminate this Agreement, this Agreement will remain in full force and effect, the Closing shall be consummated, and the Buyer will accept the Assets in their "then" condition without reduction of the Purchase Price; provided, however, if the diminution in value, net of proceeds received by the Buyer under the insurance policies referred to in the next sentence exceeds $1,000,000, the Purchase Price will be reduced by the

amount of such diminution. The Seller will assign to the Buyer all rights under any insurance claim covering the loss and will pay over to the Buyer any proceeds under any such insurance policy theretofore received by the Seller with respect thereto.

SECTION 6.2. CONDEMNATION. If, prior to the Closing, any of the Real Property has been taken by condemnation in any proceeding by a public authority or other body vested with the power of eminent domain or has been acquired by a public or quasi-public body for public purposes, or if condemnation proceedings therefor have been instituted, the Seller will give the Buyer prompt notice of such occurrence. If such condemnation takes, or proposes to take, all or any portion of the Real Property which would have a material adverse effect, the Buyer may cancel this Agreement by giving the Seller notice to such effect within ten (10) days after the Seller's notice to the Buyer of such occurrence, with the date of the Closing to be extended, if necessary, to provide such a ten (10) day period. If the Buyer so elects, this Agreement will be terminated and the parties hereto will have no further rights, duties, or obligations hereunder. If this Agreement is not terminated as provided above, this Agreement will remain in full force and effect and the purchase contemplated herein, less any portion of the Real Property taken by eminent domain or condemnation, or sold in lieu thereof, will be consummated with a corresponding reduction of the Purchase Price. In such event, the Seller will, at the Closing, assign, transfer, and set over to the Buyer all of the Seller's right, title and interest in and to any awards or proceeds paid or payable for such taking or sale in lieu thereof.

ARTICLE VII. - COVENANTS AS TO EMPLOYEES

SECTION 7.1. OFFERS OF EMPLOYMENT.

(a) Transferred Employees. At least one week prior to Closing, the Buyer shall offer employment with the Buyer to 100% of the Employees other than the Employees

set forth on Schedule 7.1(a). All personnel records maintained by Seller shall remain with the Seller after Closing. The Seller and its Affiliates agree to release from their employment those Employees who are offered and accept employment with the Buyer ("Transferred Employees") to enable them to commence their employment with the Buyer. Seller shall furnish Buyer with an electronic file of employee data related to such Transferred Employees. The Seller makes no representations or warranties concerning such file, or the contents or sufficiency thereof. An offer of employment made by the Buyer will be in writing and will at least equal the salary or wages (including, as applicable, shift differentials, and premiums) provided by the Seller to the Transferred Employee immediately prior to Closing and will include comparable employee benefits provided by the Buyer to its similarly situated employees. The Buyer shall not reduce any Transferred Employee's initial salary or wages (including, as applicable, shift differentials and premiums) as an employee of Buyer during the twelve (12) month period after the date on which such Transferred Employee commences work for the Buyer (the "Employment Date").

(b) Termination of Employees. If (i) the Buyer terminates the employment of any Transferred Employee without cause during the eighteen (18) month period after the Employment Date and such Transferred Employee is not offered "comparable employment" by the Buyer or an Affiliate of the Buyer through the eighteen (18) month anniversary of the Employment Date or (ii) the Buyer relocates any Transferred Employee during the eighteen (18) month period after such Transferred Employee's Employment Date without the Transferred Employee's consent, the Buyer shall pay to such Transferred Employee either (w) an amount at least equal to the amount, and offer the benefits, set forth in Schedule 7.1(b)(1), or (x) if such Transferred Employee signs a settlement agreement and general release provided by Seller, an amount at least equal to the amount, and offer the benefits, set forth in Schedule 7.1(b)(2) (the "Termination Payments"). In consideration of Buyer's agreement to make the Termination Payments to such Transferred Employees, the Seller shall reimburse the Buyer for the lesser of (y) fifty percent (50%) of such Termination Payments, or (z) five million dollars

($5,000,000.00). For the purposes of this Section 7.1(b), "cause" shall mean (A) the conviction of a felony, (B) the willful failure to perform reasonable job-related requests, (C) an act of intentional fraud, embezzlement or theft, (D) an act or omission of gross misconduct injurious to Buyer, or (E) a material violation of Buyer's rules, policies or procedures. For the purposes of this Section 7.1(b), "comparable employment" shall mean a job of equal pay (including, as applicable, shift differentials, incentives and premiums) and benefits comparable to those provided by Buyer to its similarly situated employees. The Buyer agrees to indemnify and hold the Seller harmless from and against any and all claims, damages, liabilities or losses arising out of or related to the Buyer's hiring, promotion or termination of any Transferred Employee, including any severance payments required under this Section 7.1(b).

(c) Employees Not Actively at Work. Attached hereto as Schedule 7.1(c) is a schedule which identifies each Employee who is on short-term disability, long-term disability or personal leave. Any Employee who is on short-term disability or personal leave on the Closing Date shall be offered employment by the Buyer if such Employee returns to work within six (6) months after the Closing Date with any appropriate doctors' releases. Any other Employee who was not actively at work on the Closing Date will continue to be the responsibility of the Seller after such date.

(d) Buyer and Seller agree to work cooperatively to assist in the transfer of a Transferred Employee who is working for Seller under a nonimmigrant visa. Buyer shall pay all severance costs with respect to any such Transferred Employee who is unable or unwilling to obtain a visa.

SECTION 7.2. BENEFITS AND EMPLOYMENT CONDITIONS OF TRANSFERRED EMPLOYEES IN THE UNITED STATES.

(a) Defined Benefit Pension Plans. Any tax-qualified defined benefit pension plans of the Seller (the "Seller's Pension Plans") will retain the liability for, and will fully

vest the Transferred Employees in, their accrued benefits under such plans and, upon application for distribution under the terms of such plans, will provide for distributions to any Transferred Employee who is eligible for a distribution under the terms of such plans. The Buyer shall have no responsibility for any determination made under the Seller's Pension Plans regarding the type, amount or time of payment of any benefit payable to a Transferred Employee under such plan. So long as the Buyer maintains one or more defined benefit pension plans for its other similarly situated employees, the Buyer shall include the Transferred Employees in such plan(s) (the "Buyer Defined Benefit Plan"). The Buyer Defined Benefit Plan shall recognize the Transferred Employees' service recognized by the Seller as of their Employment Dates for purposes of eligibility to participate and vesting, but not for benefit accrual purposes. The Buyer Defined Benefit Plan shall not be responsible for providing any "subsidized" benefit that could have been earned by a Transferred Employee under any of the Seller's Pension Plans had the Transferred Employee remained employed by the Seller after Closing.

(b) Qualified Defined Contribution Plans. Any tax-qualified defined contribution plans of the Seller (the "Seller's Defined Contribution Plans") will fully vest the Transferred Employees in, and will provide for the distribution to or on behalf of the Transferred Employees of, their account balances in accordance with such Plans' regular distribution rules for employees whose employment with the Seller and its Affiliates has terminated, provided that the Seller determines that such distributions will not adversely affect the qualified status of the Seller's Defined Contribution Plans under Section 401(a) of the Code. The Buyer shall have no responsibility for any determination made under the Seller's Defined Contribution Plans. So long as the Buyer maintains one or more defined contribution pension plans for its other similarly situated employees, the Buyer shall include the Transferred Employees in such plans (the "Buyer Defined Contribution Plan"). The Buyer Defined Contribution Plan shall recognize the Transferred Employees' service recognized by the Seller for purposes of eligibility to participate and vesting.

(c) Vacation Pay. Effective as of the Closing Date, the Buyer shall adopt a vacation schedule for the Transferred Employees that is substantially the same as the

Buyer's vacation program provided by Buyer to its similarly situated employees. The Buyer will recognize a Transferred Employee's service with the Business for purposes of determining the Transferred Employee's eligibility for and amount of vacation benefits. Seller will pay, as of the applicable Employment Date, its liability to each Transferred Employee for vacation accrued but not taken or paid for by the Seller. Buyer shall provide unpaid vacation leave during the calendar year in which the Transferred Employee's Employment Date occurs to a Transferred Employee in an amount equal to the vacation accrued but not taken by the Transferred Employee and paid for by the Seller.

(d) Medical and Dental Plans. As of his or her Employment Date, each Transferred Employee will be eligible to enroll in a medical and dental plan established or maintained by the Buyer which shall provide coverage comparable to that provided by the Buyer to its similarly situated employees. The Buyer will cause the Buyer's medical and dental plans to waive any pre-existing condition limitations to the extent reasonably possible under the terms of the applicable plan of Buyer and to recognize each such Transferred Employee's (and his or her covered dependents') expenditures under the corresponding Seller medical and dental plans for the calendar year in which the Employment Date occurs toward any applicable deductible and annual out-of-pocket limit for such calendar year. The Seller will cause the Seller's medical and dental plans to be liable for covered expenses of the Transferred Employees and their dependents that were incurred before the applicable Employment Date or during hospital stays that began before such Employment Date, and the Buyer's medical and dental plans may exclude liability for such expenses. Any benefits provided by the Buyer pursuant to this paragraph are subject to the Buyer's right to amend or terminate its medical and dental plans at any time.

(e) [Intentionally omitted.]

(f) Life Insurance Coverage. The Buyer agrees that as of a Transferred Employee's Employment Date, the Transferred Employee may elect the Buyer's group term and supplemental life insurance coverage on his or her life without evidence of

insurability; provided that such Transferred Employee was a participant in Seller's group term and supplemental life insurance coverage as of the Closing. The Buyer agrees that the plan will recognize the Transferred Employee's service with the Business for purposes of determining the Transferred Employee's eligibility for and amount of coverage. Any benefits provided under this paragraph are subject to the Buyer's right to amend or terminate its group-term and supplemental life insurance coverage at any time.

(g) Disability Coverage. The Buyer agrees that as of a Transferred Employee's Employment Date, the Transferred Employee shall be eligible to enroll in any short-term and long-term disability plan established by the Buyer; provided that such Transferred Employee is not currently receiving short-term or long-term disability benefits from Seller or under a plan maintained by Seller. The plan will recognize the Transferred Employee's service with the Business for purposes of determining the Transferred Employee's eligibility for and amount of benefits and shall treat the date the Transferred Employee was employed by the Seller as the date the Transferred Employee was employed by the Buyer for purposes of defining a preexisting condition. Any benefits provided under this paragraph are subject to the Buyer's right to amend or terminate its disability plan at any time.

(h) Relocation Assistance. Schedule 7.2(h) lists the Employees who as of the date of this Agreement are receiving or eligible to receive relocation assistance or who are on temporary domestic assignments working in full-time positions, and shows for each Employee listed, if determinable on the date of this Agreement, the amount of relocation assistance, as applicable, which the Employee would receive after the Closing Date under the Seller's relocation policy described in Schedule 3.12 if the Employee remained an employee of the Seller. With respect to Transferred Employees listed on Schedule 7.2(h), the Buyer shall provide such relocation assistance, as applicable, which the Transferred Employee would have received under the Seller's relocation policy.

(i) International Assignment. Buyer shall provide all payments and benefits to Transferred Employees on international assignment as of their Employment Date as such Transferred Employees would have received under Seller's international assignment

policy and will assist all such Transferred Employees in obtaining any necessary work visas or papers. If the employment agreement of a Transferred Employee on international assignment cannot be assigned to the Buyer, such Transferred Employee shall remain an employee of the Seller until such time as the Transferred Employee's employment agreement with the Seller can be assigned to the Buyer. Buyer shall reimburse Seller for the cost of salary, benefits and other assistance provided by the Seller to such Transferred Employee.

(j) Additional Benefits. Buyer shall implement immediately after the Closing a retention incentive plan which will target approximately 40% of the Transferred Employees. Buyer shall permit each Transferred Employee to participate in any incentive plan in which Buyer's similarly situated employees participate.

SECTION 7.3. ACCESS TO EMPLOYEE INFORMATION. After the Closing Date, the parties hereto will cooperate with each other in the administration of any applicable Employee Benefit Plans and programs.

SECTION 7.4. WARN ACT INDEMNIFICATION. With respect to the transactions contemplated by this Agreement, Buyer will comply in all material respects with the provisions of the Workers Adjustment and Retraining Notification Act of 1988, as amended ("WARN Act"). The Buyer agrees to indemnify the Seller and its directors, officers, employees, consultants and agents for, and to hold the Seller and its directors, officers, employees, consultants and agents harmless from and against, any and all Losses (as defined in Section 11.1) arising or resulting, or alleged to arise or result from the notification or other requirements of the WARN Act. The indemnifications contained in this Section will survive the Closing and remain effective concurrent with the legal limitations period applicable to WARN Act liability.

SECTION 7.5. WORKERS' COMPENSATION CLAIMS. The Seller will be responsible for any workers' compensation claims by any Transferred Employee for injuries incurred prior to such Transferred

Employee's Employment Date. The Buyer will be responsible for any workers' compensation claims for injuries incurred by any Transferred Employee on or after such Transferred Employee's Employment Date.

SECTION 7.6. GENERAL EMPLOYEE PROVISIONS.

(a) The Seller and the Buyer will give notices required by law and take whatever other actions with respect to the plans, programs and policies described in this Article 7 as may be reasonably necessary to carry out the arrangements described in this Article 7.

(b) The Seller and the Buyer will provide each other with such plan documents and descriptions or other information as may be reasonably required to carry out the arrangements described in this Article 7.

(c) If any of the arrangements described in this Article 7 are finally determined by the Internal Revenue Service or other applicable governmental authority, or by a court of competent jurisdiction, to be prohibited by law, the Seller and the Buyer will modify such arrangements to as closely as possible retain the intent and economic benefits and burdens of the parties as reflected herein in a manner which is not prohibited by law.

(d) No provision of this Agreement will create any third party beneficiary rights to any person, including without limitation any Transferred Employee or any dependent of a Transferred Employee, in respect of continued employment or resumed employment, and no provision of this Agreement will create any third party beneficiary rights in any person, including without limitation any Transferred Employee or any dependent of a Transferred Employee, in respect of any employee benefit plan or arrangement or any other arrangement which may be maintained from time to time by the Buyer.

(e) The Seller and the Buyer agree to utilize the "Alternative Procedure" provided in Section 5 of the Revenue Procedure 84-77, 1984-2 Cumulative Bulletin 753, as modified and superseded by Revenue Procedure 96-60, 1996 Cumulative Bulletin 399, with respect to filing and furnishing Internal Revenue Service Forms W-2, W-3, and 941.

SECTION 7.7. EMPLOYEE BENEFIT PLANS. Except as expressly provided in this Article 7, the Buyer will not adopt, assume or otherwise become responsible for, either primarily or as a successor employer, any of the Employee Benefit Plans, arrangements, commitments or policies currently provided by the Seller or by any member of its controlled group under Code Section 414 (the "Controlled Group Members"). In particular, but not by way of limitation, the Buyer will not assume liability for any retiree medical benefits, or for any group health continuation coverage or coverage rights under Code Section 4980B and ERISA Section 606 which exist prior to the Closing Date or which arise as a result of the Seller's dissolution and/or termination of its group health plan or plans. In addition, the Buyer will not assume the Seller's obligations under Code Section 4980B and ERISA Section 606 relating to individuals who are neither Transferred Employees or dependents of Transferred Employees. The Seller agrees to indemnify the Buyer and its directors, officers, employees, consultants and agents for, and to hold them harmless from and against, any and all Losses caused by any employee benefit plan, arrangement or policy currently provided by the Seller or any Controlled Group Member. The indemnifications contained in this Section shall survive the Closing and remain effective concurrent with the legal limitations period applicable to any such employee benefit plan, arrangement or policy.

SECTION 7.8. TRANSFER OF EMPLOYEES IN EUROPE. In accordance with "The Employees Acquired Rights Directive" (EU Directive 77/187 of February 14, 1977 as implemented in each of the relevant member states), all employment agreements with employees employed by Seller in connection with the business and listed in Schedule 7.8 hereto (the "European Employees") shall be automatically transferred to the Buyer on the date of Closing by operation of law. Each European Employee shall, as from the Closing Date be employed by the Buyer under the terms and conditions applicable to such employee just prior to the date of Closing and each European Employee's seniority rights shall, for all purposes, be honored by the Buyer. As soon as practicable after Closing Date and effective as of the Closing Date, the Buyer shall have in place or establish incentive plans, benefit plans and

pension plans providing overall benefits not less favorable than those enjoyed by the European Employees immediately before Closing. Buyer and Seller shall each select an actuary to review and agree upon pension fund transfers as required under local laws and regulations. If such actuaries are unable to agree upon such pension fund transfers, then they shall mutually select a third actuary who shall make a final decision. Seller and the Buyer shall meet promptly after Closing to take all appropriate steps to protect fully all European Employees' existing pension rights. Seller agrees to assist the Buyer, at Buyer's expense, with respect to the transfer of the European Employees and provide all necessary transition services to the Buyer to ensure payment of the European Employees' salaries, benefits and compensation, taxes and social security in the name and on behalf of the Buyer during the transition period. The Buyer shall indemnify and hold Seller harmless from any and all costs and liabilities which may arise out of the provisions of such services.

SECTION 7.9. TRANSFERRED EMPLOYEES WORKING ON VISAS OR WORK PERMITS. Buyer will use its reasonable efforts to have the visas and work permits for those Employees who are working under a visa and/or a work permit transferred or issued to Buyer as the employer of record for such Employees. Seller will assist Buyer in such efforts at Buyer's expense. Until such time as there is a valid visa and/or work permit issued for such Employee showing Buyer as the employer of record, each such Employee shall remain an Employee of Seller. Buyer shall reimburse Seller for the employment costs of such Employees quarterly during the period needed to obtain the new or revised visas and/or work permits. Actual business expenses incurred by such Employees shall be paid by Buyer. Upon the issuance of new or revised visas and/or work permits, such Employees will become employees of Buyer and will be treated as Transferred Employees.

ARTICLE VIII. - CONDITIONS TO SELLER'S OBLIGATIONS

Each of the obligations of the Seller to consummate the transactions contemplated hereby will be subject to the satisfaction (or written waiver by the Seller) at or prior to the Closing Date of each of the following conditions.

SECTION 8.1. REPRESENTATIONS AND WARRANTIES TRUE AT CLOSING DATE. Except for changes as may be contemplated by this Agreement, each of the representations and warranties of the Buyer contained in this Agreement, disregarding all qualifications and exceptions contained therein relating to materiality or material adverse effect, must be true in all material respects on and as of the Closing Date with the same force and effect as though made on and as of such date, unless the representation or warranty is made as of a specified date; the Buyer must have performed and complied in all material respects with the covenants and agreements set forth herein to be performed or complied with by it on or before the Closing Date; and the Buyer must have delivered to the Seller a certificate dated the Closing Date and signed by its duly authorized officer to all such effects.

SECTION 8.2. LITIGATION. No suit, investigation, action or other proceeding may be pending or overtly threatened against the Seller or its Affiliates or the Buyer before any court or governmental agency which has resulted in the restraint or prohibition of the Seller, or, could in the reasonable opinion of counsel for the Seller, result in the assessment of material damages or other relief against the Seller, in connection with this Agreement or the consummation of the transactions contemplated hereby.

SECTION 8.3. OPINION OF COUNSEL TO BUYER. The Seller must have received from counsel to the Buyer an opinion, dated the Closing Date, in a form reasonably satisfactory to counsel to Seller.

SECTION 8.4. REQUIRED GOVERNMENTAL APPROVALS. All governmental authorizations, consents and approvals set forth on Schedule 9.4 must have been obtained and must be in full force and effect. All applicable governmental pre-acquisition filing, information furnishing and waiting period requirements, including expiration of all applicable waiting periods pursuant to HSR, as set forth on Schedule 9.4, must have been met or such compliance must have been waived by the governmental authority having authority to grant such waivers.

SECTION 8.5. OTHER NECESSARY CONSENTS. The parties must have obtained all consents and approvals listed on Schedule 9.5.

SECTION 8.6. SUPPLY AGREEMENT. The Buyer must have executed and delivered to the Seller the Supply Agreement in the form attached hereto as Exhibit A (the "Supply Agreement").

SECTION 8.7. FORMULATION AGREEMENT. The Buyer must have executed and delivered to the Seller the Formulation Agreement in the form attached hereto as Exhibit B (the "Formulation Agreement").

SECTION 8.8. TRANSITION SERVICES AGREEMENT. The Buyer must have executed and delivered to the Seller a Transition Services Agreement in a form mutually satisfactory to the parties (the "Transition Services Agreement").

SECTION 8.9. NO MATERIAL ADVERSE CHANGE. There shall have been no material adverse change since December 31, 1997 in the business or financial condition of the Buyer taken as a whole, or the financial ability of the Buyer to consummate the transactions contemplated by this Agreement.

ARTICLE IX. - CONDITIONS TO BUYER'S OBLIGATIONS

Each of the obligations of the Buyer to consummate the transactions contemplated hereby is subject to the satisfaction (or written waiver by the Buyer) at or prior to the Closing Date of each of the following conditions.

SECTION 9.1. REPRESENTATIONS AND WARRANTIES TRUE AT CLOSING DATE. Except for changes as may be contemplated by this Agreement, each of the representations and warranties of the Seller contained in this Agreement, disregarding all qualifications and exceptions contained therein relating to materiality or material adverse effect, must be true in all material respects on and as of the Closing Date with the same force and effect as though made on and as of such date, unless the representation or warranty is made as of a specified date; the Seller must have performed and complied in all material respects with the respective covenants and agreements set forth herein to be performed or complied with by it on or before the Closing Date; and the Seller must have delivered to the Buyer a certificate dated the Closing Date and signed by its duly authorized officer to all such effects.

SECTION 9.2. LITIGATION. No suit, investigation, action or other proceeding may be pending or overtly threatened against the Buyer or the Seller or its Affiliates before any court or governmental agency which has resulted in the restraint or prohibition of the Buyer, or, in the reasonable opinion of counsel for the Buyer, is reasonably likely to result in the assessment of material damages or other relief against the Buyer in connection with this Agreement or the consummation of the transactions contemplated hereby.

SECTION 9.3. OPINION OF COUNSEL TO SELLER. The Buyer must have received from counsel to the Seller an opinion, dated the Closing Date, in a form reasonably satisfactory to counsel to Buyer.

SECTION 9.4. REQUIRED GOVERNMENTAL APPROVALS. All governmental authorizations, consents and approvals set forth on Schedule 9.4 must have been obtained and must be in full force and effect. All applicable governmental pre-acquisition filing, information furnishing and waiting period requirements, including expiration of all applicable waiting periods pursuant to HSR, as set forth on Schedule 9.4, must have been met or such compliance must have been waived by the governmental authority having authority to grant such waivers.

SECTION 9.5. OTHER NECESSARY CONSENTS. The parties must have obtained all consents and approvals listed on Schedule 9.5.

SECTION 9.6. SUPPLY AGREEMENT. The Seller must have executed and delivered to the Buyer the Supply Agreement.

SECTION 9.7. FORMULATION Agreement. The Seller must have executed and delivered to the Buyer the Formulation Agreement.

SECTION 9.8. TRANSITION SERVICES AGREEMENT. The Seller must have executed and delivered to the Buyer the Transition Services Agreement.

SECTION 9.9. NO MATERIAL ADVERSE CHANGE. There shall have been no material adverse change since December 31, 1997 in the business, results of operations or financial condition of the Business taken as a whole.

ARTICLE X. - CLOSING

SECTION 10.1. CLOSING. The closing of the transactions contemplated hereby (the "Closing") will take place at 10:00 a.m. Central Time on the "Closing Date," at the Seller's offices located at 800 North Lindbergh Blvd., St. Louis County, Missouri, or at such other place as may be mutually agreeable. Subject to satisfaction or waiver of the conditions to the Seller's and the Buyer's obligations set forth in Articles 8 and 9, respectively, the Closing Date will be the later of the following: (a) February 15, 1999; (b) the date which is sixty (60) days after the date of Seller's delivery to Buyer of the Financial Statements pursuant to Section 5.17; (c) the date which is five (5) business days after the receipt of the governmental approvals contemplated by Sections 8.4 and 9.4 hereof; or (d) such other date as the parties may agree to in writing. At the Closing, the parties hereto will duly execute and deliver all documents and instruments required to be delivered, and the Buyer will make all payments to the Seller required to be paid at the Closing as provided in this Agreement.

SECTION 10.2. TERMINATION PRIOR TO CLOSING. Notwithstanding the foregoing, the parties will be relieved of the obligation to consummate the Closing and purchase or sell the Assets:

(a) By the mutual written consent of the Buyer and the Seller;

(b) By the Seller in writing, without liability, if the Buyer (i) fails to perform in any material respect its agreements contained herein required to be performed by it on or prior to the Closing Date, or (ii) materially breaches any of its representations, warranties or covenants contained herein, which in either case is not cured within ten (10) days after the Seller has notified the Buyer of its intent to terminate this Agreement pursuant to this subparagraph;

(c) By the Buyer in writing, without liability, if the Seller (i) fails to perform in any material respect its agreements contained herein required to be performed by them on or prior to the Closing Date, or (ii) materially breaches any of its representations, warranties or covenants contained herein, which in either case is not cured within ten (10) days after the Buyer has notified the Seller of its intent to terminate this Agreement pursuant to this subparagraph;

(d) Subject to Section 5.5 hereof, by either the Seller or the Buyer in writing, without liability, if there is issued any order, writ, injunction or decree of any court or governmental or regulatory agency binding on the Buyer or the Seller which prohibits or materially restrains the Buyer or the Seller from consummating the transactions contemplated hereby; provided that the Buyer and the Seller have used their reasonable, good faith efforts to have any such order, writ, injunction or decree lifted and the same has not been lifted within sixty (60) days after entry, by any such court or governmental or regulatory agency;

(e) By the Buyer in writing, without liability, if Buyer elects to terminate pursuant to Section 6.1 or Section 6.2 hereof;

(f) By either the Seller or the Buyer in writing, without liability, if for any reason the Closing has not occurred by March 31, 1999 other than as a result of the breach of this Agreement by the party attempting to terminate this Agreement;

(g) By Seller in writing, without liability, upon a "Change of Control" of Buyer (for purposes of this Agreement, a "Change of Control" means (i) the acquisition by any individual, corporation, company, association, joint venture or other entity, of beneficial ownership of 25% or more of the voting securities of the Buyer; or (ii) individuals who, as of the date of this Agreement, constitute the Board of Directors of the Buyer cease for any reason to constitute at least a majority of the Board of Directors of the Buyer; or (iii) the consummation by the Buyer of a reorganization, merger or consolidation, or exchange of shares or sale or other disposition of all or substantially all of the assets of the Buyer, if immediately after giving effect to such transaction the individuals or entities who beneficially own voting securities immediately prior to such transaction beneficially own

in the aggregate less than 75% of such voting securities immediately following such transaction; or (iv) the consummation by the Buyer of the sale or other disposition of all or substantially all of the assets of the Buyer; or (v) the consummation by the Buyer of a plan of complete liquidation or dissolution of the Buyer; or (vi) the public announcement of the Buyer's intention to consummate any of the actions in (i)-(v) herein); or By the Buyer in writing, without liability, in the event that any matter disclosed by Seller after the date hereof in a supplemented or amended Schedule hereto, individually or taken together with all other matters disclosed by Seller after the date hereof, would, in the reasonable judgment of Buyer, be likely to cause a material adverse change in the business, properties, financial position, results of operations, or net worth of the Business taken as a whole;

(h) By Buyer in writing, without liability, within five (5) business days of Buyer's receipt of the Financial Statements, if the Financial Statements show that the earnings before interest, taxes and amortization of the Business: (i) was less than * for the year ended December 31, 1997 or (ii) was less than * for the nine months ended September 30, 1998.

SECTION 10.3. TERMINATION OF OBLIGATIONS. Termination of this Agreement pursuant to Section 10.2 will terminate all obligations of the parties hereunder, except for the obligations under Article XI (Indemnity Claims), and Sections 12.1 (Expenses), 12.7 (Brokerage) and 12.9 (Public Announcements); provided that termination pursuant to subparagraphs (b), (c), (f), or (g) of Section 10.2 will not relieve a defaulting or breaching party from any liability to the other party hereto. Notwithstanding the foregoing, in the event that Seller terminates this Agreement pursuant to Section 10.2(b) above, and such termination arises out of Buyer's failure to consummate the transactions contemplated hereby as a result of Buyer's failure to obtain financing, Buyer shall pay to Seller in immediately available funds by wire transfer an amount equal to Twenty Million Dollars ($20,000,000) (the "Liquidated Amount"). If the Liquidated Amount is owing to Seller pursuant hereto, Buyer shall pay to Seller the Liquidated Amount within two (2) business days of

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* Confidential provision omitted and filed separately with the Securities and Exchange Commission.

Buyer's receipt of Seller's termination notice. Notwithstanding the foregoing, Buyer shall not be obligated to pay such amount unless, at the time of such termination, all of the conditions precedent to Buyer's obligation to consummate the transactions contemplated hereby set forth in Article IX hereof have been satisfied. Seller and Buyer agree that the agreement contained in this Section 10.3 concerning the Liquidated Amount is an integral part of the transactions contemplated by this Agreement and constitutes liquidated damages and not a penalty. Seller and Buyer agree that the injury which will be caused to the Seller by the termination of this Agreement under the circumstances which shall give rise to the payment of the Liquidated Amount, although foreseeable based on the facts concerning Buyer's ability to finance the transactions contemplated hereby and known by Buyer and Seller as of the date of this Agreement, is nevertheless difficult or impossible of accurate estimation and that the sum stipulated for the Termination Fee is a reasonable pre-estimate of the probable loss which will be suffered by the Seller in the event of such termination, including but not limited to lost opportunity costs, the expenses incurred during the course of negotiating the transaction, and the likelihood of consummating the sale with another party if the transactions contemplated hereby should not be consummated.

ARTICLE XI. - INDEMNIFICATION

SECTION 11.1. SELLER INDEMNIFICATION. Except as otherwise provided in this Article XI, Article VII, and Sections 2.5 and 12.7, the Seller will indemnify and reimburse the Buyer for any and all claims, losses, liabilities, damages, penalties, fines, costs and expenses (including reasonable attorneys' fees, court costs and settlement costs) (individually, a "Loss", collectively, "Losses") incurred by the Buyer and its Affiliates and their successors or assigns, and their respective directors, officers, employees, consultants and agents (the "Buyer Protected Parties"), as a result of, with respect to, or arising out of (i) any Assumed Liabilities other than

those set forth in the Statement of Working Capital or those arising after the Closing; (ii) any breach or inaccuracy of any representation or warranty of the Seller set forth in this Agreement; (iii) any breach of or noncompliance by the Seller with any covenant of the Seller contained in this Agreement to be performed after the Closing; or (iv) Excluded Liabilities.

SECTION 11.2. BUYER INDEMNIFICATION. Except as otherwise provided in this Article XI, Article VII, and Sections 2.5 and 12.7, the Buyer will indemnify and reimburse the Seller for any and all Losses incurred by the Seller and its Affiliates and their successors or assigns, and their respective directors, officers, employees, consultants and agents (the "Seller Protected Parties") as a result of, or with respect to, (i) any breach or inaccuracy of any representation or warranty of the Buyer set forth in this Agreement; (ii) any breach of or noncompliance by the Buyer with any covenant or agreement of the Buyer contained in this Agreement to be performed after the Closing, (iii) the Assumed Liabilities; and (iv) the ownership or operation of the Assets or the Business after the Closing.

SECTION 11.3. INDEMNITY CLAIMS.

(a) Survival. The representations, warranties, covenants and agreements contained herein, except for covenants and agreements to be performed by the parties prior to the Closing, will not be extinguished by the Closing but will survive the Closing, subject to the limitations set forth in subsection (b) below with respect to the time periods within which claims for indemnity must be asserted. The covenants and agreements to be performed by the parties prior to the Closing shall expire at the Closing.

(b) Time to Assert Claims. All claims for indemnification under this Article 11 which are not extinguished by the Closing in accordance with Section 11.3(a) must be asserted no later than September 30, 2000; provided, however, that claims with respect to Losses arising out of or related in any way to the matters described in Sections 3.7, 11.1(iii), 11.1(iv), 11.2(ii), 11.2(iii), 11.2(iv), or 11.8 may be made without limitation, except as limited by law.

SECTION 11.4. DEDUCTIBLE.

(a) Buyer's Assumed Liability Deductible. The Buyer Protected Parties may make no claim against the Seller for indemnification pursuant to Section 11.1(i) unless and until:

i. With respect to any and all claims resulting from or relating to the Central Agreements, including but not limited to the writing off of any Accounts Receivable owing from Central Garden & Pet Company to the Business (the "Central Garden Claims"), the aggregate amount of Losses with respect to such claims exceeds * (subject to adjustment pursuant to Section 10.4(b), the "Central Garden Deductible") in excess of the aggregate of the reserves provided for such Losses in the Statement of Working Capital and net of any assets resulting from or relating to the Central Agreements in excess of the amounts provided for such assets in the Statement of Working Capital, in which event the Buyer Protected Parties may claim indemnification for the amount of such Losses in excess of the Central Garden Deductible;

ii. With respect to any and all claims, resulting from or relating to Assumed Liabilities, excluding the Central Garden Claims and excluding other Assumed Liabilities set forth in the Statement of Working Capital or arising after the Closing (the "Assumed Liability Claims"), the aggregate amount of Losses with respect to such claims exceeds One Million Dollars ($1,000,000.00) (the "Assumed Liabilities Deductible") and net of any assets, other than assets resulting from or relating to the Central Agreements, in excess of the amounts provided for such assets in the Statement of Working Capital, in which event the Buyer Protected Parties may claim indemnification for the amount of such Losses in excess of the Assumed Liabilities Deductible;

(b) Buyer's General Deductible. The Buyer Protected Parties may make no claim against the Seller for indemnification pursuant to Section 11.1(ii) unless and until the aggregate amount of Losses with respect to such claims exceeds Two Million Dollars

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* Confidential provision omitted and filed separately with the Securities and Exchange Commission.

($2,000,000.00) (the "Buyer's General Deductible") in which event the Buyer Protected Parties may claim indemnification for the amount of such Losses in excess of the Buyer's General Deductible; provided, that the Buyer's General Deductible shall be increased by an amount equal to that portion of each of the Central Garden Deductible and the Assumed Liabilities Deductible which is in excess of the amount of Buyer's Losses attributable to the Central Garden Claims and Assumed Liability Claims, respectively, provided that the Central Garden Deductible, or the Assumed Liabilities Deductible, as the case may be, shall be reduced by a like amount. For purposes of determining whether the Buyer's General Deductible has been reached, no effect shall be given to the words "material," "material adverse effect," "knowledge" or similar limiting language.

(c) Seller's Deductible. The Seller Protected Parties may make no claim against the Buyer for indemnification pursuant to Section 11.2(i) unless and until the aggregate amount of Losses with respect to such claims exceeds Five Million Dollars ($5,000,000.00) (the "Seller's Deductible") in which event the Seller Protected Parties may claim indemnification for the amount of such Losses in excess of the Seller's Deductible. For purposes of determining whether the Seller's Deductible has been reached, no effect shall be given to the words "material," "material adverse effect," "knowledge" or similar limiting language.

SECTION 11.5. NOTICE OF CLAIM. The Buyer Protected Party or the Seller Protected Party, as the case may be, will notify the party against whom indemnification under this Agreement is sought (the "Indemnifying Party"), in writing, of any claim for indemnification, specifying in reasonable detail the nature of the Loss, and, if known, the amount, or an estimate of the amount, of the liability arising therefrom. The Buyer Protected Party or the Seller Protected Party, as the case may be, will provide to the Indemnifying Party, as promptly as practicable thereafter, such information and documentation as may be reasonably requested by the Indemnifying Party to support and verify the claim asserted, so long as such disclosure would not violate the attorney-client privilege of the Buyer Protected Party or the Seller Protected Party, as the case may be. Notwithstanding the foregoing, in the event of a claim for indemnification based on a breach of

Sections 3.22 or 3.23 hereof, the parties may, before making a formal claim for indemnification under this Section 11.5, elect to meet and discuss such possible claim and attempt to resolve such possible claim for a period of thirty (30) days. Any formal claim for indemnification made subsequent to any meeting at which the parties attempted to resolve such claim shall be deemed to be timely made if made within thirty (30) days of such meeting notwithstanding the fact that such claim may be made after September 30, 2000.

SECTION 11.6. DEFENSE.

(a) If the facts pertaining to a Loss arise out of the claim of any third party, or if there is any claim against a third party (other than a Buyer Protected Party or a Seller Protected Party) available by virtue of the circumstances of the Loss, the Indemnifying Party may assume the defense or the prosecution thereof by prompt written notice to the Buyer Protected Party or the Seller Protected Party, as the case may be, including the employment of counsel or accountants, at the sole cost and expense of the Indemnifying Party. The affected Protected Party will have the right to employ counsel separate from counsel employed by the Indemnifying Party in any such action and to participate therein, but the fees and expenses of such counsel employed by the affected Protected Party will be at its expense. The Indemnifying Party will not be liable for any settlement of any such claim effected without its prior written consent, which will not be unreasonably withheld; provided that if the Indemnifying Party does not assume the defense or prosecution of a claim as provided above within thirty (30) days after notice thereof from any Protected Party, the affected Protected Party may settle such claim without the Indemnifying Party's consent. The Indemnifying Party will not agree to a settlement of any claim which provides for any payment of monetary damages by any Protected Party or which could have a material precedential impact or effect on the business or financial condition of any Protected Party without the affected Protected Party's prior written consent. Whether or not the Indemnifying Party chooses to so defend or prosecute such claim, the Indemnifying Party and the affected Protected Party will cooperate in the defense or prosecution thereof and will furnish such records, information and testimony,

and attend such conferences, discovery proceedings, hearings, trials and appeals, as may be reasonably requested in connection therewith. The Indemnifying Party will be subrogated to all rights and remedies of any Protected Party, except to the extent they apply against another Protected Party.

(b) To the extent claims with respect to Losses arising out of or related to the matters described in Section 3.15 exceed the Buyer's General Deductible in the aggregate with all other Losses, Seller may assume the defense as provided in Section 11.6(a) above, or, if Seller elects not to assume the defense, then Buyer shall consult with Seller in defense of the claim or undertake the cleanup and shall obtain Seller's consent before incurring significant cost or expense in connection therewith. Seller, however, retains the right to access any and all of the Real Property to verify the costs associated with the claim.

SECTION 11.7. LIMITATION OF LIABILITY.

(a) In calculating any amount of damages to be paid by the Indemnifying Party pursuant to this Agreement, the amount of such damages will be reduced by all reimbursements credited to or received by the other party, relating to such damages, and will be net of any tax benefits and insurance proceeds received by the other party with respect to the matter for which indemnification is claimed.

(b) In no event shall the Seller's aggregate obligation to indemnify the Buyer Protected Parties nor the Buyer's aggregate obligation to indemnify the Seller Protected Parties under Section 11.1(i), 11.1(ii), and 11.2(i), respectively, of this Agreement exceed $100 million.

SECTION 11.8. ALLOCATION AND APPORTIONMENT OF AND INDEMNIFICATION WITH RESPECT TO TAX LIABILITIES.

(a) Real property, personal property and ad valorem Taxes or other similar Taxes assessed upon the Assets and Real Property (whether owned or leased) located in the State of Iowa, assessed on January 1, 1998 for the taxable year July 1, 1998 through June 30, 1999 shall be prorated as of the Closing Date between the parties based upon their respective periods of ownership during the taxable year 1998/1999.

(b) Real property, personal property and ad valorem Taxes or other similar Taxes assessed upon the Assets and Real Property (whether leased or owned) located in the State of California assessed on January 1, 1998 for the taxable period July 1, 1998 through June 30, 1999, shall be prorated as of the Closing Date between the parties based upon their respective periods of ownership during the taxable year 1998/1999. Any supplemental assessments resulting from the sale of the Assets shall be the sole responsibility of the Buyer.

(c) Real property, personal property and ad valorem Taxes or other similar Taxes assessed upon the Assets and Real Property (whether leased or owned) located in any state other than Iowa and California shall be prorated as of the Closing Date between the parties based upon their respective periods of ownership, or tenancy as the case may be, during the taxable period which includes the Closing Date, with Seller's portion being from the beginning of any such period up to the Closing Date.

(d) Seller shall be responsible for the timely payment of the Taxes described in Section 11.8(a)-(c). Buyer shall reimburse Seller for Buyer's pro rata share of such Taxes within twenty (20) days after Seller pays such Taxes and notifies Buyer of Buyer's prorated share of such taxes. Any benefits or additional Taxes and related costs derived from a contest concerning the amount of such Taxes properly due shall be prorated between the parties based upon their respective period of ownership of the Assets during

such Tax period, with Seller's portion being from the beginning of any such period up to the Closing Date. Any expenses associated with such a contest shall be prorated likewise, without regard to the success or failure of the contest.

SECTION 11.9. EXCLUSIVE REMEDY; RELEASE.

(a) Except as otherwise provided in Section 10.3 hereof, the indemnification provided pursuant to this Article XI, Article VII and Sections 2.5, 12.7 and 12.14 shall be the sole and exclusive remedy hereto for any Losses as a result of, with respect to or arising out of the breach of this Agreement, or any of the transactions or other agreements or instruments contemplated or entered into in connection herewith (including, but not limited to, all Exhibits attached hereto); provided, however, that such indemnification shall not be the sole and exclusive remedy, and shall in no way limit the rights of the parties, with respect to any breach or default under the Supply Agreement or the Formulation Agreement.

(b) Except as specifically provided in this Article XI and Sections 2.5 and 12.7, neither the Seller, nor its Affiliates or representatives shall be liable to Buyer for, and Buyer hereby releases and discharges Seller, its Affiliates, and their representatives from, any and all Losses incurred as a result of, with respect to or arising out of the ownership or operation of the Assets or the Business after the Closing.

(c) Without limiting the generality of this Section 11.9, Buyer understands and agrees that the rights accorded under this Article XI are the sole and exclusive remedy of Buyer against Seller or its Affiliates with respect to any matters relating to Environmental Laws. Subject to the foregoing, Buyer hereby waives any right to seek contribution or other recovery from Seller or its Affiliates under such Environmental Laws, and Buyer hereby releases the Seller and its Affiliates from any claims, demands or causes of actions that Buyer has or may have in the future against Seller or its Affiliates under the Environmental Laws.

ARTICLE XII. - MISCELLANEOUS

SECTION 12.1. EXPENSES. Except as otherwise specifically provided in this Agreement, the Seller and the Buyer will each pay all costs and expenses incurred by each of them, or on their behalf respectively, in connection with this Agreement and the transactions contemplated hereby, including fees and expenses of their own financial consultants, accountants and counsel.

SECTION 12.2. ENTIRE AGREEMENT. This Agreement (including the Schedules and Exhibits) and all other agreements to be signed or delivered at Closing constitute the full understanding of the parties, a complete allocation of risks between them and a complete and exclusive statement of the terms and conditions of their agreement relating to the subject matter hereof and supersede any and all prior agreements, whether written or oral, that may exist between the parties with respect thereto; provided that this provision is not intended to abrogate any Transaction Agreements executed with or after this Agreement. Except as otherwise specifically provided in this Agreement, no conditions, usage of trade, course of dealing or performance, understanding or agreement purporting to modify, vary, explain or supplement the terms or conditions of this Agreement will be binding unless hereafter made in writing and signed by the party to be bound, and no modification will be effected by the acknowledgment or acceptance of documents containing terms or conditions at variance with or in addition to those set forth in this Agreement, except as otherwise specifically agreed to by the parties in writing.

SECTION 12.3. WAIVERS. No waiver by a party with respect to any breach or default or of any right or remedy and no course of dealing or performance, will be deemed to constitute a continuing waiver of any other breach or default or of any other right or remedy, unless such waiver is expressed in writing signed by the party to be bound. Failure of a party to exercise any right will not be deemed a waiver of such right or rights in the future.

SECTION 12.4. PARTIES BOUND BY AGREEMENT; SUCCESSORS AND ASSIGNS. The terms, conditions and obligations of this Agreement will inure to the benefit of and be binding upon the parties hereto and the respective successors and assigns thereof. No Party shall transfer or assign its rights, duties or obligations hereunder or any part thereof to any other person or entity without the prior written consent of the other Party. Notwithstanding the foregoing, Buyer may at any time transfer its rights hereunder to any one or more of its subsidiaries or other Affiliates of Buyer so long as Buyer remains liable for all of its obligations hereunder, and so long as Buyer gives the Seller prior written notice of such assignment.

SECTION 12.5. COUNTERPARTS. This Agreement may be executed in multiple counterparts, each of which will for all purposes be deemed to be an original and all of which will constitute the same instrument.

SECTION 12.6. NOTICES. Any notice, request, instruction or other document to be given hereunder by any party hereto to any other party hereto must be in writing and delivered personally (including by overnight courier or express mail service) or sent by registered or certified mail, or be transmitted by facsimile or other means of electronic data transmission, confirmed by express mail or overnight courier, in each case with postage or fees prepaid,

If to the Buyer:	The Scotts Company 14111 Scottslawn Road Marysville, Ohio 43041 Attention: Charles M. Berger Telephone: (937) 644-0011 Facsimile: (937) 644-7072
With a copy to:	Vorys, Sater, Seymour and Pease LLP 52 East Gay Street Columbus, Ohio 43215 Attention: Ronald A. Robins, Jr. Telephone: (614) 464-6223 Facsimile: (614) 464-6350

If to the Seller:	Monsanto Company 800 North Lindbergh Boulevard St. Louis, Missouri 63167 Attention: Office of the General Counsel Facsimile No.: (314) 694-6399
With a copy to:	Long Aldridge & Norman LLP One Peachtree Center, Suite 5300 303 Peachtree Street, N.E. Atlanta, Georgia 30308 Attention: Briggs L. Tobin Telephone: (404) 527-4153 Facsimile: (404) 527-4198

or to such other address as may be specified from time to time in a notice given by such party. Any notice which is delivered personally in the manner provided herein will be deemed to have been duly given to the party to whom it is directed upon actual receipt by such party or the office of such party. Any notice which is addressed and mailed in the manner herein provided will be conclusively presumed to have been duly given to the party to which it is addressed at the close of business, local time of the recipient, on the fourth business day after the day it is so placed in the mail or, if earlier, the time of actual receipt.

SECTION 12.7. BROKERAGE. The Seller and the Buyer do hereby expressly warrant and represent, each to the other, that except for Salomon Smith Barney Inc. in the case of Buyer, and Goldman, Sachs & Co., in the case of Seller, no broker, agent, or finder has rendered services in connection with the transactions contemplated under this Agreement. The Seller hereby indemnifies and agrees to hold harmless the Buyer from and against any and all Losses arising or resulting, or sustained or incurred by the Buyer, by reason of any claim by any broker, agent, finder, or other person or entity based upon any arrangement or agreement made or alleged to have been made by the Seller in connection with the transaction contemplated by this Agreement. The Buyer hereby indemnifies and agrees to hold harmless the Seller from and against any and all Losses arising or resulting, or sustained or incurred by the Seller, by reason of any claim by any broker, agent, finder, or other person or entity based upon any arrangement or agreement made or alleged to have been made by the Buyer in connection with the transaction contemplated under this Agreement.

SECTION 12.8. GOVERNING LAW; JURISDICTION.

(a) THE VALIDITY, INTERPRETATION AND PERFORMANCE OF THIS AGREEMENT AND ANY DISPUTE CONNECTED WITH THIS AGREEMENT WILL BE GOVERNED BY AND DETERMINED IN ACCORDANCE WITH THE STATUTORY, REGULATORY AND DECISIONAL LAW OF THE STATE OF DELAWARE (EXCLUSIVE OF SUCH STATE'S CHOICE OR CONFLICTS OF LAWS RULES) AND, TO THE EXTENT APPLICABLE, THE FEDERAL STATUTORY, REGULATORY AND DECISIONAL LAW OF THE UNITED STATES (EXCEPT FOR THE U.N. CONVENTION ON CONTRACTS FOR THE INTERNATIONAL SALE OF GOODS, APRIL 10, 1980, U.N. DOC. A/CONF. 97/18, 19 I.L.M. 668, 671 (1980) REPRINTED IN PUBLIC NOTICE, 52 FED. REG. 662-80 (1987), WHICH IS HEREBY SPECIFICALLY DISCLAIMED AND EXCLUDED).

(b) Any suit, action or proceeding against any party hereto with respect to the subject matter of this Agreement, or any judgment entered by any court in respect thereof, must be brought or entered in the United States District Court for the District of Delaware, and each such party hereby irrevocably submits to the jurisdiction of such court for the purpose of any such suit, action, proceeding or judgment. If such court does not have jurisdiction over the subject matter of such proceeding or, if such jurisdiction is not available, then such action or proceeding against any party hereto shall be brought or entered in the Court of Chancery of the State of Delaware, County of New Castle, and each party hereby irrevocably submits to the jurisdiction of such court for the purpose of any such suit, action, proceeding or judgment. Each party hereto hereby irrevocably waives any objection which either of them may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement

brought as provided in this subsection, and hereby further irrevocably waives any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. To the extent each party hereto has or hereafter may acquire any immunity from jurisdiction of any court or from legal process with respect to itself or its property, each party hereto hereby irrevocably waives such immunity with respect to its obligations under this subsection. The parties hereto agree that exclusive jurisdiction of all disputes, suits, actions or proceedings between the parties hereto with respect to the subject matter of this Agreement lies in the United States District Court for Delaware, or the Court of Chancery of the State of Delaware, County of New Castle, as hereinabove provided. Buyer hereby irrevocably appoints CT Corporation, having an address at 1209 Orange Street, Wilmington, Delaware 19801 and Seller hereby irrevocably appoints CT Corporation, having an address at 1209 Orange Street, Wilmington, Delaware 19801, as its agent to receive on behalf of each such party and its respective properties, services of copies of any summons and complaint and any other pleadings or process of any summons and complaint and any other pleadings or process which may be served in any such action or proceedings. Service by mailing (by certified mail, return receipt requested) or delivering a copy of such process to a party in care of its agent for service of process as aforesaid shall be deemed good and sufficient service thereof, and each party hereby irrevocably authorizes and directs its respective agent for service of process to accept such service on its behalf.

SECTION 12.9. PUBLIC ANNOUNCEMENTS. No public announcement may be made by any person with regard to the transactions contemplated by this Agreement without the prior consent of the Seller and the Buyer; provided that either party may make such disclosure if advised by counsel that it is required to do so by applicable law or regulation of any governmental agency or stock exchange upon which securities of such party are registered. The Seller and the Buyer will discuss any public announcements or disclosures concerning the transactions contemplated by this Agreement with the other parties prior to making such announcements or disclosures.

SECTION 12.10. NO THIRD-PARTY BENEFICIARIES. With the exception of the parties to this Agreement and the Protected Parties, there exists no right of any person to claim a beneficial interest in this Agreement or any rights occurring by virtue of this Agreement.

SECTION 12.11. DEFINITION OF AFFILIATE. As used in this Agreement, "Affiliate" of a person or entity shall mean: (i) any other person or entity directly, or indirectly through one or more intermediaries, controlling, controlled by, or under common control with such person or entity, (ii) any officer, director, partner, employee, or direct or indirect beneficial owner of 10% or greater of the equity or voting interests of such person or entity, or (iii) any other person or entity for which a person or entity described in clause (ii) acts in such capacity.

SECTION 12.12. KNOWLEDGE. As used in this Agreement, the phrase "to the Seller's knowledge" shall mean to the actual knowledge of those individuals listed on Schedule 12.12 hereto with respect to each such individual's area of responsibility as indicated on Schedule 12.12, as of the date of this Agreement or the date as of which a particular representation or warranty is given based on the Seller's knowledge.

SECTION 12.13. BULK SALES LAWS. Buyer and the Seller each hereby waive compliance by the Seller with the provisions of the "bulk sales," "bulk transfer" or similar laws of any state. The Seller agrees to indemnify and hold Buyer harmless against any and all claims, losses, damages, liabilities, costs and expenses incurred by Buyer or any of its Affiliates as a result of a failure to comply with any such "bulk sales," "bulk transfer" or similar laws.

SECTION 12.14. INTERPRETATION. Words of the masculine gender will be deemed and construed to include correlative words of the feminine and neuter genders. Words importing the singular number will include the plural number and vice versa unless the context will otherwise indicate. References to Articles, Sections and other subdivisions of this Agreement are

to the Articles, Sections and other subdivisions of this Agreement as originally executed. The headings of this Agreement are for convenience and do not define or limit the provisions hereof. Words importing persons include firms, associations and corporations. The terms "herein," "hereunder," "hereby," "hereto," "hereof" and any similar terms refer to this Agreement; the term "heretofore" means before the date of execution of this Agreement; and the term "hereafter" means after the date of execution of this Agreement.

[Signatures on Next Page]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized representatives in the United States of America as of the date first above written.

MONSANTO COMPANY, SELLER

By: /s/ ARNOLD W. DONALD

Name: Arnold W. Donald
Title: Senior Vice President

THE SCOTTS COMPANY, BUYER

By: /s/ CHARLES M. BERGER

Name: Charles M. Berger
Title: Chairman, President and C.E.O.

SCHEDULES AND EXHIBITS TO ORTHO ASSET PURCHASE AGREEMENT

Dated as of November 11, 1998
Between Monsanto Company and The Scotts Company

1.1(f)	Equipment
1.2	Excluded Assets
2.2(b)	U.S. Working Capital Assignments
2.3	Excluded Liabilities
3.4	Certain Changes and Events
3.5	No Violation of Law
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3.6(b)	Material Personal Property
3.6(d)	Liens
3.7	Title to Assets
3.8	Leases
3.9	Intellectual Property
3.10	Litigation
3.11	Employees
3.12	Employee Benefit Plans
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3.15	Environmental Matters
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3.18	Seller Required Consents, Approvals and Filings
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5.1(b)	Actions Prior to Closing
5.11	Works Council
7.1(a)(i)	Employees Outside 100% Requirement
7.1(c)	Employees Not Actively at Work
7.2(h)	Relocation Assistance
7.8	European Employees
9.4	Required Governmental Approvals
9.5	Required Other Consents
12.12	Seller's Knowledge

EXHIBITS
- --------
A Supply Agreement
B Formulation Agreement

The Schedules and Exhibits to the Asset Purchase Agreement have not been filed. Titles to the omitted Schedules and Exhibits appear above. The Registrant hereby agrees to furnish supplementally a copy of any omitted Schedule or Exhibit to the Securities and Exchange Commission upon its request.

Exhibit 10(c)

The Scotts Company Retirement Savings Plan

THE SCOTTS COMPANY

RETIREMENT SAVINGS PLAN

THE SCOTTS COMPANY
RETIREMENT SAVINGS PLAN

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THE SCOTTS COMPANY
RETIREMENT SAVINGS PLAN

WHEREAS, The Scotts Company (the "Company") sponsors The Scotts Company Profit Sharing and Savings Plan which, under this document, is renamed The Scotts Company Retirement Savings Plan (the "Plan"); and

WHEREAS, the Stern's Miracle-Gro Products, Inc. Employees 401(k) Plan merged into the Plan effective as of December 31, 1995; and

WHEREAS, Affiliates of the Company sponsor the Hyponex Corporation Profit Sharing Plan and the Scotts-Sierra Horticultural Products Company Salaried Employees Savings and Investment Plan; and

WHEREAS, the Hyponex Corporation Profit Sharing Plan and the Scotts-Sierra Horticultural Products Company Salaried Employees Savings and Investment Plan are merged into this Plan effective as of December 31, 1997;

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

SECTION 1
DEFINITIONS

"ACCOUNT" means the account maintained for a Participant, which shall be the entire interest of the Participant in the Trust Fund. A Participant's Account shall consist of the Participant's Retirement Account, Section 401(k) Account, After-Tax Account, Matching Account, Rollover Account, Transitional Account, Profit Sharing Account, and Hyponex Profit Sharing Account.

"ADMINISTRATIVE COMMITTEE" means the committee appointed as such by the Board of Directors under the provisions of the Plan or, in the absence of such appointment, the Company. The Administrative Committee is the administrator of the Plan within the meaning of Section 3(16) of ERISA.

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

"AFTER-TAX ACCOUNT" means the portion of a Participant's Account consisting of After-Tax Contributions, as adjusted under the Plan. A Participant's after-tax account under the Hyponex Corporation Profit Sharing Plan or the Scotts-Sierra Horticultural Products Company Salaried Employees Savings and Investment Plan as of December 31, 1997 shall be included in the Participant's After-Tax Account under this Plan.

"AFTER-TAX CONTRIBUTIONS" means the amount contributed to the Plan by a Participant on an after-tax basis.

"AGGREGATION GROUP" means (a) the Plan; (b) any plan of the Employer or any Affiliate in which a Key Employee or any of a Key Employee's beneficiaries is a participant; (c) any plan which enables any plan described in (a) or (b) to meet the requirements of Sections 401(a)(4) or 410 of the Code; (d) any plan maintained by the Employer or an Affiliate within the last five years ending on the last day of the immediately preceding Plan Year and would, but for the fact it was terminated, be part of the Aggregation Group; and (e) any plan of the Employer or any Affiliate designated by the Employer, the inclusion of which in the Aggregation Group would not cause the Aggregation Group to fail to meet the requirements of Sections 401(a)(4) and 410 of the Code.

"BENEFICIARY" means the beneficiary under the Plan of a deceased Participant.

"BOARD OF DIRECTORS" means the board of directors of the Company.

"BREAK IN SERVICE" means, for a Regular Employee, the period described in Section 7.4. For a Temporary Employee, "Break in Service" means the failure by an Employee to complete more than 500 Hours of Service during any Plan Year. Any Break in Service shall be deemed to have commenced on the first day of the Plan Year in which it occurs. In the case of an absence from work which begins in any Plan Year beginning after December 31, 1984, if a Temporary Employee is absent from work for any period by reason of pregnancy, the birth or placement for adoption of a child, or for caring for a child for a period immediately following the birth or placement, then, for purposes of determining whether a Break in Service has occurred (and not for purposes of determining Years of Eligibility Service and Years of Vesting Service), such Employee shall be credited with the Hours of Service which otherwise normally would have been credited to such Employee or, if the Administrative Committee is unable to determine the number of such Hours of Service, 8 Hours of Service for each day of absence, in any case not to exceed 501 Hours of Service. The Hours of Service credited to a Temporary Employee under this definition shall be treated as Hours of Service in the Plan Year in which the absence from work begins if the Employee would be prevented from incurring a Break in Service in such year solely because of such Hours of Service or, in any other case, in the immediately following year. The Administrative Committee may require that the Employee certify and/or supply documentation that his or her absence is for one of the permitted reasons and the number of days for which there was such an absence.

