

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED MARCH 29, 2008

OR

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

COMMISSION FILE NUMBER: 1-13292

THE SCOTTS MIRACLE-GRO COMPANY

(Exact Name of Registrant as Specified in Its Charter)

OHIO
(State or other jurisdiction of
incorporation or organization)

31-1414921
(I.R.S. Employer
Identification No.)

14111 SCOTTSLAWN ROAD,
MARYSVILLE, OHIO
(Address of principal executive offices)

43041
(Zip Code)

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

NO CHANGE

(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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

Class
Common Shares, \$0.01 stated value, no par value

Outstanding at May 1, 2008
64,518,590 common shares

THE SCOTTS MIRACLE-GRO COMPANY
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PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

THE SCOTTS MIRACLE-GRO COMPANY
CONDENSED, CONSOLIDATED STATEMENTS OF OPERATIONS
(IN MILLIONS EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

| | THREE MONTHS ENDED | | SIX MONTHS ENDED | |
|--|--------------------|-------------------|-------------------|-------------------|
| | MARCH 29, 2008 | MARCH 31, 2007 | MARCH 29, 2008 | MARCH 31, 2007 |
| Net sales | \$ 958.0 | \$ 993.3 | \$ 1,266.7 | \$ 1,264.5 |
| Cost of sales | 635.2 | 624.9 | 872.6 | 840.8 |
| Gross profit | 322.8 | 368.4 | 394.1 | 423.7 |
| Operating expenses: | | | | |
| Selling, general and administrative | 209.6 | 203.0 | 353.9 | 345.2 |
| Other income, net | (1.0) | (1.1) | (4.2) | (3.4) |
| Income from operations | 114.2 | 166.5 | 44.4 | 81.9 |
| Costs related to refinancing | — | 18.3 | — | 18.3 |
| Interest expense | 23.5 | 17.9 | 42.5 | 26.1 |
| Income before income taxes | 90.7 | 130.3 | 1.9 | 37.5 |
| Income taxes | 32.7 | 46.9 | 0.7 | 13.5 |
| Net income | \$ 58.0 | \$ 83.4 | \$ 1.2 | \$ 24.0 |
| BASIC NET INCOME PER COMMON SHARE: | | | | |
| Weighted-average common shares outstanding during the period | 64.4 | 66.1 | 64.3 | 66.6 |
| Basic net income per common share | \$ 0.90 | \$ 1.26 | \$ 0.02 | \$ 0.36 |
| DILUTED NET INCOME PER COMMON SHARE: | | | | |
| Weighted-average common shares outstanding during the period plus dilutive potential common shares | 65.6 | 67.8 | 65.7 | 68.4 |
| Diluted net income per common share | \$ 0.88 | \$ 1.23 | \$ 0.02 | \$ 0.35 |
| Dividends declared per common share | \$ 0.125 | \$ 8.125 | \$ 0.250 | \$ 8.250 |

See notes to condensed, consolidated financial statements

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THE SCOTTS MIRACLE-GRO COMPANY
CONDENSED, CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN MILLIONS)
(UNAUDITED)

| | SIX MONTHS ENDED | |
|---|-------------------|-------------------|
| | MARCH 29, 2008 | MARCH 31, 2007 |
| OPERATING ACTIVITIES | | |
| Net income | \$ 1.2 | \$ 24.0 |
| Adjustments to reconcile net income to net cash used in operating activities: | | |
| Costs related to refinancing | — | 18.3 |
| Stock-based compensation expense | 7.2 | 10.0 |
| Depreciation | 26.4 | 26.4 |
| Amortization | 8.2 | 7.7 |
| Gain on sale of property, plant and equipment | — | (0.4) |
| Changes in assets and liabilities, net of acquired businesses: | | |
| Accounts receivable | (624.1) | (616.8) |
| Inventories | (213.5) | (158.0) |
| Prepaid and other current assets | (29.7) | (28.3) |
| Accounts payable | 160.7 | 141.3 |
| Accrued liabilities | 116.2 | 64.2 |
| Restructuring reserves | (0.7) | (4.2) |
| Other non-current items | (4.9) | (2.1) |
| Other, net | (2.7) | (1.8) |
| Net cash used in operating activities | <u>(555.7)</u> | <u>(519.7)</u> |
| INVESTING ACTIVITIES | | |
| Proceeds from the sale of property, plant and equipment | 0.6 | 0.4 |
| Investment in property, plant and equipment | (25.1) | (30.1) |
| Investment in acquired businesses, net of cash acquired | — | (6.3) |
| Net cash used in investing activities | <u>(24.5)</u> | <u>(36.0)</u> |
| FINANCING ACTIVITIES | | |
| Borrowings under revolving and bank lines of credit | 760.1 | 2,122.8 |
| Repayments under revolving and bank lines of credit | (168.6) | (611.1) |
| Repayments of 6 5/8% senior subordinated notes | — | (209.6) |
| Dividends paid | (16.4) | (528.4) |
| Purchase of common shares and related costs | — | (246.7) |
| Financing fees | — | (12.7) |
| Payments on seller notes | (1.4) | (1.2) |
| Excess tax benefits from share-based payment arrangements | 1.6 | 12.9 |
| Cash received from the exercise of stock options | 5.5 | 21.8 |
| Net cash provided by financing activities | <u>580.8</u> | <u>547.8</u> |
| Effect of exchange rate changes on cash | 8.4 | 3.3 |
| Net increase (decrease) in cash | 9.0 | (4.6) |
| Cash and cash equivalents at beginning of period | 67.9 | 48.1 |
| Cash and cash equivalents at end of period | <u>\$ 76.9</u> | <u>\$ 43.5</u> |
| Supplemental cash flow information | | |
| Interest paid, net of interest capitalized | 34.0 | 24.1 |
| Income taxes (refunded) paid | (6.9) | 6.3 |

See notes to condensed, consolidated financial statements

THE SCOTTS MIRACLE-GRO COMPANY
CONDENSED, CONSOLIDATED BALANCE SHEETS
(IN MILLIONS EXCEPT PER SHARE AMOUNT)

| | MARCH 29, 2008 | MARCH 31, 2007 | SEPTEMBER 30, 2007 |
|--|-------------------|-------------------|-----------------------|
| | UNAUDITED | | (SEE NOTE 1) |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 76.9 | \$ 43.5 | \$ 67.9 |
| Accounts receivable, less allowances of \$15.7, \$15.0 and \$11.4, respectively | 738.9 | 1,001.0 | 248.3 |
| Accounts receivable pledged | 296.2 | — | 149.5 |
| Inventories, net | 625.1 | 571.9 | 405.9 |
| Prepaid and other assets | 159.7 | 131.0 | 127.7 |
| Total current assets | <u>1,896.8</u> | <u>1,747.4</u> | <u>999.3</u> |
| Property, plant and equipment, net of accumulated depreciation of \$447.6, \$398.1 and \$418.8, respectively | 363.3 | 369.2 | 365.9 |
| Goodwill | 467.3 | 475.0 | 462.9 |
| Intangible assets, net | 417.9 | 421.7 | 418.8 |
| Other assets | 25.6 | 29.5 | 30.3 |
| Total assets | <u>\$ 3,170.9</u> | <u>\$ 3,042.8</u> | <u>\$ 2,277.2</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current liabilities: | | | |
| Current portion of debt | \$ 281.8 | \$ 23.7 | \$ 86.4 |
| Accounts payable | 368.0 | 341.5 | 202.5 |
| Other current liabilities | 421.2 | 355.8 | 297.7 |
| Total current liabilities | <u>1,071.0</u> | <u>721.0</u> | <u>586.6</u> |
| Long-term debt | 1,445.9 | 1,783.2 | 1,031.4 |
| Other liabilities | 187.8 | 163.8 | 179.9 |
| Total liabilities | <u>2,704.7</u> | <u>2,668.0</u> | <u>1,797.9</u> |
| Commitments and contingencies (notes 5 and 12) | | | |
| Shareholders' equity: | | | |
| Common shares and capital in excess of \$.01 stated value per share, 64.5, 63.5 and 64.1 shares issued and outstanding, respectively | 476.4 | 492.2 | 480.3 |
| Retained earnings | 245.4 | 186.3 | 260.5 |
| Treasury shares, at cost: 3.7, 4.6, and 4.0 shares, respectively | (200.4) | (252.9) | (219.5) |
| Accumulated other comprehensive loss | (55.2) | (50.8) | (42.0) |
| Total shareholders' equity | <u>466.2</u> | <u>374.8</u> | <u>479.3</u> |
| Total liabilities and shareholders' equity | <u>\$ 3,170.9</u> | <u>\$ 3,042.8</u> | <u>\$ 2,277.2</u> |

See notes to condensed, consolidated financial statements

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NOTES TO CONDENSED, CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

The Scotts Miracle-Gro Company (“Scotts Miracle-Gro”) and its subsidiaries (collectively, the “Company”) are engaged in the manufacture, marketing and sale of lawn and garden care products. The Company’s major customers include home improvement centers, mass merchandisers, warehouse clubs, large hardware chains, independent hardware stores, nurseries, garden centers, food and drug stores, commercial nurseries and greenhouses, and specialty crop growers. The Company’s products are sold primarily in North America and the European Union. The Company also operates the Scotts LawnService® business which provides lawn, tree and shrub fertilization, insect control and other related services in the United States of America (the “United States” or “U.S.”) and Smith & Hawken®, a leading brand in the outdoor living and gardening lifestyle category.

Due to the nature of the lawn and garden business, the majority of shipments to retailers occur in the Company’s second and third fiscal quarters. On a combined basis, net sales for the second and third fiscal quarters generally represent 70% to 75% of annual net sales. As a result of the seasonal nature of our business, results for the first half of our fiscal year are not indicative of the full year.

ORGANIZATION AND BASIS OF PRESENTATION

The Company’s condensed, consolidated financial statements are unaudited; however, in the opinion of management, these financial statements are presented in accordance with accounting principles generally accepted in the United States. The condensed, consolidated financial statements include the accounts of Scotts Miracle-Gro and all wholly-owned and majority-owned subsidiaries. All intercompany transactions and accounts have been eliminated in consolidation. The Company’s consolidation criteria are based on majority ownership (as evidenced by a majority voting interest in the entity) and an objective evaluation and determination of effective management control. Interim results reflect all normal and recurring adjustments and are not necessarily indicative of results for a full year. The interim financial statements and notes are presented as specified by Regulation S-X of the Securities and Exchange Commission, and should be read in conjunction with the consolidated financial statements and accompanying notes in the Scotts Miracle-Gro’s Annual Report on Form 10-K for the fiscal year ended September 30, 2007.

The Condensed, Consolidated Balance Sheet at September 30, 2007 has been derived from the audited Consolidated Balance Sheet at that date, but does not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the condensed, consolidated financial statements and accompanying notes. Although these estimates are based on management’s best knowledge of current events and actions the Company may undertake in the future, actual results ultimately may differ from the estimates.

REVENUE RECOGNITION

Revenue is recognized when title and risk of loss transfer, which generally occurs when products are received by the customer. Provisions for estimated returns and allowances are recorded at the time revenue is recognized based on historical rates and are periodically adjusted for known changes in return levels. Shipping and handling costs are included in cost of sales. Scotts LawnService® revenues are recognized at the time service is provided to the customer.

Under the terms of the Amended and Restated Exclusive Agency and Marketing Agreement (the “Marketing Agreement”) between the Company and Monsanto, the Company, in its role as exclusive agent performs certain functions, such as sales support, merchandising, distribution and logistics, and incurs certain costs in support of the consumer Roundup® business. The actual costs incurred by the Company on behalf of Roundup® are recovered from Monsanto through the terms of the Marketing Agreement. The reimbursement of costs for which the Company is considered the primary obligor is included in net sales.

PROMOTIONAL ALLOWANCES

The Company promotes its branded products through cooperative advertising programs with retailers. Retailers also are offered in-

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store promotional allowances and rebates based on sales volumes. Certain products are promoted with direct consumer rebate programs and special purchasing incentives. Promotion costs (including allowances and rebates) incurred during the year are expensed to interim periods in relation to revenues and are recorded as a reduction of net sales. Accruals for expected payouts under these programs are included in the "Other current liabilities" line in the Condensed, Consolidated Balance Sheets.

