

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

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

FOR THE QUARTERLY PERIOD ENDED APRIL 1, 2000

OR

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER 1-13292

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

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

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

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

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

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

Yes No

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

27,961,206 Outstanding at May 11, 2000
Common Shares, voting, no par value

THE SCOTTS COMPANY AND SUBSIDIARIES

INDEX

Page No.

Part I. Financial Information:

Item 1. Financial Statements	
Condensed, Consolidated Statements of Operations - Three and six month periods ended April 1, 2000 and April 3, 1999.....	3
Condensed, Consolidated Statements of Cash Flows - Six month periods ended April 1, 2000 and April 3, 1999.....	4
Condensed, Consolidated Balance Sheets - April 1, 2000, April 3, 1999 and September 30, 1999.....	5
Notes to Condensed, Consolidated Financial Statements.....	6-24
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	25-39

Part II. Other Information

Item 1. Legal Proceedings.....	40
Item 4. Submission of Matters to a Vote of Security Holders.....	40
Item 6. Exhibits and Reports on Form 8-K.....	40
Signatures.....	41
Exhibit Index.....	42

PART I - FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

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

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	APRIL 1, 2000	APRIL 3, 1999	APRIL 1, 2000	APRIL 3, 1999
Net sales	\$ 720.7	\$ 631.5	\$ 912.3	\$ 815.9
Cost of sales	407.6	362.6	525.3	482.3
Gross profit	313.1	268.9	387.0	333.6
Gross commission earned from agency agreement	9.0	12.6	9.2	17.6
Contribution expenses under agency agreement	1.3	--	2.5	--
Net commission earned from agency agreement	7.7	12.6	6.7	17.6
Operating expenses:				
Advertising and promotion	98.2	86.0	121.9	102.7
Selling, general and administrative	84.4	72.5	153.1	126.4
Amortization of goodwill and other intangibles	7.8	5.3	13.8	10.2
Restructuring and other charges	--	--	--	1.4
Other expense (income), net	(2.5)	0.4	(1.9)	0.3
Income from operations	132.9	117.3	106.8	110.2
Interest expense	25.9	24.6	49.6	34.4
Income before income taxes	107.0	92.7	57.2	75.8
Income taxes	43.4	38.0	23.2	31.1
Net income before extraordinary item	63.6	54.7	34.0	44.7
Extraordinary loss on early extinguishment of debt, net of tax	--	5.4	--	5.8
Net income	63.6	49.3	34.0	38.9
Payments to preferred shareholders	--	2.5	6.4	4.9
Income available to common shareholders	\$ 63.6	\$ 46.8	\$ 27.6	\$ 34.0
Basic earnings per common share:				
Before extraordinary item	\$ 2.28	\$ 2.86	\$ 0.99	\$ 2.17
Extraordinary item, net of tax	--	0.30	--	0.32
	2.28	2.56	0.99	1.85
Diluted earnings per common share:				
Before extraordinary item	\$ 2.16	\$ 1.81	\$ 0.93	\$ 1.48
Extraordinary item, net of tax	--	0.18	--	0.19
	2.16	1.63	0.93	1.29
Common shares used in basic earnings per share calculation ...	27.9	18.3	28.0	18.3
Common shares and potential common shares used in diluted earnings per share calculation	29.5	30.3	29.8	30.2

See notes to condensed, consolidated financial statements

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

	SIX MONTHS ENDED	
	APRIL 1, 2000	APRIL 3, 1999
	----	----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 34.0	\$ 38.9
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	31.9	25.0
Net change in certain components of working capital	(270.4)	(303.9)
Net change in other assets and liabilities and other adjustments ...	(9.8)	(20.1)
	-----	-----
Net cash used in operating activities	(214.3)	(260.1)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in property, plant and equipment	(20.1)	(26.6)
Investment in acquired businesses, net of cash acquired	(0.8)	(492.4)
Other, net	1.8	(6.4)
	-----	-----
Net cash used in investing activities	(19.1)	(525.4)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings under revolving and bank lines of credit	286.5	327.8
Gross borrowings under term loans	--	525.0
Gross repayments under term loans	(12.4)	--
Issuance of 8 5/8% Senior Subordinated Notes	--	330.0
Extinguishment of \$97.1 million 9 7/8% Senior Subordinated Notes	--	(104.1)
Repayment of outstanding balance on previous credit facility	--	(241.0)
Settlement of interest rate locks	--	(12.9)
Financing and issuance fees	--	(22.6)
Payments to preferred shareholders	(6.4)	(7.3)
Repurchase of treasury shares	(23.9)	--
Other, net	(9.4)	(0.6)
	-----	-----
Net cash provided by financing activities	234.4	794.3
	-----	-----
Effect of exchange rate changes on cash	(1.6)	(0.5)
	-----	-----
Net (decrease) increase in cash	(0.6)	8.3
Cash and cash equivalents at beginning of period	30.3	10.6
	-----	-----
Cash and cash equivalents at end of period	\$ 29.7	\$ 18.9
	=====	=====
SUPPLEMENTAL CASH FLOW INFORMATION:		
Investment in Acquired Businesses:		
Fair value of assets acquired, net of cash	\$ 3.0	\$ 631.2
Liabilities assumed	--	(101.8)
	-----	-----
Net assets acquired	3.0	529.4
Notes issued to seller	2.2	37.0
Cash paid	0.8	492.4

See notes to condensed, consolidated financial statements

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

ASSETS	UNAUDITED		
	APRIL 1, 2000	APRIL 3, 1999	SEPTEMBER 30, 1999
	----	----	----
Current assets:			
Cash and cash equivalents	\$ 29.7	\$ 18.9	\$ 30.3
Accounts receivable, less allowances of \$14.7, \$13.1 and \$16.4, respectively	649.3	589.6	201.4
Inventories, net	366.3	334.6	313.2
Current deferred tax asset	26.5	22.3	29.3
Prepaid and other assets	63.6	52.6	67.5
Total current assets	1,135.4	1,018.0	641.7
Property, plant and equipment, net	258.1	240.8	259.4
Intangible assets, net	796.2	786.9	794.1
Other assets	82.6	60.2	74.4
Total assets	\$ 2,272.3	\$ 2,105.9	\$ 1,769.6
	=====	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term debt	\$ 183.2	\$ 213.9	\$ 56.4
Accounts payable	281.7	178.2	133.5
Accrued liabilities	288.6	220.8	177.0
Total current liabilities	753.5	612.9	366.9
Long-term debt	1,014.7	1,003.0	893.6
Other liabilities	61.6	58.3	65.8
Total liabilities	1,829.8	1,674.2	1,326.3
Commitments and contingencies			
Shareholders' equity:			
Class A Convertible Preferred Stock, no par value	--	177.3	173.9
Common shares, no par value per share, \$.01 stated value per share, issued 31.4, 21.1 and 21.3, respectively	0.3	0.2	0.2
Capital in excess of par value	388.1	208.9	213.9
Retained earnings	157.7	110.6	130.1
Treasury stock, 3.5, 2.8, and 2.9 shares, respectively, at cost	(85.1)	(56.9)	(61.9)
Accumulated other comprehensive expense	(18.5)	(8.4)	(12.9)
Total shareholders' equity	442.5	431.7	443.3
Total liabilities and shareholders' equity	\$ 2,272.3	\$ 2,105.9	\$ 1,769.6
	=====	=====	=====

See notes to condensed, consolidated financial statements

NOTES TO CONDENSED, CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Scotts Company is engaged in the manufacture and sale of lawn care and garden products. The Company's major customers include mass merchandisers, home improvement centers, large hardware chains, independent hardware stores, nurseries, garden centers, food and drug stores, 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 condensed, consolidated financial statements include the accounts of The Scotts Company and its subsidiaries, (collectively, the "Company"). All material intercompany transactions have been eliminated.

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

Revenue Recognition

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

Advertising and Promotion

The Company advertises its branded products through national and regional media, and through cooperative advertising programs with retailers. Retailers are also offered pre-season stocking and in-store promotional allowances. Certain products are also promoted with direct consumer rebate programs. Advertising and promotion costs (including allowances and rebates) incurred during the year are expensed ratably to interim periods in relation to revenues. All advertising and promotion costs, except for production costs, are expensed within the fiscal year in which such costs are incurred. Production costs for advertising programs are deferred until the period in which the advertising is first aired.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying disclosures. The most significant of these estimates are related to the allowance for doubtful accounts, inventory valuation reserves, expected useful lives assigned to property, plant and equipment and goodwill and other intangible assets, legal and environmental accruals, post-retirement benefits, promotional and consumer rebate liabilities, income taxes and contingencies. Although these estimates are based on management's best knowledge of current events and actions the Company may undertake in the future, actual results ultimately may differ from the estimates.

Reclassifications

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

2. AGENCY AGREEMENT

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

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

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

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

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

3. RESTRUCTURING AND OTHER CHARGES

1999 Charges

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

1998 Charges

During fiscal 1998, the Company recorded charges of \$9.3 million in connection with its decision to close nine composting sites. As of September 30, 1999, \$0.9 million remained accrued in the Company's consolidated balance sheet for losses to be incurred under contractual commitments and remaining lease obligations (a detailed discussion and rollforward is included in the Company's fiscal 1999 Annual Report on Form 10-K). For the first six months of fiscal 2000, \$0.5 million of the remaining obligations had been paid. The Company expects to make all remaining payments in fiscal 2000.

4. ACQUISITIONS

In January 1999, the Company acquired the assets of Monsanto's consumer lawn and garden businesses, exclusive of the Roundup(R) business ("Ortho"), for approximately \$300 million, subject to adjustment based on working capital as of the closing date and as defined in the purchase agreement. Based on the estimate of working capital received from Monsanto, the Company made an additional payment of \$39.9 million at the closing date. The Company has subsequently provided Monsanto with its estimate of working capital, which would result in a substantial reduction in the total purchase price. Monsanto has subsequently provided the Company with a revised assessment of working capital which would increase the final purchase price. The Company and Monsanto have resolved many of the items in dispute and are currently in negotiations to resolve the remaining disputed items. If the final purchase price differs from the original estimate, it is likely that any difference would not be amortized over future periods, but rather would be reflected as an adjustment to working capital.

In October 1998, the Company acquired Rhone-Poulenc Jardin ("RPJ"), continental Europe's largest consumer lawn and garden products company. Management's initial estimate of the purchase price for Rhone-Poulenc Jardin was \$193 million; however, subsequent adjustments for reductions in acquired working capital have resulted in a final purchase price of approximately \$147 million.

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

Each of the above acquisitions was made in exchange for cash or notes due to seller and was accounted for under the purchase method of accounting. Accordingly, the purchase prices have been allocated to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. Final determination of the purchase

price of the Ortho business, as well as the allocation of the purchase price to the net assets acquired was not complete as of April 1, 2000. The excess of the estimated purchase price for the Ortho business over the value of tangible assets acquired is currently recorded as an intangible asset and is being amortized over a period of 35 years.

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

	SIX MONTHS ENDED	

	APRIL 3, 1999	

Net sales	\$	848.9
Income before extraordinary loss		36.3
Net income		30.5
Basic earnings per share:		
Before extraordinary loss	\$	1.72
After extraordinary loss		1.40
Diluted earnings per share:		
Before extraordinary loss	\$	1.20
After extraordinary loss	\$	1.01

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

5. INVENTORIES

Inventories, net of provisions for slow moving and obsolete inventory of \$27.8 million, \$21.5 million, and \$30.5 million, respectively, consisted of:

	APRIL 1, 2000	APRIL 3, 1999	SEPTEMBER 30, 1999
	-----	-----	-----
Finished goods	\$ 281.7	\$ 246.8	\$ 206.4
Raw materials	83.6	87.4	106.5
	-----	-----	-----
FIFO cost	365.3	334.2	312.9
LIFO reserve	1.0	0.4	0.3
	-----	-----	-----
Total	\$ 366.3	\$ 334.6	\$ 313.2
	=====	=====	=====

6. INTANGIBLE ASSETS, NET

	APRIL 1, 2000	APRIL 3, 1999	SEPTEMBER 30, 1999
	----	----	----
Goodwill	\$ 526.2	\$ 625.8	\$ 508.6
Trademarks	192.8	137.9	207.9
Other	77.2	23.2	77.6
	-----	-----	-----
Total	\$ 796.2	\$ 786.9	\$ 794.1
	=====	=====	=====

7. LONG-TERM DEBT

	APRIL 1, 2000	APRIL 3, 1999	SEPTEMBER 30, 1999
Revolving loans under credit facility	\$ 349.5	\$ 322.8	\$ 64.2
Term loans under credit facility	481.4	509.9	509.0
Senior Subordinated Notes	318.6	320.0	318.0
Notes due to sellers	36.6	37.5	37.0
Foreign bank borrowings and term loans ...	9.6	22.0	17.6
Capital lease obligations and other	2.2	4.7	4.2
	-----	-----	-----
	1,197.9	1,216.9	950.0
Less current portions	183.2	213.9	56.4
	-----	-----	-----
	\$ 1,014.7	\$ 1,003.0	\$ 893.6
	=====	=====	=====

On December 4, 1998, the Company and certain of its subsidiaries entered into a credit facility which provides for borrowings in the aggregate principal amount of \$1.025 billion and consists of term loan facilities in the aggregate amount of \$525 million and a revolving credit facility in the amount of \$500 million. Financial covenants included as part of the facility include, amongst others, minimum net worth, interest coverage and net leverage ratios. The Company was in violation of the minimum net worth covenant measured as of January 1, 2000. The violation was reported to the administrative agent on February 11, 2000, as required by the credit facility. On February 15, 2000, the Company obtained a waiver of this covenant violation from its bank group for the first quarter violation only. The Company was in compliance with all of its debt covenants as of April 1, 2000.

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

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

In conjunction with the acquisitions of Rhone-Poulenc Jardin and Sanford Scientific, Inc., notes were issued for certain portions of the total purchase price or other consideration that are to be paid in annual installments over a four-year period. The present value of remaining note payments is \$25.1 million and \$4.0 million, respectively. The Company is imputing interest on the non-interest bearing notes using an interest rate prevalent for similar instruments at the time of acquisition (approximately 9% and 8%, respectively).

In March 2000, the Company acquired certain residual international intellectual property including peat marketing rights and goodwill from Bord na Mona Horticulture Limited. The purchase of the intellectual property was made through the issuance of a promissory note containing five annual payments. The present value of these payments, approximately \$5.2 million, is included in Notes Due to Sellers above. The Company is imputing interest on the notes using an 8% interest rate.

The foreign term loans of \$3.9 million issued on December 12, 1997, have an 8-year term and bear interest at 1% below LIBOR. The loans are denominated in Pounds Sterling and can be redeemed, on demand, by the note holder. The foreign bank borrowings of \$5.7 million at April 1, 2000 represent lines of credit for foreign operations and are denominated in French Francs and Canadian Dollars.

8. EARNINGS PER COMMON SHARE

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

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	APRIL 1, 2000	APRIL 3, 1999	APRIL 1, 2000	APRIL 3, 1999
Net income before extraordinary item	\$ 63.6	\$ 54.7	\$ 34.0	\$ 44.7
Extraordinary loss on early extinguishment of debt, net of taxes	--	5.4	--	5.8
Net income	63.6	49.3	34.0	38.9
Payments to preferred shareholders	--	2.5	6.4	4.9
Income available to common shareholders	\$ 63.6	\$ 46.8	\$ 27.6	\$ 34.0
Weighted-average common shares outstanding during the period ...	27.9	18.3	28.0	18.3
Assuming conversion of Class A Convertible Preferred Stock	--	10.3	--	10.3
Assuming exercise of warrants	0.9	0.9	1.0	0.8
Assuming exercise of options	0.7	0.8	0.8	0.8
Weighted-average number of common shares outstanding and potential common shares	29.5	30.3	29.8	30.2
Basic earnings per common share:				
Before extraordinary loss	2.28	2.86	0.99	2.17
Extraordinary loss, net of tax	--	0.30	--	0.32
	\$ 2.28	\$ 2.56	\$ 0.99	\$ 1.85
Diluted earnings per common share:				
Before extraordinary loss and impact of early conversion of preferred shares	2.16	1.81	1.14	1.48
Extraordinary loss, net of tax	--	0.18	--	0.19
Impact of early conversion of preferred shares	--	--	0.21	--
	\$ 2.16	\$ 1.63	\$ 0.93	\$ 1.29

9. STATEMENT OF COMPREHENSIVE INCOME

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

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	APRIL 1, 2000	APRIL 3, 1999	APRIL 1, 2000	APRIL 3, 1999
	----	----	----	----
Net income	\$ 63.6	\$ 49.3	\$ 34.0	\$ 38.9
Other comprehensive income (expense):				
Foreign currency translation adjustments ...	(2.2)	(4.8)	(5.6)	(5.2)
	-----	-----	-----	-----
Comprehensive income	\$ 61.4	\$ 44.5	\$ 28.4	\$ 33.7
	=====	=====	=====	=====

10. CONTINGENCIES

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

Ohio Environmental Protection Agency

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

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

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

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

The Company is continuing to meet with the Ohio Attorney General and the Ohio Environmental Protection Agency in an effort to negotiate an amicable resolution of these issues but is unable at this stage to predict the outcome of the negotiations. While negotiations have narrowed the unresolved issues between the Company and the Ohio Attorney General/Ohio Environmental Protection Agency, several critical issues remain the subject of ongoing discussions. The Company believes that it has viable defenses to the State's enforcement action, including that it had been proceeding under VAP to address specified environmental issues, and will assert those defenses in any such action.

Since receiving the notice of enforcement action in June 1997, management has continually assessed the potential costs that may be incurred to satisfactorily remediate the Marysville site and to pay any penalties sought by the State. Because the Company and the Ohio Environmental Protection Agency have not agreed as to the extent of any possible contamination and an appropriate remediation plan, the Company has developed and initiated an action plan to remediate the site based on its own assessments and consideration of specific actions which the Ohio Environmental Protection Agency will likely require. Because the extent of the ultimate remediation plan is uncertain, management is unable to predict with certainty the costs that will be incurred to remediate the site and to pay any penalties. Management estimates that the range of possible loss that could be incurred in connection with this matter is \$2 million

to \$10 million. The Company has accrued for the amount it considers to be the most probable within that range and believes the outcome will not differ materially from the amount reserved. Many of the issues raised by the State are already being investigated and addressed by the Company during the normal course of conducting business.

Lafayette

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

Agrevo Environmental Health

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

AgrEvo is requesting unspecified damages as well as affirmative injunctive relief, and seeking to have the court invalidate the Roundup(R) marketing agreement as violative of the federal antitrust laws. On September 20, 1999, the Company filed an answer denying liability and asserting counterclaims that it was fraudulently induced to enter into the agreement for purchase of the consumer herbicide business and the related agreements, and that AgrEvo breached the representations and warranties contained in those agreements. On October 1, 1999, the Company moved to dismiss the antitrust allegations against it on the ground that the claims fail to state claims for which relief may be granted. On October 12, 1999, AgrEvo moved to dismiss the Company's counterclaims. On January 27, 2000, AgrEvo sought leave to move to amend its complaint to add a claim for fraud and to incorporate the Delaware action described below. Under the indemnification provisions of the Roundup(R) marketing agreement, Monsanto and the Company each have requested that the other indemnify against any losses arising from this lawsuit.

On June 29, 1999, AgrEvo also filed a complaint in the Superior Court of the State of Delaware against two of the Company's subsidiaries seeking damages for alleged breach of contract. AgrEvo alleges that, under the contracts by which a subsidiary of the Company purchased a herbicide business from AgrEvo in May 1998, two of the Company's

subsidiaries have failed to pay AgrEvo approximately \$0.6 million. AgrEvo is requesting damages in this amount, as well as pre and post-judgment interest and attorneys' fees and costs. The Company's subsidiaries have moved to dismiss or stay this action. On January 31, 2000, the Delaware court stayed AgrEvo's action pending (a) the resolution of a motion to amend the action in the Southern District of New York and (b) resolution of the New York action.

Bramford

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

Other

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

General

The Company has accrued \$9.9 million at April 1, 2000 for the environmental matters described above. The significant components of the accrual are: (i) costs for site remediation of \$6.9 million; (ii) costs for asbestos abatement of \$2.5 million; and (iii) fines and penalties of \$0.5 million. The significant portion of the costs accrued as of April 1, 2000 are expected to be paid in fiscal 2000 and 2001; however, payments are expected to be made through fiscal 2003 and possibly for a period thereafter.

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

- (i) that the Company has identified all of the significant sites that must be remediated;
- (ii) that there are no significant conditions of potential contamination that are unknown to the Company;
- (iii) that potentially contaminated soil can be remediated in place rather than having to be removed; and
- (iv) that only specific stream sediment sites with unacceptable levels of potential contaminant will be remediated.

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

11. CONVERSION OF PREFERRED STOCK

In October 1999, all of the then outstanding shares of Class A Convertible Preferred Stock were converted into approximately 10.1 million common shares. The Company paid the holders of the Preferred Stock \$6.4 million. The amount represents the dividends on the Preferred Stock that otherwise would have been payable through May 2000, the month

during which the Preferred Stock could first be redeemed by the Company. In fiscal 1999, certain of the Preferred Stock was converted into 0.2 million common shares at the holders option.