"CODE" means the Internal Revenue Code of 1986, as now or hereafter amended, construed, interpreted and applied by regulations, rulings or cases.

"COMPANY" means The Scotts Company, an Ohio corporation, and any successor thereto.

"COMPANY STOCK FUND" means the Investment Fund consisting of Employer Securities and cash or cash equivalents needed to meet the obligations of such fund or for the purchase of Employer Securities.

"COMPENSATION" means wages for the Plan Year paid to the Participant by the Employer, as defined in Code Section 3401(a), for the purposes of income tax withholding at the source. Compensation will be determined without regard to (a) any reduction in compensation resulting from participation in a Section 401(k) cash or deferred arrangement or any arrangement pursuant to Section 125, Section 402(h), Section 403(b), Section 414(h)(2), or Section 457 of the Code; (b) taxable fringe benefits; and (c) any rules that limit remuneration included in wages based on the nature or location of employment or services performed. Notwithstanding the foregoing, Compensation paid by the Employer during any Plan Year in excess of $150,000, adjusted under Code Section 401(a)(17), shall be excluded. For purposes of a Participant's first Plan Year of eligibility, only Compensation paid to such Participant after the Entry Date on which he or she begins to participate in the Plan shall be considered for purposes of determining contributions to the Plan.

"EFFECTIVE AMENDMENT DATE" means: (a) in the case of any change in the Plan required by a change in the Code or ERISA, the date on which such change in the Plan is required to be effective; (b) in the case of any change in the Plan for which an effective date is specifically stated elsewhere in the Plan, such date; and (c) in the case of any other change in the Plan, December 31, 1997.

"ELIGIBILITY COMPUTATION PERIOD" means (a) the initial Eligibility Computation Period of 12 consecutive months commencing on an Employee's most recent date of employment commencement; and (b) each and every full Plan Year, commencing with the Plan Year in which falls the last day of an Employee's initial Eligibility Computation Period, during which the Employee is in the service of the Employer.

"ELIGIBLE ROLLOVER DISTRIBUTION" means any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include: (a) any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated beneficiary, or for a specified period of ten years or more; (b) any distribution to the extent such distribution is required under Section 401(a)(9) of the Code; and (c) the portion of any distribution that is not

includable in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to Employer Securities).

"EMPLOYEE" means any person employed by the Employer, excluding any individual: (a) employed in the Emerald Green division of the Employer; (b) who is a student intern; (c) whose terms and conditions of employment are determined by collective bargaining with a third party, with respect to whom inclusion in this Plan has not been provided for in the collective bargaining agreement setting forth those terms and conditions of employment; (d) who is a nonresident alien described in Section 410(b)(3)(C) of the Code; (e) who is a Leased Employee; (f) who provides services to the Employer as a consultant pursuant to the terms of a written agreement between the Employer and such individual; (g) who is employed by an entity other than the Employer who, pursuant to a written agreement between such employing entity and the Employer, provides services to the Employer; or (h) who provides services to the Employer and is treated, for all employment purposes, as an independent contractor by the Employer. To the extent that any regulatory authority, including, but not limited to, the Internal Revenue Service, determines that any individual described in (e) through (h) of the preceding sentence is a common law employee of the Employer, such individual shall nevertheless be excluded from the definition of the term "Employee" under this Plan.

"EMPLOYER" means the Company and its Affiliates.

"EMPLOYER SECURITIES" means stock or other securities of the Employer permitted to be held by the Plan under ERISA and the Code.

"ERISA" means the Employee Retirement Income Security Act of 1974 (P.L. No. 93-406), as now existing or hereafter amended, and as now or hereafter construed, interpreted and applied by regulations, rulings or cases.

"HIGHLY-COMPENSATED EMPLOYEE" means any employee of the Employer who: (a) was a 5% owner of the Employer during the current Plan Year or the preceding Plan Year; or (b) had Compensation from the Employer in the preceding Plan Year in excess of $80,000 (as adjusted by the Secretary of Treasury).

"HOUR OF SERVICE" means (a) each hour for which an Employee is paid or entitled to payment for the performance of duties for the Employer or an Affiliate during the applicable computation period; (b) each hour for which an Employee is paid or entitled to payment by the Employer or an Affiliate on account of a period of time during which no duties are performed (irrespective of whether the employment relationship has terminated) due to vacation, holiday, illness, incapacity (including disability), layoff, jury or military duty, or leave of absence; and (c) each hour for which back pay, irrespective of mitigation of damages, is either awarded or agreed to by the Employer or an Affiliate. In computing Hours of Service on a weekly or monthly basis when a record of hours of employment is not available, the Employee shall be assumed to have worked 40 hours for each full week of employment and 8 hours for each day in

less than a full week of employment, regardless of whether the Employee has actually worked fewer hours. Notwithstanding the foregoing, (i) not more than 501 Hours of Service shall be credited to an Employee on account of any single continuous period during which the Employee performs no duties; (ii) no credit shall be granted for any period with respect to which an Employee receives payment or is entitled to payment under a plan maintained solely for the purpose of complying with applicable workers' compensation or disability insurance laws; and (iii) no credit shall be granted for a payment which solely reimburses an Employee for medical or medically related expenses incurred by the Employee. In the case of a person who was a Leased Employee and who subsequently becomes an Employee, hours of service as a Leased Employee shall count as Hours of Service as an Employee. Determination and crediting of Hours of Service shall be made under Department of Labor Regulations Sections 2530.200b-2 and 3.

"HYPONEX PROFIT SHARING ACCOUNT" means the portion of a Participant's Account consisting of profit sharing contributions under the Hyponex Corporation Profit Sharing Plan for periods before January 1, 1998, as adjusted under the Plan.

"INVESTMENT FUNDS" means the funds described in Section 5.2.

"KEY EMPLOYEE" has the meaning set forth in Section 416(i) of the Code and the regulations thereunder.

"LEASED EMPLOYEE" means any person (other than an Employee) who, pursuant to an agreement between the Employer and any other person ("leasing organization"), has performed services for the Employer (or for the Employer and related persons determined in accordance with Section 414(n)(6) of the Code) on a substantially full-time basis for a period of at least one year and such services are performed under the primary direction or control of the Employer. Contributions or benefits provided a Leased Employee by the leasing organization which are attributable to services performed for the Employer shall be treated as provided by the Employer. A person who would otherwise be considered a Leased Employee shall not be considered a Leased Employee if (a) such person is covered by a money purchase pension plan providing (i) a nonintegrated employer contribution rate of at least 10% of compensation, as defined in Section 415(c)(3) of the Code, but including amounts contributed pursuant to a salary reduction agreement which are excludable from the person's gross income under Section 125, Section 402(a)(8), Section 402(h), or Section 403(b) of the Code; (ii) immediate participation; and (iii) full and immediate vesting; and (b) Leased Employees do not constitute more than 20 percent of the Employer's Non-Highly-Compensated Employees.

"MATCHING ACCOUNT" means the portion of a Participant's Account consisting of Matching Contributions, as adjusted under the Plan. A Participant's matching account under the Stern's Miracle-Gro Products, Inc. Employees 401(k) Plan as of December 31, 1995, or the Scotts-Sierra Horticultural Products Company Salaried Employees Savings and Investment Plan as of December 31, 1997 shall be included in the Participant's Matching Account under this Plan.

"MATCHING CONTRIBUTION" means an Employer matching contribution under Section 3.3.

"NON-HIGHLY-COMPENSATED EMPLOYEE" means any Employee other than a Highly-Compensated Employee.

"NON-KEY EMPLOYEE" means any Employee other than a Key Employee.

"PARTICIPANT" means any person who is currently eligible to make Section 401(k) Contributions or who has a vested Account balance.

"PLAN" means The Scotts Company Retirement Savings Plan (formerly known as The Scotts Company Profit Sharing and Savings Plan) as set forth herein and as from time to time amended. The Plan is a profit sharing and stock bonus plan.

"PLAN YEAR" means the calendar year.

"PROFIT SHARING ACCOUNT" means the portion of a Participant's Account consisting of discretionary Employer contributions for periods before January 1, 1998, as adjusted under the Plan.

"REGULAR EMPLOYEE" means any Employee other than a Temporary Employee.

"RETIREMENT ACCOUNT" means the portion of a Participant's Account consisting of Retirement Contributions, as adjusted under the Plan.

"RETIREMENT CONTRIBUTION" means an Employer contribution under Section 3.1.

"ROLLOVER ACCOUNT" means the portion of a Participant's Account consisting of Rollover Contributions, as adjusted under the Plan. A Participant's rollover account under the Stern's Miracle-Gro Products, Inc. Employees 401(k) Plan as of December 31, 1995, a Participant's rollover account under the Scotts-Sierra Horticultural Products Company Salaried Employees Savings and Investment Plan as of December 31, 1997, or a Participant's rollover account and/or deductible contributions account under the Hyponex Corporation Profit Sharing Plan as of December 31, 1997, shall be included in the Participant's Rollover Account under this Plan.

"ROLLOVER CONTRIBUTION" means the amount contributed by an Employee as a rollover contribution in accordance with Section 402 of the Code.

"SECTION 401(K) CONTRIBUTION" means an Employer contribution to the Plan in an amount equal to the reduction in the Participant's Compensation pursuant to the Participant's election under the Plan.

"SECTION 401(K) ACCOUNT" means the portion of a Participant's Account consisting of Section 401(k) Contributions, as adjusted under the Plan. A Participant's Section 401(k) account under the Stern's Miracle-Gro Products, Inc. Employees 401(k) Plan as of December 31, 1995 or the Scotts-Sierra Horticultural Products Company Salaried Employees Savings and Investment Plan as of December 31, 1997 shall be included in the Participant's Section 401(k) Account under this Plan.

"TEMPORARY EMPLOYEE" means an Employee who is classified by the Employer under its policies and practices as a temporary or seasonal employee, in that the Employer expects the Employee's employment to be of limited duration.

"TERMINATION DATE" means the date on which an Employee quits, is discharged, retires, dies, or otherwise terminates employment. For purposes of this Plan, a Participant who has ceased to perform services for the Employer shall be deemed to incur a Termination Date on the date he or she is found by the Company to be permanently and totally disabled under The Scotts Company Long Term Disability Plan.

"TOP-HEAVY PLAN" has the meaning set forth in Section 416 of the Code and the regulations thereunder. For purposes of determining whether the Plan is a Top-Heavy Plan, the determination date is, for the first Plan Year, the last day of the Plan Year and for each succeeding Plan Year, the last day of the preceding Plan Year.

"TRANSITIONAL CONTRIBUTION" means an Employer contribution under Section 3.5.

"TRANSITIONAL ACCOUNT" means the portion of a Participant's Account consisting of Transitional Contributions, as adjusted under the Plan.

"TRUST" means the trust created by the Trust Agreement.

"TRUST AGREEMENT" means the Trust Agreement between the Company and the Trustee as the same presently exists and as it may from time to time hereafter be amended.

"TRUST FUND" means all of the assets of the Plan held by the Trustee under the Trust Agreement.

"TRUSTEE" means Fidelity Management Trust Company or any successor trustee acting as such under the Trust Agreement.

"YEAR OF ELIGIBILITY SERVICE" means an Eligibility Computation Period in which a Temporary Employee has 1,000 or more Hours of Service.

"YEAR OF VESTING SERVICE" means: (a) a full 365 days in a Regular Employee's period of service, as defined in Section 7.4; and (b) a Plan Year in which a Temporary Employee has 1,000 or more Hours of Service.

SECTION 2
PARTICIPATION

2.1. ELIGIBILITY.

(a) A Regular Employee shall become a Participant on the first day of the month starting after the date on which he or she begins employment as a Regular Employee.

(b) A Temporary Employee shall be come a Participant on the January 1 or July 1 after: (i) completing one Year of Eligibility Service; and (ii) attaining age 21.

Each Employee who becomes eligible for admission to participation in this Plan shall complete such forms and provide such data as are reasonably required by the Administrative Committee. Participation shall cease on a Participant's Termination Date.

2.2. BREAKS IN SERVICE.

If a Temporary Employee had no vested Account balance attributable to Retirement Contributions before any period of consecutive Breaks in Service, and if the number of consecutive Breaks in Service within such period equals or exceeds five, the Employee shall upon reemployment be required to satisfy the requirements for participation in the Plan as though such Employee had not previously been an Employee. If any Years of Eligibility Service are not required to be taken into account because of a period of Breaks in Service to which this Section applies, such Years of Eligibility Service shall not be taken into account in applying this Section to any subsequent Breaks in Service. If a former Participant is reemployed and his or her prior service cannot be disregarded under this Section, he or she shall become a Participant upon reemployment.

2.3. CHANGE IN STATUS.

If a person who has been in the employ of the Employer in a category of employment not eligible for participation in this Plan subsequently becomes an Employee by reason of a change in status to a category of employment eligible for participation, such person shall become a Participant as of the first day of the month following the date on which the change in status occurs if, on such date, such person has otherwise satisfied the requirements for participation in the Plan.

2.4. ERRONEOUS OMISSION OR INCLUSION OF EMPLOYEE.

If, in any Plan Year, any Employee who should have been included as a Participant in the Plan is erroneously omitted and discovery of such omission is not made until after a Retirement Contribution for the Plan Year has been made and allocated, the Employer shall make a Retirement Contribution with respect to the omitted Employee equal to the amount which the Employee would have received as an allocation had the Participant not been omitted. If, in any Plan Year, any person who should not have been included as a Participant in the Plan is erroneously included and discovery of such incorrect inclusion is not made until after a contribution for the Plan Year has been made and allocated, the Employer shall not be entitled to recover the contribution made with respect to the ineligible person, and any earnings thereon, unless no deduction is allowable with respect to such contribution. The amount contributed with respect to the ineligible person, together with any earnings thereon, shall be applied to reduce Retirement Contributions for the Plan Year in which the discovery is made.

SECTION 3
CONTRIBUTIONS

3.1. RETIREMENT CONTRIBUTIONS.

Retirement Contributions made by the Employer for a Plan Year shall be allocated as follows:

(a) First, each Participant shall receive an allocation equal to 2% of monthly Compensation.

(b) Second, each Participant with year-to-date Compensation in excess of 50% of the Social Security taxable wage base shall receive an additional allocation of 2% of monthly Compensation (a combined total under (a) and (b) of 4%) for any Compensation paid after the Participant's year-to-date Compensation reaches 50% of the Social Security taxable wage base.

3.2. SECTION 401(K) CONTRIBUTIONS AND AFTER-TAX CONTRIBUTIONS.

(a) Each Participant shall be entitled to make an enrollment election (in the form or manner prescribed by the Administrative Committee) to provide for:

(i) a reduction of up to 15% of the Participant's regular Compensation and a corresponding Section 401(k) Contribution to the Participant's Section 401(k) Account; and

(ii) a deduction of up to 15% (combined with the percentage reduction for Section 401(k) Contributions) from the Participant's regular Compensation and a corresponding After-Tax Contribution to the Participant's After-Tax Account.

(b) A Participant may enter into or modify an enrollment election, with the new election to be made in accordance with procedures established by the Administrative Committee and implemented as of the next administratively practicable pay period. The Administrative Committee may establish a reasonable charge to defray the expense of processing elections.

(c) The Administrative Committee may establish rules whereby: (i) Participants' enrollment elections shall not apply to the sale of vacation pay and/or other irregular Compensation; and (ii) Participants may make separate elections to withhold and/or deduct up to 100% of the Compensation attributable to the sale of vacation pay or other irregular Compensation for contribution to the Plan.

3.3. MATCHING CONTRIBUTIONS.

The Employer shall make Matching Contributions, in cash or in Employer Securities, to the Matching Account of each Participant for whom Section 401(k) Contributions are made. The amount of such Matching Contribution will be 100% of the first 3% of Section 401(k) Contributions and 50% of the next 2% of Section 401(k) Contributions. Notwithstanding the foregoing, no Matching Contributions shall be made on account of: (a) elective profit sharing contributions for 1997, paid to the Plan in 1998; and (b) Section 401(k) Contributions attributable to the sale of vacation pay.

3.4. ROLLOVER CONTRIBUTIONS.

A Participant may roll over a cash distribution from a qualified plan or conduit individual retirement account to this Plan, provided that: (a) the distribution is: (i) received from a qualified plan as an Eligible Rollover Distribution; and (ii) rolled over directly from the qualified plan or within the 60 days following the date the Participant received the distribution; or (b) the distribution is: (i) received from a conduit individual retirement account which has no assets other than assets attributable to an Eligible Rollover Distribution or a "qualified total distribution" within the meaning of Section 402 of the Code as in effect prior to January 1, 1993, which was deposited in the conduit individual retirement account within 60 days of the date the Participant received the distribution, plus earnings; (ii) eligible for tax free rollover to a qualified plan; and (iii) rolled over within the 60 days following the date the Participant received the distribution. The Administrative Committee may require documentation from the distributing plan and/or the Participant's certification that the amount rolled over meets the requirements of this Section. The foregoing contributions, which shall be Rollover Contributions, shall be accounted for separately and shall be credited to a Participant's Rollover Account.

3.5. TRANSITIONAL CONTRIBUTIONS.

(a) The Employer shall make Transitional Contributions in 1998, 1999, 2000, 2001, and 2002 to the Transitional Accounts of Participants who meet the requirements of paragraph (b), in the amount provided in paragraph (c).

(b) A Participant shall be eligible for Transitional Contributions if, as of December 31, 1997, he or she: (i) was accruing benefits under The Scotts Company Associates' Pension Plan or the Scotts-Sierra Horticultural Products Company Retirement Plan for Salaried Employees; (ii) had at least ten (10) years of vesting service (as determined under The Scotts Company Associates' Pension Plan); and (iii) had at least 60 points, crediting one point for each year of age and one point for each year of vesting service (as determined under The Scotts Company Associates' Pension Plan). Eligibility for Transitional Contributions ends when a Participant terminates employment.

(c) An eligible Participant shall receive a monthly Transitional Contribution of one and one-half percent (1.5%) of Compensation plus one-fifteenth of one percent (.15%) for each point in excess of 60 but not in excess of 90.

SECTION 4
LIMITATIONS ON ALLOCATIONS

4.1. DOLLAR LIMIT ON SECTION 401(K) CONTRIBUTIONS.

A Participant's Section 401(k) Contributions for a calendar year shall not exceed $7,000 (as adjusted in accordance with Section 402(g) of the Code). If a Participant's Section 401(k) Contributions, combined with elective deferrals to other plans, exceed such limit, the Participant may assign to the Plan any portion of the excess (the "excess deferrals") by notifying the Administrative Committee in writing of such excess deferrals by March 31 of the following year. No notice is required for any excess deferrals which arise solely from Section 401(k) Contributions to this Plan and elective deferrals to other plans sponsored by the Employer. Any excess deferrals, and income allocable to such excess deferrals, shall be distributed to the Participant no later than the April 15 of the following year. For this purpose, income allocable to the excess deferrals shall be income for the year during which the excess deferrals were made.

4.2. PERCENTAGE LIMIT ON SECTION 401(K) CONTRIBUTIONS.

(a) The deferral percentage for eligible Highly-Compensated Employees under this Plan for Plan Years before 1999, and for any Plan Years for which the requirements of Code Section 401(k)(12) are not met, shall not exceed the greater of (i) 125% of such percentage for eligible Non-Highly-Compensated Employees for the preceding Plan Year; or (ii) the lesser of (A) 200% of such percentage for eligible Non-Highly-Compensated Employees for the preceding Plan Year; or (B) such percentage for eligible Non-Highly-Compensated Employees for the preceding Plan Year plus two percentage points. The Employer may elect to substitute the

current Plan Year for the preceding Plan Year for 1997 and/or any later Plan Year, except that if the Employer so elects for a year after 1997, the election cannot be changed except as permitted by the Internal Revenue Service.

(b) For purposes of this Section, the deferral percentage for a specified group of Participants for a Plan Year shall be the average of the ratios (calculated separately for each Participant in such group) of (i) the Section 401(k) Contributions paid under the Plan on behalf of each such Participant for such Plan Year to (ii) the Participant's Compensation for the period during the Plan Year that the Participant was eligible for the Plan.

(c) If the deferral percentage for eligible Highly-Compensated Employees does not meet the requirements of this Section, the following procedure shall be used:

(i) Calculate the dollar amount of excess Section 401(k) Contributions for each affected Highly-Compensated Employee. This total amount (total excess Section 401(k) Contributions) should be distributed (along with earnings for the Plan Year) in accordance with steps (ii) and (iii) below.

(ii) The Section 401(k) Contributions of the Highly-Compensated Employee with the highest dollar amount of Section 401(k) Contributions are reduced by the amount required to cause that Highly-Compensated Employee's Section 401(k) Contributions to equal the dollar amount of the Section 401(k) Contributions of the Highly-Compensated Employee with the next highest dollar amount of Section 401(k) Contributions. This amount is then distributed to the Highly-Compensated Employee with the highest dollar amount. However, if a lesser reduction, when added to the total dollar amount already distributed under this step, would equal the total excess Section 401(k) Contributions, the lesser reduction amount is distributed.

(iii) If the total amount distributed is less than the total excess Section 401(k) Contributions, step (ii) is repeated.

If these distributions are made before the close of the following Plan Year (and, if practical to avoid certain excise taxes, within 2-1/2 months after the end of the Plan Year), Section 401(k) Contributions are treated as meeting the average deferral test regardless of whether the test, if recalculated after distributions, would satisfy Code Section 401(k)(3).

4.3. PERCENTAGE LIMIT ON MATCHING CONTRIBUTIONS AND AFTER-TAX CONTRIBUTIONS.

(a) The contribution percentage for eligible Highly-Compensated Employees under this Plan for the current Plan Year shall not exceed the greater of (i) 125% of such percentage for all other eligible Employees for the preceding Plan Year; or (ii) the lesser of (A) 200% of such percentage for all other eligible Employees for the preceding Plan Year; or (B) such percentage for all other eligible Employees for the preceding Plan Year plus two percentage points. The

Employer may elect to substitute the current Plan Year for the preceding Plan Year for 1997 and/or any later Plan Year, except that if the Employer so elects for a year after 1997, the election cannot be changed except as permitted by the Internal Revenue Service.

(b) For Plan Years before 1999, and for any Plan Years for which the requirements of Code Section 401(k)(12) are not met, the contribution percentage for a specified group of Participants for a Plan Year shall be the average of the ratios (calculated separately for each Participant in such group) of (i) the Matching Contributions and After-Tax Contributions paid under the Plan on behalf of each such Participant for such Plan Year to (ii) the Participant's Compensation for the period during the Plan Year that the Participant was eligible for the Plan.

(c) For any Plan Year after 1998 during which the requirements of Code Section 401(k)(12) are met, the contribution percentage for a specified group of Participants for a Plan Year shall be the average of the ratios (calculated separately for each Participant in such group) of (i) the After-Tax Contributions paid under the Plan on behalf of each such Participant for such Plan Year to (ii) the Participant's Compensation for the period during the Plan Year that the Participant was eligible for the Plan.

(d) If the contribution percentage for eligible Highly-Compensated Employees does not meet the requirements of this Section, the following procedure shall be used:

(i) Calculate the dollar amount of excess contributions for each affected Highly-Compensated Employee. This total amount (total excess contributions) should be distributed (along with earnings for the Plan Year) in accordance with steps (ii) and (iii) below.

(ii) The After-Tax Contributions (and if the requirements of Code Section 401(k)(12) are not met, Matching Contributions) of the Highly-Compensated Employee with the highest dollar amount of such contributions are reduced by the amount required to cause that Highly-Compensated Employee's contributions to equal the dollar amount of the contributions of the Highly-Compensated Employee with the next highest dollar amount of such contributions. This amount is then distributed to the Highly-Compensated Employee with the highest dollar amount. However, if a lesser reduction, when added to the total dollar amount already distributed under this step, would equal the total excess contributions, the lesser reduction amount is distributed.

(iii) If the total amount distributed is less than the total excess contributions, step (ii) is repeated.

If these distributions are made before the close of the following Plan Year (and, if practical to avoid certain excise taxes, within 2-1/2 months after the end of the Plan Year), After-Tax Contributions (and, if applicable, Matching Contributions) are treated as meeting the average

contribution test regardless of whether the test, if recalculated after distributions, would satisfy Code Section 401(m)(3).

(e) If the Section 401(k) Contributions, After-Tax Contributions and Matching Contributions for a Plan Year would result in the multiple use of the alternative limitation (as defined in Section 401(m) of the Code and the regulations thereunder which are hereby incorporated by reference), the Section 401(k) Contributions, After-Tax Contributions and Matching Contributions of Highly-Compensated Employees will be distributed (or, if forfeitable under the Plan, forfeited) in accordance with Section 401(m) of the Code and the regulations thereunder as directed by the Plan Administrator, so that there is no multiple use of the alternative limitation.

4.4. TIMING OF CONTRIBUTIONS.

All Section 401(k) Contributions and After-Tax Contributions shall be made no later than the earlier of: (a) the earliest date on which the contributions can reasonably be segregated from the Employer's general assets; or (b) the 15th business day after the month in which the contributions would otherwise have been payable to the Participant. Retirement Contributions and Matching Contributions shall be made no later than the due date (including extensions) of the income tax return of the Employer for the fiscal year of the Employer including the last day of the Plan Year for which such contribution is made. All contributions shall be paid over to the Trustee and shall be invested by the Trustee in accordance with the Plan and the Trust Agreement.

4.5. EXCLUSIVE BENEFIT; REFUND OF CONTRIBUTIONS.

(a) All contributions made by the Employer are made for the exclusive benefit of the Participants and their Beneficiaries, and such contributions shall not be used for or diverted to purposes other than for the exclusive benefit of the Participants and their Beneficiaries, including the costs of maintaining and administering the Plan and Trust.

(b) Notwithstanding any other provision of this Section, amounts contributed to the Trust by the Employer may be refunded to the Employer, to the extent that such refunds do not, in themselves, deprive the Plan of its qualified status, under the following circumstances and subject to the following limitations: (i) to the extent that a federal income tax deduction is disallowed for any contribution made by the Employer, the Trustee shall refund to the Employer the amount so disallowed within one year of the date of such disallowance; (ii) if a contribution is made, in whole or in part, by reason of a mistake of fact, there shall be returned to the Employer so much of such contribution as is attributable to the mistake of fact within one year after the payment of the contribution to which the mistake applies; and (iii) except as provided in the event of an erroneous allocation to an ineligible person, if the Plan initially fails to satisfy the qualification requirements of Section 401(a) of the Code, and if the Employer declines to amend the Plan to satisfy such qualification requirements, contributions made prior to the determination

that the Plan has failed to qualify shall be returned to the Employer within one year of denial of qualification, provided the Employer filed an application for determination by the due date of the Employer's return for the taxable year in which the Plan was adopted.

(c) Notwithstanding any other provision of this Section, no refund shall be made to the Employer which is specifically chargeable to the Account of any Participant in excess of 100% of the amount in such Account nor shall a refund be made by the Trustee of any funds, otherwise subject to refund hereunder, which have been distributed to any Participant or Beneficiary. If any such distributions become refundable, the Employer shall have a claim directly against the distributees to the extent of the refund to which it is entitled.

(d) All refunds under this Section shall be limited in amount, circumstance, and timing by the provisions of Section 403 of ERISA, and no such refund shall be made if, solely because of such refund, the Plan would cease to be a qualified plan under Section 401(a) of the Code.

4.6. ANNUAL ADDITIONS AND LIMITATIONS.

(a) Notwithstanding any other provisions of this Plan, in no event shall the annual addition to a Participant's Account for any Plan Year exceed the lesser of $30,000 or 25% of such Participant's Compensation. All amounts contributed to any defined contribution plan maintained by the Employer or any Affiliate, and all amounts described in Section 415(l)(1) and Section 419A(d)(2), shall be aggregated with contributions under this Plan in computing any Employee's annual additions limitation. In no event shall the amount allocated to the Account of any Participant be greater than the maximum amount allowed under Section 415 of the Code with respect to any combination of plans without disqualification of any such plan. Any adjustment to the dollar limitation set forth in this Section shall be effective only for the Plan Years ending on or after January 1 of the year for which the adjustment is made. For purposes of this Section, the term "annual addition" shall mean the sum of Retirement Contributions, Section 401(k) Contributions, After-Tax Contributions, and Matching Contributions allocable to the Participant's Account for the Plan Year.

(b) In the event a Participant is a participant in any other defined contribution plan and/or defined benefit plan sponsored by the Employer, and the sum of the "defined benefit plan fraction" and the "defined contribution plan fraction" would exceed 1.0 but for the operation of this Section, the "defined contribution fraction" shall be reduced so that the sum of the fractions shall not exceed 1.0. For purposes of this subsection, the "defined benefit plan fraction" is the ratio that (i) the Participant's projected annual retirement benefit as of the end of the Plan Year under the defined benefit plans bears to (ii) the

lesser of (A) the product of 1.25 multiplied by the dollar limitation in effect under Section 415(b)(1)(A) of the Code for such Plan Year; or (B) the product of 1.4 multiplied by the maximum amount permitted under Section 415(b)(1)(B) of the Code for such Plan Year. The "defined contribution plan fraction" is the ratio of (i) the Participant's annual additions for the Plan Year to the defined contribution plans bears to (ii) the lesser of the following amounts determined for such Plan Year and for each prior Year of Service with the Employer: (A) the product of 1.25 multiplied by the dollar limitation in effect under Section 415(c)(1)(A) of the Code for such year; or (B) the product of 1.4 multiplied by the maximum amount permitted under Section 415(c)(1)(B) of the Code for such year.

(c) If the annual addition to a Participant's Account exceeds the amount permitted under this Section due to a reasonable error in estimating a Participant's Compensation or in determining the amount of Section 401(k) Contributions which may be made under the limits of Section 415 of the Code, such excess shall be disposed of as follows:

(i) After-Tax Contributions, if any, will be returned to the Participant to the extent necessary;

(ii) at the discretion of the Administrative Committee, Section 401(k) Contributions may be returned to the Participant;

(iii) if the Participant is a Participant on the last day of the Plan Year, such excess shall be applied to reduce Retirement Contributions for such Participant in subsequent Plan Years, and no Retirement Contribution shall be made to such Participant's Account until such excess annual addition is eliminated;

(iv) if at any time while an excess annual addition is being applied or would be applied to reduce future Retirement Contributions for a Participant, such Participant ceases to be a Participant, then such excess annual addition shall be held unallocated in a suspense account for the Plan Year and shall be allocated in the next Plan Year as an Employer contribution, and no contribution which would constitute an annual addition shall be made until any such suspense account is completely allocated; and

(v) no suspense account maintained under this Section shall participate in allocations of gains and losses of the Investment Funds unless otherwise directed by the Administrative Committee.

4.7. MILITARY SERVICE.

Notwithstanding any provision of the Plan to the contrary, contributions, benefits, and service credit with respect to qualified military service will be provided in accordance with Section 414(u) of the Code.

SECTION 5
INVESTMENT

5.1. INVESTMENT DIRECTIONS.

Each Participant has the right to direct that future contributions to and the existing balance in the Participant's Account be invested in one or more Investment Funds. A Participant may change his or her investment direction as of any business day (subject to restrictions under the Investment Funds) by providing instructions in such manner as may be prescribed by the Administrative Committee. The Administrative Committee may establish a minimum percentage for investment directions and/or a reasonable charge to defray the administrative expense of processing the investment directions.

5.2. INVESTMENT FUNDS.

One of the Investment Funds shall be the Company Stock Fund, consisting of Employer Securities and cash or cash equivalents needed to meet obligations of such fund or for the purchase of Employer Securities. The Administrative Committee shall direct the Trustee to create and maintain three or more additional Investment Funds according to investment criteria established by the Administrative Committee. The Administrative Committee shall have the right to direct the Trustee to change any of the Investment Funds, other than the Company Stock Fund.

5.3. INVESTMENT IN EMPLOYER SECURITIES.

One of the purposes of the Plan is to provide Participants with ownership interests in the Employer; and, to the extent practicable, all available assets of the Company Stock Fund shall be used to purchase Employer Securities, which shall be held by the Trustee until distribution or sale for distribution of cash to Participants or Beneficiaries or until disposition is required to implement changes in investment directions.

5.4. INVESTMENT MANAGERS.

The Administrative Committee may appoint one or more investment managers to manage all or any portion of all or any of the Investment Funds, and one or more custodians for all or any portion of any Investment Fund. The Administrative Committee may also establish investment guidelines for the Trustee or any one or more investment managers and may direct that all or any portion of the assets in an Investment Fund be invested in one or more guaranteed investment contracts having such terms and conditions as the Administrative Committee deems appropriate. The Administrative Committee or the Trustee, at the direction of the Administrative Committee, may enter into such agreements as the Administrative Committee deems advisable to carry out the purposes of this Section.

SECTION 6
VALUATIONS AND CREDITING

6.1. VALUATIONS.

The Trust Fund shall be valued by the Trustee at fair market value on each business day. The amount to the credit of each Participant's Account shall be adjusted as of each business day as follows:

(a) Distributions will be debited from the Participant's Account.

(b) Earnings and losses of the Trust Fund will be allocated to the Participant's Account according to the Participant's adjusted Account, based upon the portion of the Participant's Account invested in each Investment Fund.

(c) Contributions will be credited to the Participant's Account

6.2. EXPENSES.

All brokerage fees, transfer taxes, and other expenses incurred in connection with the investment of the Trust Fund shall be added to the cost of such investments or deducted from the proceeds thereof, as the case may be. At the option of the Administrative Committee, administrative expenses relating to the maintenance of Accounts of former Employees shall be charged against such Accounts. All other costs and expenses of administering the Plan shall be paid from the Trust Fund unless the Employer elects to pay such costs and expenses.

SECTION 7
VESTING

7.1. DETERMINATION OF VESTED BENEFITS.

(a) All amounts credited to a Participant's Section 401(k) Account, After-Tax Account, Matching Account, Rollover Account, Transitional Account, and Profit Sharing Account shall be 100% vested and nonforfeitable at all times.

(b) All amounts credited to a Participant's Retirement Account and Hyponex Profit Sharing Account shall become vested and nonforfeitable, based upon his or her Years of Vesting Service, in accordance with the following schedule:

Years of Vesting Service	Vested Percentage
Less than 3	0
3 or more	100%

7.2. FULL VESTING AT NORMAL RETIREMENT AGE.

Notwithstanding any provision in this Plan to the contrary, all amounts credited to an individual's Account shall be fully vested and nonforfeitable if the individual attains age 65 prior to terminating employment.

7.3. FORFEITURES.

The non-vested portion of a Participant's Account will be forfeitable and may be used to reduce Employer contributions to the Plan upon or after the earlier of: (a) distribution of the terminated Participant's vested Account balance; or (b) on the first day of the month coincident with or following the date on which the terminated Participant incurs five consecutive Breaks in Service. For purposes of this Section, if the value of the Participant's vested Account balance is zero at termination of employment, the Participant shall be deemed to have received a distribution of his or her vested Account balance. In the event that a Participant who received a distribution of his or her vested Account balance returns to the employment of the Employer before he or she incurs five consecutive Breaks in Service and the Participant repays to the Plan the full amount of his or her distribution within five years after the date he or she resumes employment, the amount of the forfeiture will be restored to the Participant's Account first from forfeitures available in that year and then from additional Employer contributions, if necessary.

7.4. YEARS OF VESTING SERVICE FOR REGULAR EMPLOYEES.

For Regular Employees:

(a) "Year of Vesting Service" means a full 365 days in a Regular Employee's period of service.

(b) "Break in Service" means, for a Regular Employee, each 12 consecutive months in the period: (i) commencing on an Employee's severance from service date; and (ii) ending on the date the Employee is again credited with an Hour of Service for the performance of duties for an Affiliate. If an Employee is absent from work for any period by reason of a pregnancy, the birth or placement for adoption of a child, or caring for a child for a period immediately following the birth or placement, and the absence continues beyond the first anniversary of the absence, the Employee's Break in Service will commence no earlier than the second anniversary of the absence. The period between the first and second anniversaries of the first date of the absence is not part of either a period of service or a Break in Service. The Administrative Committee may require the

Employee to certify and/or supply documentation that his or her absence is for one of the permitted reasons and the number of days for which there was such an absence.

(c) For purposes of this Section, "period of service" means the period: (i) commencing on the date an Employee is first credited with an Hour of Service for the performance of duties for an Affiliate; and (ii) ending on the Employee's severance from service date. A period of service will include any period after an Employee's severance from service date if within 12 months of the Employee's severance from service date, the Employee has an Hour of Service for an Affiliate.

(d) For purposes of this Section, "severance from service date" is the earlier of: (i) the date on which an Employee quits, is discharged, retires or dies; or (ii) the first anniversary of the first date of any other absence.

7.5. EFFECT OF BREAKS IN VESTING SERVICE.

If an Employee had no vested Account balance attributable to Retirement Contributions before any period of consecutive Break in Service (and the number of consecutive Breaks in Service exceed five), Years of Vesting Service before such break will not be taken into account. If an Employee's Years of Vesting Service may not be disregarded pursuant to this Section, such Years of Vesting Service shall be taken into account.

7.6. CHANGE FROM TEMPORARY TO REGULAR EMPLOYEE.

If a Temporary Employee becomes a Regular Employee, the Employee shall receive credit for a period of service consisting of: (a) the number of Years of Vesting Service credited to the Employee before the computation period during which the change occurs; and (b) the greater of (i) the period of service that would be credited to the Employee under the elapsed time method for his or her service during the entire computation period in which the change occurs, or (ii) the service taken into account under as a Temporary Employee as of the date of the change.

7.7. CHANGE FROM REGULAR TO TEMPORARY EMPLOYEE.

If a Regular Employees becomes a Temporary Employee, the Employee shall receive credit for: (a) the number of Years of Vesting Service credited to the Employee as of the date of the change; and (b) 45 Hours of Service for each week in a partial Year of Vesting Service credited to the Employee as of the date of the change.

SECTION 8
DISTRIBUTIONS

8.1. FORMS OF DISTRIBUTION.

A Participant or Beneficiary shall receive any benefit to which he or she is entitled in the form of a lump sum or installments over a period of less than ten (10) years. A lump sum distribution shall consist of cash for amounts not invested in the Company Stock Fund and, for amounts invested in the Company Stock Fund: (a) the greatest number of whole shares of Employer Securities which can be distributed on the basis of the portion of his or her Account balance invested in the Company Stock Fund plus cash for any fractional share, if the number of whole shares is 20 or more and the Participant or Beneficiary elects to receive shares; or (b) cash if the number of whole shares is less than 20 or if the Participant or Beneficiary elects to receive cash.

8.2. TIME OF DISTRIBUTION.

A Participant who has incurred a Termination Date shall receive a distribution of his or her vested Account balance:

(a) if the Participant's benefit is $5,000 or less (as of the current or any earlier distribution), as soon as administratively practicable after the Participant's Termination Date; or

(b) if the Participant's benefit is more than $5,000 (as of the current or any earlier distribution) and the Participant elects to receive a distribution, as soon as administratively practicable after the Participant's election to receive a distribution; or

(c) if the Participant's benefit is more than $5,000 (as of the current or any earlier distribution) and the Participant does not elect an earlier distribution, as soon as administratively practicable after the later of the Participant's Termination Date or the date the Participant attains age 65.

The amount of the retirement benefit shall be equal to the vested balance of the Participant's Account determined as of the business day that the Trustee processes the distribution.

8.3. DEATH BENEFIT.

(a) If the distribution of the Participant's vested Account balance has begun and the Participant dies before his or her entire interest has been distributed to him or her, the remaining portion of the Participant's vested Account balance will be distributed to the Participant's Beneficiary at least as rapidly as under the method of distribution being used prior to the Participant's death. If a Participant dies before a distribution of his or her vested Account balance begins, the Participant's Beneficiary shall receive a distribution of the Participant's

vested Account balance as soon as administratively practicable following the Participant's death. The amount of the death benefit shall be equal to the vested balance of the Participant's Account determined as of the business day that the Trustee processes the distribution.

(b) A married Participant may, with the consent of his or her spouse, designate and from time to time change the designation of one or more Beneficiaries or contingent Beneficiaries to receive any death benefit. The designation and consent shall be on a form supplied by the Administrative Committee, which form shall describe the effect of the designation on the Participant's spouse, and shall be signed by the Participant and the Participant's spouse. The spouse's signature shall be witnessed by a Plan representative or a notary public. Notwithstanding the foregoing, a Beneficiary designation made by a married Participant who has no Hours of Service and no paid leave of absence on or after August 23, 1984, shall be effective without the consent of such Participant's spouse. An unmarried Participant or a married Participant whose spouse has abandoned him or her or cannot be located may designate a Beneficiary or Beneficiaries without the consent of any other person, after having first established to the satisfaction of the Administrative Committee either that he or she has no spouse or that his or her spouse cannot be located. All records of Beneficiary designations shall be maintained by the Administrative Committee.

(c) In the event that the Participant fails to designate a Beneficiary to receive a benefit that becomes payable under the provisions of this Section, or in the event that the Participant is predeceased by all designated primary and contingent Beneficiaries: (i) if the Participant is survived by a spouse, the death benefit shall be payable to the Participant's surviving spouse who shall be deemed to be the Participant's designated Beneficiary for all purposes under this Plan; or (ii) if the Participant is not survived by a spouse, the death benefit shall be payable to the Participant's estate.

8.4. IN-SERVICE WITHDRAWAL AFTER AGE 59-1/2.

Any Participant who is 100% vested in his or her Retirement Account and has attained age 59-1/2 may withdraw from the Trust all or any portion of his or her Section 401(k) Account, Profit Sharing Account, Hyponex Profit Sharing Account, Matching Account, and Retirement Account. The Administrative Committee may establish a reasonable charge to defray the expense of processing such withdrawals.

8.5. IN-SERVICE WITHDRAWAL FROM AFTER-TAX ACCOUNT.

Any Participant may withdraw from the Trust all or any portion of his or her After-Tax Account. The Administrative Committee may establish a reasonable charge to defray the expense of processing such withdrawals.

8.6. IN-SERVICE WITHDRAWAL FROM ROLLOVER ACCOUNT.

Any Participant may withdraw from the Trust all or any portion of his or her Rollover Account. The Administrative Committee may establish a reasonable charge to defray the expense of processing such withdrawals.

8.7. HARDSHIP WITHDRAWAL.

(a) If a Participant has an immediate and heavy financial need and has taken all non-hardship withdrawals currently available under the Plan and any other plans maintained by the Employer or an Affiliate, he or she may make a hardship withdrawal from his or her Section 401(k) Contributions. The amount of the hardship withdrawal shall be the lesser of the Participant's Section 401(k) Contributions or the amount necessary to satisfy the immediate and heavy financial need (including amounts necessary to pay reasonably anticipated taxes and penalties on the hardship withdrawal). Hardship withdrawals of other amounts shall not be allowed.

(b) An amount shall not be treated as necessary to satisfy the immediate and heavy financial need if the need can be reasonably relieved by: (i) reimbursement or compensation from insurance or otherwise; (ii) reasonable liquidation of the Participant's assets; to the extent such liquidation would not itself cause an immediate and heavy financial need; (iii) cessation of Section 401(k) Contributions and After-Tax Contributions; (iv) other withdrawals from the Plan or any other plan; (v) loans from the Plan or any other plans; or (vi) loans from commercial sources on reasonable terms. A need cannot reasonably be relieved by one of the listed actions if the effect would be to increase the amount of the need. The Administrative Committee shall be entitled to rely on the Participant's certification of the foregoing except that the Administrative Committee may require further documentation as to the amount necessary to satisfy the immediate and heavy financial need, or deny the hardship withdrawal, if under the circumstances the Administrative Committee's reliance on the certification is not reasonable.

(c) For purposes of this Plan, an immediate and heavy financial need is the need for money for:

(i) expenses for or necessary to obtain medical care described in Section 213(d) of the Code for the Participant or the Participant's spouse or dependents;

(ii) costs directly related to the purchase (excluding mortgage payments) of a principal residence of the Participant;

(iii) the payment of tuition and related educational fees for the next 12 months of post secondary education for the Participant or the Participant's spouse, children, or dependents;

(iv) the prevention of the eviction of the Participant from his or her principal residence or the foreclosure on the mortgage of the Participant's principal residence; or

(v) any other reason added to the list of deemed immediate and heavy financial needs by the Commissioner of the Internal Revenue Service.

(d) A Participant who has made a hardship withdrawal shall not be eligible to make any Section 401(k) Contributions or any After-Tax Contributions for the 12 months after the hardship withdrawal.

8.8. DIRECT ROLLOVER OF DISTRIBUTION.

A Participant or Beneficiary who is the Participant's surviving or former spouse may direct that all or part of an Eligible Rollover Distribution be paid directly to an Eligible Retirement Plan specified by the Participant or Beneficiary.

8.9. MERGER OF AFFILIATES' PLANS.

A person whose account balance under an Affiliate's plan is transferred to this Plan shall have additional distribution options with respect to the portion of his or her Account attributable to participation in the Affiliate's plan, as follows:

(a) Appendix A: Stern's Miracle-Gro Products, Inc. Employees 401(k) Savings Plan;

(b) Appendix B: Hyponex Corporation Profit Sharing Plan; and

(c) Appendix C: Scotts-Sierra Horticultural Products Company Salaried Employees Savings and Investment Plan.

8.10. LOANS TO PARTICIPANTS.

(a) A Participant may borrow from his or her Account, subject to such uniform and nondiscriminatory rules as may from time to time be adopted by the Administrative Committee.

(b) A Participant shall be permitted to borrow no more than the lesser of: (i) $50,000 reduced by the excess (if any) of (A) the highest outstanding balance of Plan loans during the previous 12 months over (B) the current outstanding balance of Plan loans; or (ii) 50% of the value of the Participant's vested Account.

(c) Loans shall be available to all Participants on a reasonably equivalent basis; provided, however, that the Trustee may make reasonable distinctions among prospective borrowers on the basis of creditworthiness and available security. Any amount withdrawn by or

payable to a Participant from his or her Account while a loan is outstanding shall be immediately applied to reduce such loan.

(d) All loans to Participants made by the Trustee shall be secured by the pledge of the Participant's Account.

(e) Interest shall be charged at an interest rate which the Administrative Committee finds to be reasonable on the date of the loan.

(f) Loans shall be for a term of up to five years, with substantially level amortization (with payments not less frequently than quarterly) over the term of the loan.

(g) If not paid as and when due, any such outstanding loan or loans may be deducted from any benefit which is or becomes payable to such Participant or the Participant's Beneficiary. The Participant shall remain liable for any deficiency, and any surplus remaining shall be paid to the Participant.

(h) Any loan made to a Participant shall be: (i) treated as an investment of the Participant's Account with interest payments credited and expenses deducted from the Participant's Account; and (ii) excluded from the Participant's Account for purposes of implementing the Participant's investment directions and allocation of the investment results of the Investment Funds.

8.11. LATEST COMMENCEMENT OF BENEFITS.

Payment of benefits shall commence in accordance with this Section; provided, however, the payment of benefits to a Participant who is a 5% owner of the Employer shall commence no later than the April 1 of the calendar year following the calendar year in which the Participant attains age 70-1/2. Unless a Participant elects otherwise, the payment of benefits shall begin no later than 60 days after the latest of the close of the Plan Year in which (a) the Participant attains age 65; (b) occurs the 10th anniversary of the year in which the Participant commenced participation in the Plan; or (c) the Participant terminates service with the Employer.

8.12. POST-DISTRIBUTION CREDITS.

If, after the distribution of retirement or death benefits under this Plan, there remains in a Participant's Account any funds, or any funds shall be subsequently credited thereto, such funds shall be distributed to the Participant or his or her Beneficiary as promptly as practicable.

8.13. PREVENTION OF ESCHEAT.

If the Administrative Committee cannot ascertain the whereabouts of any person to whom a payment is due under the Plan, the Administrative Committee may place the amount of the

payment in a segregated account. If a segregated account is an interest bearing account, the interest, which may be net of expenses, shall be credited to the segregated account. If a segregated account holds Employer Securities, any dividends may be treated as earnings of the Trust Fund or of the segregated account, at the option of the Administrative Committee. After two years from the date such payment is due, the Administrative Committee may mail a notice of the payment to the last known address of such person as shown on the records of the Plan, the Employer, and all Affiliates. If such person has not made claim for the payment within three months after the date of the mailing of the notice or if the notice is returned as undeliverable, then the payment and all remaining payments which would otherwise be due to such person shall be canceled and the amount thereof shall be applied to reduce Retirement Contributions. If any person subsequently has a claim allowed for such benefits, such person shall be treated as an omitted eligible Employee.

SECTION 9
TOP-HEAVY PLAN PROVISIONS

9.1. MINIMUM BENEFITS.

For any Plan Year that this Plan is a Top-Heavy Plan, the Employer shall contribute, for and on behalf of each Non-Key Employee who is a Participant on the last day of the Plan Year, an amount which is not less than the lesser of (a) 3% of such Participant's Compensation; or (b) such Participant's Compensation multiplied by a fraction, determined with respect to the Key Employee for whom the fraction is greatest, the numerator of which is the contributions (including Section 401(k) Contributions) allocated to such Key Employee's Account for the Plan Year and the denominator of which is the Key Employee's Compensation for the Plan Year. In determining the minimum benefit, all contributions (excluding Section 401(k) Contributions) for any Participant to any plan included in the Aggregation Group shall be taken into account. If a Participant participates in this Plan and a defined benefit plan in the Aggregation Group, the Participant shall receive minimum benefits under such defined benefit plan.

9.2. ADJUSTMENT IN BENEFIT LIMITATIONS.

In applying the limits of Section 415 of the Code where a Participant participates in one or more defined benefit plans and one or more defined contribution plans of the Employer, paragraphs (2)(B) and (3)(B) of Section 415(e) of the Code shall be applied by substituting "1.0" for "1.25," unless (a) the sum of the Account balances and the present value of the accrued benefits of Key Employees do not exceed 90% of the Account balances and the present value of the accrued benefits of all Participants and their Beneficiaries, as determined under Section 416(h) of the Code; and (b) the Employer elects to have the minimum benefit under Section 416 of the Code applied by substituting "4%" for "3%" therein.

SECTION 10
CLAIMS PROCEDURES

10.1. APPLICATION FOR BENEFITS.

Each Participant or Beneficiary believing himself or herself eligible for benefits under this Plan may apply for such benefits by completing and filing with the Administrative Committee an application for benefits on a form supplied by the Administrative Committee. Before the date on which benefit payments commence, each such application must be supported by such information and data as the Administrative Committee deems relevant and appropriate. Evidence of age, marital status (and, in the appropriate instances, death), and location of residence shall be required of all applicants for benefits.

10.2. APPEAL OF DENIAL OF CLAIM FOR BENEFITS.

In the event that any claim for benefits is denied in whole or in part, the Participant or Beneficiary whose claim has been so denied shall be notified of such denial in writing by the Administrative Committee within 90 days after the Administrative Committee receives the claim. The notice advising of the denial shall specify the reasons for denial, make specific reference to pertinent Plan provisions, describe any additional material or information necessary for the claimant to perfect the claim (explaining why such material or information is needed), and shall advise the Participant or Beneficiary, as the case may be, of the procedure for the appeal of such denial. If a claimant wishes to appeal the denial of the claim, the claimant shall submit a written appeal to the Administrative Committee within 60 days after the Administrative Committee notifies the claimant of the denial. The appeal shall set forth all of the facts upon which the appeal is based. Appeals which are not timely filed shall be barred. The Administrative Committee shall consider the merits of the claimant's appeal, the merits of any facts or evidence in support of the denial of benefits, and such other facts and circumstances as the Administrative Committee deems relevant. A decision shall be made promptly and not later than 60 days after the receipt of a request for review, unless special circumstances require an extension of the time for processing; in which case, a decision shall be rendered as soon as possible, but not later than 120 days after receipt of a request for review. The decision on review shall be in writing and shall include specific reasons for the decision, written in a manner calculated to be understood by the claimant, and specific references to the pertinent Plan provisions on which the decision is based.

10.3. EFFECT OF ADMINISTRATIVE COMMITTEE DECISION.

The Administrative Committee shall have wide discretion in rendering decisions on claims and appeals. Any decision or action of the Administrative Committee on appeal shall be final and binding on all persons absent fraud or arbitrary abuse of the wide discretion granted to the Administrative Committee. No appeal or contest of any decision or action may be brought other than after following the procedures for claims and appeals as set forth herein by a legal proceeding in a court of competent jurisdiction brought within one year after such decision or action.

SECTION 11
ALLOCATION OF AUTHORITY AND RESPONSIBILITY

11.1. AUTHORITY AND RESPONSIBILITIES OF THE ADMINISTRATIVE COMMITTEE.

(a) If the Board of Directors delegates discretionary authority with respect to Plan amendments to the Administrative Committee, the Administrative Committee may consider and approve amendments to the Plan.

(b) The Administrative Committee shall supervise the maintenance of such accounts and records as shall be necessary or desirable to show the contributions of the Employer, allocation to Participants' Accounts, payments from Participants' Accounts, valuations of the Trust Fund, and all other transactions pertinent to the Plan. The Administrative Committee is authorized to perform, in its discretion, all functions necessary to administer the Plan, including, without limitation, to determine the eligibility and qualification of Employees for benefits under the Plan; to determine the allocation and vesting of contributions, earnings, and profits of the Plan; to interpret and construe the terms of the Plan; to adopt rules, regulations, and procedures consistent therewith, and to decide all disputes with respect to the rights and obligations of Participants in the Plan. The Administrative Committee may employ one or more persons to render advice with regard to any responsibility it has under the Plan and may designate others to carry out any of its responsibilities. The Administrative Committee may appoint Employees to perform ministerial acts with respect to the administration of the Plan in their capacity as Employees of the Company.

(c) The construction and interpretation of the Plan provisions are vested with the Administrative Committee, in its absolute discretion, including, without limitation, the determination of benefits, eligibility and interpretation of Plan provisions. The Administrative Committee will endeavor to act, whether by general rules or by particular decisions, so as to treat all persons in similar circumstances without discrimination. All such decisions, determinations, and interpretations shall be final, conclusive, and binding upon all parties having an interest in the Plan.

(d) The Administrative Committee shall appoint the Trustee, provide direction to the Trustee (including direction of investment of all or part of the Trust Fund and the establishment of investment criteria and Investment Funds), monitor the performance of the Trustee, and terminate the appointment of the Trustee. The Administrative Committee may appoint investment advisors and investment managers, to monitor their performances, and terminate such appointments.

11.2. APPOINTMENT AND TENURE.

The Administrative Committee shall consist of a committee of one or more members who shall serve at the pleasure of the Board of Directors. A committee member may be dismissed at any time, with or without cause, upon notice from the Board of Directors. A committee member may resign by delivering his or her written resignation to the Board of Directors. Vacancies arising by the death, resignation, or removal of a committee member shall be filled by the Board of Directors. If the Board of Directors fails to act and, in any event, until the Board of Directors so acts, the remaining members of a committee may appoint an interim member to fill any vacancy occurring on the committee. If no person has been appointed to the Administrative Committee, or if no person remains on the committee, the Company shall be deemed to be the Administrative Committee.

11.3. MEETINGS; MAJORITY RULE.

Any and all acts of the Administrative Committee taken at a meeting shall be by a majority of all members of the committee. The committee may act by vote taken in a meeting (at which a majority of members shall constitute a quorum). The committee may also act by majority consent in writing without the formality of convening a meeting. The committee shall elect one of its members to serve as chairman. The chairman shall preside at all meetings of the committee or shall delegate such responsibility to another committee member.

11.4. COMPENSATION.

The Administrative Committee shall serve without compensation for services as such, but all expenses of such persons shall be paid or reimbursed by the Employer and, if not so paid or reimbursed, shall be paid from the Trust Fund.

11.5. INDEMNIFICATION.

Each member of the Administrative Committee and Employees carrying out the duties of the Administrative Committee shall be indemnified by the Employer against costs, expenses, and liabilities (other than amounts paid in settlement to which the Employer does not consent) reasonably incurred by the person in connection with any action to which the person may be a party by reason of his or her service as a member of the committee, except in relation to matters as to which he or she shall be adjudged in such action to be personally guilty of negligence or willful misconduct in the performance of his or her duties. The foregoing right to indemnification shall be in addition to such other rights as the person may enjoy as a matter of law or by reason of insurance coverage of any kind, but shall not extend to costs, expenses, and/or liabilities otherwise covered by insurance or that would be so covered by any insurance then in force if such insurance contained a waiver of subrogation. Rights granted hereunder shall be in addition to and not in lieu of any rights to indemnification to which the person may be entitled under the bylaws of the Company. Service on the Administrative Committee shall be

deemed in partial fulfillment of the person's function as an Employee, officer, and/or director of the Employer, if the person serves in such capacity as well.

11.6. AUTHORITY AND RESPONSIBILITIES OF THE COMPANY.

The Company, as Plan sponsor, shall have the following (and only the following) authority and responsibilities: (a) to appoint the Administrative Committee and to monitor its performance; (b) to communicate such information to the Administrative Committee and the Trustee as each needs for the proper performance of its duties; (c) to provide channels and mechanisms through which the Administrative Committee and/or the Trustee can communicate with Participants and Beneficiaries; and (d) to perform such duties as are imposed by law or by regulation and to serve as Administrative Committee in the absence of an appointed committee. Any action which may be taken and any decision which may be made by the Company under the Plan (including authorization of Plan amendments or termination) may be made by: (i) the Board of Directors; or (ii) any committee (including the Administrative Committee) to which the Board of Directors delegates discretionary authority with respect to the Plan.