ADVERTISING

The Company advertises its branded products through national and regional media. Advertising costs incurred during the year are expensed to interim periods in relation to revenues. All advertising costs, except for external production costs, are expensed within the fiscal year in which such costs are incurred. External production costs for advertising programs are deferred until the period in which the advertising is first aired.

Scotts LawnService® promotes its service offerings primarily through direct mail campaigns. External costs associated with these campaigns, that qualify as direct response advertising costs, are deferred and recognized as advertising expense in proportion to revenues over a period not beyond the end of the subsequent calendar year. The costs deferred at March 29, 2008, March 31, 2007 and September 30, 2007 were \$11.8 million, \$10.6 million and \$5.7 million, respectively.

STOCK-BASED COMPENSATION AWARDS

The fair value of awards is expensed ratably over the vesting period, generally three years. The Company uses a binomial model to fair value its option grants.

GOODWILL AND INDEFINITE-LIVED INTANGIBLE ASSETS

During the third quarter of fiscal 2007, the Company changed the timing of its annual goodwill impairment testing from the last day of the fiscal first quarter to the first day of the fiscal fourth quarter. In addition, the Company also changed the date of its annual indefinite life intangible impairment testing to the first day of the fiscal fourth quarter.

The impairment analyses for the first quarter of fiscal 2007 indicated that no impairment charges were required.

NET INCOME PER COMMON SHARE

The following represents a reconciliation from basic net income per common share to diluted net income per common share. Basic net income per common share is computed based on the weighted-average number of common shares outstanding each period. Diluted net income per common share is computed based on the weighted-average number of common shares and dilutive potential common shares (stock options, restricted stock, performance shares and stock appreciation rights) outstanding each period. Stock options with exercise prices greater than the average market price of the underlying common shares are excluded from the computation of diluted net income per share because the effect would be antidilutive. The number of stock options excluded at March 29, 2008 was 2.6 million. The number of stock options excluded at March 31, 2007 was immaterial.

| | <u>THREE MONTHS ENDED</u> | | <u>SIX MONTHS ENDED</u> | |
|--|---------------------------|-----------------------|-------------------------|-----------------------|
| | <u>MARCH 29, 2008</u> | <u>MARCH 31, 2007</u> | <u>MARCH 29, 2008</u> | <u>MARCH 31, 2007</u> |
| (IN MILLIONS, EXCEPT PER SHARE DATA) | | | | |
| Determination of common shares: | | | | |
| Average common shares outstanding | 64.4 | 66.1 | 64.3 | 66.6 |
| Assumed conversion of dilutive potential common shares | 1.2 | 1.7 | 1.4 | 1.8 |
| Diluted average common shares outstanding | <u>65.6</u> | <u>67.8</u> | <u>65.7</u> | <u>68.4</u> |
| Basic net income per common share | <u>\$ 0.90</u> | <u>\$ 1.26</u> | <u>\$ 0.02</u> | <u>\$ 0.36</u> |
| Diluted net income per common share | <u>\$ 0.88</u> | <u>\$ 1.23</u> | <u>\$ 0.02</u> | <u>\$ 0.35</u> |

See Note 3, "Recapitalization" for a discussion of the Company's recapitalization transactions that were consummated in the second quarter of fiscal 2007.

RECENT ACCOUNTING PRONOUNCEMENTS

FIN 48 — Accounting For Uncertainty In Income Taxes — An Interpretation Of FASB Statement No. 109

In July 2006, the Financial Accounting Standards Board (“FASB”) issued FASB Interpretation 48, “Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109” (“FIN 48”). This Interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements in accordance with SFAS 109, “Accounting for Income Taxes”. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This Interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

The evaluation of a tax position in accordance with FIN 48 is a two-step process. The first step is recognition. The enterprise determines whether it is more-likely-than-not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. In evaluating whether a tax position has met the more-likely-than-not recognition threshold, the enterprise should presume that the position will be examined by the appropriate taxing authority that would have full knowledge of all relevant information. The second step is measurement. A tax position that meets the more-likely-than-not recognition threshold is measured to determine the amount of benefit to recognize in the financial statements. The tax position is measured as the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement.

Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold should be derecognized in the first subsequent financial reporting period in which that threshold is no longer met.

The Company, as required, adopted FIN 48 as of the beginning of its 2008 fiscal year, resulting in a \$0.4 million decrease to retained earnings at October 1, 2007. See Note 11, “Income Taxes” for additional information.

Statement of Financial Accounting Standards No. 157 — Fair Value Measurements

In September 2006, the FASB issued SFAS 157, “Fair Value Measurements” (“SFAS 157”) SFAS 157, defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The Company will be required to adopt SFAS 157 no later than October 1, 2008, the beginning of its 2009 fiscal year. The provisions of SFAS 157 should be applied prospectively to the beginning of the fiscal year in which SFAS 157 is initially applied, except with respect to certain financial instruments as defined by SFAS 157. The Company is in the process of evaluating the impact that the adoption of SFAS 157 will have on its financial statements.

Statement of Financial Accounting Standards No. 159 —The Fair Value Option for Financial Assets and Financial Liabilities

In February 2007, the FASB issued SFAS 159, “The Fair Value Option for Financial Assets and Financial Liabilities-Including an amendment of FASB Statement No. 115,” (“SFAS 159”) which allows an entity the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on a contract-by-contract basis. Subsequent changes in fair value of these financial assets and liabilities would be recognized in earnings when they occur. SFAS 159 further establishes certain additional disclosure requirements. SFAS 159 is effective for the Company’s financial statements for the fiscal year beginning October 1, 2008, with earlier adoption permitted. No entity is permitted to apply SFAS 159 retrospectively to fiscal years preceding the effective date unless the entity chooses early adoption. The Company is in the process of evaluating the impact that the adoption of SFAS 159 will have on its financial statements.

Statement of Financial Accounting Standards No. 141(R) — Business Combinations

In December 2007, the FASB issued SFAS 141(R), “Business Combinations,” (“SFAS 141(R)”) which replaces SFAS 141. The objective of SFAS 141(R) is to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a business combination and its effects. SFAS 141(R) establishes principles and requirements for how the acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree; recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and

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financial effects of the business combination. SFAS 141(R) applies to all transactions or other events in which an entity (the acquirer) obtains control of one or more businesses (the acquiree), including those sometimes referred to as “true mergers” or “mergers of equals” and combinations achieved without the transfer of consideration. SFAS 141(R) is effective for the Company’s financial statements for the fiscal year beginning October 1, 2009. The Company is in the process of evaluating the impact that the adoption of SFAS 141(R) will have on its financial statements.

Statement of Financial Accounting Standards No. 160 — Noncontrolling Interests in Consolidated Financial Statements

In December 2007, the FASB issued SFAS 160, “Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51” (“SFAS 160”). The objective of SFAS 160 is to improve the relevance, comparability, and transparency of the financial information that a reporting entity provides in its consolidated financial statements. SFAS 160 amends ARB No. 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS 160 also changes the way the consolidated financial statements are presented, establishes a single method of accounting for changes in a parent’s ownership interest in a subsidiary that do not result in deconsolidation, requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated and expanded disclosures in the consolidated financial statements that clearly identify and distinguish between the parent’s ownership interest and the interest of the noncontrolling owners of a subsidiary. The provisions of SFAS 160 should be applied prospectively as of the beginning of the fiscal year in which SFAS 160 is adopted, except for the presentation and disclosure requirements, which are to be applied retrospectively for all periods presented. SFAS 160 is effective for the Company’s financial statements for the fiscal year beginning October 1, 2009. The Company is in the process of evaluating the impact, if any, that the adoption of SFAS 160 will have on its financial statements.

Statement of Financial Accounting Standards No. 161 — Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133

In March 2008, the FASB issued SFAS 161, “Disclosures about Derivative Instruments and Hedging Activities —an amendment of FASB Statement No. 133” (“SFAS 161”). The objective of SFAS 161 is to enhance the current disclosure framework in Statement 133 and improve the transparency of financial reporting for derivative instruments and hedging activities. SFAS 161 requires entities to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity’s financial position, financial performance, and cash flows. SFAS 161 is effective for the Company’s financial statements for the fiscal year beginning October 1, 2010. The Company is in the process of evaluating the impact, if any, that the adoption of SFAS 161 will have on its financial statements.

2. 2008 PRODUCT RECALLS

In March 2008, the Company announced a voluntary recall of certain wild bird food products which had been treated with pest control products labeled for use on certain stored grains that can be processed for human and/or animal consumption. However, these pest control products were not labeled for use on wild bird food products. These products were treated with pest control products to avoid insect infestations, especially at retail stores, a practice which predates the Company’s acquisition of Gutwein & Co., Inc. in November 2005.

In April 2008, the Company, in cooperation with an investigation by the U.S. Environmental Protection Agency (“USEPA”), announced a recall of certain consumer lawn and garden products and a Scotts LawnService® (“SLS”) product. These products contain active ingredients that require USEPA registrations before they can be marketed to consumers or used by SLS. An investigation led by the USEPA, with the U.S. Department of Justice (the “USDOJ”), revealed that valid registrations for these products either had not been obtained or that the products were not properly labeled. While the Company is cooperating in the on-going investigation, evidence indicates that a former employee of the Company apparently deliberately circumvented Company policies and USEPA regulations by failing to obtain valid registrations for the products and/or causing invalid product registration forms to be submitted to regulators.

As a result of these recalls, for the quarter ended March 29, 2008, the Company reversed sales associated with estimated returns of these products, recorded an impairment estimate for affected inventory, and accrued other recall-related costs. The following table summarizes the impact of the product recalls on the statement of operations:

| | THREE AND SIX MONTHS ENDED MARCH 29, 2008 (IN MILLIONS) |
|---|--|
| Net sales – product returns | \$ (19.0) |
| Cost of sales – product returns | (12.0) |
| Cost of sales – impairment of inventory | 14.1 |
| Cost of sales – incremental costs | 8.5 |
| Gross profit | (29.6) |
| Selling, general and administrative – product returns | 1.2 |
| Loss from operations – product returns | <u>\$ (30.8)</u> |

Through the period ended March 29, 2008, there has been no reserve activity for the product recalls, such as inventory write-offs or payments of invoices, that reduces the \$30.8 million of related reserves recorded on the Condensed, Consolidated Balance Sheet. Furthermore, no reserves have been established with respect to any potential civil or criminal fines or penalties at the state and/or federal level related to the product registration issues as the scope and magnitude of such amounts are not currently estimable. However, it is possible that such fines and/or penalties could be material and have an adverse effect on the Company’s financial condition and results of operations.

A comprehensive investigation into all the Company’s product registrations is in process, and this investigation may result in future state or federal action with respect to additional product registration issues. Until such investigation is complete, the Company cannot fully quantify the extent of additional issues or their consequences. Scotts Miracle-Gro is committed to providing its customers and consumers with products of superior quality and value to enhance their lawns, gardens and overall outdoor living environments. The Company believes consumers have come to trust our brands based on the superior quality and value they deliver, and that trust is highly valued. The Company is also committed to conducting business with the highest degree of ethical standards and in adherence to the law. The Company is disappointed in these recent occurrences and is working diligently to address the issues, including retaining independent firms to conduct a forensic examination of its existing product registrations and to enhance its product registration compliance and control processes. However, these events may nevertheless have a negative impact on future demand for the Company’s products.

3. RECAPITALIZATION

On December 12, 2006, Scotts Miracle-Gro announced a recapitalization plan to return \$750 million to its shareholders. This plan expanded and accelerated the previously announced five-year \$500 million share repurchase program (which was canceled) under which Scotts Miracle-Gro repurchased 2.0 million of its common shares for \$87.9 million during fiscal 2006. Pursuant to the recapitalization plan, on February 14, 2007, Scotts Miracle-Gro completed a modified “Dutch auction” tender offer, resulting in the repurchase of 4.5 million of its common shares for an aggregate purchase price of \$245.5 million (\$54.50 per share). On February 16, 2007, the Board of Directors of Scotts Miracle-Gro declared a special one-time cash dividend of \$8.00 per share (\$508 million in the aggregate), which was paid on March 5, 2007, to shareholders of record on February 26, 2007.