12. NEW ACCOUNTING STANDARDS

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

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

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

13. SEGMENT INFORMATION

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

The North American Consumer segment specializes in dry, granular slow-release lawn fertilizers, lawn fertilizer combination and lawn control products, grass seed, spreaders, water-soluble and controlled-release garden and indoor plant foods, plant care products, and potting soils, barks, mulches and other growing media products, and pesticides 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 table presents segment financial information in accordance with SFAS No. 131. "Disclosures about Segments of an Enterprise and Related Information". Pursuant to that statement, the presentation of the segment financial information is consistent with the basis used by management (i.e., certain costs not allocated to business segments for internal management reporting purposes are not allocated for purposes of this presentation).

(in millions)		N.A. CONSUMER	PROFESSIONAL	INTERNATIONAL	OTHER/ CORPORATE	TOTAL
Sales:						
	2000 YTD	\$ 650.3	\$ 65.2	\$ 196.8		\$ 912.3
	1999 YTD	\$ 531.7	\$ 73.4	\$ 210.8		\$ 815.9
	2000 Q2	\$ 548.7	\$ 41.5	\$ 130.5		\$ 720.7
	1999 Q2	\$ 458.9	\$ 40.9	\$ 131.7		\$ 631.5
Operating Income (Loss):						
	2000 YTD	\$ 123.9	\$ 3.4	\$ 19.4	\$ (39.9)	\$ 106.8
	1999 YTD	\$ 101.7	\$ 6.4	\$ 33.9	\$ (31.8)	\$ 110.2
	2000 Q2	\$ 128.7	\$ 3.8	\$ 21.3	\$ (20.9)	\$ 132.9
	1999 Q2	\$ 104.3	\$ 6.4	\$ 23.4	\$ (16.8)	\$ 117.3
Operating Margin:						
	2000 YTD	19.1%	5.2%	9.9%	nm	11.7%
	1999 YTD	19.1%	8.7%	16.1%	nm	13.5%
	2000 Q2	23.5%	9.2%	16.3%	nm	18.4%
	1999 Q2	22.7%	15.6%	17.8%	nm	18.6%
Total Assets:						
	2000 YTD	\$ 1,412.9	\$ 205.4	\$ 566.6	\$ 87.4	\$ 2,272.3
	1999 YTD	\$ 1,239.9	\$ 220.1	\$ 589.0	\$ 56.9	\$ 2,105.9

nm Not meaningful.

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

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

14. SUBSEQUENT EVENTS

The Company has recently become aware of consumer complaints relating to the dispensing system for two pesticide products, one of which is marketed through the agency agreement with Monsanto. The Company has brought the situation to the attention of the appropriate governmental regulatory agencies and its retail partners. It is currently evaluating potential alternative courses of action including: relabeling products currently in inventory and at retailers to enhance instructions on the proper use of the dispensing system; making adjustments to the dispensing system for those products; and implementing voluntary return programs. The Company is evaluating the possible costs associated with these potential courses of action but, as of this filing, is uncertain as to the actual courses of action and therefore their ultimate cost. It is also uncertain what portion of the final costs will be borne by the Company because of the agency agreement, possible insurance recoveries, and potential recourse from third party manufacturers. The Company anticipates that any costs that it will bear will be incurred in the third and fourth quarters of fiscal 2000.

15. FINANCIAL INFORMATION FOR SUBSIDIARY GUARANTORS AND NON-GUARANTORS

In January 1999, the Company issued \$330 million of 8 5/8% Senior Subordinated Notes due 2009 to qualified institutional buyers under the provisions of Rule 144A of the Securities Act of 1993. The Company is in the process of registering these Notes under the Securities Act.

The Notes are general obligations of the Company and are guaranteed by all of the existing wholly-owned and domestic subsidiaries and all future wholly-owned and significant (as defined in Regulation S-X) domestic subsidiaries of the Company. The following unaudited information presents consolidating Statements of Operations, Statements of Cash Flows and Balance Sheets for the three and six-month periods ended April 1, 2000 and April 3, 1999.

STATEMENT OF OPERATIONS

FOR THE THREE MONTHS ENDED APRIL 1, 2000 (IN MILLIONS)
(UNAUDITED)

	PARENT	SUBSIDIARY GUARANTORS	NON- GUARANTORS	ELIMINATIONS	CONSOLIDATED
Net Sales	\$437.6	\$150.0	\$133.1		\$720.7
Cost of sales	253.0	79.9	74.7		407.6
Gross profit	184.6	70.1	58.4	--	313.1
Gross commission earned from agency agreement	7.3	0.3	1.4		9.0
Contribution expenses under agency agreement	1.1	--	0.2		1.3
Net commission	6.2	0.3	1.2	--	7.7
Operating Expenses:					
Advertising and promotion	60.7	19.6	17.9		98.2
Selling, general and administrative	52.5	7.0	24.9		84.4
Amortization of goodwill and other intangibles	4.4	1.2	2.2		7.8
Equity income	(28.9)			28.9	--
Intracompany allocations	(9.9)	7.1	2.8		--
Other expense (income), net	1.1	(3.6)			(2.5)
Income (loss) from operations	110.9	39.1	11.8	(28.9)	132.9
Interest expense	23.6	(3.6)	5.9		25.9
Income (loss) before income taxes	87.3	42.7	5.9	(28.9)	107.0
Income taxes	23.7	17.1	2.6		43.4
Net income (loss)	\$63.6	25.6	3.3	(28.9)	63.6

FOR THE SIX MONTHS ENDED APRIL 1, 2000 (IN MILLIONS)
(UNAUDITED)

	PARENT	SUBSIDIARY GUARANTORS	NON- GUARANTORS	ELIMINATIONS	CONSOLIDATED
Net Sales	\$518.5	\$191.6	\$202.2		\$ 912.3
Cost of sales	304.5	107.5	113.3		525.3
Gross profit	214.0	84.1	88.9	--	387.0
Gross commission earned from agency agreement	6.7	0.4	2.1		9.2
Contribution expenses under agency agreement	2.0	0.1	0.4		2.5
Net commission	4.7	0.3	1.7	--	6.7
Operating Expenses:					
Advertising and promotion	71.4	23.5	27.0		121.9
Selling, general and administrative	90.3	14.0	48.8		153.1
Amortization of goodwill and other intangibles	5.8	3.6	4.4		13.8
Equity income	(22.9)			22.9	--
Intracompany allocations	(12.1)	7.9	4.2		--
Other expense (income), net	3.4	(5.2)	(0.1)		(1.9)
Income (loss) from operations	82.8	40.6	6.3	(22.9)	106.8
Interest expense	41.2	(3.7)	12.1		49.6
Income (loss) before income taxes	41.6	44.3	(5.8)	(22.9)	57.2
Income taxes	7.6	17.9	(2.3)		23.2
Net income (loss)	34.0	26.4	(3.5)	(22.9)	34.0

STATEMENT OF CASH FLOWS

FOR THE SIX MONTH PERIOD ENDED APRIL 1, 2000 (IN MILLIONS)
(UNAUDITED)

	PARENT	SUBSIDIARY GUARANTORS	NON- GUARANTORS	ELIMINATIONS	CONSOLIDATED
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income.....	\$ 34.0	\$ 26.3	\$ (3.5)	\$ (22.8)	\$ 34.0
Adjustments to reconcile net income to net cash used in operating activities:					
Depreciation and amortization.....	14.9	9.2	7.8		31.9
Equity income	(22.8)			22.8	0.0
Net change in certain components of working capital.....	(154.3)	(79.9)	(36.2)		(270.4)
Net changes in other assets and liabilities and other adjustments.....	(4.5)	(6.3)	1.0		(9.8)
Net cash used in operating activities.....	(132.7)	(50.7)	(30.9)	0.0	(214.3)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in property, plant and equipment.....	(12.2)	(2.4)	(5.5)		(20.1)
Investments in acquired businesses			(0.8)		(0.8)
Other, net.....	0.1		1.7		1.8
Net cash used in investing activities.....	(12.1)	(2.4)	(4.6)	0.0	(19.1)
CASH FLOWS FROM FINANCING ACTIVITIES					
Net borrowings under revolving and bank lines of credit.....	248.4	1.2	36.9		286.5
Gross repayments under term loans.....	(1.0)		(11.4)		(12.4)
Payments to preferred shareholders.....	(6.4)				(6.4)
Repurchase of treasury shares.....	(23.9)				(23.9)
Intracompany financing.....	(58.3)	49.5	8.8		--
Other, net.....	(3.4)		(6.0)		(9.4)
Net cash provided by financing activities.....	155.4	50.7	28.3	0.0	234.4
Effect of exchange rate changes on cash.....	0.0	0.0	(1.6)	0.0	(1.6)
Net increase (decrease) in cash.....	10.6	(2.4)	(8.8)	0.0	(0.6)
Cash and cash equivalents, beginning of period.....	8.5	3.1	18.7		30.3
Cash and cash equivalents, end of period.....	\$ 19.1	\$ 0.7	\$ 9.9	\$ 0.0	\$ 29.7

BALANCE SHEET

AS OF APRIL 1, 2000 (IN MILLIONS)
(UNAUDITED)

	PARENT	SUBSIDIARY GUARANTORS	NON- GUARANTORS	ELIMINATIONS	CONSOLIDATED
ASSETS					
Current Assets:					
Cash and cash equivalents.....	\$ 19.1	\$ 0.7	\$ 9.9		\$ 29.7
Accounts receivable, net.....	363.0	122.8	163.5		649.3
Inventories, net.....	207.1	89.3	69.9		366.3
Current deferred tax asset.....	26.5				26.5
Prepaid and other assets.....	32.3		31.3		63.6
Total current assets.....	648.0	212.8	274.6	--	1,135.4
Property, plant and equipment, net.....	162.8	55.3	40.0		258.1
Intangible assets, net.....	260.3	271.2	264.7		796.2
Other assets.....	63.1	6.6	12.9		82.6
Investment in affiliates.....	807.4			(807.4)	0.0
Intracompany assets.....		320.6		(320.6)	0.0
Total assets.....	\$1,941.6	866.5	592.2	(1,128.0)	2,272.3
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities:					
Short-term debt.....	161.8	6.2	15.2		183.2
Accounts payable.....	144.4	43.6	93.7		281.7
Accrued liabilities.....	127.5	107.5	53.6		288.6
Total current liabilities.....	433.7	157.3	162.5	--	753.5
Long-term debt.....	702.2	1.7	310.8		1,014.7
Other liabilities.....	40.0		21.6		61.6
Intracompany liabilities.....	308.9		11.7	(320.6)	0.0
Total liabilities.....	1,484.8	159.0	506.6	(320.6)	1,829.8
Commitments and contingencies					
Shareholders' equity:					
Investment from parent.....		489.1	59.8	(548.9)	--
Common shares, no par value per share, \$.01 stated value per share.....	0.3				0.3
Capital in excess of par value.....	388.1				388.1
Retained earnings.....	157.7	218.6	39.9	(258.5)	157.7
Treasury stock, 3.4 shares at cost.....	(85.1)				(85.1)
Accumulated other comprehensive expense.....	(4.2)	(0.2)	(14.1)		(18.5)
Total shareholders' equity.....	456.8	707.5	85.6	(807.4)	442.5
Total liabilities and shareholders' equity.....	\$1,941.6	\$ 866.5	\$ 592.2	\$ (1,128.0)	\$ 2,272.3

STATEMENT OF OPERATIONS

FOR THE THREE MONTHS ENDED APRIL 3, 1999 (IN MILLIONS)
(UNAUDITED)

	PARENT	SUBSIDIARY GUARANTORS	NON- GUARANTORS	ELIMINATIONS	CONSOLIDATED
Net Sales.....	\$ 328.2	\$ 169.9	\$ 133.4		\$ 631.5
Cost of sales.....	186.0	104.3	72.3		362.6
Gross profit.....	142.2	65.6	61.1	--	268.9
Gross commission earned from agency agreement.....	12.6				12.6
Contribution expenses under agency agreement.....					-
Net commission.....	12.6	--	--	--	12.6
Operating Expenses:					
Advertising and promotion.....	52.7	15.8	17.5		86.0
Selling, general and administrative.....	42.0	7.1	23.4		72.5
Amortization of goodwill and other intangibles.....	1.5	2.3	1.5		5.3
Equity income	(23.2)			23.2	-
Intracompany allocations.....	(14.2)	13.9	0.3		-
Other (income) expenses, net.....	2.1	(1.2)	(0.5)		0.4
Income (loss) from operations.....	93.9	27.7	18.9	(23.2)	117.3
Interest expense.....	17.8		6.8		24.6
Income (loss) before income taxes.....	76.1	27.7	12.1	(23.2)	92.7
Income taxes.....	21.4	11.7	4.9		38.0
Net income (loss).....	\$ 54.7	\$ 16.0	\$ 7.2	\$ (23.2)	\$ 54.7

FOR THE SIX MONTHS ENDED APRIL 3, 1999 (IN MILLIONS)
(UNAUDITED)

	PARENT	SUBSIDIARY GUARANTORS	NON- GUARANTORS	ELIMINATIONS	CONSOLIDATED
Net Sales.....	\$ 383.8	\$ 217.7	\$ 214.4		\$ 815.9
Cost of sales.....	225.8	139.4	117.1		482.3
Gross profit.....	158.0	78.3	97.3	--	333.6
Gross commission earned from agency agreement.....	17.6				17.6
Contribution expenses under agency agreement.....					--
Net commission.....	17.6	--	--	--	17.6
Operating Expenses:					
Advertising and promotion.....	58.3	19.2	25.2		102.7
Selling, general and administrative.....	71.4	12.1	42.9		126.4
Amortization of goodwill and other intangibles.....	2.1	4.5	3.6		10.2
Restructuring and other charges.....	1.4	-			1.4
Equity income	(23.3)			23.3	--
Intracompany allocations.....	(21.4)	20.3	1.1		--
Other (income) expenses, net.....	3.5	(2.7)	(0.5)		0.3
Income (loss) from operations.....	83.6	24.9	25.0	(23.3)	110.2
Interest expense.....	24.3	0.1	10.0		34.4
Income (loss) before income taxes.....	59.3	24.8	15.0	(23.3)	75.8
Income taxes.....	14.6	10.4	6.1		31.1
Income (loss) before extraordinary item.....	44.7	14.4	8.9	(23.3)	44.7
Extraordinary loss on early extinguishment of debt, net of income tax	5.8				5.8
Net income (loss).....	\$ 38.9	\$ 14.4	\$ 8.9	\$ (23.3)	\$ 38.9

STATEMENT OF CASH FLOWS

FOR THE SIX MONTH PERIOD ENDED APRIL 3, 1999 (IN MILLIONS)
(UNAUDITED)

	PARENT	SUBSIDIARY GUARANTORS	NON- GUARANTORS	ELIMINATIONS	CONSOLIDATED
	-----	-----	-----	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income.....	\$ 38.9	\$ 14.4	\$ 8.9	\$ (23.3)	\$ 38.9
Adjustments to reconcile net income.....					
to net cash used in operating activities:					
Depreciation and amortization.....	9.1	8.8	7.1		25.0
Equity income	(23.3)			23.3	
Net change in certain components of working capital.....	(218.3)	36.6	(122.2)		(303.9)
Net changes in other assets and liabilities and other adjustments.....	(22.6)	(3.7)	6.2		(20.1)
Net cash used in operating activities.....	(216.2)	56.1	(100.0)	--	(260.1)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in property, plant and equipment.....	(22.7)	(2.0)	(1.9)		(26.6)
Investments in acquired businesses, net of cash acquired.....	(337.8)	(3.5)	(151.1)		(492.4)
Other, net.....	(7.0)	1.6	(1.0)		(6.4)
Net cash used in investing activities.....	(367.5)	(3.9)	(154.0)	--	(525.4)
CASH FLOWS FROM FINANCING ACTIVITIES					
Net borrowings under revolving and bank lines of credit.....	379.3	(0.7)	(50.8)		327.8
Gross borrowings under term loans.....	260.0		265.0		525.0
Repayment of outstanding balance on previous credit facility.....	(241.0)				(241.0)
Issuance of 8 5/8% Senior Subordinated Notes.....	330.0				330.0
Extinguishment of 9 7/8% Senior Subordinated Notes.....	(104.1)				(104.1)
Dividends on Class A Convertible Preferred Stock.....	(7.3)				(7.3)
Intracompany financing.....	10.9	(51.0)	40.1		
Other, net.....	(36.1)				(36.1)
Net cash provided by financing activities.....	591.7	(51.7)	254.3	--	794.3
Effect of exchange rate changes on cash.....	0.0	0.0	(0.5)	0.0	(0.5)
Net increase (decrease) in cash.....	8.0	0.5	(0.2)	--	8.3
Cash and cash equivalents, beginning of period.....	4.9	(2.1)	7.8	--	10.6
Cash and cash equivalents, end of period.....	\$ 12.9	\$ (1.6)	\$ 7.6	\$ --	\$ 18.9
	=====	=====	=====	=====	=====

BALANCE SHEET

AS OF APRIL 3, 1999 (IN MILLIONS)
(UNAUDITED)

	PARENT	SUBSIDIARY GUARANTORS	NON- GUARANTORS	ELIMINATIONS	CONSOLIDATED
	-----	-----	-----	-----	-----
ASSETS					
Current Assets:					
Cash and cash equivalents.....	\$ 12.9	\$ (1.6)	\$ 7.6		\$ 18.9
Accounts receivable, net.....	403.7	4.9	181.0		589.6
Inventories, net.....	186.3	72.4	75.9		334.6
Current deferred tax asset.....	22.3				22.3
Prepaid and other assets.....	34.8	5.0	12.8		52.6
	-----	-----	-----	-----	-----
Total current assets.....	660.0	80.7	277.3	--	1,018.0
Property, plant and equipment, net.....	140.9	61.6	38.3		240.8
Intangible assets, net.....	220.9	273.5	292.5		786.9
Other assets.....	56.0	2.6	1.6		60.2
Investment in affiliates.....	749.7			(749.7)	0.0
Intracompany assets.....		322.1		(322.1)	0.0
	-----	-----	-----	-----	-----
Total assets.....	1,827.5	740.5	609.7	(1,071.8)	2,105.9
	=====	=====	=====	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities:					
Short-term debt.....	189.8	0.4	23.7		213.9
Accounts payable.....	109.9	18.2	50.1		178.2
Accrued liabilities.....	97.9	69.1	53.8		220.8
	-----	-----	-----	-----	-----
Total current liabilities.....	397.6	87.7	127.6	--	612.9
Long-term debt.....	650.8	2.5	349.7		1,003.0
Other liabilities.....	31.1	6.2	21.0		58.3
Intracompany liabilities.....	308.1		14.0	(322.1)	0.0
	-----	-----	-----	-----	-----
Total liabilities.....	1,387.6	96.4	512.3	(322.1)	1,674.2
Commitments and contingencies					
Shareholders' equity:					
Class A Convertible Preferred Stock, no par value.....	177.3	489.1			177.3
Investment from parent.....			57.4	(546.5)	0.0
Common shares, no par value per share, \$.01 stated value per share.....	0.2				0.2
Capital in excess of par value.....	208.9				208.9
Retained earnings.....	110.6	155.0	48.2	(203.2)	110.6
Treasury stock, 2.8 shares at cost.....	(56.9)				(56.9)
Accumulated other comprehensive expense.....	(0.2)		(8.2)		(8.4)
	-----	-----	-----	-----	-----
Total shareholders' equity.....	439.9	644.1	97.4	(749.7)	431.7
	-----	-----	-----	-----	-----
Total liabilities and shareholders' equity.....	\$ 1,827.5	\$ 740.5	\$ 609.7	\$ (1,071.8)	\$ 2,105.9
	=====	=====	=====	=====	=====

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

Overview

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

As a leading consumer branded lawn and garden company, we focus on our consumer marketing efforts, including advertising and consumer research, to create demand and pull product through the retail distribution channels. During the first six months of fiscal 2000, we spent \$121.9 million on advertising and promotional activities, which is a significant increase over fiscal 1999 spending levels. We have applied this consumer marketing focus over the past several years, and we believe that Scotts continues to receive a significant return on these increased marketing expenditures. For example, sales in our Consumer Lawns business group increased 16.7% for the first six months of fiscal 2000 compared to the same period in fiscal 1999. We believe that this dramatic sales growth resulted primarily from our increased consumer-oriented marketing efforts. We expect that we will continue to focus our marketing efforts toward the consumer and to increase consumer marketing expenditures in the future to drive market share and sales growth.

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

On September 30, 1998, Scotts entered into a long-term marketing agreement with Monsanto for its consumer Roundup(R) herbicide products. Under the marketing agreement, Scotts and Monsanto will jointly develop global consumer and trade marketing programs for Roundup(R), and Scotts has assumed responsibility for sales support, merchandising, distribution, logistics and certain administrative functions. In addition, in January 1999 Scotts purchased from Monsanto the assets of its worldwide consumer lawn and garden businesses, exclusive of the Roundup(R) business, for \$300 million plus an amount for normalized working capital. These transactions with Monsanto will further our strategic objective of significantly enhancing our position in the pesticides segment of the consumer lawn and garden category. These businesses make up the Ortho business group within the North American Consumer segment.

