

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

FORM 10-K

(Mark One)

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

For the fiscal year ended September 30, 1997

OR

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

For the transition period from _____ to _____

Commission file number 1-11593

THE SCOTTS COMPANY

(Exact name of registrant as specified in its charter)

OHIO

31-1199481

(State or other jurisdiction of incorporation or
organization)

(I.R.S. Employer Identification
No.)

14111 SCOTTSLAWN ROAD, MARYSVILLE, OHIO

43041

(Address of principal executive offices)

(Zip Code)

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

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

TITLE OF EACH CLASS

NAME OF EACH EXCHANGE ON WHICH REGISTERED

9 7/8% Senior Subordinated Notes due August
1, 2004

New York Stock Exchange

Common Shares, Without Par Value (18,676,480
Common Shares outstanding at December 1,
1997)

New York Stock Exchange

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

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

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

The aggregate market value of the voting stock held by non-affiliates of the
registrant at December 1, 1997 was \$540,612,452.

DOCUMENTS INCORPORATED BY REFERENCE

PORTIONS OF THE PROXY STATEMENT FOR REGISTRANT'S 1998 ANNUAL MEETING OF
SHAREHOLDERS TO BE HELD FEBRUARY 18, 1998, ARE INCORPORATED BY REFERENCE INTO
PART III HEREOF.

PART I

Dollars are in millions in this Form 10-K except per share data and except where indicated otherwise.

ITEM 1. BUSINESS

The Scotts Company ("Scotts"), through its wholly-owned subsidiaries, Hyponex Corporation ("Hyponex"), Scotts-Sierra Horticultural Products Company ("Sierra"), Republic Tool and Manufacturing Corp. ("Republic"), Scotts' Miracle-Gro Products, Inc. ("Scotts' Miracle-Gro"), Miracle Holdings Limited ("Miracle Holdings") and their respective subsidiaries (collectively, the "Company"), is one of the oldest and most widely recognized manufacturers of products used to grow and maintain landscapes: lawns, gardens and golf courses. The Company's Scotts(R) and Turf Builder(R) (for consumer lawn care), Miracle-Gro(R) and Miracid(R) (for consumer garden care) and Osmocote(R) (for professional horticulture) brands command market-leading shares more than double those of the next ranked competitors, in the referenced consumer or professional subgroup. The Company's long history of technical innovation, its reputation for quality and service and its marketing tailored to the needs of do-it-yourselfers and professionals have enabled the Company to maintain leadership in its markets while delivering consistent growth in the Company's net sales. Do-it-yourselfers and professionals purchase through different distribution channels and have different information and product needs. Accordingly, the Company has historically had two business groups, Consumer and Professional, to serve its domestic markets, as well as an International Group to serve its markets outside of North America. In fiscal 1997, the Company reorganized into six business groups comprised of Consumer Lawns, Consumer Gardens and Consumer Organics (together, the "Consumer Business Group"), the Professional Business Group, the International Business Group, and an Operations Group.

CONSUMER BUSINESS GROUP

PRODUCTS

The Company's consumer products include: lawn fertilizers, lawn fertilizer combination products and lawn control products, garden tools, walk-behind and riding mowers, grass seed, lawn spreaders and lawn and garden carts; garden and indoor plant care products; potting soils and other organics products.

CONSUMER LAWNS PRODUCTS. Among the Company's most important consumer products are lawn fertilizers, such as Scotts Turf Builder(R), and lawn fertilizer combination products, such as Scotts Turf Builder(R) with Plus 2(TM) Weed Control and Scotts Turf Builder(R) with Halts(R) Crabgrass Preventer. Typically, these are patented, homogeneous, controlled-release products which provide complete controlled feeding for consumers' lawns for up to two months without the risk of damage to the lawn presented by less expensive controlled- and non-controlled-release products. Some of the Company's products are specially formulated for geographical differences and some, such as Bonus(R) S (to control weeds in Southern grasses), are distributed to limited areas. Lawn control products prevent or control lawn problems, and include products such as Scotts(R) Halts(R) Crabgrass Preventer, Scotts(R) Lawn Fungus Control, Scotts(R) Moss Control Granules, Scotts(R) Diazinon Lawn Insect Control and GrubEx(R) Season Long Grub Control. The Company's lawn fertilizers, combination products and control products are sold in dry, granular form.

Management estimates that in fiscal 1997, the Company's share of the U.S. do-it-yourself consumer lawn chemicals products market was approximately 53%, more than double that of the second leading brand.

The Company sells numerous varieties and blends of high quality grass seed, many of them proprietary, designed for different uses and geographies. Management estimates that the Company's share of the U.S. consumer grass seed market (includes PatchMaster(R) products) was approximately 35% in fiscal 1997.

Because the Company's granular lawn care products perform best when applied evenly and accurately, the Company sells a line of spreaders specifically manufactured and developed for use with its products. For fiscal 1997, this line included the SpeedyGreen(R) and EasyGreen(R) rotary spreaders, the PrecisionGreen(R), EvenGreen(R) and AccuGreen(R) drop spreaders, and the HandyGreen(R) II hand-held rotary spreader, all marketed under the Scotts(R) brand name. For fiscal 1998, the line will consist of three sizes of SpeedyGreen(R) rotary spreaders, three sizes of AccuGreen(R) drop spreaders and the HandyGreen(R) II, all marketed under the Scotts(R) brand name.

Management estimates that the Company's share of the U.S. market for lawn spreaders and lawn and garden carts was approximately 46% in fiscal 1997.

The Company has a licensing agreement in place with Union Tools, Inc. ("Union") under which Union, in return for the payment of royalties, is granted the right to produce and market a line of garden tools bearing the Scotts(R) trademark. The Company also is a party to a licensing agreement with American Lawn Mower Company ("American") under which American, in return for the payment of royalties, is granted the right to produce and market a line of push-type walk-behind lawn mowers bearing the Scotts(R) trademark. Also, the Company is a party to a licensing

agreement with The Home Depot and Murray, Inc. under which, in return for the payment of royalties, that retailer markets a line of motorized walk-behind and riding lawnmowers bearing the Scotts(R) trademark, with the mowers currently manufactured by Murray, Inc. These mowers are sold exclusively through The Home Depot retail stores. In management's estimation, the Company did not have a material share of the markets for these products in fiscal 1997.

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

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

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

Management estimates that in fiscal 1997, the Company's share of the garden fertilizer segment was 51%, and its share of the indoor plant foods market was approximately 33%.

CONSUMER ORGANICS PRODUCTS. The Company sells a complete line of organics products for indoor and outdoor uses under the Hyponex(R), Scotts(R), Peters Professional(R) and other labels. These products include retail potting soils, topsoil, humus, peat, manures, soil conditioners, barks and mulches. These products are primarily regionally formulated to respond to varying consumer expectations and to utilize the suitable but varying raw materials available in different areas of the country.

Management estimates that during fiscal 1997, it had approximately a 24% market share of the consumer large-bag outdoor landscaping product market, and approximately a 39% market share of the consumer potting soil market.

CONSUMER BUSINESS GROUP STRATEGY

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

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

Drawing upon its strong research and development capabilities, the Company intends to continue to develop and introduce new and innovative lawn and garden products. The Company believes that its ability to introduce successful new consumer products has been a key element in the Company's growth. New consumer products in recent years include: AccuGreen(R) and SpeedyGreen(R) spreaders (fiscal 1994), which are shipped and sold fully assembled; Scotts(R) planting soils (fiscal 1994), a line of ready-to-use, value-added soils which help simplify the do-it-yourself gardener's task and deliver superior growing performance; YardAll(R) (fiscal 1995), an extra-large lawn and garden cart; Miracle-Gro(R) Quick Start (fiscal 1996), a liquid starter solution for newly planted or young plants; GrubEx(R) (fiscal 1996), providing season-long lawn protection against grubs; the redesigned HandyGreen(R) II (fiscal 1996), a hand-held rotary spreader with an arm support; two new grass seed products, Mirage(TM) and Spring-Up(R) (fiscal 1996), grass seed blends for rapid seeding in the Spring; and Scotts(R) potting soils and a complete line of indoor soil amendments (fiscal 1997) such as vermiculite, perlite and charcoal in resealable stand-up bags. In fiscal 1998, the Company plans to introduce: the No-Clog-4 in 1(TM), which allows for sprinkler feeding of fertilizer for gardens and lawns; the Scotts(R) Master Collection(TM), a line of timed-release garden fertilizers; a new line of Miracle-Gro(R) potting mix and soil amendment products; and an expanded assortment of professional nursery quality potting mixes for consumers under the Scotts Pro Gro(R) and Miracle-Gro(R) brands.

The Company also seeks to capitalize upon the competitive advantages stemming from its position as the leading nationwide supplier of a full line of consumer lawn and garden products. The Company believes that this gives it an advantage in selling to retailers, who value the efficiency of dealing with a limited number of suppliers.

The Company continues to utilize Hyponex's composting expertise by maintaining agreements with municipalities and waste haulers to compost yard waste. The Company has 12 compost facilities. In addition to receiving service fees, the Company substitutes the resulting compost for a portion of the raw materials in Hyponex and other Company products.

MARKETING AND PROMOTION

Consumer Lawns products are sold by a 79-person direct sales force to headquarters of national, regional and local chains. This sales force, most of whom have college degrees and prior sales experience, also recruits and supervises approximately 250 seasonal part-time merchandisers and in-store weekend counselors, in connection with the Company's increased emphasis on in-store retail merchandising of lawn and garden products, a strategy the Company intends to continue for fiscal 1998. The Consumer Lawns Group also employs distributors on a selective basis. Most retail sales of the Company's lawn products occur on weekends during the Spring and Fall. In recent years, the percentage of this Group's sales to home improvement centers has increased.

Consumer Garden products are sold by a 14-person sales force to a network of hardware and lawn and garden wholesale distributors, with certain sales made directly to some retailers. The Consumer Organics Group utilizes a 13-person direct sales force to cover the headquarters of national and regional chains, local accounts of significant size and distributors who sell to smaller accounts. The Consumer Organics Group's sales force hires and directs a network of outside merchandising service companies to provide seasonal in-store retail merchandising and re-order support on a national basis. The percentage of Consumer Business Group sales to mass merchandisers, warehouse-type clubs and large buying groups continues to increase as a percentage of sales. The top ten accounts (which include two buying groups of independent retailers) represented 70% of the Consumer Business Group sales in fiscal 1996 and 73% in fiscal 1997.

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

The Company supports its sales efforts with extensive advertising and promotional programs. Because of the importance of the Spring sales season in the marketing of consumer lawn, garden and organics products, the Company focuses advertising and promotional efforts on this period. Through advertising and other promotional efforts, the Company encourages consumers to make the bulk of their lawn, garden and organics purchases in the early months of Spring in order to moderate the risk to its consumer sales which may result from bad weekend weather. During fiscal 1997, the Consumer Lawns Group initiated a radio and television advertising program in order to build consumer product usage in the Fall, a recommended time to plant grass seed and plants. The Consumer Lawns Group also promotes a Turf Builder(R) annual program for home centers and mass merchandisers. This program encourages consumers to purchase their entire year's supply of Turf Builder(R) products in early Spring, for application in the early Spring, late Spring, Summer and Fall. The Consumer Organics Group uses a consumer rebate program for selected Hyponex(R) products to encourage early and multiple purchases in the Spring.

In fiscal 1995, the Company introduced a promotional allowance to retailers designed to provide retailers with the ability to customize and differentiate promotions of Scotts(R) lawn and organics products. Also in fiscal 1995, the Company expanded a marketing program which provided incentives to retailers to purchase a portion of their 1995 calendar fourth quarter and 1996 lawn fertilizer product requirements early. The Company and retailers have viewed these types of programs as important to the production, distribution and marketing of these seasonal products.

In fiscal 1996, the Company replaced pre-season incentive programs to retailers with more efficient promotional allowances, increased consumer media advertising and in-store merchandising support as part of the Company's "pull" advertising strategy. The Company increased advertising support and reduced promotional allowances further in fiscal 1997. Please see the discussion in the section of this Report entitled "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Fiscal 1997 compared with fiscal 1996".

The fiscal 1998 marketing strategies for the Consumer Lawns Group are to continue the efforts begun in prior years to improve the Company's relationship with consumers and retail customers, including: carefully directed consumer research, to increase understanding of its markets, sales trends and consumer needs; increased media

advertising, with continuation of television advertising featuring real-life stories of people's experiences with Scotts(R) products, and of weekend radio advertising emphasizing that "this weekend" is the best time to apply selected Scotts(R) products; simplification of the product line; addressing "just-in-time" customer purchasing through expanded use of distributors and continued use of the "never-out" program, by which the Company builds pre-season inventory of select high-volume products, which enhances the Company's ability to timely and completely fill customer orders; and increased use of retail merchandisers to enhance communications with consumers at the point of sale.

The Consumer Lawns Group also expects to use Scotts(R) and Miracle-Gro(R) consumer brand recognition to market the newly formed "Scotts(R) Lawn Service". In January 1995, Scotts entered into a licensing agreement with a lawn care service company, Emerald Green Lawn Service ("Emerald Green"), which allows Emerald Green to use the Scotts(R) name and logo in its marketing efforts. Emerald Green applies Scotts(R) products exclusively. In October 1997, Scotts increased its equity interest in Emerald Green from 28% to 64%, and announced the formation of Scotts(R) Lawn Service.

The fiscal 1998 marketing strategy for the Consumer Gardens Group is to: continue efforts to consolidate certain package sizes in the Miracle-Gro(R), Scotts(R) ornamental and Osmocote(R) fertilizer lines; implement packaging improvements; continue cost-reduction and quality enhancement efforts throughout all product lines; increase the level of national network television advertising; and use Scotts' Miracle-Gro's sales and distribution network for Scotts(R) garden products.

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

An important part of the Company's sales effort is its national toll-free Consumer Helpline, on which its "lawn consultants" answer questions about the Company's products and give general lawn care advice to consumers. The Company's lawn consultants responded to approximately 400,000 telephone and written inquiries in fiscal 1997, which is consistent with the number of inquiries in prior years.

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

In September 1997, the Company opened an Internet web site at www.scottscountry.com, which provides lawn care and gardening information for the consumer and special sections for the Professional Business Group's customers, along with corporate and investment information. Do-it-yourself consumer topics include basic lawn care and gardening tips, problem solving, frequently asked questions, houseplant care, landscaping with trees and shrubs, and product guides. An arrangement with the National Gardening Association (NGA) provides access to a database of more than 3,000 gardening questions with answers by NGA's staff horticulturists. The site also provides an e-mail link to the Company's Consumer Helpline for answers to lawn care questions. The Professional Turf section delivers information for turf managers, by providing the Company's complete professional product guide, a Technical Representative locator and information aimed at turf maintenance workers and golf course superintendents. The Professional Horticulture section points nursery and greenhouse growers to their nearest distributor, delivers the latest news from the Horticulture business of the Professional Business Group of the Company, and directs users to customer service.

COMPETITION

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

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

campaigns, quality, value, service and technological innovation. The Company's competitive position is also supported by its national sales force and its unconditional guarantee. There can be no assurance, however, that additional competition from new or existing competitors will not erode the Company's share of the consumer market or its profit margins. In fiscal 1997, The Home Depot, one of the Company's largest retail customers, established a program to feature Vigoro(R) brand lawn fertilizer along with Scotts(R) lawn fertilizer products, with regional brands no longer being offered in most of The Home Depot stores. For fiscal 1997, volume sales growth of Scotts(R) brand lawn fertilizers to The Home Depot continued under this program.

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

BACKLOG

The majority of annual consumer product orders (other than Consumer Organics products which are normally ordered in season on an "as needed" basis) are received from retailers during the months of October through April and are shipped during the months of January through April. As of November 28, 1997, orders on hand for retailers totaled approximately \$62.9 compared to approximately \$61.5 on the same date in fiscal 1996. All such orders are expected to be filled in fiscal 1998.

PROFESSIONAL BUSINESS GROUP

THE MARKET

The Company sells its professional products to golf courses, commercial nurseries and greenhouses, schools and sportsfields, multi-family housing complexes, business and industrial sites, lawn and landscape services and specialty crop growers. The Professional Group's two core businesses are ProTurf(R), the professionally managed turf market, and Horticulture, the nursery and greenhouse markets. In fiscal 1997, the Professional Business Group served such high-profile golf courses as Augusta National (Georgia), Cypress Point and Pebble Beach (California), Desert Mountain (Arizona), Oakmont Country Club (Pennsylvania), Colonial Country Club (Texas) and Medinah Country Club (Illinois). Sports complexes such as Fenway Park, Camden Yards, Wrigley Field, Yankee Stadium and the Rose Bowl are professional customers, as are major commercial nursery/greenhouse operations such as Monrovia, Hines and Imperial.

Golf courses and highly visible turf areas accounted for approximately 56% of the Company's Professional Business Group sales in fiscal 1997. During fiscal 1997, the Company sold products to approximately 49% of the over 15,700 golf courses in North America, including 72 of Golf Digest's top 100 U.S. courses. Management estimates, based on an independent bi-annual market survey and other information available to the Company, that the Company's share of its target North American golf course high value turf fertilizer and control products market was approximately 20% in fiscal 1997.

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

Horticulture sales accounted for approximately 44% of the Company's Professional Business Group sales in fiscal 1997. The Company sold products to thousands of nursery, greenhouse and specialty crop growers through a network of over 100 horticultural distributors. The Company estimates that its leading share of the North American horticultural market was approximately 25% in fiscal 1997.

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

PRODUCTS

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

The Company works very closely with basic pesticide manufacturers to secure access to, and if possible, exclusive positions on, advanced control chemistry which can be formulated on granular carriers, including fertilizers, or formulated as a liquid application. In fiscal 1997, at least seven professional products featured exclusive control technologies, including such products as the TGR(R) growth regulator line, Turplex(R) bioinsecticide, Prograss(R) and Confront(R) herbicides, and Talstar(R) and Astro(R) insecticides and miticides. Application devices include both rotary and drop action spreaders. Over 20 proprietary grass seed varieties are part of the professional line. The Sierra acquisition in December 1993 added an established line of soil-less mixes in which controlled-release and water-soluble fertilizers, wetting agents and control products can be incorporated to customize potting media for nurseries and greenhouses.

BUSINESS STRATEGY

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

A primary focus of the Professional Business Group's strategy is to provide innovative high-value new products to its professional customers. Extensive new product development efforts begun in fiscal 1997 are expected to lead to several significant new product introductions in fiscal 1998 and years following.

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

The Professional Business Group also is working to increase market coverage by focusing on various professional market niches. In 1965, the Company established its first specialized professional sales force, focusing on golf courses. Since 1985, it has established separate sales forces and/or sales managers for sports fields, golf course architects and construction companies, and the international market of the Professional Business Group. In fiscal 1992, the Company introduced a fairway application service for golf courses. This service has been expanded and is now available in 16 markets. In January 1995, Scotts entered into a licensing agreement with Emerald Green, which allows Emerald Green to use the Scotts(R) name and logo in its marketing efforts. In October 1997, Scotts increased its equity interest in Emerald Green from 28% to 64%. See "Consumer Business Group - Marketing and Promotion."

MARKETING AND PROMOTION

The Professional Business Group's sales force consists of 96 territory managers. Many territory managers are experienced former golf course superintendents or nursery managers and most have degrees in agronomy, horticulture or similar disciplines. Territory managers work closely with golf course and sports field superintendents, turf and nursery managers, and other landscape professionals. In addition to marketing the Company's products, the Company's territory managers provide consultation, testing services, and advice regarding maintenance practices, including individualized comprehensive programs incorporating various products for use at specified times throughout the year. The professional grower business is served primarily through an extensive network of distributors, all with substantial experience in the horticulture market, with territory managers spending the majority of their time with growers.

To reach potential purchasers, the Company uses trade advertising and direct mail, and sponsors seminars throughout the country. In addition, the Company maintains a special toll-free hotline for its professional customers. The professional customer service department responded to over 45,000 telephone inquiries in fiscal 1997.

COMPETITION

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

BACKLOG

A large portion of professional product orders is received during the months of August through November and is filled during the months of September through November. As of November 28, 1997, orders on hand from professional customers totaled approximately \$8.3 compared with \$9.4 on the same date in 1996. All such orders are expected to be filled in fiscal 1998.

INTERNATIONAL BUSINESS GROUP

THE MARKET

The International Business Group regularly sells its products to both consumer and professional users in over 40 countries. Management believes that growth potential should exist in both markets. The Company has established business entities in many of the markets with significant potential.

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

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

In January 1997, the Company purchased other investors' approximately two-thirds interest in Miracle Holdings which the Company did not own. Miracle Garden Care Limited ("MGC"), a wholly-owned subsidiary of Miracle Holdings, has leading positions in the U.K. in a number of lawn and garden market categories. Its major consumer brands include Weedol(R), Pathclear(R), and Grasshopper(R). MGC distributes key Scotts(R) branded consumer items such as Miracle-Gro(R), Scotts Lawn Builder(R) and Osmocote(R). Products are sold by a 17-person direct sales force to do-it-yourself and gardening retailers.

On December 12, 1997, the Company acquired, for approximately \$78.0, Levington Group Limited, which through its subsidiaries (collectively, "Levington"), is the leading producer of consumer and professional lawn fertilizer and growing media in the U.K. Management believes this acquisition offers the potential to expand the Company's presence in European consumer markets. Levington's sales for the fiscal year ended June 30, 1997 were \$75.1.

BUSINESS STRATEGY

An increasing portion of the Company's sales and earnings is derived from customers in foreign countries. In fiscal 1997, following the acquisition of the remaining interest in Miracle Holdings, the International Business Group re-located its headquarters office to an area outside of London in the U.K. The Company's managers also travel abroad regularly to visit its facilities, distributors and customers. The Company's own employees manage its affairs in Europe, Australia, Malaysia, Mexico, the Caribbean and the Philippines. The International Business Group plans to expand its international business in both the consumer and professional markets, and has considered expansion through appropriate acquisition opportunities. The Company believes that the technology, quality and value that are widely associated

with its brands domestically should be able to be transferred to the global marketplace. The Company intends to continue to market internationally through both direct sales and distributor arrangements.

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

Any significant changes in international economic conditions, expropriations, changes in taxation and regulation by United States and/or foreign governments could have a substantial effect upon the international business of the Company. Management believes, however, that these risks are not unreasonable in view of the opportunities for profit and growth available in foreign markets. The Company's international earnings and cash flows are subject to variations in currency exchange rates, which derive from sales and purchases of the Company's products made in foreign currencies. The Company has historically entered into forward foreign exchange contracts and purchased currency options to hedge its exposure to fluctuations in foreign currency exchange rates. These contracts generally involve the exchange of one currency for a second currency at some future date. Counterparties to these contracts are major financial institutions. Gains and losses on these contracts generally offset gains and losses on the assets, liabilities and transactions being hedged. Effective in the second quarter of fiscal 1997, the Company significantly reduced this program, while it reassesses its foreign exchange policy in light of actions taken internally to reduce such exposures.

COMPETITION

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

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

MATTERS RELATING TO THE COMPANY GENERALLY

PATENTS, TRADEMARKS AND LICENSES

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

As of September 30, 1997, the Company held over 100 patents on processes, compositions, grasses, and mechanical spreaders and has several additional patent applications pending. Patent protection generally extends 20 years from the filing date, and many of the Company's patents extend well into the next decade. The Company also holds exclusive and nonexclusive patent licenses from certain chemical suppliers permitting the use and sale of patented pesticides. During fiscal years 1996 and 1997, the Company secured new U.S. patents for: controlled-release fertilizers which enhance aquaculture production; coated fertilizers having two separate coatings, which provide delayed start of fertilization; and three Kentucky Bluegrass varieties with high turf performance characteristics.

The Company's methylene-urea product composition patent which covers Scotts Turf Builder(R), Scotts Turf Builder(R) with Weed Control and Scotts Turf Builder with Halts(R) Crabgrass Preventer, is deemed material by the Company and is due to expire in March 2000. The Company believes that the high entry costs of manufacturing needed to replicate this process and the value of the Scotts(R) brand should lessen the likelihood of product duplication by any competitor.

RESEARCH AND DEVELOPMENT

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

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

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

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

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

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

During fiscal 1997, the Company developed new products in several branded lines including Scotts(R) professional turf products; Osmocote(R) controlled-release fertilizer; Miracle-Gro(R) granular lawn food products; Scotts(R) spreaders; and PatchMaster(R) flowering seed/fertilizer mix. Also during fiscal 1997, several new organics products were introduced under the Miracle-Gro(R) brand, which included Miracle-Gro(R) Perlite, Miracle-Gro(R) Potting Mix, Miracle-Gro(R) African Violet Potting Mix and Miracle-Gro(R) Seed Starter Potting Mix.

Combined Company research and development expenses were approximately \$10.0 (1.1% of net sales) for fiscal 1997 including environmental and regulatory expenses. This compares to \$11.0 (1.5% of net sales) and \$10.6 (1.4% of net sales) for fiscal 1995 and 1996, respectively.

SEASONALITY

The Company's business is highly seasonal with between 66% and 72% of sales occurring in the second and third fiscal quarters combined. Please also see the discussion in "Consumer Business Group -- Backlog" and "Professional Business Group -- Backlog."

FORWARD-LOOKING STATEMENTS

The Company has made and will make certain forward-looking statements in its Annual Report, Form 10-K and in other contexts relating to future growth and profitability targets, and strategies designed to increase total shareholder value. These forward-looking statements represent challenging goals for the Company, and achievement thereof is subject to a variety of risks and assumptions. These are more fully discussed in the section of this Report entitled "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS -- Forward-Looking Statements."

OPERATIONS GROUP

PRODUCTION FACILITIES

The manufacturing plant for consumer and professional fertilizer products marketed under the Scotts(R) label is located in Marysville, Ohio. Manufacturing for such products is also conducted by approximately 40 contract manufacturers. In fiscal 1995, a new facility opened at Marysville for producing Poly-S(R), a proprietary controlled-release fertilizer. Demand for Turf Builder(R), Poly-S(R) and other products results in the Company expanding operations (generally from October through May) of its fertilizer processing and packaging lines from five days per week, three-shift operations to seven days, three-shift operations when necessary to prepare for the peak demand periods. The Company currently operates its Marysville plants seven days per week. Sierra(R) controlled-release fertilizers are produced in Charleston, South Carolina, Milpitas, California and Heerlen, The Netherlands. At the Heerlen facility, expansion has been completed to permit the blending of products which utilize both Scotts and Sierra proprietary technology. Production schedules at Sierra's facilities vary to meet demand. The Company's Taylor Seed Packaging Plant, located on a separate site in Marysville, was sold in November 1996, and seed blending and packaging outsourced to various packaging companies located on the West Coast near seed growers. Hyponex's organics products are processed and packaged in over 23 locations throughout the United States. The Company operates 12 composting facilities where yard waste (grass clippings, leaves, and twigs) is converted to raw materials for the Company's organics products. Operations at these composting facilities have been integrated with the Company's 23 organics bagging facilities. The Company also utilizes 20 contract production locations for organics products. The Company's lawn spreaders are produced at the Republic facility in Carlsbad, California. Both Hyponex's and Republic's operations vary their production schedules to meet demand. The majority of Miracle-Gro(R) water-soluble fertilizers is contract-manufactured in three facilities located in Ohio, Texas and Florida. Miracle-Gro(R) granular and water-soluble fertilizers, liquid herbicides and pesticides for the international markets, are produced in East Yorkshire (Howden), Great Britain. Peters(R) and a portion of Miracle-Gro(R) water-soluble fertilizers are produced at a facility in Allentown, Pennsylvania, owned by an unrelated third party, J.R. Peters, Inc. and related entities ("JRP").

After the sale of the Peters(R) consumer water-soluble fertilizer ("CWSF") business in July 1995, the Company's Allentown facility produced CWSF products under a Long-Term Supply Agreement (the "Agreement") with the buyer. Upon the sale of the Allentown facility to JRP in July 1997, all of the Company's rights and obligations as supplier under the Agreement and as licensor under the license to use the Peters(R) trademark in the consumer market, were assigned to JRP. Also, in connection with the sale, Scotts, Sierra and Scotts' Miracle-Gro entered into a supply agreement pursuant to which the Company agreed to purchase established minimums of water-soluble fertilizer products and minor element mixes from JRP during each of fiscal years 1998 through 2002.