11.7. OBLIGATIONS OF NAMED FIDUCIARIES.

The Administrative Committee and the Trustee are named fiduciaries within the meaning of Section 402(a) of ERISA. A named fiduciary shall have only those particular powers, duties, responsibilities, and obligations specifically given to it under this Plan or the Trust Agreement. No named fiduciary shall have authority or responsibility to deal with matters other than as delegated to it under this Plan, under the Trust Agreement, or by operation of law. Notwithstanding the foregoing, named fiduciaries may perform in more than one fiduciary capacity if so appointed and may reallocate duties between themselves by mutual agreement. A named fiduciary shall not in any event be liable for breach of fiduciary responsibility or obligation by another fiduciary (including named fiduciaries) if the responsibility or authority of the act or omission deemed to be a breach was not within the scope of such named fiduciary's authority or responsibility.

SECTION 12
AMENDMENT, TERMINATION, MERGERS, AND CONSOLIDATIONS OF THE PLAN

12.1. AMENDMENT.

The Company (by its Board of Directors, an executive committee of its Board of Directors, or other committee to which the Board of Directors delegates discretionary authority with respect to the Plan) may amend the provisions of this Plan at any time and from time to time; provided, however, that:

(a) No amendment shall increase the duties or liabilities of the Trustee without the consent of such party.

(b) No amendment shall deprive any Participant or Beneficiary of a deceased Participant of any of the benefits to which such person is entitled under the Plan with respect to contributions previously made or decrease the balance in any Participant's Account, except as permitted by Section 412(c)(8) of the Code and Section 302(c)(8) of ERISA.

(c) No amendment changing the vesting schedule shall decrease the vested percentage of any Participant.

(d) No amendment shall eliminate an optional form of benefit in violation of Section 411(d)(6).

(e) No amendment shall provide for the use of funds or assets held to provide benefits under the Plan other than for the benefit of Employees and Beneficiaries, except as may be specifically authorized by statute or regulation.

(f) Any amendment necessary to maintain the qualification of the Plan under Section 401(a) of the Code may be made without the further approval of the Board of Directors or any committee if signed by an officer of the Company.

12.2. PLAN TERMINATION.

The Company reserves the right to terminate the Plan in whole or in part. Plan termination shall be effective as of the date specified by resolution of the Board of Directors. The Company shall instruct the Trustee to either (a) continue to manage and administer the assets of the Trust for the benefit of Participants and Beneficiaries under the terms and provisions of the Trust Agreement; or (b) pay over to each Participant the value of his or her interest, and thereupon dissolve the Trust.

12.3. PERMANENT DISCONTINUANCE OF RETIREMENT CONTRIBUTIONS.

While it is the Company's intention to make substantial and recurring contributions to the Trust Fund under the provisions of the Plan, the right is, nevertheless, reserved to permanently discontinue Retirement Contributions at any time. Such permanent discontinuance shall have the effect of a termination of the Plan, except that the Trustee shall not have the authority to dissolve the Trust Fund except upon adoption of a further resolution by the Board of Directors to the effect that the Plan is terminated and upon receipt from the Company of instructions to dissolve the Trust Fund. Failure to make a contribution solely because of a lack of net income shall not be deemed to be a permanent discontinuance of Retirement Contributions.

12.4. SUSPENSION OF RETIREMENT CONTRIBUTIONS.

The Company shall have the right, at any time and from time to time, to suspend Retirement Contributions to the Trust Fund under the Plan. Such suspension shall have no effect on the operation of the Plan except as set forth below:

(a) If the Board of Directors determines by resolution that such suspension shall be permanent, a permanent discontinuance of contributions shall be deemed to have occurred as of the date of such resolution or such earlier date as is therein specified.

(b) If a temporary suspension becomes a permanent discontinuance or a Plan termination, the discontinuance or termination shall be deemed to have occurred on the earlier of: (i) the date specified by resolution of the Board of Directors; or (ii) the last day of the Plan Year next following the first Plan Year during the period of suspension in which there occurred a failure of the Employer to make contributions in a year in which there was net income out of which such contributions could have been made.

12.5. MERGERS AND CONSOLIDATIONS OF PLANS.

In the event of any merger or consolidation of the Plan with, or transfer of assets or liabilities to, any other plan, each Participant and Beneficiary shall have a benefit in the surviving or transferee plan (determined as if such plan were then terminated immediately after such merger, etc.) that is equal to or greater than the benefit he or she would have been entitled to receive immediately before such merger, etc., in this Plan (had this Plan been terminated at that time).

12.6. TRANSFERS OF ASSETS TO OR FROM THIS PLAN.

A transfer of all or any portion of the assets or liabilities of the Plan to any other plan, or the transfer of all or any portion of the assets or liabilities of another plan to this Plan, shall be in accordance with directions of the Company.

12.7. EFFECT OF AMENDMENT AND RESTATEMENT.

Notwithstanding anything herein to the contrary, the identities, Account balances, Hours of Service, Years of Eligibility Service, and Years of Vesting Service of Participants and Employees as of the Effective Amendment Date, and the rights of persons terminating their employment with the Employer and all Affiliates prior to the Effective Amendment Date, shall be determined under the Plan as in effect prior to the Effective Amendment Date.

SECTION 13
PARTICIPATING EMPLOYERS

13.1. ADOPTION BY AFFILIATES.

With the consent of the Company, any Affiliate may adopt the Plan as a participating Employer. Each participating Employer shall be required to use the same Trustee and Trust Agreement as provided in this Plan; and the Trustee shall commingle, hold, and invest as one Trust Fund all contributions made by participating Employers, as well as all increments thereof. With respect to all relations with the Trustee and the Administrative Committee, each participating Employer shall be deemed to have irrevocably designated the Company as its agent. The Company shall have authority to make any and all necessary rules or regulations binding upon all participating Employers and all Participants to effectuate the purposes of the Plan.

13.2. EMPLOYEE TRANSFERS.

If an Employee is transferred between Employers, the Employee involved shall carry with him or her the Employee's accumulated service and eligibility, no such transfer shall effect a termination of employment hereunder, and the participating Employer to which the Employee is transferred shall thereupon become obligated with respect to such Employee in the same manner as was the participating Employer from whom the Employee was transferred.

13.3. DISCONTINUANCE OF PARTICIPATION.

Any participating Employer may discontinue or revoke its participation in the Plan. At the time of any such discontinuance or revocation, satisfactory evidence thereof and of any applicable conditions imposed shall be delivered to the Trustee. The Trustee shall retain assets for the Employees of the participating Employer under the Plan.

SECTION 14
MISCELLANEOUS PROVISIONS

14.1. NONALIENATION OF BENEFITS.

(a) None of the payments, benefits, or rights of any Participant or Beneficiary shall be subject to any claim of any creditor, and, in particular, to the fullest extent permitted by law, all such payments, benefits, and rights shall be free from attachment, garnishment, trustee's process, or any other legal or equitable process available to any creditor of such Participant or Beneficiary. No Participant or Beneficiary shall have the right to alienate, anticipate, commute, pledge, encumber, or assign any of the benefits or payments which he or she may expect to receive, contingently or otherwise, under this Plan, except the right to designate a Beneficiary or Beneficiaries as hereinbefore provided. Notwithstanding the foregoing, assignments permitted under the Code shall be permitted under the Plan, including (i) assignments pursuant to a qualified domestic relations order; and (ii) any loans made by the Trustee to a Participant that are secured by a pledge of the borrower's Account, which shall give the Trustee a first lien on such interest to the extent of the entire outstanding amount of such loan, unpaid interest thereon, and all costs of collection.

(b) If a domestic relations order is received by the Administrative Committee, the Administrative Committee shall make a determination as to whether the domestic relations order is a qualified domestic relations order as defined in Section 414(p) of the Code, treating the domestic relations order as a claim for benefits under the Plan and all alternate payees and the Participant as claimants. Within 30 days after the Administrative Committee's receipt of the domestic relations order and at least 30 days prior to its determination, the Administrative Committee shall notify the Participant and any alternate payees, other than the one who is the subject of the domestic relations order, of the receipt of the domestic relations order and the procedures that the Administrative Committee will follow in determining the qualified status of the domestic relations order. During any period in which the issue of whether the domestic relations order is a qualified domestic relations order is pending, the Administrative Committee shall segregate in a separate account under the Plan the amounts which would have been payable to the alternate payee during such period if the domestic relations order had been determined to be a qualified domestic relations order. If, within 18 months, it is finally determined that the domestic relations order is a qualified domestic relations order, the Administrative Committee shall direct the Trustee to pay the segregated amount to the person entitled thereto. If, within 18 months, it is finally determined that the domestic relations order is not a qualified domestic relations order, or the issue has not yet been resolved, the Administrative Committee shall direct the Trustee to pay the segregated amount without regard to the terms of the domestic relations order. Any determination that a domestic relations order is a qualified domestic relations order which is made after the close of the 18-month period shall be applied prospectively only.

(c) The Trustee may make a lump sum distribution to an alternate payee pursuant to a qualified domestic relations order as soon as administratively practical after the earlier of the date

a Participant attains age 50 or the date a Participant terminates employment. The Trustee may make a lump sum distribution pursuant to a qualified domestic relations order before such date provided no more than one distribution is made to each alternate payee.

14.2. NO CONTRACT OF EMPLOYMENT.

Neither the establishment of the Plan nor any modification thereof nor the creation of any fund, trust, or Account nor the payment of any benefits shall be construed as giving any Participant or Employee, or any person whomsoever, the right to be retained in the service of the Employer, and all Participants and other Employees shall remain subject to discharge to the same extent as if the Plan had never been adopted.

14.3. TITLE TO ASSETS.

No Participant or Beneficiary shall have any right to, or interest in, any assets of the Trust Fund upon termination of his or her employment or otherwise, except to the extent of the benefits payable under the Plan to such Participant or Beneficiary out of the assets of the Trust Fund. All payments of benefits as provided for in this Plan shall be made from the assets of the Trust Fund, and neither the Employer nor any other person shall be liable therefor in any manner.

14.4. EFFECT OF ADMISSION.

By becoming a Participant, each Employee shall be conclusively deemed to have assented to the provisions of the Plan and the corresponding Trust Agreement and to all amendments to such instruments.

14.5. PAYMENTS TO MINORS, ETC.

Any benefit payable to or for the benefit of a minor, an incompetent person, or other person incapable of receipting therefor shall be deemed paid when paid to such person's guardian or to the party providing, or reasonably appearing to provide, for the care of such person; and such payment shall fully discharge the Trustee, the Administrative Committee, the Employer, and all other parties with respect thereto.

14.6. APPROVAL OF RESTATEMENT BY INTERNAL REVENUE SERVICE.

Notwithstanding anything herein to the contrary, if the Commissioner of the Internal Revenue Service or his delegate should determine that the Plan, as amended and restated, does not qualify as a tax-exempt plan and trust under Sections 401 and 501 of the Code, and such determination is not contested, or if contested, is finally upheld, then the Plan shall operate as if it had not been amended and restated.

14.7. OTHER MISCELLANEOUS.

If any provision of this Plan is held invalid or unenforceable, such holding will not affect any other provisions hereof, and the Plan shall be construed and enforced as if such provisions were not included. The Plan shall be binding upon the heirs, executors, administrators, personal representatives, successors, and assigns of the parties, including each Participant and Beneficiary, present and future. The headings and captions herein are provided for convenience only, shall not be considered a part of the Plan, and shall not be employed in the construction of the Plan. Except where otherwise clearly indicated by context, the masculine and the neuter shall include the feminine and the neuter, the singular shall include the plural, and vice versa. The Plan shall be construed and enforced according to the laws of the State of Ohio to the extent not preempted by federal law, which shall otherwise control.

IN WITNESS WHEREOF, the Company has caused this Plan to be executed as of the 31st day of December, 1997.

THE SCOTTS COMPANY

By: /s/ Rosemary Smith

Print Name:Rosemary Smith

Title:Vice President, Human Resources

APPENDIX A
STERN'S MIRACLE-GRO PRODUCTS, INC. EMPLOYEES 401(K) SAVINGS PLAN

I. MERGER

Effective as of December 31, 1995, the Stern's Miracle-Gro Products, Inc. Employees 401(k) Savings Plan (the "Miracle-Gro 401(k) Plan") is merged into this Plan. On and after such date:

(a) Assets and liabilities of the Miracle-Gro 401(k) Plan shall be transferred to this Plan.

(b) Each person with an account balance under the Miracle-Gro 401(k) Plan shall have an Account under this Plan.

(c) Each participant in the Miracle-Gro 401(k) Plan who is employed on December 31, 1995 shall become a Participant in this Plan on December 31, 1995. Such persons are referred to herein as "Miracle-Gro Transferees."

Notwithstanding, assets may continue to be invested under the terms of the Miracle-Gro 401(k) Plan until it is administratively practicable to transfer assets to the Investment Funds.

II. ELIGIBILITY AND VESTING

All years of service under the Miracle-Gro 401(k) Plan shall count as Years of Eligibility Service under this Plan. The Account balance of a Miracle-Gro Transferee shall be fully vested and nonforfeitable. However, the vesting of a participant in the Miracle-Gro 401(k) Plan who terminated employment before December 31, 1995 shall be governed by the terms of the Miracle-Gro 401(k) Plan as in effect when he or she terminated employment.

III. ADDITIONAL FORMS OF DISTRIBUTION

Notwithstanding anything in the Plan to the contrary, a Participant may elect to have the portion of his or her Account which is attributable to participation in the Miracle-Gro 401(k) Plan distributed in any of the following forms:

(a) a lump sum, which shall be the normal form of benefit as provided above;

(b) periodic installments over a period of time to be elected by the Participant;

(c) an annuity for the life of the Participant;

(d) an immediate annuity for the life of the Participant with a survivor annuity for the life of the Participant's Beneficiary which is equal to 50% of the amount of the annuity which is payable during the joint lives of the Participant and his Beneficiary;

(e) any other annuity form of payment provided by an insurance company through the purchase of an annuity contract.

IV. SPOUSE'S RIGHTS IF ANNUITY ELECTED

(a) In the event that a married Participant elects any optional method of payment which provides an annuity and the Participant's benefit exceeds $3,500 (or exceeded $3,500 as of the date of a prior distribution), the benefit of such married Participant shall be paid in the form of a Qualified Joint and Survivor Annuity, unless the spouse of the Participant consents, pursuant to a Qualified Election, to another method of payment.

(b) "Qualified Election" means a waiver of a Qualified Joint and Survivor Annuity. Any waiver of a Qualified Joint and Survivor Annuity shall not be effective unless (a) the Participant's spouse consents in writing to the election; (b) the spouse's consent acknowledges the effect of the election; (c) the spouse's consent is witnessed by a Plan representative or notary public; (d) the notice is given no more than 90 days before the Annuity Starting Date; and (e) the notice is given no less than 30 days (or, effective January 1, 1997, no less than seven days) before the Annuity Starting Date. Additionally, a Participant's waiver of the Qualified Joint and Survivor Annuity shall not be effective unless the election designates a form of benefit payment which may not be changed without consent of the spouse (or the spouse expressly permits designations by the Participant without any further consent of the spouse). If it is established to the satisfaction of a Plan representative that there is no spouse or that the spouse cannot be located, a waiver will be deemed a Qualified Election. Any consent by a spouse obtained under this provision (or establishment that the consent of a spouse may not be obtained) shall be effective only with respect to such spouse. A consent that permits designations by the Participant without any requirement of further consent by such spouse must acknowledge that the spouse has the right to limit consent to a specific Beneficiary, and a specific form of benefit where applicable, and that the spouse voluntarily elects to relinquish either or both of such rights. A revocation of a prior waiver may be made by a Participant without the consent of the spouse at any time before the commencement of benefits. The number of revocations shall not be limited. No consent obtained under this provision shall be valid unless the Participant has received notice as provided in this Appendix.

(c) Notwithstanding any other provisions in the Plan for the payment of death benefits, if a married Participant elects a distribution in the form of annuity and dies before the annuity becomes payable, the portion of the Participant's Account which is attributable to participation in the Miracle-Gro 401(k) Plan shall be used to purchase an annuity for the life of the Participant's surviving spouse.

(d) "Qualified Joint and Survivor Annuity" means an immediate annuity, purchased with the Participant's Account balance, for the life of the Participant with a survivor annuity for the life of the spouse which is equal to 50% of the amount of the annuity which is payable during the joint lives of the Participant and the spouse.

V. MAXIMUM PAYMENT PERIOD

If a Participant's Account is to be distributed in other than an immediate lump sum, minimum annual payments under the Plan must be paid over one of the following periods (or a combination thereof):

(a) the life of the Participant;

(b) the life of the Participant and a designated Beneficiary;

(c) a period certain not extending beyond the life expectancy of the Participant; or

(d) a period certain not extending beyond the joint and last survivor expectancy of the Participant and a designated Beneficiary.

VI. DISTRIBUTIONS AFTER DEATH

If the distribution of the Participant's interest has begun and the Participant dies before his or her entire interest has been distributed, the remaining portion of such interest will be distributed at least as rapidly as under the method of distribution being used prior to the Participant's death.

Subject to the succeeding paragraph, if the Participant dies before his or her distribution has begun, the Participant's entire interest shall be distributed within five years of his or her death unless: (a) a portion of his or her interest is payable to or on behalf of a designated Beneficiary; (b) such portion will be distributed over the life of such designated Beneficiary or over a period not extending beyond the life expectancy of such designated Beneficiary; and (c) such distribution begins not later than one year after the date of the Participant's death (or such date as prescribed by the Secretary of Treasury).

Notwithstanding the preceding paragraph, if the designated Beneficiary is the Participant's surviving spouse, the date by which distribution must commence under (c) in the preceding paragraph shall be the date the Participant would have attained age 70 1/2. If the surviving spouse dies before distribution to the spouse begins, this section shall apply as if the surviving spouse were the Participant. Life expectancy of a surviving spouse may be recalculated annually; however, in the case of any other designated Beneficiary, such life expectancy will be calculated at the time that payment first commences without further calculations. In addition, any amount paid to a child of the Participant will be treated as if it had

been paid to the surviving spouse if the amount becomes payable to the surviving spouse when the child reaches the age of majority.

VII. DEFERRED DISTRIBUTION

A Participant may elect to defer payment of the portion of his or her Account attributable to participation in the Miracle-Gro 401(k) Plan. However, the entire interest of the Participant must be distributed, or begin to be distributed, no later that the Participant's required beginning date. The required beginning date of a retired Participant is the first day of April following the calendar year in which such individual attains age 70-1/2, except as otherwise elected in accordance with Appendix A of the Miracle-Gro 401(k) Plan (applicable to pre-TEFRA Section 242 elections).

APPENDIX B
HYPONEX CORPORATION PROFIT SHARING PLAN

I. MERGER

Effective as of December 31, 1997, the Hyponex Corporation Profit Sharing Plan (the "Hyponex Plan") is merged into this Plan. On and after such date:

(a) Assets and liabilities of the Hyponex Plan shall be transferred to this Plan.

(b) Each person with an account balance under the Hyponex Plan shall have an Account under this Plan.

(c) Each participant in the Hyponex Plan who is employed on December 31, 1997 shall become a Participant in this Plan on December 31, 1997.

Notwithstanding, assets may continue to be invested under the terms of the Hyponex Plan until it is administratively practicable to transfer assets to the Investment Funds.

II. ELIGIBILITY AND VESTING

All years of service under the Hyponex Plan shall count as Years of Eligibility Service and Years of Vesting Service under this Plan. The Hyponex Profit Sharing Account balance of a participant in the Hyponex Plan who becomes a Participant on December 31, 1997 shall vest as provided under this Plan. However, the Hyponex Profit Sharing Account balance of a participant in the Hyponex Plan who terminated employment before December 31, 1997 shall vest under the terms of the Hyponex Plan as in effect when he or she terminated employment.

III. ADDITIONAL FORMS OF DISTRIBUTION

(a) Notwithstanding anything in the Plan to the contrary, at the time a Participant becomes entitled to receive any complete distribution of his or her vested Account balance (at or after retirement or other termination of employment), payment of the portion of the Participant's vested Account balance which is attributable to participation in the Hyponex Plan shall be made: (i) in the automatic form of payment described in paragraph (b) which is applicable to the Participant; or (ii) in one of the optional methods of payment elected by such Participant or Beneficiary pursuant to paragraph (c).

(b) Unless an optional form of payment is elected by a Participant under paragraph (c) pursuant to a Qualified Election within the 90-day period ending on the Annuity Starting Date, the portion of a married Participant's vested Account balance which is attributable to participation in the Hyponex Plan shall be paid in the form of a Qualified Joint and Survivor

Annuity. Unless an optional form of payment is elected by a Participant under paragraph (c) within the 90-day period ending on the Annuity Starting Date, the portion of an unmarried Participant's vested Account balance which is attributable to participation in the Hyponex Plan shall be paid in the form of an annuity for his life.

(c) A Participant may elect, subject to the provisions of paragraph (b), to receive of the portion of his or her vested Account balance which is attributable to participation in the Hyponex Plan in any one of the following methods of payment:

(i) any form permitted under Section 8.1;

(ii) for a Participant who does not have a spouse, an annuity for the life of the Participant; or

(iii) for a Participant who does have a spouse, an immediate annuity for the life of the Participant with a survivor annuity for the life of the Participant's spouse which is equal to 100% of the amount of the annuity which is payable during the joint lives of the Participant and his spouse.

IV. DISTRIBUTIONS AFTER DEATH

If a Participant dies with a surviving spouse either before retirement or after retirement, but before distribution of his or her vested Account balance has commenced, the portion of the Participant's vested Account balance attributable to participation in the Hyponex Plan shall be distributed to his or her surviving spouse in the form of a Qualified Preretirement Survivor Annuity. However, if during an Election Period the spouse consents to an alternate Beneficiary or form pursuant to a Qualified Election, such death benefit shall be distributed to the alternate Beneficiary or in the alternate form. Further, if the spouse elects to waive payment a Qualified Preretirement Survivor Annuity after the Participant's death, the death benefit shall be distributed to the spouse in another optional form as selected by the spouse.

V. DEFINITIONS

The following definitions shall apply for purposes of this Appendix:

"Annuity Starting Date" means the first day of the first period for which an amount is paid as an annuity or in any other form.

"Election Period" means the period which begins on the first day of the Plan Year in which the Participant attains age 35 and ends on the date of the Participant's death. If a Participant separates from service prior to the first day of the Plan Year in which age 35 is attained, the Election Period shall begin on the date of separation.

"Qualified Election" means a waiver of a Qualified Joint and Survivor Annuity or a Qualified Preretirement Survivor Annuity. Any waiver of a Qualified Joint and Survivor Annuity or a Qualified Preretirement Survivor Annuity shall not be effective unless: (a) the Participant's spouse consents in writing to the election; (b) the election designates a specific Beneficiary, including any class of beneficiaries or any contingent beneficiaries, which may not be changed without the consent of the spouse (or the spouse expressly permits designations by the Participant without any further consent of the spouse); (c) the spouse's consent acknowledges the effect of the election; and (d) the spouse's consent is witnessed by a Plan representative or notary public. Additionally, a Participant's waiver of the Qualified Joint and Survivor Annuity shall not be effective unless the election designates a form of benefit payment which may not be changed without consent of the spouse (or the spouse expressly permits designations by the Participant without any further consent of the spouse). If it is established to the satisfaction of a Plan representative that there is no spouse or that the spouse cannot be located, a waiver will be deemed a Qualified Election. Any consent by a spouse obtained under this provision (or establishment that the consent of a spouse may not be obtained) shall be effective only with respect to such spouse. A consent that permits designations by the Participant without any requirement of further consent by such spouse must acknowledge that the spouse has the right to limit consent to a specific Beneficiary, and a specific form of benefit where applicable, and that the spouse voluntarily elects to relinquish either or both of such rights. A revocation of a prior waiver may be made by a Participant without the consent of the spouse at any time before the commencement of benefits. The number of revocations shall not be limited.

"Qualified Joint and Survivor Annuity" means an immediate annuity for the life of a Participant with a survivor annuity for the life of the spouse which is equal to 50% of the amount of the annuity which is payable during the joint lives of the Participant and the spouse.

"Qualified Preretirement Survivor Annuity" means an annuity for the life of the surviving spouse of a Participant.

APPENDIX C
SCOTTS-SIERRA HORTICULTURAL PRODUCTS COMPANY
SALARIED EMPLOYEES SAVINGS AND INVESTMENT PLAN

I. MERGER

Effective as of December 31, 1997, the Scotts-Sierra Horticultural Products Company Salaried Employees Savings and Investment Plan (the "Sierra Plan") is merged into this Plan. On and after such date:

(a) Assets and liabilities of the Sierra Plan shall be transferred to this Plan.

(b) Each person with an account balance under the Sierra Plan shall have an Account under this Plan.

(c) Each participant in the Sierra Plan who is employed on December 31, 1997 shall become a Participant in this Plan on December 31, 1997.

Notwithstanding, assets may continue to be invested under the terms of the Sierra Plan until it is administratively practicable to transfer assets to the Investment Funds.

II. ELIGIBILITY AND VESTING

All years of service under the Sierra Plan shall count as Years of Eligibility Service and Years of Vesting Service under this Plan.

III. ADDITIONAL FORM OF DISTRIBUTION

Notwithstanding anything in the Plan to the contrary, if (and only if) a Participant withdraws 100% of his or her After-Tax Account and Rollover Account, the Participant may withdraw some or all of his or her Matching Contributions which:

(a) were made to the Participant's Account before December 31, 1997; and

(b) have been held in the Participant's Account for at least two years.

Other Matching Contributions (and earnings on Matching Contributions) cannot be withdrawn. The Administrative Committee may establish a reasonable charge to defray the expense of processing such withdrawals.

Exhibit 10(d)

First Amendment to The Scotts Company Retirement Savings Plan

FIRST AMENDMENT TO
THE SCOTTS COMPANY
RETIREMENT SAVINGS PLAN

WHEREAS, The Scotts Company (the "Company") sponsors The Scotts Company Retirement Savings Plan (the "Plan"); and

WHEREAS, associates in the Scotts, Scotts-Miracle-Gro, Scotts-Sierra, Hyponex, and Republic divisions of the Company are eligible to participate in the Plan; and

WHEREAS, the Company does not want the associates of businesses which may be acquired by the Company to automatically become eligible for participation in the Plan;

NOW, THEREFORE, effective as of January 1, 1998, the definition of "Employee" in Section of 1 of the Plan shall be amended to provide as follows:

"EMPLOYEE" means any person working with the Scotts, Scotts-Miracle-Gro, ScottsSierra, Hyponex, or Republic products lines, or in corporate management and administration. Notwithstanding the foregoing, the term "Employee" shall exclude any individual: (a) working primarily with any other product line or in any other division (including the Emerald Green division); (b) who is a student intern; (c) whose terms and conditions of employment are determined by collective bargaining with a third party, with respect to whom inclusion in this Plan has not been provided for in the collective bargaining agreement setting forth those terms and conditions of employment; (d) who is a nonresident alien described in Section 410(b)(3)(C) of the Code; (e) who is a Leased Employee; (f) who provides services to the Employer as a consultant pursuant to the terms of a written agreement between the Employer and such individual; (g) who is employed by an entity other than the Employer who, pursuant to a written agreement between such employing entity and the Employer, provides services to the Employer; or (h) who provides services to the Employer and is treated, for all employment purposes, as an independent contractor by the Employer. To the extent that any regulatory authority, including, but not limited to, the Internal Revenue Service, determines that any individual described in (e) through (h) of the preceding sentence is a common law employee of the Employer, such individual shall nevertheless be excluded from the definition of the term "Employee" under this Plan.

IN WITNESS WHEREOF, the Company has caused this Amendment to be executed as of the 26th day of January, 1998.

THE SCOTTS COMPANY

By: /s/ Rosemary Smith

Rosemary Smith
Vice President-Human Resources

Exhibit 10(e)

Second Amendment to The Scotts Company Retirement Savings Plan

SECOND AMENDMENT TO

THE SCOTTS COMPANY

RETIREMENT SAVINGS PLAN

WHEREAS, The Scotts Company (the "Company") sponsors The Scotts Company Retirement Savings Plan (the "Plan"); and

WHEREAS, associates in the Scotts, Scotts-Miracle-Gro, Scotts-Sierra, Hyponex and Republic divisions of the Company are eligible to participate in the Plan; and

WHEREAS, the Company wants to specify the dates as of which the associates of businesses which may be acquired by the Company become eligible for participation in the Plan;

NOW, THEREFORE, effective as of July 1, 1998, the Plan shall be amended as follows:

1. The definition of "Employee" in Section of 1 of the Plan shall be amended to provide as follows:

> "EMPLOYEE" means any person working with a product line, division or entity listed as eligible on Appendix D or in corporate management and administration. Notwithstanding the foregoing, the term "Employee" shall exclude any person: (a) working primarily with any product line, division or entity listed as ineligible, or not listed as eligible, on Appendix D; (b) who is a student intern; (c) whose terms and conditions of employment are determined by collective bargaining with a third party, with respect to whom inclusion in this Plan has not been provided for in the collective bargaining agreement setting forth those terms and conditions of employment; (d) who is a nonresident alien described in Section 410(b)(3)(C) of the Code; (e) who is a Leased Employee; (f) who provides services to the Employer as a consultant pursuant to the terms of a written agreement between the Employer and such individual; (g) who is employed by an entity other than the Employer who, pursuant to a written agreement between such employing entity and the Employer, provides services to the Employer; or (h) who provides services to the Employer and is treated, for all employment purposes, as an independent contractor by the Employer. To the extent that any regulatory authority, including, but not limited to, the Internal Revenue Service, determines that any individual described in (e) through (h) of the preceding sentence is a common law employee of the Employer, such individual shall nevertheless be excluded from the definition of the term "Employee" under this Plan.

2. The following sentence shall be added to the definitions of "Year of Eligibility Service" and "Year of Vesting Service" in Section 1 of the Plan:

For a person working with a product line, division or entity listed on Appendix D, no service shall be credited for periods prior to the date the product line, division or entity was acquired by the Employer, except that: (a) if the acquired product line, division or entity sponsored a qualified plan which is merged into this Plan, service under such plan shall be credited under this Plan; and (b) service prior to the acquisition date shall be recognized to the extent specified on Appendix D.

3. Appendix D shall be added to the Plan as attached to this Amendment.

IN WITNESS WHEREOF, the Company has caused this Amendment to be executed as of the 15th day of July , 1998.

THE SCOTTS COMPANY

By: /s/ Rosemary Smith

Rosemary Smith,
Vice President - Human Resources

APPENDIX D

ELIGIBILITY OF PRODUCT LINES, DIVISIONS AND ENTITIES

ELIGIBLE PRODUCT LINES, DIVISIONS AND ENTITIES	(a) INCLUSION DATE 1	(b) PLAN MERGER	(c) SERVICE CREDIT PRIOR TO DATE ACQUIRED 2	(d) DATE ACQUIRED 3
Scotts	11/30/43	NA	NA	
Scotts-Miracle-Gro	12/31/95	Yes	Yes	
Scotts-Sierra	12/31/97	Yes	Yes	
Hyponex	12/31/97	Yes	Yes	
Republic	12/31/97	No	Yes	
Agrevo	5/1/98	Yes	Yes	
Earthgro	7/1/98	Yes	Yes	
Sanford Scientific, Inc.	8/1/98	No	Yes	

INELIGIBLE PRODUCT LINES,
DIVISIONS AND ENTITIES 4

Emerald Green (a/k/a Scotts Lawn Service)

Fairfield (a/k/a Sierra Sun Pool Resins)

Any other product line, division or entity not specifically listed as eligible

- ------------------

1 The inclusion date is the date as of which persons working with the listed product line, division or entity become "Employees" as defined in Section 1 of the Plan.

2 If (b) Plan Merger is Yes, then (c) Service Credit Prior to Date Acquired must be Yes.

3 (d) Date Acquired is needed only if (c) Service Credit Prior to Date Acquired is No.

4 Notwithstanding anything in the Plan to the contrary, persons working with a product line, division or entity listed as ineligible shall not be "Employees" as defined in Section 1 of the Plan.

Exhibit 10(h)

The Scotts Company 1998 Executive Incentive Plan

GENERAL PLAN PROVISIONS

OBJECTIVE: To provide a strong financial incentive which is consistent with and supportive of business strategy and to encourage a team effort towards the achievement of corporate goals.

TARGET AWARDS: Each participant will be assigned a 1998 "Bonus Target Percent of Salary."

RESTRICTIONS: Participants must be actively employed in an eligible position for at least 13 consecutive weeks during the plan year. Participants must be employed on the last day of the fiscal year to be eligible for a payout. Participants who terminate their employment during the plan year, except in cases of retirement, will not be eligible for an incentive payment, prorated or otherwise.

Plan eligibility and payout calculation will not be impacted for associates on short term disability at any time during the plan year. However, if an associate is on long term disability, the payout will be prorated to compensate only for periods of active employment or short term disability.

The Plan confers no rights upon any associate to participate in the Plan or remain in the employ of the Company. Neither the adoption of the Plan nor its operation shall in any way affect the right of the associate or the Company to terminate the employment relationship at any time.

The Company reserves the right to suspend the Plan, to withdraw the Plan, and to make substantial alterations in Plan concept.

11/19/98

CORPORATE PARTICIPANTS
EXECUTIVE & MANAGEMENT LEVEL

Finance
Human Resources
Research
Legal
Information Systems
Corporate Quality
Corporate Communications

MEASUREMENTS:

PARTICIPANTS	CORPORATE EARNINGS PER SHARE ("E.P.S.")	MAJOR GOAL ATTAINMENT
Finance	80%	20%
Human Resources	80%	20%
Research	80%	20%
Legal	80%	20%
Information Systems	80%	20%
Corporate Quality	80%	20%
Corporate Communications	80%	20%

EARNED AWARDS:

CORPORATE EARNINGS PER SHARE: As reported in public financial statements.

CORPORATE PERFORMANCE	EARNINGS PER SHARE	INCENTIVE PAYOUT AWARD PERCENTAGE
Minimum	80% - $1.25	25%
Target	100% - $1.56	100%
Maximum	120% - $1.87	250%

Results between performance levels will be incrementally calculated so that participants will receive a prorated payout (calculated on a straight line basis, rounded to the nearest percentile).

For results below the "Minimum": No incentive payout will be made.

For results between "Minimum" and "Target": For each $.01 increase in E.P.S. above the "Minimum", the award percentage increases by 2.42%.

For results between "Target" and "Maximum": For each $.01 increase in E.P.S. above the "Target", the award percentage increases by 4.84%.

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For results above the "Maximum": An incentive payout of 250% will be calculated.

MAJOR GOAL ATTAINMENT: Based on the performance and achievement of specific quantifiable goals within the participant's area of responsibility, as established and measured by the CEO and/or the participant's manager.

PERSONAL PERFORMANCE LEVELS	GOAL ATTAINMENT	INCENTIVE PAYOUT AWARD PERCENTAGE
Minimum	Did not achieve goals	0%
Target	Achieved goals on average	100%
Maximum	Exceeded goals on average	200%

Results between performance levels will be rewarded on a payout percentage determined by the CEO and/or the participant's manager (with CEO approval).

SAMPLE CALCULATION:

Salary: $80,000
1998 Target Percentage: 20%

Results:
Earnings Per Share: $1.58
Major Goal Attainment: Accomplished all major goals satisfactorily.

1998 Target x 80% x Corporate Earnings Per Share Award Percentage
20% x 80% x 109.7% = 17.52%
+
1998 Target x 20% x Major Goal Attainment Award Percentage
20% x 20% x 100% = 4.0%

=Award of 21.52% of pay

FINAL PAYOUT = $80,000 X 21.52% = $17,216

11/19/98

BUSINESS GROUP PARTICIPANTS
EXECUTIVE LEVEL
(EXECUTIVES AND THEIR DIRECT REPORTS)

Consumer Lawns
Consumer Gardens
Consumer Organics
Professional
International

MEASUREMENTS

BUSINESS GROUP	BUSINESS GROUP ADJUSTED CONTRIBUTION MARGIN ("A.C.M.")	CORPORATE EARNINGS PER SHARE ("E.P.S.")	MAJOR GOAL ATTAINMENT
Consumer Lawns	50%	30%	20%
Consumer Gardens	50%	30%	20%
Professional	50%	30%	20%
Organics	50%	30%	20%
International	50%	30%	20%

EARNED AWARDS:

BUSINESS GROUP A.C.M.: Defined by the attached schedule.

GROUP PERFORMANCE LEVELS	BUSINESS GROUP A.C.M. PERFORMANCE PERCENTAGE	INCENTIVE PAYOUT AWARD PERCENTAGE
Minimum	80%	25%
Target	100%	100%
Maximum	120%	250%

Results between performance levels will be incrementally calculated so that participants will receive a prorated payout (calculated on a straight line basis, rounded to the nearest percentile).

For results below the "Minimum": No incentive payout will be made.

For results between "Minimum" and "Target": For each 1% increase in performance percentage above the "Minimum", the award percentage increases by 3.75%.

For results between "Target" and "Maximum": For each 1% increase in performance percentage above the "Target", the award percentage increases by 7.5%.

For results above the "Maximum": An incentive payout of 250% will be calculated.

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CORPORATE EARNINGS PER SHARE: As reported in public financial statements.

CORPORATE PERFORMANCE	EARNINGS PER SHARE	INCENTIVE PAYOUT AWARD PERCENTAGE
Minimum	80% - $1.25	25%
Target	100% - $1.56	100%
Maximum	120% - $1.87	250%

Results between performance levels will be incrementally calculated so that participants will receive a prorated payout (calculated on a straight line basis, rounded to the nearest percentile).

For results below the "Minimum": No incentive payout will be made.

For results between "Minimum" and "Target": For each $.01 increase in E.P.S. above the "Minimum", the award percentage increases by 2.42%.

For results between "Target" and "Maximum": For each $.01 increase in E.P.S. above the "Target", the award percentage increases by 4.84%.

For results above the "Maximum": An incentive payout of 250% will be calculated.

MAJOR GOAL ATTAINMENT: Based on the performance and achievement of specific quantifiable goals within the participant's area of responsibility, as established and measured by the CEO, Executive Vice President and/or the participant's manager.

PERSONAL PERFORMANCE LEVELS	GOAL ATTAINMENT	INCENTIVE PAYOUT AWARD PERCENTAGE
Minimum	Did not achieve goals	0%
Target	Achieved goals on average	100%
Maximum	Exceeded goals on average	200%

Results between performance levels will be rewarded on a payout percentage determined by the CEO and/or the participant's manager (with CEO approval).

11/19/98

SAMPLE CALCULATION:

Salary: $80,000
1998 Target Percentage: 20%

Results:
Business Group A.C.M.:
Actual $21,000,000
Budget $20,000,000
Earnings Per Share: $1.58
Major Goal Attainment: Accomplished all major goals satisfactorily on average.

Calculation:
Business Group A.C.M. = $21,000,000 = 105%
Performance Percentage $20,000,000

(5% Performance Percentage above "target" x 7.5%) + 100% = 137.5% Business Group A.C.M. Award Percentage

1998 Target x 50% x Business Group A.C.M. Award Percentage
20% x 50% x 137.5% = 13.75%
+
1998 Target x 30% x Corporate Earnings Per Share Award Percentage
20% x 30% x 109.7% = 6.58%
+
1998 Target x 20% x Major Goal Attainment Award Percentage
20% x 20% x 100% = 4.0%

=Award of 24.33% of pay

FINAL PAYOUT = $80,000 X 24.33% = $19,464

11/19/98

BUSINESS GROUP PARTICIPANTS
MANAGEMENT LEVEL

Consumer Lawns
Consumer Gardens
Professional
Organics
International

MEASUREMENTS:

BUSINESS GROUP	BUSINESS GROUP ADJUSTED CONTRIBUTION MARGIN ("A.C.M.")	MAJOR GOAL ATTAINMENT
Consumer Lawns	80%	20%
Consumer Gardens	80%	20%
Professional	80%	20%
Organics	80%	20%
International	80%	20%

EARNED AWARDS:

BUSINESS GROUP A.C.M.: Defined by the attached schedule.

GROUP PERFORMANCE LEVELS	BUSINESS GROUP A.C.M. PERFORMANCE PERCENTAGE	INCENTIVE PAYOUT AWARD PERCENTAGE
Minimum	80%	25%
Target	100%	100%
Maximum	120%	250%

Results between performance levels will be incrementally calculated so that participants will receive a prorated payout (calculated on a straight line basis, rounded to the nearest percentile).

For results below the "Minimum": No incentive payout will be made.

For results between "Minimum" and "Target": For each 1% increase in performance percentage above the "Minimum", the award percentage increases by 3.75%.

For results between "Target" and "Maximum": For each 1% increase in performance percentage above the "Target", the award percentage increases by 7.5%.

For results above the "Maximum": An incentive payout of 250% will be calculated.

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MAJOR GOAL ATTAINMENT: Based on the performance and achievement of specific quantifiable goals within the participants area of responsibility, as established and measured by the CEO, Executive Vice President and/or the participant's manager.

PERSONAL PERFORMANCE LEVELS	GOAL ATTAINMENT	INCENTIVE PAYOUT AWARD PERCENTAGE
Minimum	Did not achieve goals	0%
Target	Achieved goals on average	100%
Maximum	Exceeded goals on average	200%

Results between performance levels will be rewarded on a payout percentage determined by the CEO and/or the participant's manager (with CEO approval).

SAMPLE CALCULATION:

Salary: $80,000
1998 Target Percentage: 20%

Results:
Business Group A.C.M.:
Actual $21,000,000
Budget $20,000,000
Major Goal Attainment: Accomplished all major goals satisfactorily on average.

Calculation:
Business Group A.C.M. = $21,000,000 = 105%
Performance Percentage $20,000,000

(5% Performance Percentage above "target" x 7.5%) + 100% = 137.5% Business Group A.C.M. Award Percentage

1998 Target x 80% x Business Group A.C.M. Award Percentage
20% x 80% x 137.5% = 22.0%
+
1998 Target x 20% x Major Goal Attainment Award Percentage
20% x 20% x 100% = 4.0%

=Award of 26.0% of pay

FINAL PAYOUT = $80,000 X 26.0% = $20,800

11/19/98

OPERATIONS PARTICIPANTS
EXECUTIVE LEVEL
(EXECUTIVES AND THEIR DIRECT REPORTS)

MEASUREMENTS

BUSINESS GROUP	OPERATING COSTS	CORPORATE EARNINGS PER SHARE	INDIVIDUAL AREA OF RESPONSIBILITY ("I.A.O.R.")	MAJOR GOAL ATTAINMENT
Operations	Range: 15% - 50%	30%	Range: 0% - 35%	20%

EARNED AWARDS

OPERATING COSTS: Defined by the sum of the following:

1. Total manufacturing variances to budget
2. Total material price variances to budget
3. Total distribution variances to flex budget

CORPORATE PERFORMANCE	OPERATING COSTS	INCENTIVE PAYOUT AWARD PERCENTAGE
Minimum	$2 MM (U)	25%
Target	Budget	100%
Maximum	$1 MM (F)	250%

Results between performance levels will be incrementally calculated so that participants will receive a prorated payout (calculated on a straight line basis, rounded to the nearest percentile).

For results below the "Minimum": No incentive payout will be made.

For results between "Minimum" and "Target": For each $26,667 below the "Target", the award percentage decreases by 1.00%.

For results between "Target" and "Maximum": For each $6,667 above the "Target", the award percentage increases by 1.00%.

For results above the "Maximum": An incentive payout of 250% will be calculated.

CORPORATE EARNINGS PER SHARE: As reported in public financial statements.

CORPORATE PERFORMANCE	EARNINGS PER SHARE	INCENTIVE PAYOUT AWARD PERCENTAGE
Minimum	80% - $1.25	25%
Target	100% - $1.56	100%
Maximum	120% - $1.87	250%

Results between performance levels will be incrementally calculated so that participants will receive a prorated payout (calculated on a straight line basis, rounded to the nearest percentile).

For results below the "Minimum": No incentive payout will be made.

For results between "Minimum" and "Target": For each $.01 increase in E.P.S. above the "Minimum", the award percentage increases by 2.42%.

For results between "Target" and "Maximum": For each $.01 increase in E.P.S. above the "Target", the award percentage increases by 4.84%.

For results above the "Maximum": An incentive payout of 250% will be calculated.

INDIVIDUAL AREA OF RESPONSIBILITY: Defined according to the participant.

I.A.O.R. PERFORMANCE LEVELS	AREA OF RESPONSIBILITY MEASURE(S)	INCENTIVE PAYOUT AWARD PERCENTAGE
Minimum	Defined according to the I.A.O.R.	25%
Target	Budget	100%
Maximum	Defined according to the I.A.O.R.	250%

Results between performance levels will be incrementally calculated so that participants will receive a prorated payout (calculated on a straight line basis, rounded to the nearest percentile).

For results below the "Minimum": No incentive payout will be made.

For results above the "Maximum": An incentive payout of 250% will be calculated.

MAJOR GOAL ATTAINMENT: Based on the performance and achievement of specific quantifiable goals within the participants area of responsibility, as established and measured by the CEO, Executive Vice President and/or the participant's manager.

PERSONAL PERFORMANCE LEVELS	GOAL ATTAINMENT	INCENTIVE PAYOUT
Minimum	Did not achieve goals	0%
Target	Achieved goals on average	100%
Maximum	Exceeded goals on average	200%

Results between performance levels will be rewarded on a payout percentage determined by the CEO and/or the participant's manager (with CEO approval).

11/19/98

SAMPLE CALCULATION:

Salary: $80,000
1998 Target Percentage: 20%

Incentive Measurements

BUSINESS GROUP	OPERATING COSTS	CORPORATE EARNINGS PER SHARE	INDIVIDUAL AREA OF RESPONSIBILITY ("I.A.O.R.")	MAJOR GOAL ATTAINMENT
Operations	15%	30%	35%	20%

Results:
Operating Costs: $20,000 (F)
Corporate Earnings per Share: $1.58
Individual Area of Responsibility: Attains budget
Major Goal Attainment: Accomplished all major goals satisfactorily on average.

Calculation:
Operating Costs = $20,000 = 3.0 + 100% = 103%
Award Percentage $6,667

1998 Target x 20% x Operations Cost Award Percentage
20% x 15% x 103% = 3.09%
+
1998 Target x 20% x Corporate Earnings per Share Award Percentage
20% x 30% x 109.7% = 6.58%
+
1998 Target x 40% x Individual Area of Responsibility Award Percentage
20% x 35% x 100% = 7.00%
+
1998 Target x 20% x Major Goal Attainment Award Percentage
20% x 20% x 100% = 4.00%

= Award of 20.67% of pay

FINAL PAYOUT = $80,000 X 20.67% = $16,536

11/19/98

OPERATIONS PARTICIPANTS
MANAGEMENT LEVEL

MEASUREMENTS

BUSINESS GROUP	OPERATING COSTS	MAJOR AREA OF RESPONSIBILITY ("M.A.O.R.")	INDIVIDUAL AREA OF RESPONSIBILITY ("I.A.O.R.")	MAJOR GOAL ATTAINMENT
Operations	20%	Range: 20% - 60%	Range: 0% - 40%	20%

EARNED AWARDS

OPERATING COSTS: Defined by the sum of the following:

1. Total manufacturing variances to budget
2. Total material price variances to budget
3. Total distribution variances to flex budget

CORPORATE PERFORMANCE	OPERATING COSTS	INCENTIVE PAYOUT AWARD PERCENTAGE
Minimum	$2 MM (U)	25%
Target	Budget	100%
Maximum	$1 MM (F)	250%

Results between performance levels will be incrementally calculated so that participants will receive a prorated payout (calculated on a straight line basis, rounded to the nearest percentile).

For results below the "Minimum": No incentive payout will be made.

For results between "Minimum" and "Target": For each $26,667 below the "Target", the award percentage decreases by 1.00%.

For results between "Target" and "Maximum": For each $6,667 above the "Target", the award percentage increases by 1.00%.

For results above the "Maximum": An incentive payout of 250% will be calculated.

MAJOR AREA OF RESPONSIBILITY: Defined according to the participant.

M.A.O.R. PERFORMANCE LEVELS	MAJOR AREA OF RESPONSIBILITY MEASURE(S)	INCENTIVE PAYOUT AWARD PERCENTAGE
Minimum	Defined according to the M.A.O.R.	25%
Target	Budget	100%
Maximum	Defined according to the M.A.O.R.	250%

Results between performance levels will be incrementally calculated so that participants will receive a prorated payout (calculated on a straight line basis, rounded to the nearest percentile).

For results below the "Minimum": No incentive payout will be made.

For results above the "Maximum": An incentive payout of 250% will be calculated.

INDIVIDUAL AREA OF RESPONSIBILITY: Defined according to the participant.

I.A.O.R. PERFORMANCE LEVELS	AREA OF RESPONSIBILITY MEASURE(S)	INCENTIVE PAYOUT AWARD PERCENTAGE
Minimum	Defined according to the I.A.O.R.	25%
Target	Budget	100%
Maximum	Defined according to the I.A.O.R.	250%

Results between performance levels will be incrementally calculated so that participants will receive a prorated payout (calculated on a straight line basis, rounded to the nearest percentile).

For results below the "Minimum": No incentive payout will be made.

For results above the "Maximum": An incentive payout of 250% will be calculated.

MAJOR GOAL ATTAINMENT: Based on the performance and achievement of specific quantifiable goals within the participants area of responsibility, as established and measured by the CEO, Executive Vice President and/or the participant's manager.

PERSONAL PERFORMANCE LEVELS	GOAL ATTAINMENT	INCENTIVE PAYOUT
Minimum	Did not achieve goals	0%
Target	Achieved goals on average	100%
Maximum	Exceeded goals on average	200%

Results between performance levels will be rewarded on a payout percentage determined by the CEO and/or the participant's manager (with CEO approval).

11/19/98

SAMPLE CALCULATION:

Salary: $80,000
1998 Target Percentage: 20%

BUSINESS GROUP	OPERATING COSTS	MAJOR AREA OF RESPONSIBILITY ("M.A.O.R.")	INDIVIDUAL AREA OF RESPONSIBILITY ("I.A.O.R.")	MAJOR GOAL ATTAINMENT
Operations	20%	60%	0%	20%

Results:
Operating Costs: $20,000 (F)
Major Area of Responsibility: Attains budget
Major Goal Attainment: Accomplished all major goals satisfactorily on average

Calculation:
Operating Costs = $20,000 = 3.0 + 100% = 103%
Award Percentage $6,667

1998 Target x 20% x Operations Cost Award Percentage
20% x 20% x 103% = 4.12%
+
1998 Target x 40% x Major Area of Responsibility Award Percentage
20% x 60% x 100% = 12.00%
+
1998 Target x 20% x Major Goal Attainment Award Percentage
20% x 20% x 100% = 4.00%

= Award of 20.12% of pay

FINAL PAYOUT = $80,000 X 20.12% = $16,096

11/19/98

INTERNATIONAL BUSINESS GROUP ADDENDUM
EXECUTIVE LEVEL
(EXECUTIVES AND THEIR DIRECT REPORTS)

BS

International

MEASUREMENTS

BUSINESS GROUP	BUSINESS GROUP EARNINGS BEFORE INTEREST AND TAXES ("EBIT")	CORPORATE EARNINGS PER SHARE ("E.P.S.")	MAJOR GOAL ATTAINMENT
International	50%	30%	20%

EARNED AWARDS:

BUSINESS GROUP EBIT.: Defined as follows.
International EBIT: $ To be determined

GROUP PERFORMANCE LEVELS	BUSINESS GROUP EBIT PERFORMANCE PERCENTAGE	INCENTIVE PAYOUT AWARD PERCENTAGE
Minimum	80%	25%
Target	100%	100%
Maximum	120%	250%

Results between performance levels will be incrementally calculated so that participants will receive a prorated payout (calculated on a straight line basis, rounded to the nearest percentile).

For results below the "Minimum": No incentive payout will be made.

For results between "Minimum" and "Target": For each 1% increase in performance percentage above the "Minimum", the award percentage increases by 3.75%.

For results between "Target" and "Maximum": For each 1% increase in performance percentage above the "Target", the award percentage increases by 7.5%.

For results above the "Maximum": An incentive payout of 250% will be calculated.

CORPORATE EARNINGS PER SHARE: Refer to the Plan Document.

MAJOR GOAL ATTAINMENT: Refer to the Plan Document

11/19/98

INTERNATIONAL BUSINESS GROUP ADDENDUM
EXECUTIVE LEVEL
(EXECUTIVES AND THEIR DIRECT REPORTS)

BF

International

MEASUREMENTS:

BUSINESS GROUP	BUSINESS GROUP EARNINGS BEFORE INTEREST AND TAXES ("EBIT")	MAJOR AREA OF RESPONSIBILITY EARNINGS BEFORE INTEREST AND TAXES ("EBIT")	CORPORATE EARNINGS PER SHARE ("E.P.S")	MAJOR GOAL ATTAINMENT
International	25%	25%	30%	20%

EARNED AWARDS:

BUSINESS GROUP EBIT: Defined as follows:
International EBIT: $ To be determined

GROUP PERFORMANCE LEVELS	BUSINESS GROUP EBIT PERFORMANCE PERCENTAGE	INCENTIVE PAYOUT AWARD PERCENTAGE
Minimum	80%	25%
Target	100%	100%
Maximum	120%	250%

Results between performance levels will be incrementally calculated so that participants will receive a prorated payout (calculated on a straight line basis, rounded to the nearest percentile).

For results below the "Minimum": No incentive payout will be made.

For results between "Minimum" and "Target": For each 1% increase in performance percentage above the "Minimum", the award percentage increases by 3.75%.

For results between "Target" and "Maximum": For each 1% increase in performance percentage above the "Target", the award percentage increases by 7.5%.

For results above the "Maximum": An incentive payout of 250% will be calculated.

11/19/98

MAJOR AREA OF RESPONSIBILITY EBIT: Defined as follows:
Asia Pacific & Latin America EBIT - $ To be determined

PERFORMANCE LEVELS	M.A.O.R. EBIT PERFORMANCE PERCENTAGE	INCENTIVE PAYOUT AWARD PERCENTAGE
Minimum	80%	25%
Target	100%	100%
Maximum	120%	250%

CORPORATE EARNINGS PER SHARE: Refer to the Plan Document.

MAJOR GOAL ATTAINMENT: Refer to the Plan Document.

11/19/98

PROFESSIONAL BUSINESS GROUP ADDENDUM
EXECUTIVE LEVEL

MEASUREMENTS:

BUSINESS GROUP	BUSINESS GROUP ADJUSTED CONTRIBUTION MARGIN ("A.C.M.")	INDIVIDUAL AREA OF RESPONSIBILITY ADJUSTED CONTRIBUTION MARGIN ("I.A.C.M.")	CORPORATE EARNINGS PER SHARE	MAJOR GOAL ATTAINMENT
Professional	25%	25%	30%	20%

EARNED AWARDS:

BUSINESS GROUP A.C.M.: Refer to the Plan Document.

INDIVIDUAL AREA OF RESPONSIBILITY ADJUSTED CONTRIBUTION MARGIN: Defined by the attached schedule:

PERFORMANCE LEVELS	I.A.C.M. PERFORMANCE PERCENTAGE	INCENTIVE PAYOUT AWARD PERCENTAGE
Minimum	80%	25%
Target	100%	100%
Maximum	120%	250%

Results between performance levels will be incrementally calculated so that participants will receive a prorated payout (calculated on a straight line basis, rounded to the nearest percentile).

For results below the "Minimum": No incentive payout will be made.

For results between "Minimum" and "Target": For each 1% increase in performance percentage above the "Minimum", the award percentage increases by 3.75%.

For results between "Target" and "Maximum": For each 1% increase in performance percentage above the "Target", the award percentage increases by 7.5%.

For results above the "Maximum": An incentive payout of 250% will be calculated.

CORPORATE EARNINGS PER SHARE: Refer to the Plan Document.

MAJOR GOAL ATTAINMENT: Refer to the Plan Document.

11/19/98

CONSUMER LAWNS BUSINESS GROUP ADDENDUM
MANAGEMENT LEVEL

MEASUREMENTS:

BUSINESS GROUP	BUSINESS GROUP ADJUSTED CONTRIBUTION MARGIN ("A.C.M.")	INDIVIDUAL AREA OF RESPONSIBILITY ADJUSTED CONTRIBUTION MARGIN ("I.A.C.M.")	MAJOR GOAL ATTAINMENT
Consumer Lawns	40%	40%	20%

EARNED AWARDS:

BUSINESS GROUP A.C.M.: Refer to the Plan Document.

INDIVIDUAL AREA OF RESPONSIBILITY CONTRIBUTION MARGIN: Defined as follows:

Granular Fertilizer Adjusted Contribution Margin - $35,327,000
Grass Seed & Durables Adjusted Contribution Margin - $5,339,000

PERFORMANCE LEVELS	I.A.C.M. PERFORMANCE PERCENTAGE	INCENTIVE PAYOUT AWARD PERCENTAGE
Minimum	80%	25%
Target	100%	100%
Maximum	120%	250%

For results below the "Minimum": No incentive payout will be made.

For results between "Minimum" and "Target": For each 1% increase in performance percentage above the "Minimum", the award percentage increases by 3.75%.

For results between "Target" and "Maximum": For each 1% increase in performance percentage above the "Target", the award percentage increases by 7.5%.

For results above the "Maximum": An incentive payout of 250% will be calculated.

MAJOR GOAL ATTAINMENT: Refer to the Plan Document.

11/19/98

CONSUMER ORGANICS BUSINESS GROUP ADDENDUM
MANAGEMENT LEVEL

MEASUREMENTS:

BUSINESS GROUP	BUSINESS GROUP ADJUSTED CONTRIBUTION MARGIN ("A.C.M.")	INDIVIDUAL AREA OF RESPONSIBILITY ADJUSTED CONTRIBUTION MARGIN ("I.A.C.M.")	MAJOR GOAL ATTAINMENT
Consumer Organics	40%	40%	20%

EARNED AWARDS:

BUSINESS GROUP A.C.M.: Refer to the Plan Document.

INDIVIDUAL AREA OF RESPONSIBILITY CONTRIBUTION MARGIN: Defined as follows:

Adjusted Contribution Margin - $ To be provided at a later date. Adjusted Contribution Margin - $ To be provided at a later date.

PERFORMANCE LEVELS	I.A.C.M. PERFORMANCE PERCENTAGE	INCENTIVE PAYOUT AWARD PERCENTAGE
Minimum	80%	25%
Target	100%	100%
Maximum	120%	250%

For results below the "Minimum": No incentive payout will be made.