In order to fund these transactions, Scotts Miracle-Gro and certain of its subsidiaries entered into credit facilities aggregating \$2.15 billion and terminated its prior credit facility. As part of this debt restructuring, Scotts Miracle-Gro also conducted a cash tender offer to retire its outstanding 6 5/8% senior subordinated notes in an aggregate principal amount of \$200 million. Reference should be made to Note 7, “Debt” for further information as to the credit facilities and the repayment and termination of the prior credit facility and the 6 5/8% senior subordinated notes.

The payment of the special one-time cash dividend required the Company to adjust the number of common shares subject to stock options and stock appreciation rights outstanding under the Company’s share-based award programs, as well as the price at which the awards may be exercised. Reference should be made to Note 10, “Stock-Based Compensation Awards” for further information.

The Company’s interest expense will be significantly higher for periods subsequent to the recapitalization as a result of the borrowings incurred to fund the cash returned to shareholders. The following pro forma financial information has been compiled as if the Company had completed the recapitalization transactions as of October 1, 2006 for fiscal 2007. Borrowing rates in effect as of March 30, 2007 were used to compute pro forma interest expense. As the recapitalization involved a share repurchase, pro forma diluted common shares are also provided. No pro forma adjustments are necessary for the three and six month periods ended March 29, 2008 as the recapitalization transactions were consummated prior to the start of those periods.

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| | PRO FORMA FINANCIAL INFORMATION | |
|---|-------------------------------------|------------------|
| | THREE MONTHS ENDED | SIX MONTHS ENDED |
| | MARCH 31, 2007 | MARCH 31, 2007 |
| | (IN MILLIONS EXCEPT PER SHARE DATA) | |
| Income before income taxes, as reported | \$ 130.3 | \$ 37.5 |
| Add back reported interest expense | 17.9 | 26.1 |
| Add back costs related to refinancing | 18.3 | 18.3 |
| Deduct pro forma interest expense | (27.2) | (49.7) |
| Pro forma income before income taxes | 139.3 | 32.2 |
| Pro forma income taxes | 50.1 | 11.7 |
| Pro forma net income | <u>\$ 89.2</u> | <u>\$ 20.5</u> |
| Pro forma basic net income per common share | <u>\$ 1.41</u> | <u>\$ 0.32</u> |
| Pro forma diluted net income per common share | <u>\$ 1.37</u> | <u>\$ 0.31</u> |
| Reported interest expense | \$ 17.9 | \$ 26.1 |
| Incremental interest on recapitalization borrowings | 8.7 | 21.8 |
| Credit facilities interest rate differential | 0.5 | 1.5 |
| Incremental amortization of credit facilities fees | 0.1 | 0.3 |
| Pro forma interest expense | <u>\$ 27.2</u> | <u>\$ 49.7</u> |
| Pro forma effective tax rates | 36.0% | 36.3% |

| | PRO FORMA SHARES | |
|--|--------------------|------------------|
| | THREE MONTHS ENDED | SIX MONTHS ENDED |
| | MARCH 31, 2007 | MARCH 31, 2007 |
| | (IN MILLIONS) | |
| Weighted-average common shares outstanding during the period | 66.1 | 66.6 |
| Incremental full period impact of repurchased common shares | (2.7) | (3.6) |
| Pro forma basic common shares | <u>63.4</u> | <u>63.0</u> |
| Weighted-average common shares outstanding during the period plus dilutive potential common shares | 67.8 | 68.4 |
| Incremental full period impact of repurchased common shares | (2.7) | (3.6) |
| Impact on dilutive potential common shares | 0.1 | 0.2 |
| Pro forma diluted common shares | <u>65.2</u> | <u>65.0</u> |

4. DETAIL OF INVENTORIES, NET

Inventories, net of provisions for slow moving and obsolete inventory of \$29.4 million, \$15.8 million, and \$15.6 million, as of March 29, 2008, March 31, 2007 and September 30, 2007, respectively, consisted of:

| | MARCH 29, 2008 | MARCH 31, 2007 | SEPTEMBER 30, 2007 |
|-----------------|-------------------|-------------------|-----------------------|
| | (IN MILLIONS) | | |
| Finished goods | \$ 470.0 | \$ 427.5 | \$ 289.9 |
| Work-in-process | 30.5 | 31.7 | 28.3 |
| Raw materials | 124.6 | 112.7 | 87.7 |
| | <u>\$ 625.1</u> | <u>\$ 571.9</u> | <u>\$ 405.9</u> |

5. MARKETING AGREEMENT

The Company is Monsanto's exclusive agent for the domestic and international marketing and distribution of consumer Roundup® herbicide products. Under the terms of the Marketing Agreement with Monsanto, the Company is entitled to receive an annual commission from Monsanto in consideration for the performance of the Company's duties as agent. The annual gross commission under the Marketing Agreement is calculated as a percentage of the actual earnings before interest and income taxes (EBIT) of the consumer Roundup® business, as defined in the Marketing Agreement. Each year's percentage varies in accordance with the terms of the Marketing Agreement based on the achievement of two earnings thresholds and on commission rates that vary by threshold and program year. The Marketing Agreement also requires the Company to make annual payments to Monsanto as a contribution against the overall expenses of the consumer Roundup® business. The annual contribution payment is defined in the Marketing Agreement as \$20 million.

In consideration for the rights granted to the Company under the Marketing Agreement for North America, the Company was required to pay a marketing fee of \$33 million to Monsanto. The Company has deferred this amount on the basis that the payment will provide a future benefit through commissions that will be earned under the Marketing Agreement. Based on management's current assessment of the likely term of the Marketing Agreement, the useful life over which the marketing fee is being amortized is 20 years.

Under the terms of the Marketing Agreement, the Company performs certain functions, primarily manufacturing conversion, selling and marketing support, on behalf of Monsanto in the conduct of the consumer Roundup® business. The actual costs incurred for these activities are charged to and reimbursed by Monsanto, for which the Company recognizes no gross profit or net income. The Company records costs incurred under the Marketing Agreement for which the Company is the primary obligor on a gross basis, recognizing such costs in "Cost of sales" and the reimbursement of these costs in "Net sales," with no effect on gross profit or net income. The related net sales and cost of sales were \$17.6 million and \$10.5 million for the three-month periods and \$30.1 million and \$20.0 million for the six-month periods ended March 29, 2008 and March 31, 2007, respectively.

The elements of the net commission earned under the Marketing Agreement and included in "Net sales" are as follows:

| | THREE MONTHS ENDED | | SIX MONTHS ENDED | |
|---|--------------------|----------------|------------------|----------------|
| | MARCH 29, 2008 | MARCH 31, 2007 | MARCH 29, 2008 | MARCH 31, 2007 |
| | (IN MILLIONS) | | (IN MILLIONS) | |
| Gross commission | \$ 17.1 | \$ 21.7 | \$ 17.1 | \$ 21.4 |
| Contribution expenses | (5.0) | (5.0) | (10.0) | (10.0) |
| Amortization of marketing fee | (0.2) | (0.2) | (0.4) | (0.4) |
| Net commission income | 11.9 | 16.5 | 6.7 | 11.0 |
| Reimbursements associated with Marketing Agreement | 17.6 | 10.5 | 30.1 | 20.0 |
| Total net sales associated with Marketing Agreement | \$ 29.5 | \$ 27.0 | \$ 36.8 | \$ 31.0 |

The Marketing Agreement has no definite term except as it relates to the European Union ("EU") countries. With respect to the EU countries, the term of the Marketing Agreement had previously been extended through September 30, 2008, with the option of both parties to renew for two additional successive terms ending on September 30, 2015 and 2018, with a separate determination being made by the parties at least six months prior to the expiration of each such term as to whether to commence a subsequent renewal term. On March 28, 2008, the parties agreed to extend the EU term of the Marketing Agreement through September 30, 2011 plus up to two additional automatic renewal periods of two years each. In consideration for the extension of the EU term of the Marketing Agreement, the Company and Monsanto agreed to develop a multi-year strategic plan for the European Union countries. The Company will work with Monsanto to review and refine this plan by June 30, 2008.

The Marketing Agreement provides Monsanto with the right to terminate the Marketing Agreement for an event of default (as defined in the Marketing Agreement) by the Company or a change in control of Monsanto or the sale of the consumer Roundup® business. The Marketing Agreement provides the Company with the right to terminate the Marketing Agreement in certain circumstances including an event of default by Monsanto or the sale of the consumer Roundup® business. Unless Monsanto terminates the Marketing Agreement for an event of default by the Company, Monsanto is required to pay a termination fee to the Company that varies by program year. If Monsanto terminates the Marketing Agreement upon a change of control of Monsanto or the sale of the consumer Roundup® business prior to September 30, 2008, the Company will be entitled to a termination fee in excess of \$100 million. If the Company terminates the Marketing Agreement upon an uncured material breach, material fraud or material willful misconduct by Monsanto, it is entitled to receive a termination fee in excess of \$100 million if the termination occurs prior to September 30, 2008. The termination fee declines over time from \$100 million to a minimum of \$16 million for terminations between September 30, 2008 and September 30, 2018. If Monsanto were to terminate the Marketing Agreement for cause, the Company would

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not be entitled to any termination fee, and it would lose all, or a significant portion, of the significant source of earnings and overhead expense absorption the Marketing Agreement provides. Monsanto may also be able to terminate the Marketing Agreement within a given region, including North America, without paying a termination fee if sales to consumers in that region decline: (1) over a cumulative three fiscal year period; or (2) by more than 5% for each of two consecutive years.

6. IMPAIRMENT, RESTRUCTURING AND OTHER CHARGES

FISCAL 2008

The Company recorded no goodwill or indefinite-lived intangible asset impairment charges or restructuring charges in the three and six month periods ended March 29, 2008.

FISCAL 2007

The Company recorded no goodwill or indefinite-lived intangible asset impairment charges or restructuring and other charges in the three and six month periods ended March 31, 2007.

The following table summarizes the Company's reserves and reserve activity for accrued restructuring and other charges, which are included in "Other current liabilities" in the Condensed, Consolidated Balance Sheets:

| | SIX MONTHS ENDED | |
|--|------------------|----------------|
| | MARCH 29, 2008 | MARCH 31, 2007 |
| | (IN MILLIONS) | |
| Amounts reserved for restructuring and other charges at beginning of fiscal year | \$ 2.5 | \$ 6.4 |
| Payments and other | (0.7) | (4.2) |
| Amounts reserved for restructuring and other charges at end of period | \$ 1.8 | \$ 2.2 |

7. DEBT

The components of long-term debt as of March 29, 2008, March 31, 2007 and September 30, 2007 are as follows:

| | MARCH 29, 2008 | MARCH 31, 2007 | SEPTEMBER 30, 2007 |
|---|-------------------|-------------------|-----------------------|
| | (IN MILLIONS) | | |
| Credit Facilities: | | | |
| Revolving loans | \$ 894.1 | \$ 1,208.8 | \$ 469.2 |
| Term loans | 557.2 | 560.0 | 558.6 |
| Master Accounts Receivable Purchase Agreement | 241.9 | — | 64.4 |
| Notes due to sellers | 13.6 | 14.9 | 15.1 |
| Foreign bank borrowings and term loans | 12.0 | 14.7 | — |
| Other | 8.9 | 8.5 | 10.5 |
| | 1,727.7 | 1,806.9 | 1,117.8 |
| Less current portions | 281.8 | 23.7 | 86.4 |
| | \$ 1,445.9 | \$ 1,783.2 | \$ 1,031.4 |

In connection with the recapitalization transactions discussed in Note 3, "Recapitalization". Scotts Miracle-Gro and certain of its subsidiaries entered into the following loan facilities totaling up to \$2.15 billion in the aggregate: (a) a senior secured five-year term loan in the principal amount of \$560 million and (b) a senior secured five-year revolving loan facility in the aggregate principal amount of up to \$1.59 billion. Under the terms of the loan facilities, the Company may request an additional \$200 million in revolving credit and/or term credit commitments, subject to approval from the lenders. Borrowings may be made in various currencies including U.S. dollars, Euros, British pounds sterling, Australian dollars and Canadian dollars. The \$2.15 billion senior secured credit facilities replaced the Company's former \$1.05 billion senior credit facility. The Company also retired all of the 6 5/8% senior subordinated notes under the terms of a tender offer, at an aggregate cost of \$209.6 million including an early redemption premium. Amortization payments on the term loan portion of the credit facilities began on September 30, 2007 and will continue quarterly through 2012. As of March 29, 2008, the cumulative total amortization payments on the term loan were \$2.8 million, reducing the balance of the Company's term loans and effectively reducing the size of the credit facilities.