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

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

CAPITAL EXPENDITURES

Capital expenditures totaled \$28.6 and \$18.2 for the fiscal years ended September 30, 1997 and 1996, respectively. Of the major expenditures in fiscal 1997, approximately \$9.0 was spent on a 450,000 square-foot expansion of the Company's existing Marysville distribution facility, which allowed the Company to consolidate several other local area warehouses and to direct-ship to more customers. To allow for conversion to plastic packaging, \$6.0 was spent on the installation of new equipment at the Marysville manufacturing plant, and an additional \$6.5 was spent to upgrade components of a fertilizer production line to current technology. The Company expects that capital expenditures during fiscal 1998 will total approximately \$38.0. The Company anticipates that approximately \$19.0 will be spent to

convert the final Turf Builder(R) processing line to one utilizing current technology. The conversion is expected to increase total site capacity by approximately 20%.

PURCHASING

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

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

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

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

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

DISTRIBUTION

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

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

Most organics products have low sales value per unit of weight, making freight costs significant to profitability. Therefore, the Organics Business Group has located all of its 23 plant/distribution locations near large metropolitan areas in order to minimize shipping costs and to be near raw material sources. The Group uses its own fleet of approximately 70 trucks as well as contract haulers to transport its products from plant/distribution points to retail customers. Large-bag outdoor landscaping products and much of the indoor potting soil products are shipped directly to retail stores. A portion of the Company's indoor potting soil and additive products is shipped to retailers' distribution centers for redistribution to their stores.

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

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

SIGNIFICANT CUSTOMERS

The Home Depot and Kmart Corporation represented approximately 16.1% and 11.9%, respectively, of the Company's sales in fiscal 1997 and 11.4% and 2.7%, respectively, of the Company's outstanding trade accounts receivable at September 30, 1997, which reflects their significant position in the retail lawn and garden market. The loss of either of these customers or a substantial decrease in the amount of their purchases could have a material adverse effect on the Company's business.

EMPLOYEES

The Company's corporate culture is a blend of the history, heritage and culture of The Scotts Company and the companies Hyponex, Sierra, Miracle-Gro, Republic and Miracle Holdings, all of which were acquired over the past ten years. The Company provides a comprehensive benefits program to all full-time associates. As of September 30, 1997, the Company employed approximately 2,075 full-time workers in the United States (including all subsidiaries). An additional 308 full-time employees are located outside the United States. As of September 30, 1997, full-time workers averaged approximately ten years employment with the Company or its predecessors. During peak production periods, the Company engages as many as 875 temporary workers in the United States. The Company's U.S. employees are not members of a union, with the exception of 20 of Sierra's employees at its Milpitas facility, who are represented by the International Chemical Workers Union.

ENVIRONMENTAL AND REGULATORY CONSIDERATIONS

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

In addition, the use of certain pesticide and fertilizer products is regulated by various local, state, federal and foreign environmental and public health agencies. These regulations may include requirements that only certified or professional users apply the product or that certain products be used only on certain types of locations (such as "not for use on sod farms or golf courses"), may require users to post notices on properties to which products have been or will be applied, may require notification of individuals in the vicinity that products will be applied in the future or may ban the use of certain ingredients. The Company believes it is operating in substantial compliance with, or taking action aimed at ensuring compliance with, such laws and regulations. Compliance with such regulations and the obtaining of registrations does not assure, however, that the Company's products will not cause injury to the environment or to people under all circumstances. While it is difficult to quantify the potential financial impact of actions involving environmental matters, particularly remediation costs at waste disposal sites and future capital expenditures for environmental control equipment, in the opinion of management, the ultimate liability arising from such environmental matters, taking into account established reserves, should not have a material adverse effect on the Company's financial position; however, there can be no assurance that future quarterly or annual operating results will not be materially affected by the resolution of these matters.

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

State, federal and local agencies regulate the disposal, handling and storage of waste and air and water discharges from Company facilities. During fiscal 1997, the Company had approximately \$0.4 in environmental capital expenditures and \$1.5 in other environmental expenses, compared with approximately \$0.9 in environmental capital expenditures and \$0.4 in other environmental expenses in fiscal 1996. The Company has budgeted \$1.5 in environmental capital expenditures and \$1.2 in other environmental expenses for fiscal 1998.

OHIO ENVIRONMENTAL PROTECTION AGENCY

The Company has been assessing and, as required, addressing certain environmental issues regarding the wastewater treatment plants currently operating at the Marysville facility. Specifically, it has been considering whether to upgrade the existing treatment plants or to undertake to connect the facility's wastewater system with the City of Marysville's municipal treatment system. Additionally, the Company has been assessing, under Ohio's new Voluntary Action Program ("VAP"), the possible remediation of several discontinued on-site waste disposal areas dating back to the early operations of its Marysville facility.

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

In June 1997, the Company received formal notice of an enforcement action and draft Findings and Orders ("F&O") from the OEPA. The draft F&O elaborated on the subject of the referral to the OAG alleging: potential surface water violations relating to possible historical sediment contamination possibly impacting water quality; inadequate treatment capabilities of the Company's existing and currently permitted wastewater treatment plants; and that the Marysville site is subject to corrective action under the Resource Conservation Recovery Act ("RCRA"). In late July 1997, the Company received a draft judicial consent order from the OAG which covers many of the same issues contained in the draft F&O including RCRA corrective action.

In accordance with the Company's past efforts to enter into Ohio's VAP, the Company submitted to the OEPA a "Demonstration of Sufficient Evidence [of] VAP Eligibility Compliance" on July 8, 1997. Among other issues contained in the VAP submission, was a description of the Company's ongoing efforts to assess potential environmental impacts of the discontinued on-site waste disposal areas as well as potential remediation efforts. Pursuant to the statutes covering VAP, an eligible participant in the program is not subject to State enforcement actions for those environmental matters being addressed. On October 21, 1997, the Company received a letter from the Director of the OEPA denying VAP eligibility based upon the timeliness of and completeness of the submittal. The Company has appealed the Director's action to the Environmental Review Appeals Commission.

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

The Company does not believe the ultimate outcome of any proceedings which may result from the OEPA's referral of these matters to the OAG will have a material adverse affect on the business or the financial condition of the Company but is unable, at this stage, to predict the outcome of the issues. 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. Management does not believe that the outcome of this case will have a material adverse effect on the Company's operations or its financial condition. Furthermore, management believes the Company has sufficient raw material supplies available such that service to customers will not be materially adversely affected by continued closure of this peat harvesting operation.

HERSHBERGER

In September 1991, the Company was identified by the OEPA as a Potentially Responsible Party ("PRP") with respect to a site in Union County, Ohio (the "Hershberger site") that has allegedly contained waste which included hazardous substances whose transportation, treatment or disposal the Company allegedly arranged. Pursuant to an Administrative Order with the OEPA, the Company, together with four other PRPs identified to date, investigated the extent of contamination in the Hershberger site. The investigation confirmed that the site presents a low degree of risk and that the hazardous substances identified are not compounds generally used by the Company. However, due to the fact that the Company was originally named as a PRP, and due to the potential joint and several liability of PRPs, the Company has chosen to participate in an agreed voluntary remedial action at the site. The workplan for the remedial action has been approved by the OEPA. Such action is to consist of leachate collection and treatment/disposal, landfill cap repair, landfill gas management, ground water monitoring and institutional and engineering site controls. It is expected that in fiscal 1998, the Company and the four other named PRPs will execute an Administrative Order on Consent with the OEPA, by which the named PRPs will fund the referenced remedial action. Management does not

believe that such obligations will have a material adverse effect on the Company's results of operations or financial condition.

FIFRA

In January 1996, the United States EPA served a Complaint and Notice of Opportunity for Hearing upon Sierra's wholly-owned subsidiary, Scotts-Sierra Crop Protection Company ("Crop Protection"). The Complaint alleged labeling violations under the Federal Insecticide, Fungicide and Rodenticide Act ("FIFRA") during fiscal 1992 and 1993 and proposed penalties totaling \$0.8, the maximum allowable under FIFRA according to management's calculations. In February 1997, the United States EPA's Motion for Accelerated Decision was granted on the issue of liability, with the amount of the civil penalty to be resolved at hearing. The hearing is scheduled for February 1998. Based upon Crop Protection's good faith compliance actions and the United States EPA's policies regarding penalty reductions, management believes Crop Protection's liability in this action is substantially less than the maximum. The Company does not believe that the outcome of this proceeding will have a material adverse effect on its financial condition or results of operations.

YEAR 2000

The Company has developed a long-term information systems strategy, one aspect of which is to address exposures related to the impact on its computer systems of the Year 2000 issues. Key financial, information and operational systems have been assessed and plans developed in order to mitigate the Year 2000 issues. These plans include conversion of in-house developed software and upgrades to purchased software. The Company is currently in various stages of completing these conversions and upgrades: some upgrades have already been made, while detailed conversion plans are being developed. Management believes its plans will adequately address the Year 2000 issues and does not currently anticipate a material impact on the Company as a result of addressing these issues. However, if such conversions and upgrades are not made, or are not timely completed, the Year 2000 issues could have a material impact on the operations of the Company.

ITEM 2. PROPERTIES

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

The Company owns approximately 829 acres at its Marysville, Ohio headquarters. It owns three research facilities in Apopka, Florida; Cleveland, Texas; and Gervais, Oregon. The Company leases warehouse space throughout the country as needed. Republic leases its 20-acre spreader facility in Carlsbad, California.

The Company's 23 organics bagging facilities are located nationwide in 19 states. Twenty are owned by the Company. Most facilities include production lines, warehouses, offices and field processing areas.

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

The Company owns two Sierra manufacturing facilities in Fairfield, California and Heerlen, The Netherlands, and, as a result of the acquisition of Miracle Holdings, owns a manufacturing facility in East Yorkshire (Howden), Great Britain. It leases two Sierra manufacturing facilities in Milpitas, California and North Charleston, South Carolina.

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

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

ITEM 3. LEGAL PROCEEDINGS

As noted in the discussion of "Environmental and Regulatory Considerations" in ITEM 1. BUSINESS, the Company is involved in several pending environmental matters. In the opinion of management, its assessment of contingencies is reasonable and related reserves, in the aggregate, are adequate; however, there can be no assurance that future quarterly or annual operating results will not be materially affected by final resolution of these matters.

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

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

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

EXECUTIVE OFFICERS OF REGISTRANT

The executive officers of Scotts, their positions and, as of December 1, 1997, their ages and years with Scotts (and its predecessors) are set forth below.

Name	Age	Position(s) Held	Years with the Company (and its Predecessors)
Charles M. Berger	61	Chairman of the Board, President and Chief Executive Officer	1
Horace Hagedorn	82	Vice Chairman of the Board	48
James Hagedorn	42	Director and Executive Vice President, U.S. Business Groups	10
Jean H. Mordo	52	Executive Vice President and Chief Financial Officer	9 months
John Kenlon	66	President, Consumer Gardens Group	37
Ronald E. Justice	52	Senior Vice President, Operations Group	2
Michael P. Kelty, Ph.D.	47	Senior Vice President, Professional Business Group	18
G. Robert Lucas	54	Senior Vice President, General Counsel and Secretary	7 months
Lawrence M. McCartney	57	Senior Vice President, Information Systems	23
Joseph M. Petite	47	Senior Vice President, Organics Business Group	9
James L. Rogula	63	Senior Vice President, Consumer Lawns Group	2
L. Robert Stohler	56	Senior Vice President, International Business Group	2
Rosemary L. Smith	50	Vice President, Human Resources	24

Executive officers serve at the discretion of the Board of Directors (and in the case of: Mr. Berger, Mr. James Hagedorn, Mr. Mordo, Mr. Kenlon, Mr. Lucas and Mr. McCartney, pursuant to employment agreements; and Mr. Horace Hagedorn, pursuant to a consulting agreement).

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

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

Mr. Horace Hagedorn was named Vice Chairman of the Board and Director of Scotts, and Chairman of the Board and Chief Executive Officer of Scotts' Miracle-Gro, in May 1995. In March 1997, he retired as an officer of Scotts' Miracle-Gro. Mr. Hagedorn founded Miracle-Gro Products in 1950 and served as Chief Executive Officer of Miracle-Gro Products from 1985 until May 1995. Horace Hagedorn is the father of James Hagedorn.

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

Mr. Mordo was named Executive Vice President and Chief Financial Officer in January 1997. From 1992 through 1996, he served as Senior Vice President and Chief Financial Officer of Pratt and Whitney Aircraft, a division of United Technologies Corporation.

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

Mr. Justice was named Senior Vice President, Operations Group, of Scotts in July 1995. From 1992 to 1995, he was Vice President of Operations for Continental Baking, a producer of bread and cake bakery products and a subsidiary of Ralston Purina Company.

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

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

Mr. McCartney has served as Senior Vice President, Information Systems, of Scotts since April 1996. From February 1989 to December 1995, he served as Vice President, Information Systems, of Scotts. From December 1995 to April 1996, Mr. McCartney continued his association with Scotts in a non-officer role.

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

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

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

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

PART II

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

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

	Sales Prices	
	High	Low
Fiscal 1996		
1st quarter	\$21 7/8	\$18 7/8
2nd quarter	21 1/4	16 1/8
3rd quarter	18 3/4	16 1/2
4th quarter	19 3/8	16 3/4
Fiscal 1997		
1st quarter	\$20 1/2	\$17 3/4
2nd quarter	24 7/8	19 1/2
3rd quarter	29 3/4	22 7/8
4th quarter	30 9/16	25 5/8

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

As of December 1, 1997, Scotts estimates there were approximately 6,500 shareholders including holders of record and Scotts' estimate of beneficial holders.

In a series of private placements during July and August 1997, Scotts issued put options with respect to 0.3 common shares providing the right to sell to Scotts one Scotts common share at a fixed price. The puts mature on December 19, 1997 and can only be exercised at maturity. Strike prices ranged from \$25.00 to \$25.74 per share. Scotts received a premium for the issue of \$0.2.

ITEM 6. SELECTED FINANCIAL DATA

FIVE-YEAR SUMMARY

THE SCOTTS COMPANY AND SUBSIDIARIES

(in millions except per share amounts)	For the fiscal year ended September 30,				
	1993(1)	1994(2)	1995(3)	1996	1997(4)
OPERATING RESULTS:					
Sales	\$ 466.0	606.3	732.8	751.9	900.8
Gross profit	\$ 154.4	202.2	234.0	239.5	327.2
Income from operations	\$ 43.8	59.3	62.6	27.8	96.3
Income (loss) before extraordinary items and accounting changes	\$ 21.0	23.9	22.4	(2.5)	39.5
Income (loss) applicable to common shareholders	\$ 7.9	22.9	18.8	(12.3)	29.7
Net cash provided by operating activities	\$ 24.7	9.9	4.4	82.3	121.1
Depreciation and Amortization	\$ 18.1	21.9	25.7	29.3	30.4
EBITDA	\$ 61.9	81.2	88.3	57.1	126.7
FINANCIAL POSITION:					
Working capital	\$ 88.5	140.6	227.0	181.1	146.5
Investment in property, plant and equipment	\$ 15.2	33.4	23.6	18.2	28.6
Property, plant and equipment, net	\$ 98.8	140.1	148.8	139.5	146.1
Total assets	\$ 321.6	528.6	809.0	731.7	787.6
Total debt	\$ 93.2	247.3	272.5	225.3	221.3
Total shareholders' equity	\$ 143.0	168.2	380.8	364.3	389.2
RATIOS:					
Operating margin	%	9.4	9.8	8.5	3.7
EBITDA margin	%	13.3	13.4	12.0	7.6
Interest coverage (EBITDA/interest)		7.3	4.6	3.4	2.2
Current ratio		2.4	2.3	2.8	2.6
Total debt to total capitalization	%	39.5	59.5	41.7	38.2
Return on average shareholders' equity	%	5.0	14.7	8.2	(0.7)
Price to earnings		45.9	12.7	22.4	nm
PER SHARE DATA:					
Income (loss) per common share before extraordinary items and accounting changes	\$ 1.07	1.27	0.99	(0.65)	1.35
Income (loss) per common share	\$ 0.40	1.22	0.99	(0.65)	1.35
Shareholders' equity	\$ 7.66	9.01	11.92	11.44	12.19
Stock price at year-end	\$ 18.38	15.50	22.13	19.25	26.25
Stock price range	High \$ 20.50	20.13	23.88	21.88	30.56
	Low \$ 14.25	15.25	14.75	16.13	17.75
OTHER:					
Average common shares outstanding	19.6	18.7	18.7	18.8	18.6
Common shares used in income (loss) per common share calculation	19.7	18.8	22.6	18.8	29.3
Preferred stock dividends	\$ --	--	3.6	9.8	9.8

NOTE: Prior year presentations have been changed to conform to fiscal 1997 presentation; these changes did not impact net income.

(1) Includes Republic from November 1992.

(2) Includes Sierra from December 16, 1993.

(3) Includes Scotts' Miracle-Gro from May 19, 1995.

(4) Includes MGC from January 3, 1997.

nm Not meaningful

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

The following discussion and analysis of the consolidated results of operations for the fiscal years ended September 30, 1997, 1996 and 1995 and the financial condition at September 30, 1997 and 1996 should be read in conjunction with the Consolidated Financial Statements and Notes included elsewhere in this Report. Dollars are in millions except per share data.

RESULTS OF OPERATIONS

The following table sets forth the components of income and expense for the three years ended September 30, 1997 on a percentage-of-sales basis:

	Fiscal Year Ended September 30,			Period to Period % Change	
	1997	1996	1995	1997 v. 1996	1996 v. 1995
Sales	100.0%	100.0%	100.0%	19.8%	2.6%
Cost of sales	63.7	68.1	68.1	11.9	2.7
Gross profit	36.3	31.9	31.9	36.6	2.4
Advertising and promotion	9.3	9.2	8.3	21.2	14.4
Selling, general and administrative	14.5	15.5	14.9	11.9	6.6
Amortization of goodwill and other intangibles	1.1	1.2	0.8	15.9	46.7
Other expense (income), net	0.7	2.3	(0.6)	nm	nm
Income from operations	10.7	3.7	8.5	246.4	(55.6)
Interest expense	3.0	3.5	3.5	0.8%	0.8%
Income before income taxes	7.7	0.2	5.0	nm	nm
Income taxes	3.3	0.5	1.9	nm	nm
Net income (loss)	4.4	(0.3)	3.1	nm	nm
Preferred stock dividends	1.1	1.3	0.5	nm	nm
Income (loss) applicable to common shareholders	3.3%	(1.6)%	2.6%	nm	nm

nm Not meaningful

The following table sets forth sales by business unit for the three years ended September 30, 1997:

	Fiscal Year Ended September 30,			Period to Period % Change	
	1997	1996	1995	1997 v. 1996	1996 v. 1995
Consumer Lawns	\$304.1	\$228.9	\$277.8	32.9%	(17.6)%
Consumer Gardens	133.2	115.3	38.5	15.5	199.5
Consumer Organics	183.0	181.1	187.8	1.1	(3.6)
Consumer	620.3	525.3	504.1	18.1	4.2
Professional	165.9	160.7	167.6	3.2	(4.1)
International	114.6	65.9	61.1	73.9	7.9
Consolidated	\$900.8	\$751.9	\$732.8	19.8%	2.6%

FISCAL 1997 COMPARED WITH FISCAL 1996

Sales in fiscal 1997 were \$900.8, an increase of \$148.9 or 19.8% over fiscal 1996. On a pro forma basis, assuming the remaining two-thirds interest in MGC was acquired at the beginning of fiscal 1996, fiscal 1997 sales would have been \$912.2, an increase of 13.3% over fiscal 1996 pro forma sales of \$804.9. Further adjusting for the impact on fiscal 1996 sales of the fiscal 1995 Consumer Lawns group's retailer early purchase program, management estimates consolidated sales would have increased 6.4% in fiscal 1997.

Consumer segment sales totaled \$620.3, an increase of 18.1% over fiscal 1996. After adjusting for the estimated impact of the fiscal 1995 early purchase program on the Consumer Lawns group's fiscal 1996 sales, management estimates that fiscal 1997 Consumer segment sales increased 7.4%. This reflects strong sales volume gains in the

Consumer Gardens (15.5%) and Consumer Lawns (8.2%) operating groups. Consumer Organics sales were up slightly as this group emphasized increased profitability, not sales growth, in fiscal 1997.

Professional segment sales increased 3.2% to \$165.9 in fiscal 1997.

Beginning late in fiscal 1996, this group refocused its strategy on growth in its core ProTurf(R) and Horticultural product lines, and significantly curtailed certain initiatives that increased sales in prior years, but had little bottom line contribution.

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

Gross profit increased to 36.3% of sales in fiscal 1997, a 4.4% improvement compared to 31.9% in fiscal 1996. This improvement is attributable to the discontinuance of promotional programs that drove out-of-season sales, the discontinuance of lower margin Professional and Consumer products, and manufacturing and distribution efficiencies.

Operating expenses increased \$19.2 or 9.1%. Operating expenses were 25.6% of sales compared to 28.2% in the prior year. Excluding operating asset valuation charges in both periods and restructuring charges in fiscal 1996, operating expenses were 25.0% of sales in fiscal 1997 compared to 25.8% in fiscal 1996.

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

Selling, general and administrative expenses increased \$13.9 or 11.9% to \$130.5. As a percentage-of-sales, selling, general and administrative expense decreased from 15.5% to 14.5%. The overall increase in this expense category reflects the inclusion of MGC [\$8.0], higher selling and general management incentives and profit sharing expenses, increased emphasis on in-store merchandisers, and higher spending on certain support functions.

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

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

Primarily as a result of higher sales volumes, improved manufacturing and distribution efficiencies, and other cost improvements, income from operations increased by \$68.5 or 246.4% to \$96.3. Income from operations increased to 10.7% from 3.7% as a percentage-of-sales. Excluding asset valuation charges in both years and severance expense in fiscal 1996, income from operations was 11.4% in fiscal 1997 compared to 6.1% in fiscal 1996.

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

The Company's effective tax rate was 43.2% in fiscal 1997 compared to 302.3% in fiscal 1996. The high effective tax rate in fiscal 1996 was attributable to the low level of reported pre-tax income and non-tax deductible amortization of goodwill and certain intangibles. Additional information on the effective income tax rate is described in Note 9 to the Company's Consolidated Financial Statements.

During fiscal 1997, the Company reported net income of \$39.5 or \$1.35 per common share compared with a net loss of \$2.5 or \$0.65 per common share in fiscal 1996. The return to profitability in 1997 was attributable to a variety of factors, including: the refocused, "pull" directed marketing strategy of the Consumer Lawns group compared to the retailer early purchase program that severely discounted this unit's leading branded products; sales volume increases in the Consumer Gardens group; Consumer Organics and Professional group strategies that focused on profitable growth and eliminated sales of marginal products and to unprofitable distribution channels; improved weather conditions in fiscal 1997 in most key markets; improved manufacturing and distribution efficiencies, and other cost improvements; and lower interest expense before the impact of MGC related borrowings.

FISCAL 1996 COMPARED WITH FISCAL 1995

Sales for the fiscal year ended September 30, 1996 totaled \$751.9, an increase of \$19.1 or 2.6% from the prior year. Compared to fiscal 1995 pro forma sales of \$821.2, including Miracle-Gro from October 1, 1994, sales decreased

by \$69.3 or 8.4%. Compared to fiscal 1995 pro forma, fiscal 1996 sales declined principally due to the discontinuance of the Consumer Lawn group's retailer early purchase program, which encouraged retailers to build their inventories substantially in advance of the spring selling season and had the impact of shifting sales into the latter four months of fiscal 1995. Further adjusting fiscal 1996 and fiscal 1995 sales for management's estimate regarding the impact of this program, consolidated sales increased approximately 1.5%. Sales volumes were also unfavorably impacted by unusually poor Spring season weather conditions in North America and Northern Europe and rationalization of certain products, including the divestiture of the Peters(R) line of consumer water-soluble fertilizer ("CWSF") products.

Consumer segment sales were \$525.3, an increase of 4.2% over 1995. On a pro forma basis, Consumer segment sales were down 10.5%. Further adjusting for management's estimate regarding the impact of the Consumer Lawns group's retailer early purchase program on both fiscal 1996 and 1995, Consumer segment sales increased 3.5%. The fully adjusted sales increase reflects the positive impact of expanded distribution of Miracle-Gro(R) Extra Long Lasting Lawn Food in the first full season following the Scotts/Miracle-Gro merger transactions and modest price increases, offset by the rationalization of certain products as the Scotts(R) branded garden fertilizers were integrated into the Miracle-Gro(R) product line and by poor Spring weather in fiscal 1996, which impacted all operating groups.

Professional segment sales decreased 4.1% to \$160.7 in 1996, primarily as a result of poor Spring and Summer weather, and the curtailment of certain end of season discounting programs in 1996, partially offset by modest price increases.

International segment sales increased \$4.8 or 7.9% in 1996, principally due to strong sales gains in the Asia/ Pacific and Latin American regions partially offset by poor Spring weather in Northern Europe.

During 1995, the Peters(R) line of CWSF products generated net sales of \$5.4. This line was divested in 1995 under a Federal Trade Commission consent order pursuant to the merger transactions with Miracle-Gro.

Gross profit increased \$5.5 or 2.4% to \$239.5, remaining constant as a percentage-of-sales at 31.9%. A number of factors combined to create a flat gross margin percentage. The primary positive factors were the inclusion of the relatively high gross margin Miracle-Gro business for the first full season in 1996, and manufacturing and distribution efficiencies resulting from cost control and operating performance initiatives. The principal negative factors were inventory valuation charges for product phase-outs as part of the Company's plan to simplify and focus its product offerings, lower production volumes that increased unit costs, and to a lesser extent, unfavorable sales mix resulting from the discontinuance of the Consumer Lawns group's early purchase program.

Operating expenses increased \$40.3 or 23.5% to \$211.7 in fiscal 1996 from \$171.4 in fiscal 1995. Operating expenses were 23.4% of sales in fiscal 1995 compared to 28.2% in fiscal 1996. Excluding asset valuation and restructuring charges in fiscal 1996, and the gain from the Peters(R) CWSF product line sale in fiscal 1995, operating expenses were 25.8% and 24.0% of sales in fiscal 1996 and 1995, respectively.

Advertising and promotion expenses increased by \$8.7 or 14.4%, from 8.3% of sales in fiscal 1995 to 9.2% of sales in fiscal 1996. The inclusion of Miracle-Gro for the first full year in fiscal 1996, increased advertising and promotion expense by \$11.8 in fiscal 1996. Higher Consumer Lawns group media spending of \$5.6 was offset by lower cooperative advertising and promotional spending, which were down \$9.9. The shift in fiscal 1996 to media advertising from promotional cooperative advertising represents the first year of the Consumer segment's re-directed strategy on brand-building, "pull" advertising. The discontinuance of the Consumer Lawns group's retailer early purchase program reduced year-to-date promotional expense.

Selling, general and administrative expense increased \$7.2 or 6.6% to \$116.6 in fiscal 1996. As a percentage-of-sales, selling, general and administrative expense increased to 15.5% from 14.9%. The increase in this expense category is a result of the inclusion of Miracle-Gro, expansion of the International sales and marketing infrastructure, and to a lesser extent, higher bad debts, associate medical and dental expenses, and external legal costs offset by the partial year impact of cost reduction programs.

Amortization of goodwill and other intangibles increased as a result of a full year impact of Miracle-Gro in fiscal 1996 compared to approximately four months in fiscal 1995.

Other expense (income), net for fiscal 1996, included approximately \$17.7 of charges resulting from initiatives designed to reduce costs, increase operating efficiencies and return the Company to profitability. These charges were for severance costs associated with restructurings and write-downs of various under-utilized or idle assets, including several plant closings. In fiscal 1995, the Company recorded \$4.2 of other income related to the divestiture of the Peters(R) U.S. line of CWSF products.

Interest expense increased \$0.2 to \$26.5 in fiscal 1996. The increase was a result of higher average borrowings in the first eight months of fiscal 1996, reflecting incremental receivables associated with the Consumer Lawns group's retailer early purchase program and the first year impact of Miracle-Gro's seasonal working capital requirements. Average borrowings increased to approximately \$317.5 in fiscal 1996, \$23.5 higher than fiscal 1995. Higher average

borrowings were partially offset by a decrease in the average variable interest rate for the Company of approximately 0.5%.