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

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

Over the past few years, we have made several other acquisitions to strengthen our global market position in the lawn and garden category. In October 1998, we purchased Rhone-Poulenc Jardin, a leading European lawn and garden business, for approximately \$147.0 million. This acquisition provides a significant addition to our existing European platform and strengthens our foothold in the continental European consumer lawn and garden market. Through this acquisition, we have established a strong presence in France, Germany, Austria, and the Benelux countries. This acquisition may also mitigate, to a certain extent, our susceptibility to weather conditions by expanding the regions in which we operate.

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

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

RESULTS OF OPERATIONS

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

	For the Three Months Ended		For the Six Months Ended	
	April 1, 2000	April 3, 1999	April 1, 2000	April 3, 1999
North American Consumer:				
Lawns	\$ 282.6	\$ 244.1	\$ 330.5	\$ 283.2
Gardens	69.5	61.3	83.7	74.5
Growing Media	98.4	79.3	118.2	99.4
Ortho	84.4	63.8	102.6	63.8
Canada	13.8	10.4	15.3	10.8
	-----	-----	-----	-----
Total	548.7	458.9	650.3	531.7
Professional	41.5	40.9	65.2	73.4
International	130.5	131.7	196.8	210.8
	-----	-----	-----	-----
Consolidated	\$ 720.7	\$ 631.5	\$ 912.3	\$ 815.9
	=====	=====	=====	=====

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

	For the Three Months Ended		For the Six Months Ended	
	April 1, 2000	April 3, 1999	April 1, 2000	April 3, 1999
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	56.6	57.4	57.6	59.1
Gross profit	43.4	42.6	42.4	40.9
Gross commission earned from agency agreement	1.3	2.0	1.0	2.2
Contribution expenses under agency agreement	0.2	--	0.3	--
Net commission	1.1	2.0	0.7	2.2
Operating expenses:				
Advertising and promotion	13.6	13.6	13.4	12.6
Selling, general and administrative	11.7	11.5	16.7	15.5
Amortization of goodwill and other intangibles	1.1	0.8	1.5	1.3
Restructuring and other charges	--	--	--	0.2
Other expense (income), net	(0.3)	0.1	(0.2)	0.0
Income from operations	18.4	18.6	11.7	13.5
Interest expense	3.6	3.9	5.4	4.2
Income before income taxes	14.8	14.7	6.3	9.3
Income taxes	6.0	6.0	2.6	3.8
Net income before extraordinary item	8.8	8.7	3.7	5.5
Extraordinary item, net of tax	0.0	0.9	--	0.7
Net income	8.8	7.8	3.7	4.8
Payments to preferred shareholders	0.0	0.4	0.7	0.6
Income available to common shareholders	8.8%	7.4%	3.0%	4.2%

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

Sales for the second quarter ended April 1, 2000 were \$720.7 million, an increase of 14.1% over the second quarter ended April 3, 1999 of \$631.5 million. On a pro forma basis, assuming that the Ortho acquisition had occurred on October 1, 1998, sales for the second quarter of fiscal 2000 were 11.8% higher than pro forma sales for the second quarter of fiscal 1999 of \$644.6 million. The increase in pro forma sales was driven primarily by increases in sales in the North American Consumer segment.

North American Consumer segment sales were \$548.7 million in the second quarter of fiscal 2000, an increase of \$89.8 million, or 19.6%, over sales for the second quarter of fiscal 1999 of \$458.9 million. Sales in the Consumer Lawns business group within this segment increased \$38.5 million, or 15.8%, from fiscal 1999 to fiscal 2000, primarily due to continuing category growth being driven by successful pull marketing strategies. Sales in the Consumer Gardens business group increased \$8.2 million, or 13.4%, from the second quarter of fiscal 1999 to fiscal 2000, primarily due to strong volume in the specialty fertilizers and feeders product lines, as well as the introduction of new products such as Weed Prevent(R) introduced in fiscal 2000. Sales in the Consumer Growing Media business group increased \$19.1 million, or 24.1%, from the second quarter of fiscal 1999, primarily due to increased demand for value-added products such as Miracle-Gro Potting Soils(R). On a proforma basis, sales in the Ortho business group increased 9.8% from the second quarter of fiscal 1999, reflecting improved volume at certain large retailers and increased investment in media advertising. Selling price changes did not have a material impact in the North American Consumer segment in the second quarter of fiscal 2000.

Professional segment sales of \$41.5 million in the second quarter of fiscal 2000 were slightly higher than the second quarter of fiscal 1999 sales of \$40.9 million. The slight increase is due to improvement in sales of Horticulture products within this segment, offset by a decrease in sales for the Professional Turf group primarily due to lower sales of ProTurf(R) products. In the second quarter of fiscal 1999, we changed from selling direct to customers to selling through distributors. The timing of this change and continuing performance issues with one of our largest ProTurf(R) distributors caused sales to decrease when compared to the prior year.

International segment sales of \$130.5 million in the second quarter of fiscal 2000 were slightly lower than sales for the second quarter of fiscal 1999 of \$131.7 million. Excluding a \$10.9 million adverse impact of changes in exchange rates, sales for the International segment increased 7.4% compared to the prior year period. The increase is primarily due to improved results in the segment's continental European consumer businesses, driven by increased consumer marketing spending.

Gross profit increased to \$313.1 million in the second quarter of fiscal 2000, an increase of 16.4% over fiscal 1999 gross profit of \$268.9 million. As a percentage of sales, gross profit was 43.4% of sales for fiscal 2000 compared to 42.6% of sales for the second quarter of fiscal 1999. This increase in profitability on sales was driven by a successful shift to direct distribution, higher production levels and improved efficiencies in the Company's production plants, and a shift in sales mix toward higher margin products, particularly within the Consumer Lawns and Consumer Growing Media business groups.

The "commission earned from agency agreement" in the second quarter of fiscal 2000 represents gross commission of \$9.0 million, compared to \$12.6 million in the second quarter of fiscal 1999. In the prior year, we recorded commission based on our estimated pro-rata share of Roundup(R) EBIT for the second quarter. In fiscal 2000, in accordance with revenue recognition guidance recently put forward by the SEC, we did not record commission under the Roundup(R) agency agreement until minimum EBIT thresholds as required by the agreement were achieved. We do not expect that this policy will have any effect on the recognition of commission on a full-year basis. Contribution costs of \$1.3 million recorded in the second quarter of fiscal 2000 primarily represent amortization of the fiscal 2000 contribution payment due to Monsanto as required by the marketing agreement.

Advertising and promotion expenses for the second quarter of fiscal 2000 were \$98.2 million, an increase of \$12.2 million, or 14.2% over fiscal 1999 advertising and promotion expenses of \$86.0 million. This increase was primarily due to support of the increase in sales within the North American Consumer segment and investments in advertising and promotion to drive future sales growth in the International segment.

Selling, general and administrative expenses in the second quarter of fiscal 2000 were \$84.4 million, an increase of \$11.9 million, or 16.4% over similar expenses in the second quarter of fiscal 1999 of \$72.5 million. As a percentage of sales, selling, general and administrative expenses were 11.7% for the second quarter of fiscal 2000 compared to 11.5% for fiscal 1999. The increase in selling, general and administrative expenses was primarily related to increased infrastructure expenses within the North American Consumer segment and increased legal costs associated with the legal proceedings described in Note 10 to the condensed consolidated financial statements.

Amortization of goodwill and other intangibles increased to \$7.8 million in the second quarter of fiscal 2000, compared to \$5.3 million in the prior year, due to additional goodwill and other intangibles resulting from revised estimates of the excess purchase price for the Ortho acquisition.

Other income for the second quarter of fiscal 2000 was \$2.5 million compared to other expense of \$0.4 million in the prior year. The improvement in income was primarily due to increases in royalty income compared to the prior year stemming from additional royalty arrangements in fiscal 2000.

Income from operations for the second quarter of fiscal 2000 was \$132.9 million compared to \$117.3 million for the second quarter of fiscal 1999. The increase was primarily due to the favorable sales and margin factors described above, partially offset by a reduction in Roundup(R) commission due to a change in the method for recognizing commission within the year.

Interest expense for the second quarter of fiscal 2000 was \$25.9 million, an increase of \$1.3 million over fiscal 1999 interest expense of \$24.6 million. The slight increase in interest expense was due to increased borrowings to fund the Ortho acquisition offset by reductions in working capital, and an increase in average borrowing rates under our credit facility.

Income tax expense was \$43.4 million for fiscal 2000 compared to a \$38.0 million in the prior year due to increases in income recognized in the second quarter of fiscal 2000. The Company's effective tax rate did not change significantly from fiscal 2000 to fiscal 1999.

In conjunction with the Ortho acquisition, in January 1999 Scotts completed an offering of \$330 million of 8 5/8% Senior Subordinated Notes due 2009. The net proceeds from this offering, together with borrowings under our bank facility, were used to fund the Ortho acquisition and repurchase approximately 97% of the then outstanding \$100 million 9 7/8% Senior Subordinated Notes due August 2004. Scotts recorded an extraordinary loss on the extinguishment of the 9 7/8% notes of \$9.3 million, including a call premium of \$7.2 million and the write-off of unamortized issuance costs and discounts of \$2.1 million.

Scotts reported net income of \$63.6 million for the second quarter of fiscal 2000, or \$2.16 per common share on a diluted basis, compared to net income of \$49.3 million for fiscal 1999, or \$1.81 per common share on a diluted basis before the impact of extraordinary items.

SIX MONTHS ENDED APRIL 1, 2000 VERSUS SIX MONTHS ENDED APRIL 3, 1999

Net sales for the six months ended April 1, 2000 were \$912.3 million, an increase of 11.8% over the six months ended April 3, 1999 of \$815.9 million. On a pro forma basis, assuming that the Ortho acquisition had occurred on October 1, 1998, sales for the six months of fiscal 2000 were 7.5% higher than pro forma sales for the six months of fiscal 1999 of \$848.9 million. The increase in pro forma sales was driven primarily by increases in sales in the North American Consumer segment, partially offset by decreases in the Professional and International segments as discussed below.

North American Consumer segment sales were \$650.3 million for the six months of fiscal 2000, an increase of \$118.6 million, or 22.3%, over sales for the six months of fiscal 1999 of \$531.7 million. Sales in the Consumer Lawns business group within this segment increased \$47.3 million, or 16.7%, from fiscal 1999 to fiscal 2000, primarily due to continuing category growth being driven by successful pull marketing strategies. Sales in the Consumer Gardens business group increased \$9.2 million, or 12.4%, from the six months of fiscal 1999 to fiscal 2000, primarily due to strong volume in the specialty fertilizers and feeders product lines, as well as the introduction of new products such as Weed Prevent(R) introduced in fiscal 2000. Sales in the Consumer Growing Media business group increased \$18.8 million, or 18.9%, from the six months of fiscal 1999, primarily due to increased demand for value-added products such as Miracle-Gro Potting Soils(R). On a proforma basis, sales in the Ortho business group increased 6.0% from the six months of fiscal 1999, reflecting improved volume at certain large retailers and increased investment in media advertising. Selling price changes did not have a material impact in the North American Consumer segment in the six months of fiscal 2000.

Professional segment sales of \$65.2 million in the six months of fiscal 2000 were \$8.2 million lower than the six months of fiscal 1999 sales of \$73.4 million. The decrease in sales for the Professional segment was primarily due to lower sales of ProTurf(R) products. In the second quarter of fiscal 1999, we changed from selling direct to customers to selling through distributors. The timing of this change and continuing performance issues with one of our largest ProTurf(R) distributors caused sales to decrease when compared to the prior year. Sales of horticulture products within this segment were slightly improved in comparison to the prior year period.

International segment sales of \$196.8 million in the six months of fiscal 2000 were \$14.0 million lower than sales for the six months of fiscal 1999 of \$210.8 million. Excluding a \$17.0 million adverse impact of changes in exchange rates, sales for the International segment increased slightly compared to the prior year period. The slight increase is primarily due to improved results in the segment's continental European consumer businesses, partially offset by decreases in the segment's U.K. consumer business. The results for the consumer U.K. business reflect a change in distribution methods that shift certain sales from the first and second quarters to the second and third quarters.

Gross profit increased to \$387.0 million in the six months of fiscal 2000, an increase of 16.0% over fiscal 1999 gross profit of \$333.6 million. As a percentage of sales, gross profit was 42.4% of sales for fiscal 2000 compared to 40.9% of sales for the six months of fiscal 1999. This increase in profitability on sales was driven by a successful shift to direct distribution, higher production levels and improved efficiencies in the Company's production plants, and a shift in sales mix toward higher margin products, particularly within the Consumer Lawns and Consumer Growing Media business groups.

The "commission earned from agency agreement" in the six months of fiscal 2000 represents gross commission of \$9.2 million, compared to \$17.6 million in the six months of fiscal 1999. In the prior year, we recorded commission based on our estimated pro-rata share of Roundup(R) EBIT for the six months. In fiscal 2000, in accordance with revenue recognition guidance recently put forward by the SEC, we did not record commission under the Roundup(R) agency agreement until minimum EBIT thresholds as required by the agreement were achieved. The decrease in commission is primarily due to a reduction in trade inventory levels as compared to the prior year. We do not expect that this policy will have any effect on the recognition of commission on a full-year basis. Contribution costs of \$2.5 million recorded in the six months of fiscal 2000 represent amortization of the fiscal 2000 contribution payment due to Monsanto as required by the marketing agreement.

Advertising and promotion expenses for the six months of fiscal 2000 were \$121.9 million, an increase of \$19.2 million, or 18.7%, over fiscal 1999 advertising and promotion expenses of \$102.7 million. This increase was primarily due to advertising and promotion expenses for the Ortho business, support of the increase in sales within the North American Consumer segment and investments in advertising and promotion to drive future sales growth in the International segment.

Selling, general and administrative expenses in the six months of fiscal 2000 were \$153.1 million, an increase of \$26.7 million, or 21.1%, over similar expenses in the six months of fiscal 1999 of \$126.4 million. As a percentage of sales, selling, general and administrative expenses were 16.7% for the six months of fiscal 2000 compared to 15.5% for fiscal 1999. The increase in selling, general and administrative expenses was primarily related to additional selling and administrative costs needed to support the increased sales levels in the Consumer Lawns business group, infrastructure expenses within the International segment, and selling, general and administrative expenses for the Ortho business group which were not incurred in the first quarter of fiscal 1999 due to the timing of the acquisition in January 1999.

Amortization of goodwill and other intangibles increased to \$13.8 million in the six months of fiscal 2000, compared to \$10.2 million in the prior year, due to additional intangibles resulting from the Ortho acquisition.

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

Other income for the six months of fiscal 2000 was \$1.9 million compared to other expense of \$0.3 million in the prior year. The increase in income was primarily due to increases in royalty income compared to the prior year stemming from additional royalty arrangements in fiscal 2000.

Income from operations for the six months of fiscal 2000 was \$106.8 million compared to \$110.2 million for the six months of fiscal 1999. The decrease was primarily due to a reduction in Roundup(R) commission due to a change in the method for recognizing commission within the year, partially offset by the improved sales and margins described above.

Interest expense for the six months of fiscal 2000 was \$49.6 million, an increase of \$15.2 million over fiscal 1999 interest expense of \$34.4 million. The increase in interest expense was due to increased borrowings to fund the Ortho acquisition and an increase in average borrowing rates under our credit facility, partially offset by reduced working capital requirements.

Income tax expense was \$23.2 million for fiscal 2000 compared to a \$31.1 million in the prior year due to reduced income recognized in the six months of fiscal 2000. The Company's effective tax rate did not change significantly from fiscal 2000 to fiscal 1999.

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

Scotts reported net income of \$34.0 million for the six months of fiscal 2000, or \$0.93 per common share on a diluted basis, compared to net income of \$38.9 million for fiscal 1999, or \$1.48 per common share on a diluted basis before the impact of extraordinary items. The diluted earnings per share for the six months of fiscal 2000 is net of a one-time reduction of \$0.21 per share resulting from the early conversion of preferred stock in October 1999.

LIQUIDITY AND CAPITAL RESOURCES

Cash used in operating activities totaled \$214.3 million for the six months ended April 1, 2000 compared to a use of \$260.1 million for the six months ended April 3, 1999. The seasonal nature of our operations generally requires cash to fund significant increases in working capital (primarily inventory and accounts receivable) during the first and second quarters. The third fiscal quarter is a period for collecting accounts receivable and liquidating inventory levels. The decrease in cash used in operating activities for the six months of fiscal 2000 compared to the prior year is attributable to a significant decrease in the amount of working capital used during the period as well as the payment of Roundup(R) marketing fees made in the first quarter of fiscal 1999.

Cash used in investing activities was \$19.1 million for the six months of fiscal 2000 compared to \$525.4 million in the prior year. In the first quarter of fiscal 1999, we purchased the Rhone-Poulenc Jardin and Asef businesses for approximately \$170 million (excluding consideration for rights acquired under an access rights agreement with Rhone-Poulenc Jardin). In the second quarter of fiscal 1999, we purchased from Monsanto the assets of its worldwide consumer lawn and garden businesses, exclusive of the Roundup(R) business, for \$300 million plus an amount for normalized working capital. Additionally, capital investments decreased by \$6.5 million to \$20.1 million in the six months of fiscal 2000 compared to \$26.6 million in the six months of fiscal 1999.

Financing activities generated cash of \$234.4 million for the six months ended April 1, 2000 compared to \$794.3 million in the prior year. In the first quarter of fiscal 1999, Scotts borrowed funds under its credit facility in order to purchase the Rhone-Poulenc Jardin and Asef businesses, to pay marketing fees associated with the Roundup(R) agency agreement, to pay financing fees associated with the new credit facility and to settle the then outstanding interest rate locks (as described below). In the second quarter of fiscal 1999, Scotts completed an offering of \$330 million of 8 5/8% Senior Subordinated Notes due 2009. The net proceeds from this offering, together with borrowings under our credit facility, were used to fund the Ortho acquisition and repurchase approximately 97% of the then outstanding \$100 million 9 7/8% Senior Subordinated Notes due August 2004.

Total debt was \$1,197.9 million as of April 1, 2000, an increase of \$247.9 million compared with debt at September 30, 1999 and a decrease of \$19.0 million compared with debt levels at April 3, 1999. The decrease in debt compared to April 3, 1999 was primarily due to the reduction in working capital levels as described above.

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

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

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

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

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

The Company was in violation of the minimum net worth covenant measured as of January 1, 2000. The violation was reported to the administrative agent on February 11, 2000, as required by the credit facility. On February 15, 2000, the Company obtained a waiver of this covenant violation from its bank group for the first quarter violation only. The Company was in compliance with all its debt covenants as of April 1, 2000.

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

ENVIRONMENTAL MATTERS

We are subject to local, state, federal and foreign environmental protection laws and regulations with respect to our business operations and believe we are operating in substantial compliance with, or taking action aimed at ensuring compliance with, such laws and regulations. We are involved in several environmental related legal actions with various governmental agencies. While it is difficult to quantify the potential financial impact of actions involving environmental matters, particularly remediation costs at waste disposal sites and future capital expenditures for environmental control equipment, in the opinion of management, the ultimate liability arising from such environmental matters, taking into account established reserves, should not have a material adverse effect on our financial position; however, there can be no assurance that the resolution of these matters will not materially affect future quarterly or annual operating results. Additional information on environmental matters affecting us is provided in Note 10 to the Company's unaudited Condensed, Consolidated Financial Statements as of and for the three and six months ended April 1, 2000 and in the 1999 Annual Report on Form 10-K under "ITEM 1. BUSINESS - - ENVIRONMENTAL AND REGULATORY CONSIDERATIONS" and "ITEM 3. LEGAL PROCEEDINGS" sections.

In order to address issues surrounding the potential inability of our computer software applications and other business systems to properly identify the Year 2000, we established a readiness program to assess the extent and impact of potential business interruptions and other risks. The readiness program included a review of all significant information technology systems within the Company, as well as significant non-information technology business systems including machinery and equipment operating control systems, telecommunications systems, building air management systems, security and fire control systems and electrical and natural gas systems. Remediation, upgrade or replacement of the affected systems was made as necessary.

The readiness program also included evaluation of the year 2000 readiness of significant third-party suppliers through confirmation and follow-up procedures, including selected site assessments, where necessary.

Excluding the cost of internally dedicated resources, we incurred approximately \$5.5 million to address potential year 2000 risks. These costs, with the exception of relatively small capital expenditures, were expensed as incurred and were funded through operating cash flows or from borrowings under our credit facility. We do not expect to incur any significant additional costs related to the year 2000 issue.

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

ENTERPRISE RESOURCE PLANNING ("ERP")

In July 1998, we announced a project designed to bring our information system resources in line with our current strategic objectives. The project includes the redesign of certain key business processes in connection with the installation of new software on a world-wide basis over the course of the next several fiscal years. We estimate that the project will cost approximately \$65 million, of which we expect 75% will be capitalized and depreciated over a period of four to eight years. SAP has been selected as the primary software provider for this project.

EURO

A new currency called the "Euro" has been introduced in certain Economic and Monetary Union 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. We are assessing the impact the EMU formation and Euro implementation will have on our internal systems and the sale of our products. We expect to take appropriate actions based on the results of this assessment. We have 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 our business, operating results and financial condition.