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As of March 29, 2008, there was \$672.2 million of availability under the revolving loan facility. Under the revolving loan facility, the Company has the ability to issue letter of credit commitments up to \$65.0 million. At March 29, 2008, the Company had letters of credit in the amount of \$26.5 million outstanding.

At March 29, 2008, the Company had outstanding interest rate swaps with major financial institutions that effectively converted a portion of variable-rate debt denominated in the Euro, British pound and U.S. dollar to a fixed rate. The swap agreements have a total U.S. dollar equivalent notional amount of \$724.9 million at March 29, 2008. The term, expiration date and rates of these swaps are as follows:

| CURRENCY | NOTIONAL AMOUNT IN USD (IN MILLIONS) | TERM | EXPIRATION DATE | FIXED RATE |
|---------------|--|---------|-----------------|------------|
| British pound | \$ 57.4 | 3 years | 11/17/2008 | 4.76% |
| Euro | 67.5 | 3 years | 11/17/2008 | 2.98% |
| U.S. dollar | 200.0 | 2 years | 3/31/2009 | 4.90% |
| U.S. dollar | 200.0 | 3 years | 3/31/2010 | 4.87% |
| U.S. dollar | 200.0 | 5 years | 2/14/2012 | 5.20% |

Master Accounts Receivable Purchase Agreement

On April 11, 2007, the Company entered into a Master Accounts Receivable Purchase Agreement (the "Original MARP Agreement") with a termination date of April 10, 2008. On April 9, 2008, the Company terminated the Original MARP Agreement and entered into a new Master Accounts Receivable Purchase Agreement (the "New MARP Agreement") with a termination date of April 8, 2009, or such later date as may be extended by mutual agreement of the Company and its lenders. The terms of the New MARP Agreement are substantially the same as the Original MARP Agreement. The New MARP Agreement provides for the discounted sale, on a revolving basis, of accounts receivable generated by specified account debtors, with seasonally adjusted monthly aggregate limits ranging from \$10 million to \$300 million. The New MARP Agreement also provides for specified account debtor sublimit amounts, which provide limits on the amount of receivables owed by individual account debtors that can be sold to the banks.

The caption "Accounts receivable pledged" on the accompanying Condensed, Consolidated Balance Sheets in the amounts of \$296.2 and \$149.5 as of March 29, 2008 and September 30, 2007, respectively, represents the pool of receivables that have been designated as "sold" and serve as collateral for short-term debt in the amount of \$241.9 million and \$64.4 million, as of those dates, respectively.

The Company was in compliance with the terms of all borrowing agreements at March 29, 2008.

8. COMPREHENSIVE INCOME

The components of other comprehensive income and total comprehensive income for the three and six month periods ended March 29, 2008 and March 31, 2007, were as follows:

| | THREE MONTHS ENDED | | SIX MONTHS ENDED | |
|---|--------------------|-------------------|-------------------|-------------------|
| | MARCH 29, 2008 | MARCH 31, 2007 | MARCH 29, 2008 | MARCH 31, 2007 |
| | (IN MILLIONS) | | (IN MILLIONS) | |
| Net income | \$ 58.0 | \$ 83.4 | \$ 1.2 | \$ 24.0 |
| Other comprehensive income (expense): | | | | |
| Change in valuation of derivative instruments | (12.3) | (2.5) | (17.4) | — |
| Foreign currency translation adjustments | 1.6 | 2.9 | 4.2 | 0.8 |
| Comprehensive income (loss) | \$ 47.3 | \$ 83.8 | \$ (12.0) | \$ 24.8 |

[Table of Contents](#)**9. RETIREMENT AND RETIREE MEDICAL PLANS COST INFORMATION**

The following summarizes the net periodic benefit cost for the various retirement and retiree medical plans sponsored by the Company:

| | THREE MONTHS ENDED | | SIX MONTHS ENDED | |
|------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | MARCH 29, 2008 | MARCH 31, 2007 | MARCH 29, 2008 | MARCH 31, 2007 |
| | (IN MILLIONS) | | (IN MILLIONS) | |
| Frozen defined benefit plans | \$0.1 | \$0.4 | \$0.3 | \$0.9 |
| International benefit plans | 1.2 | 2.0 | 2.4 | 3.8 |
| Retiree medical plan | 0.6 | 0.7 | 1.2 | 1.3 |

10. STOCK-BASED COMPENSATION AWARDS

The following is a recap of the share-based awards granted during the periods indicated:

| | SIX MONTHS ENDED | |
|---|-------------------------|-----------------------|
| | MARCH 29, 2008 | MARCH 31, 2007 |
| Key employees | | |
| Options | 884,700 | 802,100 |
| Options and SARs due to recapitalization | — | 872,147 |
| Performance shares | 40,000 | — |
| Restricted stock | 149,900 | 191,300 |
| Board of Directors | | |
| Deferred stock units, options | 29,995 | 127,000 |
| Options due to recapitalization | — | 202,649 |
| Total share-based awards | 1,104,595 | 2,195,196 |
| Aggregate fair value at grant dates (in millions) | \$ 18.5 | \$ 28.6 |

Total share-based compensation and the tax benefit recognized in compensation expense were as follows for the period indicated (in millions):

| | THREE MONTHS ENDED | | SIX MONTHS ENDED | |
|--------------------------|---------------------------|-----------------------|-------------------------|-----------------------|
| | MARCH 29, 2008 | MARCH 31, 2007 | MARCH 29, 2008 | MARCH 31, 2007 |
| Share-based compensation | \$3.7 | \$5.9 | \$7.2 | \$10.0 |
| Tax benefit recognized | 1.3 | 2.1 | 2.6 | 3.6 |

11. INCOME TAXES

The Company adopted FIN 48 as of October 1, 2007, the beginning of its 2008 fiscal year. Upon adoption, the Company continues to classify interest and penalties on tax uncertainties as a component of the provision for income taxes. As of the date of adoption, the total amount of gross unrecognized tax benefits for uncertain tax positions, including positions impacting only timing benefits, was \$10.0 million (compared to \$9.6 million as of September 30, 2007, prior to adoption). Of the \$10.0 million accrued at the date of adoption, the amount of unrecognized tax benefits that, if recognized, would impact the effective tax rate was \$9.5 million, which includes accrued interest and penalties of \$1.4 million and \$0.8 million, respectively. The corresponding amounts of accrued interest and penalties at March 29, 2008 were \$1.6 million and \$0.5 million, respectively. As a result of adoption, the Company recognized a \$0.4 million decrease to retained earnings at October 1, 2007.

The Company or one of its subsidiaries files income tax returns in the U.S. federal jurisdiction, and various state, local, and foreign jurisdictions. With few exceptions, the Company is no longer subject to examinations by these tax authorities for fiscal year 2003 and prior. The Company is under examination by the Canada Revenue Agency (CRA) and some U.S. state and local tax authorities. In addition, certain other tax deficiency issues and refund claims for previous years remain unresolved. The CRA is currently auditing income tax returns for fiscal years 2002 and 2003. There are U.S. state and local audits covering tax years 2002 through 2005 in process.

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The Company anticipates that a few of these audits will be resolved during fiscal 2008. However, the Company does believe that some individual audits or issues may be agreed to within the next 12 months. The Company is unable to make a reasonably reliable estimate of when the cash settlements with taxing authorities may occur. Although audit outcomes and the timing of audit payments are subject to significant uncertainty, the Company does not anticipate that the resolution of these matters will result in a material change to its consolidated financial condition or results of operations.

12. CONTINGENCIES

Management continually evaluates the Company's contingencies, including various lawsuits and claims which arise in the normal course of business, product and general liabilities, worker's compensation, property losses and other fiduciary liabilities for which the Company is self-insured or retains a high exposure limit. Self-insurance reserves are established based on actuarial loss estimates for specific individual claims plus actuarial estimated amounts for incurred but not reported claims and adverse development factors for existing claims. Legal costs incurred in connection with the resolution of claims, lawsuits and other contingencies generally are expensed as incurred. 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 are the more significant of the Company's identified contingencies.

Product Registrations

On April 10, 2008, the Company learned of a criminal investigation into certain of its product registrations which the Company understands is being led by the U.S. Environmental Protection Agency ("USEPA") and the U.S. Department of Justice ("USDOJ"), with assistance from the Ohio Department of Agriculture. Since then, the Company has learned that one of its employees apparently deliberately circumvented Company policies and USEPA regulations by failing to obtain valid registrations for products and/or causing invalid product registration forms to be submitted to regulators. The sale of products which lack valid registrations is a violation of federal and state law. The Company has since terminated the employee in question and engaged independent firms to conduct a forensic investigation into its existing product registrations and to review its product registration compliance processes and procedures. While the Company believes these products do not pose a public health or environmental risk, it is working in cooperation with the USEPA to recall the affected products from the marketplace (see Note 2, "2008 Product Recalls").

While disappointed that the actions of one employee could cause unregistered or not properly labeled products to be marketed and sold, the Company takes full responsibility for ensuring that each of its products meets all federal and state regulations, and is safe for consumer use. A comprehensive investigation into all of the Company's product registrations is in process, and this investigation may result in future state or federal action with respect to additional product registration issues. Until such investigation is complete, the Company cannot fully quantify the extent of additional issues. Furthermore, the Company may be subject to civil or criminal fines or penalties at the state and/or federal level as a result of these product registration issues. At this time, management cannot reasonably determine the scope or magnitude of possible liabilities that could result from known or potential additional product registration issues, and no reserves for these claims have been established as of March 29, 2008. However, it is possible that such fines and/or penalties could be material and have an adverse effect on the Company's financial condition and results of operations.

Environmental Matters

In 1997, the Ohio Environmental Protection Agency (the "Ohio EPA") initiated an enforcement action against the Company with respect to alleged surface water violations and inadequate treatment capabilities at the Marysville, Ohio facility seeking corrective action under the federal Resource Conservation and Recovery Act. The action related to discharges from on-site waste water treatment and several discontinued on-site disposal areas.

Pursuant to a Consent Order entered by the Union County Common Pleas Court in 2002, the Company is actively engaged in restoring the site to eliminate exposure to waste materials from the discontinued on-site disposal areas.

At March 29, 2008, \$3.5 million was accrued for environmental and regulatory matters. While the amounts accrued are believed to be adequate to cover known environmental exposures based on current facts and estimates of likely outcomes, the adequacy of these accruals is based on several significant assumptions:

- that all significant sites that must be remediated have been identified;
- that there are no significant conditions of contamination that are unknown to the Company; and

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- that with respect to the agreed judicial Consent Order in Ohio, the potentially contaminated soil can be remediated in place rather than having to be removed and only specific stream segments will require remediation as opposed to the entire stream.

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

U.S. Horticultural Supply, Inc. (E/K/A E.C. Geiger, Inc.)

On November 5, 2004, U.S. Horticultural Supply, Inc. ("Geiger") filed suit against the Company in the U.S. District Court for the Eastern District of Pennsylvania. This complaint alleges that the Company conspired with another distributor, Griffin Greenhouse Supplies, Inc., to restrain trade in the horticultural products market, in violation of Section 1 of the Sherman Antitrust Act. On June 2, 2006, the Court denied the Company's motion to dismiss the complaint. Fact discovery and expert discovery are closed. Geiger's damages expert quantifies Geiger's alleged damages at approximately \$3.3 million, which could be trebled under antitrust laws. Geiger also seeks recovery of attorneys' fees and costs. The Company has moved for summary judgment requesting dismissal of Geiger's claims.