The Company's effective tax rate in fiscal 1996 was 302.3%, compared to 38.3% in fiscal 1995. Excluding unusual charges (income) in both years, the effective tax rate would have been 52.4% in fiscal 1996 versus 43.4% in fiscal 1995. Including unusual charges, the high effective tax rate in fiscal 1996 is attributable to non-tax deductible amortization of goodwill and certain intangibles in the U.S., combined with the low level of reported pre-tax income. Additional information on the effective tax rate is described in Note 9 to the Company's Consolidated Financial Statements.

During fiscal 1996, the Company reported a net loss of \$2.5, compared to net income of \$22.4 in fiscal 1995. Excluding unusual charges (income) and the inventory writedown (totaling approximately \$13 in fiscal 1996 and (\$4.2) in fiscal 1995, on an after tax basis), the Company would have reported net income of \$10.5 in fiscal 1996 versus net income of \$18.2 in fiscal 1995. The decline in net income before unusual items in fiscal 1996 is primarily due to lower sales as a result of the discontinuance of the Consumer Lawns group retailer early purchase program and poor Spring weather impacting all business groups, lower gross margins due to lower than planned manufacturing volumes and unfavorable sales mix, and higher investment in consumer directed media, partially offset by the positive impact as a result of the inclusion of Miracle-Gro for a full year in fiscal 1996.

LIQUIDITY AND CAPITAL RESOURCES

Cash provided by operating activities was \$121.1, \$82.3 and \$4.4 in fiscal 1997, 1996 and 1995, respectively. The fiscal 1997 improvements were driven by higher earnings and improved working capital management. The seasonal nature of the Company's sales results in a significant increase in working capital (primarily accounts receivable and inventory) during the first half of the fiscal year, with the third quarter being a significant cash collection period.

Cash used in investing activities totaled \$72.5, \$17.4 and \$6.7 in fiscal 1997, 1996 and 1995, respectively. The fiscal 1997 increase was partially attributable to the acquisition of the remaining two-thirds interest in MGC for approximately \$46.6 effective January 3, 1997. Net capital investments were \$25.9 in fiscal 1997, compared to \$17.4 in fiscal 1996 and \$22.9 in fiscal 1995. These capital investments were financed with cash provided by operations and utilization of available credit facilities. The largest project was an approximately \$9.0 expansion of the Company's Marysville distribution facility, estimated to generate annual distribution expense savings of at least \$1.5 beginning in fiscal 1998. The Company's Fourth Amended and Restated Credit Agreement (the "Credit Agreement") restricts annual capital investments to \$50.0.

Financing activities used \$46.2, \$61.1 and \$2.7 in fiscal 1997, 1996 and 1995, respectively. Financing activities are principally supported by the Company's Credit Agreement. The lower level of debt repayment in fiscal 1997 reflects the usage of higher operating cash flows to support the additional investment in MGC and higher net capital investments.

Total debt as of September 30, 1997 was \$221.3, down \$4.0 from \$225.3 a year earlier. Borrowings associated with MGC as of September 30, 1997 totaled \$66.9, including \$44.9 related to the additional investment to obtain the remaining ownership interest in that business in January 1997.

Shareholders' equity as of September 30, 1997 was \$389.2, a \$24.9 increase compared to September 30, 1996. This increase was primarily attributable to net income of \$39.5, Convertible Preferred Stock dividends of \$9.8, an unfavorable change in the cumulative foreign currency adjustment of \$6.5 and net treasury stock activity of \$1.6.

The primary sources of liquidity for the Company are funds generated by operations and borrowings under the Company's Credit Agreement. The Credit Agreement was amended in December 1996 to increase the available line-of-credit from \$375 to \$425 and allow up to the equivalent of \$100 of the available credit to be borrowed in U.K. Pounds Sterling.

The Company has foreign exchange rate risk related to International group operations and cash flows. The Company has historically entered into forward foreign exchange contracts and purchased currency options to hedge its exposure to fluctuations in foreign currency exchange rates. These contracts generally involve the exchange of one currency for a second currency at some future date. Counterparties to these contracts are major financial institutions. Gains and losses on these contracts generally offset gains and losses on the assets, liabilities and transactions being hedged. Effective in the second quarter of 1997, the Company significantly reduced this program, while it reassesses its foreign exchange policy in light of actions taken internally to reduce such exposures.

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

As of September 30, 1997, the Company's European operations had foreign exchange risk in various European currencies tied to the Dutch Guilder. These currencies include the Belgian Franc, German Mark, Spanish Peseta, French

Franc, British Pound, Italian Lire, Australian Dollar and U.S. Dollar. The Company's U.S. operations had foreign exchange rate risk in the Canadian Dollar, Dutch Guilder and the British Pound which are tied to the U.S. Dollar.

In the opinion of the Company's management, cash flows from operations and capital resources will be sufficient to meet debt service and working capital needs during fiscal 1998.

ENVIRONMENTAL MATTERS

The Company is subject to local, state, federal and foreign environmental protection laws and regulations with respect to its business operations and believes it is operating in substantial compliance with, or taking action aimed at ensuring compliance with, such laws and regulations. The Company is involved in several environmental related legal actions with various governmental agencies. While it is difficult to quantify the potential financial impact of actions involving environmental matters, particularly remediation costs at waste disposal sites and future capital expenditures for environmental control equipment, in the opinion of management, the ultimate liability arising from such environmental matters, taking into account established reserves, should not have a material adverse effect on the Company's financial position; however, there can be no assurance that future quarterly or annual operating results will not be materially affected by the resolution of these matters. Additional information on environmental matters affecting the Company is provided in Note 11 to the Company's Consolidated Financial Statements and in this Annual Report on Form 10-K under the "BUSINESS" and "LEGAL PROCEEDINGS" sections.

ACCOUNTING ISSUES

In February 1997, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 128, "Earnings Per Share" (SFAS 128). SFAS 128 establishes standards for computing and presenting earnings per share ("EPS"). SFAS 128 replaces the presentation of primary EPS with a presentation of basic EPS which excludes dilution and is computed by dividing income available to common shareholders by the weighted-average number of common shares outstanding during the period. This statement also requires dual presentation of basic EPS and diluted EPS on the face of the income statement for all periods presented. SFAS 128 is effective for financial statements issued for periods ending after December 15, 1997, including interim periods. The Company plans to adopt SFAS 128 in the first quarter of 1998 for the year ended September 30, 1998. If SFAS 128 had been adopted at September 30, 1997, basic and diluted EPS would be:

	Fiscal Year Ended September 30,		
	1997	1996	1995
Basic EPS	\$1.60	\$(0.65)	\$1.01
Diluted EPS	\$1.35	\$(0.65)	\$0.99

In June 1997, the FASB issued SFAS No. 130, "Reporting Comprehensive Income" and SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information." Each standard is effective for financial statements for fiscal years beginning after December 15, 1997.

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

SFAS No. 131 establishes standards for public business enterprises to report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports issued to shareholders. This statement defines business segments as components of an enterprise about which separate financial information is available and used internally for evaluating segment performance and decision making on resource allocations. SFAS No. 131 requires reporting a measure of segment profit or loss, certain specific revenue and expense items, and segment assets; and other reporting about geographic and customer matters. Based on the guidelines of SFAS No. 131 and current internal management reporting, the Company has determined its business is comprised of three reportable segments: Consumer Products (the Lawns, Gardens and

Organics business groups), Professional Products and International. Management believes that the business segments identified and set forth in Note 14 to the Company's Consolidated Financial Statements are substantially in compliance with SFAS No. 131.

YEAR 2000

The Company has developed a long-term information systems strategy, one aspect of which is to address exposures related to the impact on its computer systems of the Year 2000 issues. Key financial, information and operational systems have been assessed and plans developed in order to mitigate the Year 2000 issues. These plans include conversion of in-house developed software and upgrades to purchased software. The Company is currently in various stages of completing these conversions and upgrades: some upgrades have already been made, while detailed conversion plans are being developed. Management believes its plans will adequately address the Year 2000 issues and does not currently anticipate a material impact on the Company as a result of addressing these issues. However, if such conversions and upgrades are not made, or are not timely completed, the Year 2000 issues could have a material impact on the operations of the Company.

RECENT DEVELOPMENTS

On December 12, 1997, the Company acquired, for approximately \$78.0, Levington Group Limited, which through its subsidiaries (collectively, "Levington") is the leading producer of consumer and professional lawn fertilizer and growing media in the U.K. Management believes this acquisition offers the potential to expand the Company's presence in European consumer markets. Levington's sales for the fiscal year ended June 30, 1997 were \$75.1.

The Company utilized its existing Credit Agreement to fund such acquisition. The Credit Agreement was amended in November 1997 to increase the U.K. Pounds Sterling sub-tranche from \$100 to \$200 and to allow a subsidiary of the Company to become a U.K. Borrower as that term is defined in the amendment.

MANAGEMENT'S OUTLOOK

Fiscal 1997 was another significant year for The Scotts Company. Strong results from all business groups delivered net income of \$39.5 and operating cash flow of \$121.1 in fiscal 1997. These results reflect the positive outcome of the difficult, but necessary restructuring steps taken in fiscal 1996, that resulted in a net loss of \$2.5. More importantly, the strong financial results of fiscal 1997 represent the base year in the Company's long-term strategy for profitable growth.

Looking forward to fiscal 1998 and beyond, the Company has established the following broad tenets to its strategic plan:

- (1) Promote and capitalize on the strengths of the Scotts(R), Miracle-Gro(R) and Hyponex(R) industry-leading brands. This involves a commitment to our investors and retail partners that we will support these brands through advertising and promotion unequalled in the lawn and garden consumables market. In the Professional categories of our business, it signifies a commitment to our customers to provide value and an integral element in their long-term success;
- (2) A commitment to continuously study and improve our knowledge of the market, the consumer and the competition;
- (3) Simplification of our 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 its growth strategy, the Company may also consider acquisition opportunities in new or related markets.

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

- (1) Sales growth of 6% to 8% in core businesses;
- (2) An aggregate operating margin improvement of at least 2% over the next four years; and

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

FORWARD-LOOKING STATEMENTS

The Company has made and will make certain forward-looking statements in its Annual Report, Form 10-K and in other contexts relating to future growth and profitability targets, and strategies designed to increase total shareholder value. The Private Securities Litigation Reform Act of 1995 (the "Act") provides a "safe harbor" for forward-looking statements to encourage companies to provide prospective information, so long as those statements are identified as forward-looking and are accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those discussed in the forward-looking statements. The Company desires to take advantage of the "safe harbor" provisions of the Act.

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

- Weather conditions in North America and Europe which have a significant impact on the timing of sales in the Spring selling season and overall annual sales;
- Continued marketplace acceptance of the Company's Consumer Lawns and Consumer Gardens groups' "pull" advertising marketing strategies, particularly in the Consumer Lawns group which refocused its general marketing strategy beginning in fiscal 1996;
- The Company's ability to maintain profit margins on its products, to produce its products on a timely basis, and to maintain and develop additional production capacity as necessary to meet demand;
- Competition among lawn and garden care product producers supplying the consumer and professional markets, both in North America and Europe;
- Competition between and the recent consolidation within the retail outlets selling lawn and garden care products produced by the Company;
- Public perceptions regarding the safety of the products produced and marketed by the Company;
- Inherent risks of international development, including currency exchange rates, economic conditions and regulatory and cultural difficulties or delays in the Company's development outside the United States;
- Changes in economic conditions in the United States and the impact of changes in interest rates; and
- The ability of the Company to improve its processes and business practices to keep pace with the economic, competitive and technological environment, including successfully addressing the Year 2000 issues.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For the fiscal year ended September 30, 1997, the disclosure under Item 305 of Regulation S-K is not required.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

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

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

In accordance with General Instruction G(3), the information contained under the captions "BENEFICIAL OWNERSHIP OF SECURITIES OF THE COMPANY--Voting Restrictions on the Miracle-Gro Shareholders", and "--Section 16(a) Beneficial Ownership Reporting Compliance" and "ELECTION OF DIRECTORS" in the Registrant's definitive Proxy Statement for the 1998 Annual Meeting of Shareholders to be held on February 18, 1998 to be filed with the Securities and Exchange Commission pursuant to Regulation 14A promulgated under the Securities Exchange Act of 1934 (the "Proxy Statement"), is incorporated herein by reference. The information regarding executive officers required by Item 401 of Regulation S-K is included in Part I hereof under the caption "Executive Officers of Registrant."

ITEM 11. EXECUTIVE COMPENSATION

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

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

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

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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

PART IV

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

(A) DOCUMENTS FILED AS PART OF THIS REPORT

1 and 2. Financial Statements and Financial Statement Schedules:

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

The following financial statement schedule of The Scotts Company, for the fiscal years ended September 30, 1997, 1996, and 1995 is filed as part of this Report and should be read in conjunction with the Consolidated Financial Statements and Notes thereto.

Schedule II Valuation and Qualifying Accounts for the years ended September 30, 1997, 1996 and 1995.

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

3. Exhibits:

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

EXECUTIVE COMPENSATORY PLANS AND ARRANGEMENTS

Exhibit No.	Description	Location
10(a)	The Scotts Company Associates' Pension Plan as amended effective January 1, 1989 and December 31, 1995 (the "Pension Plan")	Incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 1996 (File No. 1-11593) [Exhibit 10(a)]
10(b)	First Amendment to the Pension Plan	*
10(c)	Third Restatement of The Scotts Company Profit Sharing and Savings Plan	Incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 1996 (File No. 1-11593) [Exhibit 10(b)]
10(d)	First Amendment to the Third Restatement of The Scotts Company Profit Sharing and Savings Plan	*
10(e)	The O.M. Scott & Sons Company Excess Benefit Plan, effective October 1, 1993	Incorporated herein by reference to the Annual Report on Form 10-K of The Scotts Company, a Delaware corporation ("Scotts Delaware") for the fiscal year ended September 30, 1993 (File No. 0-19768) [Exhibit 10(h)]
10(f)	The Scotts Company 1992 Long Term Incentive Plan	Incorporated herein by reference to Scotts Delaware's Registration Statement on Form S-8 filed on March 26, 1993 (Registration No. 33-60056) [Exhibit 4(f)]

Exhibit No.	Description	Location
10(g)	The Scotts Company 1997 Executive Annual Incentive Plan	*
10(h)	The Scotts Company 1996 Stock Option Plan (as amended through March 12, 1997)	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended March 29, 1997 (File No. 1-11593) [Exhibit 10(a)]
10(i)	The Scotts Company Incentive Pay Deferral Plan	*
10(j)	Employment Agreement, dated as of May 19, 1995, between the Registrant and James Hagedorn	Incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 1995 (File No. 1-11593) [Exhibit 10(p)]
10(k)	Employment Agreement, dated as of May 19, 1995, among Stern's Miracle-Gro Products, Inc. (nka Scotts' Miracle-Gro Products, Inc.), the Registrant and Horace Hagedorn	Incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 1996 (File No. 1-11593) [Exhibit 10(j)]
10(l)	Consulting Agreement, dated July 9, 1997, among Scotts' Miracle-Gro Products, Inc., the Registrant and Horace Hagedorn	*
10(m)	Employment Agreement, dated as of May 19, 1995, among Stern's Miracle-Gro Products, Inc. (nka Scotts' Miracle-Gro Products, Inc.), the Registrant and John Kenlon	Incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 1996 (File No. 1-11593) [Exhibit 10(k)]
10(n)	Employment Agreement, dated as of August 7, 1996, between the Registrant and Charles M. Berger	Incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 1996 (File No. 1-11593) [Exhibit 10(l)]
10(o)	Stock Option Agreement, dated as of August 7, 1996, between the Registrant and Charles M. Berger	Incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 1996 (File No. 1-11593) [Exhibit 10(m)]
10(p)	Letter Agreement, dated December 23, 1996, between the Registrant and Jean H. Mordo	*
10(q)	Specimen form of Stock Option Agreement for Non-Qualified Stock Options	*
10(r)	Letter Agreement, dated April 10, 1997, between the Registrant and G. Robert Lucas	*
10(s)	Letter Agreement, dated October 29, 1997, as amended, between the Registrant and Lawrence McCartney	*

* Filed herewith.

(b) REPORTS ON FORM 8-K

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

(c) EXHIBITS

See Item 14(a)(3) above.

(d) FINANCIAL STATEMENT SCHEDULES

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

SIGNATURES

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

THE SCOTTS COMPANY

Dated: December 11, 1997

By: /s/ CHARLES M. BERGER

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

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

SIGNATURES	TITLE	DATE
/s/ JAMES B BEARD ----- James B Beard	Director	December 11, 1997
/s/ CHARLES M. BERGER ----- Charles M. Berger	Chairman of the Board/President/ Chief Executive Officer	December 11, 1997
/s/ JOHN S. CHAMBERLIN ----- John S. Chamberlin	Director	December 11, 1997
/s/ JOSEPH P. FLANNERY ----- Joseph P. Flannery	Director	December 11, 1997
/s/ HORACE HAGEDORN ----- Horace Hagedorn	Vice Chairman/Director	December 11, 1997
/s/ JAMES HAGEDORN ----- James Hagedorn	Executive Vice President/Director	December 11, 1997
/s/ ALBERT E. HARRIS ----- Albert E. Harris	Director	December 11, 1997
/s/ JOHN KENLON ----- John Kenlon	Director	December 11, 1997
/s/ KAREN GORDON MILLS ----- Karen Gordon Mills	Director	December 11, 1997
/s/ JEAN H. MORDO ----- Jean H. Mordo	Executive Vice President/Chief Financial Officer/ Principal Accounting Officer	December 11, 1997
/s/ JOHN M. SULLIVAN ----- John M. Sullivan	Director	December 11, 1997
/s/ L. JACK VAN FOSSEN ----- L. Jack Van Fossen	Director	December 11, 1997

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
AND FINANCIAL STATEMENT SCHEDULESFORM 10-K
ANNUAL REPORT

Consolidated Financial Statements of The Scotts Company and Subsidiaries	
Report of Management	F-2
Report of Independent Accountants	F-2
Consolidated Statements of Operations for the years ended September 30, 1997, 1996 and 1995	F-3
Consolidated Statements of Cash Flows for the years ended September 30, 1997, 1996 and 1995	F-4
Consolidated Balance Sheets at September 30, 1997 and 1996	F-5
Consolidated Statements of Changes in Shareholders' Equity for the years ended September 30, 1997, 1996 and 1995	F-6
Notes to Consolidated Financial Statements	F-7 to F-22
Schedules Supporting the Consolidated Financial Statements:	
Report of Independent Accountants on Financial Statement Schedules	F-23
Valuation and Qualifying Accounts for the years ended September 30, 1997, 1996 and 1995	F-24 to F-26

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

REPORT OF MANAGEMENT

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

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

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

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

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders and Board of Directors
of The Scotts Company

We have audited the accompanying consolidated balance sheets of The Scotts Company and Subsidiaries as of September 30, 1997 and 1996, and the related consolidated statements of operations, cash flows and changes in shareholders' equity for each of the three years in the period ended September 30, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Scotts Company and Subsidiaries as of September 30, 1997 and 1996, and the consolidated results of their operations and their cash flows for each of the three years in the period ended September 30, 1997, in conformity with generally accepted accounting principles.

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

October 24, 1997

Except for Note 16

to the consolidated financial statements,
as to which the date is December 12, 1997.

THE SCOTTS COMPANY AND SUBSIDIARIES
 Consolidated Statements of Operations
 for the fiscal years ended September 30, 1997, 1996 and 1995
 (in millions except per share amounts)

	1997	1996	1995
Sales	\$900.8	\$751.9	\$732.8
Cost of sales	573.6	512.4	498.8
Gross profit	327.2	239.5	234.0
Advertising and promotion	83.9	69.2	60.5
Selling, general and administrative	130.5	116.6	109.4
Amortization of goodwill and other intangibles	10.2	8.8	6.0
Other expense (income), net	6.3	17.1	(4.5)
Income from operations	96.3	27.8	62.6
Interest expense	26.7	26.5	26.3
Income before income taxes	69.6	1.3	36.3
Income taxes	30.1	3.8	13.9
Net income (loss)	39.5	(2.5)	22.4
Preferred stock dividends	9.8	9.8	3.6
Income (loss) applicable to common shareholders	\$ 29.7	\$(12.3)	\$ 18.8
Income (loss) per common share	\$ 1.35	\$(0.65)	\$ 0.99
Common shares used in income (loss) per common share computation	29.3	18.8	22.6

See Notes to Consolidated Financial Statements

THE SCOTTS COMPANY AND SUBSIDIARIES
Consolidated Statements of Cash Flows
for the fiscal years ended September 30, 1997, 1996 and 1995
(in millions)

	1997	1996	1995
<hr style="border-top: 1px dashed black;"/>			
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)	\$ 39.5	\$ (2.5)	\$ 22.4
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation	16.6	16.8	16.1
Amortization	13.8	12.5	9.6
Other expense (income), net	5.6	15.0	(4.2)
Deferred income taxes	(1.5)	(5.7)	(2.6)
Changes in assets and liabilities:			
Accounts receivable	18.3	66.1	(35.2)
Inventories	17.3	(4.9)	(23.0)
Prepaid and other current assets	0.4	2.1	(2.1)
Accounts payable	1.1	(16.9)	12.0
Accrued liabilities	12.7	0.6	9.6
Other, net	(2.7)	(0.8)	1.8
Net cash provided by operating activities	----- 121.1	----- 82.3	----- 4.4
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in property, plant and equipment	(28.6)	(18.2)	(23.6)
Proceeds from sale of equipment	2.7	0.8	0.7
Investment in affiliate	(46.6)	--	(0.2)
Cash acquired in merger transactions with Miracle-Gro	--	--	6.4
Proceeds from Peters(R) divestiture	--	--	10.0
Net cash used in investing activities	----- (72.5)	----- (17.4)	----- (6.7)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments on term and other debt	--	--	(27.1)
Net (payments) borrowings under revolving credit	(28.7)	(48.5)	27.4
Net (payments) borrowings under bank line of credit	(8.6)	1.9	(1.8)
Dividends on Class A Convertible Preferred Stock	(9.8)	(12.2)	(1.1)
Other, net	0.9	(2.3)	(0.1)
Net cash used in financing activities	----- (46.2)	----- (61.1)	----- (2.7)
Effect of exchange rate changes on cash	--	(0.2)	1.3
Net increase (decrease) in cash	2.4	3.6	(3.7)
Cash, beginning of period	10.6	7.0	10.7
Cash, end of period	----- \$ 13.0	----- \$ 10.6	----- \$ 7.0
SUPPLEMENTAL CASH FLOW INFORMATION:			
Interest (net of amount capitalized)	\$ 24.2	\$ 25.5	\$ 23.8
Income taxes paid	20.5	4.4	11.3
Dividends declared not paid			2.4
Businesses acquired:			
Fair value of assets acquired	115.9		235.6
Liabilities assumed and minority interest	(69.2)		(39.9)
Debt issued	44.9		
Class A Convertible Preferred Stock issued			177.3
Warrants issued			14.4

See Notes to Consolidated Financial Statements

THE SCOTTS COMPANY AND SUBSIDIARIES
Consolidated Balance Sheets
September 30, 1997 and 1996
(in millions)

	1997	1996

ASSETS		
Current Assets:		
Cash	\$ 13.0	\$ 10.6
Accounts receivable, less allowance for uncollectible accounts of \$5.7 in 1997 and \$4.1 in 1996	104.3	110.4
Inventories	146.1	148.8
Prepaid and other assets	22.4	22.1
Total current assets	----- 285.8	----- 291.9
Property, plant and equipment, net	146.1	139.5
Goodwill, net	215.6	180.2
Other intangibles, net	136.6	106.5
Other assets	3.5	13.6
Total Assets	----- \$787.6 =====	----- \$731.7 =====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Revolving credit line and other short-term debt	\$ 1.5	\$ 2.2
Accounts payable	54.1	46.3
Accrued liabilities	57.8	42.6
Accrued taxes	25.9	19.7
Total current liabilities	----- 139.3	----- 110.8
Term debt, less current portion	219.8	223.1
Other liabilities	39.3	33.5
Total Liabilities	----- 398.4	----- 367.4
Commitments and Contingencies		
Shareholders' Equity:		
Class A Convertible Preferred Stock, no par value	177.3	177.3
Common shares, no par value per share, \$.01 stated value per share, issued 21.1 shares in 1997 and 1996	0.2	0.2
Capital in excess of par value	207.8	207.6
Retained earnings	50.1	20.4
Cumulative foreign currency translation account	(4.3)	2.2
Treasury stock, 2.4 shares in 1997 and 2.5 shares in 1996, at cost	(41.9)	(43.4)
Total Shareholders' Equity	----- 389.2	----- 364.3
Total Liabilities and Shareholders' Equity	----- \$787.6 =====	----- \$731.7 =====

See Notes to Consolidated Financial Statements

THE SCOTTS COMPANY AND SUBSIDIARIES
 Consolidated Statements of Changes in Shareholders' Equity
 for the fiscal years ended September 30, 1997, 1996 and 1995
 (in millions)

	Class A Convertible Preferred Stock		Common Shares		Capital in Excess of Par Value	Retained Earnings	Treasury Stock		Cumulative Foreign Currency Translation Account	Total
	Shares	Amount	Shares	Amount			Shares	Amount		
Balance, September 30, 1994			21.1	\$0.2	\$193.4	\$ 13.9	(2.4)	\$(41.4)	\$ 2.1	\$168.2
Issuance of common shares held in treasury								0.4		0.4
Net income						22.4				22.4
Dividends						(3.6)				(3.6)
Foreign currency translation									2.0	2.0
Issuance of Class A Convertible Preferred Stock	.195	\$177.3								177.3
Issuance of warrants					14.4					14.4
Options outstanding					(0.3)					(0.3)
Balance, September 30, 1995	.195	177.3	21.1	0.2	207.5	32.7	(2.4)	(41.0)	4.1	380.8
Issuance of common shares held in treasury					0.1		0.4	7.4		7.5
Purchase of common stock							(0.5)	(9.8)		(9.8)
Net loss						(2.5)				(2.5)
Dividends						(9.8)				(9.8)
Foreign currency translation									(1.9)	(1.9)
Balance, September 30, 1996	.195	177.3	21.1	0.2	207.6	20.4	(2.5)	(43.4)	2.2	364.3
Issuance of common shares held in treasury					0.2		0.1	1.5		1.7
Net Income						39.5				39.5
Dividends						(9.8)				(9.8)
Foreign currency translation									(6.5)	(6.5)
Balance, September 30, 1997	.195	\$177.3	21.1	\$0.2	\$207.8	\$ 50.1	(2.4)	\$(41.9)	\$(4.3)	\$389.2

See Notes to Consolidated Financial Statements

THE SCOTTS COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 United Kingdom, the European Union, the Caribbean, Southeast Asia, the Middle East, Africa, Australia, New Zealand, Mexico, Japan, and several Latin American Countries.

ORGANIZATION AND BASIS OF PRESENTATION

The consolidated financial statements include the accounts of The Scotts Company ("Scotts") and its wholly-owned subsidiaries, Hyponex Corporation ("Hyponex"), Republic Tool and Manufacturing Corp. ("Republic"), Scotts-Sierra Horticultural Products Company ("Sierra"), Scotts' Miracle-Gro Products, Inc. ("Miracle-Gro"), and Miracle Holdings Limited ("Miracle Holdings"), collectively, the "Company". All material intercompany transactions have been eliminated.

REVENUE RECOGNITION

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

RESEARCH AND DEVELOPMENT

All costs associated with research and development are charged to expense as incurred. Expense for fiscal 1997, 1996 and 1995 was \$10.0, \$10.6, and \$11.0, respectively.

ADVERTISING AND PROMOTION

The Company advertises its branded products through national and regional media, and through cooperative advertising programs with retailers. Retailers are also offered pre-season stocking and in-store promotional allowances. Certain products are also promoted with direct consumer rebate programs. Costs for these advertising and promotional programs are generally expensed ratably over the year in relation to revenues or related performance measures.

INCOME TAXES

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

NET INCOME PER COMMON SHARE

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

USE OF ESTIMATES

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

management's best knowledge of current events and actions the Company may undertake in the future, actual results ultimately may differ from the estimates.