RECENT DEVELOPMENTS

On March 29, 2000, the Company signed a definitive agreement to sell its North American Professional Turf business. The Company expects the transaction to close in the third quarter of fiscal 2000. The Company will retain the professional horticulture and grass seed segments of its Professional Business Segment.

MANAGEMENT'S OUTLOOK

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

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

- (1) Promote and capitalize on the strengths of the Scotts(R), Miracle-Gro(R), Hyponex(R) and Ortho(R) industry-leading brands, as well as our portfolio of powerful brands in our international markets. This involves a commitment to investors and retail partners that we will support these brands through advertising and promotion unequaled in the lawn and garden consumables market. In the Professional categories, it signifies a commitment to customers to provide value as an integral element in their long-term success;
- (2) Commit to continuously study and improve knowledge of the market, the consumer and the competition;
- (3) Simplify product lines and business processes, to focus on those that deliver value, evaluate marginal ones and eliminate those that lack future prospects; and
- (4) Achieve world leadership in operations, leveraging technology and know-how to deliver outstanding customer service and quality.

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

- (1) Sales growth of 10% per year;
- (2) An aggregate operating margin improvement of 1/2 to 1% per year;
- (3) Minimum compounded annual earnings per share growth of 15% to 20%; and
- (4) Return on equity of 18%.

FORWARD-LOOKING STATEMENTS

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

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

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

- ADVERSE WEATHER CONDITIONS COULD ADVERSELY IMPACT OUR FINANCIAL RESULTS.

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

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

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

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

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

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

Our substantial indebtedness could:

- make it more difficult for us to satisfy our obligations;
- increase our vulnerability to general adverse economic and industry conditions;
- limit our ability to fund future working capital, capital expenditures, research and development costs and other general corporate requirements;
- require us to dedicate a substantial portion of cash flow from operations to payments on our indebtedness, which would reduce the cash flow available to fund working capital, capital expenditures, research and development efforts and other general corporate requirements;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- place us at a competitive disadvantage compared to our competitors that have less debt; and

- limit our ability to borrow additional funds.

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

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

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

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

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

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

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

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

If we were to commit a serious default under the marketing agreement with Monsanto for consumer Roundup(R) products, Monsanto may have the right to terminate the agreement. If Monsanto were to

terminate the marketing agreement rightfully, we would not be entitled to any termination fee, and we would lose all, or a significant portion, of the significant source of earnings we believe the marketing agreement provides. Monsanto may also terminate the marketing agreement within a given region, including North America, without paying us a termination fee if sales to consumers in that region decline:

- Over a cumulative three year fiscal year period; or
- By more than 5% for each of two consecutive fiscal years.

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

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

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

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

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

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

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

Local, state, federal and foreign laws and regulations relating to environmental matters affect us in several ways. All products containing pesticides must be registered with the U.S. Environmental Protection Agency and, in many cases, with similar state and/or foreign agencies before they can be sold. The inability to obtain or the cancellation of any registration could have an adverse effect on us. The severity of the effect would depend on which products were involved, whether another product could be substituted and whether our competitors were similarly affected. We attempt to anticipate regulatory developments and maintain registrations of, and access to, substitute chemicals. We may not always be able to avoid or minimize these risks.

The Food Quality Protection Act, enacted by the U.S. Congress in August 1996, establishes a standard for food-use pesticides, which is that a reasonable certainty of no harm will result from the cumulative effect of pesticide exposures. Under this act, the U.S. Environmental Protection Agency is evaluating the cumulative risks from dietary and non-dietary exposures to pesticides. The pesticides in our products,

which are also used on foods, will be evaluated by the U.S. Environmental Protection Agency as part of this non-dietary exposure risk assessment. It is possible that the U.S. Environmental Protection Agency may decide that a pesticide we use in our products, would be limited or made unavailable. We cannot predict the outcome or the severity of the effect of the U.S. Environmental Protection Agency's evaluation. We believe that we should be able to obtain substitute ingredients if selected pesticides are limited or made unavailable, but there can be no assurance that we will be able to do so for all products.

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

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

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

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

OUR INABILITY, OR THE INABILITY OF OUR SUPPLIERS OR CUSTOMERS, TO RECOGNIZE AND ADDRESS ISSUES RELATED TO THE YEAR 2000 WHICH HAVE YET TO BE ENCOUNTERED, COULD ADVERSELY AFFECT OUR OPERATIONS.

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

assurance that we will not encounter business interruption or other issues related to the year 2000 in the future.

- THE IMPLEMENTATION OF THE EURO CURRENCY IN SOME EUROPEAN COUNTRIES BETWEEN 1999 AND 2002 COULD ADVERSELY AFFECT US.

In January 1999, the "Euro" was introduced in some Economic and Monetary Union countries and by 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 finalized all of the rules and regulations with regard to the Euro currency. We are still assessing the impact the EMU formation and Euro implementation will have on our internal systems and the sale of our products. We expect to take appropriate actions based on the results of our assessment. However, we have 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 us or our operating results and financial condition.

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

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

- fluctuations in currency exchange rates;
- limitations on the conversion of foreign currencies into U.S. dollars;
- limitations on the remittance of dividends and other payments by foreign subsidiaries;
- additional costs of compliance with local regulations; and
- historically, higher rates of inflation than in the United States.

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

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

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

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Footnote 10 to the Condensed, Consolidated Financial Statements.

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

The Annual Meeting of shareholders of the Company (the "Annual Meeting") was held in Columbus, Ohio on February 15, 2000.

The result of the vote of the shareholders for the matter of the election of three directors, for terms of three years each, submitted to the shareholders at the Annual Meeting, is as follows:

NOMINEE -----	VOTES FOR -----	WITHHELD -----
John Kenlon	25,637,513	585,464
John M. Sullivan	25,632,279	590,698
L. Jack Van Fossen	25,633,475	589,502

Each of the nominees was elected. The other directors whose terms of office continue after the Annual Meeting are Joseph P. Flannery, Horace Hagedorn, Albert E. Harris, Patrick J. Norton, Charles M. Berger, James Hagedorn, Karen G. Mills and John Walker, Ph.D.

The result of the vote of the shareholders for the matter of the amendment to the Company's Amended Articles of Incorporation, to increase the authorized number of common shares from 50,000,000 to 100,000,000, is as follows:

VOTES FOR -----	VOTES AGAINST -----	ABSTAIN -----	NOT VOTED -----
24,245,392	1,954,792	22,793	2,298,029

The proposal to amend the Company's Amended Articles of Incorporation, was adopted.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) See Exhibit Index at page 42 for a list of the exhibits included herewith.

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

SIGNATURES

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

Dated May 16, 2000

THE SCOTTS COMPANY

/s/ CHRISTOPHER L. NAGEL

Principal Accounting Officer,
Vice President and Corporate
Controller

THE SCOTTS COMPANY

QUARTERLY REPORT ON FORM 10-Q FOR
FISCAL QUARTER ENDED APRIL 1, 2000

EXHIBIT INDEX

EXHIBIT NUMBER -----	DESCRIPTION -----	PAGE NUMBER -----
3(d)	Certificate of Amendment by Shareholders to Articles of the Registrant as filed with the Ohio Secretary of State on February 25, 2000	*
3(e)	Amended Articles of Incorporation of the Registrant (reflecting amendments through February 25, 2000) [for SEC reporting compliance purposes only -- not filed with the Ohio Secretary of State]	*
4(h)	Waiver No. 2, dated as of February 14, 2000, to the Credit Agreement, dated as of December 4, 1998, as amended by the Waiver, dated as of January 19, 1999, and the Amendment No. 1 and Consent, dated as of October 13, 1999, among the Registrant; OM Scott International Investments Ltd., Miracle Garden Care Limited, Scotts Holdings Limited, Hyponex Corporation, Scotts Miracle-Gro Products, Inc., Scotts-Sierra Horticultural Products Company, Republic Tool & Manufacturing Corp., Scotts-Sierra Investments, Inc., Scotts France Holdings SARL, Scotts Holding GmbH, Scotts Celaflor GmbH & Co. KG, Scotts France SARL, Scotts Asef BVBA (fka Scotts Belgium 2 BVBA), The Scotts Company (UK) Ltd., Scotts Canada Ltd., Scotts Europe B.V., ASEF B.V., Scotts Australia PTY Ltd., and other subsidiaries of the Registrant who are also borrowers from time to time; the lenders party thereto; The Chase Manhattan Bank as Administrative Agent; Salomon Smith Barney, Inc. as Syndication Agent; Credit Lyonnais Chicago Branch and Bank One, Michigan, as successor to NBD Bank, as Co-Documentation Agents; and Chase Securities Inc., as Lead Arranger and Book Manager	*
10(b)	The Scotts Company 1992 Long Term Incentive Plan (as amended through May 15, 2000)	*
10(d)	The Scotts Company 1996 Stock Option Plan (as amended through May 15, 2000)	*
10(l)	Specimen form of Stock Option Agreement for Non-Qualified Stock Options granted to employees under The Scotts Company 1996 Stock Option Plan (as amended through May 15, 2000)	
10(w)	The Scotts Company Millennium Growth Plan (effective October 1, 1999)	*
27	Financial Data Schedule	*

* Filed herewith

Expedite this form

[X] Yes

[OHIO STATE SEAL]

Prescribed by J. KENNETH BLACKWELL

Please obtain fee amount and mailing instructions from the FORMS INVENTORY LIST (using the 3 digit form # located at the bottom of this form). To obtain the FORMS INVENTORY LIST or for assistance, please call Customer Service: Central Ohio: (614)-466-3910 Toll Free: 1-877-SOS-FILE (1-877-767-3453)

CERTIFICATE OF AMENDMENT BY SHAREHOLDERS TO ARTICLES OF

The Scotts Company

(Name of Corporation) 878361

(charter number)

G. Robert Lucas, who is the Executive Vice President, General Counsel and Corporate Secretary

(name) (title)

of the above named Ohio corporation organized for profit, does hereby certify that: (Please check the appropriate box and complete the appropriate statements.)

[X] a meeting of the shareholders was duly called and held on February 15, 2000, at which meeting a quorum the shareholders was present in person or by proxy, and that by the affirmative vote of the holders of shares entitling them to exercise 84.9 % of the voting power of the corporation,

in a writing signed by all the shareholders who would be entitled to notice of a meeting held for that purpose, the following resolution to amend the articles was adopted:

RESOLVED, that the first sentence of Article FOURTH of the Amended Articles of Incorporation of the Corporation be and it hereby is amended to increase the authorized number of common shares, each without par value, from Fifty Million (50,000,000) to One Hundred Million (100,000,000), such that the text of said first sentence of Article FOURTH shall read as follows:

FOURTH: The authorized number of shares of the corporation shall be One Hundred Million, One Hundred and Ninety-Five Thousand (100,195,000), consisting of One Hundred Million (100,000,000) common shares, each without par value, and One Hundred and Ninety-Five Thousand (195,000) shares of Class A Convertible Preferred Stock, without par value (the "Class A Preferred").

IN WITNESS WHEREOF, the above named officer, acting for and on behalf of the corporation, has hereunto subscribed his name on February 17, 2000.

(his/her) (date)

Signature: /s/ G. Robert Lucas

Title: Executive Vice President, General Counsel and Corporate Secretary

AMENDED ARTICLES OF INCORPORATION

OF

THE SCOTTS COMPANY

(Reflecting amendments through February 25, 2000)

[For SEC reporting compliance purposes only--not filed
with the Ohio Secretary of State]

AMENDED ARTICLES OF INCORPORATION

OF

THE SCOTTS COMPANY

(Reflecting amendments through February 25, 2000)

[For SEC reporting compliance purposes only--not filed
with the Ohio Secretary of State]

The undersigned, desiring to form a corporation for profit under Chapter 1701 of the Ohio Revised Code, does hereby certify:

FIRST: The name of the corporation shall be The Scotts Company.

SECOND: The place in Ohio where the principal office of the corporation is to be located is in the City of Marysville, County of Union.

THIRD: The purpose for which the corporation is formed is to engage in any lawful act or activity for which corporations may be formed under Sections 1701.01 to 1701.98 of the Ohio Revised Code.

FOURTH: The authorized number of shares of the corporation shall be One Hundred Million, One Hundred and Ninety-Five Thousand (100,195,000), consisting of One Hundred Million (100,000,000) common shares, each without par value, and One Hundred and Ninety-Five Thousand (195,000) shares of Class A Convertible Preferred Stock, without par value (the "Class A Preferred").

The following is a statement of the express terms, powers, preferences, rights, qualifications, limitations and restrictions of the Class A Preferred:

1. Authorized Number. The number of shares constituting the Class A Preferred shall be One Hundred Ninety-Five Thousand (195,000) shares.

2. Dividends. (a) The holders of the Class A Preferred shall be entitled to receive, ratably with the holders of any other class of the corporation's capital stock with Parity Rights (as defined below) as to dividends based on their respective dividend rates, annual cumulative dividends in cash on each outstanding share of Class A Preferred at the rate of \$50.00 per share per annum. Such cumulative dividends shall be paid in equal amounts (other than with respect to the initial dividend period) quarterly on June 30, September 30, December 31 and March 31 of each year (unless such day is not a business day, in which event on the next business

day) as declared by the directors to the extent legally permitted, to holders of record as they appear on the register for the Class A Preferred on the June 15, September 15, December 15 and March 15 immediately preceding the relevant Dividend Payment Date (as hereinafter defined), out of any funds at the time legally available therefor; shall accrue until so paid from the date of issuance of the applicable shares of Class A Preferred; and shall be deemed to accrue from day to day, whether or not declared. A quarterly dividend period shall begin on the day following each June 30, September 30, December 31 and March 31 (each a "Dividend Payment Date," whether or not a dividend is paid on such date) and end on the next succeeding Dividend Payment Date. Notwithstanding the foregoing, the first quarterly dividend period shall commence on the date of issue, and such dividend shall be paid on June 30, 1995 for the actual number of days in such period. If dividends shall not have been paid, or declared and set apart for payment, upon all outstanding shares of Class A Preferred at the aforesaid times and rates, such deficiency shall be cumulative in full. Any accumulation of dividends shall not bear interest.

(b) No dividends or other distribution (other than dividends payable in common shares), and no redemption, purchase or other acquisition for value (other than redemptions, purchases or acquisitions payable in common shares or repurchases of common shares from employees of the corporation pursuant to obligations existing as of the date hereof or upon foreclosure pursuant to loans existing as of the date hereof to employees of the corporation secured by common shares), shall be made with respect to the common shares or any other class or series of the corporation's capital stock ranking junior to the Class A Preferred with respect to dividends or liquidation preferences until cumulative dividends on the Class A Preferred in the full amounts as set forth above for all dividend periods ending, and all amounts payable upon redemption of Class A Preferred, on or prior to the date on which the proposed dividend or distribution is paid, or the proposed redemption, purchase or other acquisition is effected, have been declared and paid or set apart for payment.

(c)(i) If on any Dividend Payment Date all or any portion of any dividend payable on such date is not so paid and at such time all or any portion of the dividend payable on the next preceding Dividend Payment Date remains in arrears, then from such second Dividend Payment Date, until all accrued and unpaid dividends for all previous quarterly dividend periods and for the current quarterly dividend period on all shares of Class A Preferred then outstanding shall have been declared and paid (herein a "Default Period"), the holders of Class A Preferred, voting separately as a class, shall have the right to increase the number of directors by three and to elect three directors designated by the Shareholder Representative (as defined in the Merger Agreement) to fill the vacancies so created.

(ii) After the holders of Class A Preferred shall have exercised their right to elect directors pursuant to subparagraph (i) hereof, and during the continuance of such Default Period, the number of directors may not be increased or decreased except by vote of the holders of Class A Preferred, voting separately as a separate class.

(iii) Immediately upon the expiration of a Default Period, (x) the right of the holders of Class A Preferred Stock as a class to elect directors pursuant to this Section 2(c) shall cease, (y) the term of any directors elected by the holders of Class A Preferred as a class pursuant

to this Section 2(c) shall terminate, and (z) the number of directors shall be such number as was in effect immediately prior to the increase pursuant to this Section 2(c).

3. Liquidation Preference. In the event of any liquidation, dissolution, or winding up of the corporation, either voluntary or involuntary, distributions to the shareholders of the corporation shall be made in the following manner:

(a) The holders of the Class A Preferred shall be entitled to receive, ratably with the holders of any other class or series of the corporation's capital stock with Parity Rights (as defined below) as to liquidation preferences based on their respective preference amounts (which, in the case of the Class A Preferred, shall include any amounts owing in respect of accrued and unpaid dividends), prior and in preference to any distribution of any of the assets or funds of the corporation to the holders of the common shares (or any other securities of the corporation ranking junior to the Class A Preferred as to liquidation preferences), the preference amount (in cash) of \$1,000 per share for each share of Class A Preferred then held by them plus an amount equal to all accrued but unpaid dividends (whether or not declared) on the Class A Preferred to the date of liquidation, dissolution or winding up. If the assets and funds thus distributed among the holders of the Class A Preferred and of any other class or series of the corporation's capital stock with Parity Rights as to liquidation preferences are insufficient to permit the payment to such holders of the full preferential amount described above, then the entire assets and funds of the corporation legally available for distribution shall be distributed among the holders of the Class A Preferred and of any other class or series of the corporation's capital stock with Parity Rights as to liquidation preferences in the proportion that the aggregate preferential amount of shares of Class A Preferred and of any other class or series of the corporation's capital stock with Parity Rights as to liquidation preferences held by each such holder bears to the aggregate preferential amount of all shares of Class A Preferred and of any other class or series of the corporation's capital stock with Parity Rights as to liquidation preferences. After payment has been made to the holders of the Class A Preferred and of any other class or series of the corporation's capital stock with Parity Rights as to liquidation preferences of the full amounts to which they are entitled, no further amounts shall be paid with respect to the Class A Preferred, and the remaining assets of the corporation shall be distributed among the holders of the common shares (and other junior securities with regard to liquidation preferences) in accordance with the Amended Articles of Incorporation and applicable law.

(b) For purposes of this Section 3, a merger or consolidation of the corporation with or into any other corporation or corporations in which the corporation is not the surviving corporation, or a voluntary sale of all or substantially all of the assets of the corporation, shall not be treated as a liquidation, dissolution or winding up of the corporation (unless in connection therewith, the liquidation, dissolution or winding up of the corporation is specifically approved), but shall be treated as provided in Section 6(e) of this Article FOURTH.

4. Provisions Generally Applicable to Dividends and Liquidation.

(a) The term "Parity Rights," as used in this Article FOURTH of the Amended Articles of Incorporation, shall mean dividend rights and liquidation preferences of any class or

series of the corporation's capital stock which has preferences upon any liquidation, dissolution, or winding up of the corporation or rights with respect to the declaration, payment and setting aside of dividends on a parity with those of the Class A Preferred.

(b) Except as otherwise permitted by the Agreement and Plan of Merger dated as of January 26, 1995 among Stern's Miracle-Gro Products, Inc., Stern's Nurseries, Inc., Miracle-Gro Lawn Products Inc., Miracle-Gro Products Limited, the Shareholders listed therein, the corporation and ZYX Corporation (the "Merger Agreement"), the corporation will not, by amendment of its Amended Articles of Incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the corporation, but will at all times in good faith assist in the carrying out of all the provisions of Sections 2 and 3 of this Article FOURTH and in the taking of all such action as may be necessary or appropriate in order to protect the dividend and liquidation rights of the holders of the Class A Preferred against impairment; provided, however, that nothing herein will prevent the corporation from creating any new class or series of capital stock with higher dividend rates or liquidation payments so long as the priority of such rights is not senior to the rights of the Class A Preferred.

5. Voting Rights. Except as otherwise required by law, the holder of each share of Class A Preferred shall be entitled to the number of votes equal to the number of common shares into which such share of Class A Preferred could be converted at the record date for determination of the shareholders entitled to vote on such matters, such votes to be counted together with all other shares of capital stock of the corporation having general voting power and not separately as a class or series. Holders of Class A Preferred shall be entitled to receive the same notice of any shareholders' meeting as is provided to holders of common shares. Fractional votes by the holders of Class A Preferred shall not, however, be permitted, and any fractional voting rights shall (after aggregating all shares into which shares of Class A Preferred held by each holder could be converted) be rounded to the nearest whole number. The corporation will, or will cause its transfer agent or registrar to, transmit to the registered holders of the Class A Preferred all reports and communications from the corporation that are generally mailed to holders of its common shares.

6. Conversion. The holders of the Class A Preferred have conversion rights as follows (the "Conversion Rights"):

(a) Right to Convert. Each share of Class A Preferred shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such share and prior to the close of business of the corporation on the business day next preceding any date set for the redemption thereof (provided that funds sufficient to redeem all shares to be redeemed on such date have been paid or made available for payment as described in Section 7(b)(iii) of this Article FOURTH), at the office of the corporation or any transfer agent for the Class A Preferred, into such number of fully paid and nonassessable common shares as is determined by dividing \$1,000 by the Conversion Price, determined as hereinafter provided, in effect at the time of conversion. The price at which common shares shall be deliverable upon conversion (the "Conversion Price")

shall initially be \$19 per common share. Such initial Conversion Price shall be subject to adjustment as hereinafter provided.