The Company continues to vigorously defend against Geiger's claims. The Company believes that Geiger's claims are without merit and that the likelihood of an unfavorable outcome is remote. Therefore, no accrual has been established related to this matter. However, the Company cannot predict the ultimate outcome with certainty. If the above action is determined adversely to the Company, the result could have a material adverse effect on the Company's results of operations, financial position and cash flows. The Company had previously sued and obtained a judgment against Geiger on April 25, 2005, based on Geiger's default on obligations to the Company, and the Company is proceeding to collect that judgment.

Other

The Company has been named a defendant in a number of cases alleging injuries that the lawsuits claim resulted from exposure to asbestos-containing products, apparently based on the Company's historic use of vermiculite in certain of its products. The complaints in these cases are not specific about the plaintiffs' contacts with the Company or its products. The Company in each case is one of numerous defendants and none of the claims seeks damages from the Company alone. The Company believes that the claims against it are without merit and is vigorously defending them. It is not currently possible to reasonably estimate a probable loss, if any, associated with the cases and, accordingly, no accrual or reserves have been recorded in the Company's condensed, consolidated financial statements. There can be no assurance that these cases, whether as a result of adverse outcomes or as a result of significant defense costs, will not have a material adverse effect on the Company's financial condition, results of operations or cash flows.

The Company is reviewing agreements and policies that may provide insurance coverage or indemnity as to these claims and is pursuing coverage under some of these agreements and policies, although there can be no assurance of the results of these efforts.

On April 27, 2007, the Company received a proposed Order On Consent from the New York State Department of Environmental Conservation (the "Proposed Order") alleging that during the calendar year 2003, the Company and James Hagedorn, individually and as Chairman of the Board and the Chief Executive Officer of the Company, unlawfully donated to a Port Washington, New York youth sports organization forty bags of Scotts® LawnPro Annual Program Step 3 Insect Control Plus Fertilizer which, while federally registered, was allegedly not registered in the state of New York. The Proposed Order requests penalties totaling \$695,000. The Company has made its position clear to the New York State Department of Environmental Conservation and is awaiting a response.

The Company is involved in other lawsuits and claims which arise in the normal course of business. These claims individually and in the aggregate are not expected to result in a material adverse effect on the Company's financial condition and results of operations.

13. ACQUISITIONS

There were no acquisitions in the first six months of fiscal 2008. In the first six months of fiscal 2007, the Company continued to invest in the growth of the Scotts LawnService® business, investing \$7.7 million in acquisitions, comprised of \$6.3 million paid in cash and \$1.4 million of notes issued and liabilities assumed.

14. SEGMENT INFORMATION

For fiscal 2008, the Company is divided into the following segments —Global Consumer, Global Professional, Scotts LawnService®, and Corporate & Other. These segments differ from those used in the prior year due to the realignment of the North America and International segments into the Global Consumer and Global Professional segments. The prior year amounts have been reclassified to conform with the fiscal 2008 segments. This division of reportable segments is consistent with how the segments report to and are managed by senior management of the Company.

The Global Consumer segment consists of the North American Consumer and International Consumer business groups. The business groups comprising this segment manufacture, market and sell dry, granular slow-release lawn fertilizers, combination lawn fertilizer and control products, grass seed, spreaders, water-soluble, liquid and continuous release garden and indoor plant foods, plant care products, potting, garden and lawn soils, mulches and other growing media products, and pesticide products. Products are marketed to mass merchandisers, home improvement centers, large hardware chains, warehouse clubs, distributors, garden centers, and grocers in the United States, Canada, and Europe.

The Global Professional segment is focused on a full line of horticultural products including controlled-release and water-soluble fertilizers and plant protection products, grass seeds, spreaders, and customer application services. Products are sold to commercial nurseries and greenhouses, and specialty crop growers primarily in North America and Europe. Our consumer businesses in Australia and Latin America are also part of the Global Professional segment.

The Scotts LawnService® segment provides lawn fertilization, disease and insect control and other related services such as core aeration and tree and shrub fertilization primarily to residential consumers through company-owned branches and franchises in the United States. In our larger branches, an exterior barrier pest control service is also offered.

The Corporate & Other segment consists of the Smith & Hawken® business and corporate general and administrative expenses.

The following table presents segment financial information in accordance with SFAS 131, “Disclosures about Segments of an Enterprise and Related Information.” (“SFAS 131”). Pursuant to SFAS 131, the presentation of the segment financial information is consistent with the basis used by management (i.e., certain costs not allocated to business segments for internal management reporting purposes are not allocated for purposes of this presentation).

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| | THREE MONTHS ENDED | | SIX MONTHS ENDED | |
|---------------------------------|-----------------------|-------------------|------------------------------------|-----------------------|
| | MARCH 29, 2008 | MARCH 31, 2007 | MARCH 29, 2008 | MARCH 31, 2007 |
| | (IN MILLIONS) | | (IN MILLIONS) | |
| Net sales: | | | | |
| Global Consumer | \$ 820.5 | \$ 852.3 | \$ 987.4 | \$ 996.9 |
| Global Professional | 99.5 | 77.1 | 161.9 | 133.5 |
| Scotts LawnService® | 32.4 | 33.7 | 70.7 | 59.5 |
| Corporate & Other | 24.6 | 30.2 | 65.7 | 74.6 |
| Segment total | 977.0 | 993.3 | 1,285.7 | 1,264.5 |
| Product recalls | (19.0) | — | (19.0) | — |
| Consolidated | <u>\$ 958.0</u> | <u>\$ 993.3</u> | <u>\$ 1,266.7</u> | <u>\$ 1,264.5</u> |
| Operating income (loss): | | | | |
| Global Consumer | \$ 179.2 | \$ 209.2 | \$ 141.2 | \$ 165.6 |
| Global Professional | 16.3 | 12.0 | 22.7 | 17.9 |
| Scotts LawnService® | (18.5) | (16.7) | (30.0) | (33.1) |
| Corporate & Other | (27.9) | (34.0) | (50.5) | (60.8) |
| Segment total | 149.1 | 170.5 | 83.4 | 89.6 |
| Roundup® amortization | (0.2) | (0.2) | (0.4) | (0.4) |
| Amortization | (3.9) | (3.8) | (7.8) | (7.3) |
| Product recalls | (30.8) | — | (30.8) | — |
| Consolidated | <u>\$ 114.2</u> | <u>\$ 166.5</u> | <u>\$ 44.4</u> | <u>\$ 81.9</u> |
| | | MARCH 29, 2008 | MARCH 31, 2007 (IN MILLIONS) | SEPTEMBER 30, 2007 |
| Total assets: | | | | |
| Global Consumer | | \$ 2,414.5 | \$ 2,309.0 | \$ 1,551.9 |
| Global Professional | | 350.5 | 299.2 | 308.0 |
| Scotts LawnService® | | 180.5 | 162.0 | 189.2 |
| Corporate & Other | | 225.4 | 272.6 | 228.1 |
| Consolidated | | <u>\$ 3,170.9</u> | <u>\$ 3,042.8</u> | <u>\$ 2,277.2</u> |

Segment operating income or loss represents earnings before amortization of intangible assets, interest and taxes, since this is the measure of profitability used by management. Accordingly, the Corporate & Other operating loss for the three and six month periods ended March 29, 2008 and March 31, 2007 includes unallocated corporate general and administrative expenses, and certain other income/expense items not allocated to the business segments.

Total assets reported for the Company's operating segments include the intangible assets for the acquired businesses within those segments. Corporate & Other assets primarily include deferred financing and debt issuance costs, corporate intangible assets, deferred tax assets and Smith & Hawken® assets.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

Management's Discussion and Analysis ("MD&A") is organized in the following sections:

- Executive summary
- Results of operations
- Segment discussion
- Liquidity and capital resources

Executive Summary

We are dedicated to delivering strong, consistent financial results and outstanding shareholder returns by providing consumers with products of superior quality and value to enhance their outdoor living environments. We are a leading manufacturer and marketer of consumer branded products for lawn and garden care and professional horticulture in North America and Europe. We are Monsanto's exclusive agent for the marketing and distribution of consumer Roundup® non-selective herbicide products within the United States and other contractually specified countries. We have a presence in similar consumer branded and professional horticulture products in Australia, the Far East, Latin America and South America. In the United States, we operate Scotts LawnService®, the second largest residential lawn care service business, and Smith & Hawken®, a leading brand in the outdoor living and garden lifestyle category. In fiscal 2008, our operations are divided into the following reportable segments: Global Consumer, Global Professional, Scotts LawnService® and Corporate & Other. The Corporate & Other segment consists of the Smith & Hawken® business and corporate general and administrative expenses.

As a leading consumer branded lawn and garden company, our marketing efforts are largely focused on building brand and product level awareness, to inspire consumers and create retail demand. We have successfully applied this consumer marketing focus for a number of years, consistently investing approximately 5% of our annual net sales in advertising to support and promote our products and brands. We continually explore new and innovative ways to communicate with consumers. We believe that we receive a significant return on these marketing expenditures and anticipate a similar level of future advertising and marketing investments, with the continuing objective of driving category growth and increasing market share.

Our sales are susceptible to global weather conditions. For instance, periods of wet weather can adversely impact sales of certain products, while increasing demand for other products. We believe that our diversified product line provides some mitigation to this risk. We also believe that our broad geographic diversification further reduces this risk.

| | Percent Net Sales by Quarter | | |
|----------------|------------------------------|-------|-------|
| | 2007 | 2006 | 2005 |
| First Quarter | 9.5% | 9.3% | 10.4% |
| Second Quarter | 34.6% | 33.6% | 34.3% |
| Third Quarter | 38.2% | 38.9% | 38.0% |
| Fourth Quarter | 17.7% | 18.2% | 17.3% |

Due to the nature of our lawn and garden business, significant portions of our shipments occur in the second and third fiscal quarters. Over the past few years, retailers have reduced their pre-season inventories as they have come to place greater reliance on our ability to deliver products "in season" when consumers buy our products.

Management focuses on a variety of key indicators and operating metrics to monitor the health and performance of our business. These metrics include consumer purchases (point-of-sale data), market share, net sales (including volume, pricing and foreign exchange), gross profit margins, income from operations, net income and earnings per share. To the extent applicable, these measures are evaluated with and without impairment, restructuring and other charges. We also focus on measures to optimize cash flow and return on invested capital, including the management of working capital and capital expenditures.

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Given the Company's strong performance and consistent cash flows, our Board of Directors has undertaken a number of actions over the past several years to return cash to our shareholders. We began paying a quarterly cash dividend of 12.5 cents per share in the fourth quarter of fiscal 2005. In fiscal 2006, our Board launched a five-year \$500 million share repurchase program pursuant to which we repurchased 2.0 million common shares for \$87.9 million during fiscal 2006. Most recently, in December 2006, the Company announced a recapitalization plan to return \$750 million to the Company's shareholders. This plan expanded and accelerated the previously announced five-year \$500 million share repurchase program (which was canceled). Pursuant to the recapitalization plan, in February 2007, the Company repurchased 4.5 million of the Company's common shares for an aggregate purchase price of \$245.5 million (\$54.50 per share) and paid a special one-time cash dividend of \$8.00 per share (\$508 million in the aggregate) in early March 2007.

In order to fund this recapitalization, the Company entered into credit facilities aggregating \$2.15 billion and terminated its prior credit facility. Reference should be made to Note 7 to the accompanying condensed, consolidated financial statements for further information as to the credit facilities and the repayment and termination of the prior credit facility and the 6 5/8% senior subordinated notes.

The actions described above reflect management's confidence in the continued growth of the Company coupled with strong and consistent cash flows that can support the higher levels of debt incurred to finance these actions. Even with an increase in borrowings, we believe we will maintain the capacity to pursue targeted, strategic acquisitions that leverage our core competencies.

2008 PRODUCT RECALLS

In March 2008, the Company announced a voluntary recall of certain wild bird food products which had been treated with pest control products labeled for use on certain stored grains that can be processed for human and/or animal consumption. However, these pest control products were not labeled for use on wild bird food products. These products were treated with pest control products to avoid insect infestations, especially at retail stores, a practice which pre-dates the Company's acquisition of Gutwein & Co., Inc. in November 2005.