INVENTORIES

Inventories are principally stated at the lower of cost or market, determined by the FIFO method; however, certain inventories of Hyponex (primarily organics products) are accounted for by the LIFO method. At September 30, 1997 and 1996, approximately 13.8% and 15.0% of inventories, respectively, are valued at the lower of LIFO cost or market. Inventories include the cost of raw materials, labor and manufacturing overhead.

The Company makes provisions for obsolete or slow-moving inventories as necessary to properly reflect inventory value. Inventories, net of provisions of \$11.8 and \$8.7 as of September 30, 1997 and 1996, respectively, consisted of:

	1997	1996
Finished Goods.....	\$102.8	\$ 96.7
Raw Materials.....	42.8	51.9
FIFO Cost.....	145.6	148.6
LIFO Reserve.....	0.5	0.2
	\$146.1	\$148.8

PROPERTY, PLANT AND EQUIPMENT

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

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

Land improvements.....	10-25 years
Buildings.....	10-40 years
Machinery and equipment.....	3-15 years
Furniture and fixtures.....	6-10 years
Software.....	3- 4 years

Property, plant and equipment at September 30, 1997 and 1996 consisted of the following:

	1997	1996
Land and improvements.....	\$ 27.6	\$ 28.4
Buildings.....	44.9	44.3
Machinery and equipment.....	136.8	137.8
Furniture and fixtures.....	11.5	11.5
Software.....	3.2	1.8
Construction in progress.....	24.5	10.5
	248.5	234.3
Less accumulated depreciation.....	102.4	94.8
	\$146.1	\$139.5

INTANGIBLE ASSETS

Goodwill arising from business acquisitions is amortized over 40 years on a straight-line basis. Other intangible assets consist primarily of patents and debt issuance costs. Debt issuance costs are being amortized over the terms of the various agreements. Patents and trademarks are being amortized on a straight-line basis over periods varying from 7 to 40 years. Accumulated amortization at September 30, 1997 and 1996 was \$68.9 and \$55.8, respectively.

Goodwill and identifiable trademarks associated with the January 3, 1997 purchase of the remaining interest in Miracle Holdings, including its subsidiary, Miracle Garden Care Limited ("MGC"), are \$40.5 and \$37.1, respectively, as of September 30, 1997. See Note 3.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Company management periodically assesses the recoverability of goodwill, trademarks and other intangible assets by determining whether the amortization of such assets over the remaining lives can be recovered through projected undiscounted net cash flows produced by such assets. In fiscal 1995, goodwill was reduced by \$3.5 related to the disposition of the Peters (I) U.S. consumer water-soluble fertilizer business.

FOREIGN EXCHANGE INSTRUMENTS

The Company has historically entered into forward foreign exchange contracts and purchased currency options to hedge its exposure to fluctuations in foreign currency exchange rates. These contracts generally involve the exchange of one currency for a second currency at some future date. Counterparties to these contracts are major financial institutions. Gains and losses on these contracts generally offset gains and losses on the assets, liabilities and transactions being hedged. Effective in the second quarter of fiscal 1997, the Company significantly reduced this program, while it reassesses its foreign exchange policy in light of actions taken internally to reduce such exposures.

Realized and unrealized foreign exchange gains and losses are recognized and offset foreign exchange gains or losses on the underlying exposures. Unrealized gains and losses that are designated and effective as hedges on such transactions are deferred and recognized in income in the same period as the hedged transactions. The net unrealized loss deferred at September 30, 1997 was not material.

At September 30, 1997, the Company's European operations had foreign exchange risk in various European currencies tied to the Dutch Guilder. These currencies are the Australian Dollar, Belgian Franc, German Mark, Spanish Peseta, Italian Lire, French Franc, British Pound and U.S. Dollar. The Company's U.S. operations had foreign exchange rate risk in the Canadian Dollar, Dutch Guilder and British Pound which are tied to the U.S. Dollar. As of September 30, 1997, MGC had outstanding forward foreign exchange contracts with a contract value of approximately 15.1 Dutch Guilders. These contracts have maturity dates ranging from March 12, 1998 to March 30, 1998.

All assets and liabilities in the balance sheets of foreign subsidiaries whose functional currency is other than the U.S. dollar are translated into U.S. dollar equivalents at year-end exchange rates. Translation gains and losses are accumulated as a separate component of shareholders' equity. Income and expense items are translated at average monthly exchange rates. Cumulative foreign currency translation balances were a loss of \$4.3 and a gain of \$2.2 as of September 30, 1997 and 1996, respectively. Foreign currency transaction gains and losses are included in determining net income.

RECLASSIFICATIONS

Certain reclassifications have been made to the prior years' financial statements to conform to fiscal 1997 classifications.

2. OTHER EXPENSE (INCOME), NET

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

	1997	1996	1995
Royalty income.....	\$(2.0)	\$(1.0)	\$(0.9)
Asset valuation charges.....	6.0	12.8	--
Restructuring severance.....	0.3	4.9	--
Foreign currency loss.....	--	1.2	0.3
Gain on divestiture.....	--	--	(4.2)
Other, net.....	2.0	(0.8)	0.3
Total.....	\$ 6.3	\$17.1	\$(4.5)

During fiscal 1997, the Company recorded \$6.0 asset valuation charges related to the sale of a water-soluble fertilizer plant, the write-down of packaging equipment rendered obsolete by the changeover to plastic packaging and provisions for other under-utilized productive assets.

During fiscal 1996, the Company recorded \$17.7 of unusual, non-recurring charges as part of management's plan to reduce costs, improve operating efficiencies and return to future profitable growth. This program was substantially completed as of September 30, 1996 and included the cost of exiting certain facilities, asset impairments due to production and product realignments, and employee severance costs. These unusual charges included: (1) \$4.9 for severance costs due to the elimination of 140 associate positions; (2) \$3.5 for previously deferred packaging costs for

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

products that are being eliminated or for planned packaging changes; and (3) \$9.3 related to the write-down of various under-utilized or idle assets, including several plant closings.

3. MERGERS AND ACQUISITIONS

MGC

Effective January 3, 1997, the Company acquired the approximately two-thirds interest in Miracle Holdings which the Company did not already own for approximately \$46.6. Miracle Holdings owns MGC, a manufacturer and distributor of lawn and garden products in the United Kingdom.

The following unaudited pro forma results of operations give effect to the Miracle Holdings acquisition as if it had occurred on October 1, 1995.

	1997	1996
Net sales.....	\$912.2	\$804.9
Net income.....	38.4	(2.4)
Income per common share.....	1.31	(0.64)

The pro forma information provided does not purport to be indicative of actual results of operations if the Miracle Holdings acquisition had occurred as of October 1, 1995, and is not intended to be indicative of future results or trends.

MIRACLE-GRO

Effective May 19, 1995, the Company completed the merger transactions with Stern's Miracle-Gro Products, Inc. ("Miracle-Gro Products") and affiliated companies (the "Miracle-Gro Companies") for an aggregate purchase price of approximately \$195.7. The consideration was comprised of \$195.0 face amount of Class A Convertible Preferred Stock of Scotts with a fair value of \$177.3, warrants to purchase 3.0 common shares of Scotts with a fair value of \$14.4 and \$4.0 of estimated transaction costs. The Preferred Stock has a dividend yield of 5.0% and is convertible into common shares of Scotts at \$19.00 per share. The warrants are exercisable for 1.0 common shares at \$21.00 per share, 1.0 common shares at \$25.00 per share and 1.0 common shares at \$29.00 per share. The fair value of the warrants has been included in capital in excess of par value in the Company's balance sheet. See Note 7 for additional information.

The Miracle-Gro Companies are engaged in the marketing and distribution of plant foods and lawn and garden products primarily in the United States and Canada and Europe. On December 31, 1994, Miracle-Gro Products Limited ("MG Limited"), a subsidiary of Miracle-Gro, entered into an agreement to exchange its equipment and a license for distribution of Miracle-Gro products in certain areas of Europe for an approximately one-third equity interest in MGC. As previously mentioned, the remaining approximately two-thirds interest was purchased effective January 3, 1997.

The Federal Trade Commission ("FTC") in granting permission for the acquisition of the Miracle-Gro Companies, required that the Company divest its Peters(R) line of consumer water-soluble fertilizers. See Note 2.

The merger transactions have been accounted for using the purchase method. Accordingly, the purchase price has been allocated to the assets acquired and liabilities assumed based on their estimated fair values at the date of the acquisition. The excess of purchase price over the estimated fair values of the net assets acquired ("goodwill") of approximately \$87.2 and trademarks of \$90.0 are being amortized on a straight-line basis over 40 years. The Miracle-Gro Companies' results of operations have been included in the Consolidated Statements of Operations from the acquisition date of May 19, 1995.

4. PENSION

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

In September 1997, management, in conjunction with the decision to offer a new defined contribution retirement savings plan to Company associates, decided to suspend benefits under the above-defined benefit plans. The decision will significantly consolidate the number of retirement plans that are currently sponsored by the Company. The

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

suspension of benefits under the defined benefit plans was accounted for as a curtailment under SFAS No. 88 ("Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits"). The gain recognized from the reduction of the projected benefit obligation was offset by the recognition of previously unrecognized net losses and obligations.

The following table sets forth the plans' funded status and the related amounts recognized in the Consolidated Balance Sheets, as well as the funded status of the plans prior to curtailment.

September 30,

	Post- Curtailment 1997	Pre- Curtailment 1997	1996
Actuarial present value of benefit obligations:			
Accumulated benefit obligation:			
Vested benefits.....	\$ (42.5)	\$ (42.5)	\$(35.7)
Nonvested benefits.....	(7.4)	(7.4)	(7.2)
Additional obligation for projected compensation increases.....	--	(10.8)	(9.4)
Projected benefit obligation for service rendered to date.....	(49.9)	(60.7)	(52.3)
Plan assets at fair value, primarily corporate bonds, U.S. bonds and cash equivalents.....	53.9	53.9	48.1
Plan assets greater (less) than projected benefit obligations....	4.0	(6.8)	(4.2)
Unrecognized net asset being amortized over 11 1/2 years.....	--	0.2	(0.1)
Unrecognized net loss.....	--	10.3	7.0
Prepaid pension costs.....	\$ 4.0	\$ 3.7	\$ 2.7

Pension cost includes the following components:

Fiscal year ended
September 30,

	1997	1996	1995
Service cost.....	\$ 1.9	\$ 1.8	\$ 1.7
Interest cost.....	4.1	3.8	3.3
Actual return on plan assets.....	(7.0)	(4.3)	(5.1)
Net amortization and deferral.....	2.8	0.6	2.0
Net pension cost.....	\$ 1.8	\$ 1.9	\$ 1.9

The weighted-average settlement rate used in determining the actuarial present value of the projected benefit obligation was 7.25% as of September 30, 1997 and 8% as of September 30, 1996 and 1995. Future compensation was assumed to increase 4% annually for fiscal 1997, 1996 and 1995. The expected long-term rate of return on plan assets was 9% in fiscal 1997, 1996 and 1995.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Actuarial present value of benefit obligation:	
Accumulated benefit obligation:	
Vested benefits.....	\$(13.8)
Non-vested benefits.....	--
Additional obligation for projected compensation increases.....	(4.1)

Projected benefit obligation for service rendered to date.....	(17.9)
Plan assets at fair value.....	14.7

Plan assets less than projected benefit obligation...	(3.2)
Unrecognized liability.....	0.3

Net pension liability.....	\$ (2.9)

The Company has a non-qualified supplemental pension plan covering certain employees which provides for incremental pension payments from the Company's funds so that total pension payments equal amounts that would have been payable from the Company's pension plans if it were not for limitations imposed by income tax regulations. Similar to the qualified plans, benefits under this plan were also suspended effective September 1997. Prior to curtailment, the projected benefit obligation under this non-funded plan was \$1.7 and the recorded obligation net of unrecognized items was \$1.1. The recorded obligation at September 30, 1997 was increased to \$1.4 based on management's decision to curtail the plan. The projected benefit obligation was \$1.9 at September 30, 1996. Pension expense for the plan was \$0.2, \$0.3 and \$0.4 in fiscal 1997, 1996 and 1995, respectively.

5. ASSOCIATE BENEFITS

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

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

Net periodic postretirement benefit cost includes the following components:

	Fiscal year ended September 30,		

	1997	1996	1995

Service cost--benefits attributed to associate			
service during the year.....	\$ 0.3	\$ 0.4	\$ 0.4
Interest cost on accumulated postretirement benefit obligation.....	1.1	1.5	1.5
Amortization of prior service costs and gains from changes in assumptions.....	(1.2)	(0.9)	(0.9)
	----	----	----
Net periodic postretirement benefit cost.....	\$ 0.2	\$ 1.0	\$ 1.0
	----	----	----

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table sets forth the retiree medical plan status reconciled to the amount included in the Consolidated Balance Sheets, as of September 30, 1997 and 1996.

	1997	1996

Accumulated postretirement benefit obligation:		
Retirees.....	\$ 7.8	\$10.6
Fully eligible active plan participants.....	0.4	0.2
Other active plan participants.....	7.6	7.3
	-----	-----
Total accumulated postretirement benefit obligation.....	15.8	18.1
Unrecognized prior service cost.....	5.8	6.8
Unrecognized gain from changes in assumptions.....	5.0	2.3
	-----	-----
Accrued postretirement benefit cost	\$26.6	\$27.2
	-----	-----

The discount rates used in determining the accumulated postretirement benefit obligation were 7.25% and 8.0% in fiscal 1997 and 1996, respectively. For measurement purposes, an 8.5% and 9% annual rate of increase in per capita cost of covered retiree medical benefits was assumed for 1997 and 1996, respectively; the rate was assumed to decrease gradually to 5.5% through the year 2004 and remain at that level thereafter. A 1% increase in the health care cost trend rate assumptions would increase the accumulated postretirement benefit obligation as of September 30, 1997 and 1996 by \$1.0 and \$1.2, respectively.

Both Scotts and Hyponex have defined contribution profit sharing plans. Both plans provide for associates to become participants following one year of service. The Hyponex plan also requires associates to have reached the age of 21 for participation. The plans provide for annual contributions which are entirely at the discretion of the respective Board of Directors. Contributions are allocated among the participants employed as of the last day of the calendar year, based upon participants' earnings. Each participant's share of the annual contributions vest according to the provisions of the plans. The Company has provided a profit sharing provision for the plans of \$2.3, \$0.9 and \$1.5 for fiscal 1997, 1996 and 1995, respectively. The Company's policy is to deposit the contributions with the trustee in the following year.

Sierra has a savings and investment plan ("401K Plan") for certain salaried U.S. employees. Participants may make voluntary contributions to the plan between 2% and 16% of their compensation. Sierra contributes the lesser of 50% of each participant's contribution or 3% of each participant's compensation. Sierra's contributions for fiscal 1997 and 1996 were not material.

The Company is self-insured for certain health benefits up to \$0.2 per occurrence per individual. The cost of such benefits is recognized as expense in the period the claim occurred. This cost was \$7.9, \$9.4 and \$7.9 in fiscal 1997, 1996 and 1995, respectively. The Company is self-insured for State of Ohio workers compensation up to \$0.5 per claim. Claims in excess of stated limits of liability and claims for workers compensation outside of the State of Ohio are insured with commercial carriers.

6. DEBT

	September 30,	
	1997	1996

Revolving credit line.....	\$121.8	\$125.7
9 7/8% Senior Subordinated Notes \$100 face amount (net of unamortized discount)....	99.4	99.4
Capital lease obligations and other.....	0.1	0.2
	-----	-----
	221.3	225.3
Less current portions.....	1.5	2.2
	-----	-----
	\$219.8	\$223.1
	-----	-----

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Maturities of term debt and capital leases for the next five fiscal years are as follows:

(in millions)

1998.....	1.5
1999.....	--
2000.....	120.4
2001.....	--
2002.....	--
Thereafter.....	100.0

On December 23, 1996, the Company entered into an amendment to the Fourth Amended and Restated Credit Agreement (the "Agreement") with Chase Manhattan Bank ("Chase") and various participating banks. The amendment provides, on an unsecured basis, up to \$425 to the Company, which represents an increase of \$50 to the revolving credit facility, and establishes a \$100 sub-tranche to be available in U.K. Pounds Sterling.

Other provisions of the Agreement, including an uncommitted advance facility and a committed revolving credit facility through the scheduled termination date of March 31, 2000, remain substantially the same. The Agreement contains a requirement limiting the maximum amount borrowed to \$225 for a minimum of 30 consecutive days each fiscal year.

Interest pursuant to the competitive advance facility is determined by auction. Interest pursuant to the revolving credit facility is at a floating rate initially equal, at the Company's option, to the Alternate Base Rate as defined in the Agreement without additional margin or the Eurodollar Rate as defined in the Agreement plus a margin of .3125% per annum, which margin may be decreased to .25% or increased up to .625% based on the changes in the unsecured debt ratings of the Company. Applicable interest rates for the various borrowing facilities ranged from 5.86% to 8.50% at September 30, 1997. The Agreement provides for the payment of an annual administration fee of \$0.1 and a facility fee of .1875% per annum, which fee may be reduced to .15% or increased up to .375% based on the unsecured debt ratings of the Company.

The Agreement contains certain financial and operating covenants, including maintenance of interest coverage ratios, maintenance of consolidated net worth, and restrictions on additional indebtedness and capital expenditures. Dividends and stock repurchases are restricted only in the event of default.

At September 30, 1997, the Company had available an unsecured \$2.0 line of credit with a bank, which is renewable annually. Amounts outstanding at September 30, 1997 and 1996 were \$1.4 and \$2.0, respectively.

On July 19, 1994, the Company issued \$100.0 principal amount of 9 7/8% Senior Subordinated Notes. The Notes are subject to redemption, at the option of the Company, in whole or in part at any time on or after August 1, 1999 at a declining premium to par until 2001 and at par thereafter and are not subject to sinking fund requirements. The fair market value of the 9 7/8% Senior Subordinated Notes, estimated based on the quoted market prices for same or similar issues, was approximately \$107.8 at September 30, 1997. The Notes are subject to certain covenants limiting, among other things, indebtedness of subsidiaries, dividends and other payment restrictions.

7. SHAREHOLDERS' EQUITY

(in millions except per share amounts and certain number of shares specifically noted)

Stock	1997	1996
Class A Convertible Preferred		
Stock, no par value:		
Authorized.....	.195 shares	.195 shares
Issued.....	.195 shares	.195 shares
Common shares, no par value		
Authorized.....	50.0 shares	50.0 shares
Issued.....	21.1 shares	21.1 shares

Effective with the Miracle-Gro Companies merger transactions, \$195.0 face amount of Class A Convertible Preferred Stock was issued as part of the purchase price. This Preferred Stock is convertible into 10.3 common shares at \$19.00 per common share. Additionally, warrants to purchase 3.0 common shares of Scotts were issued as part of the purchase price. The warrants are exercisable for 1.0 common shares at \$21.00 per share, 1.0 common shares at \$25.00 per share and 1.0 common shares at \$29.00 per share. The exercise term for the warrants expires September-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

ber 2003. The fair value of the warrants at issuance has been included in capital in excess of par value in the Company's balance sheet.

The Class A Convertible Preferred Stock has certain voting restrictions and limits the shareholders from acquiring additional voting securities of the Company. The Class A Convertible Preferred Stock is subject to redemption at any time after May 19, 2000 for \$0.001 per share plus accrued unpaid dividends. Both the Class A Convertible Preferred Stock and the warrants have limits on transferability.

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

Under The Scotts Company 1996 Stock Option Plan (the "1996 Plan"), stock options may be granted to officers, other key employees and non-employee directors of the Company. The maximum number of common shares that may be issued under the 1996 Plan is 3.0.

Aggregate stock option activity consists of the following (Number of shares in following table are actual):

Fiscal Year Ended September 30,

	1997		1996		1995	
	Number of Shares	Wtd. Avg. Price	Number of Shares	Wtd. Avg. Price	Number of Shares	Wtd. Avg. Price
Balance at October 1.....	1,546,016	\$16.7289	1,662,125	\$16.5122	1,364,589	\$16.3619
Options granted.....	1,130,500	20.1776	482,000	18.2900	435,420	17.4788
Options exercised.....	(81,520)	12.7233	(429,558)	17.1706	(26,870)	16.2450
Options canceled.....	(8,166)	19.2678	(168,551)	18.1324	(111,014)	19.2273
Balance at September 30.....	2,586,830	\$18.3515	1,546,016	\$16.7288	1,662,125	\$16.5122
Exercisable at September 30.....	1,520,825	\$17.3021	1,150,688	\$16.2284	575,938	\$14.9759

The following summarizes certain information pertaining to stock options outstanding and exercisable at September 30, 1997 (Number of shares in following table are actual):

Range of Exercise Prices	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
	No. of Options	Wtd. Avg. Remaining Life	Wtd. Avg. Exercise Price	No. of Options	Wtd. Avg. Exercise Price
\$9.90.....	86,364	4.08	\$ 9.9000	86,364	\$ 9.9000
\$15.50-\$17.75.....	1,104,932	6.83	16.7020	1,021,929	16.6822
\$18.00-\$20.75.....	947,534	9.01	19.1020	194,202	18.3387
\$21.13-\$22.89.....	345,000	8.78	21.4464	188,331	21.5199
\$26.25-\$28.00.....	103,000	9.74	26.6911	29,999	26.5416
	2,586,830		\$18.3515	1,520,825	\$17.3021

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Had compensation expense been recognized for fiscal 1997 and 1996 in accordance with provisions of SFAS No. 123, the Company would have recorded net income and earnings per share as follows:

	1997	1996
Net income (loss) used in per share calculation.....	\$37.3	\$(12.9)
Net Income (loss) per share.....	\$1.27	\$ (.69)

8. NET INCOME (LOSS) PER COMMON SHARE

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

	Year Ended September 30,		
	1997	1996	1995
Net income (loss)	\$39.5	\$ (2.5)	\$22.4
Class A Convertible Preferred Stock dividend	--	(9.8)	--
Income (loss) used in income (loss) per common share calculation	\$39.5	\$(12.3)	\$22.4
Weighted-average common shares outstanding during the period	18.6	18.8	18.7
Assuming conversion of Class A convertible Preferred Stock	10.3	--	3.7
Assuming exercise of options	0.3	--	0.2
Assuming exercise of warrants	0.1	--	--
Weighted-average number of common shares outstanding and dilutive common share equivalents	29.3	18.8	22.6
Income (loss) per common share	\$1.35	\$(0.65)	\$0.99

The earnings per share computation is based on the weighted-average number of common shares and dilutive common share equivalents (stock options, Class A Convertible Preferred Stock and warrants) outstanding during each period. The common share equivalents were not considered in the loss per share computation for the year ended September 30, 1996 because they were antidilutive for such period.

For fiscal 1997, 1996 and 1995, fully diluted income per common share is considered to be the same as primary income per common share.

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, "Earnings Per Share" ("FAS 128"). FAS 128 establishes standards for computing and presenting earnings per share ("EPS"). FAS 128 replaces the presentation of primary EPS with a presentation of basic EPS which excludes dilution and is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period. This statement also requires dual presentation of basic EPS and diluted EPS on the face of the income statement for all periods presented. FAS 128 is effective for financial statements issued for periods ending after December 15, 1997, including interim periods. The Company plans to adopt FAS 128 in the first quarter of fiscal 1998. If FAS 128 had been adopted at September 30, 1997, basic and diluted EPS would have been:

	YEAR ENDED SEPTEMBER 30,		
	1997	1996	1995
Basic EPS	\$1.60	\$(0.65)	\$1.01
Diluted EPS	\$1.35	\$(0.65)	\$0.99

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. INCOME TAXES

The provision for income taxes consists of the following:

	YEAR ENDED SEPTEMBER 30,		
	1997	1996	1995
Currently payable:			
Federal.....	\$21.6	\$ 4.2	\$ 9.4
State.....	3.4	2.5	2.6
Foreign.....	6.6	2.8	4.5
Deferred:			
Federal.....	(1.3)	(5.1)	(2.2)
State.....	(0.2)	(0.6)	(0.4)
Income tax expense.....	\$30.1	\$ 3.8	\$13.9

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

	SEPTEMBER 30,	
	1997	1996
Assets		
Accounts receivable.....	\$ (0.3)	\$ 1.0
Inventories.....	6.8	5.6
Accrued liabilities.....	11.0	10.5
Postretirement benefits.....	10.5	10.7
Other.....	5.6	4.5
Gross deferred tax assets.....	33.6	32.3
Liabilities		
Property, plant and equipment.....	(21.3)	(19.1)
Net asset.....	\$ 12.3	\$ 13.2

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

	1997	1996
Net current asset	\$ 19.0	\$ 18.4
Net non-current liability	(6.7)	(5.2)
Net asset	\$ 12.3	\$ 13.2

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

	YEAR ENDED SEPTEMBER 30,		
	1997	1996	1995
Statutory income tax rate.....	35.0%	35.0%	35.0%
Pension amortization.....	0.1	6.3	0.1
Meals and entertainment.....	0.4	17.6	0.9
Peters sale.....	--	--	(3.0)
Goodwill amortization and other permanent differences resulting from purchase accounting.....	4.2	206.9	3.4
State taxes, net of federal benefit.....	3.0	97.6	4.4
Reversal of previous tax contingencies.....	(0.8)	(42.0)	(3.9)
Equity income of affiliate.....	--	(13.8)	0.7
Other.....	1.3	(5.3)	0.7
Effective income tax rate.....	43.2%	302.3%	38.3%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company acquired certain tax credit carryforwards in connection with its acquisition of Sierra. Net operating loss carryforwards in foreign jurisdictions total \$3.4, of which \$3.0 can be carried forward indefinitely. The use of these acquired carryforwards is subject to limitations imposed by the tax laws of each applicable country.

10. OPERATING LEASES

The Company leases buildings, land and equipment under various noncancellable lease agreements for periods of two to six years. The lease agreements generally provide that the Company pay taxes, insurance and maintenance expenses related to the leased assets. Certain lease agreements contain purchase options. At September 30, 1997, future minimum lease payments were as follows:

1998.....	\$11.9
1999.....	8.4
2000.....	4.9
2001.....	3.3
2002.....	0.9
Thereafter.....	0.1

Total minimum lease payments.....	\$29.5
	=====

The Company also leases transportation and production equipment under various one-year operating leases, which provide for the extension of the initial term on a monthly or annual basis. Total rental expenses for operating leases were \$12.3, \$14.0 and \$14.7 for fiscal 1997, 1996 and 1995, respectively.

11. COMMITMENTS AND CONTINGENCIES

Seed production agreements obligate the Company to make future purchases based on estimated yields. Seed purchases under production agreements for fiscal 1997, 1996 and 1995 were approximately \$13.5, \$11.4 and \$6.9, respectively. At September 30, 1997, estimated annual seed purchase commitments were as follows:

1998.....	\$16.1
1999.....	15.9
2000.....	7.5
2001.....	4.7
2002.....	0.7

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

OHIO ENVIRONMENTAL PROTECTION AGENCY

The Company has been assessing and, as required, addressing certain environmental issues regarding the wastewater treatment plants currently operating at the Marysville facility. Specifically, it has been considering whether to upgrade the existing treatment plants or to undertake to connect the facility's wastewater system with the City of Marysville's municipal treatment system. Additionally, the Company has been assessing, under Ohio's new Voluntary Action Program ("VAP"), the possible remediation of several discontinued on-site waste disposal areas dating back to the early operations of its Marysville facility.

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

In June 1997, the Company received formal notice of an enforcement action and draft Findings and Orders ("F&O") from the OEPA. The draft F&O elaborated on the subject of the referral to the OAG alleging: potential surface water violations relating to possible historical sediment contamination possibly impacting water quality; inadequate treatment capabilities of the Company's existing and currently permitted wastewater treatment plants; and that the

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Marysville site is subject to corrective action under the Resource Conservation Recovery Act ("RCRA"). In late July 1997, the Company received a draft judicial consent order from the OAG which covers many of the same issues contained in the draft F&O including RCRA corrective action.

In accordance with the Company's past efforts to enter into Ohio's VAP, the Company submitted to the OEPA a "Demonstration of Sufficient Evidence [of] VAP Eligibility Compliance" on July 8, 1997. Among other issues contained in the VAP submission, was a description of the Company's ongoing efforts to assess potential environmental impacts of the discontinued on-site waste disposal areas as well as potential remediation efforts. Pursuant to the statutes covering VAP, an eligible participant in the program is not subject to State enforcement actions for those environmental matters being addressed. On October 21, 1997, the Company received a letter from the Director of the OEPA denying VAP eligibility based upon the timeliness of and completeness of the submittal. The Company has appealed the Director's action to the Environmental Review Appeals Commission.