For results between "Minimum" and "Target": For each 1% increase in performance percentage above the "Minimum", the award percentage increases by 3.75%.

For results between "Target" and "Maximum": For each 1% increase in performance percentage above the "Target", the award percentage increases by 7.5%.

For results above the "Maximum": An incentive payout of 250% will be calculated.

MAJOR GOAL ATTAINMENT: Refer to the Plan Document.

11/19/98

SCOTTS LAWN SERVICE ADDENDUM
EXECUTIVE LEVEL

ML
MEASUREMENTS:

BUSINESS GROUP	SCOTTS LAWN SERVICE NET SALES	SCOTTS LAWN SERVICE EARNINGS BEFORE INTEREST AND TAXES ("EBIT")	BUSINESS GROUP ADJUSTED CONTRIBUTION MARGIN ("A.C.M.")	CORPORATE EARNINGS PER SHARE	MAJOR GOAL ATTAINMENT
SLS	15%	25%	10%	30%	20%

EARNED AWARDS:

SCOTTS LAWN SERVICE NET SALES: Defined by the attached schedule

PERFORMANCE LEVELS	SLS NET SALES PERFORMANCE PERCENTAGE	INCENTIVE PAYOUT AWARD PERCENTAGE
Minimum	80%	25%
Target	100%	100%
Maximum	120%	250%

Results between performance levels will be incrementally calculated so that participants will receive a prorated payout (calculated on a straight line basis, rounded to the nearest percentile).

For results below the "Minimum": No incentive payout will be made.

For results between "Minimum" and "Target": For each 1% increase in performance percentage above the "Minimum", the award percentage increases by 3.75%.

For results between "Target" and "Maximum": For each 1% increase in performance percentage above the "Target", the award percentage increases by 7.5%.

For results above the "Maximum": An incentive payout of 250% will be calculated.

SCOTTS LAWN SERVICE EBIT: Defined by the attached schedule.

PERFORMANCE LEVELS	SLS EBIT PERFORMANCE PERCENTAGE	INCENTIVE PAYOUT AWARD PERCENTAGE
Minimum	80%	25%
Target	100%	100%
Maximum	120%	250%

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Results between performance levels will be incrementally calculated so that participants will receive a prorated payout (calculated on a straight line basis, rounded to the nearest percentile).

For results below the "Minimum": No incentive payout will be made.

For results between "Minimum" and "Target": For each 1% increase in performance percentage above the "Minimum", the award percentage increases by 3.75%.

For results between "Target" and "Maximum": For each 1% increase in performance percentage above the "Target", the award percentage increases by 7.5%.

For results above the "Maximum": An incentive payout of 250% will be calculated.

BUSINESS GROUP A.C.M.: Refer to the Plan Document.

CORPORATE EARNINGS PER SHARE: Refer to the Plan Document.

MAJOR GOAL ATTAINMENT: Refer to the Plan Document.

11/19/98

SCOTTS LAWN SERVICE ADDENDUM
MANAGEMENT LEVEL

MEASUREMENTS:

BUSINESS GROUP	SCOTTS LAWN SERVICE NET SALES	SCOTTS LAWN SERVICE EARNINGS BEFORE INTEREST AND TAXES ("EBIT")	BUSINESS GROUP ADJUSTED CONTRIBUTION MARGIN ("A.C.M.")	MAJOR GOAL ATTAINMENT
SLS	30%	30%	20%	20%

EARNED AWARDS:

SCOTTS LAWN SERVICE NET SALES: Defined by the attached schedule.

PERFORMANCE LEVELS	SLS NET SALES PERFORMANCE PERCENTAGE	INCENTIVE PAYOUT AWARD PERCENTAGE
Minimum	80%	25%
Target	100%	100%
Maximum	120%	250%

Results between performance levels will be incrementally calculated so that participants will receive a prorated payout (calculated on a straight line basis, rounded to the nearest percentile).

For results below the "Minimum": No incentive payout will be made.

For results between "Minimum" and "Target": For each 1% increase in performance percentage above the "Minimum", the award percentage increases by 3.75%.

For results between "Target" and "Maximum": For each 1% increase in performance percentage above the "Target", the award percentage increases by 7.5%.

For results above the "Maximum": An incentive payout of 250% will be calculated.

SCOTTS LAWN SERVICE EBIT: Defined by the attached schedule.

PERFORMANCE LEVELS	SLS EBIT PERFORMANCE PERCENTAGE	INCENTIVE PAYOUT AWARD PERCENTAGE
Minimum	80%	25%
Target	100%	100%
Maximum	120%	250%

Results between performance levels will be incrementally calculated so that participants will receive a prorated payout (calculated on a straight line basis, rounded to the nearest percentile).

For results below the "Minimum": No incentive payout will be made.

For results between "Minimum" and "Target": For each 1% increase in performance percentage above the "Minimum", the award percentage increases by 3.75%.

For results between "Target" and "Maximum": For each 1% increase in performance percentage above the "Target", the award percentage increases by 7.5%.

For results above the "Maximum": An incentive payout of 250% will be calculated.

BUSINESS GROUP A.C.M.: Refer to the Plan Document.

MAJOR GOAL ATTAINMENT: Refer to the Plan Document.

11/19/98

SCOTTS LAWN SERVICE ADDENDUM
MANAGEMENT LEVEL

PK
MEASUREMENTS:

BUSINESS GROUP	SCOTTS LAWN SERVICE NET SALES	SCOTTS LAWN SERVICE EARNINGS BEFORE INTEREST AND TAXES ("EBIT")	BUSINESS GROUP ADJUSTED CONTRIBUTION MARGIN ("A.C.M.")	MAJOR GOAL ATTAINMENT
SLS	15%	15%	50%	20%

EARNED AWARDS:

SCOTTS LAWN SERVICE NET SALES: Defined by the attached schedule.

PERFORMANCE LEVELS	SLS NET SALES PERFORMANCE PERCENTAGE	INCENTIVE PAYOUT AWARD PERCENTAGE
Minimum	80%	25%
Target	100%	100%
Maximum	120%	250%

Results between performance levels will be incrementally calculated so that participants will receive a prorated payout (calculated on a straight line basis, rounded to the nearest percentile).

For results below the "Minimum": No incentive payout will be made.

For results between "Minimum" and "Target": For each 1% increase in performance percentage above the "Minimum", the award percentage increases by 3.75%.

For results between "Target" and "Maximum": For each 1% increase in performance percentage above the "Target", the award percentage increases by 7.5%.

For results above the "Maximum": An incentive payout of 250% will be calculated.

SCOTTS LAWN SERVICE EBIT: Defined by the attached schedule.

PERFORMANCE LEVELS	SLS EBIT PERFORMANCE PERCENTAGE	INCENTIVE PAYOUT AWARD PERCENTAGE
Minimum	80%	25%
Target	100%	100%
Maximum	120%	250%

Results between performance levels will be incrementally calculated so that participants will receive a prorated payout (calculated on a straight line basis, rounded to the nearest percentile).

For results below the "Minimum": No incentive payout will be made.

For results between "Minimum" and "Target": For each 1% increase in performance percentage above the "Minimum", the award percentage increases by 3.75%.

For results between "Target" and "Maximum": For each 1% increase in performance percentage above the "Target", the award percentage increases by 7.5%.

For results above the "Maximum": An incentive payout of 250% will be calculated.

BUSINESS GROUP A.C.M.: Refer to the Plan Document.

MAJOR GOAL ATTAINMENT: Refer to the Plan Document.

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PROFESSIONAL BUSINESS GROUP ADDENDUM
MANAGEMENT LEVEL

MEASUREMENTS:

BUSINESS GROUP	BUSINESS GROUP ADJUSTED CONTRIBUTION MARGIN ("A.C.M.")	INDIVIDUAL AREA OF RESPONSIBILITY ADJUSTED CONTRIBUTION MARGIN ("I.A.C.M.")	MAJOR GOAL ATTAINMENT
Professional	40%	40%	20%

EARNED AWARDS:

BUSINESS GROUP A.C.M.: Refer to the Plan Document.

INDIVIDUAL AREA OF RESPONSIBILITY CONTRIBUTION MARGIN: Defined by the attached schedule.

PERFORMANCE LEVELS	I.A.C.M. PERFORMANCE PERCENTAGE	INCENTIVE PAYOUT AWARD PERCENTAGE
Minimum	80%	25%
Target	100%	100%
Maximum	120%	250%

For results below the "Minimum": No incentive payout will be made.

For results between "Minimum" and "Target": For each 1% increase in performance percentage above the "Minimum", the award percentage increases by 3.75%.

For results between "Target" and "Maximum": For each 1% increase in performance percentage above the "Target", the award percentage increases by 7.5%.

For results above the "Maximum": An incentive payout of 250% will be calculated.

MAJOR GOAL ATTAINMENT: Refer to the Plan Document.

11/19/98

INTERNATIONAL BUSINESS GROUP ADDENDUM
MANAGEMENT LEVEL

KR/AP
International

MEASUREMENTS:

BUSINESS GROUP	BUSINESS GROUP EARNINGS BEFORE INTEREST AND TAXES ("EBIT")	MAJOR AREA OF RESPONSIBILITY EARNINGS BEFORE INTEREST AND TAXES ("EBIT")	INDIVIDUAL AREA OF RESPONSIBILITY EARNINGS BEFOR INTEREST AND TAXES ("EBIT")	MAJOR GOAL ATTAINMENT
International	20%	20%	40%	20%

EARNED AWARDS:

BUSINESS GROUP EBIT: Defined as follows:
International EBIT: $ To be determined.

GROUP PERFORMANCE LEVELS	BUSINESS GROUP EBIT PERFORMANCE PERCENTAGE	INCENTIVE PAYOUT AWARD PERCENTAGE
Minimum	80%	25%
Target	100%	100%
Maximum	120%	250%

Results between performance levels will be incrementally calculated so that participants will receive a prorated payout (calculated on a straight line basis, rounded to the nearest percentile).

For results below the "Minimum": No incentive payout will be made.

For results between "Minimum" and "Target": For each 1% increase in performance percentage above the "Minimum", the award percentage increases by 3.75%.

For results between "Target" and "Maximum": For each 1% increase in performance percentage above the "Target", the award percentage increases by 7.5%.

For results above the "Maximum": An incentive payout of 250% will be calculated.

MAJOR AREA OF RESPONSIBILITY EBIT: Defined as follows:
Asia Pacific & Latin America EBIT - $ To be Determined

PERFORMANCE LEVELS	M.A.O.R. EBIT PERFORMANCE PERCENTAGE	INCENTIVE PAYOUT AWARD PERCENTAGE
Minimum	80%	25%
Target	100%	100%
Maximum	120%	250%

INDIVIDUAL AREA OF RESPONSIBILITY EBIT: Defined as follows.
Latin America EBIT: $ To be determined
Far East EBIT: $ To be determined

PERFORMANCE LEVELS	I.A.O.R. EBIT PERFORMANCE PERCENTAGE	INCENTIVE PAYOUT AWARD PERCENTAGE
Minimum	80%	25%
Target	100%	100%
Maximum	120%	250%

MAJOR GOAL ATTAINMENT: Refer to the Plan Document.

11/19/98

INTERNATIONAL BUSINESS GROUP ADDENDUM
MANAGEMENT LEVEL

TR
MEASUREMENTS:

BUSINESS GROUP	BUSINESS GROUP EARNINGS BEFORE INTEREST AND TAXES ("EBIT")	MAJOR AREA OF RESPONSIBILITY "EBIT"	MAJOR GOAL ATTAINMENT
International	30%	50%	20%

EARNED AWARDS:

BUSINESS GROUP EBIT.: Defined as follows:
International EBIT: $ To be determined

MAJOR AREA OF RESPONSIBILITY EBIT: Defined as follows:
Asia Pacific & Latin America EBIT - $ To be determined

PERFORMANCE LEVELS	M.A.O.R. PERFORMANCE PERCENTAGE	INCENTIVE PAYOUT AWARD PERCENTAGE
Minimum	80%	25%
Target	100%	100%
Maximum	120%	250%

For results below the "Minimum": No incentive payout will be made.

For results between "Minimum" and "Target": For each 1% increase in performance percentage above the "Minimum", the award percentage increases by 3.75%.

For results between "Target" and "Maximum": For each 1% increase in performance percentage above the "Target", the award percentage increases by 7.5%.

For results above the "Maximum": An incentive payout of 250% will be calculated.

MAJOR GOAL ATTAINMENT: Refer to the Plan Document.

11/19/98

OPERATIONS/ORGANICS ADDENDUM
EXECUTIVE LEVEL

MW
MEASUREMENTS:

BUSINESS GROUP	ORGANICS OPERATING COSTS	ORGANICS BUSINESS GROUP ADJUSTED CONTRIBUTION MARGIN ("A.C.M.")	CORPORATE EARNINGS PER SHARE	MAJOR GOAL ATTAINMENT
Operations	25%	25%	30%	20%

EARNED AWARDS:

ORGANICS OPERATING COSTS: Refer to the Plan Document

BUSINESS GROUP A.C.M.: Defined by the attached schedule.

GROUP PERFORMANCE LEVELS	BUSINESS GROUP A.C.M. PERFORMANCE PERCENTAGE	INCENTIVE PAYOUT AWARD PERCENTAGE
Minimum	80%	25%
Target	100%	100%
Maximum	120%	250%

Results between performance levels will be incrementally calculated so that participants will receive a prorated payout (calculated on a straight line basis, rounded to the nearest percentile).

For results below the "Minimum": No incentive payout will be made.

For results between "Minimum" and "Target": For each 1% increase in performance percentage above the "Minimum", the award percentage increases by 3.75%.

For results between "Target" and "Maximum": For each 1% increase in performance percentage above the "Target", the award percentage increases by 7.5%.

For results above the "Maximum": An incentive payout of 250% will be calculated.

CORPORATE EARNINGS PER SHARE: Refer to the Plan Document.

MAJOR GOAL ATTAINMENT: Refer to the Plan Document.

11/19/98

OPERATIONS/ORGANICS ADDENDUM
MANAGEMENT LEVEL

MEASUREMENTS:

BUSINESS GROUP	ORGANICS OPERATING COSTS	ORGANICS ADJUSTED CONTRIBUTION MARGIN ("A.C.M.")	MAJOR GOAL ATTAINMENT
Operations	50%	30%	20%

EARNED AWARDS:

ORGANICS OPERATING COSTS: Defined by the following:

ORGANICS OPERATING COST PERFORMANCE LEVELS	ORGANICS A.C.M. MEASURE(S)	INCENTIVE PAYOUT AWARD PERCENTAGE
Minimum	$500M (U)	25%
Target	Budget	100%
Maximum	$250M (F)	250%

Results between performance levels will be incrementally calculated so that participants will receive a prorated payout (calculated on a straight line basis, rounded to the nearest percentile).

For results below the "Minimum": No incentive payout will be made.

For results above the "Maximum": An incentive payout of 250% will be calculated.

BUSINESS GROUP A.C.M.: Defined by the attached schedule.

GROUP PERFORMANCE LEVELS	BUSINESS GROUP A.C.M. PERFORMANCE PERCENTAGE	INCENTIVE PAYOUT AWARD PERCENTAGE
Minimum	80%	25%
Target	100%	100%
Maximum	120%	250%

Results between performance levels will be incrementally calculated so that participants will receive a prorated payout (calculated on a straight line basis, rounded to the nearest percentile).

For results below the "Minimum": No incentive payout will be made.

For results between "Minimum" and "Target": For each 1% increase in performance percentage above the "Minimum", the award percentage increases by 3.75%.

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For results between "Target" and "Maximum": For each 1% increase in performance percentage above the "Target", the award percentage increases by 7.5%.

For results above the "Maximum": An incentive payout of 250% will be calculated.

MAJOR GOAL ATTAINMENT: Refer to the Plan Document.

Exhibit 10(i)

The Scotts Company 1996 Stock Option Plan
(as amended through September 1, 1998)

THE SCOTTS COMPANY
1996 STOCK OPTION PLAN
(REFLECTS AMENDMENTS THROUGH SEPTEMBER 1, 1998)

THE SCOTTS COMPANY
1996 STOCK OPTION PLAN
(REFLECTS AMENDMENTS THROUGH SEPTEMBER 1, 1998)

SECTION 1.

PURPOSE

The purpose of the Plan is to foster and promote the long-term financial success of the Company and materially increase shareholder value by (a) encouraging and providing for the acquisition of an ownership interest in the Company by Employees and Eligible Directors, and (b) enabling the Company to attract and retain the services of an outstanding management team upon whose judgment, interest, and special effort the successful conduct of its operations is largely dependent.

SECTION 2.

DEFINITIONS

2.1 Definitions. Whenever used herein, the following terms shall have the respective meanings set forth below:

(a) "Act" means the Securities Exchange Act of 1934, as amended.

(b) "Award" means any Option.

(c) "Board" means the Board of Directors of the Company.

(d) "Cause" means (i) the willful failure by a Participant to perform substantially his duties as an Employee of the Company (other than due to physical or mental illness) after reasonable notice to the Participant of such failure, (ii) the Participant's engaging in serious misconduct that is injurious to the Company or any Subsidiary, (iii) the Participant's having been convicted of, or entered a plea of nolo contendere to, a crime that constitutes a felony or (iv) the breach by the Participant of any written covenant or agreement with the Company or any Subsidiary not to disclose any information pertaining to the Company or any Subsidiary or not to compete or interfere with the Company or any Subsidiary.

(e) "Change in Control" means the occurrence of any of the following events:

(i) the members of the Board at the beginning of any consecutive twenty-four calendar month period (the "Incumbent Directors") cease for any reason other than due to death to constitute at least a majority of the members of the Board, provided that any director whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the members of the Board then still in office who were members of the Board at the beginning of such twenty-four calendar month period, shall be treated as an Incumbent Director; or

(ii) any "person," including a "group" (as such terms are used in Sections 13(d) and 14(d)(2) of the Act, but excluding the Company, any of its Subsidiaries, or any employee benefit plan of the Company or of any of its Subsidiaries,) is or becomes the

"beneficial owner" (as defined in Rule 13(d)(3) under the Act), directly or indirectly, of securities of the Company representing more than 49% of the combined voting power of the Company's then outstanding securities; or

(iii) the shareholders of the Company shall approve a definitive agreement (1) for the merger or other business combination of the Company with or into another corporation, a majority of the directors of which were not directors of the Company immediately prior to the merger and in which the shareholders of the Company immediately prior to the effective date of such merger own less than 50% of the voting power in such corporation; or (2) for the sale or other disposition of all or substantially all of the assets of the Company; or

(iv) the purchase of Stock pursuant to any tender or exchange offer made by any "person," including a "group" (as such terms are used in Sections 13(d) and l4(d)(2) of the Act), other than the Company, any of its Subsidiaries, or an employee benefit plan of the Company or of any of its Subsidiaries, for more than 49% of the Stock of the Company.

(f) "Change in Control Price" means the highest price per share of Stock offered in conjunction with any transaction resulting in a Change in Control (as determined in good faith by the Committee if any part of the offered price is payable other than in cash) or, in the case of a Change in Control occurring solely by reason of a change in the composition of the Board, the highest Fair Market Value of the Stock on any of the 30 trading days immediately preceding the date on which a Change in Control occurs.

(g) "Code" means the Internal Revenue Code of 1986, as amended.

(h) "Committee" means the Compensation and Organization Committee of the Board which shall have the meaning ascribed to a "compensation committee" in Section 1.162-27(c)(4) of the final regulations promulgated under Section 162(m) of the Code and which shall consist of three or more members, each of whom shall be (i) a person from time to time permitted by the rules promulgated under Section 16 of the Act in order for grants of Awards to be exempt transactions under said Section 16 and (ii) receiving remuneration in no other capacity than as a director, except as permitted under Section 1.162-27(e)(3) of the final regulations promulgated under Section 162(m) of the Code and the rulings thereunder.

(i) "Company" means The Scotts Company, an Ohio corporation, and any successor thereto.

(j) "Director Option" means a "nonstatutory stock option" ("NSO") granted to each Eligible Director pursuant to Section 6.6 without any action by the Board or the Committee.

(k) "Disability" means the inability of the Participant to perform his duties for a period of at least six months due to a physical or medical infirmity. Notwithstanding the foregoing, with respect to Incentive Stock Options, the term "Disability" shall be defined as such term is defined in Section 22(e)(3) of the Code.

(l) "Eligible Director" means, on any date, a person who is serving as a member of the Board and who is not an Employee.

(m) "Employee" means any officer or other key executive and management employee of the Company or of any of its Subsidiaries.

(n) "Fair Market Value" means, on any date, the closing price of the Stock as reported on the New York Stock Exchange (or on such other recognized market or quotation system on which the trading prices of the Stock are traded or quoted at the relevant time) on such date. In the event that there are no Stock transactions reported on the New York Stock Exchange (or such other market or system) on such date, Fair Market Value shall mean the closing price on the immediately preceding date on which Stock transactions were so reported.

(o) "Option" means the right to purchase Stock at a stated price for a specified period of time. For purposes of the Plan, an Option may be either (i) an "Incentive Stock Option" (ISO) within the meaning of Section 422 of the Code or (ii) a NSO which does not qualify for treatment as an "Incentive Stock Option."

(p) "Participant" means any Employee designated by the Committee to participate in the Plan.

(q) "Plan" means The Scotts Company 1996 Stock Option Plan, as in effect from time to time.

(r) "Retirement" means termination of a Participant's employment on or after the normal retirement date or, with the Committee's approval, on or after any early retirement date established under any retirement plan maintained by the Company or a Subsidiary in which the Participant participates.

(s) "Stock" means the Common Shares, without par value, of the Company.

(t) "Subsidiary" means any corporation or partnership in which the Company owns, directly or indirectly, 50% or more of the total combined voting power of all classes of stock of such corporation or of the capital interest or profits interest of such partnership.

2.2 Gender and Number. Except when otherwise indicated by the context, words in the masculine gender used in the Plan shall include the feminine gender, the singular shall include the plural, and the plural shall include the singular.

SECTION 3.

ELIGIBILITY AND PARTICIPATION

Except as otherwise provided in Section 6.6, the only persons eligible to participate in the Plan shall be those Employees selected by the Committee as Participants.

SECTION 4.

POWERS OF THE COMMITTEE

4.1 Power to Grant. The Committee shall determine the Participants to whom Awards shall be granted, the type or types of Awards to be granted and the terms and conditions of any and all such Awards. The Committee may establish different terms and conditions for different types of Awards, for different Participants receiving the same type of Award and for the same Participant for each Award such Participant may receive, whether or not granted at different times.

4.2 Administration. The Committee shall be responsible for the administration of the Plan. The Committee, by majority action thereof, is authorized to prescribe, amend, and rescind rules and regulations relating to the Plan, to provide for conditions deemed necessary or advisable to protect the interests of the Company, and to make all other determinations (including, without limitation, whether a Participant has incurred a Disability) necessary or advisable for the administration and interpretation of the Plan in order to carry out its provisions and purposes. Determinations, interpretations, or other actions made or taken by the Committee pursuant to the provisions of the Plan shall be final, binding, and conclusive for all purposes and upon all persons.

SECTION 5.

STOCK SUBJECT TO PLAN

5.1 Number. Subject to the provisions of Section 5.3, the number of shares of Stock subject to Awards under the Plan may not exceed 3,000,000 shares of Stock. Subject to the provisions of Section 5.3, no Employee shall receive Awards for more than 150,000 shares of Stock over any one-year period. For this purpose, to the extent that any Award is cancelled (as described in Section 1.162-27(e)(2)(vi)(B) of the final regulations promulgated under Section 162(m) of the Code), such cancelled Award shall continue to be counted against the maximum number of shares of Stock for which Awards may be granted to an Employee under the Plan. The shares of Stock to be delivered under the Plan may consist, in whole or in part, of treasury Stock or authorized but unissued Stock, not reserved for any other purpose.

5.2 Cancelled, Terminated, or Forfeited Awards. Except as provided in Section 5.1, any shares of Stock subject to an Award which for any reason is cancelled, terminated or otherwise settled without the issuance of any Stock shall again be available for Awards under the Plan.

5.3 Adjustment in Capitalization. In the event of any Stock dividend or Stock split, recapitalization (including, without limitation, the payment of an extraordinary dividend), merger, consolidation, combination, spin-off, distribution of assets to shareholders, exchange of shares, or other similar corporate change, the aggregate number of shares of Stock available for Awards under Section 5.1 or subject to outstanding Awards and the respective prices and/or limitations applicable to outstanding Awards may be appropriately adjusted by the Committee, whose determination shall be conclusive. If, pursuant to the preceding sentence, an adjustment is made to the number of shares subject to outstanding Options held by Participants a corresponding adjustment shall be made to the number of shares subject to outstanding Director Options and if an adjustment is made to the number of shares of Stock authorized for issuance under the Plan, a corresponding adjustment shall be made to the number of shares subject to each Director Option thereafter granted pursuant to Section 6.6.

SECTION 6.

OPTIONS

6.1 Grant of Options. Options may be granted to Participants at such time or times as shall be determined by the Committee. Options granted under the Plan may be of two types: (i) Incentive Stock Options and (ii) NSOs. The Committee shall have complete discretion in

determining the number of Options, if any, to be granted to a Participant. Without limiting the foregoing, the Committee may grant Options containing provisions for the issuance to the Participant, upon exercise of such Option and payment of the exercise price therefor with previously owned shares of Stock, of an additional Option for the number of shares so delivered, having such other terms and conditions not inconsistent with the Plan as the Committee shall determine. Each Option shall be evidenced by an Option agreement that shall specify the type of Option granted, the exercise price, the duration of the Option, the number of shares of Stock to which the Option pertains, and such other terms and conditions not inconsistent with the Plan as the Committee shall determine.

6.2 Option Price. NSOs and Incentive Stock Options granted pursuant to the Plan shall have an exercise price which is not less than the Fair Market Value of the Stock on the date the Option is granted. To the extent that an Incentive Stock Option is granted to a Participant who owns (actually or constructively under the provisions of Section 424(d) of the Code) Stock possessing more than 10% of the total combined voting power of all classes of Stock of the Company or of any Subsidiary, such Incentive Stock Option shall have an exercise price which is not less than 110% of the Fair Market Value on the date the Option is granted.

6.3 Exercise of Options. Options awarded to a Participant under the Plan shall be exercisable at such times and shall be subject to such restrictions and conditions including the performance of a minimum period of service, as the Committee may impose, either at or after the time of grant of such Options; provided, however, that if the Committee does not specify another exercise schedule at the time of grant, each Option shall become exercisable on the third anniversary of the date of grant, subject to the Committee's right to accelerate the exercisability of such Option in its discretion. Notwithstanding the foregoing, no Option shall be exercisable for more than 10 years after the date on which it is granted; provided, however, in the case of an Incentive Stock Option granted to a Participant who owns (actually or constructively under the provisions of Section 424(d) of the Code) Stock possessing more than 10% of total combined voting power of all classes of Stock of the Company or any Subsidiary, such Incentive Stock Option shall not be exercisable for more than 5 years after the date on which it is granted.

6.4 Payment. The Committee shall establish procedures governing the exercise of Options, which shall require that written notice of exercise be given and that the Option price be paid in full in cash or equivalents, including by personal check, at the time of exercise or pursuant to any arrangement that the Committee shall approve. The Committee may, in its discretion, permit a Participant to make payment in Stock already owned by him, valued at its Fair Market Value on the date of exercise, as partial or full payment of the exercise price. As soon as practicable after receipt of a written exercise notice and full payment of the exercise price, the Company shall deliver to the Participant a certificate or certificates representing the acquired shares of Stock.

6.5 Incentive Stock Options. Notwithstanding anything in the Plan to the contrary, no term of this Plan relating to Incentive Stock Options shall be interpreted, amended or altered, nor shall any discretion or authority granted under the Plan be so exercised, so as to disqualify the Plan under Section 422 of the Code, or, without the consent of any Participant affected thereby, to cause any Incentive Stock Option previously granted to fail to qualify for the Federal income tax treatment afforded under Section 421 of the Code. Further, the aggregate Fair Market Value (determined as of the time an Incentive Stock Option is granted) of the Stock with respect to which Incentive Stock Options are exercisable for the first time by any Participant during any calendar year (under all option plans of the Company and all Subsidiaries of the Company) shall not exceed $100,000.

6.6 Director Options. Notwithstanding anything else contained herein to the contrary, on the first business day following the date of each annual meeting of shareholders during the

term of the Plan, each Eligible Director who is not a member of a Board committee shall receive a Director Option to purchase 5,000 shares of Stock at an exercise price per share equal to the Fair Market Value of the Stock on the date of grant. An Eligible Director who is a member of one or more Board committees, shall receive a grant of 5,500 shares. An Eligible Director who chairs one or more Board committees shall receive a grant of 6,000 shares. Each Director Option shall be exercisable six months after the date of grant and shall remain exercisable until the earlier to occur of (i) the tenth anniversary of the date of grant or (ii) the first anniversary of the date the Eligible Director ceases to be a member of the Board, except that if the Eligible Director ceases to be a member of the Board after having been convicted of, or pled guilty or nolo contendere to, a felony, his Director Options shall be cancelled on the date he ceases to be a director. An Eligible Director may exercise a Director Option in the manner described in Section 6.3.

SECTION 7.

TERMINATION OF EMPLOYMENT

7.1 Termination of Employment Due to Retirement. Unless otherwise determined by the Committee at the time of grant, in the event a Participant's employment terminates by reason of Retirement, any Options granted to such Participant which are then outstanding (whether or not exercisable prior to the date of such termination) may be exercised at any time prior to the expiration of the term of the Options or within five (5) years (or such shorter period as the Committee shall determine at the time of grant) following the Participant's termination of employment, whichever period is shorter. Notwithstanding any provision contained herein, with respect to any Incentive Stock Option, a Participant who terminates his employment by reason of Retirement may exercise such Incentive Stock Option at any time prior to the expiration of the term of the Option or within three (3) months following the Participant's termination of employment, whichever period is shorter.

7.2 Termination of Employment Due to Death or Disability. Unless otherwise determined by the Committee at the time of grant, in the event a Participant's employment terminates by reason of death or Disability, any Options granted to such Participant which are then outstanding (whether or not exercisable prior to the date of such termination) may be exercised by the Participant or the Participant's designated beneficiary, and if none is named, in accordance with Section 10.2, at any time prior to the expiration date of the term of the Options or within five (5) years (or such shorter period as the Committee shall determine at the time of grant) following the Participant's termination of employment, whichever period is shorter. Notwithstanding any provision contained herein, with respect to any Incentive Stock Option, a Participant whose employment terminates by reason of death or Disability may exercise (or his designated beneficiary may exercise, in the case of death) such Incentive Stock Option at any time prior to the expiration of the term of the Option or within one (1) year following the Participant's termination of employment, whichever period is shorter.

7.3 Termination of Employment For Cause. Unless otherwise determined by the Committee at the time of grant, in the event a Participant's employment is terminated for Cause,

any Options granted to such Participant which are then outstanding (whether or not exercisable prior to the date of such termination) shall be forfeited.

7.4 Termination of Employment for Any Other Reason. Unless otherwise determined by the Committee at or after the time of grant, in the event the employment of the Participant shall terminate for any reason other than one described in Section 7.1, 7.2 or 7.3, any Options granted to such Participant which are exercisable at the date of the Participant's termination of employment, or on such accelerated basis as the Committee may have determined in its discretion, shall remain exercisable until the earlier to occur of (i) the expiration of the term of such Options or (ii) the ninetieth day following the Participant's termination of employment, whichever period is shorter.

7.5 Limitations on Exercisability Following Termination of Employment. No Options shall be exercisable after termination of employment unless the Participant shall have, during the time period in which the Options are exercisable, (a) refrained from serving as an officer, director or employee of any individual, partnership or corporation, or the owner of a business, or a member of a partnership which conducts business in competition with the Company or renders any service (including, without limitation, advertising agencies and business consultants) to competitors with any portion of the business of the Company, (b) been available, if so requested by the Company, at reasonable times and upon a reasonable basis, to consult with, supply information to, and otherwise cooperate with, the Company, and (c) refrained from engaging in a deliberate action which has been determined by the Committee to cause substantial harm to the interests of the Company. If any of these conditions is not fulfilled, the Committee may require the Participant to forfeit all rights to any Options which have not been exercised prior to the date of the breach of the condition.

SECTION 8.

CHANGE IN CONTROL

8.1 Accelerated Vesting and Payment. Subject to the provisions of Section 8.2 below, in the event of a Change in Control, each Option (excluding any Director Option) shall be cancelled in exchange for a payment in cash of an amount equal to the excess of the Change in Control Price over the exercise price for such Option.

8.2 Alternative Awards. Notwithstanding Section 8.1, no cancellation or cash settlement or other payment shall occur with respect to any Award or any class of Awards if the Committee reasonably determines in good faith prior to the occurrence of a Change in Control that such Award or Awards shall be honored or assumed, or new rights substituted therefor (such honored, assumed or substituted award hereinafter called an "Alternative Award"), by a Participant's employer (or the parent or a subsidiary of such employer) immediately following the Change in Control, provided that any such Alternative Award must:

(i) be based on stock which is traded on an established securities market, or which will be so traded within 60 days of the Change in Control;

(ii) provide such Participant (or each Participant in a class of Participants) with rights and entitlements substantially equivalent to or better than the rights, terms and conditions applicable under such Award, including, but not limited to, an identical or better exercise or vesting schedule and identical or better timing and methods of payment;

(iii) have substantially equivalent economic value to such Award (determined at the time of the Change in Control); and

(iv) have terms and conditions which provide that in the event that the Participant's employment is involuntarily terminated or constructively terminated, any conditions on a Participant's rights under, or any restrictions on transfer or exercisability applicable to, each such Alternative Award shall be waived or shall lapse, as the case may be.

For this purpose, a constructive termination shall mean a termination by a Participant following a material reduction in the Participant's compensation, a material reduction in the Participant's responsibilities or the relocation of the Participant's principal place of employment to another location, in each case without the Participant's written consent.

8.3 Director Options. Upon a Change in Control, each Director Option granted to an Eligible Director shall be cancelled in exchange for a payment in cash of an amount equal to the excess of the Change in Control Price over the exercise price for such Director Option unless (i) the Stock remains traded on an established securities market following the Change in Control and (ii) such Eligible Director remains on the Board following the Change in Control.

8.4 Options Granted Within Six Months of the Change in Control. If any Option (including a Director Option) granted within six months of the date on which a Change in Control occurs (i) is held by a person subject to the reporting requirements of Section 16(a) of the Act and (ii) is to be cashed out pursuant to Section 8.1 or 8.3, such cash out shall not occur unless and until, in the opinion of the Company's counsel, such cash out could occur without such reporting person being potentially subject to liability under Section 16(b) of the Act by reason of such cash out.

SECTION 9.

AMENDMENT, MODIFICATION, AND TERMINATION OF PLAN

The Board or the Committee may at any time terminate or suspend the Plan, and from time to time may amend or modify the Plan; provided, however, that no amendment may be made to Section 6.6 or any other provision of the Plan relating to Director Options within six months of the last date on which any such provision was amended. Any such amendment, termination or suspension may be made without the approval of the shareholders of the Company except as such shareholder approval may be required (a) to satisfy the requirements of Rule 16b-3 under the Act, or any successor rule or regulation, (b) to satisfy applicable requirements of the Code or (c) to satisfy applicable requirements of any securities exchange on which are listed any of the Company's equity securities. No amendment of the Plan shall result in any Committee member's losing his status as a "disinterested person" as defined in Rule 16b-3 under the Act, or any successor rule or regulation, with respect to any employee benefit plan of the Company or result in the Plan's losing its status as a plan satisfying the requirements of said Rule 16b-3. No amendment, modification, or termination of the Plan shall in any manner adversely affect any Award therefore granted under the Plan, without the consent of the Participant.

SECTION 10

MISCELLANEOUS PROVISIONS

10.1 Assignability. With the permission of the Committee, a Participant who has been granted a NSO under the Plan, may transfer such Option to a revocable inter vivos trust as to which the Participant is the settlor or may transfer such an Option to a "Permissible Transferee." A Permissible Transferee shall be defined as any member of the immediate family of the Participant, any trust, whether revocable or irrevocable, solely for the benefit of members of the Participant's immediate family, or any partnership whose only partners are members of the Participant's immediate family. Any such transferee of a NSO shall remain subject to all of the terms and conditions applicable to such NSO and subject to the rules and regulations prescribed by the Committee. A NSO may not be retransferred by a Permissible Transferee except by will or the laws of descent and distribution and then only to another Permissible Transferee. Other than as described above, an Award granted under the Plan may not be transferred except by will or the laws of descent and distribution and, during the lifetime of the Participant to whom granted, may be exercised only by him, his guardian or legal representative.

10.2 Beneficiary Designation. Each Participant and each Eligible Director under the Plan may from time to time name any beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under the Plan is to be paid or by whom any right under the Plan is to be exercised in case of his death. Each designation shall revoke all prior designations by the same Participant or Eligible Director, shall be in a form prescribed by the Committee, and shall be effective only when filed in writing with the Committee. In the absence of any such designation, benefits remaining unpaid at the Participant's death shall be paid to or exercised by his surviving spouse, if any, or otherwise to or by his estate and Director Options outstanding at the Eligible Director's death shall be exercised by his surviving spouse, if any, or otherwise by his estate.

10.3 No Guarantee of Employment or Participation. Nothing in the Plan shall interfere with or limit in any way the right of the Company or any Subsidiary to terminate any Participant's employment at any time, nor confer upon any Participant any right to continue in the employ of the Company or any Subsidiary. No Employee shall have a right to be selected as a Participant, or, having been so selected, to receive any future Awards. Nothing in the Plan shall confer upon an Eligible Director a right to continue to serve on the Board or to be nominated for reelection to the Board.

10.4 Tax Withholding. The Company shall have the power to withhold, or require a Participant or Eligible Director to remit to the Company, an amount sufficient to satisfy Federal, State, and local withholding tax requirements on any Award under the Plan, and the Company may defer payment of cash or issuance of Stock until such requirements are satisfied. The Committee may, in its discretion, permit a Participant to elect, subject to such conditions as the Committee shall impose, (i) to have shares of Stock otherwise issuable under the Plan withheld by the Company or (ii) to deliver to the Company previously acquired shares of Stock having a Fair Market Value sufficient to satisfy all or part of the Participant's estimated total Federal, state, and local tax obligation associated with the transaction.

10.5 Indemnification. Each person who is or shall have been a member of the Committee or of the Board shall be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him in connection with or resulting from any claim, action, suit, or proceeding to which he may be made a party or in which he may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by him in settlement thereof, with

the Company's approval, or paid by him in satisfaction of any judgment in any such action, suit, or proceeding against him, provided he shall give the Company an opportunity, at its own expense, to handle and defend the same before he undertakes to handle and defend it on his own behalf. The foregoing right of indemnification shall not be exclusive and shall be independent of any other rights of indemnification to which such persons may be entitled under the Company's Articles of Incorporation or Code of Regulations, by contract, as a matter of law, or otherwise.

10.6 No Limitation on Compensation. Nothing in the Plan shall be construed to limit the right of the Company to establish other plans or to pay compensation to its Employees or directors, in cash or property, in a manner which is not expressly authorized under the Plan.

10.7 International Employees. It is the Company's desire to provide the same motivation to materially increase shareholder value and to enable the Company to attract and retain the services of outstanding managers in the international locations where the Company maintains facilities and employs people. To this end, the Company will adopt incentives in its foreign locations that provide as closely as possible the same motivational effect as Options provide to domestic Participants. The Committee may grant Awards to employees who are subject to the tax laws of nations other than the United States, which Awards may have terms and conditions that differ from other Awards granted under the Plan for the purposes of complying with foreign tax laws.

10.8 Requirements of Law. The granting of Awards and the issuance of shares of Stock shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required. Notwithstanding the foregoing, no Stock shall be issued under the Plan unless the Company is satisfied that such issuance will be in compliance with applicable federal and state securities laws. Certificates for Stock delivered under the Plan may be subject to such stock transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Stock is then listed or traded, the Nasdaq National Market or any applicable federal or state securities law. The Committee may cause a legend or legends to be placed on any such certificates to make appropriate reference to such restrictions.

10.9 Term of Plan. The Plan shall be effective upon its adoption by the Committee, subject to approval by the Board and approval by the affirmative vote of the holders of a majority of the shares of voting stock present in person or represented by proxy at the 1996 Annual Meeting of Shareholders. The Plan shall continue in effect, unless sooner terminated pursuant to Section 9, until the tenth anniversary of the date on which it is adopted by the Board.

10.10 Governing Law. The Plan, and all agreements hereunder, shall be construed in accordance with and governed by the laws of the State of Ohio.

10.11 No Impact On Benefits. Plan Awards are not compensation for purposes of calculating an Employee's rights under any employee benefit plan.

Exhibit 10(j)

The Scotts Company Executive Retirement Plan

THE SCOTTS COMPANY

EXECUTIVE RETIREMENT PLAN

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EXECUTIVE RETIREMENT PLAN

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THE SCOTTS COMPANY

EXECUTIVE RETIREMENT PLAN

I. NAME AND PURPOSE

The Scotts Company Incentive Pay Deferral Plan is hereby amended and restated as The Scotts Company Executive Retirement Plan effective as of January 1, 1999. The Plan provides Eligible Employees with the opportunity to defer bonuses under the Executive Annual Incentive Plan and supplements the benefits of Eligible Employees under The Scotts Company Retirement Savings Plan. The benefits under the Plan are to be provided from the Plan on an unfunded basis. It is intended that the Plan be exempt from the funding, participation, vesting and fiduciary provisions of Title I of ERISA.

II. DEFINITIONS

The following terms will have the meanings provided below.

"Account" means the separate Account established for each Participant pursuant to Section IV of the Plan. A Participant's Account shall consist of a Deferred Executive Incentive Pay Account, a Deferred Compensation Account, a Matching Account, a Retirement Account and a Transitional Contributions Account.

"Additions" means the credits applied to Accounts as provided in Section IV hereof.

"Administrative Committee" means the administrative committee appointed by the Board to administer the tax qualified retirement plans which are also sponsored by the Employer.

"Beneficiary" means the person or persons designated in writing as such and filed with the Administrative Committee at any time by a Participant. Any such designation may be withdrawn or changed in writing (without the consent of the Beneficiary), but only the last designation on file with the Administrative Committee shall be effective.

"Board" means the Board of Directors of The Scotts Company.

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

"Company Stock Fund" means a fund consisting of common shares of the Company and cash or cash equivalents needed to meet obligations of such fund or for the purchase of common shares of the Company.

"Compensation" has the meaning specified under the applicable provisions of the Qualified Plan, except that Compensation in excess of the Pay Cap shall be included. Executive Incentive Pay shall be: (a) included in Compensation for purposes of allocating Employer

contributions to Participants' Retirement Accounts and Transitional Contribution Accounts; and (b) shall be excluded from Compensation for purposes of allocating Employer contributions to Participants' Matching Accounts and Participants' Compensation Deferral Elections.

"Compensation Deferral Election" means an Eligible Employee's election, on a form prescribed by the Administrative Committee, to defer Compensation.

"ERISA" means the Employee Retirement Income Security Act of 1974, as may be amended from time to time.

"Effective Date" means January 1, 1999.

"Eligible Employee" has the meaning specified in Section III of the Plan.

"Employee" means an individual employed as a common law employee of the Employer.

"Employer" means The Scotts Company and affiliates of The Scotts Company.

"Executive Incentive Pay" means, with respect to each Participant, any bonus under the Executive Annual Incentive Plan.

"Executive Incentive Pay Deferral Election" means an Eligible Employee's election, on a form prescribed by the Administrative Committee, to defer Executive Incentive Pay.

"Investment Fund" means the Company Stock Fund or one of the Outside Investment Funds.

"Outside Investment Fund" means an investment fund, other than the Company Stock Fund, which has been designated by the Administrative Committee as available to use as a measure of appreciation or depreciation of Participants' Accounts.

"Participant" has the meaning specified in Section III of the Plan.

"Plan" means The Scotts Company Executive Retirement Plan, as reflected in this document, as the same may be amended from time to time after the Effective Date.

"Plan Year" means the calendar year.

"Qualified Plan" means The Scotts Company Retirement Savings Plan and any amendments made thereto.

"Statutory Limits" means the following:

(a) the maximum recognizable annual compensation under Code Section 401(a)(17) -- the "Pay Cap";

(b) the maximum annual additions under Code Section 415(c) -- the "415 Limit";

(c) the exclusion of excess deferrals under Code Section 402(g)(1) -- the "Deferral Limit"; and

(d) the limits on contributions for highly compensated employees under Code Sections 401(k)(3) (the "ADP Test") and 401(m)(2) (the "ACP Test").

III. PARTICIPANTS

Each Employee who is an executive in Band G or above shall be eligible to participate in the Plan and shall be treated as an "Eligible Employee." Each Eligible Employee who elects to participate in the Plan or for whom Employer contributions are credited pursuant to Section IV shall be designated a "Participant" in the Plan. A Participant shall continue to participate in the Plan until his status as a Participant is terminated by: (a) a complete distribution of his Account pursuant to the terms of the Plan; (b) termination of the Plan; or (c) written directive of the Administrative Committee. Notwithstanding the foregoing, Joseph D. Dioguardi shall not be eligible to participate in the Plan.

IV. ACCOUNTS

A. Establishment of Accounts. The Administrative Committee will establish an Account for each Participant. A Participant's Account shall consist of a Deferred Executive Incentive Pay Account, a Deferred Compensation Account, a Matching Account, a Retirement Account and a Transitional Contributions Account.

B. Election of Participant to Defer Executive Incentive Pay.

(1) With respect to each Plan Year, an Eligible Employee may elect to have a percentage or a flat dollar amount of his Executive Incentive Pay which is to be awarded to him by the Employer for the Plan Year in question allocated to his Deferred Executive Incentive Pay Account and paid on a deferred basis pursuant to the terms of the Plan. To exercise such an election for any Plan Year, within thirty (30) days after the Executive Annual Incentive Plan is finalized for the Plan Year, the Eligible Employee must advise the Employer of his election, in writing, on an Executive Incentive Pay Deferral Election. Such Executive Incentive Pay Deferral Election shall apply only to Executive Incentive Pay payable to the Participant after the date on which the Executive Incentive Pay Deferral Election is received by the Administrative Committee. If an Eligible Employee terminates employment or changes to an employment status other than an Eligible Employee, his election to defer Executive Incentive Pay shall terminate and no additional amounts shall be deferred.

(2) Notwithstanding the preceding paragraph, for the Plan Year in which an Employee first becomes an Eligible Employee, the Eligible Employee may complete a Executive Incentive Pay Deferral Election at any time within thirty (30) days following the date on which

he became an Eligible Employee. Such Executive Incentive Pay Deferral Election shall apply only to Executive Incentive Pay declared by the Employer and payable to the Eligible Employee after the date on which the Executive Incentive Pay Deferral Election is received by the Administrative Committee.

(3) If an Executive Incentive Pay Deferral Election is submitted to the Administrative Committee in accordance with this Section, the Employer will allocate to the Participant's Deferred Executive Incentive Pay Account the percentage or dollar amount of Executive Incentive Pay specified in the Executive Incentive Pay Deferral Election.

C. Election of Participant to Defer Compensation.

(1) With respect to each pay period, subject to the maximum percentage deferral permitted under the terms of the Qualified Plan, an Eligible Employee may elect to have a percentage or a flat dollar amount of his Compensation which is to be paid to him by the Employer for the pay period in question allocated to his Deferred Compensation Account and paid on a deferred basis pursuant to the terms of the Plan. To exercise such election for any Plan Year, within thirty (30) days prior to the beginning of such Plan Year, the Eligible Employee must advise the Employer of his election, in writing, on a Compensation Deferral Election. Such Compensation Deferral Election shall apply only to Compensation payable to the Participant after the date on which the Compensation Deferral Election is received by the Administrative Committee. If an Eligible Employee terminates employment or changes to an employment status other than an Eligible Employee, his election to defer Compensation shall terminate and no additional amounts shall be deferred. A Participant shall be permitted, pursuant to this Section IV.C. to defer amounts of his Compensation that could otherwise have been contributed to the Qualified Plan, for such Plan Year, were it not for the application of any of the Statutory Limits. If, during the Plan Year, in the sole discretion of the Administrative Committee and the administrator of the Qualified Plan, contribution percentages under the Qualified Plan must be further reduced to insure passage of the ADP Test and/or the ACP Test, or Participants' contributions to the Qualified Plan must be reduced to satisfy the Deferral Limit, any reduced contribution attributable to Participants of this Plan shall be deferred automatically under this Plan. However, if it is determined after the end of the Plan Year that the ADP and/or the ACP Test would be failed, any and all corrective action will be taken in accordance with the rules of the Qualified Plan and no additional amounts may be deferred under this Plan for that Plan Year.

(2) Notwithstanding the preceding paragraph, for the Plan Year in which an Employee first becomes an Eligible Employee, the Eligible Employee may complete a Compensation Deferral Election at any time within thirty (30) days following the date on which he became an Eligible Employee. Such Compensation Deferral Election shall apply only to Compensation earned by and payable to the Eligible Employee after the date on which the Compensation Deferral Election is received by the Administrative Committee.

(3) If a Compensation Deferral Election is submitted to the Administrative Committee in accordance with this Section, the Employer will allocate to the Participant's Deferred Compensation Account the amount of the Employer contributions that would have been made pursuant to the Qualified Plan had all deferrals under the Compensation Deferral Election

been made to the Qualified Plan without application of any of the Statutory Limits, reduced by the amount of Employer contributions actually allocated to the Qualified Plan on behalf of such Participant.

D. Employer Contributions.

(1) Retirement Contribution. For the Plan Year ending December 31, 1998 and each Plan Year thereafter, the Employer will allocate to each Eligible Employee's Retirement Account an amount equal to 4% of the Eligible Employee's Compensation for such Plan Year in excess of the Pay Cap.

(2) Matching Contributions. For each pay period, the Employer shall make matching contributions to the Matching Account of each Participant who elects to defer Compensation in accordance with Section IV.C. For each pay period, the amount of such matching contribution will be 100% of the first 3% of Compensation deferred and 50% of the next 2% of Compensation deferred, less any matching contributions made on behalf of the Participant under the Qualified Plan.

(3) Transitional Contributions. For the Plan Years ending December 31, 1998, 1999, 2000, 2001, and 2002, the Employer will allocate, to the Transitional Contributions Account of each Eligible Employee receiving transitional contributions under the Qualified Plan, an amount equal to: (a) the transitional contribution the Eligible Employee would have been entitled to receive under the Qualified Plan without regard to the Pay Cap and the 415 Limit; minus (b) the transitional contribution allocated to the Eligible Employee under the Qualified Plan.

(4) Right to Amend or Terminate. Employer contributions under this Section may be amended or terminated at any time under Section XI.

E. Investment Funds. The Administrative Committee may change or discontinue the availability of any of the Investment Funds, except that the Company Stock Fund shall continue to be available for the measure of appreciation or depreciation of previously credited amounts.

F. Outside Investment Funds. Each Participant shall direct the portion of future contributions to, and the existing balance in, the Participant's Account to be treated as credited to one or more of the Outside Investment Funds. A Participant may change his or her direction among the Outside Investment Funds as of any business day by providing instructions in such manner as may be prescribed by the Administrative Committee, subject to any applicable restrictions under an Outside Investment Fund.

G. Company Stock Fund. Unless the Administrative Committee discontinues the availability of the Company Stock Fund, a Participant may direct that all or a portion of future contributions to the Participant's Account be treated as credited to the Company Stock Fund. A Participant's direction to have amounts credited to the Company Stock Fund shall be irrevocable as to amounts previously credited. Notwithstanding the foregoing, if a Participant directed that an amount be credited to the Company Stock Fund before July 1, 1998, he may elect by

October 1, 1998 to change such direction. After October 1, 1998, the direction into the Company Stock Fund shall be irrevocable as provided herein.

H. Adjustment of Account Balances. As of each business day, the Administrative Committee shall credit or debit the balance in the Participant's Account with Additions which shall mirror the appreciation or depreciation experienced by those Investment Funds to which the Participant's Account is credited. The crediting or debiting of Additions shall occur so long as there is a balance in the Participant's Account regardless of whether the Participant has terminated employment with the Employer or has died. The Administrative Committee may prescribe any reasonable method or procedure for the accounting of Additions.

I. FICA. Deferrals and Additions shall be taken into account as "wages" for purposes of the employment taxes imposed by the Federal Insurance Contributions Act in accordance with regulations promulgated by the Internal Revenue Service.

V. METHOD OF DISTRIBUTION OF DEFERRED COMPENSATION

A. Time of Payment. Amounts credited to a Participant's Account shall be distributed to the Participant when administratively practicable after termination of employment or a date specified by the Participant. The time of distribution shall be elected by the Participant in the Executive Incentive Pay Deferral Election and Compensation Deferral Election delivered to the Administrative Committee at the time the applicable deferral election is made.

B. Method of Distribution. Amounts credited to a Participant's Account shall be distributed to the Participant either in a single lump sum payment or in equal annual installments over a period less than ten (10) years. To the extent that an Account is distributed in installment payments, the undisbursed portions of such Account shall continue to be credited with Additions in accordance with the applicable provisions of Section IV.H. In addition, if, as of any business day after the date described in Section V.A., the amount allocated to a Participant's Account is less than $5,000, the Administrative Committee shall pay such amount to the Participant and reduce the balance of his Account to zero. The method of distribution shall be elected by the Participant in the Executive Incentive Pay Deferral Election and Compensation Deferral Election delivered to the Administrative Committee at the time the applicable deferral election is made. Distributions of amounts credited to Investment Funds other than the Company Stock Fund shall be made in cash. Distributions of amounts credited to the Company Stock Fund shall be distributed in the greatest whole number of common shares of the Company which can be distributed based on the amount credited to the Company Stock Fund (after any applicable withholding), plus cash for any fractional share.

C. Death Benefit. If a Participant dies (either before or after payment of benefits have commenced under this Section V), his Account shall be paid to the Beneficiary designated by the Participant. If there is no designated Beneficiary or no designated Beneficiary surviving at a Participant's death, payment of the Participant's Account shall be made to the Participant's estate in a single lump sum payment when administratively practicable after the Participant's death. In the event of a Participant's death after distribution of his Account has begun, to the

extent that there is a surviving Beneficiary, payment of such Account shall continue in the form of distribution in effect prior to the Participant's death. If a Participant dies prior to the commencement of distribution of his Account, his Beneficiary, if any, shall receive distribution of such Account in the form of distribution previously elected by the Participant in his Executive Incentive Pay Deferral Election and Compensation Deferral Election. If a Beneficiary begins to receive any payment pursuant to this Section V.C. and dies prior to the time that all amounts have been distributed, any remaining amount shall be paid in a single lump sum payment to the estate of the Beneficiary.

D. Taxes. In the event any taxes are required by law to be withheld or paid from any payments made pursuant to the Plan, the Administrative Committee shall deduct such amounts from such payments and shall transmit the withheld amounts to the appropriate taxing authority.

E. Hardship Distributions. Prior to the date a Participant's Account becomes payable, the Administrative Committee, in its sole discretion, may elect to distribute all or a portion of such Account in the event such Participant requests a distribution due to severe financial hardship. For purposes of this Plan, severe financial hardship shall be deemed to exist in the event the Administrative Committee determines that a Participant needs a distribution to meet immediate and heavy financial needs resulting from a sudden or unexpected illness or accident of the Participant or a member of the Participant's family, loss of the Participant's property due to casualty or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. A distribution based on financial hardship shall not exceed the amount required to meet the immediate financial need created by the hardship.

VI. BENEFIT PLANS

The amount of each Participant's Executive Incentive Pay or Compensation that he elects to defer under the Plan shall not be deemed to be compensation for the purpose of calculating the amount of such Participant's benefits or contributions under any employee benefit plan maintained by the Employer, including, but not limited to, any pension plan or retirement plan (qualified under Section 401(a) of the Code), the amount of life insurance payable under any life insurance plan or the amount of any disability benefit payments payable under any disability plan, except to the extent specifically provided in any such plan.

VII. PARTICIPANT'S RIGHTS

Establishment of the Plan shall not be construed as giving any Participant the right to be retained in the Employer's service or employ or the right to receive any benefits not specifically provided by the Plan. A Participant shall not have any interest in the Executive Incentive Pay or Compensation deferred, Employer contributions or Additions credited to his Account until such Account is distributed in accordance with the Plan. All Executive Incentive Pay and Compensation deferred and all amounts held for the Account of a Participant under the Plan shall remain the sole property of the Employer, subject to the claims of its general creditors and

available for its use for whatever purposes are desired. With respect to amounts deferred or otherwise held for the Account of a Participant, the Participant is merely a general creditor of the Employer; and the obligation of the Employer hereunder is purely contractual and shall not be funded or secured in any way.

VIII. NON-ALIENABILITY AND NONTRANSFERABILITY

The rights of a Participant to the payment of deferred compensation as provided in the Plan shall not be assigned, transferred, pledged or encumbered or be subject in any manner to alienation or anticipation. No Participant may borrow against his Account. No Account shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge, garnishment, execution or levy of any kind, whether voluntary or involuntary, including, but not limited to, any liability which is for alimony or other payments for the support of a spouse or former spouse, or for any other relative of any Participant.

IX. ADMINISTRATION

The Plan shall be administered by the Administrative Committee. The Administrative Committee shall have authority to adopt rules and regulations for carrying out the Plan and, in its sole and absolute discretion, to interpret, construe and implement the provisions hereof. Subject to the provisions of Section X below, any decision or interpretation of any provision of the Plan adopted by the Administrative Committee shall be final and conclusive. A Participant who is also a member of the Administrative Committee shall not participate in any decision involving any request made by him or relating in any way solely to his rights, duties and obligations as a Participant under the Plan.

X. CLAIMS PROCEDURE

A. Filing Claims. Any Participant or Beneficiary entitled to benefits under the Plan may file a claim request with the Administrative Committee.

B. Notification to Claimant. If a claim request is wholly or partially denied, the Administrative Committee will furnish to the claimant a notice of the decision within ninety (90) days in writing and in a manner calculated to be understood by the claimant, which notice will contain the following information:

(1) the specific reason or reasons for the denial;

(2) specific reference to pertinent Plan provisions upon which the denial is based;

(3) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and

(4) an explanation of the Plan's claims review procedure describing the steps to be taken by a claimant who wishes to submit his claims for review.