In April 2008, the Company, in cooperation with an investigation by the U.S. Environmental Protection Agency ("USEPA"), announced a recall of certain consumer lawn and garden products and one Scotts LawnService® ("SLS") product. These products contain active ingredients that require USEPA registrations before they can be marketed to consumers or used by SLS. On April 10, 2008, the Company learned of a criminal investigation into certain of its product registrations which the Company understands is being led by the USEPA and the U.S. Department of Justice ("USDOJ"), with assistance from the Ohio Department of Agriculture. Since then, the Company has learned that one of its employees apparently deliberately circumvented Company policies and USEPA regulations by failing to obtain valid registrations for products and/or causing invalid product registration forms to be submitted to regulators. The sale of products which lack valid registrations is a violation of federal and state law. The Company has since terminated the employee in question and engaged independent firms to conduct a forensic investigation into its existing product registrations and to review its product registration compliance processes and procedures. While the Company believes these products do not pose a public health or environmental risk, it is working in cooperation with the USEPA to recall the affected products from the marketplace.

While disappointed that the actions of one employee could cause unregistered or not properly labeled products to be marketed and sold, the Company takes full responsibility for ensuring that each of its products meets all federal and state regulations, and is safe for consumer use. A comprehensive investigation into all of the Company's product registrations is in process, and this investigation may result in future state or federal action with respect to additional product registration issues. Until such investigation is complete, the Company cannot fully quantify the extent of additional issues. Furthermore, the Company may be subject to civil or criminal fines or penalties at the state and/or federal level as a result of the product registration issues. At this time, management cannot reasonably determine the scope or magnitude of possible liabilities that could result from known or potential additional product registration issues, and no reserves for these claims have been established as of March 29, 2008. However, it is possible that such fines and/or penalties could be material and have an adverse effect on the Company's financial condition and results of operations.

As a result of these recalls, for the quarter ended March 29, 2008, the Company reversed sales associated with estimated returns of these products, recorded an impairment estimate for affected inventory, and accrued other recall-related costs. The cumulative impact of these adjustments reduced income from operations by \$30.8 million for the three and six months ended March 29, 2008.

Scotts Miracle-Gro is committed to providing its customers and consumers with products of superior quality and value to enhance their lawns, gardens and overall outdoor living environments. We believe consumers have come to trust our brands based on the superior quality and value they deliver, and that trust is highly valued. We are also committed to conducting business with the highest degree of ethical standards and in adherence to the law. We are disappointed in these recent occurrences and are working diligently to address the issues, including retaining independent firms to conduct a forensic examination of its existing product registrations and enhance our product registration compliance and control processes. However, these events may nevertheless have a negative impact on future demand for the Company's products.

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RESULTS OF OPERATIONS

The following table sets forth the components of income and expense as a percentage of net sales for the three and six month periods ended March 29, 2008 and March 31, 2007:

| | THREE MONTHS ENDED | | SIX MONTHS ENDED | |
|-------------------------------------|--------------------|-------------------|-------------------|-------------------|
| | MARCH 29, 2008 | MARCH 31, 2007 | MARCH 29, 2008 | MARCH 31, 2007 |
| | (UNAUDITED) | | (UNAUDITED) | |
| Net sales | 100.0% | 100.0% | 100.0% | 100.0% |
| Cost of sales | 66.3 | 62.9 | 68.9 | 66.5 |
| Gross profit | 33.7 | 37.1 | 31.1 | 33.5 |
| Operating expenses: | | | | |
| Selling, general and administrative | 21.9 | 20.4 | 27.9 | 27.3 |
| Other expense (income), net | (0.1) | (0.1) | (0.3) | (0.3) |
| Income from operations | 11.9 | 16.8 | 3.5 | 6.5 |
| Costs related to refinancing | — | 1.9 | — | 1.4 |
| Interest expense | 2.4 | 1.8 | 3.4 | 2.1 |
| Income before income taxes | 9.5 | 13.1 | 0.1 | 3.0 |
| Income taxes | 3.4 | 4.7 | 0.0 | 1.1 |
| Income from continuing operations | 6.1% | 8.4% | 0.1% | 1.9% |

Net sales for the three months ended March 29, 2008 were \$958.0 million, a decrease of 3.5% from net sales of \$993.3 million for the three months ended March 31, 2007. Net sales for the first six months of fiscal 2008 were flat versus the comparable period of fiscal 2007. Excluding the impact of foreign exchange rates and product recalls, sales for the second quarter and first six months decreased 4.1% and 1.0%, respectively, due largely to a slow start to the lawn and garden season. Global Consumer sales decreased 3.7% to \$820.5 million for the second quarter and decreased by 1.0% to \$987.4 million for the first six months. Excluding the impact of foreign exchange rates and product recalls, our Global Consumer segment reported declines of 5.8% and 3.2% in net sales for the second quarter and first six months of fiscal 2008, respectively. Global Professional sales increased 29.1% to \$99.5 million from \$77.1 million for the same quarter a year ago, and 21.2% to \$161.9 million from \$133.5 million for the first six months a year ago. Excluding the impact of foreign exchange rates, Global Professional sales increased 19.5% and 13.1% for the second quarter and first six months, respectively. Scotts LawnService® sales were \$32.4 million for the second quarter compared to \$33.7 million a year earlier. Year-to-date, Scotts LawnService® sales increased from \$59.5 million to \$70.7 million. Corporate and other sales, primarily Smith & Hawken®, decreased from \$30.2 million in the second quarter of fiscal 2007 to \$24.6 million in the second quarter of fiscal 2008, and from \$74.6 million in the first six months of fiscal 2007 to \$65.7 million in the first six months of fiscal 2008. In recent years, net sales for our second quarter typically comprise between 33% to 35% of our total fiscal year net sales, while sales for the first six months have typically comprised 43% to 45%. There can be no assurance that a similar sales trend will occur for our full fiscal 2008 year.

As a percentage of net sales, gross profit was 33.7% for the second quarter of fiscal 2008 compared to 37.1% for second quarter of fiscal 2007. For the first six months of fiscal 2008, our gross profit percentage declined to 31.1% from 33.5% in the comparable period of fiscal 2007. The fiscal 2008 second quarter and year-to-date gross profit rate decreases were driven by product recalls and higher promotional costs. Excluding the impact of the product recalls, which reduced gross profit by \$29.6 million, second quarter and year-to-date gross profit rates for fiscal 2008 were 36.1% and 33.0%, respectively.

Selling, General and Administrative Expenses

| | THREE MONTHS ENDED | | SIX MONTHS ENDED | |
|---|--------------------|-------------------|-------------------|-------------------|
| | MARCH 29, 2008 | MARCH 31, 2007 | MARCH 29, 2008 | MARCH 31, 2007 |
| | (IN MILLIONS) | | (IN MILLIONS) | |
| | (UNAUDITED) | | (UNAUDITED) | |
| Advertising | \$ 49.7 | \$ 50.3 | \$ 64.5 | \$ 63.7 |
| Other selling, general and administrative | 154.8 | 148.9 | 280.4 | 274.2 |
| Product recall costs | 1.2 | — | 1.2 | — |
| Amortization of intangibles | 3.9 | 3.8 | 7.8 | 7.3 |
| | <u>\$ 209.6</u> | <u>\$ 203.0</u> | <u>\$ 353.9</u> | <u>\$ 345.2</u> |

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SG&A expenses increased \$6.6 million, or 3.3%, to \$209.6 million in the second quarter and \$8.7 million, or 2.5%, to \$353.9 million for the first six months of fiscal 2008. During the second quarter of fiscal 2008, we recorded \$1.2 million of product recall costs, primarily attorney fees. Excluding foreign exchange rates and product recall costs, SG&A expenses for the second quarter increased \$1.1 million or 0.5% and were flat for the first six months of fiscal 2008. We continue to expect full year growth of SG&A expenses in the range of 6 to 8 percent as we make strategic investments in technology and innovation, as well as targeted marketing and selling spending, to support our long-term growth initiatives.

Interest expense for the second quarter and first six months of fiscal 2008 was \$23.5 million and \$42.5 million, respectively, compared to \$17.9 million and \$26.1 million for the second quarter and first six months of fiscal 2007. The increase in interest expense for the year-to-date period is primarily attributable to an increase in borrowings resulting from the recapitalization transactions that were consummated during the second quarter of fiscal 2007. We also recorded \$18.3 million in costs related to the refinancing undertaken to facilitate the recapitalization transactions in fiscal 2007. Average borrowings increased \$505.0 million during the first six months of fiscal 2008 as compared to the prior year period. Weighted average interest rates also increased by 17 basis points.

The income tax expense was calculated assuming an effective tax rate of 36.0% for both the first half of fiscal 2008 and fiscal 2007. The effective tax rate used for interim reporting purposes is based on management's best estimate of factors impacting the effective tax rate for the fiscal year. Factors affecting the estimated rate include assumptions as to income by jurisdiction (domestic and foreign), the availability and utilization of tax credits, the existence of elements of income and expense that may not be taxable or deductible, as well as other items. There can be no assurance that the effective tax rate estimated for interim financial reporting purposes will approximate the effective tax rate determined at fiscal year end. The estimated effective tax rate is subject to revision in later interim periods and at fiscal year end as facts and circumstances change during the course of the fiscal year.

Diluted average common shares used in the diluted net income per common share calculation decreased from 67.8 million for the second quarter and 68.4 million for the six months ended March 31, 2007 to 65.6 million for the second quarter and 65.7 million for the six months ended March 29, 2008. These decreases are attributable to the 4.5 million common shares repurchased as part of the recapitalization consummated during the second quarter of fiscal 2007, weighted for the period outstanding, and offset by common shares issued upon the exercise of share-based awards and the vesting of restricted stock. Diluted average common shares also include 1.2 million and 1.4 million equivalent shares for the second quarter and year-to-date periods in fiscal 2008 to reflect the effect of the assumed conversion of dilutive stock options and restricted stock awards.

SEGMENT RESULTS

The Company is divided into the following segments: Global Consumer, Global Professional, Scotts LawnService®, and Corporate & Other. These segments differ from those used in the prior year due to the realignment of the North America and International segments into the Global Consumer and Global Professional segments. The Corporate & Other segment consists of Smith & Hawken® and corporate general and administrative expenses. The prior year amounts have been reclassified to conform to the fiscal 2008 segments. Segment performance is evaluated based on several factors, including income from operations before amortization, and impairment, restructuring and other charges, which is a non-GAAP measure. Management uses this measure of operating profit to gauge segment performance because we believe this measure is the most indicative of performance trends and the overall earnings potential of each segment.

The Global Consumer segment consists of the North American Consumer and International Consumer business groups which manufacture, market and sell dry, granular slow-release lawn fertilizers, combination lawn fertilizer and control products, grass seed, spreaders, water-soluble, liquid and continuous release garden and indoor plant foods, plant care products, potting, garden and lawn soils, mulches and other growing media products, and pesticide products. Products are marketed to mass merchandisers, home improvement centers, large hardware chains, warehouse clubs, distributors, garden centers, and grocers in the United States, Canada and Europe.

The Global Professional segment is focused on a full line of horticultural products including controlled-release and water-soluble fertilizers and plant protection products, grass seed, spreaders, and customer application services. Products are sold to commercial nurseries and greenhouses, and specialty crop growers primarily in North America and Europe. Our consumer businesses in Australia and Latin America are also part of the Global Professional segment.

The Scotts LawnService® segment provides lawn fertilization, disease and insect control and other related services such as core aeration and tree and shrub fertilization primarily to residential consumers through company-owned branches and franchises in the United States. In our larger branches, an exterior barrier pest control service is also offered.

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The Corporate & Other segment consists of the Smith & Hawken® business and corporate general and administrative expenses.