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

The Company does not believe the ultimate outcome of any proceedings which may result from the OEPA's referral of these matters to the OAG will have a material adverse effect on the business or the financial condition of the Company but is unable, at this stage, to predict the outcome of the issues. 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. Management does not believe that the outcome of this case will have a material adverse effect on the Company's operations or its financial condition. Furthermore, management believes the Company has sufficient raw material supplies available such that service to customers will not be materially adversely affected by continued closure of this peat harvesting operation.

HERSHBERGER

In September 1991, the Company was identified by the OEPA as a Potentially Responsible Party ("PRP") with respect to a site in Union County, Ohio (the "Hershberger site") that has allegedly contained waste which included hazardous substances whose transportation, treatment or disposal the Company allegedly arranged. Pursuant to an Administrative Order with the OEPA, the Company, together with four other PRPs identified to date, investigated the extent of contamination in the Hershberger site. The investigation confirmed that the site presents a low degree of risk and that the hazardous substances identified are not compounds generally used by the Company. However, due to the fact that the Company was originally named as a PRP, and due to the potential joint and several liability of PRPs, the Company has chosen to participate in an agreed voluntary remedial action at the site. The workplan for the remedial action has been approved by the OEPA. Such action is to consist of leachate collection and treatment/disposal, landfill cap repair, landfill gas management, ground water monitoring and institutional and engineering site controls. It is expected that in fiscal 1998, the Company and the four other named PRPs will execute an Administrative Order on Consent with the OEPA, by which the named PRPs will fund the referenced remedial action. Management does not believe that such obligations will have a material adverse effect on the Company's results of operations or financial condition.

FIFRA

In January 1996, the United States EPA served a Complaint and Notice of Opportunity for Hearing upon Sierra's wholly-owned subsidiary, Scotts-Sierra Crop Protection Company ("Crop Protection"). The Complaint alleged labeling violations under the Federal Insecticide, Fungicide and Rodenticide Act ("FIFRA") during fiscal 1992 and 1993 and proposed penalties totaling \$0.8, the maximum allowable under FIFRA according to management's calculations. In February 1997, the United States EPA's Motion for Accelerated Decision was granted on the issue of liability, with the amount of the civil penalty to be resolved at hearing. The hearing is scheduled for February 1998. Based upon Crop Protection's good faith compliance actions and the United States EPA's policies regarding penalty reductions, management believes Crop Protection's liability in this action is substantially less than the maximum. The Company does not believe that the outcome of this proceeding will have a material adverse effect on its financial condition or results of operations.

YEAR 2000

The Company has developed a long-term information systems strategy, one aspect of which is to address exposures related to the impact on its computer systems of the Year 2000 issues. Key financial, information and operational systems have been assessed and plans developed in order to mitigate the Year 2000 issues. These plans include conversion of in-house developed software and upgrades to purchased software. The Company is currently in various stages of completing these conversions and upgrades: some upgrades have already been made, while detailed conversion plans are being developed. Management believes its plans will adequately address the Year 2000 issues and does not currently anticipate a material impact on the Company as a result of addressing these issues. However, if such conversions and upgrades are not made, or are not timely completed, the Year 2000 issues could have a material impact on the operations of the Company.

12. CONCENTRATIONS OF CREDIT RISK

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

In 1997 and 1996, two customers accounted for 16.1% and 11.9%, and 15.1% and 13.9%, respectively, of consolidated net sales. In 1995, two customers accounted for 14.4% and 13.1% of consolidated net sales.

13. NEW ACCOUNTING STANDARDS

In June 1997, the FASB issued SFAS No. 130, "Reporting Comprehensive Income" and SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information". Each standard is effective for financial statements for fiscal years beginning after December 15, 1997.

SFAS No. 130 establishes standards for reporting and display of comprehensive income and its components (revenues, expenses, gains and losses). SFAS No. 130 requires that all items that are required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. The Company is evaluating this pronouncement and has not yet determined the ultimate impact of this pronouncement on its future financial statements.

SFAS No. 131 establishes standards for the way that public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports issued to shareholders. This statement defines business segments as components of an enterprise about which separate financial information is available and used internally for evaluating segment performance and decision making on resource allocations. SFAS No. 131 requires reporting a measure of segment profit or loss, certain specific revenue and expense items, and segment assets; and other reporting about geographic and customer matters. The Company believes that the business segments identified and set forth in Note 14 to the Consolidated Financial Statements are in substantial compliance with SFAS No. 131.

See Note 8 for discussion of SFAS No. 128.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. SEGMENT INFORMATION

The Company is divided into 3 reportable segments--Consumer Products, Professional Products and International. The Consumer Products segment consists of the North American Consumer Lawns, Consumer Gardens and Consumer Organics operating units.

The Consumer Products 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 organics products. Products are marketed to mass merchandisers, home improvement centers, large hardware chains, nurseries and gardens centers.

The Professional Products 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 potting media. Products are sold to golf courses, professional baseball, football and soccer stadiums, lawn and landscape service companies, commercial nurseries and greenhouses and specialty crop growers.

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

The following tables summarize certain segment information for fiscal 1997, 1996 and 1995. The Company did not assign interest expense of \$26.8, \$26.5, or \$26.3 for fiscal 1997, 1996 or 1995, respectively, to the reportable segments.

		North America			Other/ Corporate	Total
		Consumer Products	Professional Products	International		
Sales:	1997	\$ 620.3	\$165.9	\$ 114.6	--	\$900.8
	1996	525.3	160.7	65.9	--	751.9
	1995	498.7	167.6	61.1	\$ 5.4	732.8
Operating Income (Loss):	1997	88.2	15.0	19.4	(26.3)	96.3
	1996	44.4	0.3	14.7	(31.6)	27.8
	1995	47.9	9.0	11.7	(6.0)	62.6
Operating Margin:	1997	14.2%	9.0%	16.9%	nm	10.7%
	1996	8.5%	0.2%	22.3%	nm	3.7%
	1995	9.6%	5.4%	19.1%	nm	8.5%
Depreciation and Amortization:	1997	\$ 11.3	\$ 1.7	\$ 1.5	\$ 15.9	\$ 30.4
	1996	12.4	1.7	0.4	14.8	29.3
	1995	11.4	1.6	1.2	11.5	25.7
Capital Expenditures:	1997	17.6	4.2	2.2	4.6	28.6
	1996	10.4	2.4	1.4	4.0	18.2
	1995	14.0	2.5	4.4	2.7	23.6
Total Assets:	1997	256.1	94.3	62.6	374.6	787.6
	1996	300.3	78.7	42.5	310.2	731.7

nm Not meaningful.

Other/Corporate operating loss for the years ended September 30, 1997, 1996 and 1995 primarily includes unusual charges described in Note 2 of \$6.3, \$17.1 and \$(4.5), respectively; amortization of intangibles not assigned to business segments of \$10.0, \$8.9 and \$6.0, respectively; and corporate general and administrative expense of \$10.0, \$5.6 and \$4.5, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

15. QUARTERLY CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

The following is a summary of the unaudited quarterly results of operations for fiscal 1997 and 1996:

Fiscal 1997	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Full Year
Net sales	\$100.2	\$346.2	\$299.0	\$155.4	\$900.8
Gross profit	32.6	138.4	110.7	45.5	327.2
Net income (loss)	(6.0)	27.9	21.1	(3.5)	39.5
Net income (loss) per common share	(.45)	.95	.70	(.32)	1.35
Common shares used in per share calculation	18.6	29.3	29.9	18.7	29.3

Fiscal 1996	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Full Year
Net sales	\$117.9	\$251.2	\$247.9	\$134.8	\$751.9
Gross profit	36.8	87.7	82.0	33.0	239.5
Net income (loss)	(7.1)	10.6	7.6	(13.6)	(2.5)
Net income (loss) per common share	(.51)	.36	.26	(.86)	(.65)
Common shares used in per share calculation	18.7	29.4	29.4	18.6	18.8

(1) Fiscal 1997 results of operations included \$6.0 of asset valuation charges, \$4.2 and \$1.8 in the second and fourth quarters, respectively. Fiscal 1996 results of operations included \$17.7 of unusual charges and a \$3.1 inventory write-down on a pretax basis or \$13.0 on a combined after tax basis. These items reduced after tax earnings by \$1.1, \$1.7, \$1.6, and \$8.6 in the first, second, third, and fourth quarters, respectively, in fiscal 1996.

(2) In the quarter ended March 29, 1997, the Company changed its method of accounting for advertising expenses in interim periods. The newly adopted method assigns anticipated advertising costs to interim periods based on projected sales of advertised product categories and has been applied retroactive to the beginning of fiscal 1997 (October 1, 1996). The change impacts interim periods only; all current year advertising costs will be expensed within the fiscal year. Management believes this method of interim accounting for advertising costs provides better matching of revenues and expenses in interim periods, and is consistent with companies in the consumer packaged goods industry.

This change in interim accounting had the effect of increasing advertising expense for the first, second and fourth quarters of fiscal 1997 by \$3.3, \$4.6 and \$0.5, respectively. Third quarter 1997 advertising expense decreased by \$8.4. Net income for the first, second and fourth quarters of fiscal 1997 decreased by \$1.9 or \$0.10 per share, \$2.6 or \$0.09 per share and \$0.3 or \$0.02 per share, respectively. Net income for the third quarter increased \$4.8 or \$0.16 per share.

On a pro forma basis, assuming the new method of accounting for interim advertising had been applied to fiscal 1996, first, second and fourth quarter advertising expense would have increased \$3.9, \$2.0 and \$1.5, respectively. Third quarter 1996 advertising expense would have decreased \$7.4. Net income for the first, second and fourth quarters of fiscal 1996 would have decreased by \$2.2 or \$0.12 per share, \$1.2 or \$0.04 per share and \$0.8 or \$0.05 per share. Net income for the third quarter would have increased by \$4.2 or \$0.14 per share.

(3) The Company's business is highly seasonal with between 66% and 72% of sales occurring in the second and third fiscal quarters combined.

16. SUBSEQUENT EVENTS

On December 12, 1997, the Company acquired, for approximately \$78.0, Levington Group Limited, which through its subsidiaries (collectively, "Levington") is the leading producer of consumer and professional lawn fertilizer and growing media in the U.K. Management believes this acquisition offers the potential to expand the Company's presence in European consumer markets. Levington's sales for the fiscal year ended June 30, 1997 were \$75.1.

The Company utilized its existing Credit Agreement to fund such acquisition. The Credit Agreement was amended in November 1997 to increase the U.K. Pounds Sterling sub-tranche from \$100 to \$200 and to allow a subsidiary of the Company to become a U.K. Borrower as that term is defined in the amendment.

REPORT OF INDEPENDENT ACCOUNTANTS ON
FINANCIAL STATEMENT SCHEDULES

To the Shareholders and Board of
Directors of The Scotts Company

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

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

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

October 24, 1997

Except for Note 16 to the
consolidated financial statements,
as to which the date is December 12, 1997.

F- 23

THE SCOTTS COMPANY AND SUBSIDIARIES

SCHEDULE II--VALUATION AND QUALIFYING ACCOUNTS
for the fiscal year ended September 30, 1997
(in millions)

Column A	Column B	Column C	Column D	Column E	Column F
----- Classification -----	----- Balance at beginning of period -----	----- Reserves Acquired -----	----- Additions charged to costs and expenses -----	----- Deduction from reserves -----	----- Balance at end of period -----
Valuation and qualifying accounts deducted from the assets to which they apply:					
Inventory reserve	\$ 8.7	\$2.0	\$8.5	(\$7.8)	\$11.8
Allowance for doubtful accounts	4.1	0.9	1.6	(0.9)	5.7
Other valuation and qualifying account:					
Product guarantee	0.2	--	1.1	(1.1)	0.2

F- 24

THE SCOTTS COMPANY AND SUBSIDIARIES

SCHEDULE II--VALUATION AND QUALIFYING ACCOUNTS
 for the fiscal year ended September 30, 1996
 (in millions)

Column A	Column B	Column C	Column D	Column E
----- Classification -----	----- Balance at beginning of period -----	----- Additions charged to costs and expenses -----	----- Deduction from reserves -----	----- Balance at end of period -----
Valuation and qualifying accounts deducted from the assets to which they apply:				
Inventory reserve	\$ 6.7	\$8.0	(\$6.0)	\$ 8.7
Allowance for doubtful accounts	3.4	3.4	(2.7)	4.1
Other valuation and qualifying account:				
Product guarantee	0.1	1.2	(1.1)	0.2

F- 25

THE SCOTTS COMPANY AND SUBSIDIARIES

SCHEDULE II--VALUATION AND QUALIFYING ACCOUNTS
 for the fiscal year ended September 30, 1995
 (in millions)

Column A	Column B	Column C	Column D	Column E
----- Classification -----	----- Balance at beginning of period -----	----- Additions charged to costs and expenses -----	----- Deduction from reserves -----	----- Balance at end of period -----
Valuation and qualifying accounts deducted from the assets to which they apply:				
Inventory reserve	\$ 6.1	\$3.0	(\$2.4)	\$ 6.7
Allowance for doubtful accounts	2.9	2.0	(1.5)	3.4
Other valuation and qualifying account:				
Product guarantee	0.1	0.9	(0.9)	0.1

F- 26

THE SCOTTS COMPANY

Annual Report on Form 10-K
for the Fiscal Year Ended September 30, 1997

INDEX TO EXHIBITS

EXHIBIT NO.	DESCRIPTION	LOCATION
2	Amended and Restated Agreement and Plan of Merger, dated as of May 19, 1995, among Stern's Miracle-Gro Products, Inc., Stern's Nurseries, Inc., Miracle-Gro Lawn Products, Inc., Miracle-Gro Products Limited, Hagedorn Partnership, L.P., the general partners of Hagedorn Partnership, L.P., Horace Hagedorn, Community Funds, Inc., and John Kenlon, the Registrant, and ZYX Corporation	Incorporated herein by reference to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission (the "SEC") on June 2, 1995 (File No. 0-19768) [Exhibit 2(b)]
3(a)	Amended Articles of Incorporation of the Registrant as filed with the Ohio Secretary of State on September 20, 1994	Incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 1994 (File No. 0-19768) [Exhibit 3(a)]
3(b)	Certificate of Amendment by Shareholders to the Articles of Incorporation of the Registrant as filed with the Ohio Secretary of State on May 4, 1995	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended April 2, 1995 (File No. 0-19768) [Exhibit 4(b)]
3(c)	Regulations of the Registrant (reflecting amendments adopted by the shareholders of the Registrant on April 6, 1995)	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended April 1, 1995 (File No. 0-19768) [Exhibit 4(c)]
4(a)	Form of Series A Warrant	Included in Exhibit 2 above
4(b)	Form of Series B Warrant	Included in Exhibit 2 above
4(c)	Form of Series C Warrant	Included in Exhibit 2 above
4(d)	Fourth Amended and Restated Credit Agreement, dated as of March 17, 1995, among the Registrant, Chemical Bank, the lenders party thereto and Chemical Bank, as agent (the "Credit Agreement")	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended April 1, 1995 (File No. 0-19768) [Exhibit 4(d)]
4(e)	First Amendment and Consent, dated as of December 23, 1996, to the Credit Agreement among the Registrant, the lenders party thereto and The Chase Manhattan Bank (formerly Chemical Bank), as agent	Incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 1996 (File No. 0-19768) [Exhibit 4(e)]
4(f)	Second Amendment and Consent, dated as of November 12, 1997, to the Credit Agreement among the Registrant, Scotts Holdings Limited, the lenders party thereto and The Chase Manhattan Bank, as agent	*
4(g)	Subordinated Indenture, dated as of June 1, 1994, among The Scotts Company, a Delaware corporation ("Scotts Delaware"), The O.M. Scott & Sons Company ("OMS") and Chemical Bank, as trustee	Incorporated herein by reference to the Registration Statement on Form S-3 of The Scotts Company, a Delaware corporation ("Scotts Delaware") filed with the SEC on June 1, 1994 (Registration No. 33-53941) [Exhibit 4(b)]

EXHIBIT NO.	DESCRIPTION	LOCATION
4(h)	First Supplemental Indenture, dated as of July 12, 1994, among Scotts Delaware, OMS and Chemical Bank, as trustee	Incorporated herein by reference to Scotts Delaware's Current Report on Form 8-K dated July 18, 1994 (File No. 0-19768) [Exhibit 4.1]
4(i)	Second Supplemental Indenture, dated as of September 20, 1994, among the Registrant, OMS, Scotts Delaware and Chemical Bank, as trustee	Incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 1994 (File No. 0-19768) [Exhibit 4(i)]
4(j)	Third Supplemental Indenture, dated as of September 30, 1994, between the Registrant and Chemical Bank, as trustee	Incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 1994 (File No. 0-19768) [Exhibit 4(j)]
10(a)	The Scotts Company Associates' Pension Plan as amended effective January 1, 1989 and December 31, 1995 (the "Pension Plan")	Incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 1996 (File No. 1-11593) [Exhibit 10(a)]
10(b)	First Amendment to the Pension Plan	*
10(c)	Third Restatement of The Scotts Company Profit Sharing and Savings Plan	Incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 1996 (File No. 1-11593) [Exhibit 10(b)]
10(d)	First Amendment to the Third Restatement of The Scotts Company Profit Sharing and Savings Plan	*
10(e)	The O.M. Scott & Sons Company Excess Benefit Plan, effective October 1, 1993	Incorporated herein by reference to Scotts Delaware's Annual Report on Form 10-K for the fiscal year ended September 30, 1993 (File No. 0-19768) [Exhibit 10(h)]
10(f)	The Scotts Company 1992 Long Term Incentive Plan	Incorporated herein by reference to Scotts Delaware's Registration Statement on Form S-8 filed on March 26, 1993 (Registration No. 33-60056) [Exhibit 4(f)]
10(g)	The Scotts Company 1997 Executive Annual Incentive Plan	*
10(h)	The Scotts Company 1996 Stock Option Plan (as amended through March 12, 1997)	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended March 29, 1997) (File No. 1-11593) [Exhibit 10(a)]
10(i)	The Scotts Company Incentive Pay Deferral Plan	*
10(j)	Employment Agreement, dated as of May 19, 1995, between the Registrant and James Hagedorn	Incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 1995 (File No. 1-11593) [Exhibit 10(p)]
10(k)	Employment Agreement, dated as of May 19, 1995, among Stern's Miracle-Gro Products, Inc. (nka Scotts' Miracle-Gro Products, Inc.), the Registrant and Horace Hagedorn	Incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 1996 (File No. 1-11593) [Exhibit 10(j)]
10(l)	Consulting Agreement, dated July 9, 1997, among Scotts' Miracle-Gro Products, Inc., the Registrant and Horace Hagedorn	*

EXHIBIT NO.	DESCRIPTION	LOCATION
10(m)	Employment Agreement, dated as of May 19, 1995, among Stern's Miracle-Gro Products, Inc. (nka Scotts' Miracle-Gro Products, Inc.), the Registrant and John Kenlon	Incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 1996 (File No. 1-11593) [Exhibit 10(k)]
10(n)	Employment Agreement, dated as of August 7, 1996, between the Registrant and Charles M. Berger	Incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 1996 (File No. 1-11593) [Exhibit 10(l)]
10(o)	Stock Option Agreement, dated as of August 7, 1996, between the Registrant and Charles M. Berger	Incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 1996 (File No. 1-11593) [Exhibit 10(m)]
10(p)	Letter Agreement, dated December 23, 1996, between the Registrant and Jean H. Mordo	*
10(q)	Specimen form of Stock Option Agreement for Non-Qualified Stock Options	*
10(r)	Letter Agreement, dated April 10, 1997, between the Registrant and G. Robert Lucas	*
10(s)	Letter Agreement, dated October 29, 1997, as amended, between the Registrant and Lawrence McCartney	*
11	Computation of Net Income Per Common Share	*
21	Subsidiaries of the Registrant	*
23	Consent of Independent Accountants	*
27	Financial Data Schedule	*

- - - - -
* Filed herewith.

Exhibit 4(f)

Second Amendment and Consent

SECOND AMENDMENT AND CONSENT

SECOND AMENDMENT AND CONSENT, dated as of November 12, 1997, to the Fourth Amended and Restated Credit Agreement, dated as of March 17, 1995, as amended (the "Credit Agreement"), among The Scotts Company, an Ohio corporation (the "Borrower" or "Scotts"), Scotts Holdings Limited, a foreign subsidiary of Scotts, the several banks and other financial institutions from time to time parties to this Agreement (individually, a "Lender" and, collectively, the "Lenders") and The Chase Manhattan Bank, a New York banking corporation ("Chase"), as agent for the Lenders thereunder (in such capacity, the "Agent").

W I T N E S S E T H :

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WHEREAS, the Borrower has requested that the Agent and the Lenders enter into this Amendment to among other things, increase the Revolving Credit Loans available in Sterling by \$100 million to \$200 million, and to allow Scotts Holdings Limited, a subsidiary of the Borrower, to become a U.K. Borrower as set forth herein; and

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

1. Defined Terms. Unless otherwise defined herein, all capitalized terms defined in the Credit Agreement as amended hereby and used herein are so used as so defined.

2. Amendments to Subsection 1.1. (a) Subsection 1.1 of the Credit Agreement is hereby amended by inserting therein the following new definitions in proper alphabetical order:

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

"Second Amendment Effective Date" shall mean November 12, 1997.

(b) Subsection 1.1 of the Credit Agreement is further amended by deleting the definition of "U.K. Borrowers" and substituting in lieu thereof the following new definition:

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

3. Amendment to Subsection 2.1(a). Subsection 2.1(a) of the Credit Agreement is hereby amended by deleting the reference

to \$100 million therein and inserting in lieu thereof \$200 million.

4. Amendment to Subsection 2.2(b)(iii). Subsection 2.2(b)(iii) of the Credit Agreement Amendment and Consent is hereby amended by deleting the words "(pound sterling)3,000,000 or a whole multiple of (pound sterling)1,000,000 in excess thereof" therein and inserting in lieu thereof "(pound sterling)1,000,000 or a whole multiple thereof".

5. Consent to Acquisition of Levington. Each of the Agent and the Lenders hereby consents to the acquisition by the Borrower or Scotts Holdings Limited of the outstanding shares of Levington Group Limited and agrees that such acquisition shall not violate subsection 7.4 of the Credit Agreement and shall not constitute usage of any of the permitted baskets therein.

6. Consent to Acquisition of Earthgro. Each of the Agent and the Lenders further hereby consents to the acquisition by the Borrower or a Subsidiary of the Borrower, of all or substantially all of the assets of Earthgro, Inc. and agrees that such acquisition shall not violate subsection 7.4 or 7.6 of the Credit Agreement and shall not constitute usage of any of the permitted baskets therein.

7. Effectiveness. The amendments and content provided for herein shall become effective on November 12, 1997 (the "Second Amendment Effective Date"), provided that the following conditions precedent have been satisfied on or before such date:

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

(b) the Agent shall have received satisfactory opinions of (i) Macfarlanes, U.K. counsel to Scotts Holdings Limited and (ii) Vorys, Sater, Seymour and Pease, counsel to Scotts.

(c) the Agent shall have received an acknowledgment by each of the Subsidiary Guarantors that the obligations guaranteed by it under the Subsidiaries Guarantee include all amounts guaranteed by the Borrower under the Scotts Guarantee and all obligations of the U.K. Borrowers under the Credit Agreement as amended hereby.

(d) the Agent shall have received a copy of the resolutions, in form and substance satisfactory to the Agent, of the Board of Directors of Scotts Holdings Limited authorizing the execution and delivery of this Second Amendment, certified by the Secretary or an Assistant Secretary of Scotts Holdings Limited, as the case may be, as of the Second Amendment Effective Date, which certificate shall state that the resolutions thereby certified have not been amended, modified, revoked and rescinded since the date of adoption thereof.

8. Representations and Warranties. The Borrower hereby represents and warrants as of the date hereof that after giving effect to this Second Amendment (a) each of the representations and warranties made by the Borrower in or pursuant to Section 4 of the Credit Agreement shall be true and correct on and as of such date as if made on and as of such date and (b) no Default or Event of Default shall have occurred and be continuing.

9. Limited Amendment. Except as expressly amended hereby, all the provisions of the Credit Agreement and the other Loan Documents are hereby affirmed and shall continue to be in full force and effect in accordance with their terms, and any amendments contained herein shall be limited precisely as drafted and shall not constitute an amendment of any terms or provisions of the Credit Agreement except as expressly provided herein. Scotts hereby acknowledges that the obligations guaranteed by it under the Scotts Guarantee includes all amounts owing by Scotts Holdings Limited and the other U.K. Borrowers under the Credit Agreement as amended hereby.

10. U.K. Borrower. By executing and delivering this Second Amendment, Scotts Holdings Limited shall become party to the Credit Agreement and entitled to the rights and subject to the liabilities and duties provided for it in the Credit Agreement as amended hereby, without any further action being necessary.

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

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

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

SCOTTS HOLDINGS LIMITED

By: /s/ Matthew Reed

Title: Director

THE SCOTTS COMPANY

By: /s/ Charles M. Berger

Title: Chairman, President and Chief Executive Officer

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

By: /s/ Timothy J. Storms

Title: Managing Director

BANK ONE, N.A.

By: /s/ Douglas H. Klamfoth

Title: Vice President

COMERICA BANK

By: /s/ Lee J. Santioni

Title: First Vice President

CREDIT LYONNAIS

By: /s/ Mary Ann Klemm

Title: Vice President

NATIONAL CITY BANK, COLUMBUS

By: /s/ David B. Yates

Title: Vice President

PNC BANK, OHIO, NATIONAL
ASSOCIATION

By: /s/ Toby B. Rau

Title: Assistant Vice President

KEY BANK

By: /s/ Rich A. Pohle

Title: Vice President

THE BANK OF NOVA SCOTIA

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

Title: Senior Manager, Loan
Operations

NBD BANK

By: /s/ Robert L. Jackson

Title: First Vice President

SOCIETE GENERALE

By: /s/ Joseph A. Philbin

Title: Vice President

THE BANK OF TOKYO MITSUBISHI TRUST CO.

By: /s/ Fredrich N. Wilms

Title: Vice President

UNION BANK OF CALIFORNIA, N.A.

By: /s/ Henry G. Montgomery

Title: Vice President

THE NORTHERN TRUST COMPANY

By: /s/ James F.T. Monhart

Title: Vice President

ROYAL BANK OF SCOTLAND

By: /s/ Russell M. Gibson

Title: Vice President & Deputy
DirectorTHE SANWA BANK, LIMITED, CHICAGO
BRANCH

By: /s/ James P. Byrnes

Title: First Vice President

THE TOKAI BANK, LIMITED

By: /s/ Masanori Nakagawa

Title: Joint General Manager

WACHOVIA CORPORATE SERVICES

By: /s/ Michael A. Ripps

Title: Vice President

Each of the undersigned Guarantors hereby acknowledge that the obligations guaranteed by it under the Subsidiaries Guarantee dated as of March 17, 1995 include all amounts guaranteed by the Borrower under the Scotts Guarantee and all obligations of the U.K. Borrowers under the Credit Agreement as amended by the foregoing Second Amendment and Consent.

SCOTTS-SIERRA HORTICULTURAL PRODUCTS COMPANY

By: /s/ Charles M. Berger

Title: President

Address for Notices:
14111 Scottslawn Road
Marysville, Ohio 43041

Fax: (937) 644-7568

SCOTTS-SIERRA CROP PROTECTION COMPANY

By: /s/ Charles M. Berger

Title: President

Address for Notices:
14111 Scottslawn Road
Marysville, Ohio 43041

Fax: (937) 644-7568

OMS INVESTMENTS, INC.

By: /s/ G. Robert Lucas

Title: Secretary

Address for Notices:
1100 North Market Street
Wilmington, Delaware 19890

Fax: (302) 651-8464

REPUBLIC TOOL & MANUFACTURING CORP.

By: /s/ Charles M. Berger

Title: President

Address for Notices:
6212 Corte del Abeto
Carlsbad, California 92009

Fax: (760) 438-5891

SCOTTS GRASS CO.

By: /s/ Charles M. Berger

Title: President

SCOTTS ENERGY CO.