C. Review Procedure. A claimant or his authorized representative may, with respect to any denied claim:

(1) request a review upon a written application filed within sixty (60) days after receipt by the claimant of written notice of the denial of his claim;

(2) review pertinent documents; and

(3) submit issues and comments in writing.

Any request or submission will be in writing and will be directed to the Administrative Committee (or its designee). The Administrative Committee (or its designee) will have the sole responsibility for the review of any denied claim and will take all steps appropriate in the light of its findings.

D. Decision on Review. The Administrative Committee (or its designee) will render a decision upon review. If special circumstances (such as the need to hold a hearing on any matter pertaining to the denied claim) warrant additional time, the decision will be rendered as soon as possible, but not later than one hundred twenty (120) days after receipt of the request for review. Written notice of any such extension will be furnished to the claimant prior to the commencement of the extension. The decision on review will be in writing and will include specific reasons for the decision, written in a manner calculated to be understood by the claimant, as well as specific references to the pertinent provisions of the Plan on which the decision is based. If the decision on review is not furnished to the claimant within the time limits prescribed above, the claim will be deemed denied on review.

XI. AMENDMENT AND TERMINATION

The Plan may, at any time or from time to time, be amended, modified or terminated by the Administrative Committee. However, no amendment, modification or termination of the Plan shall, without the consent of the Participant, adversely affect such Participant's rights with respect to amounts then credited to his Account.

XII. GENERAL PROVISIONS

A. Controlling Law. Except to the extent superseded by federal law, the laws of the State of Ohio shall be controlling in all matters relating to the Plan, including construction and performance hereof.

B. Captions. The captions of Sections and paragraphs of this Plan are for convenience of reference only and shall not control or affect the meaning or construction of any of its provisions.

C. Facility of Payment. Any amounts payable hereunder to any person who is under legal disability or who, in the judgment of the Administrative Committee, is unable to properly manage his financial affairs, may be paid to the legal representative of such person or may be applied for the benefit of such person in any manner which the Administrative Committee may select, and any such payment shall be deemed to be payment for such person's Account and shall be a complete discharge of all liability of the Employer with respect to the amount so paid.

D. Administrative Expenses. All expenses of administering the Plan shall be borne by the Employer and no part thereof shall be charged against any Participant's Account or any amounts distributable hereunder.

E. Severability. Any provision of this Plan prohibited by the law of any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition without invalidating the remaining provisions hereof.

F. Personal Liability. Except as otherwise expressly provided herein, no member of the Administrative Committee and no officer, employee or agent of the Employer shall have any liability to any person, firm or corporation based on or arising out of the Plan except in the case of willful misconduct or fraud.

XIII. UNFUNDED STATUS OF THE PLAN

Any and all payments made to any Participant pursuant to the Plan shall be made only from the general assets of the Employer. All Accounts under the Plan shall be for bookkeeping purposes only and shall not represent a claim against specific assets of the Employer. Nothing contained in this Plan shall be deemed to create a trust of any kind or create any fiduciary relationship. Notwithstanding the foregoing, the Employer may, in its discretion, establish a trust to pay all or a portion of the benefits payable under this Plan, provided that the assets of such trust shall remain, at all times, the assets of the Employer subject to the claims of its creditors.

IN WITNESS WHEREOF, The Scotts Company, through its duly authorized officer, has caused this Plan to be executed this 19th day of November, 1998.

THE SCOTTS COMPANY

By: /s/ Rosemary L. Smith

Rosemary L. Smith,
Vice President -- Human Resources

THE SCOTTS COMPANY EXECUTIVE RETIREMENT PLAN
EXECUTIVE INCENTIVE PAY DEFERRAL ELECTION

1. ELECTION TO DEFER.

In accordance with the provisions of The Scotts Company Executive Retirement Plan (the "Plan"), I hereby elect to defer _____ percent or $_____ of bonuses payable to me under the Executive Annual Incentive Plan. This election supersedes any prior Executive Incentive Pay Deferral Election made by me and shall remain in effect until terminated or otherwise amended.

2. DISTRIBUTION ELECTION.

I hereby elect to commence distribution of deferrals credited to my Deferred Executive Incentive Pay Account after this Election (and additions thereto) when administratively practicable after:

[ ] my termination of employment.
[ ] the following date: _____.

Earlier deferrals and additions thereto will be distributed in accordance with the election in effect at the time of such earlier deferral.

3. METHOD OF PAYMENT.

I hereby elect to receive the distribution of deferrals credited to my Deferred Executive Incentive Pay Account after this Election (and additions thereto) in the following form of payment:

[ ] a single lump sum payment; or
[ ] substantially equal annual installments over a period of _____ (less than 10) years.

Earlier deferrals and additions thereto will be distributed in accordance with the election in effect at the time of such earlier deferral.

4. ACKNOWLEDGMENT.

I hereby acknowledge that my election to defer Executive Incentive Pay under the Plan is irrevocable with respect to amounts which are deferred under the Plan and shall remain in effect until terminated or modified. I understand that my Account is the sole property of the Employer, subject to the claims of its general creditors.

- ---------- ----------
Date Signature

  Name (please print)

Received on behalf of the Administrative Committee.

- ---------- ----------
Date: By:

THE SCOTTS COMPANY EXECUTIVE RETIREMENT PLAN
COMPENSATION DEFERRAL ELECTION

1. ELECTION TO DEFER. In accordance with the provisions of The Scotts Company Executive Retirement Plan (the "Plan"), I hereby elect to defer _____ percent or $_____ of my Compensation (as defined in the Plan) otherwise payable to me. This election supersedes any prior Compensation Deferral Election made by me and shall remain in effect until terminated or otherwise amended.

2. DISTRIBUTION ELECTION. I hereby elect to commence distribution of deferrals credited to my Deferred Compensation Account, Matching Account, Retirement Account and Transitional Contributions Account after this Election (and additions thereto) when administratively practicable after:

[ ] my termination of employment.
[ ] the following date: _____.

Earlier deferrals and additions thereto will be distributed in accordance with the election in effect at the time of such earlier deferral.

3. METHOD OF PAYMENT. I hereby elect to receive the distribution of deferrals credited to my Deferred Compensation Account, Matching Account, Retirement Account and Transitional Contributions Account after this Election (and additions thereto) in the following form of payment:

[ ] a single lump sum payment; or
[ ] substantially equal annual installments over a period of _____ (less than 10) years.

Earlier deferrals and additions thereto will be distributed in accordance with the election in effect at the time of such earlier deferral.

4. DESIGNATION OF BENEFICIARY. I hereby designate:

_____ as my primary Beneficiary; and

_____ as my contingent Beneficiary(ies), to receive any amounts payable under the Plan in the event of my death. This designation supersedes any prior designation made by me and shall apply to my entire Account (Executive Incentive Pay Deferral Account, Deferred Compensation Account, Matching Account, Retirement Account and Transitional Contributions Account) until terminated or otherwise amended.

5. ACKNOWLEDGMENT. I hereby acknowledge that my election to defer Compensation under the Plan is irrevocable with respect to amounts which are deferred under the Plan and shall remain in effect until terminated or modified. I understand that my Account is the sole property of the Employer, subject to the claims of its general creditors.

- ---------- ----------
Date Signature

Name (please print)

Received on behalf of the Administrative Committee.

Date: By:
---------- ----------

Exhibit 10(n)

Employment Agreement, dated as of August 7, 1998, between the Registrant and Charles M. Berger

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT, dated as of August 7, 1998, between THE SCOTTS COMPANY, an Ohio corporation (the "Company"), and CHARLES M. BERGER (the "Employee").

WITNESSETH:

WHEREAS, the Company and the Employee entered into an Employment Agreement (the "Original Agreement") dated as of August 7, 1996, which the Company and the Employee wish to terminate; and

WHEREAS, the Company desires to enter into this Agreement with the Employee; and

WHEREAS, the Employee desires to enter into this Agreement with the Company and agrees to be bound by the covenants herein;

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth hereinafter, the Company and the Employee agree as follows:

1. EMPLOYMENT. The Company shall employ the Employee for a period of three (3) years commencing on the date hereof, unless this Agreement is terminated earlier as provided herein. The Original Agreement is hereby terminated; the parties acknowledge that the terms of Section 6 of the Original Agreement do not apply to such termination, and, from and after the date hereof, neither party has any further rights, duties or obligations under or arising out of the Original Agreement, except that the Stock Option Agreement entered into concurrently therewith (the "Existing Stock Option Agreement") continues in full force and effect. All references in the Existing Stock Option Agreement to the "Employment Agreement" shall henceforth be deemed to refer to this Agreement.

2. DUTIES. During the period of his employment, the Employee will be employed as the Chairman, President and Chief Executive Officer of the Company and, in addition, in such other executive capacity or capacities (to which he is suited on the basis of his education and experience and which do not require time and attention in excess of that reasonably available after performance of the foregoing duties) for the Company or any subsidiary of the Company as may be determined from time to time by or under the authority of the Company's Board of Directors (the "Board"), and he will devote all of his skill, knowledge and full working time (reasonable vacation time, service as a member of any outside Boards of Directors and absence for sickness or similar disability excepted) solely and exclusively to the conscientious performance of such duties. The Employee hereby represents that his employment hereunder and compliance by him with the terms and conditions of this Agreement will not conflict with or result in the breach of any agreement to which he is a party or by which he may be bound.

3. COMPENSATION.

(a) BASE SALARY. As compensation for the duties to be performed by him hereunder, the Company will pay the Employee a base salary at a rate of not less than $500,000 per year during the period of his employment hereunder, payable in equal monthly installments, commencing October 1, 1998.

(b) INCENTIVE COMPENSATION. The Employee shall be entitled to participate in The Scotts Company Executive Management Incentive Plan, as the same may be amended from time to time, or any substitute or successor plan, with an initial target percentage of sixty-five percent (65%) of annual base salary with respect to fiscal 1999, seventy-five percent (75%) of annual base salary with respect to fiscal 2000 and eighty-five percent (85%) of annual base salary with respect to fiscal 2001 (the full target percentage to be paid assuming 100% of the Employee's objectives are met), in accordance with the terms of the said Plan.

(c) STOCK AND OPTIONS. In consideration of and as an inducement to the Employee to enter into this Agreement, and to provide an incentive for successful management of the Company, the Employee shall have the right to purchase up to 225,000 shares of Common Stock (the "Common Stock") of the Company on the following terms: 75,000 shares at the closing price of the Company's Common Stock on September 23, 1998; 75,000 shares at the closing price of the Company's Common Stock on October 21, 1998; and 75,000 shares at the closing price of the Company's Common Stock on September 24, 1999, and otherwise on the terms and conditions set forth in the three Stock Option Agreements attached hereto as Exhibits A, B and C. The Company makes no representation regarding the value of the Common Stock and the Employee agrees that he shall be solely responsible for any tax consequences to him of the purchase of such stock and the grant of such options. The foregoing rights are given in addition to the rights conferred upon the Employee pursuant to the Existing Stock Option Agreement.

4. EXPENSES. The Company shall reimburse the Employee for reasonable travel, lodging and meal expenses incurred by him in connection with his performance of services hereunder in accordance with Company policy.

5. BENEFITS.

(a) GENERAL . The Company shall, at its expense, provide the Employee life insurance, medical insurance, disability insurance and other benefits comparable to those provided to the Company's other executive officers.

(b) AUTOMOBILE. The Company shall provide the Employee with a car allowance of $12,000 per year.

(c) FINANCIAL SERVICES. The Company shall reimburse the Employee for the cost of financial services provided by AYCO.

6. TERMINATION PROVISIONS.

(a) AUTOMATIC TERMINATION; TERMINATION BY THE COMPANY. The Employee's employment hereunder shall automatically terminate upon his death or Disability (as hereinafter defined), and the Company may terminate the Employee's employment for "Cause" (as hereinafter defined). For purposes of this Agreement, "Disability" is defined to mean that, as a result of the Employee's incapacity due to physical or mental illness, the Employee shall have been absent from his duties as an officer of the Company on a substantially full-time basis for six (6) consecutive months, and the Employee shall not have returned to the performance of such duties on a full-time basis within thirty (30) days after the Company notifies the Employee in writing that it intends to replace him.

For purposes of this Agreement, the Company shall have "Cause" to terminate the Employee's employment hereunder upon (i) the failure by the Employee to substantially perform his duties pursuant to Section 2 hereof (other than such failure due to physical or mental illness) and continuance of such failure for more than twenty (20) days (or, if not reasonably correctable within 20 days, such additional time as may reasonably be required) after the Company notifies the Employee in writing that he is failing to substantially perform his duties; (ii) the engaging by the Employee in willful misconduct which is materially injurious to the Company or any subsidiary of the Company; or (iii) the conviction of the Employee of, or the entering by the Employee of a plea of nolo contendere to, a crime which constitutes a felony involving moral turpitude. Notwithstanding the foregoing, the Employee shall not be deemed to have been terminated for Cause unless and until there has been delivered to him a copy of a resolution, duly adopted by the Board, finding that the Company has "Cause" to terminate the Employee as contemplated in this Section 6(a).

(b) NOTICE OF TERMINATION. Any termination by the Company pursuant to Section 6(a) hereof shall be communicated by a written Notice of Termination (as hereinafter defined) to the Employee. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which indicates the specific termination provisions in this Agreement relied upon and sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of employment.

(c) PAYMENTS UPON TERMINATION. If the Employee's employment is terminated by the Company without Cause, as a result of the Employee's death or Disability, as a result of Employee's Cause (as hereinafter defined) or as a result of a Change of Control (as hereinafter defined), the Company shall pay the Employee (i) his full base salary at the annual base rate in effect immediately prior to the Date of Termination (as hereinafter defined) for a period of twenty-four (24) months after the Date of Termination and (ii) incentive compensation for a period of twenty-four (24) months after the Date of Termination equal to the lesser of Employee's target percentage in effect at the Date of Termination (the Employee being deemed to have earned his target percentage for such year) or the amount of the Employee's last actual bonus. The parties acknowledge that the 24-month period in the first sentence of this Section 6(c) may extend beyond the term hereof. If the Employee voluntarily terminates his employment, or if the Employee's employment with the Company is terminated for any other reason (including for Cause as set forth in Section 6(a)), the Company shall pay the Employee his full base salary

through the Date of Termination at the annual base rate in effect immediately prior to the Date of Termination and shall have no other obligation to the Employee except to honor his stock options according to their terms.

(d) DATE OF TERMINATION. As used in this Agreement, the term "Date of Termination" shall mean (i) if the Employee's employment is terminated for Cause, the date on which the Company delivers a written Notice of Termination as contemplated by Section 6(b), (ii) if the Employee's employment is terminated by his death, the date of his death, (iii) if the Employee's employment is terminated upon his Disability, the date thirty (30) days after the Company notifies the Employee in writing that it intends to replace him as contemplated by Section 6(a) hereof and (iv) if the Employee's employment is terminated for any other reason, the date on which Notice of Termination is given.

(e) CHANGE OF CONTROL. If the employment of the Employee is terminated as a result of a Change of Control, he shall be entitled to the payments set forth in the first sentence of Section 6(c) above. As used in this Agreement, "Change of Control" means the occurrence of any of the following events:

(i) the members of the Board at the beginning of any consecutive twenty-four (24) calendar month period (the "Incumbent Directors") cease for any reason other than due to death to constitute at least a majority of the members of the Board, provided that any director whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the members of the Board then still in office who were members of the Board at the beginning of such twenty-four (24) calendar month period, shall be treated as an Incumbent Director; or

(ii) any "person," including a "group" (as such terms are used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934 (the "Act"), but excluding the Company, any of its Subsidiaries, or any employee benefit plan of the Company or of any of its Subsidiaries) is or becomes the "beneficial owner" (as defined in Rule 13(d)(3) under the Act), directly or indirectly, of securities of the Company representing more than forty-nine percent (49%) of the combined voting power of the Company's then outstanding securities; or

(iii) the shareholders of the Company shall approve a definitive agreement (1) for the merger or other business combination of the Company with or into another corporation, a majority of the directors of which were not directors of the Company immediately prior to the merger and in which the shareholders of the Company immediately prior to the effective date of such merger own less than fifty percent (50%) of the voting power in such corporation; or (2) for the sale or other disposition of all or substantially all of the assets of the Company; or

(iv) the purchase of Stock pursuant to any tender or exchange offer made by any "person," including a "group" (as such terms are used in Sections 13(d) and 14(d)(2) of the Act), other than the Company, any of its Subsidiaries, or an employee benefit plan of the Company or of any of its Subsidiaries, for more than forty-nine percent (49%) of the Stock of the Company.

(f) MITIGATION METHOD OF PAYMENT: LUMP SUM. Any compensation or benefits to which the Employee may be entitled for termination without Cause or as a result of a Change of Control pursuant to Section 6(c) shall be reduced or canceled to the extent that the Employee receives compensation or benefits of like nature by reason of his securing other employment. Employee agrees to make a good faith effort to obtain other employment subject to the limitations imposed upon the Employee pursuant to Section 8. Compensation payable pursuant to Section 6(c) shall be paid monthly in 24 equal monthly consecutive installments. Notwithstanding anything else contained in this Section 6, the Company may pay to the Employee at any time after the Date of Termination, in a lump sum, an amount equal to the Company's good faith determination of the present value of the compensation remaining to be paid to the Employee as of the date of such lump sum payment, calculated using a discount factor based on the prime rate of any major New York bank plus one percent (1%), whereupon the Company's obligations under this Section 6 shall be discharged in full and it shall have no further obligation to the Employee except to honor his stock options according to their terms.

(g) LIMITATION. Anything in this Agreement or any Stock Option Agreement to the contrary notwithstanding, the Employee's entitlement to payments under this Section 6 or under any other plan or agreement and the acceleration of the exercisability of stock options under the terms of any applicable stock option plan shall be limited to the extent necessary so that no payment to be made to the Employee on account of termination of his employment with the Company (or the value of such acceleration on account thereof) will be subject to the excise tax imposed by Section 1999 of the Internal Revenue Code of 1986, as amended (the "Code"), as then in effect, but only if, by reason of such limitation, the Employee's net after tax benefit shall exceed the net after tax benefit if such reduction were not made. "Net after tax benefit" shall mean (i) the sum of all payments and benefits (including the value of acceleration of stock options) that the Employee is then entitled to receive under this Section 6 or under any other plan or agreement that would constitute a "parachute payment" within the meaning of Section 280G of the Code, less (ii) the amount of federal income tax payable with respect to the payments and benefits described in clause (i) above calculated at the maximum marginal income tax rate for each year in which such payments and benefits shall be paid to the Employee (based upon the rate in effect for such year as set forth in the Code at the time of the first payment of the foregoing), less (iii) the amount of excise tax imposed with respect to the payments and benefits described in clause (i) above by Section 4999 of the Code. Any limitation under this subsection 6(g) of the Employee's entitlement to payments or upon the acceleration of exercisability of stock options shall be made in the manner and in the order directed by the Employee.

(h) EMPLOYEE'S CAUSE. The Employee shall have the right to terminate his employment at any time, without cause, on at least 30 days' advance written notice to the Company.

In addition, the Employee may terminate his employment, effective immediately upon notice (or, effective as otherwise provided in subparagraphs (i) and (iii), below) in the event of the following ("Employee's Cause"):

(i) the failure of the Company to substantially perform its duties pursuant to this Agreement or the Existing Stock Option Agreement or the Stock Option Agreements attached hereto as Exhibits A, B and C and the continuance of such failure for more

than 20 days (or, if not reasonably correctable within 20 days, such additional time as may reasonably be required) after the Employee notifies the Company in writing that it is failing to substantially perform its duties;

(ii) the Company's filing a voluntary petition in bankruptcy or insolvency;

(iii) the filing against the Company of an involuntary petition in bankruptcy or insolvency which is not dismissed within 30 days after its filing;

(iv) the Company's being convicted of a criminal act relating to any activity occurring prior to August 7, 1996, the effect of which has a material adverse effect on the business operations of the Company; or

(v) the breach or inaccuracy in any material respect of the Company's representations and warranties contained herein or in the Original Agreement.

In the event of his termination as a result of Employee Cause, notwithstanding any provision of this Agreement to the contrary, the Employee shall be entitled to all compensation and benefits provided for in the first sentence of Section 6(c) hereof.

7. UNAUTHORIZED DISCLOSURE.

(a) During the period of his employment hereunder and thereafter, the Employee shall not, without the written consent of the Board of the Company or a person authorized thereby disclose to any person, information, knowledge or data which is not theretofore publicly known and in the public domain obtained by him while in the employ of the Company with respect to the Company or any of its subsidiaries or of any products, improvements, formulas, designs or styles, processes, customers, methods of distribution or methods of manufacture, sales prices, profits, costs, contracts, suppliers, business prospects, business methods, techniques, research, trade secrets, or know-how of the Company or any of its subsidiaries, regardless of whether such information is confidential, except as the Employee, in good faith, reasonably believes to be for the Company's benefit. For a period of five (5) years following the termination of employment hereunder, the Employee shall not disclose any information, knowledge or data of the type described above except as may be required in connection with any judicial or administrative proceedings or inquiry, or otherwise required by law. The covenant contained in this Section 7 shall survive the termination of the Employee's employment pursuant to this Agreement.

(b) The foregoing provision of this Section 7 shall be binding upon the Employee's heirs, successors and legal representatives.

(c) The foregoing does not apply to disclosure of the terms of this Agreement and any other aspects of the Employee's compensation and benefits to the Employee's accountants, financial planners, insurance agents and advisors.

8. COVENANT NOT TO COMPETE. In consideration of his employment hereunder and in view of the key position in which he will serve the Company, the Employee agrees that during the period of his employment by the Company hereunder and (unless the Company terminates his employment for Cause as provided in Section 6(a) hereof) for two (2) years after the date of termination of such employment he will not directly or indirectly own, manage, operate, control, be employed by, participate in or be connected in any manner with the ownership, management, operation or control of any business involving lawn, garden, horticultural, pesticide or turf care products or services in any area where the Company's business is being conducted at the time of such termination. The covenant contained in this Section 8 shall survive the termination of this Agreement. The foregoing shall (i) be ineffective in the event of the Employee's termination of his employment on the basis of Employee Cause, and (ii) not apply in the event of a reorganization of the Company which results in any of its divisions or subsidiaries becoming separate enterprises of which the Employee becomes an employee.

9. ARBITRATION. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in Columbus, Ohio, in accordance with the rules of the American Arbitration Association then in effect.

10. SUCCESSORS; BINDING AGREEMENT. The Company will require any successor (by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, by agreement in form and substance satisfactory to the Employee, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle the Employee to compensation from the Company in the same amount and on the same terms as the Employee would be entitled hereunder according to the provisions of the first sentence of Section 6(c) hereof, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which executes and delivers the agreement provided for in this Section 10 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law. This Agreement shall inure to the benefit of and be enforceable by the Employee's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. Any amounts payable to the Employee hereunder after his death shall be paid in accordance with the terms of this Agreement to the Employee's devisee, legatee, or other designee or, if there be no such designee, to his estate, unless otherwise provided herein.

11. INDEMNIFICATION. The Company shall indemnify the Employee as provided in Article Five of its Code of Regulations (a copy of which is attached hereto as Exhibit D).

12. NOTICES. All notices and other communications required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been given if delivered personally or sent by express mail, return receipt requested, postage prepaid, to the parties to this Agreement at the following addresses or to such other address as either party to this Agreement shall specify by notice to the other:

If to the Company, to it at:

The Scotts Company
14111 Scottslawn Road
Marysville, Ohio 43041
Attn: General Counsel

If to the Employee:

Charles M. Berger
147 East Deshler Avenue
Columbus, Ohio 43206

With a copy to:

Sheldon P. Berger
Resch Polster Alpert & Berger LLP
10390 Santa Monica Blvd., 4th Floor
Los Angeles, California 90025-5058

All notices and communications shall be deemed to have been received on the date of delivery or on the third business day after the mailing thereof.

13. MISCELLANEOUS. No provisions of this Agreement may be modified, waived or discharged unless such modification, waiver or discharge is approved by the Board or a person authorized thereby and is agreed to in a writing signed by the Employee and such officer as may be specifically designated by the Board. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Ohio.

14. VALIDITY. The invalidity or unenforceability of any one or more provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

15. COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

16. AUTHORITY. The individual signing this Agreement on behalf of the Company hereby represents and warrants that he, acting alone, is fully authorized and empowered to do so, that he does so to the fullest extent of his authority, and that this Agreement is binding upon and enforceable against the Company.

17. REPRESENTATIONS AND WARRANTIES. The Company represents and warrants to the Employee that:

(a) The Company and each of its subsidiaries have been duly organized and are validly existing under the laws of their respective states of organization, and each is qualified or licensed as a foreign corporation in each jurisdiction where the character of the property owned or leased by it or the nature of its activities makes such qualification or licensing necessary, except for those jurisdictions where the failure to be so qualified or licensed would not, individually or in the aggregate, have a material adverse effect on the business operation of the Company or its subsidiaries.

(b) The Company has the full right, power, and authority to execute and deliver this Employment Agreement and the Stock Option Agreements with the Employee, and to perform all of the Company's obligations under each and to carry out all of the transactions contemplated by each Agreement. Except as otherwise disclosed in writing to the Employee, neither the execution and delivery of this Agreement or the Stock Option Agreements, nor the consummation of the transactions contemplated therein, will, to the best of the Company's knowledge, (i) violate any statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any government, governmental agency, or court to which the Company is subject or any provision of the Company's articles of incorporation or code of regulations, or (ii) conflict with, result in a breach of, constitute a default under, result in acceleration of, or create in any party the right to terminate, modify, or cancel, any material contract to which the Company or any of its subsidiaries is a party or to which any of their assets is subject.

(c) The business of the Company and its subsidiaries has been and is being conducted in all material respects in compliance with all applicable statutes, laws, rules, ordinances, codes and regulations of foreign, federal, state, and local governmental authorities (collectively, "Laws"), and the Company and each of its subsidiaries holds, and is in all material respects in compliance with, all licenses, permits, and authorizations necessary for the conduct of the Company's and each subsidiary's business pursuant to all Laws to which the Company, any subsidiary, and/or any of their businesses or assets may be subject.

(d) There are no actions, suits, or proceedings pending, or, to the best of the Company's knowledge, threatened or anticipated, before a court or governmental or administrative body or agency which are materially affecting, or could materially affect, the Company, any of its subsidiaries, or any of their businesses or assets, except as set forth in Schedule 1 hereto. Neither the Company nor any of its subsidiaries is presently subject to any injunction, order, or other decree of any court of competent jurisdiction which materially affects the business or assets of the Company or any subsidiary, nor to the best of the Company's knowledge, is the Company, any of its subsidiaries, or any of their officers or directors subject to any private investigation or audit being conducted by any governmental or administrative body or agency, except as set forth in Schedule 1 hereto.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date and year first above written.

THE SCOTTS COMPANY

By /s/ G. ROBERT LUCAS

G. Robert Lucas
Senior Vice President

/s/ CHARLES M. BERGER

CHARLES M. BERGER

EXHIBIT A

STOCK OPTION AGREEMENT
(NON-QUALIFIED STOCK OPTIONS)

THIS AGREEMENT is made to be effective as of September 23, 1998, by and between The Scotts Company, an Ohio corporation (the "Company"), and Charles M. Berger (the "Optionee").

W I T N E S S E T H:

WHEREAS, the Board of Directors of The Scotts Company, an Ohio corporation (the "Company"), adopted The Scotts Company 1996 Stock Option Plan (the "Plan") on February 12, 1996; and

WHEREAS, the shareholders of the Company approved the Plan at the Annual Meeting of Shareholders of the Company held on April 9,1996; and

WHEREAS, pursuant to the provisions of the Plan, the Board of Directors of the Company has appointed a Compensation and Organization Committee (the "Committee") to administer the Plan and the Committee has determined that an option to acquire common shares, without par value (the "Common Shares"), of the Company should be granted to the Optionee under the terms and conditions set forth in this Agreement;

NOW, THEREFORE, in consideration of the premises, the parties hereto make the following agreements, intending to be legally bound thereby:

1. GRANT OF OPTION. The Company hereby grants to the Optionee an option (the "Option") to purchase 75,000 Common Shares of the Company. The Option is not intended to qualify as an incentive stock option under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

2. TERMS AND CONDITIONS OF THE OPTION.

(A) OPTION PRICE. The purchase price (the "Option Price") to be paid by the Optionee to the Company upon the exercise of the Option shall be $30.125 per share (being 100% of the Fair Market Value (as that term is defined in the Plan) for the Common Shares of the Company on the date of grant of the Option), subject to adjustment as provided in Section 3.

(B) EXERCISE OF THE OPTION. The Option shall become vested and may be exercised at any time after 12 months after the date of this Agreement, assuming the Optionee is then employed by the Company. Subject to the other provisions of this Agreement and to the provisions of the Plan, if the Option becomes exercisable, it shall remain exercisable until the date of expiration of the Option Term. The Committee may, but shall not be required to (unless otherwise provided in this Agreement or in the Plan), accelerate the schedule of the time or times when the Option may first be exercised, but shall not shorten the Option Term set forth in Paragraph (C) of this Section 2.

The grant of the Option shall not confer upon the Optionee any right to continue in the employment of the Company nor limit in any way the right of the Company to terminate the employment of the Optionee at any time in accordance with law and the Company's governing corporate documents.

(C) OPTION TERM. The Option shall in no event be exercisable after the expiration of ten years from the date of this Agreement.

(D) METHOD OF EXERCISE. To the extent that any portion of the Option is exercisable, that portion of the Option may be exercised in whole or in part by delivering to the Committee in the care of the General Counsel of the Company, a written notice of exercise, signed by the Optionee or, in the event of the death of the Optionee, by such other person as is entitled to exercise the Option. The notice of exercise shall state the number of full Common Shares in respect of which the Option is being exercised. Payment for all such Common Shares shall be made to the Company at the time the Option is exercised. The Option Price may be paid in cash (including check, bank draft or money order) in U.S. dollars, or with the consent of the Committee, by the transfer by the Optionee to the Company of free and clear Common Shares already owned by the Optionee having a Fair Market Value (as that term is defined in the Plan) on the exercise date equal to the Option Price, or by a combination of cash and Common Shares already owned by the Optionee equal in the aggregate to the Option Price for the Common Shares being purchased. After payment in full for the Common Shares to be purchased upon exercise of the Option has been made, the Company shall take all such action as is necessary to deliver appropriate share certificates evidencing the Common Shares purchased upon the exercise of the Option to the Optionee as promptly thereafter as is reasonably practicable.

(E) SATISFACTION OF TAXES AND TAX WITHHOLDING REQUIREMENTS. The Company has the right to withhold, or require the Optionee to remit to the Company, an amount sufficient to satisfy any applicable federal, state or local withholding tax requirements. The Committee may permit the Optionee to elect (i) to have Common Shares otherwise issuable under the Plan withheld by the Company or (ii) to deliver to the Company free and clear Common Shares already owned by the Optionee having a Fair Market Value (as that term is defined in the Plan) on the exercise date sufficient to pay all or part of the Optionee's estimated total federal, state and local tax obligations.

3. ADJUSTMENTS AND CHANGES IN THE COMMON SHARES. In the event of any share dividend or share split, recapitalization (including, without limitation, the payment of an extraordinary dividend), merger, consolidation, combination, spin-off, distribution of assets to shareholders, exchange of shares, or other similar corporate change, appropriate adjustments shall be made by the Committee in the number of Common Shares and Option Price applicable to the Option to reflect such change.

4. CHANGE OF CONTROL PROVISIONS. In the event of a Change of Control (as defined in the Plan), the Option shall be canceled in exchange for the payment to the Optionee of cash in an amount equal to the excess of the highest price paid for Common Shares of the Company during the preceding 30 day period over the exercise price for such Option. Notwithstanding the foregoing, if the Committee determines that the Optionee will receive a new award (or have the Option honored in a manner which preserves its value and eliminates the risk that the value of the Option will be forfeited due to involuntary termination), no cash payment will be made as a result of a Change of Control. If any cash payment with respect to the Option would result in the Optionee's incurring potential liability under Section 16(b) of the Securities Exchange Act of 1934, the cash payment will be deferred until the later of six months following the date of grant of the Option or the first time at which such cash payment may be made without subjecting the Optionee to such potential liability.

5. NONTRANSFERABILITY OF THE OPTION. The Option may not be sold, transferred, pledged, assigned or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. The Option may not be exercised during the lifetime of the Optionee except by the Optionee.

6. EXERCISE AFTER TERMINATION OF EMPLOYMENT.

(A) In the event of the termination of the Optionee's employment by reason of retirement, Disability (as that term is defined in the Plan), or death, the Option may thereafter be exercised in full (whether or not then exercisable by its terms) for a period of five years, subject to the stated term of the Option.

(B) In the event of the Company's termination of the Optionee's employment for Cause, as defined in an Employment Agreement entered into between the Optionee and the Company as of August 7, 1998, the Option shall be forfeited.

(C) In the event of the Optionee's termination of employment for any reason other than retirement, Disability, death or for Cause, the Option shall be exercisable, to the extent exercisable at the date of termination of employment, for a period of 90 days, subject to the stated term of the Option.

7. RESTRICTIONS OF TRANSFER OF COMMON SHARES. Anything contained in this Agreement or elsewhere to the contrary notwithstanding:

(A) The Option shall not be exercisable for the purchase of any Common Shares subject thereto except for:

(i) Common Shares subject thereto which at the time of such exercise and purchase are registered under the Securities Act of 1933, as amended (the "1933 Act");

(ii) Common Shares subject thereto which at the time of such exercise and purchase are exempt or are the subject matter of an exempt transaction or are registered by description, by coordination or by qualification, or at such time are the subject matter of a transaction which has been registered by description, all in accordance with Chapter 1707 of the Ohio Revised Code, as amended; and

(iii) Common Shares subject thereto in respect of which the laws of any state applicable to such exercise and purchase have been satisfied.

The Company hereby covenants that it shall have adequate amounts of Common Shares available, at all times after the Option is exercisable in whole or in part, to satisfy the foregoing, and shall take all necessary actions to insure compliance with the foregoing conditions.

(B) If any Common Shares subject to the Option are sold or issued upon the exercise thereof to a person who (at the time of such exercise or thereafter) is an affiliate of the Company for purposes of Rule 144 promulgated under the 1933 Act, then upon such sale and issuance:

(i) such Common Shares shall not be transferable by the holder thereof, and neither the Company nor its transfer agent or registrar, if any, shall be required to register or otherwise to give effect to any transfer thereof and may prevent any such transfer, unless the Company shall have received an opinion from its counsel to the effect that any such transfer would not violate the 1933 Act; and

(ii) the Company may cause each share certificate evidencing such Common Shares to bear a legend reflecting the applicable restrictions on the transfer thereof.

(C) Any share certificate issued to evidence Common Shares as to which the Option has been exercised may bear such legends and statements as shall be required to comply with applicable federal and state laws and regulations, provided that this paragraph does not relieve the Company of its obligations pursuant to Section 7(A) above.

(D) Nothing contained in this Agreement or elsewhere shall be construed to require the Company to take any action whatsoever to make the Option exercisable or to make transferable any Common Shares purchased and issued upon the exercise of the Option.

8. RIGHTS OF THE OPTIONEE AS A SHAREHOLDER. The Optionee shall have no rights or privileges as a shareholder of the Company with respect to any Common Shares of the Company covered by the Option until the date of exercise.

9. PLAN AS CONTROLLING. All terms and conditions of the Plan on the effective date hereof applicable to the Option which are not set forth in this Agreement shall be deemed incorporated herein by reference. In the event that any term or condition of this Agreement is inconsistent with the terms and conditions of the Plan, the Plan shall be deemed controlling.

10. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Ohio.

11. RIGHTS AND REMEDIES CUMULATIVE. All rights and remedies of the Company and of the Optionee enumerated in this Agreement shall be cumulative and, except as expressly provided otherwise in this Agreement, none shall exclude any other rights or remedies allowed by law or in equity, and each of said rights and remedies may be exercised and enforced concurrently.

12. CAPTIONS. The captions contained in this Agreement are included only for convenience or reference and do not define, limit, explain or modify this Agreement or its interpretation, construction or meaning and are in no way to be construed as a part of this Agreement.

13. SEVERABILITY. If any provision of this Agreement or the application of any provision hereof to any person or any circumstance shall be determined to be invalid or unenforceable then such determination shall not affect any other provision of this Agreement or the application of such provision to any other person or circumstance, all of which other provisions shall remain in full force and effect, and it is the intention of each party to this Agreement that if any provision of this Agreement is susceptible of two or more constructions, one of which would render the provision enforceable and the other or others of which would render the provision unenforceable, then the provision shall have the meaning which renders it enforceable.

14. NUMBER AND GENDER. When used in this Agreement, the number and gender of each pronoun shall be construed to be such number and gender as the context, circumstances or its antecedent may require.

15. ENTIRE AGREEMENT. This Agreement constitutes the entire Agreement between the Company and the Optionee in respect of the subject matter of this Agreement, and this Agreement supersedes all prior and contemporaneous agreements between the parties hereto in connection with the subject matter of this Agreement, except that nothing herein shall be deemed to supersede or otherwise impair or invalidate that certain Stock Option Agreement dated August 7, 1996 between the Company and the Optionee. No change, termination or attempted waiver of any of the provisions of this Agreement shall be binding upon any party hereto unless contained in a writing signed by the party to be charged.

16. SUCCESSORS AND ASSIGNS. This Agreement shall inure to the benefit of and be binding upon the successors and assigns (including successive, as well as immediate, successors and assigns) of the Company.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed to be effective as of the date first written above.

COMPANY:

THE SCOTTS COMPANY,
an Ohio corporation

By /s/ G. Robert Lucas

G. Robert Lucas
Its Senior Vice President

OPTIONEE:

/s/ Charles M. Berger

CHARLES M. BERGER

EXHIBIT B

STOCK OPTION AGREEMENT
(NON-QUALIFIED STOCK OPTIONS)

THIS AGREEMENT is made to be effective as of October 21, 1998, by and between The Scotts Company, an Ohio corporation (the "Company"), and Charles M. Berger (the "Optionee").

W I T N E S S E T H:

WHEREAS, the Board of Directors of The Scotts Company, an Ohio corporation (the "Company"), adopted The Scotts Company 1996 Stock Option Plan (the "Plan") on February 12, 1996; and

WHEREAS, the shareholders of the Company approved the Plan at the Annual Meeting of Shareholders of the Company held on April 9,1996; and

WHEREAS, pursuant to the provisions of the Plan, the Board of Directors of the Company has appointed a Compensation and Organization Committee (the "Committee") to administer the Plan and the Committee has determined that an option to acquire common shares, without par value (the "Common Shares"), of the Company should be granted to the Optionee under the terms and conditions set forth in this Agreement;

NOW, THEREFORE, in consideration of the premises, the parties hereto make the following agreements, intending to be legally bound thereby:

1. GRANT OF OPTION. The Company hereby grants to the Optionee an option (the "Option") to purchase 75,000 Common Shares of the Company. The Option is not intended to qualify as an incentive stock option under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

2. TERMS AND CONDITIONS OF THE OPTION.

(A) OPTION PRICE. The purchase price (the "Option Price") to be paid by the Optionee to the Company upon the exercise of the Option shall be $30.00 per share (being 100% of the Fair Market Value (as that term is defined in the Plan) for the Common Shares of the Company on the date of grant of the Option), subject to adjustment as provided in Section 3.

(B) EXERCISE OF THE OPTION. The Option shall become vested and may be exercised at any time after 12 months after the date of this Agreement, assuming the Optionee is then employed by the Company. Subject to the other provisions of this Agreement and to the provisions of the Plan, if the Option becomes exercisable, it shall remain exercisable until the date of expiration of the Option Term. The Committee may, but shall not be required to (unless otherwise provided in this Agreement or in the Plan), accelerate the schedule of the time or times when the Option may first be exercised, but shall not shorten the Option Term set forth in Paragraph (C) of this Section 2.

The grant of the Option shall not confer upon the Optionee any right to continue in the employment of the Company nor limit in any way the right of the Company to terminate the employment of the Optionee at any time in accordance with law and the Company's governing corporate documents.

(C) OPTION TERM. The Option shall in no event be exercisable after the expiration of ten years from the date of this Agreement.

(D) METHOD OF EXERCISE. To the extent that any portion of the Option is exercisable, that portion of the Option may be exercised in whole or in part by delivering to the Committee in the care of the General Counsel of the Company, a written notice of exercise, signed by the Optionee or, in the event of the death of the Optionee, by such other person as is entitled to exercise the Option. The notice of exercise shall state the number of full Common Shares in respect of which the Option is being exercised. Payment for all such Common Shares shall be made to the Company at the time the Option is exercised. The Option Price may be paid in cash (including check, bank draft or money order) in U.S. dollars, or with the consent of the Committee, by the transfer by the Optionee to the Company of free and clear Common Shares already owned by the Optionee having a Fair Market Value (as that term is defined in the Plan) on the exercise date equal to the Option Price, or by a combination of cash and Common Shares already owned by the Optionee equal in the aggregate to the Option Price for the Common Shares being purchased. After payment in full for the Common Shares to be purchased upon exercise of the Option has been made, the Company shall take all such action as is necessary to deliver appropriate share certificates evidencing the Common Shares purchased upon the exercise of the Option to the Optionee as promptly thereafter as is reasonably practicable.

(E) SATISFACTION OF TAXES AND TAX WITHHOLDING REQUIREMENTS. The Company has the right to withhold, or require the Optionee to remit to the Company, an amount sufficient to satisfy any applicable federal, state or local withholding tax requirements. The Committee may permit the Optionee to elect (i) to have Common Shares otherwise issuable under the Plan withheld by the Company or (ii) to deliver to the Company free and clear Common Shares already owned by the Optionee having a Fair Market Value (as that term is defined in the Plan) on the exercise date sufficient to pay all or part of the Optionee's estimated total federal, state and local tax obligations.

3. ADJUSTMENTS AND CHANGES IN THE COMMON SHARES. In the event of any share dividend or share split, recapitalization (including, without limitation, the payment of an extraordinary dividend), merger, consolidation, combination, spin-off, distribution of assets to shareholders, exchange of shares, or other similar corporate change, appropriate adjustments shall be made by the Committee in the number of Common Shares and Option Price applicable to the Option to reflect such change.

4. CHANGE OF CONTROL PROVISIONS. In the event of a Change of Control (as defined in the Plan), the Option shall be canceled in exchange for the payment to the Optionee of cash in an amount equal to the excess of the highest price paid for Common Shares of the Company during the preceding 30 day period over the exercise price for such Option. Notwithstanding the foregoing, if the Committee determines that the Optionee will receive a new award (or have the

Option honored in a manner which preserves its value and eliminates the risk that the value of the Option will be forfeited due to involuntary termination), no cash payment will be made as a result of a Change of Control. If any cash payment with respect to the Option would result in the Optionee's incurring potential liability under Section 16(b) of the Securities Exchange Act of 1934, the cash payment will be deferred until the later of six months following the date of grant of the Option or the first time at which such cash payment may be made without subjecting the Optionee to such potential liability.

5. NONTRANSFERABILITY OF THE OPTION. The Option may not be sold, transferred, pledged, assigned or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. The Option may not be exercised during the lifetime of the Optionee except by the Optionee.

6. EXERCISE AFTER TERMINATION OF EMPLOYMENT.

(A) In the event of the termination of the Optionee's employment by reason of retirement, Disability (as that term is defined in the Plan), or death, the Option may thereafter be exercised in full (whether or not then exercisable by its terms) for a period of five years, subject to the stated term of the Option.

(B) In the event of the Company's termination of the Optionee's employment for Cause, as defined in an Employment Agreement entered into between the Optionee and the Company as of August 7, 1998, the Option shall be forfeited.

(C) In the event of the Optionee's termination of employment for any reason other than retirement, Disability, death or for Cause, the Option shall be exercisable, to the extent exercisable at the date of termination of employment, for a period of 90 days, subject to the stated term of the Option.

7. RESTRICTIONS OF TRANSFER OF COMMON SHARES. Anything contained in this Agreement or elsewhere to the contrary notwithstanding:

(A) The Option shall not be exercisable for the purchase of any Common Shares subject thereto except for:

(i) Common Shares subject thereto which at the time of such exercise and purchase are registered under the Securities Act of 1933, as amended (the "1933 Act");

(ii) Common Shares subject thereto which at the time of such exercise and purchase are exempt or are the subject matter of an exempt transaction or are registered by description, by coordination or by qualification, or at such time are the subject matter of a transaction which has been registered by description, all in accordance with Chapter 1707 of the Ohio Revised Code, as amended; and

(iii) Common Shares subject thereto in respect of which the laws of any state applicable to such exercise and purchase have been satisfied.

The Company hereby covenants that it shall have adequate amounts of Common Shares available, at all times after the Option is exercisable in whole or in part, to satisfy the foregoing, and shall take all necessary actions to insure compliance with the foregoing conditions.

(B) If any Common Shares subject to the Option are sold or issued upon the exercise thereof to a person who (at the time of such exercise or thereafter) is an affiliate of the Company for purposes of Rule 144 promulgated under the 1933 Act, then upon such sale and issuance:

(i) such Common Shares shall not be transferable by the holder thereof, and neither the Company nor its transfer agent or registrar, if any, shall be required to register or otherwise to give effect to any transfer thereof and may prevent any such transfer, unless the Company shall have received an opinion from its counsel to the effect that any such transfer would not violate the 1933 Act; and

(ii) the Company may cause each share certificate evidencing such Common Shares to bear a legend reflecting the applicable restrictions on the transfer thereof.

(C) Any share certificate issued to evidence Common Shares as to which the Option has been exercised may bear such legends and statements as shall be required to comply with applicable federal and state laws and regulations, provided that this paragraph does not relieve the Company of its obligations pursuant to Section 7(A) above.

(D) Nothing contained in this Agreement or elsewhere shall be construed to require the Company to take any action whatsoever to make the Option exercisable or to make transferable any Common Shares purchased and issued upon the exercise of the Option.

8. RIGHTS OF THE OPTIONEE AS A SHAREHOLDER. The Optionee shall have no rights or privileges as a shareholder of the Company with respect to any Common Shares of the Company covered by the Option until the date of exercise.

9. PLAN AS CONTROLLING. All terms and conditions of the Plan on the effective date hereof applicable to the Option which are not set forth in this Agreement shall be deemed incorporated herein by reference. In the event that any term or condition of this Agreement is inconsistent with the terms and conditions of the Plan, the Plan shall be deemed controlling.

10. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Ohio.

11. RIGHTS AND REMEDIES CUMULATIVE. All rights and remedies of the Company and of the Optionee enumerated in this Agreement shall be cumulative and, except as expressly provided otherwise in this Agreement, none shall exclude any other rights or remedies allowed by law or in equity, and each of said rights and remedies may be exercised and enforced concurrently.

12. CAPTIONS. The captions contained in this Agreement are included only for convenience or reference and do not define, limit, explain or modify this Agreement or its interpretation, construction or meaning and are in no way to be construed as a part of this Agreement.

13. SEVERABILITY. If any provision of this Agreement or the application of any provision hereof to any person or any circumstance shall be determined to be invalid or unenforceable then such determination shall not affect any other provision of this Agreement or the application of such provision to any other person or circumstance, all of which other provisions shall remain in full force and effect, and it is the intention of each party to this Agreement that if any provision of this Agreement is susceptible of two or more constructions, one of which would render the provision enforceable and the other or others of which would render the provision unenforceable, then the provision shall have the meaning which renders it enforceable.

14. NUMBER AND GENDER. When used in this Agreement, the number and gender of each pronoun shall be construed to be such number and gender as the context, circumstances or its antecedent may require.

15. ENTIRE AGREEMENT. This Agreement constitutes the entire Agreement between the Company and the Optionee in respect of the subject matter of this Agreement, and this Agreement supersedes all prior and contemporaneous agreements between the parties hereto in connection with the subject matter of this Agreement, except that nothing herein shall be deemed to supersede or otherwise impair or invalidate that certain Stock Option Agreement dated August 7, 1996 between the Company and the Optionee. No change, termination or attempted waiver of any of the provisions of this Agreement shall be binding upon any party hereto unless contained in a writing signed by the party to be charged.

16. SUCCESSORS AND ASSIGNS. This Agreement shall inure to the benefit of and be binding upon the successors and assigns (including successive, as well as immediate, successors and assigns) of the Company.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed to be effective as of the date first written above.

COMPANY:

THE SCOTTS COMPANY,
an Ohio corporation

By /s/ G. Robert Lucas

G. Robert Lucas
Its Senior Vice President

OPTIONEE:

/s/ Charles M. Berger

CHARLES M. BERGER

EXHIBIT C

STOCK OPTION AGREEMENT
(NON-QUALIFIED STOCK OPTIONS)

THIS AGREEMENT is made to be effective as of September 24, 1999, by and between The Scotts Company, an Ohio corporation (the "Company"), and Charles M. Berger (the "Optionee").

W I T N E S S E T H:

WHEREAS, the Board of Directors of The Scotts Company, an Ohio corporation (the "Company"), adopted The Scotts Company 1996 Stock Option Plan (the "Plan") on February 12, 1996; and

WHEREAS, the shareholders of the Company approved the Plan at the Annual Meeting of Shareholders of the Company held on April 9,1996; and

WHEREAS, pursuant to the provisions of the Plan, the Board of Directors of the Company has appointed a Compensation and Organization Committee (the "Committee") to administer the Plan and the Committee has determined that an option to acquire common shares, without par value (the "Common Shares"), of the Company should be granted to the Optionee under the terms and conditions set forth in this Agreement;

NOW, THEREFORE, in consideration of the premises, the parties hereto make the following agreements, intending to be legally bound thereby:

1. GRANT OF OPTION. The Company hereby grants to the Optionee an option (the "Option") to purchase 75,000 Common Shares of the Company. The Option is not intended to qualify as an incentive stock option under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

2. TERMS AND CONDITIONS OF THE OPTION.

(A) OPTION PRICE. The purchase price (the "Option Price") to be paid by the Optionee to the Company upon the exercise of the Option shall be $_____ per share (being 100% of the Fair Market Value (as that term is defined in the Plan) for the Common Shares of the Company on the date of grant of the Option), subject to adjustment as provided in Section 3.

(B) EXERCISE OF THE OPTION. The Option shall become vested and may be exercised at any time after 12 months after the date of this Agreement, assuming the Optionee is then employed by the Company. Subject to the other provisions of this Agreement and to the provisions of the Plan, if the Option becomes exercisable, it shall remain exercisable until the date of expiration of the Option Term. The Committee may, but shall not be required to (unless otherwise provided in this Agreement or in the Plan), accelerate the schedule of the time or times when the Option may first be exercised, but shall not shorten the Option Term set forth in Paragraph (C) of this Section 2.

The grant of the Option shall not confer upon the Optionee any right to continue in the employment of the Company nor limit in any way the right of the Company to terminate the employment of the Optionee at any time in accordance with law and the Company's governing corporate documents.

(C) OPTION TERM. The Option shall in no event be exercisable after the expiration of ten years from the date of this Agreement.

(D) METHOD OF EXERCISE. To the extent that any portion of the Option is exercisable, that portion of the Option may be exercised in whole or in part by delivering to the Committee in the care of the General Counsel of the Company, a written notice of exercise, signed by the Optionee or, in the event of the death of the Optionee, by such other person as is entitled to exercise the Option. The notice of exercise shall state the number of full Common Shares in respect of which the Option is being exercised. Payment for all such Common Shares shall be made to the Company at the time the Option is exercised. The Option Price may be paid in cash (including check, bank draft or money order) in U.S. dollars, or with the consent of the Committee, by the transfer by the Optionee to the Company of free and clear Common Shares already owned by the Optionee having a Fair Market Value (as that term is defined in the Plan) on the exercise date equal to the Option Price, or by a combination of cash and Common Shares already owned by the Optionee equal in the aggregate to the Option Price for the Common Shares being purchased. After payment in full for the Common Shares to be purchased upon exercise of the Option has been made, the Company shall take all such action as is necessary to deliver appropriate share certificates evidencing the Common Shares purchased upon the exercise of the Option to the Optionee as promptly thereafter as is reasonably practicable.

(E) SATISFACTION OF TAXES AND TAX WITHHOLDING REQUIREMENTS. The Company has the right to withhold, or require the Optionee to remit to the Company, an amount sufficient to satisfy any applicable federal, state or local withholding tax requirements. The Committee may permit the Optionee to elect (i) to have Common Shares otherwise issuable under the Plan withheld by the Company or (ii) to deliver to the Company free and clear Common Shares already owned by the Optionee having a Fair Market Value (as that term is defined in the Plan) on the exercise date sufficient to pay all or part of the Optionee's estimated total federal, state and local tax obligations.

3. ADJUSTMENTS AND CHANGES IN THE COMMON SHARES. In the event of any share dividend or share split, recapitalization (including, without limitation, the payment of an extraordinary dividend), merger, consolidation, combination, spin-off, distribution of assets to shareholders, exchange of shares, or other similar corporate change, appropriate adjustments shall be made by the Committee in the number of Common Shares and Option Price applicable to the Option to reflect such change.

4. CHANGE OF CONTROL PROVISIONS. In the event of a Change of Control (as defined in the Plan), the Option shall be canceled in exchange for the payment to the Optionee of cash in an amount equal to the excess of the highest price paid for Common Shares of the Company during the preceding 30 day period over the exercise price for such Option. Notwithstanding the foregoing, if the Committee determines that the Optionee will receive a new award (or have the

Option honored in a manner which preserves its value and eliminates the risk that the value of the Option will be forfeited due to involuntary termination), no cash payment will be made as a result of a Change of Control. If any cash payment with respect to the Option would result in the Optionee's incurring potential liability under Section 16(b) of the Securities Exchange Act of 1934, the cash payment will be deferred until the later of six months following the date of grant of the Option or the first time at which such cash payment may be made without subjecting the Optionee to such potential liability.

5. NONTRANSFERABILITY OF THE OPTION. The Option may not be sold, transferred, pledged, assigned or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. The Option may not be exercised during the lifetime of the Optionee except by the Optionee.

6. EXERCISE AFTER TERMINATION OF EMPLOYMENT.

(A) In the event of the termination of the Optionee's employment by reason of retirement, Disability (as that term is defined in the Plan), or death, the Option may thereafter be exercised in full (whether or not then exercisable by its terms) for a period of five years, subject to the stated term of the Option.

(B) In the event of the Company's termination of the Optionee's employment for Cause, as defined in an Employment Agreement entered into between the Optionee and the Company as of August 7, 1998, the Option shall be forfeited.

(C) In the event of the Optionee's termination of employment for any reason other than retirement, Disability, death or for Cause, the Option shall be exercisable, to the extent exercisable at the date of termination of employment, for a period of 90 days, subject to the stated term of the Option.

7. RESTRICTIONS OF TRANSFER OF COMMON SHARES. Anything contained in this Agreement or elsewhere to the contrary notwithstanding:

(A) The Option shall not be exercisable for the purchase of any Common Shares subject thereto except for:

(i) Common Shares subject thereto which at the time of such exercise and purchase are registered under the Securities Act of 1933, as amended (the "1933 Act");

(ii) Common Shares subject thereto which at the time of such exercise and purchase are exempt or are the subject matter of an exempt transaction or are registered by description, by coordination or by qualification, or at such time are the subject matter of a transaction which has been registered by description, all in accordance with Chapter 1707 of the Ohio Revised Code, as amended; and

(iii) Common Shares subject thereto in respect of which the laws of any state applicable to such exercise and purchase have been satisfied.

The Company hereby covenants that it shall have adequate amounts of Common Shares available, at all times after the Option is exercisable in whole or in part, to satisfy the foregoing, and shall take all necessary actions to insure compliance with the foregoing conditions.

(B) If any Common Shares subject to the Option are sold or issued upon the exercise thereof to a person who (at the time of such exercise or thereafter) is an affiliate of the Company for purposes of Rule 144 promulgated under the 1933 Act, then upon such sale and issuance:

(i) such Common Shares shall not be transferable by the holder thereof, and neither the Company nor its transfer agent or registrar, if any, shall be required to register or otherwise to give effect to any transfer thereof and may prevent any such transfer, unless the Company shall have received an opinion from its counsel to the effect that any such transfer would not violate the 1933 Act; and

(ii) the Company may cause each share certificate evidencing such Common Shares to bear a legend reflecting the applicable restrictions on the transfer thereof.

(C) Any share certificate issued to evidence Common Shares as to which the Option has been exercised may bear such legends and statements as shall be required to comply with applicable federal and state laws and regulations, provided that this paragraph does not relieve the Company of its obligations pursuant to Section 7(A) above.

(D) Nothing contained in this Agreement or elsewhere shall be construed to require the Company to take any action whatsoever to make the Option exercisable or to make transferable any Common Shares purchased and issued upon the exercise of the Option.

8. RIGHTS OF THE OPTIONEE AS A SHAREHOLDER. The Optionee shall have no rights or privileges as a shareholder of the Company with respect to any Common Shares of the Company covered by the Option until the date of exercise.

9. PLAN AS CONTROLLING. All terms and conditions of the Plan on the effective date hereof applicable to the Option which are not set forth in this Agreement shall be deemed incorporated herein by reference. In the event that any term or condition of this Agreement is inconsistent with the terms and conditions of the Plan, the Plan shall be deemed controlling.

10. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Ohio.

11. RIGHTS AND REMEDIES CUMULATIVE. All rights and remedies of the Company and of the Optionee enumerated in this Agreement shall be cumulative and, except as expressly provided otherwise in this Agreement, none shall exclude any other rights or remedies allowed by law or in equity, and each of said rights and remedies may be exercised and enforced concurrently.

12. CAPTIONS. The captions contained in this Agreement are included only for convenience or reference and do not define, limit, explain or modify this Agreement or its interpretation, construction or meaning and are in no way to be construed as a part of this Agreement.