(b) Accrued Dividends and Fractional Shares. Dividends shall cease to accrue on shares of Class A Preferred surrendered for conversion into common shares; provided, however, that any dividends (whether or not declared) upon such shares which were accrued as of but not paid on or before the Dividend Payment Date immediately preceding the conversion date shall be paid in cash upon such conversion or as soon thereafter as permitted by law.

No fractional common shares shall be issued upon conversion of Class A Preferred. In lieu of any fractional shares to which the holder would otherwise be entitled, the corporation shall, after aggregation of all fractional share interests held by each holder, pay cash equal to such remaining fractional interest multiplied by the Market Price (as defined in Section 11 of this Article FOURTH) at the time of conversion.

(c) Mechanics of Conversion. Before any holder of Class A Preferred shall be entitled to convert the same into full common shares of the corporation and to receive certificates therefor, such holder shall surrender the certificate or certificates for the Class A Preferred to be converted, duly endorsed, at the office of the corporation or of any transfer agent for the Class A Preferred, and shall give written notice to the corporation at such office that such holder elects to convert the same. The corporation shall, as soon as practicable after such delivery, issue and deliver at such office to such holder of Class A Preferred (or to any other person specified in the notice delivered by such holder), a certificate or certificates for the number of common shares to which such holder shall be entitled as aforesaid and a check payable to the holder for any cash amounts payable as the result of a conversion into fractional common shares. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the shares of Class A Preferred to be converted, and the person or persons entitled to receive the common shares issuable upon such conversion shall be treated for all purposes as the record holder or holders of such common shares on such date. In case any certificate for shares of Class A Preferred shall be surrendered for conversion of only a part of the shares represented thereby, the corporation shall deliver at such office to or upon the written order of the holder thereof, a certificate or certificates for the number of shares of Class A Preferred represented by such surrendered certificate which are not being converted. Notwithstanding the foregoing, the corporation shall not be obligated to issue certificates evidencing the common shares issuable upon such conversion unless the certificates evidencing Class A Preferred are either delivered to the corporation or its transfer agent, or the holder notifies the corporation or its transfer agent that such certificates have been lost, stolen or destroyed and executes an agreement satisfactory to the corporation to indemnify the corporation from any loss incurred by it in connection with such certificates. The issuance of certificates for common shares issuable upon conversion of shares of Class A Preferred shall be made without charge to the converting holder for any tax imposed in respect of the issuance thereof; provided that the corporation shall not be required to pay any tax which may be payable with respect to any transfer involved in the issue and delivery of any certificate in a name other than that of the holder of the shares of Class A Preferred being converted.

(d) Effects of Certain Events.

(i) Common Share Dividends, Subdivisions or Combinations. In case the corporation shall (A) pay or make a dividend or other distribution to all holders of its common shares in common shares, (B) subdivide, split or reclassify the outstanding number of common shares into a larger number of common shares or (C) combine or reclassify the outstanding number of its common shares into a smaller number of common shares, the Conversion Price in effect immediately prior thereto shall be adjusted so that the holder of each outstanding share of Class A Preferred shall thereafter be entitled to receive upon the conversion of such share the number of common shares which such holder would have owned and been entitled to receive had such shares of Class A Preferred been converted immediately prior to the happening of any of the events described above or, in the case of a stock dividend or other distribution, prior to the record date for determination of shareholders entitled thereto. An adjustment made pursuant to this clause (i) shall become effective immediately after such record date in the case of a dividend or distribution and immediately after the effective date in the case of a subdivision, split, combination or reclassification.

(ii) Distributions of Assets or Securities Other Than Common Shares. In case the corporation shall, by dividend or otherwise, distribute to all holders of its common shares, shares of any of its capital stock (other than common shares), rights or warrants to purchase any of its securities (other than those referred to in (iii) below), cash (other than any regular quarterly or semi-annual dividend which the directors of the corporation declares), other assets or evidences of its indebtedness, then in each such case the Conversion Price shall be adjusted by multiplying the Conversion Price in effect immediately prior to the date of such dividend or distribution by a fraction, of which the numerator shall be the Average Market Price (as defined in Section 11 of this Article FOURTH) per common share at the record date for determining shareholders entitled to such dividend or distribution less the fair market value (as determined in good faith by the directors) of the portion of the securities, cash, assets or evidences of indebtedness so distributed applicable to one common share, and of which the denominator shall be such Average Market Price per common share. An adjustment made pursuant to this clause (ii) shall become effective immediately after such record date.

(iii) Below Market Distributions or Issuances. In case the corporation shall issue common shares (or rights, warrants or other securities convertible into or exchangeable or exercisable for common shares) to all holders of common shares at a price per share (or having an effective exercise, exchange or conversion price per share) less than the Average Market Price per common share at the record date for the determination of shareholders entitled to receive such common shares (or rights, warrants or other securities convertible into or exchangeable or exercisable for common shares), then in each such case the Conversion Price shall be adjusted by multiplying the Conversion Price in effect immediately prior to the date of issuance of such common shares (or rights, warrants or other securities) by a fraction, the numerator of which shall be the sum of (A) the number of common shares outstanding on the date of such issuance (without giving effect to any such issuance) and (B) the number of common shares which the aggregate consideration receivable by the corporation for the total number of common shares so issued (or into or for which such rights, warrants or other securities are convertible, exchangeable

or exercisable) would purchase at such Average Market Price, and the denominator of which shall be the sum of (A) the number of common shares outstanding on the date of such issuance (without giving effect to any such issuance) and (B) the number of additional common shares so issued (or into or for which such rights, warrants or other securities are convertible, exchangeable or exercisable). An adjustment made pursuant to this clause (iii) shall become effective immediately after the record date for determination of shareholders entitled to receive or purchase such common shares (or rights, warrants or other securities convertible into or exchangeable or exercisable for common shares). For purposes of this clause (iii), the issuance of any options, rights or warrants or any common shares (whether treasury shares or newly issued shares) pursuant to any employee (including consultants and directors) benefit or stock option or purchase plan or program of the corporation shall not be deemed to constitute an issuance of common shares or options, rights or warrants to which this clause (iii) applies. Notwithstanding anything herein to the contrary, no further adjustment to the Conversion Price shall be made (i) upon the issuance or sale of common shares upon the exercise of any rights or warrants or (ii) upon the issuance or sale of common shares upon conversion or exchange of any convertible securities, if any adjustment in the Conversion Price was made or required to be made upon the issuance or sale of such rights, warrants or securities.

(iv) Repurchases. In case at any time or from time to time the corporation or any subsidiary thereof shall repurchase, by self tender offer or otherwise, any common shares of the corporation at a weighted average purchase price in excess of the Average Market Price on the business day immediately prior to the earliest of the date of such repurchase, the commencement of an offer to repurchase or the public announcement of either (such date being referred to as the "Determination Date"), the Conversion Price in effect as of such Determination Date shall be adjusted by multiplying such Conversion Price by a fraction, the numerator of which shall be (A) the product of (x) the number of common shares outstanding on such Determination Date and (y) the Average Market Price of the common shares on such Determination Date minus (B) the aggregate purchase price of such repurchase and the denominator of which shall be the product of (x) the number of common shares outstanding on such Determination Date minus the number of common shares repurchased by the corporation or any subsidiary thereof in such repurchase and (y) the Average Market Price of the common shares on such Determination Date. For purposes of this clause (iv), the repurchase or repurchases by the corporation or any subsidiary thereof within any 12 month period of not more than 15% of the common shares outstanding as of the first date of such period, at a price not in excess of 120% of the Average Market Price as of the Determination Date of any such repurchase, shall not be deemed to constitute a repurchase to which this clause (iv) applies. An adjustment made pursuant to this clause (iv) shall become effective immediately after the effective date of such repurchase.

(e) Certain Reorganizations. In the event of any change, reclassification, conversion, exchange or cancellation of outstanding common shares of the corporation (other than any reclassification referred to in Section 6(d)(i) in this Article FOURTH), whether pursuant to a merger, consolidation, reorganization or otherwise, or the sale or other disposition of all or substantially all of the assets and properties of the corporation, the shares of Class A Preferred shall, after such merger, consolidation, reorganization or other transaction, sale or other disposition, be convertible into the kind and number of shares of stock or other securities or

property, of the corporation or otherwise, to which such holder would have been entitled if immediately prior to such event such holder had converted its shares of Class A Preferred into common shares at the Conversion Price in effect as of the consummation of such event. The provisions of this Section 8(e) shall similarly apply to successive changes, reclassifications, conversions, exchange or cancellations.

(f) No Impairment. Except as permitted by the Merger Agreement, the corporation will not, by amendment of its Amended Articles of Incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the corporation, but will at all times in good faith assist in the carrying out of all the provisions of this Section 6 and in the taking of all such action as may be necessary or appropriate in order to protect the conversion rights of the holders of the Class A Preferred against impairment.

(g) Calculation of Adjustments. No adjustment in the Conversion Price shall be required unless such adjustment would require an increase or decrease of at least 1% in such price; provided, however, that any adjustments which by reason of this subsection (g) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 6 shall be made by the corporation and shall be made to the nearest cent or to the nearest one hundredth of a share, as the case may be. Anything in this Section 6 to the contrary notwithstanding, the corporation shall be entitled to make such reductions in the Conversion Price, in addition to those required by this Section 6, as it in its sole discretion shall determine to be advisable in order that any stock dividends, subdivision of shares, distribution of rights to purchase stock or securities, or a distribution of securities convertible into or exchangeable for stock hereafter made by the corporation to its shareholders shall not be taxable.

(h) Certificate as to Adjustments. Upon the occurrence of each adjustment or readjustment of the Conversion Price pursuant to this Section 6, the corporation at its expense shall promptly compute such adjustment or readjustment in accordance with the terms hereof and furnish to each holder of Class A Preferred a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The corporation shall, upon the written request at any time of any holder of Class A Preferred, furnish or cause to be furnished to such holder a like certificate setting forth (i) such adjustments and readjustments; (ii) the Conversion Price at the time in effect; and (iii) the number of common shares and the amount, if any, of other property which at the time would be received upon the conversion of Class A Preferred.

(i) Notices.

propose at any time: (A) In the event that the corporation shall
 upon its common shares; (1) to declare any dividend or distribution

(2) to offer for subscription pro rata to the holders of any class or series of its capital stock any additional shares of stock of any class or series or other rights; or

(3) to effect any transaction of the type described in Section 6(e) hereof involving a change in the common shares;

then, in connection with each such event, the corporation shall send to the holders of the Class A Preferred:

(i) at least 20 days' prior written notice of the date on which a record shall be taken for such dividend or distribution (and specifying the date on which the holders of common shares shall be entitled thereto) or for determining rights to vote in respect of the matters referred to in (1) and (2) above; and

(ii) in the case of the matters referred to in (3) above, at least 20 days' prior written notice of the date when the same shall take place (and specifying the date on which the holders of common shares shall be entitled to exchange their common shares for securities or other property deliverable upon the occurrence of such event).

(B) In the event of any voluntary or involuntary dissolution, liquidation or winding up of the corporation, the corporation shall send to the holders of the Class A Preferred at least 20 days' prior written notice.

(C) The corporation shall send written notice immediately upon any public announcement with respect to an open market repurchase program, any self tender offer for common shares and any other repurchase other than a repurchase of stock of an employee or consultant pursuant to any benefit plan or agreement.

7. Redemption.

(a) Redemption. The Class A Preferred shall not be subject to redemption prior to the last day of the month in which the fifth anniversary of the original date of issuance occurs. On or after such date, the corporation may, at its option, redeem all or from time to time any part of the shares of Class A Preferred, out of funds legally available therefor, upon giving the Redemption Notice as set forth in Section 7(b) of this Article FOURTH. The redemption payment for each share of Class A Preferred shall be an amount (the "Redemption Payment") in cash equal to the sum of (i) the amount of all accrued and unpaid dividends (whether or not declared) thereon to and including the date fixed for redemption, plus (ii) \$1,000. In the event of a redemption of only a part of the then outstanding Class A Preferred, the corporation shall effect such redemption ratably according to the number of shares held by each holder of Class A Preferred.

(b) Mechanics of Redemption.

(i) At least 30 days, but no more than 60 days, prior to the date fixed for any redemption pursuant to Section 7(a) of this Article FOURTH (the "Redemption Date"), the corporation shall send a written notice (the "Redemption Notice") to the holders of shares to be redeemed on such date (the "Redemption Shares") stating: (A) the total number of shares being redeemed; (B) the number of Redemption Shares held by such holder; (C) the Redemption Date and the Redemption Payment; (D) the date on which such holder's conversion rights as to such shares shall terminate; and (E) the manner in which and the place at which such holder is to surrender to the corporation the certificate or certificates representing the Redemption Shares.

(ii) Upon the surrender to the corporation, in the manner and at the place designated, of a certificate or certificates representing Redemption Shares, the Redemption Payment for such shares shall be payable to the order of the person whose name appears on such certificate or certificates as the owner thereof. All such surrendered certificates shall be canceled. Upon redemption of only a portion of the shares of Class A Preferred represented by a certificate surrendered for redemption, the corporation shall issue and deliver to or upon the written order of the holder of the certificate so surrendered, at the expense of the corporation (except for expenses relating to the issuance of such shares to a person other than the record holder of the Redemption Shares), a new certificate representing the unredeemed shares of Class A Preferred represented by the certificate so surrendered.

(iii) On or prior to the Redemption Date, the corporation shall have the option to deposit the aggregate of all Redemption Payments for all Redemption Shares (other than Redemption Shares surrendered for conversion prior to such date) in a bank or trust company (designated in the notice of such redemption) doing business in the State of Ohio or the City of New York, having aggregate capital and surplus in excess of \$500,000,000, as a trust fund for the benefit of the respective holders of Redemption Shares, with irrevocable instructions and authority to the bank or trust company to pay the appropriate Redemption Payment to the holders of Redemption Shares upon receipt of notification from the Company that such holder has surrendered the certificate representing such shares to the corporation. Such instructions shall also provide that any such moneys remaining unclaimed at the expiration of one year following the Redemption Date shall thereafter be returned to the corporation upon its request as expressed in a resolution of its directors. The holder of any Redemption Shares in respect of which such deposit has been returned to the corporation pursuant to the preceding sentence shall have a claim as an unsecured creditor against the corporation for the Redemption Payment in respect thereof, without interest.

(iv) Provided that the corporation has given the Redemption Notice described in Section 7(b)(i) of this Article FOURTH and has on or prior to the Redemption Date either paid or made available (as described in Section 7(b)(iii) of this Article FOURTH) Redemption Payments to the holders of Redemption Shares, all Redemption Shares shall be deemed to have been redeemed as of the close of business of the corporation on the applicable Redemption Date. Thereafter, the holder of such shares shall no longer be treated for any purposes as the record holder of such shares of Class A Preferred, regardless of whether the certificates representing

such shares are surrendered to the corporation or its transfer agent, excepting only the right of the holder to receive the appropriate Redemption Payment, without interest, upon such surrender. Such shares so redeemed shall not be transferred on the books of the corporation or be deemed to be outstanding for any purpose whatsoever.

(v) The corporation shall not be obligated to pay the Redemption Payment to any holder of Redemption Shares unless the certificates evidencing such shares are either delivered to the corporation or its transfer agent, or the holder notifies the corporation or its transfer agent that such certificates have been lost, stolen or destroyed and executes an agreement satisfactory to the corporation to indemnify the corporation from any loss incurred by it in connection with such certificates.

(c) Limitation on Redemption. The corporation shall not be obligated to redeem any shares of Class A Preferred which have previously been converted into common shares. The corporation shall not be obligated to redeem shares pursuant to this Section 7 if such redemption would violate any provisions of applicable law. If, after giving the Redemption Notice, the corporation is unable, pursuant to applicable law, to redeem some or all unconverted Redemption Shares on any particular Redemption Date, the corporation shall promptly notify the holders thereof of the facts that prevent the corporation from so redeeming such shares. Thereafter, the corporation shall redeem such unredeemed Redemption Shares at such time as it is lawfully able to do so.

8. Status of Converted Shares. If shares of Class A Preferred are converted pursuant to Section 6 of this Article FOURTH or redeemed pursuant to Section 7 of this Article FOURTH, the shares so converted or redeemed shall resume the status of authorized but unissued shares of Class A Preferred unless otherwise prohibited by applicable law.

9. Notices. All notices, requests, demands, and other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered by hand or when sent by telegram or telecopier (with receipt confirmed), provided a copy is also sent by express (overnight, if possible) courier, addressed (i) in the case of a holder of Class A Preferred, to such holder's address of record, and (ii) in the case of the corporation, to the corporation's principal executive offices to the attention of the corporation's secretary.

10. Amendments and Waivers. Any right, preference, privilege or power of, or restriction provided for the benefit of, the Class A Preferred set forth herein may be amended and the observance thereof may be waived (either generally or in a particular instance and either retroactively or prospectively) with the written consent of the corporation and the affirmative vote or written consent of the holders of not less than a majority of the shares of Class A Preferred then outstanding, and any amendment or waiver so effected shall be binding upon the corporation and all holders of Class A Preferred.

11. Additional Definitions. As used herein the term "Trading Day" means each Monday, Tuesday, Wednesday, Thursday and Friday which is a day on which the New York Stock Exchange, Inc. is open for trading.

As used herein, the term "Market Price" of a common share or of any other security of the corporation on any date shall mean: (i) the last reported sales price of the common shares or such other security on the principal national securities exchange on which such common shares or other security is listed or admitted to trading or, if no such reported sale takes place on such date, the average of the closing bid and asked prices thereon, as reported in The Wall Street Journal, or (ii) if such common shares or other security shall not be listed or admitted to trading on a national securities exchange, the last reported sales price on the NASDAQ National Market or, if no such reported sales takes place on any such date, the average of the closing bid and asked prices thereon, as reported in The Wall Street Journal, or (iii) if such common shares or other security shall not be quoted on such National Market nor listed or admitted to trading on a national securities exchange, then the average of the closing bid and asked prices, as reported by The Wall Street Journal for the over-the-counter market, or (iv) if there is no public market for such common shares or other security, the fair market value of a share of such common shares or a unit of such other security as determined in good faith by the Directors of the corporation.

The term "Average Market Price" shall mean the average of the 30 consecutive trading days immediately preceding the date in question.

FIFTH: The directors of the corporation shall have the power to cause the corporation from time to time and at any time to purchase, hold, sell, transfer or otherwise deal with (A) shares of any class or series issued by it, (B) any security or other obligation of the corporation which may confer upon the holder thereof the right to convert the same into shares of any class or series authorized by the articles of the corporation, and (C) any security or other obligation which may confer upon the holder thereof the right to purchase shares of any class or series authorized by the articles of the corporation. The corporation shall have the right to repurchase, if and when any shareholder desires to sell, or on the happening of any event is required to sell, shares of any class or series issued by the corporation. The authority granted in this Article FIFTH of these Articles shall not limit the plenary authority of the directors to purchase, hold, sell, transfer or otherwise deal with shares of any class or series, securities or other obligations issued by the corporation or authorized by its articles.

SIXTH: No shareholder of the corporation shall have, as a matter of right, the pre-emptive right to purchase or subscribe for shares of any class, now or hereafter authorized, or to purchase or subscribe for securities or other obligations convertible into or exchangeable for such shares or which by warrants or otherwise entitle the holders thereof to subscribe for or purchase any such share.

SEVENTH: Shareholders of the corporation shall not have the right to vote cumulatively in the election of directors.

EIGHTH: These Amended Articles of Incorporation take the place of and supersede the existing Articles of Incorporation of The Scotts Company.

NINTH: Notwithstanding any provision of the Ohio Revised Code requiring for any purpose the vote, consent, waiver or release of the holders of shares of the corporation entitling them to exercise two-thirds or any other proportion of the voting power of the corporation or of any class or classes thereof, such action, unless expressly otherwise provided by statute, may be taken by the vote, consent, waiver or release of the holders of the shares entitling them to exercise not less than a majority of the voting power of the corporation or of such class or classes; provided, however, that the affirmative vote of the holders of shares entitling them to exercise not less than two-thirds of the voting power of the corporation, or two-thirds of the voting power of any class or classes of shares of the corporation which entitle the holders thereof to vote in respect of any such matter as a class, shall be required to adopt:

- (1) A proposed amendment to this Article NINTH to the Amended Articles of Incorporation of the corporation;
- (2) An agreement of merger or consolidation providing for the proposed merger or consolidation of the corporation with or into one or more other corporations and requiring shareholder approval;
- (3) A proposed combination or majority share acquisition involving the issuance of shares of the corporation and requiring shareholder approval;
- (4) A proposal to sell, exchange, transfer or otherwise dispose of all, or substantially all, the assets, with or without the goodwill, of the corporation; or
- (5) A proposed dissolution of the corporation.