By: /s/ Charles M. Berger

Title: President

SCOTTS GREEN LAWNS CO.

By: /s/ Charles M. Berger

Title: President

SCOTTS SOD CO.

By: /s/ Charles M. Berger

Title: President

SCOTTS PESTICIDE CO.

By: /s/ Charles M. Berger

Title: President

SCOTTS PLANT CO.

By: /s/ Charles M. Berger

Title: President

SCOTTS WEED CONTROL CO.

By: /s/ Charles M. Berger

Title: President

SCOTTS GOLF CO.

By: /s/ Charles M. Berger

Title: President

SCOTTS GARDEN CO.

By: /s/ Charles M. Berger

Title: President

SCOTTS DESIGN CO.

By: /s/ Charles M. Berger

Title: President

SCOTTS TECH REP CO.

By: /s/ Charles M. Berger

Title: President

SCOTTS BROAD LEAF CO.

By: /s/ Charles M. Berger

Title: President

SCOTTS INSECTICIDE CO.

By: /s/ Charles M. Berger

Title: President

SCOTTS SPREADER CO.

By: /s/ Charles M. Berger

Title: President

SCOTTS IMPROVEMENT CO.

By: /s/ Charles M. Berger

Title: President

OLD FORT FINANCIAL CORP.

By: /s/ Charles M. Berger

Title: President

HYPONEX CORPORATION

Hyponex Corporation as successor to the following corporations pursuant to merger documents effective September 1995: Hyponex Corporation-California; Hyponex Corporation-Colorado; Hyponex Corporation-Florida; Hyponex Corporation-Texas; Bunyon Enterprises, Inc.; The Hyponex Company, Inc.; Hyper-Humus Company, Inc.

By: /s/ Charles M. Berger

Title: President

Address for Notices:
14111 Scottslawn Road
Marysville, Ohio 43041

Fax: (937) 644-7568

SCOTTS TREE CO.

By: /s/ Charles M. Berger

Title: President

SCOTTS PRODUCTS CO.

By: /s/ Charles M. Berger

Title: President

SCOTTS PARK CO.

By: /s/ Charles M. Berger

Title: President

SCOTTS TURF CO.

By: /s/ Charles M. Berger

Title: President

SCOTTS CONTROL CO.

By: /s/ Charles M. Berger

Title: President

SCOTTS SERVICE CO.

By: /s/ Charles M. Berger

Title: President

SCOTTS FERTILIZER CO.

By: /s/ Charles M. Berger

Title: President

SCOTTS PROFESSIONAL PRODUCTS CO.

By: /s/ Charles M. Berger

Title: President

SCOTTS BEST LAWNS CO.

By: /s/ Charles M. Berger

Title: President

SCOTTS PROTURF CO.

By: /s/ Charles M. Berger

Title: President

(1) Lending Offices; Addresses for Notice

THE CHASE MANHATTAN BANK
- - - - -

10 S. LaSalle Street, 23rd Fl.
Chicago, IL 60603
Attn.: Leonard Essex
Managing Director
Telephone: 312-807-4091
Fax: 312-807-4550

With a copy to:
Caroline Devlin
Associate
Telephone: 312-807-4091
Fax: 312-807-4550

BANK ONE, N.A.
- - - - -

Corporate Banking
OHI-0209
P.O.Box 710209
Columbus, OH 43271-0209
Attn.: Douglas H. Klamfoth
Vice President
Corporate Banking
Telephone: 614-248-5839
Fax: 614-248-6618

COMERICA BANK
- - - - -

500 Woodward Avenue
Detroit, Michigan 48226-3268
Attn.: Anthony L. Davis
Acct. Representative
Telephone: 313-222-9452
Fax: 313-222-9514

CREDIT LYONNAIS
- - - - -

227 West Monroe Street
Chicago, Illinois 60606-5018
Attn.: Julie Kanak
Vice President
Telephone: 312-220-7302
Fax: 312-641-0527

With a copy to:
Same address.
Attn.: Mary Ann Klemm
Vice President, Corporate Group Head
Telephone: 312-220-7308
Fax: 312-641-0527

Same address
 Attn.: Eric J. Tobin, CFA
 Vice President
 Telephone: 312-220-7314
 Fax: 312-641-0527

NATIONAL CITY BANK
 - - - - -

155 East Broad Street
 Columbus, OH 43251-0030
 Attn.: David Yates
 Vice President
 Regional Manager, Regional Banking
 Telephone: 614-463-8889
 Fax: 614-463-7959

NBD BANK
 - - - - -

183 Glenn Road
 Moreland Hills, OH 44022
 Attn.: Robert L. Jackson
 First Vice President
 Telephone: 216-248-0743
 Fax: 216-247-0315

NORTHERN TRUST COMPANY
 - - - - -

50 South LaSalle Street
 Chicago, IL 60675
 Attn.: Nicole Kidder
 Commercial Banking Officer
 Telephone: 312-557-8382
 Fax: 312-444-3508

PNC BANK, OHIO, N.A.
 - - - - -

National Corporate Banking
 201 East Fifth Street
 P.O. Box 1198
 Cincinnati, OH 45201-1198
 Attn.: Toby Rau
 Senior Vice President
 Telephone: 513-651-8688
 Fax: 513-651-8952

SOCIETE GENERALE
 - - - - -

181 West Madison Street
 Suite 3400
 Chicago, Illinois 60602
 Attn.: Joseph Philbin
 Vice President
 Telephone: 312-578-5005
 Fax: 312-578-5099

KEY BANK

- - - - -

Mailcode: OH-01-27-0606
 127 Public Square
 Cleveland, OH 44114-1306
 Attn.: Brenden Lawlor
 Vice President
 Portfolio Management
 Large Corporate
 Telephone: 216-689-5642
 Fax: 216-689-4981

With a copy to:
 525 Vine Street
 Cincinnati, OH 45202
 Attn.: Wayne K. Guessford
 Vice President/Senior Banker
 Corporate Banking
 Telephone: 513-762-8204
 Fax: 513-762-8222

THE BANK OF NOVA SCOTIA

- - - - -

181 West Madison Street
 Suite 3700
 Chicago, Illinois 60602
 Attn.: Keith W. Rauschenberger
 Telephone: 312-201-4183
 Fax: 312-201-4108

THE BANK OF TOKYO MITSUBISHI TRUST COMPANY

- - - - -

1251 Avenue of the Americas
 New York, NY 10020-1104
 Attn.: Fredrich N. Wilms
 Vice President, Marketing Dept. 1
 Telephone: 212-782-4341
 Fax: 212-782-6445

THE ROYAL BANK OF SCOTLAND

- - - - -

88 Pine Street, 26th floor
 New York, NY 10005-1801
 Attn.: Russell Gibson
 Vice President and Deputy Manager
 Telephone: 212-269-1700
 Fax: 212-269-8929

THE SANWA BANK LTD.

- - - - -

200 Public Square
 BP American Building
 29th Floor-Suite 3400
 Cleveland, OH 44114-2301

Attn.: James P. Byrnes
First Vice President and Representative
Telephone: 216-736-3377
Fax: 216-736-3381

THE TOKAI BANK, LIMITED

181 West Madison
Suite 3600
Chicago, Illinois 60602
Attn.: Patrick R. Keller
Corporate Banking Officer
Telephone: 312-456-3424
Fax: 312-977-0003

UNION BANK OF CALIFORNIA, N.A.

350 California Street
11th Floor
San Francisco, CA 94104-1408
Attn.: Gail Fletcher
Vice President
Telephone: 415-705-7050
Fax: 415-765-3146

WACHOVIA CORPORATE SERVICES

19 Peachtree Street, N.E.
Atlanta, GA 30303
Attn.: Michael A. Ripps
Vice President
Telephone: 404-332-5283
Fax: 404-332-6898

Exhibit 10(b)

First Amendment to Pension Plan

FIRST AMENDMENT TO
THE SCOTTS COMPANY
ASSOCIATES' PENSION PLAN

(AMENDED EFFECTIVE JANUARY 1, 1989 AND DECEMBER 31, 1995)

WHEREAS, The Scotts Company (the "Company") sponsors The Scotts Company Associates' Pension Plan (the "Plan"); and

WHEREAS, the Internal Revenue Service requested and approved certain changes in the Plan in connection with the issuance of a favorable determination letter dated January 28, 1997;

NOW, THEREFORE, effective as of December 31, 1995, the Plan is amended as follows:

1. Section 2.09 Military Service shall be added to the Plan to provide:

Notwithstanding any provisions of this Plan to the contrary, benefits and service credit with respect to qualified military service will be provided in accordance with Code Section 414(u).

2. Section 3.04 Reemployment shall be amended to provide:

The membership of any person reemployed by an Affiliate as an Eligible Employee shall be immediately resumed if such Employee was previously a Member of the Plan, subject to Section 2.04.

3. The second sentence of the paragraph (d) of section 4.04 Optional Forms of Benefits After Retirement shall be amended to provide:

The Administrative Committee shall provide a Member with a written explanation of the Automatic Joint & Survivor Option and the lifetime form of benefit no more than 90 days and no less than 30 days (or, effective January 1, 1997, no less than seven days) before the date as of which the Member's payments are to start) before the date on which the Member's payments start.

4. The reference to "Section 4.09(b)" in paragraph (d) in Section 4.05 Optional Forms of Benefits Before Retirement shall be changed to "Section 4.09."

5. Paragraph (a) of Section 4.06 Maximum Benefits shall be amended to provide:

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

- (i) \$90,000 adjusted in accordance with regulations issued under Section 415 of the Internal Revenue Code by the Secretary of the Treasury or his delegate. Each year in which such an adjustment is made, it shall not become effective prior to January 1 of such year. If a Member has not completed 10 Years of Benefit Service, the adjusted \$90,000 limit shall be reduced by the ratio which the number of Years of Benefit Service bears to 10.
- (ii) the Member's average annual remuneration during the three consecutive Years of Benefit Service affording the highest such average, or during all of Years of Benefit Service if less than three years. If a Member has not completed 10 Years of Vesting Service, the limit in this paragraph shall be reduced by the ratio which the number of Years of Vesting Service bears to 10.

Except as provided below, a benefit payable in a form other than a straight life annuity must be adjusted to an actuarial equivalent straight life annuity before applying the limitations of this Section. The interest rate assumption used to determine actuarial equivalence will be the greater of the interest rate used in Appendix A or 5%. No actuarial adjustment to the benefit is required for (a) the value of a joint and survivor annuity where the Member's spouse is the designated contingent annuitant, (b) the value of benefits that are not directly related to retirement benefits (such as the qualified disability benefit, pre-retirement death benefits, and post-retirement medical benefits), and (c) the value of post-retirement cost-of-living increases made in accordance with Code Section 415(d) and Section 1.415-3(c)(2)(iii) of the Income Tax Regulations.

6. Paragraph (e) of Section 4.06 Maximum Benefits shall be amended by the addition of the following sentences:

In the case of an individual who was a Member in one or more defined benefit plans of the Employer as of the first day of the first limitation year beginning after December 31, 1986, the application of the limitations of this Section shall not cause the maximum permissible amount for such individual under all such defined benefit plans to be less than the individual's accrued benefit, determined as if the Member had separated from service as of December 31, 1986, when expressed as an annual benefit within the meaning of Code Section 415(b)(2). In determining the amount of a Member's accrued benefit, any change in the terms and conditions of the Plan after May 5, 1986, and any cost of living adjustments occurring after May 5, 1986, shall be disregarded.

7. Section 4.07 No Duplication shall be amended by the addition of the phrase "or other statutory limits" to the parenthetical.

8. The last sentence of the first paragraph of Section 4.08 Payment of Benefits shall be replaced with the following:

In no event shall a retirement allowance or vested benefit be payable to a Member who continues in active service with the Company or an Affiliate for any period between his

Normal Retirement Date and Deferred Retirement Date. The retirement allowance or vested benefit payable to a Member who resumes active service with the Company or an Affiliate after his Normal Retirement Date shall continue in pay status as provided in Section 4.09.

9. Section 4.09 Reemployment of Former Member or Retirement Member shall be amended to provide:

If a former Member or a retired Member entitled to or in receipt of a vested benefit or retirement allowance is reemployed by the Company or an Affiliate as an Employee, any benefit payments he is receiving shall continue in pay status. Accruals after reemployment shall be offset by the actuarial equivalent (as determined under Appendix A) of distributions received by such Member in or after the Plan Year in which the Member attains Normal Retirement Age. If accruals after reemployment exceed the reduction, the amount of Member's vested benefit or retirement allowance shall be adjusted when he again terminates employment. However, the Member's previous election of a form of benefit shall remain in effect while reemployed and after termination of employment. If, at subsequent termination of employment or retirement, any question shall arise under this Section 4.09 as to the calculation or re-calculation of a reemployed former Member's or retired Member's vested benefit or retirement allowance or election of an optional form of benefit under the Plan, such question shall be resolved by the Administrative Committee on a basis uniformly applicable to all Members similarly situated.

10. Paragraph (a) of Section 4.10 Top-Heavy Provisions shall be amended by the addition of the following phrase:

..., plus amounts which would have been includable in the Employee's income but for the Employee's election to make contributions under Code Sections 125 and 401(k).

11. Paragraph (b)(ii) of Section 4.10 Top-Heavy Provisions shall be amended by the addition of the following sentence:

If a Member participates in this Plan and a defined contribution plan in the Aggregation Group, the Member shall receive the minimum benefit under this Plan.

IN WITNESS WHEREOF, the Company has caused this Amendment to be executed as of the 10 day of February, 1997.

THE SCOTTS COMPANY

By: /s/ Rosemary Smith

Rosemary Smith,
Vice President - Human Resources

Exhibit 10(d)

First Amendment to the Third Restatement of The Scotts Company
Profit Sharing and Savings Plan

FIRST AMENDMENT TO THE
THIRD RESTATEMENT OF
THE SCOTTS COMPANY
PROFIT SHARING AND SAVINGS PLAN

WHEREAS, The Scotts Company (the "Company") sponsors The Scotts Company Profit Sharing and Savings Plan (the "Plan"); and

WHEREAS, the Internal Revenue Service requested and approved certain changes in the Plan in connection with the issuance of a favorable determination letter dated January 28, 1997;

NOW, THEREFORE, effective as of December 31, 1995, the Plan is amended as follows:

1. The second sentence of the definition of "Compensation" in Section 1 shall be amended to provide:

For purposes of identifying Highly Compensated Employees and computing the Compensation Deferral Limit only (and effective January 1, 1998, for purposes of calculating the 25% limit on annual additions to a Participant's Account), a Participant's Compensation includes amounts which would have been includable in the Participant's income but for the Participant's election to make Savings Contributions, Elective Profit Sharing Contributions, and contributions to a cafeteria plan maintained by the Employer, determined in accordance with Section 414(s) of the Code.

2. The fourth sentence of the definition of "Compensation" in Section 1 shall be amended to provide:

In determining the Compensation of a Participant for purposes of the \$200,000 or \$150,000 limit, the family aggregation rules of Section 414(q)(6) of the Code shall apply for Plan Years prior to January 1, 1997, except in applying such rules, the term "family" shall include only the spouse of the Participant and any lineal descendants of the Participant who have not attained age 19 before the close of the year.

3. The third sentence of the definition of "Eligible Compensation" in Section 1 shall be amended to provide:

In determining the Eligible Compensation of a Participant for purposes of this limitation, the family aggregation rules of Section 414(q)(6) of the Code shall apply for Plan Years prior to January 1, 1997, except in applying such rules, the term "family" shall include only the spouse of the Participant and any lineal descendants of the Participant who have not attained age 19 before the close of the year.

4. The definition of "Highly Compensated Employee" in Section 1 shall be amended to apply to periods before January 1, 1997 and all references to "compensation" within such definition shall be capitalized.

5. The following definition of "Highly Compensated Employee" shall be added to Section 1 to apply to periods starting on or after January 1, 1997:

"Highly Compensated Employee" means, effective January 1, 1997, any employee of the Employer or an Affiliate who: (a) was a 5% owner of the Employer and its Affiliates during the current Plan Year or the preceding Plan Year; or (b) had Compensation from the Employer and its Affiliates in the preceding Plan Year in excess of \$80,000 (as adjusted by the Secretary of Treasury).

6. Section 2.6 Military Service shall be added to the Plan to provide as follows:

Notwithstanding any provision of the Plan to the contrary, contributions, benefits and service credit with respect to qualified military service will be provided in accordance with Section 414(u) of the Code.

7. The following sentence shall be added to Section 3.2 Savings Contributions:

Effective January 1, 1997, the Administrative Committee may permit separate enrollment elections, providing for reductions of up to 100%, with respect to Compensation paid on an irregular basis (such as bonuses, cash outs of unused vacation, and incentive pay).

8. The following sentence shall be added to Section 3.3.3 Limits on Elective Profit Sharing and Savings Contributions:

Effective January 1, 1997, the amount of excess contributions will be returned to Highly Compensated Employees in order of the amount of their contributions beginning with the highest dollar amount.

9. Section 3.8 Fail-Safe Allocations of Profit Sharing Contributions shall be deleted from the Plan.

10. The references to "December 31, 1993" in Sections 6.1.2 and 6.1.3 Forms of Benefit Payments shall be changed to "December 31, 1992."

11. Section 7.1 Minimum Benefits shall be amended to provide:

For any Plan Year that this Plan is a Top-Heavy Plan, the Employer shall contribute, for and on behalf of each Non-Key Employee who is a Participant on the last day of the Plan Year, an amount which is not less than the lesser of (a) 3% of such Participant's Compensation, or (b) such Participant's Compensation multiplied by a fraction, determined with respect to the Key Employee for whom the fraction is greatest, the numerator of

which is the contributions (including Savings Contributions) allocated to such Key Employee's Account for the Plan Year and the denominator of which is the Key Employee's Compensation for the Plan Year. In determining the minimum benefit, all contributions (excluding Savings Contributions) for any Participant to any plan included in the Aggregation Group shall be taken into account. If a Participant participates in this Plan and a defined benefit plan in the Aggregation Group, the Participant shall receive minimum benefits under such defined benefit plan.

12. Paragraph (a) of "Spouse's Right if Annuity Elected" in Appendix A shall be amended to provide:

In the event that a married Participant elects any optional method of payment which provides an annuity and the Participant's benefit exceeds \$3,500 (or exceeded \$3,500 as of the date of a prior distribution), the benefit of such married Participant shall be paid in the form of a Qualified Joint and Survivor Annuity, unless the spouse of the Participant consents, pursuant to a Qualified Election, to another method of payment.

13. The second sentence of paragraph (b) of "Spouse's Right if Annuity Elected" in Appendix A shall be amended to provide:

Any waiver of a Qualified Joint and Survivor Annuity shall not be effective unless (a) the Participant's spouse consents in writing to the election; (b) the spouse's consent acknowledges the effect of the election; (c) the spouse's consent is witnessed by a Plan representative or notary public; (d) the notice is given no more than 90 days before the Annuity Starting Date; and (e) the notice is given no less than 30 days (or, effective January 1, 1997, no less than seven days) before the Annuity Starting Date.

14. Paragraph (c) of "Spouse's Right if Annuity Elected" in Appendix A shall be renumbered as paragraph (d) and a new paragraph (c) shall be added to provide:

Notwithstanding any other provisions in the Plan for the payment of death benefits, if a married Participant elects a distribution in the form of annuity and dies before the annuity becomes payable, the portion of the Participant's Account which is attributable to participation in the Miracle-Gro 401(k) Plan shall be used to purchase an annuity for the life of the Participant's surviving spouse.

15. A new section titled "Distributions after Death" shall be added to Appendix A to provide:

If the distribution of the Participant's interest has begun and the Participant dies before his or her entire interest has been distributed, the remaining portion of such interest will be distributed at least as rapidly as under the method of distribution being used prior to the Participant's death.

Subject to the succeeding paragraph, if the Participant dies before his or her distribution has begun, the Participant's entire interest shall be distributed within five years of his or her

death unless (a) a portion of his or her interest is payable to or on behalf of a designated Beneficiary; (b) such portion will be distributed over the life of such designated Beneficiary or over a period not extending beyond the life expectancy of such designated Beneficiary; and (c) such distribution begins not later than one year after the date of the Participant's death (or such date as prescribed by the Secretary of Treasury).

Notwithstanding the preceding paragraph, if the designated Beneficiary is the Participant's surviving spouse, the date by which distribution must commence under (c) in the preceding paragraph shall be the date the Participant would have attained age 70 1/2. If the surviving spouse dies before distribution to the spouse begins, this section shall apply as if the surviving spouse were the Participant. Life expectancy of a surviving spouse may be recalculated annually; however, in the case of any other designated Beneficiary, such life expectancy will be calculated at the time that payment first commences without further calculations. In addition, any amount paid to a child of the Participant will be treated as if it had been paid to the surviving spouse if the amount becomes payable to the surviving spouse when the child reaches the age of majority.

IN WITNESS WHEREOF, the Company has caused this Amendment to be executed as of the 10 day of February, 1997.

THE SCOTTS COMPANY

By: /s/ Rosemary Smith

Rosemary Smith,
Vice President - Human Resources

Exhibit 10(g)

The Scotts Company 1997 Executive Annual Incentive Plan

[SCOTTS LOGO]
1997 SCOTTS EXECUTIVE AND MANAGEMENT
INCENTIVE PLAN

CORPORATE PARTICIPANTS

GENERAL PLAN PROVISIONS

OBJECTIVE: To provide a strong financial incentive which is consistent with and supportive of business strategy and to encourage a team effort towards the achievement of corporate goals.

TARGET AWARDS: Each participant will be assigned a 1997 "Bonus Target Percent of Salary."

RESTRICTIONS: Participants must be actively employed in an eligible position for at least 13 consecutive weeks during the plan year. Participants must be employed on the last day of the fiscal year to be eligible for a payout. Participants who terminate their employment during the plan year, except in cases of retirement, will not be eligible for an incentive payment, prorated or otherwise.

Plan eligibility and payout calculation will not be impacted for associates on short term disability at any time during the plan year. However, if an associate is on long term disability, the payout will be prorated to compensate only for periods of active employment or short term disability.

The Plan confers no rights upon any associate to participate in the Plan or remain in the employ of the Company. Neither the adoption of the Plan nor its operation shall in any way affect the right of the associate or the Company to terminate the employment relationship at any time.

The Company reserves the right to suspend the Plan, to withdraw the Plan, and to make substantial alterations in Plan concept.

CORPORATE PARTICIPANTS
EXECUTIVE & MANAGEMENT LEVEL

Finance
Human Resources
Research
Information Systems
Legal/Corporate Communications

MEASUREMENTS:

- - - - -

PARTICIPANTS	CORPORATE EARNINGS PER SHARE ("E.P.S.")	MAJOR GOAL ATTAINMENT
Finance	80%	20%
Human Resources	80%	20%
Research	80%	20%
Information Systems	80%	20%
Legal/Corporate Communications	80%	20%

EARNED AWARDS:

- - - - -

CORPORATE EARNINGS PER SHARE: As reported in public financial statements.

CORPORATE PERFORMANCE	EARNINGS PER SHARE	INCENTIVE PAYOUT AWARD PERCENTAGE
Minimum	80% - \$1.06	25%
Target	100% - \$1.32	100%
Maximum	120% - \$1.56	250%

Results between performance levels will be incrementally calculated so that participants will receive a prorated payout (calculated on a straight line basis, rounded to the nearest percentile).

For results below the "Minimum": No incentive payout will be made.

For results between "Minimum" and "Target": For each \$.01 increase in E.P.S. above the "Minimum", the award percentage increases by 2.88%.

For results between "Target" and "Maximum": For each \$.01 increase in E.P.S. above the "Target", the award percentage increases by 6.25%.

For results above the "Maximum": An incentive payout of 250% will be calculated.

MAJOR GOAL ATTAINMENT: Based on the performance and achievement of specific quantifiable goals within the participant's area of responsibility, as established and measured by the CEO and/or the participant's manager.

PERSONAL PERFORMANCE LEVELS	GOAL ATTAINMENT	INCENTIVE PAYOUT AWARD PERCENTAGE
Minimum	Did not achieve goals	0%
Target	Achieved goals on average	100%
Maximum	Exceeded goals on average	200%

Results between performance levels will be rewarded on a payout percentage determined by the CEO and/or the participant's manager (with CEO approval).

SAMPLE CALCULATION:

Salary: \$80,000
1997 Target Percentage: 20%

Results:
Earnings Per Share: \$1.34
Major Goal Attainment: Accomplished all major goals satisfactorily.

1997 Target x 80% x Corporate Earnings Per Share Award Percentage
20% x 80% x 112.5% = 18.0%
+
1997 Target x 20% x Major Goal Attainment Award Percentage
20% x 20% x 100% = 4.0%

=Award of 22.0% of pay

FINAL PAYOUT = \$80,000 X 22.0% = \$17,600
=====

[SCOTTS LOGO]
1997 SCOTTS EXECUTIVE AND MANAGEMENT
INCENTIVE PLAN

BUSINESS GROUP PARTICIPANTS
EXECUTIVE LEVEL

GENERAL PLAN PROVISIONS

OBJECTIVE: To provide a strong financial incentive which is consistent with and supportive of business strategy and to encourage a team effort towards the achievement of corporate goals.

TARGET AWARDS: Each participant will be assigned a 1997 "Bonus Target Percent of Salary."

RESTRICTIONS: Participants must be actively employed in an eligible position for at least 13 consecutive weeks during the plan year. Participants must be employed on the last day of the fiscal year to be eligible for a payout. Participants who terminate their employment during the plan year, except in cases of retirement, will not be eligible for an incentive payment, prorated or otherwise.

Plan eligibility and payout calculation will not be impacted for associates on short term disability at any time during the plan year. However, if an associate is on long term disability, the payout will be prorated to compensate only for periods of active employment or short term disability.

The Plan confers no rights upon any associate to participate in the Plan or remain in the employ of the Company. Neither the adoption of the Plan nor its operation shall in any way affect the right of the associate or the Company to terminate the employment relationship at any time.

The Company reserves the right to suspend the Plan, to withdraw the Plan, and to make substantial alterations in Plan concept.

BUSINESS GROUP PARTICIPANTS
EXECUTIVE LEVEL
(EXECUTIVES AND THEIR DIRECT REPORTS)

Consumer Lawns
Consumer Gardens
Professional
Organics
International

MEASUREMENTS

BUSINESS GROUP	BUSINESS GROUP ADJUSTED CONTRIBUTION MARGIN ("A.C.M.")	CORPORATE EARNINGS PER SHARE ("E.P.S.")	MAJOR GOAL ATTAINMENT
Consumer Lawns	50%	30%	20%
Consumer Gardens	50%	30%	20%
Professional	50%	30%	20%
Organics	50%	30%	20%
International	50%	30%	20%

EARNED AWARDS:

BUSINESS GROUP A.C.M.: Defined by the attached schedule.

GROUP PERFORMANCE LEVELS	BUSINESS GROUP A.C.M. PERFORMANCE PERCENTAGE	INCENTIVE PAYOUT AWARD PERCENTAGE
Minimum	80%	25%
Target	100%	100%
Maximum	120%	250%

Results between performance levels will be incrementally calculated so that participants will receive a prorated payout (calculated on a straight line basis, rounded to the nearest percentile).

For results below the "Minimum": No incentive payout will be made.

For results between "Minimum" and "Target": For each 1% increase in performance percentage above the "Minimum", the award percentage increases by 3.75%.

For results between "Target" and "Maximum": For each 1% increase in performance percentage above the "Target", the award percentage increases by 7.5%.

For results above the "Maximum": An incentive payout of 250% will be calculated.

CORPORATE EARNINGS PER SHARE: As reported in public financial statements.

CORPORATE PERFORMANCE	EARNINGS PER SHARE	INCENTIVE PAYOUT AWARD PERCENTAGE
Minimum	80% - \$1.06	25%
Target	100% - \$1.32	100%
Maximum	120% - \$1.56	250%

Results between performance levels will be incrementally calculated so that participants will receive a prorated payout (calculated on a straight line basis, rounded to the nearest percentile).

For results below the "Minimum": No incentive payout will be made.

For results between "Minimum" and "Target": For each \$.01 increase in E.P.S. above the "Minimum", the award percentage increases by 2.88%.

For results between "Target" and "Maximum": For each \$.01 increase in E.P.S. above the "Target", the award percentage increases by 6.25%.