13. SEVERABILITY. If any provision of this Agreement or the application of any provision hereof to any person or any circumstance shall be determined to be invalid or unenforceable then such determination shall not affect any other provision of this Agreement or the application of such provision to any other person or circumstance, all of which other provisions shall remain in full force and effect, and it is the intention of each party to this Agreement that if any provision of this Agreement is susceptible of two or more constructions, one of which would render the provision enforceable and the other or others of which would render the provision unenforceable, then the provision shall have the meaning which renders it enforceable.

14. NUMBER AND GENDER. When used in this Agreement, the number and gender of each pronoun shall be construed to be such number and gender as the context, circumstances or its antecedent may require.

15. ENTIRE AGREEMENT. This Agreement constitutes the entire Agreement between the Company and the Optionee in respect of the subject matter of this Agreement, and this Agreement supersedes all prior and contemporaneous agreements between the parties hereto in connection with the subject matter of this Agreement, except that nothing herein shall be deemed to supersede or otherwise impair or invalidate that certain Stock Option Agreement dated August 7, 1996 between the Company and the Optionee. No change, termination or attempted waiver of any of the provisions of this Agreement shall be binding upon any party hereto unless contained in a writing signed by the party to be charged.

16. SUCCESSORS AND ASSIGNS. This Agreement shall inure to the benefit of and be binding upon the successors and assigns (including successive, as well as immediate, successors and assigns) of the Company.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed to be effective as of the date first written above.

COMPANY: THE SCOTTS COMPANY,
an Ohio corporation

By /s/ G. Robert Lucas

G. Robert Lucas
Its Senior Vice President

OPTIONEE: /s/ Charles M. Berger

CHARLES M. BERGER

EXHIBIT D

ARTICLE FIVE

INDEMNIFICATION AND INSURANCE

Section 5.01. Mandatory Indemnification The corporation shall indemnify any officer or director of the corporation who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (including, without limitation, any action threatened or instituted by or in the right of the corporation), by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, trustee, officer, employee, member, manager or agent of another corporation (domestic or foreign, nonprofit or for profit), limited liability company, partnership, joint venture, trust or other enterprise against expenses (including without limitation, attorney's fees, filing fees, court reporters' fees and transcript costs), judgments,

fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and with respect to any criminal action or proceeding, he had no reasonable cause to believe his conduct was unlawful. A person claiming indemnification under this Section 5.01 shall be presumed, in respect of any act or omission giving rise to such claim for indemnification, to have acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and respect to any criminal matter to have had reasonable cause to believe his conduct was unlawful and the termination of any action, suit or proceeding by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, rebut such presumption.

Section 5.02. Court Approved Indemnification. Anything contained in the Regulations or elsewhere to the contrary notwithstanding:

(A) the corporation shall not indemnify any officer or director of the corporation who was a party to any completed action or suit instituted by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, trustee, officer, employee, member, manager or agent of another corporation (domestic or foreign, nonprofit or for profit), limited liability company, partnership, joint venture; trust or other enterprise, in respect of any claim, issue or matter asserted in such action or suit as to which he shall have been adjudged to be liable for acting with reckless disregard for the best interests of the corporation or misconduct (other than negligence) in the performance of his duty to the corporation unless and only to the extent that the Court of Common Pleas of Union County, Ohio or the court in which such action or suit was brought shall determine upon application that, despite such adjudication of liability, and in view of all of the circumstances of the case, he is fairly and reasonably entitled to such indemnity as such Court of Common Pleas or such other court shall deem proper; and

(B) the corporation shall promptly make any such unpaid indemnification as is determined by a court to be proper as contemplated by this Section 5.02.

Section 5.03. Indemnification for Expenses. Anything contained in the Regulations or elsewhere to the contrary notwithstanding, to the extent that an officer or director of the corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 5.01, or in defense of any claim, issue or matter therein, he shall be promptly indemnified by the corporation against expenses (including, without limitation, attorneys' fees, filing fees, court reporters' fees and transcript costs) actually and reasonably incurred by him in connection therewith.

Section 5.04. Determination Required Any indemnification required under Section 5.01 and not precluded under Section 5.02 shall be made by the corporation only upon a determination that such indemnification of the officer or director is proper in the circumstances because he has met the applicable standard of conduct set forth in Section 5.01. Such determination may be made only (A) by a majority vote of a quorum consisting of directors of the corporation who were not

and are not parties to, or threatened with, any such action, suit or proceeding or (B) if such a quorum is not obtainable or if a majority of a quorum of disinterested directors so directs, in a written opinion by independent legal counsel other than an attorney, or a firm associated with it an attorney, who has been retained by or who has performed services for the corporation, or any person to be indemnified, within the past five years, or (C) by the shareholders, or by the Court of Common Pleas of Union County, Ohio or (if the corporation is a party thereto) the court in which such action, suit or proceeding was brought, if any; any such determination may be made by a court under division (D) of this Section 5.04 at any time [including, without limitation, any time before, during or after the time when any such determination may be requested of, be under consideration by or have been denied or disregarded by the disinterested directors under division (A) or by independent legal counsel under division (B) or by the shareholders under division (C) of this Section 5.04]; and no failure for any reason to make any such determination, and no decision for any reason to deny any such determination, by the disinterested directors under division (A) or by independent legal counsel under division (B) or by shareholders under division (C) of this Section 5.04 shall be evidence in rebuttal of the presumption recited in Section 5.01. Any determination made by the disinterested directors under division (A) or by independent legal counsel under division (B) of this Section 5.04 to make indemnification in respect of any claim, issue or matter asserted in an action or suit threatened or brought by or in the right of the corporation shall be promptly communicated to the person who threatened or brought such action or suit, and within ten days after receipt of such notification such person shall have the right to petition the Court of Common Pleas of Union County, Ohio or the court in which such action or suit was brought, if any, to review the reasonableness of such determination.

Section 5.05 Advances for Expenses. Expenses (including, without limitation, attorneys' fees, filing fees. court reporters' fees and transcript costs) incurred in defending any action, suit or proceeding referred to in Section 5.01 shall be paid by the corporation in advance of the final disposition of such action, suit or proceeding to or on behalf of the officer or director promptly as such expenses are incurred by him, but only if such officer or director shall first agree, in writing, to repay all amounts so paid in respect of any claim, issue or other matter asserted in such action, suit or proceeding in defense of which he shall not have been successful on the merits or otherwise:

(A) if it shall ultimately be determined as provided in Section 5.04 that he is not entitled to be indemnified by the corporation as provided under Section 5.01; or

(B) if, in respect of any claim, issue or other matter asserted by or in the right of the corporation in such action or suit, he shall have been adjudged to be liable for acting with reckless disregard for the best interests of the corporation or misconduct (other than negligence) in the performance of his duty to the corporation, unless and only to the extent that the Court of Common Pleas of Union County, Ohio or the court in which such action or suit was brought shall determine upon application that, despite such adjudication of liability, and in view of all the circumstances, he is fairly and reasonably entitled to all or part of such indemnification.

Section 5.06. Article FIVE Not Exclusive. The indemnification provided by this Article FIVE shall not be exclusive of, and shall be in addition to, any other rights to which any person

seeking indemnification may be entitled under the Articles or the Regulations or any agreement, vote of shareholders or disinterested directors, or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be an officer or director of the corporation and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 5.07 Insurance. The corporation may purchase and maintain insurance or furnish similar protection, including but not limited to trust funds, letters of credit or self-insurance, on behalf of any person who is or was a director. officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, trustee, officer, employee, member, manager or agent of another corporation (domestic or foreign, nonprofit or for profit), limited liability company, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the corporation would have the obligation or the power to indemnify him against such liability under the provisions of this Article FIVE. Insurance may be purchased from or maintained with a person in which the corporation has a financial interest.

Section 5.08. Certain Definitions. For purposes of this Article FIVE, and as examples and not by way of limitation:

(A) A person claiming indemnification under this Article FIVE shall be deemed to have been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 5.01 or in defense of any claim, issue or other matter therein, if such action, suit or proceeding shall be terminated as to such person, with or without prejudice, without the entry of a judgment or order against him, without a conviction of him, without the imposition of a fine upon him and without his payment or agreement to pay any amount in settlement thereof (whether or not any such termination is based upon judicial or other determination of the lack of merit of the claims made against him or otherwise results in a vindication of him); and

(B) References to an "other enterprise" shall include employee benefit; references to a "fine" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the corporation" shall include any service as a director, officer, employee or agent of the corporation which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries and a person who acted in good faith and in a manner he reasonably believed to be in the best interests of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the corporation" within the meaning of that term as used in this Article FIVE.

Section 5.09. Venue. Any action, suit or proceeding to determine a claim for indemnification under this Article FIVE may be maintained by the person claiming such indemnification, or by the corporation, in the Court of Common Pleas of Union County, Ohio. The corporation and (by claiming such indemnification) each such person consent to the exercise of jurisdiction over its or his person by the Court of Common Pleas of Union County, Ohio in any such action, suit or proceeding.

Exhibit 10(q)

Specimen Form of Stock Option Agreement for
Non-Qualified Stock Option

NAME

STOCK OPTION AGREEMENT
(Non-Qualified Stock Option)

THIS AGREEMENT is made to be effective as of DATE, by and between The Scotts Company, an Ohio corporation (the "Company"), and NAME (the "Optionee").

W I T N E S S E T H:

WHEREAS, the Board of Directors of the Company adopted The Scotts Company 1996 Stock Option Plan (the "1996 Plan") on February 12, 1996; and

WHEREAS, the shareholders of the Company approved the 1996 Plan at the Annual Meeting of Shareholders of the Company held on April 9, 1996; and

WHEREAS, the shareholders of the Company amended the 1996 Plan at the Annual Meeting of Shareholders of the Company held on March 12, 1997 to increase the number of shares authorized thereunder to 3,000,000; and

WHEREAS, the directors of the Company have further amended the 1996 Plan as permitted thereby; and

WHEREAS, the 1996 Plan, as amended, is hereinafter sometimes referred to as the "Plan"; and

WHEREAS, pursuant to the provisions of the Plan, the Board of Directors of the Company has appointed a Compensation and Organization Committee (the "Committee") to administer the Plan and the Committee has determined that an option to acquire common shares, without par value (the "Common Shares"), of the Company should be granted to the Optionee under the terms and conditions set forth in this Agreement;

NOW, THEREFORE, in consideration of the premises, the parties hereto make the following agreements, intending to be legally bound thereby:

1. Grant of Option. The Company hereby grants to the Optionee an option (the "Option") to purchase OPTION Common Shares of the Company. The Option shall be granted under the Plan. The Option is not intended to qualify as an incentive stock option under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

2. Terms and Conditions of the Option.

(A) Option Price. The purchase price (the "Option Price") to be paid by the Optionee to the Company upon the exercise of the Option shall be $PRICE per share (being 100% of the Fair Market Value (as that term is defined in the Plan) for the Common Shares of the Company on the date of grant of the Option), subject to adjustment as provided in Section 3.

(B) Exercise of the Option. The Option may be exercised on or after DATE with respect to 100% of the Common Shares subject to the Option.

Subject to the other provisions of this Agreement and to the provisions of the Plan, if the Option becomes exercisable as to certain Common Shares, it shall remain exercisable as to those Common Shares until the date of expiration of the term of the Option. The Committee may, but shall not be required to (unless otherwise provided in this Agreement or in the Plan), accelerate the schedule of the time or times when the Option may be exercised.

The grant of the Option shall not confer upon the Optionee any right to continue in the employment of the Company nor limit in any way the right of the Company to terminate the employment of the Optionee at any time in accordance with law and the Company's governing corporate documents.

(C) Option Term. The Option shall in no event be exercisable after the expiration of ten years from the above effective date.

(D) Method of Exercise. To the extent that any portion of this Option is exercisable, that portion of such Option may be exercised in whole or in part by delivering to Merrill Lynch a written notice of exercise, signed by the Optionee or, in the event of the death of the Optionee, by such other person as is entitled to exercise the Option. The notice of exercise shall state the number of full Common Shares in respect of which the Option is being exercised. Payment for all such Common Shares shall be made to the Company at the time the Option is exercised. The Option Price may be paid in cash (including check, bank draft or money order) in U.S. dollars, or with the consent of the Committee, by the transfer by the Optionee to the Company of free and clear Common Shares already owned by the Optionee having a Fair Market Value (as that term is defined in the Plan) on the exercise date equal to the Option Price, or by a combination of cash and Common Shares already owned by the Optionee equal in the aggregate to the Option Price for the Common Shares being purchased. After payment in full for the Common Shares to be purchased upon exercise of the Option has been made, the Company shall take all such action as is necessary to deliver appropriate share certificates evidencing the Common Shares purchased upon the exercise of the Option to the Optionee as promptly thereafter as is reasonably practicable.

(E) Satisfaction of Taxes and Tax Withholding Requirements.

The Company has the right to withhold, or require the Optionee to remit to the Company, an amount sufficient to satisfy any applicable federal, state or local withholding tax requirements. The Committee may permit the Optionee to elect (i) to have Common Shares otherwise issuable under the Plan withheld by the Company or (ii) to deliver to the Company free and clear Common Shares already owned by the Optionee having a Fair Market Value (as that term is defined in the Plan) on the exercise date sufficient to pay all or part of the Optionee's estimated total federal, state and local tax obligations.

3. Adjustments and Changes in the Common Shares. In the event of any share dividend or share split, recapitalization (including, without limitation, the payment of an extraordinary dividend), merger, consolidation, combination, spin-off, distribution of assets to shareholders, exchange of shares, or other similar corporate change, appropriate adjustments shall be made by the Committee in the number of Common Shares and Option Price applicable to the Option to reflect such change.

4. Change in Control Provisions. In the event of a Change in Control (as defined in the Plan), the Option shall be canceled in exchange for the payment to the Optionee of cash in an amount equal to the excess of the highest price offered in conjunction with the Change in Control or paid for Common Shares of the Company during the preceding 30 trading day period over the exercise price for such Option. Notwithstanding the foregoing, if the Committee determines that the Optionee will receive a new award (or have the Option honored) in a manner which preserves its value and eliminates the risk that the value of the Option will be forfeited due to involuntary termination, no cash payment will be made as a result of a Change in Control. If any cash payment with respect to the Option would result in the Optionee's incurring potential liability under Section 16(b) of the Securities Exchange Act of 1934, the cash payment will not occur unless and until such cash payment can be made without subjecting the individual to such potential liability.

5. Nontransferability of the Option. With the permission of the Committee, the Optionee may transfer the Option to a revocable inter vivos trust as to which the Optionee is the settlor or to a Permissible Transferee (as that term is defined in the Plan). Any transferee of the Option shall remain subject to all of the terms and conditions applicable to the Option. The Option may not be retransferred by a Permissible Transferee except by will or by the laws of descent and distribution and then only to another Permissible Transferee. The Option may not otherwise be transferred except by will or by the laws of descent and distribution and, during the lifetime of the Optionee, may be exercised only by the Optionee, his guardian or legal representative.

6. Exercise After Termination of Employment.

(A) In the event of the termination of the Optionee's employment by reason of retirement, Disability (as that term is defined in the Plan), or death, the Option may thereafter be exercised in full for a period of five years, subject to the stated term of the Option.

(B) In the event of the Optionee's termination of employment for Cause (as that term is defined in the Plan), the Option shall be forfeited.

(C) In the event of the Optionee's termination of employment for any reason other than retirement, Disability, death or for Cause, the Option shall be exercisable, to the extent exercisable at the date of termination of employment, for a period of 90 days, subject to the stated term of the Option.

7. Limitations on Exercisability Following Termination of Employment. After termination of the Optionee's employment, the Option shall not be exercisable unless the Optionee has, during the period of exercisability of the Option, (a) refrained from serving as an officer, director or employee of any individual, partnership or corporation, or the owner of a business, or a member of a partnership, which conducts business in competition with the Company or renders any service (including, without limitation, advertising agencies and business consultants) to competitors with any portion of the Company's business, (b) been available, if so requested by the Company, at reasonable times and upon a reasonable basis, to consult with, supply information to, or otherwise cooperate with, the Company, and (c) refrained from engaging in a deliberate action which the Committee shall determine has caused substantial harm to the interests of the Company. If any of the foregoing conditions is not satisfied, the Committee may require the Optionee to forfeit the Option to the extent not exercised prior to the breach of the condition.

8. Restrictions on Transfer of Common Shares. Anything contained in this Agreement or elsewhere to the contrary notwithstanding:

(A) The Option shall not be exercisable for the purchase of any Common Shares subject thereto except for:

(i) Common Shares subject thereto which at the time of such exercise and purchase are registered under the Securities Act of 1933, as amended (the "1933 Act");

(ii) Common Shares subject thereto which at the time of such exercise and purchase are exempt or are the subject matter of an exempt transaction or are registered by description, by coordination or by qualification, or at such time are the subject matter of a transaction which has been registered by description, all in accordance with Chapter 1707 of the Ohio Revised Code, as amended; and

(iii) Common Shares subject thereto in respect of which the laws of any state applicable to such exercise and purchase have been satisfied.

(B) If any Common Shares subject to the Option are sold or issued upon the exercise thereof to a person who (at the time of such exercise or thereafter) is an affiliate of the Company for purposes of Rule 144 promulgated under the 1933 Act, then upon such sale and issuance:

(i) such Common Shares shall not be transferable by the holder thereof, and neither the Company nor its transfer agent or registrar, if any, shall be required to register or otherwise to give effect to any transfer thereof and may prevent any such transfer, unless the Company shall have received an opinion from its counsel to the effect that any such transfer would not violate the 1933 Act; and

(ii) the Company may cause each share certificate evidencing such Common Shares to
bear a legend reflecting the applicable restrictions on the transfer thereof.

(C) Any share certificate evidencing Common Shares issued pursuant to the exercise of the Option may bear such legends and statements as the Company shall deem advisable to ensure compliance with applicable federal and state laws and regulations.

(D) Nothing contained in this Agreement or elsewhere shall be construed to require the Company to take any action whatsoever to make the Option exercisable or to make transferable any Common Shares purchased and issued upon the exercise of the Option.

9. Rights of the Optionee as a Shareholder. The Optionee shall have no rights or privileges as a shareholder of the Company with respect to any Common Shares of the Company covered by the Option until the date of issuance and delivery of a certificate to the Optionee evidencing such Common Shares.

10. Plan as Controlling. All terms and conditions of the Plan applicable to the Option which are not set forth in this Agreement shall be deemed incorporated herein by reference. In the event that any term or condition of this Agreement is inconsistent with the terms and conditions of the Plan, the Plan shall be deemed controlling.

11. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Ohio.

12. Rights and Remedies Cumulative. All rights and remedies of the Company and of the Optionee enumerated in this Agreement shall be cumulative and, except as expressly provided otherwise in this Agreement, none shall exclude any other rights or remedies allowed by law or in equity, and each of said rights or remedies may be exercised and enforced concurrently.

13. Captions. The captions contained in this Agreement are included only for convenience of reference and do not define, limit, explain or modify this Agreement or its interpretation, construction or meaning and are in no way to be construed as a part of this Agreement.

14. Severability. If any provision of this Agreement or the application of any provision hereof to any person or any circumstance shall be determined to be invalid or unenforceable, then such determination shall not affect any other provision of this Agreement or the application of such provision to any other person or circumstance, all of which other provisions shall remain in full force and effect, and it is the intention of each party to this Agreement that if any provision of this Agreement is susceptible of two or more constructions, one of which would render the provision enforceable and the other or others of which would render the provision unenforceable, then the provision shall have the meaning which renders it enforceable.

15 Number and Gender. When used in this Agreement, the number and gender of each pronoun shall be construed to be such number and gender as the context, circumstances or its antecedent may require.

16. Entire Agreement. This Agreement constitutes the entire Agreement between the Company and the Optionee in respect of the subject matter of this Agreement, and this Agreement supersedes all prior and contemporaneous agreements between the parties hereto in connection with the subject matter of this Agreement. No change, termination or attempted waiver of any of the provisions of this Agreement shall be binding upon any party hereto unless contained in a writing signed by the party to be charged.

17. Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors and assigns (including successive, as well as immediate, successors and assigns) of the Company.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed to be effective as of the date first written above.

COMPANY:

The Scotts Company,
an Ohio corporation

By:

G. Robert Lucas
Its: Sr. Vice President, General Counsel

OPTIONEE: OPTIONEE NAME

Signature of Optionee
SSN:

Exhibit 10(s)

Letter Agreement, dated December 17, 1997, between the Registrant and William R. Radon

December 17, 1997

Mr. William R. Radon

Dear Bill:

I'm pleased to extend an offer of employment as Senior Vice President, Information Technology of The Scotts Company, reporting to me, effective January 31, 1998. This position will be a Corporate Executive Officer and a member of the Executive Committee.

Base Salary, Sign On Bonus and Executive Incentive Plan

Your initial annual base salary is $200,000 with a target bonus under the Executive Incentive Plan of 40% of salary. Your fiscal 1998 bonus will not be prorated, i.e., you will be eligible for the full year bonus opportunity. You will also receive a $50,000 sign on bonus.

Stock Options

In addition, as a key member of the Management Team, your initial grant of stock options is 48,000 which will be priced at the closing "asked" price on the day you officially join the company. These stock options will vest: 16,000 after your first year, 16,000 after two years of employment and 16,000 after three years of employment. You will receive a separate option agreement.

Scope of Responsibilities

You will be responsible for all Information Technologies worldwide, including hardware and telecommunications infrastructure and software systems implementation. You will also serve as the Scotts leader for process improvement.

Relocation
- ----------

You will be covered under Scotts Relocation Policy for your move to the Columbus area. A copy of the relocation policy is enclosed. We utilize PHH Relocation Services for relocation. Temporary housing for you until your family moves in the Spring will be at Scotts expense.

Car Allowance
- -------------

Scotts will provide you with a car allowance of $10,000/year, paid on a monthly basis . In accordance with IRS regulations, the value of this car allowance will be reflected in your W-2. It is our understanding that you may deduct that part of this value which is for business purposes.

Personal Financial Planning
- ---------------------------

Personal financial planning is also provided through Ayco Corporation. The value of this confidential service is similarly added to your W-2. Some or all of this value may be tax deductible.

Benefit Programs
- ----------------

You are eligible for inclusion in Scotts benefit programs which are outlined in the information previously provided. Specific benefits include: Medical Coverage, Dental Coverage, Group Life Insurance, Short and Long Term Disability Coverage and Supplemental Long Term Disability Coverage. Full benefit coverage under The Scotts Company Comprehensive Benefit Program will be in effect the first of the month following your employment date. This coverage includes participation in our health insurance, dental program, and our life insurance programs, including group life, accidental dealth, travel insurance and Scotts Retirement Savings Plan. You will be eligible with disability coverage once you meet the required waiting period.

Vacation
- --------

As agreed, you will receive 20 working days vacation upon joining the company.

As we discussed, this offer is contingent upon satisfactory completion of the mandatory drug screen required of all Scott associates.

* * *

Bill, I take great pleasure in extending you this offer. Your addition to the Scotts' team will solidify our effort to drive the business forward. As a key player in our team, all of us will extend our resources in support of your efforts. We truly look forward to your joining the Scotts family.

Sincerely,

/s/ Jean H. Mordo
- ----------
Jean H. Mordo
Executive Vice President and
Chief Financial Officer

ACCEPTANCE:

/s/ William R. Radon 12/19/97 (Date)
- ---------- ----------
William R. Radon

Exhibit 10(t)

Letter Agreement, dated March 30,1998, between the Registrant and William A. Dittman

James Hagedorn
Executive Vice President

March 30, 1998

Bill Dittman

Dear Bill,

I am very pleased to extend you the offer for the position of Senior Vice President, Organics Business Group of The Scotts Company reporting to me.

As discussed, this offer is contingent upon the approval of the Board's Compensation and Organization Committee.

Base Salary and Executive Incentive Plan
- ----------

Your initial annual base salary will be $195,000 with a targeted bonus under the Executive Incentive Plan of 40% of salary. You will be placed in the Senior Vice President Band H.

Stock Options
- ----------

You will receive a grant of 25,000 stock options which will be priced at the closing "asked" price on the effective date of your promotion.

Car Allowance
- ----------

Your car allowance will be increased to $10,000 per year.

Relocation
- ----------

As we briefly discussed, you will be covered under Scotts comprehensive relocation program which is coordinated by Cendant Mobility. Rosemary Smith will provide assistance with your relocation.

Bill, the Company and I take pleasure in extending you this offer. Your move to the Organic Business Group will solidify our team effort to drive the business forward. As a key player with the U.S. Business Group, all of us at Scotts will extend our resources in support of your efforts.

Sincerely,

/s/ James Hagedorn

James Hagedorn
Executive Vice President
U.S. Business Groups

Accepted:

/s/ Bill Dittman
- ---
Bill Dittman

4/15/98 (Date)

Exhibit 10(u)

Amended and Restated Exclusive
Agency and Marketing Agreement
dated as of September 30, 1998
between Monsanto Company and The Scotts Company

AMENDED AND RESTATED EXCLUSIVE AGENCY AND MARKETING AGREEMENT

BY AND BETWEEN

MONSANTO COMPANY

AND

THE SCOTTS COMPANY

SEPTEMBER 30, 1998

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AMENDED AND RESTATED EXCLUSIVE AGENCY AND MARKETING AGREEMENT

THIS AMENDED AND RESTATED EXCLUSIVE AGENCY AND MARKETING AGREEMENT by and between Monsanto Company, a Delaware corporation ("Monsanto"), and The Scotts Company, an Ohio corporation (the "Agent"), shall be deemed effective as of September 30, 1998, and amended and restated as of November 11, 1998, and shall supersede in its entirety the previous such agreement between the parties hereto, dated as of September 30, 1998. Monsanto and the Agent are some times referred to herein as the "parties."

WITNESSETH:

WHEREAS, Monsanto is engaged in the research, development, and commercialization of certain agricultural products;

WHEREAS, Monsanto has developed and sells Roundup Products (as defined below) and is the exclusive owner of all rights, patents, licenses, and trademarks associated therewith, and possesses the knowledge, know-how, technical information, and expertise regarding the process and manufacture of Roundup Products;

WHEREAS, the Agent has certain expertise in the promotion, distribution, marketing, and sale of home and garden products;

WHEREAS, except to the extent that Central (as defined below) remains a nonexclusive agent and distributor of Roundup Products prior to the termination of the Central Agreements (as defined below), Monsanto does not currently possess, nor desire to establish, a distribution system for Roundup Products;

WHEREAS, the Agent's distribution system is well-suited for the promotion, distribution, marketing, and sale of Roundup Products;

WHEREAS, Monsanto desires that the Agent serve as Monsanto's exclusive agent for the marketing and distribution of Roundup Products, and the Agent desires to so serve, all on the terms set forth in this Agreement; and

NOW, THEREFORE, in consideration of the foregoing, the terms and provisions contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

ARTICLE 1- DEFINITIONS AND RULES OF CONSTRUCTION

SECTION 1.1 DEFINITIONS. As used herein, the following terms shall have the meanings ascribed to them below:

"Acquiror" shall have the meaning as set forth in the definition of a "Change of Significant Ownership."

"Affiliate" of a person or entity shall mean: (i) any other person or entity directly, or indirectly through one or more intermediaries, controlling, controlled by, or under common control with such person or entity, (ii) any officer, director, partner, member, or direct or indirect beneficial owner of any 10% or greater of the equity or voting interests of such person or entity, or (iii) any other person or entity for which a person or entity described in clause (ii) acts in such capacity.

"Agent" means The Scotts Company, an Ohio corporation.

"Ag Market" means professionals who purchase and use Roundup Ag Products for Ag, professional and industrial uses.

"Annual Business Plan" shall have the meaning set forth in Section 2.2(a) hereof.

"Approved Expense" shall have the meaning set forth in Section 3.3(a) hereof.

"Allocated" means allocated pursuant to the Allocation Rules set forth in Schedule 3.3(c) hereof.

"Assigned Employees" shall have the meaning set forth in Section 4.3(b) hereof.

" Budget" shall have the meaning set forth in Section 3.3(a) hereof.

"Business Unit" shall have the meaning set forth in Section 4.3(a).

"Central" means Central Garden & Pet Company, a Delaware corporation.

"Central Agreements" means collectively, that certain Master Agreement by and between The Solaris Group ("Solaris"), a strategic business unit of Monsanto, and Central, dated as of July 21, 1995; that certain Exclusive Agency and Distributor Agreement by and between Solaris and Central, dated as of July 21, 1995; that Compensation Agreement by and between Solaris and Central, dated as of July 21, 1995; that Implementation and Transition Agreement by and between Solaris and Central, dated as of July 21, 1995.

"Change of Control" means, with respect to a Person, (i) the acquisition after the date hereof by any individual (or group of individuals acting in concert), corporation, company,

association, joint venture or other entity, of beneficial ownership of 50% or more of the voting securities of such Person; or (ii) the consummation by such Person of a reorganization, merger or consolidation, or exchange of shares or sale or other disposition of all or substantially all of the assets of such Person, if immediately after giving effect to such transaction the individuals or entities who beneficially own voting securities immediately prior to such transaction beneficially own in the aggregate less than 50% of such voting securities immediately following such transaction excluding the merger or similar transaction currently contemplated between Monsanto and American Home Products; or (iii) the consummation by such Person of the sale or other disposition of all or substantially all of the assets of such Person other than to an Affiliate of such Person; or (iv) the consummation by such Person of a plan of complete liquidation or dissolution of such Person.

"Change of Significant Ownership" means, with respect to a Person, (i) the acquisition (by purchase, reorganization, merger, consolidation, exchange of shares, or otherwise), by any individual (or group of individuals acting in concert), corporation, company, association, joint venture, or other entity (collectively, the "Acquiror"), but excluding any member of the Hagedorn family or their respectively controlled entities, of beneficial ownership of 25% or more of the voting securities of such Person; and (ii) such Acquiror (A) currently engages (directly or through its Affiliates) in the manufacture, sale, marketing, or distribution of any product containing Glyphosate or any similar active ingredient, or (B) currently sells, markets, or distributes (directly or through its Affiliates) any product(s) in the Lawn and Garden Channels for Lawn and Garden Use, which such product(s), in Monsanto's reasonable commercial opinion, compete in a material manner with Roundup Products, or (C) may, in Monsanto's reasonable commercial opinion, materially detract from, or diminish, the Agent's ability to fulfill its duties and obligations with regard to the Roundup Business, or (D) competes in any material respect with Monsanto in Monsanto's "Ag" (including seed) or biotech businesses.

"Commission" shall have the meaning set forth in Section 3.6(a) hereof.

"Commission Statement" means, for any given Program Year, the statement prepared by the Agent on behalf of Monsanto pursuant to Section 3.6(c) detailing Program EBIT and the amount of the Commission for such Program Year.

"Conflict" shall have the meaning set forth in Section 7.1 hereof.

"Conflicting Provision" shall have the meaning set forth in Section 7.3 hereof.

"Contribution Payment" shall have the meaning set forth in Section 3.5(a) hereof.

"Cost of Goods Sold" means, for any given Program Year, the aggregate cost, as determined in accordance with GAAP applied on a consistent basis, of Roundup Products sold for such Program Year; provided, however, in computing this amount, the cost of Glyphosate, which is a component of this Cost of Goods Sold, shall equal the amount set forth in the Transfer Price, for such Program Year.

"Customers" means, with respect to the Included Markets, any Lawn and Garden Channel purchaser of Roundup Products for resale to the Lawn and Garden Market.

"EDI" means electronic data interchange.

"Effective Date" means September 30, 1998.

"Egregious Injury" means the occurrence of an event (caused directly or indirectly by an act or omission of the Agent, its officers, directors, or Affiliates), that in Monsanto's reasonable commercial opinion, has a material adverse effect on the Roundup L&G Business, the Roundup brand or the agricultural Roundup market; provided, however, no such event shall be deemed to be an Egregious Injury if such event (or the act or omission resulting in such event) resulted from the exercise by Monsanto's Ag president of his or her right of veto, or was caused primarily by an act or omission of Monsanto or its Affiliates, and such result or causal link, as the case may be, shall be demonstrated by the Agent.

"EU Countries" means each country belonging (by treaty or otherwise) to the world organization commonly known as the European Union.

"EU Term" shall have the meaning set forth in Section 10.1 hereof.

"Event of Default" shall have the meaning set forth in Section 10.4(b) hereof.

"Excluded Markets" means each country not expressly set forth in the Included Markets.

"Expense(s)" shall mean any expense or cost, direct or Allocated, incurred by either party in connection with the Roundup L&G Business, including (i) general, marketing, administrative and technical costs or expenses which shall include (a) 50% of the Allocated cost of the salary and bonus of the members of the Global Support Team, (b) 100% of the Allocated cost of the salary and bonus of the Assigned Employees and (c) the Allocated portion of the salary and bonus of the employees of Agent's Business Units to the extent such employees are working on matters related to the Roundup L&G Business, (ii) service costs directly related to the Roundup L&G Business, including any expenses due under the Central Agreement, and (iii) any capital expenses approved by the Steering Committee.

"FIFRA" means the Federal Insecticide, Fungicide and Rodenticide Act, 7 U.S.C.A. Section 135, et seq., as amended.

"Formulation Agreement" means that certain Formulation Agreement by and between Monsanto and the Agent for the manufacture and packaging by the Agent of Roundup Products solely for North America to be entered by the parties upon closing of the sale of the Non-Roundup Assets.

"GAAP" means generally accepted accounting principles as applied as of the Effective Date, as referred to in paragraphs 10 and 11 of the American Institute of Certified Public Accountants Statement on Auditing Standards No. 69.

"Global Support Team" shall have the meaning set forth in Section 4.4(a) hereof.

"Glyphosate" means N-phosphonomethylglycine in any form, including, but not limited to its acids, esters, and salts.

"Import Price" means an amount within $0.75 of the weighted average import statistics price on approved Glyphosate, expressed in U.S. Dollars per kg of Glyphosate acid equivalent 100%; provided, however, if such statistic is not available for a particular country within the Included Markets, then the amount shall be within $0.75 of the weighted average price on approved Glyphosate for Argentina, plus such additional amounts which Monsanto reasonably determines to equal all additional costs which it would otherwise incur to import Glyphosate to such country (including, without limitation, import duties, shipping, and broker fees).

"Included Markets" means each country listed on Schedule 1.1(a); provided, however, Schedule 1.1(a) may be amended from time to time in the reasonable discretion of the Steering Committee, upon either the Agent, Monsanto, or the Global Support Team proposing to the Steering Committee such terms and conditions of amendment, including a proposed (i) term (i.e., duration of amendment), (ii) adjustment to the calculation for the Commission, and (iii) adjustment to the Commission Thresholds, provided, however, the proposal for inclusion of a new country demonstrates, in the reasonable opinion of the Steering Committee (x) the existence of, or the potential for, a distinct and profitable Lawn & Garden market, (y) the value added by the Agent in terms of sales and distribution network and synergies, and (z) the lack of adverse impact on Monsanto's existing agricultural Roundup market.

"Income Taxes" means federal, state, local, or foreign taxes imposed on net income or profits; provided, however, such term shall not include any "sales or use" taxes or "ad valorem" taxes (as such terms are customarily used) imposed on or resulting from the sale of Roundup Products.

"Industrial Property" shall have the meaning set forth in Section 6.14 hereof.

"Insolvency" of the Agent means that the Agent is generally not paying its debts as they become due, or admits in writing its inability to pay its debts generally, or makes a general assignment for the benefit of creditors or institutes any proceeding or voluntary case seeking to adjudicate it a bankrupt or insolvent or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief or protection of debtors, or seeks the entry of any order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property; or the Agent takes any action to authorize any of the actions described above in this definition, or any proceeding is instituted

against the Agent seeking to adjudicate it a bankrupt or insolvent or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief or protection of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property, and, as to any such proceeding, if being contested by the Agent in good faith, such proceedings remain undismissed or unstayed for a period of sixty (60) days.

"Lawn and Garden Channels" include: (i) retail outlets primarily serving the Lawn and Garden Market; (ii) independent nurseries and hardware co-ops; (iii) home centers (like Home Depot or Lowes); (iv) mass merchants (like Wal-Mart or K-Mart); (v) membership/warehouse clubs serving the Lawn and Garden Market; and (vi) other current or future channels of trade generally accepted and practiced as Lawn and Garden channels in the industry as may be determined from time to time by the Steering Committee.

"Lawn and Garden Employee" shall have the meaning set forth in Section 6.13(e).

"Lawn and Garden Market" means non-professionals who purchase and use Roundup Products for Lawn and Garden Uses.

"Lawn and Garden Use" means (a) Residential Use as defined in 40 C.F.R. 152.3(u), and (b) any use for which a pesticide can be registered for use under FIFRA or other statutes, rules and regulations throughout the Included Markets in connection with vegetation control in, on or around homes, residential lawns, and residential gardens.

"Laws" shall mean, with respect to any country, such country's statutes, regulations, rules, ordinances, or all other applicable laws.

"MM" means after each number million in U.S. Dollars.

"Marketing Fee" shall have the meaning as set forth in Section 3.7 hereof.

"MAT Expenses" means the expenses related to the Roundup L&G Business specified as such in Schedule 3.3(c).

"Material Breach" shall mean:

(a) as to the Agent, a breach of this Agreement, which, as initially determined by Monsanto, with the written agreement of the Agent, or as determined by the Arbitrators pursuant to Section 10.4(g) of this Agreement: (i) is material; (ii) has not been cured within ninety (90) days after written notice thereof has been provided to Agent in accordance with Section 11.9 hereof; and (iii) is not remediable either by the payment of damages by Agent to Monsanto or by a decree of specific performance issued against Agent.

(b) as to Monsanto, a breach of this Agreement, which, as initially determined by Agent, with the written agreement of Monsanto, or as determined by the Arbitrators pursuant to Section 10.4(g) of this Agreement: (i) is material; (ii) has not been cured within ninety (90) days after written notice thereof has been provided to Monsanto in accordance with Section 11.9 hereof; and (iii) is not remediable either by the payment of damages by Monsanto to Agent or by a decree of specific performance issued against Monsanto.

"Material Fraud" shall mean:

(a) as to Agent, one or more fraudulent acts or omissions committed by Agent or its officers or employees, which, as initially determined by Monsanto, with the written agreement of the Agent, or as determined by the Arbitrators pursuant to Section 10.4(g) of this Agreement: (i) is material; (ii) was engaged in with the intent to deceive Monsanto; and (iii) either a) has not been cured within ninety (90) days after written notice thereof has been provided to Agent in accordance with Section 11.9 hereof, or b) cannot be cured in the commercially reasonable opinion of Monsanto, and, if applicable, the Arbitrators.

(b) as to Monsanto, one or more fraudulent acts or omissions committed by Monsanto or its officers or employees, which, as initially determined by Agent, with the written agreement of Monsanto, or as determined by the Arbitrators pursuant to Section 10.4(g) of this Agreement: (i) is material; (ii) was engaged in with the intent to deceive Agent; and (iii) either a) has not been cured within ninety (90) days after written notice thereof has been provided to Monsanto in accordance with Section 11.9 hereof, or b) cannot be cured in the commercially reasonable opinion of Agent, and, if applicable, the Arbitrators.

"Material Willful Misconduct" shall mean:

(a) as to Agent, one or more acts or omissions committed by Agent or its officers or employees, which, as initially determined by Monsanto, with the written agreement of the Agent, or as determined by the Arbitrators pursuant to Section 10.4(g) of this Agreement: (i) is material; (ii) constitutes willful misconduct; and (iii) either a) has not been cured within ninety (90) days after written notice thereof has been provided to Agent in accordance with Section 11.9 hereof, or b) cannot be cured in the commercially reasonable opinion of Monsanto, and, if applicable, the Arbitrators.

(b) as to Monsanto, one or more acts or omissions committed by Monsanto or its officers or employees, which, as initially determined by Agent, with the written agreement of Monsanto, or as determined by the Arbitrators pursuant to Section 10.4(g) of this Agreement: (i) is material; (ii) constitutes willful misconduct; and (iii) either a) has not been cured within ninety (90) days after written notice thereof has been provided to Monsanto in accordance with Section 11.9 hereof, or b) cannot be cured in the commercially reasonable opinion of Agent, and, if applicable, the Arbitrators.

"Monsanto" means Monsanto Company, a Delaware corporation.

"Netbacks" means the expenses related to the Roundup L&G Business specified as such in Schedule 3.3(c).

"Net Commission" shall have the meaning set forth in Section 3.5(b) hereof.

"New Product" shall have the meaning set forth in Section 6.11 hereof.

"Non-Roundup Assets" means the Lawn and Garden business of the Solaris division of Monsanto, comprised of all products other than the Roundup Products being sold separately to the Agent by Monsanto.

"North America" means the United States of America, Canada and Puerto Rico.

"Person" means an individual, partnership, limited liability company, joint venture, association, corporation, trust, or any other legal entity.

"Prime Rate" means, on any given date, the prime rate as published in the Wall Street Journal, for such date or, if not published therein, in another publication having national distribution.

"Product Offer" shall have the meaning set forth in Section 6.11 hereof.

"Program EBIT" means, for any given Program Year, the amount of Program Sales Revenues for such Program year, less the amount of Program Expenses for such Program Year, provided, however, for purposes of determining the Agent's Commission, (i) the amount of the Program EBIT for the 1999 Program Year (as otherwise determined herein) shall be increased by an amount equal to $15MM, (ii) the portion of the aggregate amount representing product returns, inventory not salable in the ordinary course of business, bad debts on trade accounts receivable or any other charge-offs of trade or other receivables which in total exceeds $4MM for the Program Year 1999 shall not be part of the Program Expenses for such Program Year, and (iii) any and all expenses with respect to any Program Year prior to 1999 shall be excluded from Program Expenses for the 2000 Program Year and thereafter, except to the extent any such item is fully reserved as of the Effective Date.

"Program Expenses" means, for any given Program Year, applied on a consistent basis and in accordance with GAAP and the terms of this Agreement, the sum (without duplication) of (i) the aggregate Approved Expenses for such Program Year and (ii) the Cost of Goods Sold for such Program Year.

"Program Sales Revenue" means, for any given Program Year, applied on a consistent basis and in accordance with GAAP, all revenues received or accrued by any party hereto from the sale of Roundup Products, less reasonable amounts for returns and credits, consistent with past practice.

"Program Year" means the period of time beginning on October 1st of a specific calendar year and ending on September 30th of the immediately following calendar year, or such shorter period if a particular Program Year starts or ends in the middle of such Program Year. For example, the first Program Year during the term of this Agreement shall be the 1999 Program Year (i.e., commencing October 1, 1998 and ending September 30, 1999).

"Quarter" means any consecutive three-month period of a calendar year.

"Roundup L&G Business" means the marketing, sale, and distribution of Roundup Products through Lawn and Garden Channels to the Lawn and Garden Market for Lawn and Garden Uses.

"Roundup Bank Accounts" shall have the meaning set forth in section 3.2(d) hereof.

"Roundup P&L" shall have the meaning set forth in Section 3.2(a) hereof.

"Roundup Products" means (i) for each of the specific countries part of the Included Markets the products registered for sale solely for Lawn and Garden Uses under a primary or alternate brand now containing the Roundup or Ortho Kleeraway trademarks as listed on Schedule 1.1(d) attached hereto in the specific container sizes and formulations described thereon, it being understood that any change of container size or formulation in any given country part of the Included Markets shall require the approval of the Steering Committee, and (ii) such products as may be added from time to time by mutual agreement of the parties in accordance with the terms of this Agreement.

"Roundup Records" shall have the meaning as set forth in Section 6.4 hereof.

"Roundup Sale" means (i) any sale, transfer, assignment or other disposition of all or substantially all of the assets or capital stock of the Roundup L&G Business or (ii) the license of all or substantially all of the Industrial Property.

"Sell-Through Business" means, with respect to any region, unit volume sales determined by Program Year point-of-sale unit movement at those Customers for which measurable data on a consistent basis is reasonably available and which (i) are among the top 20 Customers in such region for each of the Program Years in question and (ii) provide measurable data on a consistent basis for each of the Program Years in question. Such point-of-sale information shall be based on census data gathered from such top 20 Customers and transmitted via electronic data interchange (EDI) on a weekly reported basis.

"Significant Deviation" shall have the meaning set forth in Section 4.3(c) hereof.

"Steering Committee" shall have the meaning set forth in Section 4.1 hereof.

"Transfer Price" equals, for any given Program Year, expressed in kg of Glyphosate acid on a 100% acid equivalent basis, the following amounts:

Program Years 1999-2001: Transfer Price equals *; and

Program Year 2002 and each subsequent Program Year: Transfer Price equals the Import Price.

"USEPA" means the United States Environmental Protection Agency.

SECTION 1.2. RULES OF CONSTRUCTION AND INTERPRETATION.

(a) Section References. When a reference is made in this Agreement to an Article, Section, Paragraph, Exhibit or Schedule such reference shall be to an Article, Section or Paragraph of, or an Exhibit or Schedule to, this Agreement unless otherwise indicated. Unless otherwise indicated, the words "herein," "hereof," "hereunder" and other words of similar import refer to this Agreement as a whole, and not to any particular Article, Section, Paragraph or clause in this Agreement.

(b) Construction. Unless the context of this Agreement clearly requires otherwise: (i) references to the plural include the singular and vice versa, (ii) "including" is not limiting and (iii) "or" has the inclusive meaning represented by the phrase "and/or."

(c) Headings. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

(d) No Interpretation against Author. For purposes of contract interpretation the parties to this Agreement agree they are joint authors and draftspersons of this Agreement.

(e) Conflicts with related Documents. The parties contemplate that various forms, including forms for submitting purchase orders, acceptance of orders, shipping and transportation, will be used in carrying out this Agreement. In the event of conflict between any such forms or other documents of like import and this Agreement, the provisions of this Agreement shall be controlling.

ARTICLE 2 - EXCLUSIVE AGENCY AND DISTRIBUTORSHIP

SECTION 2.1. APPOINTMENT OF THE EXCLUSIVE AGENT. Subject to the terms and conditions hereof, Monsanto hereby appoints and agrees to use the Agent, and the Agent hereby agrees to serve, as Monsanto's exclusive agent in the Lawn and Garden Market, commencing on the Effective Date, to provide certain services in connection with Monsanto's marketing, sales, and distribution of Roundup Products to Customers within the Included Markets. Except as otherwise provided in this Agreement, commencing on the Effective Date, Monsanto shall exclusively use the Agent for the performance of all of the services contemplated by this Agreement.

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* Confidential provision omitted and filed separately with the Securities and Exchange Commission.

SECTION 2.2. THE AGENT'S OBLIGATIONS AND STANDARDS.

(a) Services to be Performed by the Agent.

(i) It is the anticipation of the parties that for the duration of the term of the Central Agreements, Central and its subagents and subdistributors will continue to perform its duties and obligations under the Central Agreements, and Monsanto's payments to Central for services provided by Central, subagents and subdistributors with respect to the 1999 Program Year only, under the Central Agreements as amended or renegotiated, it being the intention of the parties to amend or terminate the Central Agreements prior to the end of the 1999 Program Year, shall be included in the Expenses payable under this Agreement.

(ii) It is the understanding of the parties that the Agent currently is not able to perform all or part of the services described hereunder and that Monsanto shall perform such services, or have such services performed, during a certain transition period which may vary according to region and service being contemplated. Accordingly the parties agree to negotiate in good faith and agree, within ninety (90) days from the date of this Agreement, on the terms and conditions pursuant to which Monsanto shall continue to perform or have performed on its behalf, all or part of the services referred to hereunder, provided (x) Monsanto shall provide such services on a basis necessary to service the Customer's needs and in accordance with the Budget prescribed in the 1999 Program Year Annual Business Plan, and (y) Monsanto shall be solely responsible for any MAT Expenses in excess of the amount provided therefor in such Budget incurred with respect to any such transition services wherever performed. Upon agreement of the parties, such terms and conditions shall be attached as Schedule 2.2(a)(ii) and shall be deemed to form a part of this Agreement ab initio. Such Schedule 2.2(a)(ii) shall contain but not be limited to, the allocation rules applicable in any such region, the prior written notice to be given by the Agent to Monsanto prior to taking over the performance of any given service, the amount of severance cost, if any, which shall be shared by the Agent in case of termination of such Monsanto employee(s) in charge of performing the service being terminated, the obligations of each party with regard to data information, order processing and invoicing, and the Agent's right of audit.

Notwithstanding the foregoing, and excluding any duties or obligations which Central continues to perform for the duration of the Central Agreements or Monsanto during the above-mentioned transition period, the Agent shall perform some or all of the following duties and obligations within the parameters and to the extent required to implement the Annual Business Plan approved by the Steering Committee:

(1) SALES. Pursuant to the Annual Business Plan, the Agent shall perform selling, sales management, and other services related to the sale of Roundup Products.

(2) MERCHANDISING AND IN-FACILITY SERVICES. The Agent shall perform in-store merchandising, store set-up, and other services related to the in-store promotion of Roundup Products.

(3) WAREHOUSING AND INVENTORY.

(i) Warehousing. The Agent shall arrange for warehouse services for all Roundup Products until such time as the products are delivered to proper carriers. The Agent agrees to comply with all applicable environmental rules and regulations in owning or operating any warehouse.

(ii) Inventory. The Agent shall be responsible for:

- coordinating and staffing annual physical inventory for all Roundup Products (including raw materials, packaging- when the Agent shall formulate under the Formulation Agreement- and finished goods). Physical inventories shall be conducted by September 30 of every calendar year and Monsanto shall have the right to request physical counts on specific product at any time upon reasonable request (which shall be at Monsanto's cost if there are more than two such counts in any Program Year) and to observe or conduct physical counts with Monsanto's representatives;

- reconciling the physical inventory to perpetual records;

- physically moving the Roundup Products out of the warehouse by following a First In, First Out ("FIFO") policy; and

- arranging for warehousing of adequate inventory levels of Roundup Products in sufficient quantities to satisfy the criteria set forth in the Annual Business Plan.

(4) ORDER AND GENERAL ADMINISTRATION. The Agent shall have the authority and shall so perform all order taking, order processing, invoicing, collection, reconciliation, general administration, and other related services necessary for the marketing, sales, and distribution of Roundup Products, all of which shall be subject to the Annual Business Plan and the terms of this Agreement. Pursuant to the terms of this Agreement, the Agent shall be responsible for the following obligations:

(i) The Agent shall offer to the Customers Roundup Products at such price and under such terms as set forth in the Annual Business Plan or as otherwise established by the Steering Committee.

(ii) The Agent shall accept orders for the sale of Roundup Products; provided, however, the Agent shall accept all such orders subject to the availability of Roundup Products on the requested delivery dates.

(iii) The Agent shall administer all claims and adjustments for Roundup Products which are damaged during shipment or warehousing.

(iv) Subject to Section 5.1, the Agent shall (i) maintain or contract for adequate facilities and technologies to manage consumer information and complaint calls or written correspondence and (ii) be responsible for all reports relating thereto, including (without limitation) reports to any regulatory or governmental authority pursuant to any applicable Law.

(5) RETURNS OF ROUNDUP PRODUCTS. The Agent shall manage requests by Customers that Roundup Products, previously sold or shipped, should be returned for credit, either because such Roundup Products are defective or for some other reason. The Agent shall receive any such returned Roundup Products into its warehouses and prepare the appropriate credit memos, subject to the joint approval of the Business Unit and the Global Support Team for any return exceeding $500,000.

(6) INFORMATION ON ROUNDUP PRODUCTS AND CONSUMER INQUIRIES. The Agent shall provide Customers or potential customers with detailed information concerning the characteristics, uses and availability of Roundup Products as shall be supplied by the Global Support Team. The Agent shall be responsible for maintaining a consumer response center relating to Roundup Products; provided that, unless the Business Unit and the Global Support Team otherwise agree, any human and animal-related health calls shall be automatically or via operator forwarded, with respect (i) to human emergency calls to the Cardinal Glennon Poison Control Center and (ii) to animal emergency calls to the National Animal Poison Control Center.

(7) PROMOTION OF ROUNDUP PRODUCTS. Continuously throughout the term of this Agreement, the Agent shall promote the sale of Roundup Products no less aggressively than any other product or product line that the Agent sells and shall perform its duties as Agent in such a manner as to promote goodwill, and particularly customer goodwill, toward Monsanto and Roundup Products.

(8) ADVERTISING AND PROMOTIONAL PROGRAMS TO CUSTOMERS. The Agent shall provide Customers with detailed information concerning the advertising and promotional programs of Roundup Products and facilitate the use by its Customers of such programs to the fullest extent possible (as set forth in the Annual Business Plan).

(9) ROUNDUP BRAND IMAGE AND STEWARDSHIP. The Agent, in consultation with the Global Support Team, shall promote, in accordance with the Annual Business Plan or as directed by the Steering Committee, the sales and consumer acceptance of Roundup Products using messages and vehicles that are not inconsistent with the brand image established by Monsanto's Ag division in support of its Roundup branded products and seeds, including but not limited to:

(i) Advertising in local and national media;

(ii) Providing suitable training of the Agent's representatives or employees in the areas of product knowledge, product stewardship, sales training, display techniques, promotion and advertising;

(iii) Determining the description of consumer and trade communication programs to Customers regarding the sales and distribution of Roundup Products; and

(iv) The handling of product complaints with the intent of achieving consumer satisfaction.

(10) RETAIL RELATIONSHIPS. The Agent shall maintain retail relationships between the Agent and the Customers, including relationships at headquarters and regional stores.

(11) MERCHANDISING AND DISPLAY TECHNIQUES. The Agent shall provide Customers with full information concerning the merchandising and display techniques as set forth in the Annual Business Plan. The Agent shall use, fully support and recommend, that Customers fully utilize all such merchandising and display techniques.

(12) ANNUAL BUSINESS PLAN. The Business Units, jointly and in cooperation with the Global Roundup Support Team, shall, prepare and deliver to the Steering Committee (i) a preliminary draft for the annual business plan no later than June 15 of each Program Year and (ii) a definitive version thereof no later than September 15 of each Program Year (the "Annual Business Plan"), which establishes the general marketing, distribution, sales information, and specifications of Roundup Products for such Program Year (or shorter period, if applicable) including the Agent's short and long-term sales goals with respect to Roundup

Products for such Program Year, and more specifically all of the items listed on Schedule 2.2(a). Notwithstanding the foregoing, for the 1999 Program Year, the parties shall have sixty (60) days to agree to the detailed costs and sales components of the Annual Business Plan. Upon approval by the Steering Committee, the Annual Business Plan shall serve as the Agent's parameters for implementing the day-to-day operation of the Roundup Business; any Significant Deviations from such Annual Business Plan shall require the prior approval of the Steering Committee unless already approved by the Global Support Team and the Business Unit pursuant to Section 4.2.(c).

(13) ADDITIONAL ACTIONS. The Agent shall perform such additional actions, consistent with this Agreement, as directed by the Steering Committee, to implement any Significant Deviations from the Annual Business Plans.

(b) Employee Performance Standards. The Annual Business Plan shall set forth the employee performance standards required in the parties' opinion to promote the achievement of the income targets for the Roundup L&G Business in each given Program Year. The Annual Business Plan shall also specify the impact which the failure to meet such performance standards may have on the incentive schemes and bonus plans of the individual members of the Global Support Team and those employees who are part of the Business Units in charge of the Roundup L&G Business.

SECTION 2.3 APPOINTMENT OF SUB-AGENTS AND SUB-DISTRIBUTORS. The Agent shall have the right to delegate part of its obligations under this Article 2 to sub-agents and sub-distributors; provided, however, the Agent shall remain primarily liable for all of its obligations hereunder and shall be primarily liable for any act or omission of any such sub-agent or sub-distributor. To the extent this Agreement creates any obligations on the Agent, such obligations shall apply with respect to any sub-agents or sub-distributors, as the case may be. In connection with the foregoing, any reports or other information to be given to Monsanto shall be given by the Agent and shall include any information applicable to sub-agents or sub-distributors, as the case may be. Notwithstanding the foregoing, the Steering Committee shall have the exclusive right to approve the appointment or termination of any sub-agent or sub-distributor and the terms of any sub-agency or sub-distributorship agreement (including any change or amendment thereto).

SECTION 2.4 LIMITATIONS ON AGENT. Notwithstanding anything in this Agreement to the contrary, the Agent shall not, without the written consent of the Steering Committee, take (or initiate) any of the following actions:

(a) Sell Roundup Products at a price or under terms not permitted under the Annual Business Plan;

(b) Possess or use any property of Monsanto, except to the extent necessary for Agent to perform its duties and obligations hereunder (e.g., in-store displays);

(c) Hold itself out as authorized to make on behalf of Monsanto any oral or written warranty or representation regarding Roundup Products other than what is stated on the applicable Roundup Products label or in other written material furnished to the Agent by Monsanto; or

(d) Intentionally dilute, contaminate, adulterate, or substitute any Roundup Products or sell any Roundup Products for which the indicated measure or any other information on the label is known to the Agent to be grossly false, misleading, or inadequate.

ARTICLE 3 - ACCOUNTING AND CASH FLOW FOR THE ROUNDUP L&G BUSINESS

The accounting and cash flow procedures and services described in this Article 3 are intended to govern North America only, it being the understanding of the parties that different procedures and services (including the terms thereof) are required in regions other than North America. In addition, the parties understand and agree that the services described in this Article 3 with respect to North America will continue to be provided by Monsanto until and unless the Agent acquires the Non-Roundup Assets. Accordingly, the parties agree to negotiate in good faith and agree, within ninety (90) days from the date of this Agreement, on the terms and conditions pursuant to which Monsanto shall perform the services contemplated by this Article 3 in regions other than North America. Upon agreement of the parties, such terms and conditions shall be attached as Schedule 3.1 and shall be deemed to form a part of this Agreement ab initio. Until the Agent assumes the performance of the services described in this Article 3 with respect to North America and the services to be described in Schedule 3.1 with respect to all other regions, Monsanto shall continue to provide the services contemplated by this Article 3 on a basis necessary to service the Customers' needs and in accordance with the Budget prescribed in the Annual Business Plan for the 1999 Program Year, including the $35 MM cap on MAT Expenses.

SECTION 3.1. BOOKKEEPING AND FINANCIAL REPORTING.