WAIVER NO. 2

WAIVER NO. 2, dated as of February 14, 2000 (the "Second Waiver"), to the Credit Agreement, dated as of December 4, 1998, as amended by the Waiver, dated as of January 19, 1999, and the Amendment No. 1 and Consent, dated as of October 13, 1999, and as amended, supplemented or modified from time to time (the "Credit Agreement") among THE SCOTTS COMPANY, an Ohio corporation (the "Borrower" or "Scotts"), OM Scott International Investments Ltd., Miracle Garden Care Limited, Scotts Holdings Limited, Hyponex Corporation, Scotts' Miracle-Gro Products, Inc., Scotts-Sierra Horticultural Products Company, Republic Tool & Manufacturing Corp., Scotts-Sierra Investments, Inc., Scotts France Holdings SARL, Scotts Holding GmbH, Scotts Celaflor GmbH & Co. KG, Scotts France SARL, Scotts Asef BVBA, f/k/a Scotts Belgium 2 BVBA, The Scotts Company (UK) Ltd., Scotts Canada Ltd., Scotts Europe B.V., ASEF B.V., Scotts Australia PTY Ltd., and the other subsidiaries of the Borrower who are also borrowers from time to time under the Credit Agreement (the "Subsidiary Borrowers"), the several banks and other financial institutions from time to time parties to the Credit Agreement (the "Lenders"), THE CHASE MANHATTAN BANK, a New York banking corporation (together with its banking affiliates, "Chase"), as agent for the Lenders (in such capacity, the "Administrative Agent"), SALOMON SMITH BARNEY, INC., as syndication agent (the "Syndication Agent"), CREDIT LYONNAIS CHICAGO BRANCH (together with its banking affiliates, "Credit Lyonnais") and BANK ONE, MICHIGAN, as successor to NBD BANK, as co-documentation agents (the "Co-Documentation Agents"), and Chase Securities Inc., as lead arranger (the "Lead Arranger") and as the book manager (the "Book Manager").

W I T N E S S E T H :

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WHEREAS, subsection 6.11 of the Credit Agreement, Maintenance of Consolidated Net Worth, sets forth a formula which required that Borrower's Consolidated Net Worth (as defined in the Credit Agreement) be in an amount of not less than \$385,500,000 as of the last day of Borrower's fiscal quarter ending January 1, 2000. Borrower reports that its Consolidated Net Worth as of the last day of such fiscal quarter was \$383,100,000;

WHEREAS, the Borrower has requested that the Required Lenders waive, with respect to the fiscal quarter ending January 1, 2000, the requirement under subsection 6.11 of the Credit Agreement that the Borrower maintain its Consolidated Net Worth above the amount described herein; and

WHEREAS, the Required Lenders have agreed to waive such requirement with respect to such period but only on the terms and subject to the conditions set forth herein;

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

1. Defined Terms. Unless otherwise noted, capitalized terms have the meanings given to them in the Credit Agreement.

2. Compliance with Subsection 6.11 (Maintenance of Consolidated Net Worth). The Required Lenders hereby waive the requirements of subsection 6.11 of the Credit Agreement with respect to the fiscal quarter ending January 1, 2000; provided that the Borrower's Consolidated Net Worth as of the last day of such fiscal quarter was not less than \$383,000,000.

3. Representations and Warranties. On and as of the date hereof, and after giving effect to this Second Waiver, the Borrower hereby confirms, reaffirms and restates the representations and warranties set forth in Section 4 of the Credit Agreement mutatis mutandis, and to the extent that such representations and warranties expressly relate to a specific earlier date in which case the Borrower hereby confirms, reaffirms and restates such representations and warranties as of such earlier date.

4. Conditions to Effectiveness. This Second Waiver shall become effective as of the date the Administrative Agent receives counterparts of this Second Waiver, duly executed and delivered by the Borrower, the Administrative Agent and the Required Lenders.

5. Continuing Effect; No Other Waiver. Except as expressly waived hereby, all of the terms and provisions of the Credit Agreement are and shall remain in full force and effect. The waiver provided for herein is limited to the specific subsections of the Credit Agreement specified herein and shall not constitute an waiver of, or an indication of any Lender's willingness to waive, any other provisions of the Credit Agreement or the same subsections for any other date or time period (whether or not such other provisions or compliance with such subsections for another date or time period are affected by the circumstances addressed in this Second Waiver).

6. Expenses. The Borrower agrees to pay and reimburse the Administrative Agent for all its reasonable costs and expenses incurred in connection with the preparation and delivery of this Second Waiver, including, without limitation, the reasonable fees and disbursements of counsel to the Administrative Agent.

7. GOVERNING LAW. THIS SECOND WAIVER SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

8. Counterparts. This Second Waiver may be executed by the parties hereto in any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

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

THE SCOTTS COMPANY

By: /s/ Rebecca J. Bruening

Title: Vice President, Corporate Treasurer

SALOMON SMITH BARNEY, INC., as Syndication Agent and as a Lender

By: /s/ B. Crook

Title: Managing Director

CREDIT LYONNAIS CHICAGO BRANCH, as Co-Documentation Agent and as a Lender

By: /s/ Mary Ann Klemm

Title: Vice President

BANK ONE, MICHIGAN, as successor to NBD BANK, as Co-Documentation Agent and as a Lender

By: /s/ Thomas E. Redmond

Title: Managing Director

THE CHASE MANHATTAN BANK, as Administrative Agent and as a Lender

By: /s/ Randolph Cates

Title: Vice President

ABN AMRO BANK N.V., Pittsburgh

By: /s/ Patrick Pastore /s/ Gregory Amoroso

Title: Vice President Senior Vice President

AERIES - II FINANCE LTD.

By: /s/ Greg Stoeckle

Title: Authorized Signatory

ALLIANCE INVESTMENT OPPORTUNITIES

By: -----
Name:
Title:

ALLSTATE LIFE INSURANCE CO.

By: -----
Name:
Title:

ARES LEVERAGED INVESTMENT FUND II, L.P.

By: /s/ Seth Brufsky

Title: Vice President

ATHENA CDO, LIMITED

By: Pacific Investment Management Company as
its investment advisor

By: PIMCO Management Inc., a general partner

By: -----
Name:
Title:

BHF (USA) CAPITAL CORPORATION

By: -----

Name:
Title:

BHF BANK AKTIENGESELLSCHAFT

By: -----

Name:
Title:

BW CAPITAL MARKETS, INC.

By: /s/ Philip Waldrop Richard P. Urfer

Title: Vice President President

BALANCED HIGH YIELD FUND II LTD.

By: -----

Name:
Title:

BANK AUSTRIA

By: -----

Name:
Title:

BANK OF AMERICA

By: /s/ Gretchen Spoo

Title: Vice President

BANK OF HAWAII

By: -----

Name:
Title:

BANK OF MONTREAL

By: /s/ Brian L. Banks

Title: Director

THE BANK OF NEW YORK

By: /s/ Thomas McCrohan

Title: Vice President

THE BANK OF NOVA SCOTIA

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

Title: Senior Manager Loan Operations

BANK OF TOKYO-MITSUBISHI TRUST COMPANY

By: -----

Name:
Title:

BANQUE NATIONALE DE PARIS

By: /s/ Arnaud Collin de Bocage

Title: Executive Vice President & General
Manager

BANQUE WORMS CAPITAL CORPORATION

By: /s/ Michael M. Flemming F. Gamet

Title: Vice President & General Counsel
Senior Vice President

BLACK DIAMOND CLO 1998-1 LTD.

By: -----

Name:
Title:

BOEING CAPITAL CORPORATION

By: /s/ James C. Hammersmith

Title: Senior Documentation Officer

CIT GROUP/EQUIPMENT FINANCING, INC.

By: -----
Name:
Title:

CAPTIVA III FINANCE LTD.

By: -----
Name:
Title:

CARAVELLE INVESTMENT FUND, L.L.C.

By: -----
Name:
Title:

CERES FINANCE, LTD.

By: /s/ Gregory Stoeckle

Title: Authorized Signatory

CITICORP USA, INC.

By: /s/ Nicholas T. Erni

Title: Attorney in Fact

COMERICA BANK, Detroit

By: /s/ Anthony L. Davis

Title: Assistant Vice President

CREDIT AGRICOLE INDOSUEZ, Chicago

By: -----

Name:
Title:

CREDIT LYONNAIS

By: -----

Name:
Title:

CYPRESSTREE INSTITUTIONAL FUND, LLC

By: CypressTree Investment Management Company,
Inc. its Managing Member

By: -----

Name:
Title:

CYPRESSTREE INVESTMENT FUND, LLC

By: CypressTree Investment Management Company,
Inc. its Managing Member

By: -----

Name:
Title:

DELANO COMPANY

By: Pacific Investment Management Company as its
investment advisor

By: PIMCO Management Inc., a general partner

By: -----

Name:
Title:

DRESDNER BANK, AG

By: /s/ A. Richard Morris Ken Hamilton

Title: First Vice President Senior Vice President

EATON VANCE SENIOR INCOME TRUST

By: /s/ Payson F. Swaffield

Title: Vice President

ERSTE BANK

By: -----
Name:
Title:

FIFTH THIRD BANK OF COLUMBUS

By: /s/ Mark Ransom

Title: Vice President

FIRST UNION NATIONAL BANK

By: /s/ Andrew Payne

Title: Vice President

FLEET NATIONAL BANK

By: -----
Name:
Title:

FOOTHILL INCOME TRUST, L.P.

By: /s/ Dennis Ascher

Title: Managing Member

FRANKLIN FLOATING RATE TRUST

By:

Name:
Title:

FREEMONT INVESTMENT & LOAN

By:

Name:
Title:

GENERAL ELECTRIC CAPITAL CORP.

By:

Name:
Title:

HARRIS TRUST AND SAVINGS BANK

By: /s/ C. Scott Place

Title: Vice President

HELLER FINANCIAL INC.

By: /s/ Linda W. Wolf

Title: Senior Vice President

THE HUNTINGTON NATIONAL BANK

By: /s/ J. Stephen Bennett

Title: Vice President

IKB DEUTSCHE INDUSTRIEBANK

By: /s/ Manford Ziwey

Title: Director

INDOSUEZ CAPITAL

By: /s/ Melissa Marano

Title: Vice President

INDOSUEZ CAPITAL FUNDING IIA, LTD.

By:

Name:
Title:

KZH APPALOOSA LLC

By:

Name:
Title:

KZH BDC LLC

By:

Name:
Title:

KZH CRESCENT 3 LLC

By:

Name:
Title:

KZH III LLC

By:

Name:
Title:

KZH ING-3 LLC

By: /s/ Susan Lee

Title: Authorized Agent

KZH PAMCO LLC

By:

Name:
Title:

KZH RIVERSIDE LLC

By: /s/ Susan lee

Title: Authorized Agent

KZH WATERSIDE LLC

By: /s/ Susan Lee

Title: Authorized Agent

KZH CNC LLC

By: /s/ Susan Lee

Title: Authorized Agent

KZH-CYPRESSTREE-1 LLC

By:

Name:
Title:

KZH-ING-2 LLC

By: -----

Name:
Title:

KZH-SOLEIL-2 LLC

By: -----

Name:
Title:

KEY BANK NATIONAL ASSOCIATION

By: /s/ Brendan Lawlor

Title: Vice President

LANDESBANK RHEINLAND-PFALZ GIR

By: /s/ Gilsdorf

Detlef Krejoi

Title: Assistant Vice President Manager

LEHMAN COMMERCIAL PAPER INC.

By: -----

Name:
Title:

ML CBO IV (CAYMAN) LTD.

By: -----

Name:
Title:

ML CLO XII PILGRIM AMERICA

By: Pilgrim Investments, Inc., as its investment manager

By: -----
Name:
Title:

ML CLO XX PILGRIM AMERICA

By: Pilgrim Investments, Inc., as its investment manager

By: -----
Name:
Title:

MSDW PRIME INCOME TRUST

By: -----
Name:
Title:

MEESPIERSON N.V.

By: /s/ W. Gibson P. Hanratty

Title: Manager Head of Acquisition & Finance

MERRILL LYNCH PRIME RATE PORTFOLIO

By: -----
Name:
Title:

MERRILL LYNCH SENIOR FLOATING RATE FUND

By: -----
Name:
Title:

METROPOLITAN LIFE INSURANCE CO.

By: /s/ James R. Dingler

Title: Director

MONUMENTAL LIFE INSURANCE COMPANY

By:

Name:
Title:

MOUNTAIN CLO TRUST

By:

Name:
Title:

MOUNTAIN CAPITAL CLO I, LTD.

By:

Name:
Title:

BANK ONE, MICHIGAN, as successor to
NBD BANK

By: /s/ Thomas E. Redmond

Title: Managing Director

NATIONAL CITY BANK

By: /s/ David B. Yates

Title: Vice President

NATIONAL WESTMINSTER BANK, PLC

By:

Name:
Title:

NORSE CBO, LTD.

By:

Name:
Title:

NORTH AMERICAN SENIOR FLOATING RATE FUND

By: CypressTree Investment Management
Company, Inc. as Portfolio Manager

By:

Name:
Title:

ORIX USA CORPORATION

By: /s/ Hiroyuki Miyauckhi

Title: EVP, Corporate Finance Group

OAK HILL SECURITIES FUND, L.P.

By: Oak Hill Securities GenPar, L.P. its General
Partner

By: Oak Hill Securities MGP, Inc. its General
Partner

By: /s/ Scott Krase

Title: Vice President

OASIS COLLATERALIZED HIGH INCOME

By: /s/ Gregory Stoeckle

Title: Authorized Signatory

OCTAGON LOAN TRUST

By: -----

Name:
Title:

OLYMPIC FUNDING TRUST, SERIES 1999-1

By: /s/ Kelly Walker

Title: Authorized Agent

OSPREY INVESTMENTS PORTFOLIO

By: /s/ Mike Regan

Title: Vice President

OXFORD STRATEGIC INCOME FUND

By: EATON VANCE MANAGEMENT AS INVESTMENT ADVISOR

By: /s/ Payson F. Swaffield

Title: Vice President

PACIFICA PARTNERS I, L.P.

By: /s/ Thomas Colwell

Title: Vice President

PARIBAS

By: -----

Name:
Title:

PINEHURST TRADING, INC.

By: /s/ Kelly Walker

Title: Vice President

COOPERATIEVE CENTRALE RAIFFEISEN-BOERENLEENBANK B.A.,
"RABOBANK NEDERLAND", Utrecht Branch

By: /s/ Michael Butz Nancy O'Connor

Title: Vice President Vice President

COOPERATIEVE CENTRALE RAIFFEISEN-BOERENLEENBANK B.A.,
"RABOBANK NEDERLAND", Utrecht Branch

By: -----
Name:
Title:

SKM LIBERTYVIEW CBO I LTD.

By: /s/ Kenneth Klegar

Title: Authorized Signatory

SANKATY HIGH YIELD ASSET PARTNERS

By: /s/ Diane Exter

Title: Executive Vice President & Portfolio Manager

SCOTIABANC, INC.

By: -----
Name:
Title:

SENIOR DEBT PORTFOLIO

By: Boston Management and Research
as Investment Advisor

By: /s/ Payson Swaffield

Title: Vice President

SUNTRUST BANK, CENTRAL FLORIDA, N.A.

By: /s/ Stephen Leister

Title: Vice President

TORONTO DOMINION (TEXAS) INC.

By: -----

Name:
Title:

TRAVELERS INSURANCE COMPANY

By: -----

Name:
Title:

VAN KAMPEN CLO I, LIMITED

By: Van Kampen Management Inc., as Collateral Manager

By: /s/ Darvin D. Pierce

Title: Vice President

ACKNOWLEDGEMENT AND CONSENT

In consideration of each Agent's and the Lenders' execution, delivery and performance of the foregoing Waiver No. 2 (the "Second Waiver"), each of the undersigned hereby (i) acknowledges the terms and provisions of the Second Waiver and consents thereto and (ii) confirms and agrees that (x) the Borrower and Domestic Subsidiary Guarantee and Collateral Agreement (the "Guarantee and Collateral Agreement) is, and shall continue to be, in full force and effect and is hereby ratified and confirmed in all respects and shall apply to the Credit Agreement and (y) the guarantees and all of the Collateral (as defined in the Guarantee and Collateral Agreement) do, and shall continue to, secure the payment of all of the Obligations (as defined in the Guarantee and Collateral Agreement) pursuant to the terms of the Guarantee and Collateral Agreement. Capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Credit Agreement referred to in the Second Waiver to which this Acknowledgment and Consent is attached.

SCOTTS-SIERRA INVESTMENTS, INC.
SCOTTS PROFESSIONAL PRODUCTS CO.
SCOTTS PRODUCTS CO.
OMS INVESTMENTS, INC.
MIRACLE-GRO LAWN PRODUCTS, INC.
MIRACLE-GRO PRODUCTS LTD.
SCOTTS-SIERRA CROP PROTECTION
COMPANY
OLD FORT FINANCIAL CORP.
EARTHGRO, INC.
SANFORD SCIENTIFIC, INC.
EG SYSTEMS, INC.
SWISS FARMS PRODUCTS, INC.

By: /s/ Rebecca J. Bruening

Title: Vice President

THE SCOTTS COMPANY
1992 LONG TERM INCENTIVE PLAN
(REFLECTS AMENDMENTS THROUGH MAY 15, 2000)

THE SCOTTS COMPANY
1992 LONG TERM INCENTIVE PLAN
(REFLECTS AMENDMENTS THROUGH MAY 15, 2000)

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) motivating superior performance by means of performance-related incentives, (b) encouraging and providing for the acquisition of an ownership interest in the Company by Employees and Eligible Directors, and (c) enabling the Company to attract and retain the services of an outstanding Board and 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, Stock Appreciation Right, Performance Share or any combination thereof, including Awards combining two or more types of Awards in a single grant.

(c) "Board" means the Board of Directors of the Company.

(d) "Cause" means (i) the willful failure by the 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, any employee benefit plan of the Company or 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 35% or more of the combined voting power of the Company's then outstanding securities; or

(iii) the shareholders of the Company shall approve a definitive agreement (1) for the merger or other business combination of the Company with or into another corporation, a majority of the directors of which were not directors of the Company immediately prior to the merger and in which the shareholders of the Company immediately prior to the effective date of such merger own less than 50% of the voting power in such corporation or (2) for the sale or other disposition of all or substantially all of the assets of the Company; or

(iv) the purchase of Stock pursuant to any tender or exchange offer made by any "person," including a "group" (as such terms are used in Sections 13(d) and 14(d)(2) of the Act), other than the Company, any of its Subsidiaries, or an employee benefit plan of the Company or any of its Subsidiaries, for 35% or more 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 consist of two or more members, each of whom shall be a "non-employee director" within the meaning of Rule 16b-3, as promulgated under the Act.

(i) "Company" means The Scotts Company, an Ohio corporation, and any successor thereto.

(j) "Director Option" means a Nonstatutory Stock Option granted to each Eligible Director pursuant to Section 6.7 without any action by the Board or the Committee.

(k) "Disability" means the inability of the Participant to perform his duties for a period of at least six months due to a physical or medical infirmity.

(l) "Eligible Director" means, on any date, a person who is serving as a member of the Board and who is neither an Employee nor associated with Clayton, Dubilier & Rice, Inc.

(m) "Employee" means any officer or other key executive and management employee of the Company or any of its Subsidiaries.

(n) "Fair Market Value" means, on any date, the closing price of the Stock as reported on the New York Stock Exchange (or on such other recognized market or quotation system on which the trading prices of the Stock are traded or quoted at the relevant time) on such date. In the event that there are no Stock transactions reported on the New York Stock Exchange (or such other market or system) on such date, Fair Market Value shall mean the closing price on the immediately preceding date on which Stock transactions were so reported.

(o) "Option" means the right to purchase Stock at a stated price for a specified period of time. For purposes of the Plan, an Option may be either (i) an "Incentive Stock Option" (ISO) within the meaning of Section 422 of the Code or (ii) a "Nonstatutory Stock Option" (NSO).

(p) "Participant" means any Employee designated by the Committee to participate in the Plan.

(q) "Performance Period" means the period during which, and the conditions under which, receipt of the Performance Share will be deferred pursuant to Section 7 of the Plan.

(r) "Performance Share" means a right to receive from the Company, at the end of the Performance Period, either (i) a share of Stock, (ii) an amount of cash equal to the Fair Market Value of a share of Stock or (iii) an immediately exercisable Option which has a value (as determined by the Committee) which is equivalent to the Fair Market Value of a share of Stock, as elected by the Participant at the beginning of the applicable Performance Period.

(s) "Plan" means The Scotts Company 1992 Long Term Incentive Plan, as in effect from time to time.

(t) "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.

(u) "Stock" means the common shares of the Company, without par value.

(v) "Stock Appreciation Right" means the right, subject to such terms and conditions as the Committee may impose, to receive an amount in cash or stock, as determined by the Committee, equal to the excess of (i) the Fair Market Value, as of the date such Stock Appreciation Right is exercised, of the number of shares of Stock covered by the Stock Appreciation Right being exercised over (ii) the aggregate exercise price of such Stock Appreciation Right.

(w) "Subsidiary" means any corporation or partnership in which the Company owns, directly or indirectly, 50% or more of the total combined voting power of all classes of stock of such corporation or of the capital interest or profits interest of such partnership.

2.2. Gender and Number. Except when otherwise indicated by the context, words in the masculine gender used in the Plan shall include the feminine gender, the singular shall include the plural, and the plural shall include the singular.

SECTION 3.