For results above the "Maximum": An incentive payout of 250% will be calculated.

MAJOR GOAL ATTAINMENT: Based on the performance and achievement of specific quantifiable goals within the participant's area of responsibility, as established and measured by the CEO, Executive Vice President and/or the participant's manager.

PERSONAL PERFORMANCE LEVELS	GOAL ATTAINMENT	INCENTIVE PAYOUT AWARD PERCENTAGE
Minimum	Did not achieve goals	0%
Target	Achieved goals on average	100%
Maximum	Exceeded goals on average	200%

Results between performance levels will be rewarded on a payout percentage determined by the CEO and/or the participant's manager (with CEO approval).

SAMPLE CALCULATION:

- - - - -

Salary: \$80,000

1997 Target Percentage: 20%

Results:

Business Group A.C.M.:

Actual \$21,000,000

Budget \$20,000,000

Earnings Per Share: \$1.34

Major Goal Attainment: Accomplished all major goals satisfactorily on average.

Calculation:

Business Group A.C.M. = \$21,000,000 = 105%

Performance Percentage \$20,000,000

$$(5\% \text{ Performance Percentage above "target" } \times 7.5\%) + 100\% = 137.5\% \text{ Business Group A.C.M. Award Percentage}$$

$$1997 \text{ Target } \times 50\% \times \text{Business Group A.C.M. Award Percentage}$$

$$20\% \times 50\% \times 137.5\% = 13.75\%$$

$$1997 \text{ Target } \times 30\% \times \text{Corporate Earnings Per Share Award Percentage}$$

$$20\% \times 30\% \times 112.5\% = 6.75\%$$

$$1997 \text{ Target } \times 20\% \times \text{Major Goal Attainment Award Percentage}$$

$$20\% \times 20\% \times 100\% = 4.0\%$$

=Award of 24.5% of pay

$$\text{FINAL PAYOUT} = \$80,000 \times 24.5\% = \underline{\underline{\$19,600}}$$

[SCOTTS LOGO]
1997 SCOTTS EXECUTIVE AND MANAGEMENT
INCENTIVE PLAN

OPERATIONS PARTICIPANTS LEVEL
EXECUTIVE LEVEL

GENERAL PLAN PROVISIONS

OBJECTIVE: To provide a strong financial incentive which is consistent with and supportive of business strategy and to encourage a team effort towards the achievement of corporate goals.

TARGET AWARDS: Each participant will be assigned a 1997 "Bonus Target Percent of Salary."

RESTRICTIONS: Participants must be actively employed in an eligible position for at least 13 consecutive weeks during the plan year. Participants must be employed on the last day of the fiscal year to be eligible for a payout. Participants who terminate their employment during the plan year, except in cases of retirement, will not be eligible for an incentive payment, prorated or otherwise.

Plan eligibility and payout calculation will not be impacted for associates on short term disability at any time during the plan year. However, if an associate is on long term disability, the payout will be prorated to compensate only for periods of active employment or short term disability.

The Plan confers no rights upon any associate to participate in the Plan or remain in the employ of the Company. Neither the adoption of the Plan nor its operation shall in any way affect the right of the associate or the Company to terminate the employment relationship at any time.

The Company reserves the right to suspend the Plan, to withdraw the Plan, and to make substantial alterations in Plan concept.

OPERATIONS PARTICIPANTS
EXECUTIVE LEVEL
(EXECUTIVES AND THEIR DIRECT REPORTS)

MEASUREMENTS

- - - - -

BUSINESS GROUP	OPERATING COSTS	CORPORATE EARNINGS PER SHARE	INDIVIDUAL AREA OF RESPONSIBILITY ("I.A.O.R.")	MAJOR GOAL ATTAINMENT
Operations	Range: 20% - 50%	Range: 20% - 30%	Range: 0% - 40%	20%

EARNED AWARDS

- - - - -

OPERATING COSTS: Defined by the sum of the following:

1. Total manufacturing variances to budget
2. Total material price variances to budget
3. Total distribution variances to flex budget

CORPORATE PERFORMANCE	OPERATING COSTS	INCENTIVE PAYOUT AWARD PERCENTAGE
Minimum	\$2 MM (U)	25%
Target	Budget	100%
Maximum	\$1 MM (F)	250%

Results between performance levels will be incrementally calculated so that participants will receive a prorated payout (calculated on a straight line basis, rounded to the nearest percentile).

For results below the "Minimum": No incentive payout will be made.

For results between "Minimum" and "Target": For each \$26,667 below the "Target", the award percentage decreases by 1.00%.

For results between "Target" and "Maximum": For each \$6,667 above the "Target", the award percentage increases by 1.00%.

For results above the "Maximum": An incentive payout of 250% will be calculated.

CORPORATE EARNINGS PER SHARE: As reported in public financial statements.

CORPORATE PERFORMANCE	EARNINGS PER SHARE	INCENTIVE PAYOUT AWARD PERCENTAGE
Minimum	80% - \$1.06	25%
Target	100% - \$1.32	100%
Maximum	120% - \$1.56	250%

Results between performance levels will be incrementally calculated so that participants will receive a prorated payout (calculated on a straight line basis, rounded to the nearest percentile).

For results below the "Minimum": No incentive payout will be made.

For results above the "Maximum": An incentive payout of 250% will be calculated.

INDIVIDUAL AREA OF RESPONSIBILITY: Defined according to the participant.

I.A.O.R. PERFORMANCE LEVELS	AREA OF RESPONSIBILITY MEASURE(S)	INCENTIVE PAYOUT AWARD PERCENTAGE
Minimum	Defined according to the I.A.O.R.	25%
Target	Budget	100%
Maximum	Defined according to the I.A.O.R.	250%

Results between performance levels will be incrementally calculated so that participants will receive a prorated payout (calculated on a straight line basis, rounded to the nearest percentile).

For results below the "Minimum": No incentive payout will be made.

For results above the "Maximum": An incentive payout of 250% will be calculated.

MAJOR GOAL ATTAINMENT: Based on the performance and achievement of specific quantifiable goals within the participants area of responsibility, as established and measured by the CEO, Executive Vice President and/or the participant's manager.

PERSONAL PERFORMANCE LEVELS	GOAL ATTAINMENT	INCENTIVE PAYOUT
Minimum	Did not achieve goals	0%
Target	Achieved goals on average	100%
Maximum	Exceeded goals on average	200%

Results between performance levels will be rewarded on a payout percentage determined by the CEO and/or the participant's manager (with CEO approval).

SAMPLE CALCULATION:

- - - - -

Salary: \$80,000

1997 Target Percentage: 20%

Incentive Measurements

BUSINESS GROUP	OPERATING COSTS	CORPORATE EARNINGS PER SHARE	INDIVIDUAL AREA OF RESPONSIBILITY ("I.A.O.R.")	MAJOR GOAL ATTAINMENT
Operations	20%	20%	40%	20%

Results:

Operating Costs: \$20,000 (F)

Corporate Earnings per Share: \$1.34

Individual Area of Responsibility: Attains budget

Major Goal Attainment: Accomplished all major goals satisfactorily on average.

Calculation:

Operating Costs = \$20,000 = 3.0 + 100% = 103%

Award Percentage \$6,667

1997 Target x 20% x Operations Cost Award Percentage

20% x 20% x 103% = 4.12%

+

1997 Target x 20% x Corporate Earnings per Share Award Percentage

20% x 20% x 112.5% = 4.50%

+

1997 Target x 40% x Individual Area of Responsibility Award Percentage

20% x 40% x 100% = 8.00%

+

1997 Target x 20% x Major Goal Attainment Award Percentage

20% x 20% x 100% = 4.00%

= Award of 20.62% of pay

FINAL PAYOUT = \$80,000 X 20.62% = \$16,496

=====

OPERATIONS/ORGANICS ADDENDUM
EXECUTIVE LEVEL

MEASUREMENTS:

BUSINESS GROUP	ORGANICS OPERATING COSTS	ORGANICS ADJUSTED CONTRIBUTION MARGIN ("A.C.M.")	CORPORATE EARNINGS PER SHARE	MAJOR GOAL ATTAINMENT
Organics	30%	30%	20%	20%

EARNED AWARDS:

ORGANICS OPERATING COSTS: Defined by the following:

ORGANICS OPERATING COST PERFORMANCE LEVELS	ORGANICS A.C.M. MEASURE(S)	INCENTIVE PAYOUT AWARD PERCENTAGE
Minimum	\$500M (U)	25%
Target	Budget	100%
Maximum	\$250M (F)	250%

Results between performance levels will be incrementally calculated so that participants will receive a prorated payout (calculated on a straight line basis, rounded to the nearest percentile).

For results below the "Minimum": No incentive payout will be made.

For results above the "Maximum": An incentive payout of 250% will be calculated.

BUSINESS GROUP A.C.M.: Defined by the attached schedule.

GROUP PERFORMANCE LEVELS	BUSINESS GROUP A.C.M. PERFORMANCE PERCENTAGE	INCENTIVE PAYOUT AWARD PERCENTAGE
Minimum	80%	25%
Target	100%	100%
Maximum	120%	250%

Results between performance levels will be incrementally calculated so that participants will receive a prorated payout (calculated on a straight line basis, rounded to the nearest percentile).

For results below the "Minimum": No incentive payout will be made.

For results between "Minimum" and "Target": For each 1% increase in performance percentage above the "Minimum", the award percentage increases by 3.75%.

For results between "Target" and "Maximum": For each 1% increase in performance percentage above the "Target", the award percentage increases by 7.5%.

For results above the "Maximum": An incentive payout of 250% will be calculated.

CORPORATE EARNINGS PER SHARE: Refer to the Plan Document.

MAJOR GOAL ATTAINMENT: Refer to the Plan Document.

Exhibit 10(i)

The Scotts Company Incentive Pay Deferral Plan

THE SCOTTS COMPANY
INCENTIVE PAY DEFERRAL PLAN

I. NAME AND PURPOSE

The name of this plan shall be The Scotts Company Incentive Pay Deferral Plan. Its purpose is to provide Eligible Employees of The Scotts Company and affiliated companies with the opportunity to defer bonuses under the Executive Annual Incentive Plan otherwise payable to them as employees by the Employer. These benefits are to be provided from the Plan on an unfunded basis and it is intended that the Plan be exempt from the funding, participation, vesting and fiduciary provisions of Title I of ERISA.

II. DEFINITIONS

The following terms will have the meanings provided below:

"Additions" means the credits applied to Deferred Compensation Accounts as provided in Section IV hereof.

"Administrative Committee" means the administrative committee appointed by the Board to administer the tax qualified retirement plans which are also sponsored by the Employer.

"Beneficiary" means the person or persons designated in writing as such and filed with the Administrative Committee at any time by a Participant. Any such designation may be withdrawn or changed in writing (without the consent of the Beneficiary), but only the last designation on file with the Administrative Committee shall be effective.

"Board" means the Board of Directors of The Scotts Company.

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

"Deferral Notice" means an Eligible Employee's election, on a form prescribed by the Administrative Committee, to defer Incentive Pay.

"Deferred Compensation Account" means the separate Deferred Compensation Account established for each Participant pursuant to Section IV of the Plan.

"ERISA" means the Employee Retirement Income Security Act of 1974, as may be amended from time to time.

"Effective Date" means September 3, 1997.

"Eligible Employee" has the meaning specified in Section III of the Plan.

"Employee" means an individual employed as a common law employee of the Employer.

"Employer" means The Scotts Company and affiliates of The Scotts Company.

"Incentive Pay" means, with respect to each Participant, any bonus under the Executive Annual Incentive Plan.

"Participant" has the meaning specified in Section III of the Plan.

"Plan" means The Scotts Company Incentive Pay Deferral Plan, as reflected in this document, as the same may be amended from time to time after the Effective Date.

"Plan Year" means the calendar year.

III. PARTICIPANTS

Each Employee who is an executive in Band G or above shall be eligible to participate in the Plan and shall be treated as an "Eligible Employee". Each Eligible Employee who elects to participate in the Plan pursuant to Section IV hereof shall be designated a "Participant" in the Plan. A Participant shall continue to participate in the Plan until his status as a Participant is terminated by: (a) a complete distribution of his Deferred Compensation Account pursuant to the terms of the Plan; (b) termination of the Plan; or (c) written directive of the Administrative Committee.

IV. DEFERRED COMPENSATION ACCOUNTS

A. Establishment of Deferred Compensation Accounts. The Administrative Committee will establish a Deferred Compensation Account for each Participant.

B. Election of Participant. With respect to each Plan Year, an Eligible Employee may elect to have a percentage or a flat dollar amount of his Incentive Pay which is to be awarded to him by the Employer for the Plan Year in question allocated to his Deferred Compensation Account and paid on a deferred basis pursuant to the terms of the Plan. To exercise such an election for any Plan Year, within thirty (30) after the Executive Annual Incentive Plan is finalized for the Plan Year, the Eligible Employee must advise the Employer of his election, in writing, on a form prescribed by the Administrative Committee (a "Deferral Notice"). Notwithstanding the preceding sentence, in the first year of the Plan, an Eligible Employee may complete a Deferral Notice at any time before September 20, 1997. Such Deferral Notice shall apply only to Incentive Pay payable to the Participant after the date on which the Deferral Notice is received by the Administrative Committee. If an Eligible Employee terminates employment or changes to an employment status other than an Eligible Employee, his election to defer Incentive Pay shall terminate and no additional amounts shall be deferred.

C. Employer Contributions. Each time a Deferral Notice is submitted to the Administrative Committee in accordance with Section IV.B. above, during the next Plan Year (or, in the initial Plan Year, during the period specified in Section IV.B), the Employer will allocate to the Participant's Deferred Compensation Account the percentage or dollar amount of Incentive Pay specified in the Deferral Notice.

D. Adjustment of Account Balances. A Participant shall designate (on such form or by such method as may be satisfactory to the Administrative Committee) the portion of his Deferred Compensation Account to be treated as credited to each of the investment funds that may be offered by the Administrative Committee in its discretion. Such designation shall specify the percentages to be treated as credited to each investment fund offered. A designation may be changed by the Participant as of any business day and shall remain in effect until changed by another designation under this Section. As of each business day, the Administrative Committee shall credit or debit the balance in the Participant's Deferred Compensation Account with Additions which shall mirror the appreciation or depreciation experienced by those investment funds to which the Participant's Deferred Compensation Account is credited. The crediting or debiting of Additions shall occur so long as there is a balance in the Participant's Deferred Compensation Account regardless of whether the Participant has terminated employment with the Employer or has died. The Administrative Committee may prescribe any reasonable method or procedure for the accounting of Additions.

E. FICA. Deferrals and Additions shall be taken into account as "wages" for purposes of the employment taxes imposed by the Federal Insurance Contributions Act in accordance with regulations promulgated by the Internal Revenue Service.

V. METHOD OF DISTRIBUTION OF DEFERRED COMPENSATION

A. Time of Payment. Distribution of a Participant's Deferred Compensation Account shall commence within thirty (30) days of the earlier of (i) the date specified by the Participant in the Deferral Notice delivered to the Administrative Committee at the time the deferral election is made; or (ii) the date of the Participant's termination of employment with the Employer due to resignation, retirement, death or otherwise.

B. Method of Distribution. A Participant's Deferred Compensation Account shall be distributed to the Participant either in a single lump sum payment or in equal annual installments over a period less than ten (10) years. To the extent that a Deferred Compensation Account is distributed in installment payments, the undisbursed portions of such account shall continue to be credited with Additions in accordance with the applicable provisions of Section IV.D. In addition, if, as of any business day after the date described in Section V.A., the amount allocated to a Participant's Deferred Compensation Account is less than \$5,000, the Administrative Committee shall pay such amount to the Participant and reduce the balance of his Deferred Compensation Account to zero. The method of distribution shall be elected by the Participant in the Deferral Notice delivered to the Administrative Committee at the time the deferral election is made. All distributions under the Plan shall be made in cash.

C. Death Benefit. Upon the death of a Participant (either before or after payment of benefits have commenced under this Section V), his Deferred Compensation Account shall be paid to the Beneficiary designated by the Participant. If there is no designated Beneficiary or no designated Beneficiary surviving at a Participant's death, payment of the Participant's Deferred Compensation Account shall be made to the Participant's estate in a single lump sum payment. In the event of a Participant's death after distribution of his Deferred Compensation Account has begun, to the extent that there is a surviving Beneficiary, payment of such account shall continue in the form of distribution in effect prior to the Participant's death. If a Participant dies prior to the commencement of distribution of his Deferred Compensation Account, his Beneficiary, if any, shall receive distribution of such account in

the form of distribution previously elected by the Participant in his Deferral Notice. If a Beneficiary begins to receive any payment pursuant to this Section V.C. and dies prior to the time that all amounts have been distributed, any remaining amount shall be paid in a single lump sum payment to the estate of the Beneficiary.

D. Taxes. In the event any taxes are required by law to be withheld or paid from any payments made pursuant to the Plan, the Administrative Committee shall deduct such amounts from such payments and shall transmit the withheld amounts to the appropriate taxing authority.

VI. BENEFIT PLANS

The amount of each Participant's Incentive Pay that he elects to defer under the Plan shall not be deemed to be compensation for the purpose of calculating the amount of such Participant's benefits or contributions under any employee benefit plan maintained by the Employer, including, but not limited to, any pension plan or retirement plan (qualified under Section 401(a) of the Code), the amount of life insurance payable under any life insurance plan or the amount of any disability benefit payments payable under any disability plan, except to the extent specifically provided in any such plan.

VII. PARTICIPANT'S RIGHTS

Establishment of the Plan shall not be construed as giving any Participant the right to be retained in the Employer's service or employ or the right to receive any benefits not specifically provided by the Plan. A Participant shall not have any interest in the Incentive Pay deferred or Additions credited to his Deferred Compensation Account until such account is distributed in accordance with the Plan. All Incentive Pay deferred or otherwise held for the account of a Participant under the Plan shall remain the sole property of the Employer, subject to the claims of its general creditors and available for its use for whatever purposes are desired. With respect to amounts deferred or otherwise held for the account of a Participant, the Participant is merely a general creditor of the Employer; and the obligation of the Employer hereunder is purely contractual and shall not be funded or secured in any way.

VIII. [INTENTIONALLY OMITTED.]

IX. NON-ALIENABILITY AND NON-TRANSFERABILITY

The rights of a Participant to the payment of deferred compensation as provided in the Plan shall not be assigned, transferred, pledged or encumbered or be subject in any manner to alienation or anticipation. No Participant may borrow against his Deferred Compensation Account. No Deferred Compensation Account shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge, garnishment, execution or levy of any kind, whether voluntary or involuntary, including but not limited to any liability which is for alimony or other payments for the support of a spouse or former spouse, or for any other relative of any Participant.

X. ADMINISTRATION

The Plan shall be administered by the Administrative Committee. The Administrative Committee shall have authority to adopt rules and regulations for carrying out the Plan and to, in its sole and absolute discretion, interpret, construe and implement the provisions hereof. Subject to the provisions of Section XI below, any decision or interpretation of any provision of the Plan adopted by the Administrative Committee shall be final and conclusive. A Participant who is also a member of the Administrative Committee shall not participate in any decision involving any request made by him or relating in any way solely to his rights, duties and obligations as a Participant under the Plan.

XI. CLAIMS PROCEDURE

A. Filing Claims. Any Participant or Beneficiary entitled to benefits under the Plan may file a claim request with the Administrative Committee.

B. Notification to Claimant. If a claim request is wholly or partially denied, the Administrative Committee will furnish to the claimant a notice of the decision within ninety (90) days in writing and in a manner calculated to be understood by the claimant, which notice will contain the following information:

- (i) the specific reason or reasons for the denial;
- (ii) specific reference to pertinent Plan provisions upon which the denial is based;
- (iii) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and
- (iv) an explanation of the Plan's claims review procedure describing the steps to be taken by a claimant who wishes to submit his claims for review.

C. Review Procedure. A claimant or his authorized representative may, with respect to any denied claim:

- (i) request a review upon a written application filed within sixty (60) days after receipt by the claimant of written notice of the denial of his claim;
- (ii) review pertinent documents; and
- (iii) submit issues and comments in writing.

Any request or submission will be in writing and will be directed to the Administrative Committee (or its designee). The Administrative Committee (or its designee) will have the sole responsibility for the review of any denied claim and will take all steps appropriate in the light of its findings.

D. Decision on Review. The Administrative Committee (or its designee) will render a decision upon review. If special circumstances (such as the need to hold a hearing on any matter

pertaining to the denied claim) warrant additional time, the decision will be rendered as soon as possible, but not later than one hundred twenty (120) days after receipt of the request for review. Written notice of any such extension will be furnished to the claimant prior to the commencement of the extension. The decision on review will be in writing and will include specific reasons for the decision, written in a manner calculated to be understood by the claimant, as well as specific references to the pertinent provisions of the Plan on which the decision is based. If the decision on review is not furnished to the claimant within the time limits prescribed above, the claim will be deemed denied on review.

XII. AMENDMENT AND TERMINATION

The Plan may, at any time or from time to time, be amended, modified or terminated by the Administrative Committee. However, no amendment, modification or termination of the Plan shall, without the consent of the Participant, adversely affect such Participant's rights with respect to amounts then credited to his Deferred Compensation Account.

XIII. GENERAL PROVISIONS

A. Controlling Law. Except to the extent superseded by federal law, the laws of the State of Ohio shall be controlling in all matters relating to the Plan, including construction and performance hereof.

B. Captions. The captions of Sections and paragraphs of this Plan are for convenience of reference only and shall not control or affect the meaning or construction of any of its provisions.

C. Facility of Payment. Any amounts payable hereunder to any person who is under legal disability or who, in the judgment of the Administrative Committee, is unable to properly manage his financial affairs, may be paid to the legal representative of such person or may be applied for the benefit of such person in any manner which the Administrative Committee may select, and any such payment shall be deemed to be payment for such person's Deferred Compensation Account and shall be a complete discharge of all liability of the Employer with respect to the amount so paid.

D. Administrative Expenses. All expenses of administering the Plan shall be borne by the Employer and no part thereof shall be charged against any Participant's account or any amounts distributable hereunder.

E. Severability. Any provision of this Plan prohibited by the law of any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition without invalidating the remaining provisions hereof.

F. Personal Liability. Except as otherwise expressly provided herein, no member of the Administrative Committee, and no officer, employee, or agent of the Employer shall have any liability to any person, firm or corporation based on or arising out of the Plan except in the case of willful misconduct or fraud.

XIV. UNFUNDED STATUS OF THE PLAN

Any and all payments made to any Participant pursuant to the Plan shall be made only from the general assets of the Employer. All accounts under the Plan shall be for bookkeeping purposes only and shall not represent a claim against specific assets of the Employer. Nothing contained in this Plan shall be deemed to create a trust of any kind or create any fiduciary relationship. Notwithstanding the foregoing, the Employer may, in its discretion, establish a trust to pay all or a portion of the benefits payable under this Plan, provided that the assets of such trust shall remain, at all times, the assets of the Employer subject to the claims of its creditors.

Exhibit 10(1)

Consulting Agreement among Scotts' Miracle-Gro Products, Inc.,
the Registrant and Horace Hagedorn

July 9, 1997

Horace Hagedorn
Old House Lane
Sands Point, NY 11050

Dear Horace:

We are thrilled that you have agreed to assist Scotts and Miracle-Gro by serving as a consultant to our businesses. Based on your decision to retire, this agreement replaces your May 15, 1995 employment agreement effective March 31, 1997 through May 15, 1999. By your acceptance of this letter, it is agreed between us that:

1. The Scotts Company and its subsidiaries (hereinafter Scotts) hereby retains you to render, and you agree to render to Scotts your personal services as an independent contractor and consultant. In this capacity, you will assist Scotts with its general business needs, especially in the areas of advertising, marketing and strategic planning.
2. The terms of this particular agreement shall begin April 1, 1997 and continue through May 15, 1999. Prior to May 15, 1999 we will discuss your future decision based on your new lifestyle. This agreement may be terminated by either party for any reason upon 12 months written notice.
3. Scotts agrees to pay you for your services rendered hereunder at the rate of \$240,000 per year paid quarterly (March, June, September, December). Further reasonable expenses incurred directly as a result of this consultancy will be reimbursed upon your furnishing of receipts of Scotts' subsequent approval. You will be responsible for the payment of any taxes associated with this agreement.
4. In the performance of your services hereunder, you will be free to use your discretion as to the days or hours worked and the manner in which you perform your services.

- 5. This Agreement contemplates your personal services and is not assignable by you. It is further agreed that you are an independent contractor hereunder, and that you will hold harmless Scotts from any of your acts arising hereunder or claims of third parties arising out of your alleged acts.
- 6. You agree that you are not entitled to any employee benefits from Scotts as a result of your services hereunder.
- 7. This Agreement comprises the entire understanding between us and may not be modified except by written amendment hereto signed by both parties.

This letter is sent to you in duplicate. If the terms set forth herein are satisfactory to you, please execute both copies in the space provided below and return one copy to us. Thank you.

Yours very truly,

THE SCOTTS COMPANY

By: /s/ Charles M. Berger

Charles M. Berger

Date: 7/9/97

ACCEPTED AND AGREED TO:

By: /s/ Horace Hagedorn

Horace Hagedorn

Date: 7/24/97

Exhibit 10(p)

Letter Agreement between the Registrant and Jean H. Mordo

December 23, 1996

Jean Mordo
50 Woodford Hills Dr.
Avon, CT 06001

Dear Jean:

I'm pleased to extend an offer of employment as Executive Vice President and Chief Financial Officer of The Scotts Company, reporting to me. As we have discussed, reporting to you will be the Treasurer, Controller, Management Information Systems, Corporate Communications and associated staff. You will also have a close association with the Human Resources unit.

Base Salary and Executive Incentive Plan

Your initial annual base salary is \$295,000 with a target bonus under the Executive Incentive Plan of 40% of salary. Your fiscal 1997 bonus will be guaranteed at \$100,000 and you will be eligible for the full year bonus opportunity (i.e. no "proration" based on your January start).

Stock Options

In addition, as a key member of the Executive Team, your initial grant of stock options is 150,000 which will be priced at the closing "asked" price on the day you officially join the company. These stock options will vest: 50,000 upon joining the company, 50,000 after your first year, and 50,000 after two years of employment. You will receive a separate option agreement.

Relocation

On an exception basis, we have agreed to pay you a "sign on bonus" of \$70,000 to cover all relocation costs associated with departure from your Connecticut home. Separately, you will be covered under Scotts Relocation Policy for your move to the Columbus area. A copy of the relocation policy is enclosed. We utilize PHH Relocation Services for relocation.

Car Allowance
- - - - -

Scotts provides its executives with a car allowance of \$7,000/year (this will be reviewed in 1997). In accordance with IRS regulations, the value of this car allowance will be reflected in your W-2. It is our understanding that you may deduct that part of this value which is for business purposes.

Personal Financial Planning
- - - - -

Personal financial planning is also provided through Ayco Corporation. The value of this confidential service is similarly added to your W-2. Some or all of this value may be tax deductible.

Termination
- - - - -

If your employment is terminated by the Company without Cause, as a result of your death or Disability, or as a result of a Change of Control, the Company shall pay you (i) your full base salary at the annual base rate in effect immediately prior to the Date of Termination for a period of twenty-four (24) months after the Date of Termination and (ii) incentive compensation for a period of twenty-four (24) months after the Date of Termination equal to the greater of your target percentage in effect at the Date of Termination or the amount of your last actual bonus. If your employment is terminated during the Company's 1997 fiscal year for any reason which would entitle you to receive the payments provided for in the immediately preceding sentence, the amount of incentive compensation which you shall be deemed to have earned in fiscal 1997 for the purpose of calculating the payments owed to you upon termination shall be the sum of \$100,000.

Starting Date
- - - - -

This letter assumes you will take up your new duties in January, employed on a "consultant basis;" and you will then become an "employee" beginning March 1, 1997.

Benefit Programs
- - - - -

You are eligible for inclusion in Scotts benefit programs which are outlined in the Association Information Guide. Specific booklets describing the following benefits are included with this letter: Medical Coverage, Dental Coverage, Profit Sharing, Pension, Group Universal Life, Long Term Disability Coverage and Supplemental Long Term Disability Coverage. The Scotts medical plan contains a pre-existing condition clause which does not cover for any condition on which treatment was provided during the three months preceding employment. This restriction becomes inoperative at the earlier of a period of three consecutive months without treatment or 12 months of employment.