(a) Bookkeeping. The Agent shall, on behalf of Monsanto, be responsible for all the bookkeeping for the Roundup L&G Business, which shall include, but not be limited to, (i) setting up a separate set of accounting records reflecting all the items of income, profit, gain, loss and deduction with respect to the Roundup L&G Business, including a profit and loss statement ("Roundup P&L") and all other records relating to the Roundup L&G Business including sales invoices and customer data (the "Roundup Records") in accordance with the written set of accounting policies (including the currency exchange methodology used by Monsanto) as shall be provided by Monsanto; provided, that if any change in Monsanto's accounting policies would adversely affect the Agent's Commission (other than in a de minimis amount), the parties shall negotiate in good faith to change the thresholds and/or the Commission, as appropriate, to eliminate such adverse affect; (ii) collecting, recording and safeguarding receipts of all receivables and payables, costs or expenses either directly incurred by the Roundup L&G Business or Allocated thereto by either party pursuant to the terms of

Section 3.3 hereof. At all times, the Agent shall make available via computer and/or original documentation, to the Assigned Employees designated by Monsanto continuous access to the Roundup Records as appropriate on a need-to-know basis, such access shall include, but not be limited to, daily sales updates.

(b) Financial Reporting. The Agent shall provide to Monsanto monthly financial statements, including (i) the Roundup P&L, balance sheet and cash flow statements, (ii) the Netback expense detail (accruals and actuals), (iii) all other Expense detail (accruals and actuals), and (iv) Cost of Goods Sold detail. Such monthly financial statements shall be provided (i) in their preliminary form, no later than four (4) business days following the end of the calendar month, and (ii) in their final form, together with an estimate of sales for the current month, no later than six (6) business days following the end of the calendar month.

(c) Audit. Monsanto shall have the right to periodically audit or have an independent accountant audit, on Monsanto's behalf, all the Roundup Records. The audit shall be at the cost of Monsanto unless any material error has been committed by the Agent, in which case the Agent shall bear the cost of the audit. Upon exercise of its right of audit, and discovery of any disputed item, Monsanto shall provide written notice of dispute to the Agent. The parties shall resolve such dispute in the manner set forth in Section 3.4 hereof.

SECTION 3.2. ORDERING, INVOICING AND CASH FLOW CYCLE.

(a) Ordering and Invoicing. The Agent shall perform, on behalf of Monsanto, all order taking, order processing and invoicing for the Roundup Products, it being understood that orders filled for Roundup Products shall be invoiced on the invoices used by the Agent for its other non-Roundup products provided such invoices or their EDI version shall (i) identify the Agent as an agent for Monsanto for the sale of all Roundup Products and Monsanto as the actual transferor of title to Roundup Products; (ii) direct payment of such invoice to be made directly to the account designated by the Agent; and (iii) include all taxes (other than Income Taxes), duties, and other charges imposed by governmental authorities based on the production or sale of Roundup Products or their ownership or transportation to the place and time of sale

(b) Customer Remittances. Customers of Roundup Products shall be directed, as per the invoices, to remit directly the invoiced amounts for all Roundup Products to the Agent's designated bank account.

(c) Daily Receipts. On or before October 31, 1998, the parties shall determine, based on the Program Year ending on September 30, 1998, the average daily pro rata share of Customers' remittances for the purchase of Roundup Products versus the non-Roundup products sold by Monsanto to said Customers during such period. Using said daily pro rata share, the Agent shall, on a daily basis, remit to the account designated by Monsanto for such purposes, the estimated portion of Customers' remittances for the Roundup Products. At the end of each month, the Agent shall verify the actual amount of the Customers' remittances for the Roundup Products paid over the past month and shall send to Monsanto a monthly reconciliation

statement, either with a check in the event the actual amount exceeds the total daily prorated estimate paid out to Monsanto for such month or with an adjustment request in the event the actual amount is below the total daily prorated estimate paid out to Monsanto for such month. Customer payment deductions that do not initially, clearly apply to Roundup Products shall not be withheld by the Agent from the daily remittances to Monsanto. If the Agent subsequently determines any of such payment deductions apply to sales of Roundup Products, the Agent shall be reimbursed therefor as part of the monthly cash reconciliation. Monsanto and the Agent agree that general Customer payment deductions will be prorated based on applicable sales, for which the Agent will also be reimbursed in the monthly cash reconciliation. Any non-Roundup Product payment deductions, for whatever reason, shall not be applied against Roundup Products.

(d) Roundup Bank Accounts. Monsanto shall establish or use existing bank accounts (the "Roundup Bank Accounts") to serve as the bank accounts dedicated exclusively to the Roundup L&G Business (i) for the receipt of Monsanto's daily disbursements as described in Section 3.2(c), and (ii) for making any and all payments incurred in connection with the Roundup L&G Business either as direct Expenses of the Roundup L&G Business or as reimbursements to either party for services rendered or out of pocket costs related to the Roundup L&G Business as described more particularly in Section 3.3 hereof. Monsanto shall grant the Agent's nominee the authority to manage the Roundup Bank Accounts on Monsanto's behalf, and more generally take any and all actions requested for the payment of all the Roundup L&G Business Expenses in compliance with the terms of Section 3.3 hereunder as per the Cash Flow Chart attached hereto as Schedule 3.2(d); provided that checks in an amount over $25,000 shall also require the co-signature of an Assigned Employee or a member of the Global Support Team. Monsanto shall further cause such Roundup Bank Accounts to have at all times a zero balance account but to receive immediate and automatic funding upon presentation of any checks. Monsanto may perform its own reconciliation of the Roundup Bank Accounts and may conduct a weekly review of the check register.

SECTION 3.3. EXPENSES AND ALLOCATION RULES

(a) Expenses. Each and every Expense, either as a direct expense or an allocated one, shall only be charged to the Roundup L&G Business and consequently taken into account in the Program EBIT statements set forth in Section 3.6(c) hereto if part of a category of Expenses specifically authorized by the terms of the Annual Business Plan and within the aggregate amount prescribed in the Annual Business Plan for such category of Expense ("Budget") ("Approved Expense"). Any Expense which shall exceed its prescribed Budget shall solely be the responsibility of the party incurring it unless such expense is required to implement an approved Significant Deviation from the Annual Business Plan or is necessary to support sales orders above budgeted sales pursuant to sales programs contemplated by the Annual Business Plan.

(b) Direct vs. Allocated. Each party shall have the right to verify whether any particular Expense is an Approved Expense by sending a written inquiry to that effect to the Agent's nominee. The party incurring an Expense shall endeavor to promptly provide upon

request of the Agent's nominee the appropriate documentary evidence supporting such Expense. Upon failure by the said party to provide the appropriate documentary evidence, the inquiring party shall have the right to send a written notice of dispute to the other party and the parties shall resolve such dispute in the manner set forth in Section 3.4 hereof. Upon determination by such Independent Accountant (as defined below) that the Expense was not Approved, such Expense shall be deducted from the Program Expenses and the party having incurred such Expense shall either promptly reimburse it to the Roundup Bank Account, or shall withdraw its request for reimbursement if not reimbursed yet.

Expenses shall be classified into (i) direct expenses of the Roundup L&G Business payable to vendors, which shall be submitted directly to the Agent's nominee for payment out of the Roundup Bank Account or (ii) as Allocated Expenses which shall be submitted by either party to the Agent's nominee for reimbursement out of the Roundup Bank Account. Payment of any direct expenses incurred by either party on behalf of the Roundup L&G Business shall be made as they become due in accordance with the applicable commercial terms agreed upon with each vendor.

Allocated Expenses shall be paid on the fifteenth (15th) day of each month provided such allocated Expenses shall be submitted in writing no more than five (5) days after the end of each month to the Agent's nominee in charge of the Roundup Bank Account.

(c) Allocation Rules. In the performance of their obligations under this Agreement, each party shall incur allocated Expenses directly related to the Roundup L&G Business. Each allocated Approved Expense, regardless of the party incurring it, shall be reimbursed as described in Section 3.5(b) provided such expense shall be allocated in accordance with the Allocation Rules set forth for each category of cost and service per country or region, as the case may be, in Schedule 3.3(c) attached hereto ("Allocated Expense").

SECTION 3.4. RESOLUTION OF DISPUTES ARISING UNDER ARTICLE 3. Unless otherwise agreed by the parties, each party shall have the right, within twenty (20) days of receipt of the quarterly or annual financial statements to send a written notice of dispute to the other party. Upon receipt of such notices of dispute, the parties shall undertake the following steps:

(i) First, for a period of fifteen (15) days, the parties shall negotiate in good faith for the purposes of attempting to mutually agree upon the item in dispute;

(ii) Second, if parties are unable to mutually agree upon the item in dispute, then within seven (7) business days following the expiration of such fifteen (15) day period, the parties shall agree in writing upon the selection of a nationally recognized independent accounting firm (the "Independent Accountant") to resolve the dispute. If the parties cannot agree upon such Independent Accountant within such time frame, then the Independent Accountant shall thereupon be selected by the American Arbitration Association (the "AAA"), with preference being given by the AAA in making such selection to any one of the "Big Five" accounting firms (except for any firm which performs accounting services for either party)

willing to perform the services required hereunder. The Independent Accountant shall be instructed to act within thirty (30) days to resolve the dispute, and its decisions with respect to the dispute shall be final and binding upon the parties. The fees and expenses of the Independent Accountant with respect to the settlement of the dispute shall be borne equally by the parties.

SECTION 3.5. FIXED CONTRIBUTION TO EXPENSES

(a) Amount and Purpose. Each Program Year the Agent shall make a fixed contribution to the overall Expenses of the Roundup L&G Business in an amount equal to twenty million U.S. Dollars ($20,000,000) ("Contribution Payment"). Such Contribution Payment shall be payable by the Agent to Monsanto in twelve equal monthly installments which shall be due on the first day of each month and shall not be subject to any "set-off".

(b) Temporary Deferral. Notwithstanding the foregoing, but subject to Section 10.9, for the first three Program Years, all or part of the Contribution Payment shall be deferred as shown in Table 1 set forth below. Such forty million U.S. Dollars ($40,000,000) deferral shall not be deemed to constitute a loan by either party but a mere cash flow adjustment between the parties.

Table 1

Year	Contribution Payment	Amount Deferred
1999	-0-	$20MM
2000	$ 5MM	$15MM
2001	$15MM	$ 5MM
2002	$20MM	
2003-18	$25MM until the full $40MM bearing an 8% interest (starting to run on the date each monthly installment would otherwise be due) is entirely recovered by Monsanto, at which point the Contribution Payment shall revert to $20MM per Program Year.	

Notwithstanding the above payment schedule shown in Table 1 beginning in Program Year 2001, recovery of such deferral shall be accelerated with the Contribution Payment being increased by 50% of the amount by which the Agent's Net Commission exceeds the amounts shown in Table 2 set forth below. Any such increase of the Contribution Payment shall be paid by adjusting the latest monthly installment upon receipt of the final Program EBIT statement by November 30 of every calendar year. For purposes of this Section 3.5(b), "Net Commission" means the Commission as determined pursuant to the terms of Section 3.6(a) less the Contribution Payment applicable pursuant to this Section 3.5.

Table 2

Year	Net Commission Level
2001	$32.5MM
2002	$28.1MM
2003	$26.7MM
2004	$30.5MM
2005	$34.6MM
2006	$38.9MM
2007	$43.5MM
2008	$49.0MM

Upon termination of this Agreement for any reason other than Egregious Injury, Material Fraud or Material Willful Misconduct on the part of the Agent, Monsanto shall forfeit recovery of any portion of the $40MM (or interest thereon) unpaid on the date of termination.

SECTION 3.6. COMMISSION.

(a) Amount of Commission. In consideration to the Agent for performance of its duties and obligations hereunder, the Agent shall be entitled to a Commission ("Commission"). Such Commission shall represent a percentage of the Program EBIT realized by the Roundup L&G Business, which percentage shall vary in accordance with the formula set forth below.

	Amount of Program EBIT	
Year	First Commission Threshold	Second Commission Threshold
1999-2000	$30,000,000	$80MM
2001	$31,250,000	$80MM
2002	$32,531,250	$80MM
2003	$33,844,531	$80MM
2004	$35,190,645	$80MM
2005	$36,570,411	$80MM
2006	$37,984,471	$80MM
2007	$39,434,288	$80MM
2008	$40,920,145	$80MM
2009+	$30,000,000	$80MM

The Commission shall be equal to:

	Amount of Program EBIT	Multiplied By
(1)	0 - First Commission Threshold:	0%
(2)	Second Commission Threshold less First Commission Threshold:	46% in Program Year 1999* 44% in Program Year 2000 40% thereafter
(3)	Above the Second Commission Threshold:	50%**

*1999 Program EBIT shall be increased by $15MM.

**subject to Section 3.5(b).

Provided both the First and Second Commission Thresholds set forth above may be amended from time to time by mutual agreement of the parties following the inclusion or exclusion of either new or existing countries in the Included Markets. In the event of a Regional Performance Default in the UK or in France, there shall be no adjustment to either the First Commission Threshold or the Second Commission Threshold. In the event of a Regional Performance Default in any region other than the UK and France, both thresholds shall be reduced by such region's pro rata contribution to the preceding Program EBIT. Notwithstanding the foregoing, in the event of the non-renewal of the EU Term due to Monsanto, the First Commission Threshold shall be reduced to -0- for the remainder of the term of this Agreement.

(b) Payment of Commission. Within thirty (30) days following the end of each month, the Agent, on behalf of Monsanto shall determine whether a Commission becomes payable, i.e., whether the cumulative Program EBIT for the Program Year up to the preceding month equals an amount in excess of the First Commission Threshold. If so, the Agent, on behalf of Monsanto shall by check or wire transfer, to the Agent's designated account for the payment of the applicable Commission pursuant to the formula set forth in Section 3.6(a) subject to any adjustments pursuant to Section 3.6(c).

(c) Final Determination. Within fifteen (15) days following the end of each Program Year, the Agent shall deliver to Monsanto a Commission statement which shall contain the final determination of the Commission due at the expiry of the Program Year and shall set forth any eventual adjustments, to the amounts paid up to the Agent under Section 3.6(b) during the preceding Program Year. If within fifteen (15) days following the receipt of such Commission statement by the Agent, Monsanto does not provide the Agent written notice of objection to the Commission statement, the amount of the Commission for such Program Year shall be as provided thereon. If within such fifteen (15) days following receipt of such Commission statement by Monsanto, Monsanto does provide the Agent written notice of objection to the Commission statement, the parties shall resolve such dispute in the manner set forth in Section 3.4 hereof.

SECTION 3.7. MARKETING FEE. In consideration for the rights and benefits granted to the Agent hereunder exclusively for North America as hereby expressly acknowledged and agreed to by both parties, the Agent shall pay to Monsanto, on or before September 30, 1998, an amount equal to thirty-two million U.S. Dollars ($32,000,000) (the "Marketing Fee") in immediately available funds.

SECTION 3.8. ADDITIONAL COMMISSION

(a) The parties acknowledge that Monsanto currently sells Glyphosate-based products current under the Roundup trademark, directly or indirectly, to professional, industrial and agricultural users ("Roundup Ag Products"). Monsanto acknowledges that one of such Roundup Ag Products, the 2.5 gallon SKU containing 41% concentration of Glyphosate (the "2.5 Gallon SKU"), is currently being sold through those certain Lawn and Garden Channels in the United States set forth on Schedule 3.8 attached hereto and may be purchased by consumers in the Lawn and Garden Market. Schedule 3.8 also sets forth Monsanto's (but not its distributions) sales into Lawn and Garden Channels in the U.K. and France. Monsanto also acknowledges its obligations pursuant to Section 6.13(b) hereof.

(b) On and after the Effective Date, the Agent shall support and manage the sale of the 2.5 Gallon SKUs that were previously being sold directly by Monsanto through such Lawn and Garden Channels. As compensation therefor, in addition to the Commission otherwise payable to the Agent hereunder, the Agent shall be paid a 10% commission on all such sales of 2.5 Gallon SKUs sold through the Lawn and Garden Channels in the United States set forth on Schedule 3.8. The parties acknowledge that the sales resulting from such 2.5 Gallon SKUs shall not be included in the Program Sales Revenues hereunder.

(c) Except to the extent provided in Section 3.8(b) above, on and after the Effective Date, Monsanto shall use its reasonable efforts to ensure that Roundup Ag Products are not sold, directly or indirectly, through Lawn and Garden Channels to consumers in the Lawn and Garden Market in the Included Markets. In the event that in the normal course of business the Agent determines based on satisfactory evidence that a material amount of the 2.5 Gallon SKU is being sold directly by Monsanto through Lawn and Garden Channels for Lawn and Garden Use in the United States other than as set forth on Schedule 3.8 or a material amount of additional Roundup Ag Products above historical sales levels as of the date of this Agreement is being sold through Lawn and Garden Channels to consumers for Lawn and Garden Use in the Included Markets, the parties shall negotiate in good faith to include, subject to the principles set forth in Section 3.8(e), an appropriate percentage of such incremental sales to reflect such Lawn and Garden Use within the definition of Program Sales Revenues so that the Agent receives credit therefor for purposes of calculating the Agent's Commission.

(d) Prior to the finalization of the Annual Business Plan for each program Year, Monsanto shall provide the Agent with notice of any significant changes in the pricing of any Roundup Ag Product that may be sold through Lawn and Garden Channels for Lawn and Garden Use in any Included Market during such Program Year. For the thirty (30) days after receipt of such notice, the parties shall negotiate in good faith, and the Steering Committee shall affect, if so agreed, an appropriate adjustment to the Agent's Commission and/or Thresholds to address the impact of such proposed pricing changes on the Annual Business Plan for such Program Year. In the event the parties are unable to reach agreement within such thirty (30) day period, the Agent's Commission and/or Thresholds shall remain unchanged provided that at the end of the such Program Year the Agent shall have the right to request a retroactive adjustment of the Commission or Threshold for such Program Year upon demonstrating, based on actual numbers for such Program Year, a significant impact on the Roundup Lawn and Garden Business.

(e) In implementing the foregoing, the parties shall follow the following principles: (i) that Monsanto's sales of Roundup Ag products are not intended for Lawn and Garden Use and that Monsanto shall not sell Roundup Ag Products directly or promote the indirect sale thereof, through Lawn and Garden Channels to consumers for Lawn and Garden Use in the Included Markets and (ii) that there shall be no transfer of historical or future sales of Roundup Ag products in the Ag Market into Program Sales Revenues. Furthermore, the parties acknowledge that Roundup Ag Products having a formulation consisting of 41% or more Glyphosate and in container sizes over 2.5 gallons in the United States or over one liter in the other Included Markets shall be presumed to have no Lawn and Garden Use and therefor that sales of such Roundup Ag Products shall not be deemed to compete with Roundup Products in a manner that would justify adjustment of the calculation of Program Sales Revenues; provided that if the Agent is able to demonstrate to the Steering Committee that a material change in the amount of such Roundup Ag Products above historical sales levels as of the date of this Agreement are being sold through Lawn and Garden Channels to consumers for Lawn and Garden Use in the Included Markets, the parties shall negotiate in good faith pursuant to Section 3.8(c) to adjust the calculation of Program Sales Revenues.

(f) In order to demonstrate the foregoing, by way of example only: (i) Assume that sales of 2.5 Gallon SKUs in the U.S. by Monsanto, directly or indirectly, through Lawn and Garden Channels in the Included Markets set forth on Schedule 3.8 for the 1999 Program Year are $10MM; (ii) assume that the sales of such 2.5 Gallon SKUs for the corresponding period from October 1, 1997 through September 30, 1998 were $6MM; and (iii) assume that of such incremental $4MM of sales in the 1999 Program Year, 40% are to consumers in the Lawn and Garden Market and 60% are to consumers in the Ag Market. In such event, with respect to the 1999 Program Year, the Agent would be entitled to an additional commission equal to $840,000, comprised of 10% of $6MM (the historical sale level of 2.5 Gallon SKUs) and 10% of $2.4MM (60% of the $4MM in incremental sales of 2.5 Gallon SKUs), and that Program Sales Revenues for the 1999 Program year will be increased by $1.6MM (40% of the incremental $4MM in sales). A similar analysis would apply to sales of other Roundup Ag Products, other than the 2.5 Gallon SKU, through Lawn and Garden Channels to consumers in the Lawn and Garden Market.

ARTICLE 4 - ROUNDUP L&G BUSINESS MANAGEMENT STRUCTURE

SECTION 4.1. UNDERLYING PRINCIPLES FOR THE ROUNDUP L&G BUSINESS MANAGEMENT STRUCTURE

(a) The Roundup L&G Business management structure, as described in this Article and in Schedule 4.1(a), has been created for the purposes of fostering and promoting the following interests of the parties:

(i) Common Interests:

(A) achieve the maximum volume and profit levels for the Roundup Business;

(B) continue to strengthen the Roundup brand; and

(C) leverage the strengths of both parties while working together in a constructive and harmonious way.

(ii) Monsanto's Interests:

(A) retain ability to resume full management of the Roundup Business upon termination of this Agreement;

(B) retain control over key business decisions; and

(C) provide global stewardship of the Roundup brand.

(iii) The Agent's Interests:

(A) manage the Roundup Business within the parameters of approved Annual Business Plans;

(B) have clear reporting relationship to Business Units heads for all Assigned Employees within the Business Units; and

(C) have clear definition of roles and responsibilities for all Assigned Employees within the Business Units.

(b) The parties understand that such structure may be amended from time to time by mutual agreement of the parties provided any such change shall take into account the respective interests of each party as described hereunder.

SECTION 4.2. STEERING COMMITTEE.

(a) Appointment. Monsanto and the Agent shall each appoint by April 1 of each year two (2) executives to a steering committee ("Steering Committee") provided, however, any vacancy shall be filled in such a manner that the parties shall maintain their respective proportionate representation on the Steering Committee and that upon failure by either party to appoint said two (2) executives by such time, the two (2) executives previously appointed by such party shall be deemed appointed for another Program Year. Notwithstanding the foregoing, the members of the Steering Committee for the Program Year 1999 shall be the individuals whose names are set forth as Schedule 4.2(a) attached hereto. In addition, the head of the North America Business Unit shall be entitled to participate, with no voting right, at every meeting of the Steering Committee, and to invite, as the need may arise, the heads of the other Business Units to said meetings (equally without voting rights).

(b) Meetings, Quorum and Voting Requirements.

(1) Meetings. The Steering Committee shall meet at least once a year for purposes of approving the Annual Business Plan no later than September 15 of every calendar year. Any member of the Steering Committee shall have the right to call a special meeting of the Steering Committee provided a prior written notice of at least fifteen (15) days shall be given to each member together with an agenda for such meeting.

(2) Quorum and Voting Requirements. The quorum for any meeting of the Steering Committee shall require the participation of all four (4) members except that any member shall be deemed present when participating via phone or video conference. Any decisions by the Steering Committee may be taken by the affirmative vote of a majority of three (3) of the members of the Steering Committee. In the event of a deadlock, when a particular vote is divided equally between the four members, the matter shall be submitted to the president of Monsanto's Ag division, who shall have the exclusive discretion to resolve the matter and such decision shall bind the Steering Committee to such action or inaction. Notwithstanding any future assignment of this Agreement to a third party by reason of a Roundup Sale, the President of Monsanto's Ag division shall retain its right of veto in case of deadlock of the Steering Committee.

For every meeting of the Steering Committee, minutes shall be kept and circulated for approval to all four members. Every decision of the president of Monsanto's Ag division shall also be recorded in writing and distributed to the members of the Steering Committee.

(c) Authority. The Steering Committee shall:

(i) approve all Annual Business Plans, and any Significant Deviations (as described in Section 4.3(c)) therefrom not previously approved jointly by the Business Units and the Global Support Team;

(ii) approve any and all strategic plans;

(iii) review monthly reports submitted by the Business Units for the purposes of monitoring achievement and redirecting the Business Units by issuing a formal amendment to the Annual Business Plan then in effect;

(iv) monitor and redirect, if need be, the performance of the Global Support Team;

(v) approve any decisions relating to key personnel assigned to the Roundup Business within the Business Units, including Monsanto's and the Agent's employees;

(vi) resolve any disagreement occurring between a Business Unit and the Global Support Team; and

(vii) decide any other matter mutually agreed upon by Monsanto and the Agent.

SECTION 4.3. BUSINESS UNITS.

(a) Role and Reporting. The Roundup L&G Business shall be managed, on behalf of the Agent, by its respective pesticide business units in North America, Europe and Asia ("Business Units") provided that, for the management of the Roundup L&G Business, the head of each of the three Business Units shall report directly to the Steering Committee.

(b) Monsanto's Assigned Employees. For the term of this Agreement, Monsanto shall assign the equivalent of fifteen (15) of its own employees ("Assigned Employees") to fulfill the functions set forth in Schedule 4.3(b) within the three Business Units. The number of said Assigned Employees may vary from time to time upon mutual agreement. Monsanto may, from time to time, with the Agent's written approval, substitute individuals to serve as the Assigned Employees, by providing prior written notice thereof to the Agent. The Assigned Employees shall serve under the guidance and supervision of the Business Unit head of the Business Unit they shall join.

Monsanto shall remain the employer of the Assigned Employees for all purposes of any and all liability and health insurance, employee benefit plans, and workers compensation coverage, and shall be responsible for all compensation and other benefits. Performance reviews shall be first recommended by the Business Unit head in charge of such Assigned Employees.

(c) Duties. The three Business Units shall be responsible for:

(i) taking any and all necessary actions to implement the approved Annual Business Plan and strategic plans, as may be amended from time to time, either by mutual agreement of the Business Unit and the Global Support Team or by the Steering Committee as described in Section 4.2(c);

(ii) managing the day-to-day Roundup L&G Business;

(iii) developing and submitting, in cooperation with the Global Support Team all strategic and Annual Business Plans;

(iv) communicating, in writing or via meetings, on a regular basis, with the Global Support Team on all significant issues affecting the Roundup L&G Business; and

(v) notifying the Global Support Team of any deviation to the Annual Business Plan, which, in their view, is reasonably likely to have a financial impact on the Program EBIT of at least $500,000 or constitutes a significant deviation from a non-financial item approved in the Annual Business Plan ("Significant Deviation").

SECTION 4.4. GLOBAL SUPPORT TEAM.

(a) Appointment. Monsanto shall name three (3) individual employees of Monsanto to form a support team (the "Global Support Team") whose names and individual responsibilities are described on Schedule 4.4(a) as attached hereto. Monsanto may from time to time substitute any individual serving on the Global Support Team, with the written approval of the Agent, by providing a prior written notice to the Agent to such effect.

(b) Duties. The Global Support Team shall be responsible to:

(i) participate actively in the development of all strategic and Annual Business Plans;

(ii) act as a liaison between any of Monsanto's functions or departments providing a support service to the Roundup Business (such as R&D, regulatory, etc.) and monitor the quality of services rendered;

(iii) provide stewardship for the Roundup brand image worldwide;

(iv) prepare internal assessments of the performance of the Roundup L&G Business for Monsanto management;

(v) review, and approve any performance reviews prepared by the Business Unit head for any of the Assigned Employees;

(vi) participate in planned key customer interactions and program presentations, either by participation in meetings or in preparatory sessions therefor;

(vii) review and approve any material change or deviation in consumer communication, mass media, packaging design or any other marketing tactic that directly impacts the consumer perception and interface with the brand which may occur from time to time;

(viii) review and approve any Significant Deviation from the Annual Business Plan; and upon failure to agree with the Business Unit, prepare a recommendation to submit to the Steering Committee for resolution, provided that the Business Unit may similarly prepare a recommendation to submit to the Steering Committee.

ARTICLE 5 - DUTIES AND OBLIGATIONS OF MONSANTO

SECTION 5.1. MONSANTO'S OBLIGATIONS AND RIGHTS. Subject to Section 2.2(a)(ii) and Article 3, unless and until expressly directed otherwise by the Business Units, with the prior written approval of the Steering Committee Monsanto shall continue to support the Roundup L&G Business by performing necessary services. Notwithstanding the foregoing, at all times during the term of this Agreement, Monsanto shall be solely responsible for the following functions:

(a) Research and Development. Monsanto shall, in its sole discretion, continue to develop new Glyphosate-based herbicide formulations more particularly as described in Section 6.10 hereof;

(b) Regulatory Compliance. Monsanto shall be responsible for ensuring that all Roundup Products and the labels for such products comply with the USEPA and applicable Laws of each state and country within the Included Markets, including obtaining and maintaining all governmental registrations, registration applications, temporary registrations, all data pertaining to such registrations as submitted to governmental agencies, experimental use permits, applications and emergency use exemptions, all with respect to the Roundup Products;

(c) FIFRA 6(a)(2). Monsanto shall be responsible for maintaining a customer response center relating to Roundup Products, which will solely manage the medical response calls (including human and animal health-related calls) and related FIFRA 6(a)(2) issues (the "CRC"). Monsanto shall be responsible for all reports related thereto, including (without limitation) reports to any regulatory or government authority pursuant to any applicable Law; and

(d) Sales Promotion. Monsanto shall, in accordance with the Annual Business Plan, promote the sales and consumer acceptance of Roundup Products by:

(i) providing suitable training to the Agent's representatives or employees in the areas of product knowledge and product stewardship; and

(ii) providing the Agent and Customers with technical and product information, manuals, promotional bulletins, presentation kits and other sales aid materials.

SECTION 5.2. WARRANTIES. For Roundup Products with which Monsanto offers a "written warranty," whether within the meaning of the Magnuson-Moss Warranty--Federal Trade Commission Improvement Act, 15 United States Code Annotated, Section 2301, or otherwise, Monsanto shall honor those warranties in accordance with such terms.

ARTICLE 6 - REPORTS AND ADDITIONAL OBLIGATIONS OF THE PARTIES

SECTION 6.1. COOPERATION. The Agent and Monsanto shall cooperate with each other so as to facilitate the objectives set forth in this Agreement and shall act in good faith and in a commercially reasonable manner in performing their respective duties hereunder.

SECTION 6.2. USE OF EDI. Monsanto, the Agent, the Steering Committee, and the Global Support Team will exchange a broad range of operating data on a periodic basis. The method of exchange will be approved by the Steering Committee and will include both file transfer and EDI protocol.

SECTION 6.3. THE AGENT'S SYSTEMS AND REPORTING OBLIGATION. The Agent shall establish and maintain all such systems and procedures (financial, logistical, or otherwise) as reasonably requested by Monsanto or the Steering Committee in connection with the Agent's performance under this Agreement. For all reports, the data will include current period and current YTD; and comparisons with same period and YTD for the year previous. Specifically, the Agent shall provide the following reports:

(a) Weekly Reports. On the second business day of each week, the Agent shall provide to the Global Support Team update reports for the prior week, showing: (i) dollar and case shipments by the top 25 Customers and by SKU (stock keeping unit), (ii) inventory levels by SKU for North America, (iii) collection activities by the top 25 Customers, (iv) agency fill rate for the top 10 Customers (Roundup Products ordered by Customers and shipped by the Agent by line item, unit and dollar amount), and (v) POS sell-through by SKU by the top 7 Customers that provide such information.

(b) Monthly Reports. On the sixth business day of each Month, the Agent shall provide to the Steering Committee and Monsanto (i) the type of data contained in the weekly reports (as set forth in Section 6.3(a)) for the prior calendar month and the current year-to-date, (ii) full P&L, balance sheets and cash flow statements, (iii) Netback expense detail (accruals and actuals), (iv) Expense detail (accruals and actuals), (v) Cost of Goods Sold detail, in each case comparing such information against budget, and against the previous year.

(c) Quarterly Reports. The Agent shall provide to the Steering Committee and Monsanto, on a Quarterly basis and on a form provided by the Steering Committee (i) a summary of purchases of Roundup Products, in total cases or units, made by each Customer which is designated by the Steering Committee, (ii) inventory level by SKU by Customer and (iii) updated full year forecast.

(d) Annual Reports. The Agent shall provide to the Steering Committee and Monsanto, on an Annual basis and on a form provided by the Steering Committee (i) bridge and tracking capability from Program Year to calendar year, (ii) a budget and (iii) a long range plan.

(e) Other Reports. In addition, the Agent shall provide Monsanto or the Steering Committee with such other reports as may be reasonably requested within a period not to exceed thirty (30) days from such request.

SECTION 6.4. EMPLOYEE INCENTIVES. Recognizing that, as Monsanto's exclusive agent for sale and distribution of Roundup Products, the Agent is to promote the sale of Roundup Products NO LESS aggressively than any other product or product line that the Agent sells, the Agent shall cause its appropriate officers and other management to devote an appropriate portion of their personal efforts to the sale and distribution of Roundup Products covered by this Agreement. Further, the Agent shall ensure that the appropriate personnel are compensated in a manner to encourage them to promote the sale of Roundup Products no less aggressively than any other product or product line that the Agent sells.

SECTION 6.5. INSURANCE. The Agent, shall, during the term of this Agreement, maintain full insurance against the risk of loss or damages to the Roundup Products for any Agents' warehouse where Roundup Products are under the custody of the Agent and, upon request, shall furnish Monsanto with satisfactory evidence of the maintenance of said insurance. Further, each party shall make all contributions and pay all payroll taxes required under federal social security laws and state unemployment compensation laws or other payments under any laws of a similar character as to its own personnel involved in the Roundup L&G Business (including any purported "independent contractors" subsequently classified by any authority under any Law, as an employee) in connection with the performance of this Agreement.

SECTION 6.6. LIENS. Subject to the provisions of any existing intercreditor agreement to which Monsanto is currently a party (as the same may be amended, modified or terminated) and except as may otherwise be agreed to by Monsanto, which agreement shall not be unreasonably withheld in the case of similar arrangements with existing or future institutional lenders, the Agent agrees not to allow any liens or encumbrances of any nature to attach to Roundup Products. At Monsanto's request, the Agent, sub-agent, or sub-distributor shall execute such financing statements, security agreements and other documents as Monsanto may reasonably request to create, perfect, and continue in effect its security interests hereunder.

SECTION 6.7. PROMOTING SAFE USE-PRACTICES. Roundup Products may be or become hazardous unless used in strict accordance with Monsanto's product labels. The Agent shall use commercially reasonable methods to inform and familiarize its employees, agents, Customers, contractors (including warehousemen and transporters) and others who may handle or use Roundup Products of the potential hazards pertaining thereto (including accidental breakage or fire), and shall stress the safe use and application of Roundup Products in strict accordance with Monsanto's product labels. In addition, the Agent shall provide HM126F training to its personnel as required by the United States Department of Transportation (and such other training as may be required by other countries within the Included Markets). The Agent shall have the responsibility to dispose of waste materials in accordance with all applicable Laws.

SECTION 6.8. MONSANTO INSPECTION RIGHTS. From time to time, as Monsanto or the Steering Committee may request, the Agent shall permit, upon reasonable request and during normal business hours, representatives of Monsanto or the Steering Committee to inspect, with regard to Roundup Products, the Agent's inventories, warehousing, and shipping procedures.

SECTION 6.9. RECALLS. The Agent shall cooperate with Monsanto, and promptly take such actions as requested by Monsanto, with respect to any defective product including any "stop-sales" or recalls for Roundup Products.

SECTION 6.10. NEW ROUNDUP PRODUCTS. During the term of this Agreement, Monsanto covenants and agrees to first offer (the "Product Offer") to the Agent the exclusive agency and distribution rights to any newly created non-selective herbicide product, which is not marketed for Lawn and Garden Use as of the date of this Agreement, and which Monsanto, in its exclusive, reasonable discretion, determines to be suitable for sale as a new product for Lawn and Garden Use (the "New Product"); provided, however, that for the Lawn and Garden Market, that any new product containing Glyphosate or another non-selective herbicide shall be considered to be a New Product. The Product Offer shall be in writing, shall be in sufficient detail describing such New Product, and shall be made within sixty (60) days of the date of commercialization of such New Product for uses other than Lawn and Garden Use. In no event shall Monsanto, directly or indirectly, commercialize any New Product for Lawn and Garden Use without first offering such New Product to the Agent pursuant to the terms of this Section 6.10. If the Agent agrees in writing within ninety (90) days of receipt of the Product Offer to accept the New Product, then such New Product shall be, without further action or amendment, included within the definition of Roundup Products and be subject to the terms and conditions of this Agreement. In such event, the parties shall adjust the Commission Thresholds to reflect this additional source of revenue unless the New Product is a Glyphosate-based product or an improvement of any existing Roundup Products in which case the Commission Thresholds shall remain the same. If the Agent fails to agree in writing to accept the Product Offer within such ninety (90) days of receipt, then Monsanto shall have the exclusive right to manufacture, package, promote, distribute, and sell such New Product, regardless of any actual or potential conflict with the terms of Agreement.

SECTION 6.11. [Intentionally Omitted.]

SECTION 6.12. CONFIDENTIALITY. Except as necessary for its performance under this Agreement, except as may be required by the federal securities laws or other applicable laws and except to the extent required under certain existing agreements to which Monsanto is a party (i.e., AHP Merger Agreement), neither party shall at any time or in any manner, either directly or indirectly, and neither party shall permit its employees to use, divulge, disclose or communicate to any person or entity any "confidential information" of the other party. For purposes of this Section 6.12, "confidential information" includes any information of any kind, nature, or description that is proprietary, treated as confidential by, owned by, used by, or concerning any matters affecting or relating to the business of a party or the subject matter of this Agreement, including but not limited to, the names, business patterns and practices of any of its customers, its marketing methods and related data, the names of any of its vendors and suppliers, the prices it obtains or has obtained or at which it sells or has sold products or services, lists, other written records, and information relating to its manner of operation. Notwithstanding the foregoing, "confidential information" shall not include any information which (i) is or becomes public knowledge through no fault or wrongful act of the party disclosing such information or its employees, (ii) was known by such party prior to any agency or distributor relationship with the other party or any predecessor, (iii) is received by such party pursuant to the Formulation Agreement and which is not otherwise confidential information, or (iv) is received from a third party who is not obligated to keep such information confidential. All "confidential information" in any form (electronic or otherwise) shall be and remain the sole property of the party possessing such information and shall be returned to such party upon the termination of this Agreement upon such party's reasonable request.

SECTION 6.13. NONCOMPETITION.

(a) Noncompetition Period. The "Noncompetition Period" shall be the term of this Agreement, and for the two-year period following the termination, cancellation or non-renewal of this Agreement; provided, however, that in the event (i) Monsanto terminates this Agreement pursuant to Section 10.4(a)(2), (ii) Monsanto does not renew the EU Term pursuant to Section 10.2 or (iii) the Agent terminates this Agreement pursuant to Section 10.5(a), the Noncompetition Period shall be deemed to terminate simultaneously upon the effective date of the termination of this Agreement or, in the case of non-renewal of any EU Term pursuant to Section 10.2 upon termination thereof with respect to EU Countries only.

(b) Monsanto Covenant. Except as provided for in Section 3.8, Monsanto covenants and agrees that for the Noncompetition Period, Monsanto will not, nor will it permit any Affiliate to, directly or indirectly, own, manage, operate or control, or participate in the ownership, management, operation or control of, or be connected with or have any interest in, as a shareholder, partner, creditor or otherwise, any "Competitive Business." A Competitive Business shall be any business which, anywhere within the Included Markets, (x) manufactures, sells, markets or distributes any non-selective weed control product, whether residual or non-residual, for Lawn and Garden Use or (y) competes with the Roundup L&G Business; provided,

however, this Section 6.13(b) shall not apply to those actions of Monsanto or any Affiliate (i) to the extent such actions are expressly contemplated by this Agreement, for the duration of this Agreement, (ii) to the extent that immediately upon termination of this Agreement for whatever reason Monsanto or any Affiliates or successor to the Roundup L&G Business shall continue to operate the Roundup L&G Business without infringing this covenant, or (iii) to the extent that Monsanto's interest in a Competitive Business, as a shareholder, partner, creditor or otherwise, is equal to or less than 5%. Furthermore, this Section 6.13(b) shall not apply to any actions taken by Monsanto as authorized by Section 10.7(a) during and after any period when Monsanto has given notice of termination in accordance with Section 10.4(b).

(c) Agent's Covenant. The Agent covenants and agrees that during the Noncompetition Period, the Agent will not, nor will it permit any Affiliate to, directly or indirectly, own, manage, operate or control, or participate in the ownership, management, operation or control of, or be connected with or have any interest in, as a shareholder, partner, creditor or otherwise, any Competitive Business; provided, however, this Section 6.13(c) shall not apply to those actions of the Agent or any Affiliate (i) to the extent such actions are expressly contemplated by this Agreement, for such term of this Agreement; (ii) to the extent such actions relate to the products listed on Exhibit D hereto in the countries listed therein, the products that the Agent either owns, has contracted to purchase or entered into a letter of intent with respect to as of the Effective Date and such additional products as the parties may from time to time agree (the "Permitted Products"); (iii) to the extent that the Agent's interest in a Competitive Business, as a shareholder, partner, creditor or otherwise, is equal to or less than 5%; or (iv) to any separate agreement with Monsanto with respect to transgenic technology sharing. The parties agree to compile a list of the Permitted Products within sixty (60) days after the Effective Date which shall be substituted as Exhibit D.

(d) Non-Solicitation by Monsanto. Monsanto agrees that for the duration of the Noncompetition Period and for the two years thereafter, without the prior written consent of the Agent, it will not, nor will it permit any of its Affiliates to (i) solicit for employment any person then employed by the Agent or any of its Affiliates or (ii) knowingly employ any employee of the Agent or any of its Affiliates who voluntarily terminates such employment with the Agent (or such Affiliate) after the Effective Date, until three months have passed following termination of such employment.

(e) Non-Solicitation by the Agent. The Agent agrees that for the duration of the Noncompetition Period, without the prior written consent of Monsanto, it will not, nor will it permit any of its Affiliates to (i) solicit for employment any person then employed who works primarily with Roundup Products or with other products with Lawn & Garden Uses ("Lawn & Garden Employee") by Monsanto or any of its Affiliates or (ii) knowingly employ any Lawn & Garden Employee of Monsanto or any of its Affiliates who voluntarily terminates such employment with Monsanto (or such Affiliate) after the Effective Date, until three months have passed following termination of such employment.

(f) Consideration. The consideration for the agreements contained in this Section 6.13 are the mutual covenants contained herein, the agreement of the parties to consummate the purchase of the Non-Roundup Assets, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged.

(g) Modification. In the event a court (or other authority) refuses to enforce the covenants and agreements contained in this Section 6.13, either because of the scope of the geographical area specified in this Section 6.13, the duration of the restrictions, or otherwise, the parties hereto expressly confirm their intention that the geographical areas covered hereby, the time period of the restrictions, or such other provision, be deemed automatically reduced to the minimum extent necessary to permit enforcement.

(h) Injunctive Relief. The parties acknowledge and agree that the extent of damages to one party (the "non-breaching party") in the event of an actual or threatened breach of this Section 6.13 by the other party (the "breaching party") may be impossible to ascertain and there may be available to the non-breaching party no adequate remedy at law to compensate the non-breaching party in the event of such an actual or threatened breach by the breaching party. Consequently, the parties agree that, in the event that either party breaches or threatens to breach any such covenant or agreement, the non-breaching party shall be entitled, in addition to any other remedy or relief to which it may be entitled, including without limitation, money damages, to seek to enforce any or all of such agreements or covenants against the breaching party by injunctive or other equitable relief ordered by any court of competent jurisdiction.

SECTION 6.14. INDUSTRIAL PROPERTY.

(a) Monsanto represents and warrants that Monsanto or Affiliates are the exclusive owners of the trademarks, trade names, packages, copyrights and designs used in the sale of Roundup Products (hereinafter referred to as "Industrial Property"). To Monsanto's knowledge, the conduct of the Roundup L&G Business as now being conducted and the use of the Industrial Property in the conduct of the Roundup L&G Business, do not infringe or otherwise conflict with any trademarks, registrations, or other intellectual property or proprietary rights of others, nor has any claim been made that the conduct of the Roundup L&G Business as now being conducted infringes or otherwise is covered by the intellectual property of a third party, except for any conflict or infringement which would not have a material adverse effect. To the knowledge of Monsanto, none of the Industrial Property is currently being infringed upon by a third party.

(b) The Agent acknowledges the validity of the trademarks which designate and identify Roundup Products. The Agent further acknowledges that Monsanto is the exclusive owner of the Industrial Property.

(c) The Agent agrees that, to the extent it uses Industrial Property, such Industrial Property shall be used in its standard form and style as it appears upon Roundup Products or as instructed in writing by Monsanto. No other letter(s), word(s), design(s),

symbol(s) or other matter of any kind shall be superimposed upon, associated with or shown in such proximity to the Industrial Property so as to tend to alter or dilute such Industrial Property, and the Agent further agrees not to combine or associate any of such Industrial Property with any other industrial property. The generic or common name of "Roundup" must always follow Roundup Products' trademarks.

(d) In all advertisements, sales and promotional or other printed matter in which any Industrial Property appears, the Agent shall identify itself by full name and address and state its relationship to Monsanto. In all such material, the Roundup trademark shall be identified as a trademark owned by Monsanto Company. In the case of a registered trademark, a (R) shall be placed adjacent to the trademark with the (R) referring to a footnote reading "(R) Registered trademark of Monsanto Company." In the case of unregistered trademarks, a "TM" shall be placed adjacent to the trademark with the "TM" referring to a footnote reading "TM Trademark of Monsanto Company."

(e) On its letterheads, business cards, invoices, statements, etc., the Agent may identify itself as a distributor for the Industrial Property.

(f) The Agent agrees that it will never use any Industrial Property or any simulation of such Industrial Property as part of the Agent's corporate or other trading name or designation of any kind.

(g) Upon expiration or in the event of any termination of this Agreement, the Agent shall promptly discontinue every use of the Industrial Property and any language stating or suggesting the Agent is a distributor for Roundup Products. All advertising and promotional materials which use Industrial Property shall be destroyed.

(h) The Agent shall not use or facilitate the use of promotional materials which disparage Roundup Products or Industrial Property. If the Agent should become aware of any suspected counterfeiting of Roundup Products or Industrial Property, the Agent shall promptly notify Monsanto of such suspected counterfeiting. The Agent shall cooperate in any investigation or legal proceedings that Monsanto deems desirable to protect its rights in the Industrial Property. The Agent shall not promote the sale of products using trademarks, packages or designs which are in Monsanto's opinion deceptively similar to Industrial Property.

SECTION 6.15. CONFLICTS OF INTEREST. Conflicts of interest relating to this Agreement are strictly prohibited. Except as otherwise expressly provided herein, neither party nor any of its directors, employees or agents, or its subcontractors or vendors shall give to or receive from any director, employee or agent of the other party any gift, entertainment or other favor of significant value, or any commission, fee or rebate. Likewise, neither party nor its directors, employees or agents or its subcontractors or vendors shall, without prior written notification thereof to the other party, enter into any business relationship with any director, employee, or agent of the other party or any of its Affiliates unless such person is acting for and on behalf of such party. Each party shall promptly notify the other of any violation of this Section 6.15 and any consideration received as a result of such violation shall be paid over or credited to the other party.

SECTION 6.16. RECORDS RETENTION. The Agent and Monsanto shall each maintain true and complete records in connection with this Agreement and shall retain all such records for at least forty-eight (48) months following the termination or expiration of this Agreement. This obligation shall survive the termination or expiration of this Agreement.

ARTICLE 7 - CENTRAL AGREEMENTS

SECTION 7.1. ACKNOWLEDGMENT OF CENTRAL AGREEMENTS. The parties acknowledge that Monsanto is a party to, and bound by the terms and obligations of, the Central Agreements (which are attached hereto as Exhibit A). Accordingly, the parties acknowledge that (i) some of the terms and conditions of this Agreement may conflict with the terms and conditions of the Central Agreements, and/or (ii) some of the terms and conditions of the Central Agreements may conflict with, or be prohibited by, the terms and conditions of this Agreement. (Every such conflict or prohibited term or condition within the meaning of clause (i) or (ii) of this Section 7.1 shall collectively be referred to as a "Conflict"). This Article 7 sets forth the parties' agreement as to the effect on this Agreement of such a Conflict.

SECTION 7.2. NOTICE OF TERMINATION. Monsanto hereby represents and warrants to the Agent that on June 26, 1998, Monsanto provided to Central proper notice of Monsanto's intent to terminate the Central Agreements, effective September 30, 1999, which such notice is attached hereto as Exhibit B.

SECTION 7.4. CONFLICT. Notwithstanding anything in this Agreement (or any agreement between the parties) to the contrary, during the duration of the term of the Central Agreements (as may be further amended subject to the prior written consent of the Agent), to the extent that any term or provision (taken alone or in conjunction with any other term or provision) of this Agreement results in a Conflict (such term(s) or provision(s) being referred to herein as a "Conflicting Provision"), (i) the provision(s) of the Central Agreement shall control and such Conflicting Provision shall be unenforceable against all parties to this Agreement during the pendency of such Conflict, and (ii) neither party shall be considered to be in breach or default of any such Conflicting Provision, either directly or as a result of such Conflict, on any other terms and conditions of this Agreement; provided, however, in such instance of a Conflict, all other provisions of this Agreement (i.e. all provisions, excluding all Conflicting Provisions) shall be interpreted and enforced in such manner as is reasonable and necessary to further the intentions and contemplations of this Agreement.

SECTION 7.6. ACTION BY PARTIES AND ASSIGNMENT OF RIGHTS. The parties covenant and agree to jointly develop an approach to establishing arrangements or relationships with Central to account for any Conflicting Provisions. In this regard, Monsanto covenants and agrees that, upon notification by the Agent of a Conflict, the Agent may, to the extent reasonable and with the Steering Committee's prior written consent (which such consent shall not be unreasonably

held), enter into a contract (or other arrangement) directly (or on behalf of Monsanto) with Central for such time until September 30, 1999, as the Agent deems necessary so that the parties to this Agreement can further the intentions and contemplations hereof. Furthermore, Monsanto covenants and agrees that, to the extent reasonable and pre-approved by the Steering Committee (which such approval shall not be unreasonably held), Monsanto will assign to the Agent any and all rights it has pursuant to the Central Agreements, which the Agent reasonably requests, if such assignment would benefit the parties in furthering the intentions and contemplations hereof.

ARTICLE 8 - REPRESENTATIONS, WARRANTIES, AND COVENANTS

SECTION 8.1. THE AGENT'S REPRESENTATIONS AND WARRANTIES. The Agent hereby represents and warrants that all of the following are true:

(a) The Agent is a corporation duly incorporated, validly existing and in good standing under the laws of Ohio and has all requisite corporate power and authority to carry on and conduct its business as it is now being conducted, to own or lease its assets and properties and is duly qualified and in good standing in every jurisdiction in which the conduct of its business or ownership of its assets requires it to be so qualified.

(b) (i) The Agent has the full authority and legal right to carry out the terms of this Agreement; (ii) the terms of this Agreement will not violate the terms of any other material agreement, contract or other instrument to which it is a party, and no consent or authorization of any other person, firm, or corporation is a condition precedent to the Agent's execution of this Agreement; (iii) it has taken all action necessary to authorize the execution and delivery of this Agreement; and (iv) this Agreement is a legal, valid, and binding obligation of the Agent, enforceable in accordance with its terms.

(c) The Agent is in compliance in all material respects with all applicable Laws relating to its business.

(d) There is no material suit, investigation, action or other proceeding pending or threatened before any court, arbitration tribunal, or judicial, governmental or administrative agency, against the Agent which would have a material adverse effect on the ability of the Agent to perform its obligations hereunder or which seeks to prevent the consummation of the transactions contemplated herein.

(e) The Agent has available, and will have available on September 30, 1998, sufficient immediately available funds to enable the Agent to pay the Marketing Fee to Monsanto and to effect the consummation of the transactions described herein.

(f) There are no material disputes with underwriters under the Agent's insurance policies; each such policy is valid and enforceable in accordance with its terms and is in full force and effect; there exists no default by the Agent under any such policy, and there has been no material misrepresentation or inaccuracy in any application therefor, which default,

misrepresentation or inaccuracy would give the insurer the right to terminate such policy, binder, or fidelity bond or to refuse to pay a claim thereunder; and the Agent has not received notice of cancellation or non-renewal of any such policy.

SECTION 8.2. MONSANTO'S REPRESENTATIONS AND WARRANTIES. Monsanto hereby represents and warrants that all of the following are true:

(a) Monsanto is a corporation duly incorporated, validly existing and in good standing under the laws of Delaware and has all requisite corporate power and authority to carry on and conduct its business as it is now being conducted, to own or lease its assets and properties and is duly qualified and in good standing in every jurisdiction in which the conduct of its business or ownership of its assets requires it to be so qualified.

(b) (i) Monsanto has the full authority and legal right to carry out the terms of this Agreement; (ii) the terms of this Agreement will not violate the terms of any other material agreement, contract or other instrument to which it is a party, and no consent or authorization of any other person, firm, or corporation is a condition precedent to this Agreement; (iii) it has taken all action necessary to authorize the execution and delivery of this Agreement; and (iv) this Agreement is a legal, valid, and binding obligation of Monsanto, enforceable in accordance with its terms.

(c) Monsanto is in compliance, in all material respects, with all applicable Laws relating to its business.

(d) There is no material suit, investigation, action or other proceeding pending or threatened before any court, arbitration tribunal, or judicial, governmental or administrative agency, against Monsanto which would have a material adverse effect on the ability of Monsanto to perform its obligations hereunder or which seeks to prevent the consummation of the transactions contemplated herein.

ARTICLE 9 - INDEMNIFICATION

SECTION 9.1. INDEMNIFICATION AND CLAIMS PROCEDURE.

(a) Indemnification. Each party hereto agrees to indemnify, defend and hold harmless the other party and its employees, officers, directors, agents and assigns from and against any and all loss (including reasonable attorneys' fees), damage, injury or liability and asserted by or on behalf of a third party for injury to or death of a person for loss of or damage to property, including employees and property of the indemnified party ("Loss"), to the extent resulting directly or indirectly from the indemnifying party's (i) breach of a duty, representation, or obligation of this Agreement, or (ii) negligence or willful misconduct in the performance of its obligations under this Agreement, except to the extent that such indemnification is void or otherwise unenforceable under applicable law in effect on or validly retroactive to the date of this Agreement.

(b) Claims Procedure. Promptly after receipt by either party hereto (the "Indemnitee") of any notice of any demand, claim or circumstances which, with the lapse of time, would or might give rise to a claim or the commencement (or threatened commencement) of any action, proceeding or investigation (an "Asserted Liability") that may result in a Loss, the Indemnitee shall give notice thereof (the "Claims Notice") to the party obligated to provide indemnification pursuant to Section 9.1(a). The Claims Notice shall describe the Asserted Liability in reasonable detail, and shall indicate the amount (estimated, if necessary to the extent feasible) of the Loss that has been or may be suffered by the Indemnitee. Thereafter, the following procedures shall apply:

(1) The indemnifying party may elect to compromise or defend, at its own expense by its own counsel, any Asserted Liability;

(2) If the indemnifying party elects to compromise or defend such Asserted Liability, it shall within thirty (30) days (or sooner if the nature of the Asserted Liability so requires) notify the Indemnitee of its intent to do so, and the Indemnitee shall cooperate, at the expense of the indemnifying party, in the compromise of, or defense against, such Asserted Liability, and shall make available to the indemnifying party any books, records or other documents within its control that are necessary or appropriate for such defense;

(3) If the indemnifying party has elected to defend the Asserted Liability, any offer to compromise or settle transmitted to the indemnifying party shall thereafter be transmitted in writing to the Indemnitee. If, after a reasonable period of time to consider such offer -- which time shall be deemed to be ten (10) days from the date of transmittal of such offer using the notice procedures set forth in Section 11.9, unless the circumstances otherwise require -- the Indemnitee refuses to give consent to the settlement or compromise of the Asserted Liability, then the liability of the indemnifying party with respect to such Asserted Liability shall be thereafter limited to the amount of the offer of settlement or compromise. This cap on liability shall not be applicable if the Indemnifying Party does not elect to defend Indemnitee against the Asserted Liability;

(4) Notwithstanding the foregoing, neither the indemnifying party nor the Indemnitee may settle or compromise any claim over the objection of the other, provided however, that consent to settlement or compromise shall not be unreasonably withheld;

(5) If the indemnifying party elects not to compromise or defend the Asserted Liability, fails to notify the Indemnitee of its election as herein provided, or contests its obligation to indemnify under this Agreement, the Indemnitee may pay, compromise or defend such Asserted Liability, with a reservation of all rights to seek indemnification hereunder against the indemnifying party; and

(6) Notwithstanding the foregoing, the Indemnitee and the indemnifying party may participate, in all instances, and at their own expense, in the defense of any Asserted Liability.

ARTICLE 10 - TERMS, TERMINATION, AND FORCE MAJEURE

SECTION 10.1. TERMS. Notwithstanding anything in this Agreement to the contrary, for all EU Countries within the Included Markets, this Agreement shall be subject to the initial term and the renewal terms, as set forth in Section 10.2(a) (collectively, the "EU Term"). For all other countries within the Included Markets, excluding the EU Countries, this Agreement shall commence as of the Effective Date and shall continue unless and until terminated as provided herein.

SECTION 10.2. EU INITIAL TERM AND RENEWAL.

(a) For each of the EU Countries within the Included Markets, the initial term of this Agreement shall commence as of the Effective Date, and continue through September 30, 2005, unless and until sooner terminated as provided herein. Following the initial term of this Agreement, the parties have the following options to renew the EU Term of this Agreement, subject to Section 10.3 below, under the same terms and conditions of this Agreement, unless and until sooner terminated as provided herein:

(1) The parties may mutually agree to renew the initial EU Term of this Agreement for three (3) years, unless otherwise prohibited herein;

(2) Following the renewal of the EU Term pursuant to Section 10.2(a)(1), the parties may mutually agree to renew the EU Term of this Agreement for an additional seven (7) years, unless otherwise prohibited herein; and

(3) Following the renewal of the EU Term pursuant to Section 10.2(a)(2), the parties may mutually agree to renew the EU Term of this Agreement for three (3) years, unless otherwise prohibited herein.

SECTION 10.3. PROCEDURE TO RENEW.

EU Term. Not later than 6 months preceding the date in which the initial EU Term, or any renewal EU Term, of this Agreement terminates pursuant to section 10.2(a), the parties may (if otherwise permitted herein), mutually agree in writing to renew the EU Term of this Agreement as provided in Section 10.2(a).

SECTION 10.4. TERMINATION BY MONSANTO.