ELIGIBILITY AND PARTICIPATION

Except as otherwise provided in Section 6.7, the only persons eligible to participate in the Plan shall be those Employees selected by the Committee as Participants.

SECTION 4.

POWERS OF THE COMMITTEE

4.1. Power to Grant. The Committee shall determine the Participants to whom Awards shall be granted, the type or types of Awards to be granted and the terms and conditions of any and all such Awards. The Committee may establish different terms and conditions for different types of Awards, for different Participants receiving the same type of Award and for the same Participant for each Award such Participant may receive, whether or not granted at different times.

4.2. Administration. The Committee shall be responsible for the administration of the Plan. The Committee, by majority action thereof, is authorized 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. Notwithstanding anything else contained in the Plan to the contrary (i) the Committee may delegate to any officer of the Company or a committee of officers of the Company the authority to make determinations under the Plan with respect to Participants who are not subject to the reporting requirements of Section 16(a) of the Act, including, without limitation, determinations as to whether such a Participant has incurred a Disability or whether to consent to such a Participant's early retirement and (ii) except as specifically provided under the Plan, neither the Committee nor the Board shall have any discretion regarding whether an Eligible Director receives a Director Option pursuant to Section 6.7, or regarding the terms of any such Director Option, including, without limitation, the number of shares subject to any such Director Option.

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 and Director Options under the Plan may not exceed 1,700,000 shares of Stock, plus the lesser of (i) the number of shares of Stock surrendered to exercise any Options (other than Director Options) granted under the Plan or (ii) 1,000,000 shares of Stock. The Committee may grant Awards under the Plan payable in cash, and the exercise of, or payment on, such cash Awards shall not reduce the number of shares of Stock subject to Awards under the Plan, unless such Award is a Stock Appreciation Right. The shares 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 and Director Options 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 and Director Options under Section 5.1 or subject to outstanding Awards and the respective prices, limitations, and/or performance criteria applicable to outstanding Awards may be appropriately adjusted by the Committee, whose determination shall be conclusive. If, pursuant to the preceding sentence, an adjustment is made to the number of shares subject to outstanding Options held by Participants, a corresponding adjustment shall be made to the number of shares subject to outstanding Director Options and if an adjustment is made to the

number of shares of Stock authorized for issuance under the Plan, a corresponding adjustment shall be made to the number of shares subject to each Director Option thereafter granted pursuant to Section 6.7.

SECTION 6.

STOCK OPTIONS AND STOCK APPRECIATION RIGHTS

6.1. Grant of Options. Options may be granted to Participants at such time or times as shall be determined by the Committee, including, without limitation, in settlement of any Performance Shares issued under the Plan. Options granted under the Plan may be of two types: (i) Incentive Stock Options and (ii) Nonstatutory Stock Options. The Committee shall have complete discretion in determining the number of Options, if any, to be granted to a Participant. Without limiting the foregoing, the Committee may grant Options containing provisions for the issuance to the Participant, upon exercise of such Option and payment of the exercise price therefor with previously owned shares of Stock, of an additional Option for the number of shares so delivered, having such other terms and conditions not inconsistent with the Plan as the Committee shall determine. Each Option shall be evidenced by an Option agreement that shall specify the type of Option granted, the exercise price, the duration of the Option, the number of shares of Stock to which the Option pertains, and such other terms and conditions not inconsistent with the Plan as the Committee shall determine.

6.2. Option Price. Nonstatutory Stock Options and Incentive Stock Options granted pursuant to the Plan shall have an exercise price which is not less than the Fair Market Value 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 or the satisfaction of performance goals, as the Committee may impose, either at or after the time of grant of such Options; provided, however, that if the Committee does not specify another exercise schedule at the time of grant, each Option shall become exercisable in three approximately equal installments on each of the first three anniversaries of the date of grant, subject to the Committee's right to accelerate the exercisability of such Option in its discretion. Notwithstanding the foregoing, no Option shall be exercisable for more than 10 years after the date on which it is granted.

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 cash 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 or an Eligible Director to tender Stock already owned by the Participant or the Eligible Director, either by actual delivery of the shares of Stock or by attestation, 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 or the Eligible Director 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.

6.6. Stock Appreciation Rights. Stock Appreciation Rights may be granted in tandem with any Option granted under the Plan, either at or after the time of the grant of such Option, subject to such terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall determine. Each Stock Appreciation Right shall only be exercisable to the extent that the corresponding Option is exercisable, and shall terminate upon the termination or exercise of the corresponding Option. Upon the exercise of any Stock Appreciation Right, the corresponding Option shall terminate.

6.7. Director Options. Notwithstanding anything else contained herein to the contrary, on November 11, 1992 and on the first business day following the date of each annual meeting of shareholders held during the term of the Plan prior to the annual meeting of shareholders held in 1996, each Eligible Director shall receive a Director Option to purchase 4,000 shares of Stock at an exercise price per share equal to the Fair Market Value on the date of grant. No Director Options shall be granted in connection with the 1996 annual meeting of shareholders or thereafter. Each Director Option shall be exercisable six months after the date of grant and shall remain exercisable until the earlier to occur of (i) the tenth anniversary of the date of grant or (ii) the first anniversary of the date the Eligible Director ceases to be a member of the Board, except that if the Eligible Director ceases to be a member of the Board after having been convicted of, or pled guilty or nolo contendere to, a felony, his Director Options shall be cancelled on the date he ceases to be a director. An Eligible Director may exercise a Director Option in the manner described in Section 6.4.

SECTION 7.

PERFORMANCE SHARES

7.1. Grant of Performance Shares. The Committee may grant Performance Shares to Participants at such times and in such amounts, and subject to such other terms and conditions not inconsistent with the Plan as it shall determine. Each grant of Performance Shares shall be evidenced by a written agreement setting forth the terms of such Award.

7.2. Restrictions on Transferability. Except as provided in Section 11.1, Performance Shares may not be sold, transferred, pledged, assigned, or otherwise alienated until such time or until the satisfaction of such performance goals as the Committee shall impose, either at or after the time of grant. Notwithstanding the foregoing, the Committee may accelerate or waive such restrictions in whole or in part at any time prior to the Participant's termination of employment.

7.3. Rights With Respect to Performance Shares. Notwithstanding anything else contained in the Plan to the contrary, a Participant who is granted Performance Shares shall have no rights as a shareholder until shares of Stock are issued, if at all, in settlement of the Participant's rights with respect to such Performance Shares, and shall not be entitled to receive any amounts with respect to any dividends declared on the Stock during the Performance Period.

7.4. Deferral Election. The Committee may permit a Participant to elect to further defer receipt of an Award (or an installment of an Award) for a specified period or until a specified event (the "Elective Period"), subject in each case to the Committee's approval and to such terms as are determined by the Committee, all in its sole discretion. Subject to any exceptions adopted by the Committee, such election must generally be made at least 12 months prior to completion of the Performance Period for such Performance Share Award (or such installment).

SECTION 8.

TERMINATION OF EMPLOYMENT

8.1. 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, (i) 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 and (ii) a pro rata portion of any Performance Shares then outstanding which would have vested based on actual performance at the end of the Performance Period shall become non-forfeitable, based upon that portion of the Performance Period which expired prior to the Participant's Retirement, provided that, unless the Committee otherwise determines, payment for such pro rata portion of the Performance Shares shall not be made until the expiration of the Performance Period.

8.2. 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, (i) 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 11.2, 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; and (ii) a pro rata portion of any Performance Shares then outstanding which would have vested based on actual performance at the end of the Performance Period shall become non-forfeitable based upon that portion of the Performance Period which expired prior to the Participant's death or Disability, provided that, unless the Committee otherwise determines, payment for such pro rata portion of the Performance Shares shall not be made until the expiration of the Performance Period.

8.3. 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, and any Performance Shares then outstanding as to which the Performance Period has not lapsed shall be forfeited.

8.4. 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 8.1, 8.2 or 8.3, any Options granted to such Participant which are exercisable at the date of the Participant's termination of employment shall remain exercisable until the earlier to occur of (i) the expiration of the term of such Options or (ii) the thirtieth day following the Participant's termination of employment, whichever period is shorter, and any Performance Shares granted to the Participant which are then outstanding shall be forfeited without any payment therefor.

SECTION 9.

CHANGE IN CONTROL

9.1. Accelerate Vesting and Payment. Subject to the provisions of Section 9.2 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, and all Performance Shares shall become non-forfeitable and be immediately payable in cash, notwithstanding the form of payment previously elected by the Participant.

9.2. Alternative Awards. Notwithstanding Section 9.1, no cancellation, acceleration of exercisability or vesting 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);

(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.

9.3. 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.

9.4. 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 9.1 or 9.3, such cash out shall not occur until the later of (x) the date which is six months and one day after the date the Option was granted or (y) the first date on which, 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 10.

AMENDMENT, MODIFICATION, AND TERMINATION OF PLAN

The Board or the Committee at any time may 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 6.7 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. No amendment, modification, or termination of the Plan shall in any manner adversely affect any Award theretofore granted under the Plan, without the consent of the Participant.

SECTION 11.

MISCELLANEOUS PROVISIONS

11.1. Assignability of Nonstatutory Options, Performance Shares and Director Options. With the permission of the Committee, a Participant or a specified group of Participants who has or have been granted a Nonstatutory Option or Performance Share under

the Plan, may transfer it to a revocable inter vivos trust as to which the Participant is the settlor or may transfer it 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 or limited liability company whose only partners or members are members of the Participant's immediate family. Any such transferee shall remain subject to all of the terms and conditions applicable to such Nonstatutory Option or Performance Share and subject to the rules and regulations prescribed by the Committee. A Nonstatutory Option or Performance Share 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, a Nonstatutory Option or Performance Share 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 the Participant or the Participant's guardian or legal representative.

With the permission of the Committee, an Eligible Director who has been granted a Director Option under the Plan, may transfer such Director Option to a revocable inter vivos trust as to which the Eligible Director is the settlor or may transfer such Director Option to a "Permissible Transferee." A Permissible Transferee shall be defined as any member of the immediate family of the Eligible Director, any trust, whether revocable or irrevocable, solely for the benefit of members of the Eligible Director's immediate family, or any partnership or limited liability company whose only partners or members are members of the Eligible Director's immediate family. Any such transferee shall remain subject to all of the terms and conditions applicable to such Director Option and subject to the rules and regulations prescribed by the Committee. A Director Option 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, a Director Option granted under the Plan may not be transferred except by will or the laws of descent and distribution and, during the lifetime of the Eligible Director to whom granted, may be exercised only by the Eligible Director or the Eligible Director's guardian or legal representative.

11.2. 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 will revoke all prior designations by the same Participant or Eligible Director, shall be in a form prescribed by the Committee, and will 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 the Participant's 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 the Eligible Director's surviving spouse, if any, or otherwise by his estate.

11.3. 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 or affiliate. 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.

11.4. 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 or Director Option 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 or an Eligible Director 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 or the Eligible Director's estimated total Federal, state, and local tax obligation associated with the transaction.

11.5. 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 regulations, by contract, as a matter of law, or otherwise.

11.6. 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.

11.7. Requirements of Law. The granting of Awards and the issuance of shares of Stock shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

11.8. Term of Plan. The Plan shall be effective upon its adoption by the Committee, subject to approval by the Board and approval by the affirmative vote of a majority of the shares of stock present in person or represented by proxy at the annual meeting of shareholders. The Plan shall continue in effect, unless sooner terminated pursuant to Section 11, until the tenth anniversary of the date on which it is adopted by the Board.

11.9. Governing Law. The Plan, and all agreements hereunder, shall be construed in accordance with and governed by the laws of the State of Ohio.

11.10. No Impact On Benefits. Plan Awards are not compensation for purposes of calculating an Employee's rights under any employee benefit plan.

THE SCOTTS COMPANY
1996 STOCK OPTION PLAN
(REFLECTS AMENDMENTS THROUGH MAY 15, 2000)

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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) "Annual Meeting" means the annual meeting of the shareholders of the Company.

(c) "Annual Retainer" means the annual retainer fee, established by the Board, paid to an Eligible Director for services on the Board.

(d) "Award" means any Option or Stock Unit.

(e) "Board" means the Board of Directors of the Company.

(f) "Cause" means (i) the willful failure by a Participant to perform substantially the Participant's 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.

(g) "Change in Control" means the occurrence of any of the following events:

(i) the members of the Board at the beginning of any consecutive twenty-four calendar month period (the "Incumbent Directors") cease for any reason other than due to death to constitute at least a majority of the members of the Board, provided that any director whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the members of the Board then still in office who were members of the Board at the beginning of such twenty-four calendar month period, shall be treated as an Incumbent Director; or

(ii) any "person," including a "group" (as such terms are used in Sections 13(d) and 14(d)(2) of the Act, but excluding the Company, any of its Subsidiaries, or any employee benefit plan of the Company or of any of its Subsidiaries) is or becomes the "beneficial owner" (as defined in Rule 13(d)(3) under the Act), directly or indirectly, of securities of the Company representing more than 49% of the combined voting power of the Company's then outstanding securities; or

(iii) the shareholders of the Company shall approve a definitive agreement (1) for the merger or other business combination of the Company with or into another corporation, a majority of the directors of which were not directors of the Company immediately prior to the merger and in which the shareholders of the Company immediately prior to the effective date of such merger own less than 50% of the voting power in such corporation; or (2) for the sale or other disposition of all or substantially all of the assets of the Company; or

(iv) the purchase of Stock pursuant to any tender or exchange offer made by any "person," including a "group" (as such terms are used in Sections 13(d) and 14(d)(2) of the Act), other than the Company, any of its Subsidiaries, or an employee benefit plan of the Company or of any of its Subsidiaries, for more than 49% of the Stock of the Company.

(h) "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.

(i) "Code" means the Internal Revenue Code of 1986, as amended.

(j) "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.

(k) "Company" means The Scotts Company, an Ohio corporation, and any successor thereto.

(l) "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.

(m) "Disability" means the inability of the Participant to perform the Participant's 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.

(n) "Eligible Director" means, on any date, a person who is serving as a member of the Board and who is not an Employee.

(o) "Employee" means any officer or other key executive and management employee of the Company or of any of its Subsidiaries.

(p) "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.

(q) "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) an NSO which does not qualify for treatment as an "Incentive Stock Option."

(r) "Participant" means any Employee designated by the Committee to participate in the Plan.

(s) "Plan" means The Scotts Company 1996 Stock Option Plan, as in effect from time to time.

(t) "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.

(u) "Stock" means the Common Shares, without par value, of the Company.

(v) "Stock Unit" means a right to receive payment, in accordance with the provisions hereof, of the Fair Market Value of a share of Stock.

(w) "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 Sections 6.6 and 6.7, the only persons eligible to participate in the Plan shall be those Employees selected by the Committee as Participants.

SECTION 4.

POWERS OF THE COMMITTEE

4.1 Power to Grant. The Committee shall determine the Participants to whom Options shall be granted, the type or types of Options to be granted and the terms and conditions of any and all such Options. The Committee may establish different terms and conditions for different types of Options, for different Participants receiving the same type of Option and for the same Participant for each Option 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 5,500,000 shares of Stock. Subject to the provisions of Section 5.3, no Participant shall receive Options for more than 150,000 shares of Stock over any one-year period. For this purpose, to the extent that any Option is canceled (as described in Section 1.162-27(e)(2)(vi)(B) of the final regulations promulgated under Section 162(m) of the Code), such canceled Option shall continue to be counted against the maximum number of shares of Stock for which Options may be granted to a Participant 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 Canceled, Terminated, or Forfeited Awards. Except as provided in Section 5.1, any shares of Stock subject to an Award which for any reason is canceled, 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 shall be appropriately adjusted by the Committee, whose determination shall be conclusive. A corresponding adjustment shall be made to the number of shares subject to outstanding Director Options and Stock Units, and a corresponding adjustment shall also be made to the number of shares subject to each Director Option and each Stock Unit thereafter granted pursuant to Section 6.6 or Section 6.7.

SECTION 6.

OPTIONS AND STOCK UNITS

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 granted 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 ten 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 five 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 or an Eligible Director to tender Stock already owned by the Participant or the Eligible Director, either by actual delivery of the shares of Stock or by attestation, 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 or the Eligible Director a certificate or certificates representing the acquired shares of Stock.

6.5 Incentive Stock Options. Notwithstanding anything in the Plan to the contrary, no term of this Plan relating to Incentive Stock Options shall be interpreted, amended or altered, nor shall any discretion or authority granted under the Plan be so exercised, so as to disqualify the Plan under Section 422 of the Code, or, without the consent of any Participant affected thereby, to cause any Incentive Stock Option previously granted to fail to qualify for the Federal income tax treatment afforded under Section 421 of the Code. Further, the aggregate Fair Market Value (determined as of the time an Incentive Stock Option is

granted) of the Stock with respect to which Incentive Stock Options are exercisable for the first time by any Participant during any calendar year (under all option plans of the Company and all Subsidiaries of the Company) shall not exceed \$100,000.

6.6 Director Options. Notwithstanding anything else contained herein to the contrary, on the first business day following the date of each annual meeting of shareholders during the term of the Plan, each Eligible Director shall receive a Director Option to purchase 5,000 shares of Stock at an exercise price per share equal to the Fair Market Value of the Stock on the date of grant. An Eligible Director who is a member of one or more Board committees, shall receive an additional grant covering 500 shares of Stock for each committee of which the Eligible Director is a member. An Eligible Director who chairs one or more Board committees shall receive (over and above that additional grant covering 500 shares for each committee membership) an additional grant covering 1,000 shares of Stock for each committee the Eligible Director chairs. Each Director Option shall be exercisable six months after the date of grant and shall remain exercisable until the earlier to occur of (a) the tenth anniversary of the date of grant or (b) the first anniversary of the date the Eligible Director ceases to be a member of the Board, except that (i) 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, the Eligible Director's Director Options shall be canceled on the date the Eligible Director ceases to be a director, or (ii) if the Eligible Director ceases to be a member of the Board due to a Director Retirement, any Director Options granted to such Eligible Director which are then outstanding (whether or not exercisable prior to the date of such Director Retirement), may be exercised at any time prior to the expiration of the term of the Director Options or within five years following the Director Retirement, whichever period is shorter. For the purposes of this Section 6.6, "Director Retirement" means the retirement of an Eligible Director from service on the Board after having served at least ten years as a member of the Board and after having attained the age of 55, unless the Board specifies a shorter period of required service. An Eligible Director may exercise a Director Option in the manner described in Section 6.4.

6.7 Stock Units. Effective beginning in the calendar year 2000, each Eligible Director shall be provided with the opportunity to elect to receive all or a portion, in 25% increments, of the Eligible Director's Annual Retainer: (a) in cash or (b) in Stock Units. An Eligible Director's first such election shall be made on a form provided by the Committee at least two weeks in advance of the 2000 Annual Meeting. Such election shall be effective until the next Annual Meeting. Elections for annual periods thereafter shall be made on an annual basis, at least two weeks in advance of the applicable Annual Meeting. In the event no election is received from an Eligible Director for an applicable period, the Eligible Director shall be deemed to have elected payment of the Eligible Director's Annual Retainer in cash. Any portion of an Eligible Director's Annual Retainer which is elected to be paid in cash shall be paid in accordance with the Company's regular practice for such payments. To the extent that the Eligible Director elects to receive Stock Units in lieu of all or a portion of the Eligible Director's Annual Retainer, the Eligible Director shall receive a number of Stock Units (including fractional Stock Units) determined by dividing the dollar amount of Annual Retainer elected by the Fair Market Value of a share of Stock on the next

business day following the date of the Annual Meeting; provided that for the calendar year 2000, the Fair Market Value as of March 31, 2000 shall be the value used. All payments in respect of Stock Units shall be settled as soon as practicable after the earlier of (a) the occurrence of a Change in Control or (b) the Eligible Director's cessation of service on the Board; provided, however, that if the Eligible Director has elected on a form provided by the Committee at least one year prior to the commencement of payment of the value of the Eligible Director's Stock Units, payment thereof shall be made over a period of up to ten years, as elected by the Eligible Director. All such payments to the Eligible Director shall be made in cash or in Stock, as elected by the Eligible Director on the deferral form provided by the Committee. If distributions are made in cash pursuant to such Eligible Director's election, distribution shall be made at Fair Market Value determined as of the date immediately preceding the date of distribution. Upon the death of an Eligible Director, the value of any unpaid Stock Units shall be paid in a lump sum in cash in accordance with the provisions of Section 10.2.

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 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 the Participant's 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 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 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 the Participant's 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 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 (a) the expiration of the term of such Options or (b) 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 Participant shall be permitted, in the Participant's discretion, to surrender any Option (excluding any Director Option) or portion thereof in exchange for a payment in cash of an amount equal to the excess of the Change in Control Price over the exercise price of the Option. Such right to surrender an Option in exchange for a payment in cash shall remain in effect only during the fifteen-day period commencing with the day following the date of a Change in Control. Thereafter, the Option shall only be exercisable in accordance with the terms and conditions of the Stock Option Agreement and the provisions of the Plan.