This offer is contingent upon satisfactory completion of the mandatory drug screen required of all Scott associates, which can be completed after your arrival.

* * *

Jean, I and the Company take great pleasure in extending you this offer. Your addition to the company will solidify our team effort to drive the business forward. As a key player in our executive team, all of us at Scotts will extend our resources in support of your efforts. We truly look forward to your joining the Scotts family.

Sincerely,

/s/ Charles M. Berger

Charles M. Berger
Chairman, President and
Chief Executive Officer

Enclosures

ACCEPTANCE:

/s/ Jean H. Mordo

Jean Mordo

12/25/96

Date

December 23, 1996

Jean Mordo
50 Woodford Hills Dr.
Avon, CT 06001

Dear Jean:

This letter is to confirm your acceptance of our employment offer for the position of Executive Vice President and Chief Financial Officer.

As we have agreed, you will begin working for Scotts effective January 1, 1997 as a consultant for the month of January and February at the rate of \$28,270 per month. On March 1, 1997 you will officially become an employee of The Scotts Company and will be covered under Scotts benefits.

Jean, I look forward to working with you and am confident that you will make significant contributions to The Scotts Company.

Best wishes to you and Barbara for a joyous holiday season.

Sincerely,

/s/ Charles M. Berger

Charles M. Berger
Chairman, President and
Chief Executive Officer

CMB/cls

Exhibit 10(q)

Specimen Form of Stock Option Agreement for
Non-Qualified Stock Options

STOCK OPTION AGREEMENT
(Non-Qualified Stock Option)

THIS AGREEMENT is made to be effective as of _____, 1997, by and between The Scotts Company, an Ohio corporation (the "Company"), and _____ (the "Optionee").

W I T N E S S E T H :

WHEREAS, the Board of Directors of the Company adopted The Scotts Company 1996 Stock Option Plan (the "1996 Plan") on February 12, 1996; and

WHEREAS, the shareholders of the Company, approved the 1996 Plan at the Annual Meeting of Shareholders of the Company held on April 9, 1996; and

WHEREAS, the shareholders of the Company amended the 1996 Plan at the Annual Meeting of Shareholders of the Company held on March 12, 1997 to increase the number of shares authorized thereunder to 3,000,000; and

WHEREAS, the 1996 Plan, as amended, is hereinafter sometimes referred to as "the Plan"; and

WHEREAS, pursuant to the provisions of the Plan, the Board of Directors of the Company has appointed a Compensation and Organization Committee (the "Committee") to administer the Plan and the Committee has determined that an option to acquire common shares, without par value (the "Common Shares"), of the Company should be granted to the Optionee under the terms and conditions set forth in this Agreement;

NOW, THEREFORE, in consideration of the premises, the parties hereto make the following agreements, intending to be legally bound thereby:

1. Grant of Option. The Company hereby grants to the Optionee an option (the "Option") to purchase _____ Common Shares of the Company. The option shall be granted under the 1996 Stock Option Plan. The Option is not intended to qualify as an incentive stock option under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

2. Terms and Conditions of the Option.

(A) Option Price. The purchase price (the "Option Price") to be paid by the Optionee to the Company upon the exercise of the Option shall be \$____ per share (being 100% of the Fair Market Value (as that term is defined in the Plan) for the Common Shares of the Company on the date of grant of the Option), subject to adjustment as provided in Section 3.

(B) Exercise of the Option. The Option may be exercised as follows:

- (i) On _____ of the Common Shares subject to the Option;
- (ii) On _____ an additional _____ of the Common Shares subject to the Option.
- (iii) On _____ the remaining _____ of the Common Shares subject to the Option.

Subject to the other provisions of this Agreement and to the provisions of the Plan, if the Option becomes exercisable as to certain Common Shares, it shall remain exercisable as to those Common Shares until the date of expiration of the term of the Option. The Committee may, but shall not be required to (unless otherwise provided in this Agreement or in the Plan), accelerate the schedule of the time or times when the Option may be exercised.

The grant of the Option shall not confer upon the Optionee any right to continue in the employment of the Company nor limit in any way the right of the Company to terminate the employment of the Optionee at any time in accordance with law and the Company's governing corporate documents.

(C) Option Term. The Option shall in no event be exercisable after the expiration of ten years from the date of this Agreement.

(D) Method of Exercise. To the extent that any portion of this Option is exercisable, that portion of such Option may be exercised in whole or in part by delivering to the Committee in the care of the General Counsel or the Director, Legal Affairs of the Company, a written notice of exercise, signed by the Optionee or, in the event of the death of the Optionee, by such other person as is entitled to exercise the Option. The notice of exercise shall state the number of full Common Shares in respect of which the Option is being exercised. Payment for all such Common Shares shall be made to the Company at the time the Option is exercised. The Option Price may be paid in cash (including check, bank draft or money order) in U.S. dollars, or with the consent of the Committee, by the transfer by the Optionee to the Company of free and clear Common Shares already owned by the Optionee having a Fair Market Value (as that term is defined in the Plan) on the exercise date equal to the Option Price, or by a combination of cash and Common Shares already owned by the Optionee equal in the aggregate to the Option Price for the Common Shares being purchased. After payment in full for the Common Shares to be purchased upon exercise of the Option has been made, the Company shall take all such action as is necessary to deliver appropriate share certificates evidencing the Common Shares purchased upon the exercise of the Option to the Optionee as promptly thereafter as is reasonably practicable.

(E) Satisfaction of Taxes and Tax Withholding Requirements.

The Company has the right to withhold, or require the Optionee to remit to the Company, an amount sufficient to satisfy any applicable federal, state or local withholding tax requirements. The Committee may permit the Optionee to elect (i) to have Common Shares otherwise issuable under the Plan withheld by the Company or (ii) to deliver to the Company free and clear Common Shares already owned by the Optionee having a Fair Market Value (as that term is defined in the Plan) on the exercise date sufficient to pay all or part of the Optionee's estimated total federal, state and local tax obligations.

3. Adjustments and Changes in the Common Shares. In the event of any share dividend or share split, recapitalization (including, without limitation, the payment of an extraordinary dividend), merger, consolidation, combination, spin-off, distribution of assets to shareholders, exchange of shares, or other similar corporate change, appropriate adjustments shall be made by the Committee in the number of Common Shares and Option Price applicable to the Option to reflect such change.

4. Change in Control Provisions. In the event of a Change in Control (as defined in the Plan), the Option shall be canceled in exchange for the payment to the Optionee of cash in an amount equal to the excess of the highest price paid (or offered) for Common Shares of the Company during the preceding 30 day period over the exercise price for such Option. Notwithstanding the foregoing, if the Committee determines that the Optionee will receive a new award (or have the Option honored in a manner which preserves their value and eliminates the risk that the value of the Option will be forfeited due to involuntary termination), no cash payment will be made as a result of a Change in Control. If any cash payment with respect to the Option would result in the Optionee's incurring potential liability under Section 16(b) of the Securities Exchange Act of 1934, the cash payment will be deferred until the first time at which such cash payment may be made without subjecting the Optionee to such potential liability under Section 16 (b) by reason of such cash payment.

5. Nontransferability of the Option. The Option may not be sold, transferred, pledged, assigned or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. The Option may not be exercised during the lifetime of the Optionee except by the Optionee.

6. Exercise After Termination of Employment.

(A) In the event of the termination of the Optionee's employment by reason of retirement, the Option may thereafter be exercised, to the extent exercisable at the date of retirement, for a period of five years, subject to the stated term of the Option.

(B) In the event of the Optionee's termination of employment for cause, the Option shall be forfeited.

(C) In the event of the Optionee's termination of employment without cause, as a result of the Optionee's death or disability (as that term is defined in the Plan), or as a result of a Change in Control, that portion of the Option which is not yet exercisable shall continue to vest on the dates set forth in Paragraph 2 (b) of this Agreement, assuming Optionee is still receiving termination payments on such dates pursuant to the offer letter to Optionee dated _____. Following Optionee's receipt of the last termination payment under such offer letter, the Option may thereafter be exercisable to the extent vested, for a period of five years.

(D) In the event of the Optionee's termination of employment for any reason other than those enumerated in Paragraphs 6 (a) through 6 (c), the Option shall be exercisable, to the extent exercisable at the date of termination of employment, for a period of 30 days, subject to the stated term of the Option.

7. Restrictions of Transfer of Common Shares. Anything contained in this Agreement or elsewhere to the contrary notwithstanding:

(A) The Option shall not be exercisable for the purchase of any Common Shares subject thereto except for:

(i) Common Shares subject thereto which at the time of such exercise and purchase are registered under the Securities Act of 1933, as amended (the "1933 Act");

(ii) Common Shares subject thereto which at the time of such exercise and purchase are exempt or are the subject matter of an exempt transaction or are registered by description, by coordination or by qualification, or at such time are the subject matter of a transaction which has been registered by description, all in accordance with Chapter 1707 of the Ohio Revised Code, as amended; and

(iii) Common Shares subject thereto in respect of which the laws of any state applicable to such exercise and purchase have been satisfied.

(B) If any Common Shares subject to the Option are sold or issued upon the exercise thereof to a person who (at the time of such exercise or thereafter) is an affiliate of the Company for purposes of Rule 144 promulgated under the 1933 Act, then upon such sale and issuance:

(i) such Common Shares shall not be transferable by the holder thereof, and neither the Company nor its transfer agent or registrar, if any, shall be required to register or otherwise to give effect to any transfer thereof and may prevent any such transfer, unless the Company shall have received an opinion from its counsel to the effect that any such transfer would not violate the 1933 Act; and

(ii) the Company may cause each share certificate evidencing such Common Shares to bear a legend reflecting the applicable restrictions on the transfer thereof.

(C) Any share certificate issued to evidence Common Shares as to which the Option has been exercised may bear such legends and statements as the Company shall deem advisable to ensure compliance with applicable federal and state laws and regulations.

(D) Nothing contained in this Agreement or elsewhere shall be construed to require the Company to take any action whatsoever to make the Option exercisable or to make transferable any Common Shares purchased and issued upon the exercise of the Option.

(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) Plan as Controlling. All terms and conditions of the Plan applicable to the Option which are not set forth in this Agreement shall be deemed incorporated herein by reference. In the event that any term or condition of this Agreement is inconsistent with the terms and conditions of the Plan, the Plan shall be deemed controlling.

(10) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Ohio.

(11) Rights and Remedies Cumulative. All rights and remedies of the Company and of the Optionee enumerated in this Agreement shall be cumulative and, except as expressly provided otherwise in this Agreement, none shall exclude any other rights or remedies allowed by law or in equity, and each of said rights or remedies may be exercised and enforced concurrently.

(12) Captions. The captions contained in this Agreement are included only for convenience or reference and do not define, limit, explain or modify this Agreement or its interpretation, construction or meaning and are in no way to be construed as a part of this Agreement.

(13) Severability. If any provision of this Agreement or the application of any provision hereof to any person or any circumstance shall be determined to be invalid or unenforceable, then such determination shall not affect any other provision of this Agreement or the application of such provision to any other person or circumstance, all of which other provisions shall remain in full force and effect, and it is the intention of each party to this Agreement that if any provision of this Agreement is susceptible of two or

more constructions, one of which would render the provision enforceable and the other or others of which would render the provision unenforceable, then the provision shall have the meaning which renders it enforceable.

(14) Number and Gender. When used in this Agreement, the number and gender of each pronoun shall be construed to be such number and gender as the context, circumstances or its antecedent may require.

(15) Entire Agreement. This Agreement constitutes the entire Agreement between the Company and the Optionee in respect of the subject matter of this Agreement, and this Agreement supersedes all prior and contemporaneous agreements between the parties hereto in connection with the subject matter of this Agreement. No change, termination or attempted waiver of any of the provisions of this Agreement shall be binding upon any party hereto unless contained in a writing signed by the party to be charged.

(16) Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors and assigns (including successive, as well as immediate, successors and assigns) of the Company.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed to be effective as of the date first written above.

COMPANY:

The Scotts Company,
an Ohio corporation

By: _____
Rosemary L. Smith
Its: Vice President, Human Resources

OPTIONEE: [NAME]

Signature of Optionee

[ADDRESS]

Exhibit 10(r)

Letter Agreement between the Registrant and G. Robert Lucas

April 10, 1997

Mr. G. Robert Lucas
13 Edge of Woods
New Albany, OH 43054

Dear Rob:

I am pleased to extend an offer of employment as Sr. Vice President, General Counsel of The Scotts Company, reporting to me. As we have discussed, reporting to you will be the legal department and associated staff.

Base Salary and Executive Incentive Plan
- - - - -

Your initial annual base salary is \$228,000 with a target bonus under the Executive Incentive Plan of 40% of salary. Your fiscal 1997 bonus will be guaranteed at \$38,000, assuming that you commence employment on May 1, 1997 (five months' prorated bonus at 40%). Your fiscal 1998 bonus will be guaranteed at a minimum of \$64,000.

Stock Options
- - - - -

In addition, as a key member of the Executive Team, your initial grant of stock options is 70,000 which will be priced at the closing "asked" price on the day you officially join the company. These stock options will vest 1/3 upon joining the company, 1/3 after your first year, and 1/3 after two years of employment. You will receive a separate option agreement.

Car Allowance
- - - - -

Scotts provides its executives with a car allowance of \$7,000/year (this will be reviewed in 1997). In accordance with IRS regulations, the value of this car allowance will be reflected in your W-2. It is our understanding that you may deduct that part of this value which is for business purposes.

Club Initiation and Membership
- - - - -

Upon acceptance of this agreement, a \$50,000 club initiation fee will be paid to you. On an annual basis, up to \$7,500 for club membership will be reimbursed to you upon submission of appropriate receipts.

Personal Financial Planning

Personal financial planning is also provided through Ayco Corporation. The value of this confidential service is similarly added to your W-2. Some or all of this value may be tax deductible.

Termination

If your employment is terminated by the Company without Cause, as a result of your death or Disability, or as a result of a Change of Control, the Company shall pay you (i) your full base salary at the annual base rate in effect immediately prior to the Date of Termination for a period of twenty-four (24) months after the Date of Termination and (ii) incentive compensation for a period of twenty-four (24) months after the Date of Termination equal to the greater of your target percentage in effect at the Date of Termination or the amount of your last actual bonus. If your employment is terminated during the Company's 1997 fiscal year for any reason which would entitle you to receive the payments provided for in the immediately preceding sentence, the amount of incentive compensation which you shall be deemed to have earned for the purpose of calculating the payments owed to you upon termination shall be the sum of \$92,000.

The initial grant of options in the option grant in this offer will continue to vest and you will be allowed to exercise such options following your last termination payment.

Starting Date

This letter assumes you will take up your new duties May 1, 1997.

Benefit Programs

You are eligible for inclusion in Scotts comprehensive benefit programs. Specific booklets describing the following benefits are included with this letter: Medical Coverage, Dental Coverage, Profit Sharing, Pension, Excess Benefit Plan, Group Universal Life, Long Term Disability Coverage and Supplemental Long Term Disability Coverage. The Scotts medical plan contains a pre-existing condition clause which does not cover for any condition on which treatment was provided during the three months preceding employment. This restriction becomes inoperative at the earlier of a period of three consecutive months without treatment or 12 months of employment.

This offer is contingent upon satisfactory completion of the mandatory drug screen required of all Scott associates, which can be completed after your arrival.

* * *

Rob, I and the Company take great pleasure in extending you this offer. Your addition to the company will solidify our team effort to drive the business forward. As a key player in our executive team, all of us at Scotts will extend our resources in support of your efforts. We truly look forward to your joining the Scotts family.

Sincerely,

/s/ Charles M. Berger

Charles M. Berger
Chairman, President and
Chief Executive Officer

/cls

Enclosures

ACCEPTANCE:

/s/ G. Robert Lucas

4/10/97

G. Robert Lucas

Date

Exhibit 10(s)

Letter Agreement between the Registrant and Lawrence McCartney

October 29, 1997

Mr. Lawrence McCartney
7035 Temperance Point Street
Westerville, Ohio 43082

Dear Larry:

This letter is to confirm our agreement concerning the implementation of the succession plan we have jointly developed to replace you as Senior Vice President, Information Systems and to set forth our understanding regarding the terms of your continued employment with The Scotts Company ("the Company").

You have been working for the Company pursuant to a letter agreement dated April 10, 1996. This Agreement specifically supercedes that 1996 letter agreement, as well as any other prior agreements, whether oral or written.

As we have discussed, the Company's succession plan envisions your retirement by November, 1999. The Company values your continued services and would like you to stay through that date to ensure an orderly transition. However, you had apparently not planned to retire until approximately May, 2002. Accordingly, to meet both your and the Company's objectives, we have agreed upon the following terms:

- o While employed by the Company, you will continue to hold your position as Senior Vice President, Information Technology and shall be considered to be an "executive officer" for purposes of attending executive team meetings, setting policy, etc. You shall earn an annual salary of not less than \$176,000.
- o While employed by the company, you will be the highest ranking Information Systems Technology officer. Certain administrative or other functions outside of Information Technology which have previously been under your control may be assigned to others, but you shall be consulted first.
- o You will receive all Company benefits customarily provided to employees at your level, which presently include a car allowance, AYCO Financial Services and participation in the Company's Excess Benefit Plan.

- o You will also continue to participate in the Company's Executive Incentive Plan with a targeted bonus of 40% of your annual salary for those fiscal years in which you are employed as of the last day of the fiscal year.
- o You shall also continue to participate in the Company's Stock Option Plan (the "Plan") if you sign and return the Company's Key Management Scott Associate Agreement. This will include a grant of 10,000 options for Fiscal 1997, under the terms of the Plan. In any future years, you will receive grants comparable to others at your level, at the time grants are customarily made and under the terms of the Stock Option Plan. For 1998, a minimum of 5,000 options.
- o You understand that the Company could choose to terminate your employment prior to your anticipated retirement date of May, 2002. If you are terminated by the Company for gross misconduct at any time ("gross misconduct" being defined to include, but not be limited to, the failure to perform substantially all of your employment duties, the engaging by you in serious misconduct or the disclosure by you of confidential information relating to the Company), you will not receive any severance pay.
- o However, if you are terminated prior to May, 2002 for reasons other than gross misconduct or your death, disability, or voluntary resignation (other than retirement), you will receive the gross severance package subject to standard withholding set forth below:
 - o If termination is prior to May 1, 1999: \$400,000
 - o If termination is between May 1, 1999 and before November 1, 1999: \$350,000
 - o If termination is on or after November 1, 1999: \$250,000

You will have the option to choose to receive your severance pay on either a lump sum basis or a payroll continuation basis through April 30, 2000. If you choose the payroll continuation method, you will continue to accrue service credits, be eligible for full participation in the applicable Scotts' retirement plans and be eligible for medical and dental coverage. All other benefits will cease as of the last day you work as an active employee. In the event of your death prior to receipt of all severance payments due you, any remaining severance payments owed will be paid to your estate in a lump sum.

- o You understand and agree that if your employment is terminated at any time due to your death, disability or voluntary resignation (other than retirement), you are not entitled to any severance pay.
- o By executing this letter, you agree, except for the obligations set forth in this Agreement, that all of Scotts' other obligations and any claims by you against Scotts and the officers, directors and employees of Scotts, are released by your acceptance of this Agreement, including but not limited to claims of age discrimination in employment under the Federal

Age Discrimination in Employment Act and the Older Workers Benefit Protection Act. Except as specifically stated herein, as later agreed in writing, or except as provided in any benefit plans maintained by Scotts in which you are participating, you agree that you have no claim for and will not be entitled to any other benefits, bonus, compensation, perquisites, vacation or sick pay allowance or any kind of other remuneration arising out of your employment or the termination thereof, provided, however, that this release shall not be construed to prevent you from pursuing any rights you have to COBRA benefits or any rights you have to enforce the terms of this letter.

- o You agree to keep the terms of this Agreement confidential and that you will not disclose any information concerning these matters to anyone, including but not limited to past, present or future employees of Scotts or its affiliates (but excepting your legal and financial advisors and your spouse). You agree to indemnify Scotts from any loss or costs arising from any breach by you of this Agreement.
- o You understand that you are entering into this Agreement (and the release contained herein) voluntarily in order to be the recipient of certain of the agreements described herein that were not required pursuant to the terms of your previous employment agreements. You understand that Scotts would not enter into these agreements to which you would not otherwise be entitled without your voluntary consent to this Agreement.
- o In making your decision whether or not to accept this Agreement, you recognize that you have the right to seek advice and counsel from others, including that of an attorney if you so choose. You acknowledge that you have 21 days within which to consider this offer.
- o You have seven calendar days from the date you sign this Agreement to cancel it in writing. You may cancel this Agreement by signing the cancellation notice below (or by any other written signed notice) and delivering it to Scotts (to my attention) within seven days of the date you signed this Agreement.
- o You are reminded that certain provisions of this Agreement and the Key Management Scott Associate Agreement survive the termination of your employment with Scotts. Nothing in this letter is intended to constitute a waiver by Scotts of those provisions.
- o This Agreement will be construed in accordance with the substantive laws of the State of Ohio. The rights and duties of the parties shall not be assignable. This Agreement may not be amended except in writing signed by the party against whom an obligation is to be enforced. No representations, other than those contained herein, have been made as an inducement.

If this letter satisfactorily sets forth the provisions relating to your continued employment with the Company, please execute the enclosed copy and return it to me.

Very truly yours,

/s/ Jean H. Mordo

Jean H. Mordo
Executive Vice President and
Chief Financial Officer

Dear Jean:

This letter satisfactorily set forth the terms of my continued employment with The Scotts Company.

Dated: 10/30/97 /s/ Lawrence McCartney

Lawrence McCartney

CANCELLATION NOTICE

To cancel this Agreement, sign below and deliver this copy of the Agreement to Jean Mordo within seven days of the date you signed the Agreement.

I hereby cancel this Agreement.

(Date)

(Signature)

October 31, 1997

Mr. Lawrence McCartney
7035 Temperance Point Street
Westerville, Ohio 43082

Dear Larry:

With respect to our letter agreement dated October 29, 1997, we propose to add the following language to the paragraph on page 2 that begins "You will have the option...", at the end of that paragraph the following sentence: In the event of your death prior to receipt of all severance payments due you, any remaining severance payments owed will be paid to your estate in a lump sum.

Please acknowledge your acceptance of this addition by signing the enclosed copy of this letter and returning it to me.

Very truly yours,

/s/ Jean H. Mordo

Jean H. Mordo
Executive Vice President and
Chief Financial Officer

I agree to the proposed addition set forth above.

/s/ Lawrence McCartney

Lawrence McCartney

Date 10/31/97

Exhibit 11

Computation of Net Income Per Common Share

THE SCOTTS COMPANY
 Computation of Net Income Per Common Share
 (in millions except per share amounts)

	For the Three Months Ended		For the Year Ended	
	September 30	September 30	September 30	September 30
	1997	1996	1997	1996
	----	----	----	----
Net income (loss) for computing net income (loss) per common share:				
Net income (loss)	\$ (3.5)	\$(13.6)	\$39.5	\$ (2.5)
Class A Convertible Preferred Stock dividend	(2.4)	(2.4)	(9.8)	(9.8)
	-----	-----	-----	-----
Net income (loss) applicable to common shares	\$ (5.9)	\$ 16.0)	\$29.7	\$(12.3)
	=====	=====	=====	=====
Net income (loss) per common share:	\$(0.32)	\$(0.86)	\$1.35	\$(0.65)
	=====	=====	=====	=====

Computation of Weighted-Average Number
 of Common Shares Outstanding
 (in millions)

	For the Three Months Ended		For the Year Ended	
	September 30	September 30	September 30	September 30
	1997	1996	1997	1996
	----	----	----	----
Weighted-average common shares outstanding during the period	18.7	18.6	18.6	18.8
Assuming conversion of Class A Convertible Preferred Stock	--	--	10.3	--
Assuming exercise of options	--	--	0.3	--
Assuming exercise of warrants	--	--	0.1	--
	-----	-----	-----	-----
Weighted-average number of common shares outstanding and dilutive common share equivalents	18.7	18.6	29.3	18.8
	=====	=====	=====	=====

Fully diluted weighted-average common shares outstanding were not materially different than primary weighted-average common shares outstanding for the period presented.

Exhibit 21

Subsidiaries of the Registrant

Exhibit 21

SUBSIDIARIES OF REGISTRANT

EG Systems, Inc.*
Hyponex Corporation, a Delaware corporation
 Old Fort Financial Corp., a Delaware corporation
OMS Investments, Inc., a Delaware corporation
Republic Tool & Manufacturing Corp., a Delaware corporation
Scotts' Miracle-Gro Products, Inc., an Ohio corporation
 Miracle-Gro Lawn Products, Inc., a New York corporation
 Miracle-Gro Products Ltd., a New York corporation
Scotts Grass Co., an Ohio corporation
Scotts Sod Co., an Ohio corporation
Scotts Energy Co., an Ohio corporation
Scotts Pesticide Co., an Ohio Corporation
Scotts Green Lawns Co., an Ohio corporation
Scotts Plant Co., an Ohio corporation
Scotts Tree Co., an Ohio corporation
Scotts Service Co., an Ohio corporation
Scotts Products Co., an Ohio corporation
Scotts Fertilizer Co., an Ohio corporation
Scotts Park Co., an Ohio corporation
Scotts ProTurf Co., an Ohio corporation
Scotts Control Co., an Ohio corporation
Scotts Professional Products Co., an Ohio corporation
Scotts Turf Co., an Ohio corporation
Scotts Best Lawns Co., an Ohio corporation
Scotts Weed Control Co., an Ohio corporation
Scotts Golf Co., an Ohio corporation
Scotts Garden Co., an Ohio corporation
Scotts Design Co., an Ohio corporation
Scotts Tech Rep Co., an Ohio corporation
Scotts Broad Leaf Co., an Ohio corporation
Scotts Insecticide Co., an Ohio corporation
Scotts Spreader Co., an Ohio corporation
Scotts Improvement Co., an Ohio corporation
Scotts-Sierra Horticultural Products Company, a California corporation
 Scotts-Sierra Crop Protection Company, a California corporation
 Sierra-Sunpol Resins, Inc., a California corporation*

Scotts France, S.A.R.L. (France)
Scott O.M. Espana, S.A. (Spain)
Scotts-Sierra Investments, Inc., a Delaware corporation
Scotts Australia Pty. Ltd. (Australia)
Scotts Holdings Limited (United Kingdom)
Levington Group Limited (United Kingdom)
Levington Horticulture Limited (United Kingdom)
Levington Trustees Limited (United Kingdom)
Murphy Home and Garden Ltd. (United Kingdom)
O M Scott International Investments Limited (United Kingdom)
Miracle Holdings Limited (United Kingdom)
Miracle Garden Care Limited (United Kingdom)
Miracle Garden Care (Manufacturing) Limited
(United Kingdom)
O.M. Scott & Sons Limited (United Kingdom)
Scotts United Kingdom, Limited (United Kingdom)
Scotts Italia, SRL (Italy)
Scotts Europe B.V. (Netherlands)
Scotts Belgium B.V.B.A. (Belgium)
Scotts Deutschland GmbH (Germany)

* Not wholly-owned

Exhibit 23

Consent of Independent Accountants

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the registration statements of The Scotts Company on Form S-8 (File Nos. 33-47073, 33-60056, 333-00021, 333-06061 and 333-27561) of our report dated October 24, 1997, on our audits of the consolidated financial statements and financial statement schedules of The Scotts Company and Subsidiaries as of September 30, 1997 and 1996, and for the years ended September 30, 1997, 1996 and 1995, which report is included in this Annual Report on Form 10-K.

Coopers & Lybrand L.L.P.

Columbus, Ohio
December 18, 1997

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEETS AND STATEMENTS OF OPERATIONS OF THE SCOTTS COMPANY AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FORM 10-K FOR THE YEAR ENDED SEPTEMBER 30, 1997.

1,000,000
US DOLLARS

YEAR	SEP-30-1997	OCT-01-1996	SEP-30-1997
	1		13
	0		0
	112		112
	(7)		(7)
	146		146
	286		286
	(102)		(102)
	788		788
139			0
0			0
	177		177
	0		0
	212		212
788			901
	901		901
	804		804
	0		0
	0		0
	27		27
	70		70
	30		30
40			0
	0		0
	0		0
	40		40
	1.35		1.35
	1.35		1.35