The following table sets forth net sales by segment:

| | THREE MONTHS ENDED | | SIX MONTHS ENDED | |
|---------------------|------------------------------|-------------------|------------------------------|-------------------|
| | MARCH 29, 2008 | MARCH 31, 2007 | MARCH 29, 2008 | MARCH 31, 2007 |
| | (IN MILLIONS) (UNAUDITED) | | (IN MILLIONS) (UNAUDITED) | |
| Global Consumer | \$ 820.5 | \$ 852.3 | \$ 987.4 | \$ 996.9 |
| Global Professional | 99.5 | 77.1 | 161.9 | 133.5 |
| Scotts LawnService® | 32.4 | 33.7 | 70.7 | 59.5 |
| Corporate & other | 24.6 | 30.2 | 65.7 | 74.6 |
| Segment total | 977.0 | 993.3 | 1,285.7 | 1,264.5 |
| Product recalls | (19.0) | — | (19.0) | — |
| Consolidated | \$ 958.0 | \$ 993.3 | \$ 1,266.7 | \$ 1,264.5 |

The following table sets forth operating income by segment:

| | THREE MONTHS ENDED | | SIX MONTHS ENDED | |
|-----------------------|------------------------------|-------------------|------------------------------|-------------------|
| | MARCH 29, 2008 | MARCH 31, 2007 | MARCH 29, 2008 | MARCH 31, 2007 |
| | (IN MILLIONS) (UNAUDITED) | | (IN MILLIONS) (UNAUDITED) | |
| Global Consumer | \$ 179.2 | \$ 209.2 | \$ 141.2 | \$ 165.6 |
| Global Professional | 16.3 | 12.0 | 22.7 | 17.9 |
| Scotts LawnService® | (18.5) | (16.7) | (30.0) | (33.1) |
| Corporate & other | (27.9) | (34.0) | (50.5) | (60.8) |
| Segment total | 149.1 | 170.5 | 83.4 | 89.6 |
| Roundup® amortization | (0.2) | (0.2) | (0.4) | (0.4) |
| Other amortization | (3.9) | (3.8) | (7.8) | (7.3) |
| Product recalls | (30.8) | — | (30.8) | — |
| Consolidated | \$ 114.2 | \$ 166.5 | \$ 44.4 | \$ 81.9 |

Global Consumer

Excluding the impact of product recalls, Global Consumer segment net sales were \$820.5 million in the second quarter and \$987.4 million for the first six months of fiscal 2008, a decrease of 3.7% and 1.0% from the second quarter and first six months of fiscal 2007, respectively. The impact of pricing increased sales by 4.1% for both the second quarter and first six months of fiscal 2008, while the impact of foreign exchange increased sales by 2.0% and 2.2% for the second quarter and first six months, respectively. Excluding the impact of price increases and foreign exchange movements, net sales decreased by 9.9% and 7.3% from the second quarter and first six months of fiscal 2007. Within Global Consumer, North America consumer sales, excluding the impact of foreign exchange rates, declined 6.9% and 4.1% for the second quarter and first six months, respectively, compared to the respective declines in North American point-of-sale purchases of 19.6% and 10.0% for the second quarter and first six months driven by cold and wet weather causing a delayed start to the lawn and garden season. Largely driven by France and Germany, consumer sales in Europe increased 10.3% and 10.8% for the second quarter and year-to-date, respectively, or 0.4% and 0.9% excluding the impact of foreign exchange rates.

The Global Consumer segment operating income decreased by \$30.0 million and \$24.4 million in the second quarter and first six months of fiscal 2008, respectively. The decrease in operating income was driven by the decrease in net sales accompanied by a decrease in gross margin rates of 90 basis points and 60 basis points for the second quarter and first six months of fiscal 2008 excluding the impact of product recalls. The decrease in gross margin rates is the result of higher promotional costs. As a result of the product recalls, gross margin rates declined by 280 and 240 basis points for the second quarter and first six months of fiscal 2008, respectively. SG&A spending, including media advertising, increased 4.0% for the second quarter and 3.8% for the year-to-date period after the impact of foreign exchange rates.

Global Professional

Global Professional segment net sales were \$99.5 million in the second quarter and \$161.9 million for the first six months of fiscal 2008, an increase of 29.1% and 21.2% from the second quarter and first six months of fiscal 2007, respectively. Excluding the effect of exchange rates, net sales increased by 19.5% and 13.1% for the second quarter and first six months, respectively. These increases reflect strong sales

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in all components of the business, led by the largest component, Europe, with net sales increases of 18.0% and 14.4% for the second quarter and first six months excluding the impact of exchange rates.

Primarily due to the strong growth in net sales, the Global Professional segment operating income increased by \$4.3 million and \$4.8 million in the second quarter and first six months of fiscal 2008, respectively. Excluding the effect of exchange rates, operating income increased by 15.5% and 8.3% compared to the second quarter and first six months of fiscal 2007, respectively.

Scotts LawnService®

Compared to the same periods in the prior fiscal year, Scotts LawnService® revenues decreased 3.9% to \$32.4 million in the second quarter of fiscal 2008 and increased 18.8% to \$70.7 million in the first six months of fiscal 2008. The decrease for the second quarter is primarily attributable to poor weather in the midwest and northern markets. The increase for the year-to-date period is attributable to acquisition growth of 6.3% as well as the shifting of late season lawn treatments to the first quarter of fiscal 2008.

Scotts LawnService® segment operating loss increased by \$1.8 million in the second quarter driven by the decrease in revenues and gross profit. The Scotts LawnService® segment operating loss decreased by \$3.1 million in the first six months of fiscal 2008 driven by the increase in revenues and gross profit, partially offset by an increase in SG&A spending.

Corporate & Other

Net sales for the Corporate & Other segment, which pertain primarily to Smith & Hawken®, decreased \$5.6 million for the second quarter and \$8.9 million year to date. These decreases are primarily due to our catalog, business-to-business, and wholesale channels. Additionally, the first half of fiscal 2007 benefited from initial start-up activity with Starbucks®.

The operating loss for Corporate & Other decreased by \$6.1 million in the second quarter and \$10.3 million for the first six months of fiscal 2007. The decreases in operating loss for the second quarter and year to date were driven by lower Corporate spending.

LIQUIDITY AND CAPITAL RESOURCES

Cash used in operating activities amounted to \$555.7 million and \$519.7 million for the six months ended March 29, 2008 and March 31, 2007, respectively. The use of cash in the first six months of our fiscal year is due to the seasonal nature of our operations. We build inventories in preparation for the spring selling season and accounts receivable increase significantly due to heavy March shipments. The increase in the use of cash for operating activities during fiscal 2008 compared to fiscal 2007 was due primarily to a higher level of inventory builds in fiscal 2008 compared to fiscal 2007 due to sales below plan and higher input costs.

Cash used in investing activities was \$24.5 million and \$36.0 million for the six months ended March 29, 2008 and March 31, 2007, respectively. There was no acquisition activity in the first half of fiscal 2008 compared to the \$6.3 million cash outlay for acquisitions relating to our Scotts LawnService® business in the first half of fiscal 2007. Capital spending on property, plant and equipment in the normal course of business was reasonably consistent, with \$25.1 million spent during the first half of fiscal 2008 compared to the \$30.1 million spent in the first half of fiscal 2007.

Financing activities provided cash of \$580.8 million and \$547.8 million for the six months ended March 29, 2008 and March 31, 2007, respectively.

Our recapitalization plan that was consummated during the second quarter of fiscal 2007 returned \$750 million to shareholders. In addition, we repurchased all of our 6 5/8% senior subordinated notes in an aggregate principal amount of \$200 million. These actions were financed by replacing, effective February 7, 2007, our prior Revolving Credit Agreement with senior secured \$2.15 billion multicurrency credit facilities that provide for revolving credit and term loans through February 7, 2012.

On April 11, 2007, the Company entered into a Master Accounts Receivable Purchase Agreement (the "Original MARP Agreement") with a stated termination date of April 10, 2008. On April 9, 2008, the Company terminated the Original MARP Agreement and entered into a new Master Accounts Receivable Purchase Agreement (the "New MARP Agreement") with a stated termination date of April 8, 2009, or such later date as may be extended by mutual agreement of the Company and its lenders. The terms of the New MARP Agreement are substantially the same as the Original MARP Agreement. The New MARP Agreement was entered into as it provides an interest rate savings of 40 basis points as compared to borrowing under our senior secured credit facilities. The New MARP Agreement provides

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for the sale, on a revolving basis, of account receivables generated by specified account debtors, with seasonally adjusted monthly aggregate limits ranging from \$10 million to \$300 million. The New MARP Agreement also provides for specified account debtor sublimit amounts, which provide limits on the amount of receivables owed by individual account debtors that can be sold to the banks. Borrowings under the MARP Agreement at March 29, 2008 were \$241.9 million.

At March 29, 2008, the Company had outstanding interest rate swaps with major financial institutions that effectively converted a portion of our variable-rate debt denominated in the Euro dollar, British pound and U.S. dollar to a fixed rate. The swaps agreements have a total U.S. dollar equivalent notional amount of \$724.9 million at March 29, 2008. The term, expiration date and rates of these swaps are shown in the table below.

| CURRENCY | NOTIONAL AMOUNT IN USD (IN MILLIONS) | TERM | EXPIRATION DATE | FIXED RATE |
|---------------|---|---------|-----------------|------------|
| British pound | \$ 57.4 | 3 years | 11/17/2008 | 4.76% |
| Euro dollar | 67.5 | 3 years | 11/17/2008 | 2.98% |
| US dollar | 200.0 | 2 years | 3/31/2009 | 4.90% |
| US dollar | 200.0 | 3 years | 3/31/2010 | 4.87% |
| US dollar | 200.0 | 5 years | 2/14/2012 | 5.20% |

As of March 29, 2008, there was \$672.2 million of availability under our revolving loan facility and we were in compliance with all debt covenants. Our primary sources of liquidity are cash generated by operations and borrowings under our credit facilities. We believe our facilities will continue to provide the Company with the capacity to pursue targeted, strategic acquisitions that leverage our core competencies.

We are party to various pending judicial and administrative proceedings arising in the ordinary course of business. These include, among others, proceedings based on accidents or product liability claims and alleged violations of environmental laws. We have reviewed our pending environmental and legal proceedings, including the probable outcomes, reasonably anticipated costs and expenses, reviewed the availability and limits of our insurance coverage and have established what we believe to be appropriate reserves. We do not believe that any liabilities that may result from these proceedings are reasonably likely to have a material adverse effect on our liquidity, financial condition or results of operations; however, there can be no assurance that future quarterly or annual operating results will not be materially affected by final resolution of these matters.

In our opinion, cash flows from operations and capital resources will be sufficient to meet debt service and working capital needs during fiscal 2008 and thereafter for the foreseeable future. However, we cannot ensure that our business will generate sufficient cash flow from operations or that future borrowings will be available under our credit facilities in amounts sufficient to pay indebtedness or fund other liquidity needs. Actual results of operations will depend on numerous factors, many of which are beyond our control.

ENVIRONMENTAL MATTERS

We are subject to local, state, federal and foreign environmental protection laws and regulations with respect to our business operations and believe we are operating in substantial compliance with, or taking actions aimed at ensuring compliance with, such laws and regulations. We are involved in several legal actions with various governmental agencies related to environmental matters. While it is difficult to quantify the potential financial impact of actions involving environmental matters, particularly remediation costs at waste disposal sites and future capital expenditures for environmental control equipment, in the opinion of management, the ultimate liability arising from such environmental matters, taking into account established reserves, should not have a material adverse effect on our financial position. However, there can be no assurance that the resolution of these matters will not materially affect our future quarterly or annual results of operations, financial condition or cash flows. Additional information on environmental matters affecting us is provided in our Annual Report on Form 10-K for the fiscal year ended September 30, 2007 under "ITEM 1. BUSINESS — Environmental and Regulatory Considerations," "ITEM 1. BUSINESS — Regulatory Actions" and "ITEM 3. LEGAL PROCEEDINGS."

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preceding discussion and analysis of the consolidated results of operations and financial position should be read in conjunction with our condensed, consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q. Our Annual Report on Form 10-K for the fiscal year ended September 30, 2007 includes additional information about the Company, our operations, our

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financial position, our critical accounting policies and accounting estimates, and should be read in conjunction with this Quarterly Report on Form 10-Q.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risks have not changed significantly from those disclosed in the Scotts Miracle-Gro Annual Report on Form 10-K for the fiscal year ended September 30, 2007.