8.2 Alternative Awards. Notwithstanding Section 8.1, no cancellation or cash settlement or other payment shall occur with respect to any Option or any class of Options if

the Committee reasonably determines in good faith prior to the occurrence of a Change in Control that such Option or Options 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:

(a) 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;

(b) 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 Option, including, but not limited to, an identical or better exercise or vesting schedule and identical or better timing and methods of payment;

(c) have substantially equivalent economic value to such Option (determined at the time of the Change in Control); and

(d) 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 and Stock Units. Upon a Change in Control, each Director Option granted to an Eligible Director and all Stock Units credited to an Eligible Director shall be canceled in exchange for a payment in cash. The amount of cash exchanged for each Director Option shall be the excess of the Change in Control Price over the exercise price for such Director Option unless (a) the Stock remains traded on an established securities market following the Change in Control and (b) such Eligible Director remains on the Board following the Change in Control. The amount of cash exchanged for each Stock Unit shall be the Change in Control Price.

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 (a) is held by a person subject to the reporting requirements of Section 16(a) of the Act and (b) 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. 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 loss of a Committee member's status as a "non-employee director" 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 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 theretofore made under the Plan, without the consent of the Participant.

SECTION 10.

MISCELLANEOUS PROVISIONS

10.1 Assignability. With the permission of the Committee, a Participant or a specified group of Participants who has or have been granted an 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 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 or limited liability company whose only partners or members are members of the Participant's immediate family. Any such transferee of an 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. An 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 Option 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 the Participant, the Participant's guardian or legal representative.

With the permission of the Committee, an Eligible Director who has been granted a Director Option or has received a Stock Unit under the Plan, may transfer such Director Option or Stock Unit to a revocable inter vivos trust as to which the Eligible Director is the settlor or may transfer such Director Option or Stock Unit to a "Permissible Transferee." A Permissible Transferee shall be defined as any member of the immediate family of the Eligible Director, any trust, whether revocable or irrevocable, solely for the benefit of

members of the Eligible Director's immediate family, or any partnership or limited liability company whose only partners or members are members of the Eligible Director's immediate family. Any such transferee shall remain subject to all of the terms and conditions applicable to such Director Option or Stock Unit and subject to the rules and regulations prescribed by the Committee. A Director Option or Stock Unit 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, a Director Option granted or Stock Unit received under the Plan may not be transferred except by will or the laws of descent and distribution and, during the lifetime of the Eligible Director to whom granted or by whom received, may be exercised only by the Eligible Director or the Eligible Director's guardian or legal representative.

10.2 Beneficiary Designation. Each Participant and each Eligible Director may from time to time name a 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 the Participant's or Eligible Director's 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 or Eligible Director's death shall be paid to the Participant or Eligible Director's surviving spouse, if any, or otherwise to the Participant's or Eligible Director's estate and Options outstanding at the Eligible Director's death shall be exercised by the Participant or Eligible Director's surviving spouse, if any, or otherwise by the Participant's or Eligible Director's 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 or an Eligible Director to elect, subject to such conditions as the Committee shall impose, (a) to have shares of Stock otherwise issuable under the Plan withheld by the Company or (b) 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 or the Eligible Director'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 such person in connection with or resulting from any claim, action, suit, or proceeding to which such person may be made a party or in which such person 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 such person in settlement thereof, with the Company's approval, or paid by such person in satisfaction of any judgment in any such action, suit, or proceeding against such person provided such person shall give the Company an opportunity, at its own expense, to handle and defend the same before such person undertakes to handle and defend it on such person's 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 Options to employees who are subject to the tax laws of nations other than the United States, which Options may have terms and conditions that differ from other Options granted under the Plan for the purposes of complying with foreign tax laws.

10.8 Requirements of Law. The making 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. 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.

STOCK OPTION AGREEMENT
(Non-Qualified Stock Option)

THIS AGREEMENT is made to be effective as of _____ (the "Grant Date") by and between The Scotts Company, an Ohio corporation (the "Company"), and _____ (the "Optionee"), pursuant to the Company's 1996 Stock Option Plan (the "Plan").

1. Grant of Option. The Company hereby grants to the Optionee an option (the "Option") to purchase _____ Common Shares of the Company, subject to adjustment as provided in Section 5.3 of the Plan. The Option is granted under the Plan and is not intended to qualify as an incentive stock option under Section 422 of the Internal Revenue Code of 1986, as amended.

2. Terms and Conditions of the Option. 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, subject to adjustment as provided in Section 5.3 of the Plan. The Option may be exercised on or after _____ with respect to 100% of the Common Shares subject to the Option. The Option shall in no event be exercisable after the expiration of ten years from the Grant Date (the "Expiration Date"). 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 Expiration Date. The Option is subject to all the terms of the Plan.

3. 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 or permitted assignment by 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 by the tender, by actual delivery or by attestation, of free and clear Common Shares already owned by the Optionee, in accordance with Section 6.4 of the Plan. The Optionee may elect pursuant to Section 10.4 of the Plan (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, sufficient to pay all or part of the Optionee's estimated total federal, state and local tax obligations associated with the exercise of the Option.

4. Change in Control Provisions. In the event of a Change in Control (as defined in the Plan), the Option may be surrendered in exchange for the payment to the Optionee of cash in an amount equal to the excess of the Change in Control Price (as defined in the Plan) over the Option Price. Such surrender must occur within the period described in Section 8.1 of the Plan. Notwithstanding the foregoing, if the Compensation and Organization Committee of the Board of Directors determines prior to the occurrence of the Change in Control that the Optionee will receive a new award (or have the Option honored or assumed) in a manner which satisfies the provisions of Section 8.2 of the Plan, no cash payment will be made in respect of the Option 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 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; provided that 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 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.

6. Exercise After Termination of Employment. In the event of the termination of the Optionee's employment by reason of Retirement (as defined in the Plan), Disability (as 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. In the event of the Optionee's termination of employment for Cause (as defined in the Plan), the Option shall be forfeited. 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. The exercisability of the Option is also subject to the limitations of Section 7.5 of the Plan.

7. Restrictions on Transfer of Common Shares. Anything contained in this Agreement or elsewhere to the contrary notwithstanding, the Option shall not be exercisable for the purchase of any Common Shares subject thereto except:

(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 or foreign jurisdiction applicable to such exercise and purchase have been satisfied. 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 the proposed 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. Any share certificate issued to evidence Common Shares as to which the Option has been exercised may bear such legends and statements as the Company shall deem advisable to ensure compliance with applicable federal, state and foreign laws and regulations. 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 issuance and delivery of a certificate to the Optionee evidencing such Common Shares.

9. General. 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. This Agreement shall be governed by and construed in accordance with the laws of the State of Ohio. 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 the provisions of this Agreement shall be binding upon any party hereto unless contained in a writing signed by the affected party. 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, effective as of the date first written above.

COMPANY:

The Scotts Company, an Ohio corporation

By:

G. Robert Lucas
Executive Vice President, General Counsel

OPTIONEE:

Signature of Optionee

SSN:

THE SCOTTS COMPANY
SCOTTS MILLENNIUM GROWTH PLAN
EFFECTIVE OCTOBER 1, 1999

THE SCOTTS COMPANY
SCOTTS MILLENNIUM GROWTH PLAN
EFFECTIVE OCTOBER 1, 1999

SECTION 1

PURPOSE

The Scotts Company adopts the Scotts Millennium Growth Plan to enhance shareholder values by providing designated senior executives with additional incentive compensation based on their contribution toward increasing the Company's profitability and the value of its Stock.

SECTION 2

DEFINITIONS

2.1 Definitions. Whenever used in this document, the following terms have the meanings given below, although other terms may be defined throughout this document.

(a) "Award Date" means the October 1 on (or as of) which the Committee issues the Units as described in Section 4 and establishes the Performance Measure applicable to those Units.

(b) "Board" means the Company's Board of Directors.

(c) "Change in Control" means the occurrence of any of the following events:

(i) The members of the Board at the beginning of any consecutive 24-calendar-month period (the "Incumbent Directors") cease, for any reason during that 24 month period 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 24-calendar month period, will be treated as an Incumbent Director; or

(ii) Any "person," including a "group" [as these terms are used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended ("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 Company securities representing more than 49 percent of the combined voting power of the Company's then outstanding securities; or

(iii) Company shareholders 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 before the merger and in which the shareholders of the Company immediately before the effective date of that merger own less than 50 percent of the voting power in that corporation or (2) for the sale or other disposition of all or substantially all of the Company's assets; or

(iv) The purchase of Stock pursuant to any tender or exchange offer made by any "person," including a "group" [as these terms are used in Sections 13(d) and 14(d)(2) of the Act], other than the Company, any of its Subsidiaries, or an employee benefit plan of the Company or of any of its Subsidiaries, for more than 49 percent of the Stock of the Company.

(d) "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.

(e) "Code" means the Internal Revenue Code of 1986, as amended.

(f) "Committee" means the Compensation and Organization Committee of the Board.

(g) "Company" means The Scotts Company, an Ohio corporation, and any successor to it.

(h) "Disability" means a Participant's inability to perform his or her duties, for a period of at least six months, due to a physical or medical infirmity.

(i) "Fair Market Value" means, on any date, the Stock's price as reported on the New York Stock Exchange (or on another recognized market or quotation system on which the trading prices of the Stock are traded or quoted) at the close of regular trading hours on any relevant date. If there are no Stock transactions reported on the New York Stock Exchange (or other market or system) on any relevant date, Fair Market Value will mean the Stock's price at the close of regular trading hours on the immediately preceding business day on which Stock was traded.

(j) "Participant" means any employee designated by the Committee to receive an allocation of Units under the SMGP as described in Section 3.

(k) "Performance Cycle" means the 36-month period beginning on each Award Date during which the Committee will apply the Performance Measure to establish the value of each Unit awarded on that Award Date.

(l) "Performance Measure" means the criteria established by the Committee as of each Award Date and applied at the end of each Performance Cycle to value the Units awarded under the SMGP. The Committee will make appropriate adjustments to reflect the effect on any Performance Measure 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 similar corporate change. This adjustment to the Performance Measure will be made (i) to the extent the Performance Measure is based on Stock, (ii) as of the effective date of the event and (iii) for the Performance Cycle in which the event occurs. Also, the Committee will make a similar adjustment to any portion of a Performance Measure that is not based on Stock but which is affected by a change having an effect similar to the events described in the second sentence of this definition.

(m) "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 or stock option plan maintained by the Company or a Subsidiary in which the Participant participates.

(n) "SMGP" means the Scotts Company Millennium Growth Plan as described in this document and any amendments to it.

(o) "Stock" means the common shares, without par value, of the Company.

(p) "Subsidiary" means any corporation, partnership or limited liability company in which the Company owns, directly or indirectly, 50 percent or more of the total combined voting power of all classes of stock of that corporation or of the capital or profits interest of a partnership or limited liability company.

(q) "Units" means the units that are allocated to Participants under Section 4 as of each Award Date and which are subjected to the Performance Measure during the Performance Cycle for which they are allocated.

2.2 Gender and Number. Except when otherwise indicated by the context, words in the masculine gender used in the SMGP include the feminine gender, the singular includes the plural, and the plural includes the singular.

SECTION 3

PARTICIPATION

As of each Award Date, the Committee will designate those employees who are to be Participants for the ensuing Performance Cycle and will notify each of them of (a) the conditions that must be met if they are to receive a distribution at the end of the Performance Cycle and (b) the basis on which the amount of that distribution will be calculated. Participation during a

Performance Cycle is no guarantee that the same employee will be a Participant for any other Performance Cycle. Participants will receive a distribution under the SMGP only if the conditions described in Section 4 are met; participation during a Performance Cycle is no guarantee that a benefit actually will be earned.

SECTION 4

POWERS OF THE COMMITTEE

4.1 Issuing Units. For each Performance Cycle, the Committee will (a) decide which employees will receive an allocation of Units for that Performance Cycle and the number of Units that are to be allocated to each Participant's account and (b) develop the Performance Measure that will be applied to value Units granted during that Performance Cycle. The Committee may establish different terms and conditions for each Performance Cycle. These steps will be taken and announced to Participants no later than 90 days after the beginning of each Performance Cycle as described in Section 3.

4.2 Value of Units. At the end of each Performance Cycle, the Committee will calculate the value of each Unit issued at the beginning of the Performance Cycle and implement the distribution provisions described in Section 5.

4.3 Administration. The Committee is responsible for administering the SMGP. The Committee, by majority action thereof, may (a) prescribe, amend and rescind rules and regulations relating to the SMGP, (b) provide for conditions deemed necessary or advisable to protect the interests of the Company and (c) make all other determinations (including, without limitation, whether a Participant is entitled to a distribution) necessary or advisable for the administration and interpretation of the SMGP. Determinations, interpretations or other actions made or taken by the Committee under the provisions of this document will be final, binding and conclusive for all purposes and upon all persons.

SECTION 5

DISTRIBUTIONS; EFFECT OF TERMINATION OF EMPLOYMENT

5.1 Distributions to Actively Employed Participants. Subject to Sections 6 and 7, at the end of each Performance Cycle, the Committee will apply the Performance Measure established for that Performance Cycle to value each Unit issued at the beginning of the Performance Cycle and, subject to Section 9.4, direct the Company to distribute to each Participant an amount equal to that value multiplied by the number of Units awarded to that Participant at the beginning of the Performance Cycle.

5.2 Effect of Termination of Employment During Performance Cycle. Subject to Section 7 and except as provided in Section 5.3, a Participant who terminates employment before the end of a Performance Cycle will forfeit all right to receive any amount under the SMGP.

However, a terminated Participant will receive any benefits earned during any Performance Cycle that ended before his or her termination (e.g., if the Committee has not then valued or distributed amounts earned during a Performance Cycle that ended before the Participant terminated).

5.3 Effect of Retirement, Death or Disability During Performance Cycle.

Subject to Section 7, a Participant who Retires, dies or terminates employment because of Disability during a Performance Cycle will receive a prorated distribution at the end of the Performance Cycle during which he or she Retired, died or became Disabled. The amount of this distribution will be calculated at the end of the Performance Cycle by applying the following procedure:

(a) As of the end of the Performance Cycle during which the affected Participant Retired, died or became Disabled, the Committee will apply the Performance Measure to value the Units awarded to these Participants at the beginning of the Performance Cycle. This calculation will be made in the manner described in Section 5.1 and will be made as if the Retired, deceased or Disabled Participant had remained actively employed throughout the Performance Cycle.

(b) The Committee then will multiply the amount produced under subparagraph (a) by a fraction, the numerator of which is the number of whole calendar months during which the Retired, deceased or Disabled Participant was actively employed during the Performance Cycle and the denominator of which is the number of whole calendar months in the Performance Cycle.

(c) Then, subject to Section 9.4, the Committee will direct the Company to distribute the amount calculated as described in Section 6 to, as appropriate, the Retired or Disabled Participant or to the beneficiary of the deceased Participant.

SECTION 6

FORM AND TIME OF DISTRIBUTION

6.1 Time and Form of Distribution. As soon as administratively practicable after applying the procedures described in Section 5, the Committee will distribute the value of allocated Units in cash. However, in its sole discretion, the Committee may distribute all or any part of this distribution in whole shares of Stock (and cash equal to the value of any fractional share). In this case, the number of shares of Stock to be distributed will be produced by dividing the value of the Units to be distributed by the Stock's Fair Market Value (determined on the date of distribution).

6.2 Deferral of Distribution. By following procedures prescribed by the Committee, a Participant may direct the Committee to transfer the amount otherwise distributable under Section 6.1 to any nonqualified deferred compensation program sponsored by the Company and which, at the end of the Performance Cycle for which the deferral election is made, (a) maintains an account for the electing Participant and (b) provides for the transfer of amounts from the SMGP.

SECTION 7

CHANGE IN CONTROL

7.1 Accelerated Vesting and Payment. Subject to the provisions of Section 7.2 below, if a Change in Control occurs during any Performance Cycle, each Participant will be permitted, in his or her discretion, to elect to have the value of any Unit established as of the date of the Change in Control and to have that amount distributed as if the date of the Change in Control was the end of a Performance Cycle. If, for any reason, the Committee must estimate the value of any Unit under this Section (e.g., if it must estimate earnings per share from the end of the preceding fiscal year), it will do so after adopting rules and procedures that will provide a reasonable estimate of each Unit's value. However, (a) the Committee will not be required to recalculate the value of any Unit distributed under this Section after the end of the Performance Cycle during which the Change in Control occurred (b) the electing Participant will have no claim against the SMGP or the Company if the value calculated with respect to any Unit distributed under this Section is lower than it would have been if the calculation had been made at the end of the Performance Cycle during which the Change in Control occurred and (c) neither the Company nor the SMGP will have any claim against any Participant if the value calculated with respect to any Unit distributed under this Section is higher than it would have been if the calculation had been made at the end of the Performance Cycle in which the Change in Control occurred.

7.2 Alternative Awards. Notwithstanding Section 7.1, no Participant may make the election described in Section 7.1 if the Committee reasonably determines in good faith prior to the occurrence of a Change in Control that the Company's obligations under the SMGP to distribute the value of Units awarded will be honored or assumed or new rights substituted for them (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 Alternative Award must:

- (a) Provide each 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 the SMGP, including, but not limited to, identical or better timing and methods of payment;
- (b) Have substantially equivalent economic value to the Units awarded under the SMGP (determined at the time of the Change in Control); and
- (c) Have terms and conditions providing that if 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 Alternative Award will be waived or will lapse, as the case may be.

For this purpose, a constructive termination will mean a termination by a Participant within six months following (i) a material reduction in the Participant's compensation (other than exclusion from the SMGP for any Performance Cycle), (ii) a material reduction in the Participant's responsibilities or (iii) the relocation of the Participant's principal place of employment to another location at least 50 miles from the Participant's prior principal place of employment, in each case without the Participant's written consent.

SECTION 8

AMENDMENT, MODIFICATION AND TERMINATION OF PLAN

The Board or the Committee may at any time terminate or suspend the SMGP and, from time to time, may amend or modify the SMGP. No amendment, modification or termination of the SMGP will in any manner adversely affect any Units granted under the SMGP without the consent of the Participant.

SECTION 9

MISCELLANEOUS PROVISIONS

9.1 Assignability. Except as provided in Sections 9.2 and 9.4, no Participant may transfer, alienate, pledge, hypothecate, transfer or otherwise assign his or her rights to receive a distribution under the SMGP to any other person and any attempt to do so will be void.

9.2 Beneficiary Designation. Each Participant may from time to time name any beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under the SMGP will be paid as provided in Sections 5.3 and 6. Each designation must be made in a form acceptable to the Committee and will be effective only after it is delivered to the Committee. In the absence of any beneficiary designation, SMGP benefits remaining unpaid at the Participant's death will be paid to the deceased Participant's surviving spouse, if any, or otherwise to his or her estate.

9.3 No Guarantee of Employment or Participation. Nothing in the SMGP will 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 has any right to be selected as a Participant for any Performance Cycle or, having been so selected, to receive any distribution under the SMGP unless the conditions described in Sections 4 and 5 have been met.

9.4 Tax Withholding. Before distributing any benefit under the SMGP, the Company may withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy federal, state and local withholding and employment taxes imposed on the value of any distribution under the SMGP; and the Company may delay payment of cash or issuance of Stock until this requirement is met without assuming any obligation to pay the distributee any additional amount representing the time value of the delay. Also, if the delayed distribution is to

be made in shares of Stock, the number of shares to be distributed will be determined with reference to the Fair Market Value as of the original or delayed distribution date, whichever produces the smallest number of shares.

9.5 Indemnification. Each person who is or has been a member of the Committee or of the Board will 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 or her in connection with or resulting from any claim, action, suit or proceeding to which he or she may be made a party or in which he or she may be involved by reason of any action taken or failure to act under the SMGP and against and from any and all amounts paid by him or her in settlement thereof, with the Company's approval, or paid by him or her in satisfaction of any judgment in any such action, suit or proceeding against him or her, provided he or she gives the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification is not exclusive and is 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.

9.6 No Limitation on Compensation. Nothing in the SMGP may be construed to limit the right of the Company to establish other plans or to pay compensation to its employees, in cash or property, in a manner not expressly authorized under this document.

9.7 Requirements of Law. The granting of Units and the issuance of shares of Stock under the SMGP are subject to all applicable laws, rules and regulations and to any required approvals of any governmental agencies or national securities exchanges. Notwithstanding the foregoing, no Stock will be issued under the SMGP unless the Company is satisfied that its issuance will comply with applicable federal and state securities laws. Certificates for Stock delivered under the SMGP may be subject to the stock transfer orders and other restrictions that the Committee deems 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 Stock certificates issued under the SMGP to make appropriate reference to these restrictions.

9.8 Governing Law. The SMGP, and all agreements under it, will be construed in accordance with and governed by the laws of the State of Ohio.

9.9 No Impact on Benefits. Distributions under the SMGP are not compensation for purposes of calculating a Participant's rights under any employee benefit plan.

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEET AND CONSOLIDATED STATEMENT OF OPERATIONS OF THE SCOTTS COMPANY AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE FORM 10-Q FOR THE QUARTER ENDED APRIL 1, 2000.

OTHER		
	SEP-30-2000	
	JAN-01-2000	
	APR-01-2000	
		29,700,000
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753,500,000		
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	0	
		0
		300,000
		442,200,000
2,272,300,000		
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	730,700,000	
		407,600,000
		191,700,000
		(2,500,000)
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63,600,000		
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		63,600,000
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		2.16