(a) Termination Rights. In addition to its right to terminate this Agreement pursuant to Section 10.9, Monsanto shall have the right to terminate this Agreement by giving the Agent a termination notice specified for each termination event upon the occurrence and continuance of either of the following:

(1) An Event of Default occurring at any time; or

(2) A Change of Control with respect to Monsanto (excluding the merger currently contemplated with American Home Products) or a Roundup Sale by giving the Agent a notice of termination, which termination shall be effective at the end of the later of twelve (12) months or the next Program Year, provided that in the event of a Change of Control or a Roundup Sale, neither Monsanto nor the successor to the Roundup L&G Business shall have the right to terminate this Agreement prior to the end of the fifth (5th) Program Year.

(b) Event of Default. An Event of Default shall mean any of the following occurrences:

(1) a Material Breach of this Agreement committed by the Agent and established in accordance with the provisions of Section 10.4(g) of this Agreement;

(2) a Material Fraud committed by the Agent and established in accordance with the provisions of Section 10.4(g) of this Agreement;

(3) Material Willful Misconduct committed by the Agent and established in accordance with the provisions of Section 10.4(g) of this Agreement;

(4) (i) the occurrence of an Egregious Injury which is not cured within ninety (90) days following the Agent's receipt of written notice thereof, or (ii) the occurrence of an Egregious Injury which, in the commercially reasonable opinion of Monsanto cannot be cured within a ninety (90) day period;

(5) subject to Section 10.8, any decline of the Sell-Through Business on a three (3) Program Years cumulative basis or two (2) consecutive Program Years with a decline in the Sell-Through Business in each Program Year in excess of five percent (5%) either in North America, the UK or France or in the Rest of the World, ("Regional Performance Default") unless Agent demonstrates to the Arbitrators in accordance with Section 10.4(g), in any manner reasonably requested by the Arbitrators that (A) such decline is directly caused by the exercise by Monsanto's Ag president of his or her right of veto as provided for in Section 4.2(b) or (B) such decline was caused primarily by a severe decline of the general economic conditions or an overall severe decline in the market for lawn and garden consumables products in such region rather than by the Agent's failure to perform its duties hereunder and further provided that any Regional Performance Default shall only cause the termination of this Agreement with respect to the region where such Regional Performance Default occurs;

(6) the Insolvency of Agent;

(7) the occurrence of a Change of Control of the Agent, without the prior written consent of Monsanto; provided that the Acquiror in such Change of Control (i) currently engages (directly or through its Affiliates) in the manufacture, sale, marketing, or distribution of any product containing Glyphosate or any similar active ingredient, or (ii) currently sells, markets, or distributes (directly or through its Affiliates) any product(s) in the Lawn and Garden Channels for Lawn and Garden Use, which such product(s), in Monsanto's reasonable commercial opinion, compete in a material manner with Roundup Products, or (iii) may, in Monsanto's reasonable commercial opinion, materially detract from, or diminish, the Agent's (or such successor's) ability to fulfill its duties and obligations with regard to the Roundup Business, or (iv) competes in any material respect with Monsanto in Monsanto's Ag (including seed) or biotech businesses.

(8) the occurrence of a Change of Significant Ownership of the Agent, without the prior written consent of Monsanto; or

(9) except to the extent permitted herein, (i) the assignment of all, or substantially all, of the Agent's rights, or (ii) the delegation of all, or substantially all, of the Agent's obligations hereunder, in either instance without the prior written consent of Monsanto.

As to any Event of Default defined in Sections 10.4(b)(1)-(4), such termination shall take effect on the later of the first business day following the thirtieth (30th) day after the sending of a termination notice to the Agent in accordance with the provisions of Section 11.9, or the date designated by Monsanto in said termination notice. As to an Event of Default defined in Section 10.4(b)(5), such termination shall take effect at the later of twelve (12) months or the end of the next Program Year. As to any Event of Default defined in Sections 10.4(b)(6)-(9), such termination shall take effect on the later of the first business day following the seventh (7th) day after the sending of a termination notice to Agent, or the date designated by Monsanto in said notice of termination.

(c) Payment of Termination Fee. Except for termination of this Agreement by Monsanto upon any Event of Default, a Termination Fee (as specified in Section 10.4.(d)) shall only be paid either by Monsanto or by the successor to the Roundup Business, as the case may be, upon the following terms and conditions:

(1) in the event the Agreement is effectively terminated by either Monsanto or its successor or by the Agent upon Material Breach, Material Fraud or Material Willful Misconduct by Monsanto as provided for in Section 10.5.(c);

(2) no later than the effective date of the applicable termination notice and no later than the effective date of the termination; and

(3) only in the event the Agent does not become the successor to the Roundup Business, in which case the Termination Fee shall not be paid but shall be credited against the purchase price as described in Section 10.4(d).

(d) Termination Fee.

Monsanto and the Agent stipulate and agree that the injury which will be caused to the Agent by the termination of this Agreement under the circumstances which shall give rise to the payment of the Termination Fee are difficult or impossible of accurate estimation; that by establishing the Termination Fee they intend to provide for the payment of damages and not a penalty; and that the sum stipulated for the Termination Fee is a reasonable pre-estimate of the probable loss which will be suffered by the Agent in the event of such termination.

The Termination Fee payable shall vary in accordance with the Table hereunder:

Program Year	Termination Fee
0-5	$150MM*
6	$140MM
7	$130MM
8	$120MM
9	$110MM
10	$100MM
11-20	Seven and a half percent (7.5%) of the portion of the purchase price for the Roundup Sale above * (which shall be no less than $16MM in any event) provided that in the event of a Change of Control and subsequent termination of this Agreement by the successor to the Roundup Business and the absence of any purchase price, the fair market value of the Roundup Business shall be determined by an independent accounting firm mutually agreeable to the parties.

*$185MM if Monsanto or any successor terminates within the first five (5) years for anything other than an Event of Default on the part of the Agent.

(e) Remedies for Monsanto. Subject to Section 10.4(g), in case of termination by Monsanto upon any of the Events of Default by the Agent specified in Section 10.4(b)(1)-(4), Monsanto shall be entitled to exercise all remedies available to it, either at law or in equity. In case of termination by Monsanto upon the Event of Default by the Agent specified in Section 10.4(b)(5), termination of this Agreement shall be the exclusive remedy of Monsanto. In

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* Confidential provision omitted and filed separately with the Securities and Exchange Commission.

the case of termination by Monsanto upon any of the Events of Default specified in Sections 10.4(b)(6)-(9), the remedies of Monsanto shall be limited to (i) termination of this Agreement and (ii) the recovery of reasonable and customary out-of-pocket expenses incurred by Monsanto in transferring the Agent's duties hereunder to a new agent; provided that in no case shall the amount of expenses recoverable under this provision exceed $20MM.

(f) Exclusive Remedy. The payment of a Termination Fee to the Agent under Section 10.4(c) shall be deemed to constitute the exclusive remedy for any damages resulting out of the termination of this Agreement by Monsanto or the successor to the Roundup Business pursuant to Section 10.4(c) and the Agent shall waive its right to exercise any other remedies otherwise available at law or in equity.

(g) Arbitration. In the event either party claims that a Material Breach, a Material Fraud, or Material Willful Misconduct has been committed by the other party (the "Breaching Party"), the following procedures shall apply:

(1) After the asserted occurrence of a Material Breach, a Material Fraud, or Material Willful Misconduct, the party who contends that such breach, fraud or misconduct has occurred (the "Claimant") shall send to the Breaching Party a notice, in accordance with the notice provisions of Section 11.9 of this Agreement, in which the Claimant shall: (i) identify the Material Breach, Material Fraud, or Material Willful Misconduct which it contends has occurred; (ii) appoint an arbitrator; and (iii) demand that the Breaching Party appoint an arbitrator.

(2) Within fifteen (15) days after receipt of the notice, the Breaching Party shall send a response to the Claimant, in accordance with the notice provisions of Section 11.9 of this Agreement, in which the Breaching Party shall: (i) indicate whether it contests the asserted occurrence of the Material Breach, Material Fraud, or Material Willful Misconduct, as the case may be; and (ii) if it does contest such asserted occurrence, appoint a second arbitrator. The failure on the part of the Breaching Party to timely respond to the notice, and/or to timely appoint its arbitrator, shall be deemed to constitute acceptance of the arbitrator designated by the Claimant as the sole arbitrator.

(3) If the Breaching Party appoints an arbitrator, then within fifteen (15) days after the receipt of the Breaching Party's response by the Claimant, the two arbitrators shall jointly appoint a third arbitrator. If the arbitrators selected by the parties are unable or fail to agree upon the third arbitrator, the third arbitrator shall be selected by the American Arbitration Association. Upon their selection by either means, the three arbitrators (the "Arbitrators") shall expeditiously proceed to determine whether a Material Breach, Material Default or Material Willful Misconduct has occurred, in accordance with the procedures hereafter set forth.

(4) Except as specifically modified herein, the arbitration proceeding contemplated by this section (the "Arbitration") shall be conducted in accordance with Title 9 of the US Code (United States Arbitration Act) and the Commercial Arbitration Rules of the American Arbitration Association, and judgment on the award rendered by the arbitrators may be

entered in any court having jurisdiction thereof. The cost of the Arbitration shall be borne equally by the parties, with the understanding that the Arbitrators may reimburse the prevailing party, if any, as determined by the Arbitrators for that party's cost of the Arbitration in connection with the award made by the Arbitrators as described below.

(5) The award shall be made within three (3) months after the appointment of the third Arbitrator, and each of the Arbitrators shall agree to comply with this schedule before accepting appointment. However, this time limit may be extended by agreement of the parties or by the Arbitrators, if necessary.

(6) Consistent with the expedited nature of arbitration, each party will, upon the written request of the other party, promptly provide the other with copies of documents relevant to the issues raised by the notice or the response, including those documents on which the producing party may rely in support of or in opposition to any claim or defense. Any dispute regarding discovery, or the relevance or scope thereof, shall be determined by the Arbitrators, which determination shall be conclusive. All discovery shall be completed within 60 days following the appointment of the third Arbitrator.

(7) At the request of a party, the Arbitrators shall have the discretion to order examination by deposition of witnesses to the extent the Arbitrators deem such additional discovery relevant and appropriate. Depositions shall be held within 30 days of the making of a request, and shall be limited to a maximum of number of hours' duration as may be mutually agreed to by the parties, or in the absence of such agreement as may be determined by the Arbitrators. All objections are reserved for the arbitration hearing, except for objections based on privilege and proprietary or confidential information.

(8) Either party may apply to the Arbitrators seeking injunctive relief until the arbitration award is rendered or the controversy is otherwise resolved. Either party also may, without waiving any remedy under this Agreement, seek from any court having jurisdiction any interim or provisional relief that is necessary to protect the rights or property of that party, pending the establishment of the arbitral tribunal (or pending the arbitral tribunal's determination of the merits of the controversy).

(9) The scope of the Arbitration shall include the following:

(a) a determination as to whether the act(s) or omission(s) set forth by the Claimant have occurred;

(b) a determination as to whether those act(s) or omissions(s) determined to have occurred constitute a breach of this Agreement, fraudulent conduct in connection with this Agreement, or willful misconduct in connection with this Agreement, as the case may be;

(c) a determination as to whether those act(s) or omissions(s) determined to have occurred constitute a Material Breach, a Material Fraud, or Material Willful Misconduct, as the case may be;

(d) a determination as to the amount of monetary damages, if any, suffered by the Claimant, as a result of those act(s) or omissions(s) determined to have occurred which constitute a breach of this Agreement, fraudulent conduct in connection with this Agreement, or willful misconduct in connection with this Agreement, as the case may be, regardless of whether such act(s) or omission(s) rise to the level of Material Breach, Material Fraud, or Material Willful Misconduct, as the case may be;

(e) a determination, to the extent applicable, of the specific performance which could and should be decreed to correct any breach, fraud or material misconduct which the Arbitrators determine can be cured by the issuance of such decree;

(f) a determination as to which party, if any, is the prevailing party in the Arbitration, and the amount of such party's costs and fees. "Costs and fees" means all reasonable pre-award expenses of the arbitration, including the arbitrators' fees, administrative fees, travel expenses, out-of-pocket expenses such as copying and telephone, court costs, witness fees, and attorneys' fees; and

(g) a determination as to such matters as the Arbitrators deem necessary and appropriate to carry out their duties in connection with the Arbitration.

(10) The Arbitrators' award shall be in writing, shall be signed by a majority of the Arbitrators, and shall include a statement regarding the reasons for the disposition of any claim.

(11) The Arbitrators' award shall, as applicable, include the following:

(a) to the extent that the Arbitrators determine that the Claimant has suffered monetary damages as a result of those act(s) or omissions(s) determined to have occurred which constitute a breach of this Agreement, fraudulent conduct in connection with this Agreement, or willful misconduct in connection with this Agreement, as the case may be, a monetary award in the amount of those damages;

(b) to the extent that the Arbitrators determine that the harm resulting from those act(s) or omissions(s) determined to have occurred can be cured, in whole or in part by a decree of specific performance, such a decree of specific performance implementing such determination as can be submitted to and made the order of a Court of competent jurisdiction;

(c) to the extent that the Arbitrators determine that those act(s) or omissions(s) determined to have occurred constitute a Material Breach, a Material Fraud, or Material Willful Misconduct, as the case may be, an award authorizing the Claimant to

immediately terminate this Agreement, together with damages or specific performance, if determined by the Arbitrators to be appropriate;

(d) to the extent that the Arbitrators determine that there is a prevailing party, and that said prevailing party should receive an award of its Costs and Fees, such award to the prevailing party; and

(e) such other matters as the Arbitrators deem necessary and appropriate to implement their determinations made in the Arbitration.

(12) The written determination of the Arbitrators shall be made and delivered promptly to the parties to the Arbitration and shall be final and conclusive upon the parties to the Arbitration.

(13) Except as may be required by law, neither a party nor an Arbitrator may disclose the existence, content, or results of any Arbitration hereunder without the prior written consent of both parties.

SECTION 10.5. TERMINATION BY THE AGENT.

(a) Material Breach, Material Fraud and Material Willful Misconduct. The Agent may terminate this Agreement in accordance with the provisions of Section 10.4(g) upon :

(1) a Material Breach of this Agreement committed by Monsanto and established in accordance with the provisions of Section 10.4(g) of this Agreement;

(2) a Material Fraud committed by Monsanto and established in accordance with the provisions of Section 10.4(g) of this Agreement;

(3) Material Willful Misconduct committed by Monsanto and established in accordance with the provisions of Section 10.4(g) of this Agreement.

Such termination shall take effect on the later of the first business day following the thirtieth (30th) day after the sending of a termination notice to Monsanto in accordance with the provisions of Section 11.9, or the date designated by the Agent in said termination notice.

(b) Roundup Sale. The Agent may terminate this Agreement by written notice thereof to Monsanto upon receipt of notice of a Roundup Sale as described in Section 10.6.

(c) Termination Fee. Upon termination of this Agreement by the Agent pursuant to Section 10.5(a), Monsanto shall pay to the Agent the Termination Fee applicable pursuant to the Table set forth in Section 10.4.(c).

SECTION 10.6. ROUNDUP SALE.

(a) Notice of Sale; Quiet Period. Monsanto agrees to provide the Agent with prior written notice of any contemplated Roundup Sale. Thereafter, the Agent shall be entitled to participate in the Roundup Sale process, and the parties agree to negotiate in good faith with respect thereto. In the event of an auction in connection with a contemplated Roundup Sale, the Agent shall be entitled to submit a bid and additionally shall be entitled to a fifteen (15) day exclusive negotiation period following the receipt and review by Monsanto of all bids (the "Quiet Period"), provided that the Agent's bid shall not be discounted by any Termination Fee and that during the Quiet Period, the Agent shall have the right to revise its original bid but shall not have the right to review the terms of any other bids.

(b) Credit of Termination Fee. In the event that the Agent or any of its Affiliates acquires the Roundup Business in a Roundup Sale, the Termination Fee that would have been payable to the Agent upon a termination pursuant to Section 10.4(a)(2) shall be credited against the purchase price to be paid by the Agent or such Affiliate in the Roundup Sale.

(c) Agent's Election. In the event that Monsanto determines to consummate a Roundup Sale with a party other than the Agent, Monsanto shall deliver the Agent notice thereof and of the identity of such other party. Within thirty (30) days of receipt of such notice, the Agent shall deliver written notice to Monsanto stating either that:

(1) The Agent intends to terminate this Agreement pursuant to Section 10.5(b), in which case such notice shall constitute a termination notice for purposes of this Agreement provided that the termination shall be effective at the end of the Third Program Year following the Program Year in which the Agent delivers its Notice of Termination pursuant to this provision; or

(2) The Agent will not terminate this Agreement pursuant to Section 10.5(b) and agrees to continue the performance of its obligations under the Agreement unless and until the Agent receives a termination notice delivered in accordance with the terms of this Agreement by the successor to the Roundup Business.

(d) Successor. Upon consummation of a Roundup Sale to a party other than the Agent, Monsanto's successor to the Roundup L&G Business shall assume all rights and responsibilities of Monsanto under this Agreement.

SECTION 10.7. EFFECT OF TERMINATION.

(a) Nonexclusive Status. Notwithstanding anything contained in this Agreement to the contrary, during and after any period when Monsanto has given notice of termination in accordance with Section 10.4(b)(5), (i) Monsanto may make this Agreement nonexclusive with respect to the sales and marketing services to be provided by the Agent

hereunder, provided that the sales revenues generated by such second agent shall be included in Program Sales Revenues and any commercially reasonable commission payable to such second agent shall be included in Program Expense, (ii) Monsanto shall have access to all information held by the Agent with respect to the subject matter of this Agreement, and (iii) the Agent shall cooperate with Monsanto to establish an alternative distribution system for Roundup Products.

(b) Prior Obligations and Shipments. Termination shall not affect obligations of Monsanto or of the Agent which have arisen prior to the effective date of termination.

(c) Representations and Materials. Upon termination of this Agreement for any reason, the Agent shall not continue to represent itself as Monsanto's authorized agent to deal in Roundup Products, and shall remove, so far as practical, any printed material relating to such products from its salesperson's manuals and shall discontinue the use of any display material on or about the Agent's premises containing any reference to Roundup Products.

(d) Return of Books, Records, and other Property. To the extent not otherwise provided herein, upon termination of this Agreement, the Agent shall immediately deliver to Monsanto all records, books, and other property of Monsanto.

SECTION 10.8. FORCE MAJEURE.

If either party is prevented or delayed in the performance of any of its obligations by force majeure and if such party gives written notice thereof to the other party within twenty (20) days of the first day of such event specifying the matters constituting force majeure, together with such evidence as it reasonably can give, then the party so prevented or delayed will be excused from the performance or punctual performance, as the case may be, as from the date of such notice for so long as such cause of prevention or delay continues. For the purpose of this Agreement, the term "force majeure" will be deemed to include an act of God, war, hostilities, riot, fire, explosion, accident, flood or sabotage; lack of adequate fuel, power, raw materials, containers or transportation for reasons beyond such party's reasonable control; labor trouble, strike, lockout or injunction (provided that neither party shall be required to settle a labor dispute against its own best judgment); compliance with governmental laws, regulations, or orders; breakage or failure of machinery or apparatus; or any other cause whether or not of the class or kind enumerated above, including, but not limited to, a severe economic decline or recession, which prevents or materially delays the performance of this Agreement in any material respect arising from or attributable to acts, events, non-happenings, omissions, or accidents beyond the reasonable control of the party affected.

SECTION 10.9. SPECIAL TERMINATION PROVISIONS.

(a) In the event the parties fail to close the sale by Monsanto to the Agent of the Non-Roundup Assets by the later of March 31, 1999 or such later date as mutually agreed upon by the parties, the parties agree:

(1) Monsanto may elect to terminate this Agreement by giving notice of such termination to the Agent in accordance with the provisions of Section 11.9 of this Agreement on the later of (k) March 31, 1999 and (y) fifteen (15) calendar days after termination of the Asset Purchase Agreement between Monsanto and the Agent, with respect to the sale of the Non-Roundup Assets, pursuant to the terms thereof to Agent in accordance with the provisions of Section 11.9 of this Agreement. Any such termination shall be effective on September 30, 1999. In such event, (i) there shall be no deferral under Section 3.5(b) of the Contribution Payment required to be made by Agent, (ii) the MAT Expenses in the Annual Business Plan for the 1999 Program Year shall be $35MM, and the Netbacks for the 1999 Program Year shall not exceed twelve percent (12%) of Program Sales Revenues unless already committed as the Effective Date and (iii) the Agent's Commission specified in Section 3.6 shall not be applicable and, in lieu thereof, the Agent's commission shall, effective as of October 1, 1998, be twenty-eight percent (28%) of Program Sales Revenue, payable quarterly within fifteen (15) days following the end of each quarter, with each quarterly payment being in an amount not to exceed the cumulative percentage of the maximum applicable commission apportioned at twenty-five percent (25%) per quarter, subject to the following limitations:

(A) A maximum commission of $52MM per Program Year if such closing does not occur because the Agent has not sold or divested its Finale business or otherwise disposed of the Finale business in a manner satisfactory to Monsanto;

(B) A maximum commission of $55MM per Program Year if such closing does not occur because the Federal Trade Commission issues an order prohibiting the purchase of the Non-Roundup Assets by the Agent; and

(C) A maximum commission of $53.5MM per Program Year if such closing does not occur for any other reason than specified in clauses (A) or (B) above.

(b) In the event that Monsanto terminates this Agreement pursuant to Section 10.9(a)(1), the provisions of this Section 10.9 shall supersede Section 3.6 and Section 10.4 in their entirety.

(c) In the event that Monsanto elects not to terminate this Agreement pursuant to Section 10.9(a)(1), (i) there shall be no deferral under Section 3.5(b) of the Contribution Payment, (ii) the Agent's commission shall, for Program Year 1999, be calculated as provided in Section 10.9(a)(1) at a maximum commission of $53.5MM and in Program Year 2000 and thereafter the Agent's commission shall be the Commission specified in Section 3.6; (iii) Section 10.4(a)(2) shall be amended to the effect that Monsanto or any successor shall have the right to terminate this Agreement at any time upon a Change of Control with respect to Monsanto or a Roundup Sale by giving the Agent a notice of termination which shall be effective at the end of the later of twelve (12) months or the next Program Year; and (iv) the Agent shall not be entitled to any the Termination Fee as specified in Section 10.4(d), but rather, subject to Section 10.4(g), the Agent shall be entitled to exercise all remedies available to it either at law or in equity for any breach of this Agreement by Monsanto.

ARTICLE 11 - MISCELLANEOUS

SECTION 11.1. RELATIONSHIP OF THE PARTIES. Notwithstanding anything herein to the contrary, the parties' status with respect to each other shall be, at all times during the term of this Agreement, that of independent contractors retaining complete control over and complete responsibility for their respective operations and employees. Except as expressly provided herein, this Agreement shall not confer, nor shall be construed to confer, on either party any right, power or authority (express or implied) to act or make representations for, or on behalf of, or to assume or create any obligation on behalf of, or in the name of the other party. Nothing in this Agreement shall confer, or shall be construed to: (i) confer on the Agent any mutual proprietary interest in, or subject the Agent to any liability for, the business, assets, profits, losses, or obligations associated with Monsanto's manufacture, marketing, distribution and sales of Roundup Products; (ii) otherwise make either party a partner, member, or joint venturer of the other party (A) for purposes of the tax laws of the United States or any other country, or (B) for any other purposes under any other Laws; or (iii) create a franchise relationship between the parties. The parties expressly agree that at no time during the term of this Agreement, shall either party through its officers, directors, agents, employees, independent contractors or other representatives or through their respective representatives on the Steering Committee or Global Roundup Team take any action inconsistent with the foregoing expression of the nature of their relationship, except as required pursuant to applicable governmental authority under applicable Law or with the express written consent of the other party. Accordingly, the parties expressly agree to cooperate and communicate with the Steering Committee and the Global Roundup Support Team from time to time and in all events, annually, to ensure that both parties' actions are in compliance with this Section 11.1

SECTION 11.2. INTERPRETATION IN ACCORDANCE WITH GAAP. The parties acknowledge that several terms and concepts (such as various financial and accounting terms and concepts) used or referred to herein are intended to have specific meanings and are intended to be applied in specific ways, but they are not so expressly and fully defined and explained in this Agreement. In order to supplement definitions and other provisions contained in this Agreement and to provide a means for interpreting undefined terms and applying certain concepts, the parties agree that, except as expressly provided herein, when costs are to be determined or other financial calculations are to be made, GAAP as well as the party's past accounting practices shall be used to interpret and determine such terms and to apply such concepts. For example, when actual costs and expenses are referred to herein, they are not intended to contain any margin or profit for the party incurring such costs or expenses.

SECTION 11.3. CURRENCY. All amounts payable and calculations under this Agreement shall be in United States dollars. As applicable, Program Sales Revenue, Program Expenses, Cost of Goods Sold, Service Costs, and Program EBIT shall be translated into United States dollars at the rate of exchange at which United States dollars are listed in International Financial Statistics (publisher, International Monetary Fund) or if it is not available, The Wall Street

Journal for the currency of the country in which the sales were made or the transactions occurred at the average rate of exchange for the Quarter in which such sales were made or transactions occurred.

SECTION 11.4. MONSANTO OBLIGATIONS. All permits, licenses, and registrations needed for the sale of Roundup Products shall be obtained by Monsanto. Monsanto shall assume the cost of all federal and state registration fees related to the sale of Roundup Products, with such costs being included within Program Expenses.

SECTION 11.5. EXPENSES. Except as otherwise specifically provided in this Agreement, the Agent and Monsanto will each pay all costs and expenses incurred by each of them, or on their behalf respectively, in connection with this Agreement and the transactions contemplated hereby, including fees and expenses of their own financial consultants, accountants and counsel.

SECTION 11.6. ENTIRE AGREEMENT. This Agreement, together with all respective exhibits and schedules hereto, constitutes the entire agreement between the parties hereto pertaining to the subject matter hereof and supersedes all representations, warranties, understandings, terms or conditions on such subjects that are not set forth herein or therein. Agreements on other subjects, such as security and other credit agreements or arrangements, shall remain in effect according to their terms. The parties recognize that, from time to time, purchase orders, bills of lading, delivery instructions, invoices and similar documentation will be transmitted by each party to the other to facilitate the implementation of this Agreement. Any terms and conditions contained in any of those documents which are inconsistent with the terms of this Agreement shall be null, void and not enforceable. This Agreement is for the benefit of the parties hereto and is not intended to confer upon any other person any rights or remedies hereunder. The provisions of this Agreement shall apply to each division or subsidiary of the Agent and Monsanto and either the Agent or Monsanto may seek enforcement of the provisions of this Agreement on behalf of or with respect to a particular subsidiary or division without changing the rights and obligations of the parties under this Agreement as to other aspects of the Agent's or Monsanto's business.

SECTION 11.7. MODIFICATION AND WAIVER. No conditions, usage of trade, course of dealing or performance, understanding or agreement purporting to modify, vary, explain or supplement the terms or conditions of the Agreement and no amendment to or modification of this Agreement, and no waiver of any provision hereof, shall be effective unless it is in writing and signed by each party hereto. No waiver by either Monsanto or the Agent, with respect to any default or breach or of any right or remedy, and no course of dealing shall be deemed to constitute a continuing waiver of any other breach or default or of any other right or remedy, unless such waiver be expressed in writing signed by the party to be bound.

SECTION 11.8. ASSIGNMENT. This Agreement is personal to the Agent and, except as set forth in Section 2.3, the Agent shall not assign any rights or delegate any duties that the Agent has or may have under this Agreement, either voluntarily, involuntarily by operation of law or otherwise by sale, assignment, transfer, delegation or other arrangement having similar effect, without Monsanto's prior written consent except as specifically provided herein.

The Agent agrees to the assignment of the Agreement to the new legal entity that shall be formed as a result of the merger between Monsanto Company and American Home Products.

SECTION 11.9. NOTICES. All notices and other communications hereunder shall be in writing and shall be deemed given on the same business day if delivered personally or sent by telefax with confirmation of receipt, on the next business day if sent by overnight courier, or on the earlier of actual receipt as shown on the registered receipt or five business days after mailing if mailed by registered or certified mail (return receipt requested) to the parties at the addresses set forth below (or at such other address for a party as shall be specified by like notice):

If to the Agent, to:	The Scotts Company 14111 Scottslawn Road Marysville, OH 43041 Attn: President Telephone: (937) 644-0011 Facsimile No.: (937) 644-7136
with a copy to:	Vorys, Sater, Seymour and Pease LLP 52 East Gay Street Columbus, Ohio 43215 Attn: Ronald A. Robins, Jr. Telephone: (614) 464-6223 Facsimile: (614) 464-6350
If to Monsanto, to:	Monsanto Company 800 North Lindbergh Boulevard St. Louis, MO 63167 Attn: Monsanto Ag President Telephone: (314) 694-1000 Facsimile No.: (314) 694-2120
with a copy to:	Monsanto Company 800 North Lindbergh Boulevard St. Louis, Missouri 63167 Attn: Ag Counsel Telephone: (314)694-2851 Facsimile No.: (314) 694-2920

If any notice required or permitted hereunder is to be given a fixed amount of time before a specified event, such notice may be given any time before such fixed amount of time (e.g., a notice to be given 30 days prior to an event may be given at any time longer than 30 days prior to such event).

SECTION 11.10. SEVERABILITY. If any provision of this Agreement is determined to be invalid or unenforceable, in whole or in part, under a judgment, Law or statute now or hereafter in effect, the remainder of this Agreement shall not thereby be impaired or affected.

SECTION 11.11. EQUAL OPPORTUNITY. To the extent applicable to this Agreement, Monsanto and the Agent shall each comply with the following clauses contained in the Code of Federal Regulations and incorporated herein by reference: 48 C.F.R. Section 52.203-6 (Subcontractor Sales to Government); 48 C.F.R. Section 52.219-8, 52.219-9 (Utilization of Small and Small Disadvantaged Business Concerns); 48 C.F.R. Section 52.219-13 (Utilization of Women-Owned Business Concerns); 48 C.F.R. Section 52.222-26 (Equal Opportunity); 48 C.F.R. Section 52.222-35 (Disabled and Vietnam Era Veterans); 48 C.F.R. Section 52.222-36 (Handicapped Workers); 48 C.F.R. Section 52.223-2 (Clean Air and Water); and 48 C.F.R. Section 52.223-3 (Hazardous Material Identification and Material Safety Data). Unless previously provided, if the value of this Agreement exceeds $10,000, the Agent shall provide a Certificate of Nonsegregated Facilities to Monsanto. Furthermore, Monsanto and the Agent shall each comply with the Immigration Reform and Control Act of 1986 and all rules and regulations issued thereunder. Each party hereby certifies, agrees and covenants that none of its employees or employees of its subcontractors who perform work under this Agreement is or shall be unauthorized aliens as defined in the Immigration Reform and Control Act of 1986, and each party shall defend, indemnify and hold the other party harmless from any and all liability incurred by or sought to be imposed on the other party as a result of the first party's failure to comply with the certification, agreement and covenant made by such party in this Section.

SECTION 11.12. GOVERNING LAW.

(a) The validity, interpretation and performance of this Agreement and any dispute connected with this Agreement will be governed by and determined in accordance with the statutory, regulatory and decisional law of the State of Delaware (exclusive of such state's choice of laws or conflicts of laws rules) and, to the extent applicable, the federal statutory, regulatory and decisional law of the United States.

(b) Any suit, action or proceeding against any party hereto with respect to the subject matter of this Agreement, or any judgment entered by any court in respect thereof, must be brought or entered in the United States District Court for the District of Delaware, and each such party hereby irrevocably submits to the jurisdiction of such court for the purpose of any such suit, action, proceeding or judgment. If such court does not have jurisdiction over the subject matter of such proceeding or, if such jurisdiction is not available, then such action or proceeding against any party hereto shall be brought or entered in the Court of Chancery of the State of Delaware, County of New Castle, and each party hereby irrevocably submits to the jurisdiction of such court for the purpose of any such suit, action, proceeding or judgment. Each party hereto hereby irrevocably waives any objection which either of them may now or hereafter

have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement brought as provided in this subsection, and hereby further irrevocably waives any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. To the extent each party hereto has or hereafter may acquire any immunity from jurisdiction of any court or from legal process with respect to itself or its property, each party hereto hereby irrevocably waives such immunity with respect to its obligations under this subsection. Except as otherwise provided herein, the parties hereto agree that exclusive jurisdiction of all disputes, suits, actions or proceedings between the parties hereto with respect to the subject matter of this Agreement lies in the United States District Court for Delaware, or the Court of Chancery of the State of Delaware, County of new Castle, as hereinabove provided. The Agent hereby irrevocably appoints CT Corporation, having an address at 1209 Orange Street, Wilmington, Delaware 19801 and Monsanto hereby irrevocably appoints CT Corporation, having an address at 1209 Orange Street, Wilmington, Delaware 19801, as its agent to receive on behalf of each such party and its respective properties, service of copies of any summons and complaint and any other pleadings which may be served in any such action or proceedings. Service by mailing (by certified mail, return receipt requested) or delivering a copy of such process to a party in care of its agent for service of process as aforesaid shall be deemed good and sufficient service thereof, and each party hereby irrevocably authorizes and directs its respective agent for service of process to accept such service on its behalf.

SECTION 11.13. PUBLIC ANNOUNCEMENTS. No public announcement may be made by any person with regard to the transactions contemplated by this Agreement without the prior consent of the Agent and Monsanto, provided that either party may make such disclosure if advised by counsel that it is required to do so by applicable law or regulation of any governmental agency or stock exchange upon which securities of such party are registered. The Agent and Monsanto will discuss any public announcements or disclosures concerning the transactions contemplated by this Agreement with the other parties prior to making such announcements or disclosures.

SECTION 11.14. COUNTERPARTS. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which taken together shall be constitute one and the same agreement.

[signature page to follow]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized representatives as of the day and year first above mentioned.

THE MONSANTO COMPANY

By: /s/ ARNOLD W. DONALD

Name: Arnold W. Donald
Title: Senior Vice-President

THE SCOTTS COMPANY

By: /s/ JAMES HAGEDORN

Name: James Hagedorn
Title: Executive Vice President,
U.S. Business Groups

LIST OF EXHIBITS TO AMENDED AND RESTATED EXCLUSIVE AGENCY AND MARKETING AGREEMENT

Dated as of September 30, 1998
Between Monsanto Company and The Scotts Company

Exhibit A:	Central Agreements
Exhibit B:	Termination Notice Regarding Central Agreements
Exhibit C:	Letter Agreement Regarding Plastid Transformation Technology and Associated Genes
Exhibit D:	Permitted Products

LIST OF SCHEDULES

Schedule 1.1(a):	Included Markets
Schedule 1.1(b):	Roundup Products
Schedule 2.2(a)(ii):	Transition Services (to be provided)
Schedule 2.2(a):	Annual Business Plan Format
Schedule 3.1:	Services Outside North America (to be provided)
Schedule 3.2(d):	Cash Flow Chart
Schedule 3.3(c):	Income Statement Definitions and Allocation Methods
Schedule 3.8:	Current Sales of 2.5 Gallon SKU into the Lawn & Garden Channels
Schedule 4.1(a):	Management Structure
Schedule 4.2(a):	Steering Committee
Schedule 4.3(b):	Assigned Employees
Schedule 4.4(a):	Global Support Team

The Schedules, Exhibits and Channels to the Amended and Restated Exclusive Agency and Marketing Agreement have not been filed. Titles to the omitted Schedules, Exhibits and Channels appear above. The Registrant hereby agrees to furnish supplementally a copy of any omitted Schedule or Exhibit to the Securities and Exchange Commission upon its request.

Exhibit 10(v)

Exclusive Distributor Agreement-Horticulture

EXCLUSIVE DISTRIBUTOR AGREEMENT-HORTICULTURE

THIS AGREEMENT, entered into effective as of the 22nd day June of 1998 by and between The Scotts Company, a corporation organized and existing under the laws of the State of Ohio with its principal offices at 14111 Scottslawn Road, Marysville, Ohio 43041 ("Scotts"), and AgrEvo USA Company, a general partnership organized and existing under the laws of the State of Delaware with its principal offices at 2711 Centerville Road, Wilmington, Delaware 19808 ("AgrEvo").

WHEREAS, AgrEvo desires to enter into an agreement with Scotts in order to appoint Scotts as the sole and exclusive distributor for certain AgrEvo products in the markets in the territory, both of which are described herein; and

WHEREAS, Scotts desires to accept such appointment and to distribute such products on the terms set forth in this Agreement.

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

1. Definitions.

   (a) "Territory" shall mean the United States and its territories and Canada.

   (b) "Market" shall be limited to the Professional Horticulture Field consisting of Indoor Greenscape and Outdoor Nursery, including, but not limited to field and container grown ornamentals foliage plants. "Market" specifically excludes all golf course, professional lawn care, agricultural and consumer applications.

(c) "Products" shall mean certain formulations of products for sale in the Market in certain package sizes, as set forth in Exhibit 1(c), whether in Scotts- or AgrEvo-labeled containers.

(d) "Exclusive" shall mean that AgrEvo will sell Products exclusively to Scotts and Scotts shall buy Products exclusively from AgrEvo for resale in the Market and Territory during the Initial Term and any Extended Term of this Agreement.

(e) "First Contract Year" shall mean the period starting with the Effective Date, as defined below, and terminating on December 31, 1998. Thereafter, each period of January 1 through the following December 31 during the Initial Term and any Extended Term of this Agreement shall be called a "Contract Year".

(f) "Effective Date" shall mean the date first set forth above.

(g) "Initial Term" shall mean the period of time commencing on the Effective Date and terminating on December31, 2005.

(h) "Extended Term" shall mean one or more one (1) year periods after the end of the Initial Term, subject to the negotiation of the parties pursuant to Section 3, hereof.

(i) "Transition Year" shall mean, subject to Subsection (c) of Section 3, below, the period January 1, 2006 through and until December 31, 2006, or any subsequent one (1) year period as defined in Section 3 herein after the expiration of an Extended Term.

2. Appointment

(a) AgrEvo hereby appoints Scotts, and Scotts hereby accepts appointment, as an Exclusive distributor of Products, for the Market in and throughout the Territory and Scotts covenants and agrees to purchase Products exclusively from AgrEvo during the term hereof. AgrEvo understands that Scotts will resell Products under Scotts' own brand names, except for Products containing flutolanil and buprofesin, which shall be distributed under an AgrEvo label. Scotts shall have the right to appoint subdistributors or sales agents or representatives within the Territory for the Products for the Market, but any such subdistributors or sales agents or representatives shall be subdistributors or sales agents or representatives of Scotts and not of AgrEvo and shall have no authority or power to bind AgrEvo, and AgrEvo shall not be liable for any acts or omissions of such subdistributors or sales agents or representatives.

(b) If this Agreement is in effect during the Transition Year, AgrEvo shall not sell or distribute the Products directly or grant any additional distributorships for the Products for the Markets within the Territory.

(c) AgrEvo obtained registration for the Products from the Environmental Protection Agency ("EPA") pursuant to Section 3 of the Federal Insecticide, Fungicide and Rodenticide Act of 1947, as amended by subsequent authorizations and the Food Quality Protection Act of August 3, 1996 ("FQPA"). Pursuant to the terms hereof, AGREVO will grant to Scotts supplemental distribution rights for the Products (excluding flutolanil and buprofezin). In order to perfect such supplemental distribution rights, AgrEvo agrees to execute jointly with Scotts EPA Form 8570-5, "Notice of Supplemental Distribution of a Registered Product", wherein AgrEvo as Registrant, will agree that Scotts as Distributor, may distribute and sell the Product subject to the conditions specified in said EPA Notice and 40 CFR ss. 152.132. Scotts shall be solely responsible for complying with all administrative requirements imposed by the EPA and individual states related

thereto and shall assume and bear all costs of obtaining such registrations. Further, AgrEvo agrees to provide data citation authorization letters to all states which may request them in order for Scotts to obtain registrations in such states.

3. Term, Extensions, Obligations on Termination or Expiration.

(a) The Initial Term of this Agreement shall commence on the Effective Date and shall end on December 31, 2005, subject to earlier termination as provided in Section 13 hereof. AgrEvo and Scotts acknowledge that they may wish to extend the term of this Agreement after the Initial Term, but that neither party shall be obligated to do so.

(b) Either party may, by notice to the other given not later than April 1 of the last Contract Year of the Initial Term or any Extended Term, advise the other party that it wishes to enter into discussions for an extension of the term of this Agreement. If the party receiving such a notice wishes to consider such an extension, the parties shall enter into negotiations, not later than June 1 of the year in which such notice is given, as to the prices for Products that shall be in effect for the term extension. If the parties agree to extend the Agreement, they may enter into one or more Extended Terms.

(c) If the parties are unable to reach agreement by October 1 of the year in which such notice is given, the terms, prices and other conditions in effect during the last Contract Year of the Initial Term or any Extended Term shall continue during the Transition Year. The Transition Year is intended to provide both parties an opportunity for a smooth transition away from the relationship defined by this Agreement. Scotts shall be permitted to sell inventories of Products not sold during the Transition Year on a non-exclusive basis after the termination of the Transition Year.

4. Duties of AgrEvo.

AgrEvo shall:

(a) deliver Products promptly in response to firm written purchase orders received from Scotts, but in any event not later than fourteen (14) days after receipt of such orders;

(b) comply with all material federal, state and local laws applicable to the manufacture, sale and delivery to Scotts of the Products;

(c) notify Scotts promptly in writing should AgrEvo become aware of any condition which it believes may render any of the Products in violation of any applicable law, governmental regulation, rule or order in the Territory;

(d) provide reasonable assistance to Scotts, at Scotts' cost and upon Scotts' reasonable request, in complying with applicable laws and government regulations affecting Scotts' sale and distribution of the Products in the Territory; and

(e) notify Scotts in advance of the availability for the Market of new products in order to permit Scotts to negotiate a contractual relationship with AgrEvo concerning such products.

5. Duties of Scotts.

Scotts shall:

(a) submit firm written purchase orders for delivery of Products not less than fourteen (14) days prior to the date specified for delivery therein;

(b) comply with all federal, state and local laws and regulations affecting Scotts' purchase, shipment, transportation, handling, use, resale, disposal and distribution of the Products in the Territory;

(c) notify AgrEvo promptly in writing should Scotts become aware of any condition which it believes may render any of the Products in violation of any applicable law, governmental regulation, rule or order in the Territory; and

(d) notify AgrEvo promptly, but no later than five business (5) days after Scotts' management becomes aware of any reported adverse effect resulting from the use of any of the Products.

6. Price.

(a) The price for the Products for the first Contract Year is set forth on Exhibit 6(a).

(b) AgrEvo will establish the price for the Products for the second Contract Year and thereafter with notification of such price to Scotts on June 30 of the first Contract Year and on June 30 of each succeeding Contract Year, such price to be effective January 1 of the next succeeding Contract Year and on January 1 of each succeeding Contract Year thereafter.

7. Forecasts. Subject to Section 8, below, at least sixty (60) days prior to the beginning of each Contract Year, Scotts shall provide AgrEvo with an non-binding annual written forecast for purchases of Products. AgrEvo understands that these annual forecasts are estimates intended only for planning purposes. At least thirty (30) days prior to the beginning of each quarter, Scotts shall provide AgrEvo with binding quarterly written forecasts.

8. Minimum Purchases.

(a) During the Initial Term of this Agreement, Scotts agrees to purchase from AgrEvo on an exclusive basis minimum aggregate dollar values of Products which are set forth on Exhibit 8(a).

(b) If, during any Contract Year, Scotts fails to purchase the minimum aggregate dollar value of the Products required in Exhibit 8(a), it shall be afforded the right to purchase such minimum aggregate dollar value of Products (the "Arrearage") in the immediately succeeding Contract Year. If, in such succeeding Contract Year, Scotts fails to purchase the Arrearage and the minimum aggregate dollar value of Products required to be purchased in such Contract Year as required in Exhibit 8(a), AgrEvo has the right to:

(i) waive such requirement;

(ii) terminate the exclusivity provisions of Subsection 2; or

(iii) determine Scotts to be in default of the terms of this

Agreement pursuant to Section 13, below.

9. Limited Warranties.

(a) AgrEvo warrants only that (i) at the time of shipment the Products conform to the specifications set forth in Exhibit C attached hereto or on the respective AgrEvo label; and that (ii) the Products, at the time of shipment to Scotts, will be in material compliance with all applicable laws and regulations in the Territory.

(b) Scotts warrants that it has received and is familiar with AgrEvo's material safety data sheets which are attached hereto as Exhibit 9(b) and other technical literature provided by AgrEvo for the Products, has full knowledge of the hazards associated with the use and handling of the Products, and will carry out measures for providing warnings for such hazards to its employees, agents, representatives and third parties who may handle the Products.

10. Force Majeure. Except as otherwise provided herein, neither party to this Agreement shall be liable, or be in breach of any provision hereof for any failure or delay on its part to perform any obligation, other than the obligation to make payments when due, under any provision of this Agreement because of force majeure, including, but not limited to, any act of God, flood, fire, explosion, strike, lockout, labor dispute, war, insurrection, riot, sabotage, or any injunction, law, ordinance or demand or requirement of any governmental authority, or material inability to procure or use materials, labor, equipment or energy sufficient to meet manufacturing needs from customary sources at customary prices after best efforts have been made to do so, but without litigation, beyond the reasonable control of such party. In the event either party receives notice of any United States federal, state or local regulatory or legislative action which shall, after final action, prevent AgrEvo from manufacturing or selling Products covered by this Agreement, or shall prevent Scotts from distributing or selling Products covered by this Agreement, then the party so prevented shall immediately notify the other. After consultation with the other party, the party so prevented may terminate this Agreement immediately upon written notice to the other party, or, in the event such regulatory or legislative action applies to less than all of the Products covered by this Agreement, then the party so prevented may terminate this Agreement, but only with respect to the Products so affected, immediately upon written notice to the other party. If as a result of regulatory or legislative action, either party is required to expend significant additional capital in order to continue the manufacture, sale, packaging, formulating or distribution of the Products covered by this Agreement, such that such expenditure would result in gross economic hardship to such party, then the party required to make such expenditures may terminate this Agreement upon reasonable written notice to the other party.

11. Relationship of Parties. The relationship hereby established between AgrEvo and Scotts is solely that of an Independent contractor, and this Agreement shall not create an agency, partnership, joint venture, or employer/employee relationship between Scotts and its subdistributors, sales agents, representatives and AgrEvo, and nothing hereunder shall be deemed to authorize either party to act for, represent or bind the other or any of its affiliates.

12. Delivery Risk of Loss Indemnification.

(a) Title to, and risk of loss of Products sold hereunder shall pass to Scotts upon delivery of Products to a common carrier. Any relabeling of the Products by Scotts shall be in compliance with all laws applicable to Scott's sale or distribution of the Products and any such re-labeling shall be reviewed and approved by AgrEvo prior to Product sale by Scotts. AgrEvo shall provide any comments on such re-labeling to Scotts within thirty (30) days and shall not unreasonably withhold or delay its approval.

(b) Scotts shall indemnify and hold harmless AgrEvo and its subsidiaries, affiliates, directors, officers, employees and agents from and against any and all loss, cost, claim, damage, liability or expense (including reasonable attorney's fees, costs of suit and costs of appeal) incurred by any of them arising out of or in connection with any claim, action, suit, proceeding or investigation ("AgrEvo Claim") filed or threatened, with respect to shipment, transportation, handling, re-packaging, cleanup, sale and/or resale or disposal of Products or with respect to any Product-related health, environmental or deleterious contamination claims, following delivery of Products by AgrEvo into the possession of Scotts or the common carrier for shipment to Scotts, other than any AgrEvo Claim resulting from AgrEvo's negligence or willful misconduct.

(c) AgrEvo shall notify Scotts in writing within thirty (30) days of receiving material information concerning any AgrEvo Claim for which AgrEvo is seeking to be indemnified under this Section 12. Scotts shall have the right and opportunity to defend or settle any AgrEvo Claim, and AgrEvo shall cooperate fully with Scotts in the defense of any such Claim and shall not make or negotiate any settlement with the claimant without Scotts prior written consent.

(d) AgrEvo shall indemnify and hold harmless Scotts and its subsidiaries, affiliates, directors, officers, employees and agents from and against any and all loss, cost, claim, damage, liability or expense (including reasonable attorney's fees, costs of suit and costs of appeal) incurred by any of them arising out of or in connection with any claim, action, suit, proceeding or investigation ("Scotts Claim") filed or threatened with respect to formulation, handling, cleanup, resale or disposal or with respect to any Product-related health, environmental or deleterious contamination claims prior to delivery of Products by AgrEvo into the possession of Scotts or the common carrier for shipment to Scotts, other than Scotts Claim resulting from Scotts' negligence or willful misconduct.

(e) Scotts shall notify AgrEvo in writing within thirty (30) days of Scotts' management receiving material information concerning any Scotts Claim for which Scotts is seeking to be indemnified under this Section 12. AgrEvo shall have the right and opportunity to defend or settle any Scotts Claim, and Scotts shall cooperate fully with AgrEvo in the defense of any Scotts Claim and shall not make or negotiate any settlement with the claimant without AgrEvo's prior written consent.

13. Termination. This Agreement may be terminated "for cause" prior to expiration of the Initial Term, or any Extended Term, by either party immediately upon notice. A party shall have the right to terminate this Agreement "for cause" in the event of: (I) any material breach of

this Agreement by the other party which shall go uncorrected for a period of thirty (30) days after written notice of such breach, setting forth the details thereof with reasonable particularity, has been given to the other party; or (ii) the institution against the other party of voluntary proceedings in bankruptcy or under any insolvency law or law for the relief of debtors, the making by or on behalf of the other party of an assignment for the benefit of creditors, the filing by or on behalf of the other party of an involuntary petition under any bankruptcy or insolvency law, unless such petition is dismissed or set aside within sixty days from the date of its filing, or the appointment for such other party of a receiver or trustee, unless such appointment is dismissed or set aside within sixty (60) days from the date of such appointment.

14. Assignment. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, provided, however, that neither party shall have the right to transfer or assign its interest in this Agreement without the prior written consent of the other party, which consent shall not be unreasonably withheld, unless such transfer or assignment is to an affiliate of the parties.

15. Notice. All notices, requests, demands and other communications which are required or permitted to be given under this Agreement shall be in writing and shall be deemed to be duly given upon the delivery or mailing thereof as the case may be, if delivered personally or sent by registered or certified mail, return receipt requested, postage prepaid, or upon delivery to an express courier service, addressed in any such case:

(i) if to Scotts: THE SCOTTS COMPANY

14111 Scottslawn Road

Marysville, OH 43041

(i) if to AgrEvo;	Attn: Marketing Manager of Horticulture Products w/a copy to the General Counsel AgrEvo USA Company 2711 Centerville Road Wilmington, Delaware 19808 Attention: Legal Department

16. Choice of Law. This Agreement shall be governed by the laws of the State of Delaware, without regard to its provisions concerning conflicts of law.

17. Severability. In the event that any provision of this Agreement is held invalid, such invalidity shall not affect other provisions of this Agreement.

18. Waiver. Failure of either party to exercise any of its rights under this Agreement shall not act as a waiver of the same right on separate occasions.

19. Entire Agreement. This Agreement constitutes the entire and exclusive understanding between the parties regarding the subject matter hereof and supersedes all other agreements, understandings, promises and representations. This Agreement may only be modified by express written amendment specifically referencing this Agreement and signed by both parties.

20. Miscellaneous.

a.) Scotts hereby acknowledges AgrEvo's exclusive right, title and interest in and to all trademarks pertaining to AgrEvo's Products which it sells (hereinafter "Trademarks"), and will not at any time do or cause to be done any act or thing contesting or impairing or tending to impair any part of such right, title and interest. Scotts shall not in any manner represent on Scott's labels, or on other literature offered to the public, that it has any ownership interest in such Trademarks, without AgrEvo's advance written permission.

b.) Claims pertaining exclusively to the physical condition in which Products were received by Scotts (other than claims pertaining to chemical specifications), which claims do not otherwise result from acts within the reasonable control of the carrier delivering the same, shall be deemed waived unless made in writing within one hundred eighty (180) days following such receipt. Claims pertaining to chemical specifications shall be deemed waived unless made in writing promptly, but in no event more than ninety (90) days subsequent to receipt of the Products. All other claims shall be deemed waived unless made in writing promptly, but in no event more than ten (10) days subsequent to the date on which Scotts knew of such claims.

c.) After consultation with Scotts, AgrEvo shall have the right to determine, in its sole discretion, if the uses of the Products contemplated by Scotts herein can be supported by AgrEvo based upon financial return on investment on Product sale and/or on Product-related data development, versus risk and consumption of the acceptable daily intake ("ADI") for the class of active ingredients of the Products in accordance with the FQPA. If AgrEvo decides to withdraw a Product registration, it will give Scotts twelve (12) months written notice of such withdrawal. The class of active ingredients is defined as a group of chemically-related compounds which perform by a similar mode of action on the target pest.

(d) Both parties hereto covenant and agree that they will notify the other on a timely basis and in accordance with all relevant requirements promulgated by the EPA, of any and all adverse effects related to the Products. AGREVO covenants and agrees that it will assume responsibility for the reporting of such Product-related adverse effects to the EPA.

(e) Any and all Exhibits attached to this Agreement are hereby incorporated in this Agreement by this reference.

IN WITNESS THEREOF, the parties have caused this Agreement to be executed in duplicate by their duly authorized representatives.

The Scotts Company	AgrEvo USA Company
By: /s/ Scott C. Todd	By: /s/ Michael McDermott
Scott C. Todd	Michael McDermott
Title: Vice President	Title: Business Group Director
Date: 6/22/98	Date: 6/18/98

LIST OF EXHIBITS

Exhibit 1C	Product List and Formulations
Exhibit 6A	Product Price List
Exhibit 8A	Annual Minimum Aggregate Dollar Value of Purchases

Exhibits to the Agreement have not been filed. Titles to the omitted Exhibits appear above. The Registrant hereby agrees to furnish supplementally a copy of any omitted Exhibit to the Securities and Exchange Commission upon its request.

Exhibit 21

Subsidiaries of Registrant

Exhibit 21

SUBSIDIARIES OF REGISTRANT

*EG Systems, Inc., an Indiana corporation
    EG Transport, Inc., an Indiana corporation
    John M. Fogarty Enterprises, Inc., an Ohio corporation
        Crowley Lawn Service, Inc., an Ohio corporation
Hyponex Corporation, a Delaware corporation
    EarthGro, Inc., a Connecticut corporation
OMS Investments, Inc., a Delaware corporation
    Old Fort Financial Corp., a Delaware corporation
Republic Tool & Manufacturing Corp., a Delaware corporation
*Sanford Scientific, Inc., a New York corporation
Scotts' Miracle-Gro Products, Inc., an Ohio corporation
    Miracle-Gro Lawn Products, Inc., a New York corporation
    Miracle-Gro Products Ltd., a New York corporation
Scotts Products Co., an Ohio corporation
Scotts Professional Products Co., an Ohio corporation
Scotts-Sierra Horticultural Products Company, a California corporation
    *Sierra-Sunpol Resins, Inc.
    Scotts-Sierra Crop Protection Company, a California corporation
    Scotts-Sierra Investments, Inc., a Delaware corporation
        Asef Holding B.V. (Netherlands)
           Asef B.V. (Netherlands)
        Scotts Australia Pty Limited (Australia)
        Scotts Belgium 2 B.V.B.A. (Belgium)
        Scotts Canada Ltd. (Canada)
        Scotts France Holdings SARL (France)
           Rhone-Poulenc Jardin SAS (France) - Note: Scotts France SARL owns
             0.03%
           Scotts France SARL (France) - Note: Scotts Holdings Limited owns
             .0019%
        Scotts Holding GmbH (Germany)
           Celaflor Handelsgesellschaft m.b.H. (Austria)
           Scotts Celaflor GmbH & Co. KG (a partnership)(Germany)
                  Celaflor GmbH (Germany)
        Scotts Holdings Limited (United Kingdom)
           Levington Group Limited (United Kingdom)
                  Levington Trustees Limited (United Kingdom)
                  Murphy Home and Garden Ltd. (United Kingdom)
                  The Scotts Company (UK) Limited (United Kingdom)
                      The Scotts Company (Manufacturing) Limited (United
                        Kingdom)
           O M Scott International Investments Limited (United Kingdom)
                 Scotts Italia S.r.l. (Italy)
                  Levington Horticulture Limited (United Kingdom)
                  Miracle Holdings Limited (United Kingdom)
                      Miracle Garden Care Limited (United Kingdom)
                  O M Scott & Sons Ltd. (United Kingdom)
                  Scotts Europe BV (Netherlands)
                        Scotts Belgium B.V.B.A. (Belgium)
                        Scotts OM Espana S.A. (Spain)
                        Scotts Deutschland GmbH (Germany)
           Scotts Horticulture Limited (Ireland)
Swiss Farms Products, Inc., a Delaware corporation

- ------------
* Not wholly-owned

Exhibit 23

Consent of Independent Accountants

[to come]

EXHIBIT 23

CONSENT OF INDEPENDENT ACCOUNTANTS

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the Registration Statements of The Scotts Company on Form S-8 (File Nos. 33-47073, 33-60056, 333-00021, 333-06061 and 333-27561) of our report dated October 23, 1998 except for Note 20 as to which the date is December 15, 1998, on our audits of the consolidated financial statements and financial statement schedules of The Scotts Company and Subsidiaries as of September 30, 1998 and 1997, and for the years ended September 30, 1998, 1997 and 1996, which reports are incorporated by reference in this Annual Report on Form 10-K.

/s/ PricewaterhouseCoopers LLP

Columbus, Ohio
December 21, 1998

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEETS AND STATEMENTS OF OPERATIONS OF THE SCOTTS COMPANY AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FORM 10-K FOR THE YEAR ENDED SEPTEMBER 30, 1998.

1,000,000
US DOLLARS

YEAR	
	SEP-30-1998
	OCT-01-1997
	SEP-30-1998
	1
	11
	0
	153
	(6)
	178
	367
	331
	(134)
	1,035
	232
	0
	0
	177
	0
	226
	1,035
	1,113
	1,113
	715
	1,019
	0
	0
	32
	62
	25
	37
	0
	1
	0
	36
	1.42
	1.20