ITEM 4. CONTROLS AND PROCEDURES

With the participation of the Scotts Miracle-Gro principal executive officer and principal financial officer, Scotts Miracle-Gro management has evaluated the effectiveness of its disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as of the end of the fiscal quarter covered by this Quarterly Report on Form 10-Q. Based upon that evaluation, Scotts Miracle-Gro principal executive officer and principal financial officer have concluded that:

- (A) information required to be disclosed by Scotts Miracle-Gro in this Quarterly Report on Form 10-Q and the other reports that Scotts Miracle-Gro files or submits under the Exchange Act would be accumulated and communicated to its management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure;
- (B) information required to be disclosed by Scotts Miracle-Gro in this Quarterly Report on Form 10-Q and the other reports that Scotts Miracle-Gro files or submits under the Exchange Act would be recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms; and
- (C) Scotts Miracle-Gro’s disclosure controls and procedures are effective as of the end of the fiscal quarter covered by this Quarterly Report on Form 10-Q.

In addition, there were no changes in Scotts Miracle-Gro’s internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during its fiscal second quarter ended March 29, 2008, that have materially affected, or are reasonably likely to materially affect, Scotts Miracle-Gro’s internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On April 10, 2008, the Company learned of a criminal investigation into certain of its U.S. Environmental Protection Agency (“USEPA”) product registrations. The Company understands that the investigation is being led by the USEPA and the U.S. Department of Justice (“USDOJ”), with assistance from the Ohio Department of Agriculture. The Company is cooperating with the USDOJ and USEPA in connection with their investigation, and, while the investigation is on-going, evidence indicates that a former employee of the Company apparently deliberately circumvented Company policies and USEPA regulations by failing to obtain valid registrations for products and/or causing invalid product registration forms to be submitted to regulators. As a result of this investigation, in April 2008, the Company, in cooperation with the USEPA, announced a recall of certain consumer lawn and garden products and one Scotts LawnService® product. A comprehensive investigation into all of the Company’s product registrations is in process, and this investigation may result in future state or federal action with respect to additional product registration issues. There can be no assurance that the ultimate outcome of these investigations will not result in further action, whether administrative, civil or criminal, by the USDOJ, USEPA or state regulatory agencies against the Company. Such actions may include the imposition of regulatory fines and/or penalties against the Company, and there can be no assurance that any such fines and/or penalties, in addition to the costs the Company has already incurred and expects to incur in connection with the product recalls, will not have a material and adverse effect on the Company’s financial condition and results of operations.

On April 27, 2007, the Company received a proposed Order On Consent from the New York State Department of Environmental Conservation (the “Proposed Order”) alleging that during the calendar year 2003, the Company and James Hagedorn, individually and as Chairman of the Board and the Chief Executive Officer of the Company, unlawfully donated to a Port Washington, New York youth sports organization forty bags of Scotts® LawnPro Annual Program Step 3 Insect Control Plus Fertilizer which, while federally registered, was allegedly not registered in the state of New York. The Proposed Order requests penalties totaling \$695,000. The Company is currently investigating this matter.

Other than as discussed in the preceding paragraphs, pending material legal proceedings have not changed significantly since the first quarter of fiscal 2008.

ITEM 1A. RISK FACTORS

Cautionary Statement on Forward-Looking Statements

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

The Private Securities Litigation Reform Act of 1995 provides a “safe harbor” for forward-looking statements to encourage companies

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to provide prospective information, so long as those statements are identified as forward-looking and are accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those discussed in the forward-looking statements. We desire to take advantage of the “safe harbor” provisions of that Act.

Some forward-looking statements that we make in this Quarterly Report on Form 10-Q and in other contexts represent challenging goals for the Company, and the achievement of these goals is subject to a variety of risks and assumptions and numerous factors beyond our control. All forward-looking statements attributable to us or persons working on our behalf are expressly qualified in their entirety by those cautionary statements. Important factors that could cause actual results to differ materially from the forward-looking statements we make are included in Part I, “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended September 30, 2007. Updates to our risk facts as a result of our 2008 product recalls and the related governmental investigation are discussed below.

Costs associated with product recalls and the corresponding governmental investigation could materially and adversely affect us or our financial results.

In April 2008, we announced that a former employee apparently deliberately circumvented our policies, causing unregistered or not properly labeled products to be marketed and sold. During the same time period, we learned of a criminal investigation, which we understand is being led by the U.S. Environmental Protection Agency (“USEPA”) and the U.S. Department of Justice (“USDOJ”), with assistance from the Ohio Department of Agriculture, related to the status of the registrations of these products, some of which had entered commerce and some of which had not. As a result of the investigation, we recalled, or are in the process of recalling, certain consumer lawn and garden products and one Scotts LawnService® product.

In connection with these product recalls, we have recorded, and in the future may record, charges and costs, based on our most recent estimates, of retailer inventory returns, consumer returns and replacement costs, associated legal and professional fees and costs associated with advertising and administration of product recalls. Because these current and expected future charges are based on estimates, they may increase as a result of numerous factors, many of which are beyond our control, including the amount of products that may be returned by consumers and retailers, the number and type of legal or regulatory proceedings relating to these product recalls and regulatory or judicial orders or decrees that may require us to take certain actions in connection with product recalls or to pay civil or criminal fines and/or penalties at the state and/or federal level.

The costs associated with these product recalls and any potential fines and/or penalties, both those which we have estimated to date and any amounts in excess of our current estimates, could have a material and adverse effect on our financial condition and results of operations.

In addition, there can be no assurance that the ultimate outcome of the investigation will not result in further action against us, whether administrative, civil or criminal by the USDOJ, USEPA or state regulatory agencies, and any such action, in addition to the costs we have incurred and will continue to incur in connection therewith, could materially and adversely affect us or our financial condition and results of operations.

Product recalls and the corresponding governmental investigation may harm our reputation and acceptance of our products by our retail customers and consumers, which may materially and adversely affect our business operations, decrease sales and increase costs.

The product recalls we announced in April 2008, together with the corresponding governmental investigation by the USDOJ and USEPA, have resulted in coverage critical of us in the press and media. While we believe that these recalls are the result of the misguided actions of a former employee who misled us and that we have acted promptly, responsibly and in the public interest, these product recalls may harm our reputation and the acceptance of our products by consumers and our retailer customers. Our retailer customers may be less willing to purchase our products or to provide marketing support for those products, such as shelf space, promotions, and advertising or may impose additional requirements that would adversely affect our business operations, decrease sales and increase costs.

ITEM 6. EXHIBITS

See Index to Exhibits at page 30 for a list of the exhibits included herewith.

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SIGNATURES

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

THE SCOTTS MIRACLE-GRO COMPANY

Date: May 8, 2008

/s/ DAVID C. EVANS

David C. Evans

Executive Vice President and Chief Financial Officer
(Principal Financial and Principal Accounting Officer)
(Duly Authorized Officer)

THE SCOTTS MIRACLE-GRO COMPANY
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED MARCH 29, 2008

INDEX TO EXHIBITS

| <u>EXHIBIT NO.</u> | <u>DESCRIPTION</u> | <u>LOCATION</u> |
|--------------------|--|--|
| 10(a) | Specimen form of Award Agreement for Employees used to evidence Nonqualified Stock Options which may be granted under The Scotts Miracle-Gro Company 2006 Long-Term Incentive Plan (now known as The Scotts Miracle-Gro Company Amended and Restated 2006 Long-Term Incentive Plan) (Standard International Specimen covering Australia, Canada, Austria, Germany and The Netherlands) | * |
| 10(b) | Specimen form of Award Agreement for Employees used to evidence Nonqualified Stock Options which may be granted under The Scotts Miracle-Gro Company 2006 Long-Term Incentive Plan (now known as The Scotts Miracle-Gro Company Amended and Restated 2006 Long-Term Incentive Plan) (Belgian Specimen) | * |
| 10(c)(1) | Specimen form of Award Agreement for Employees used to evidence Restricted Stock which may be granted under The Scotts Miracle-Gro Company 2006 Long-Term Incentive Plan (now known as The Scotts Miracle-Gro Company Amended and Restated 2006 Long-Term Incentive Plan) (French Specimen) | * |
| 10(c)(2) | Specimen form of Award Agreement for Employees used to evidence Nonqualified Stock Options which may be granted under The Scotts Miracle-Gro Company 2006 Long-Term Incentive Plan (now known as The Scotts Miracle-Gro Company Amended and Restated 2006 Long-Term Incentive Plan) (French Specimen) | * |
| 10(d) | Specimen form of Award Agreement for Employees used to evidence Nonqualified Stock Options which may be granted under The Scotts Miracle-Gro Company 2006 Long-Term Incentive Plan (now known as The Scotts Miracle-Gro Company Amended and Restated 2006 Long-Term Incentive Plan) (Polish Specimen) | * |
| 10(e)(1) | Specimen form of Award Agreement for United Kingdom Employees used to evidence Nonqualified Stock Options which may be granted under The Scotts Miracle-Gro Company 2006 Long-Term Incentive Plan (now known as The Scotts Miracle-Gro Company Amended and Restated 2006 Long-Term Incentive Plan) (United Kingdom Specimen) | * |
| 10(e)(2) | Specimen form of Award Agreement for United Kingdom Employees used to evidence Restricted Stock which may be granted under The Scotts Miracle-Gro Company 2006 Long-Term Incentive Plan (now known as The Scotts Miracle-Gro Company Amended and Restated 2006 Long-Term Incentive Plan) (United Kingdom Specimen) | * |
| 10(e)(3) | UK Sub-Plan for equity awards which may be granted under The Scotts Miracle-Gro Company 2006 Long-Term Incentive Plan (now known as The Scotts Miracle-Gro Company Amended and Restated 2006 Long-Term Incentive Plan) | * |
| 10(f) | Termination and Release Agreement, dated as of April 9, 2008, by and among the Scotts Company LLC, the Scotts Miracle-Gro Company and LaSalle Bank National Association | Incorporated herein by reference from Exhibit 10.1 to the Current Report on Form 8-K of the Scotts Miracle-Gro Company dated and filed April 15, 2008 (File No. 1-13292) |
| 10(g) | Master Accounts Receivable Purchase Agreement, dated as of April 9, 2008, among the Scotts Company LLC as seller, the Scotts Miracle-Gro Company as guarantor and Bank of America N.A. as purchaser | Incorporated herein by reference from Exhibit 10.2 to the Current Report on Form 8-K of the Scotts Miracle-Gro Company dated and filed April 15, 2008 (File No. 1-13292) |

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| <u>EXHIBIT NO.</u> | <u>DESCRIPTION</u> | <u>LOCATION</u> |
|--------------------|---|--|
| 10(h) | Specimen form of Deferred Stock Unit Award Agreement for Nonemployee Directors (with Related Dividend Equivalents) to evidence grants of Deferred Stock Units which may be made under the Scotts Miracle-Gro Company Amended and Related 2006 Long-Term incentive plan (used on and after February 4, 2008) | Incorporated herein by reference from Exhibit 10(m) to the Quarterly Report on Form 10-Q of the Scotts Miracle-Gro Company for the quarterly period ended December 29, 2007 (File No. 1-13292) |
| 10(i) | Performance Share Award Agreement for Employees (with Related Dividend Equivalents) evidencing grant of Performance Shares made on October 30, 2007 to Barry W. Sanders under the Scotts Miracle-Gro Company [Amended and Restated] 2006 Long-Term Incentive Plan, executed by the Scotts Miracle-Gro Company on December 20, 2007 and by Barry W. Sanders on January 7, 2008 | Incorporated herein by reference from Exhibit 10(n) to the Quarterly Report on Form 10-Q of the Scotts Miracle-Gro Company for the quarterly period ended December 29, 2007 (File No. 1-13292) |
| 10(j) | Summary of Compensation for Directors of the Scotts Miracle-Gro Company effective as February 4, 2008 | Incorporated herein by reference from Exhibit 10(r) to the Quarterly Report on Form 10-Q of the Scotts Miracle-Gro Company for the quarterly period ended December 29, 2007 (File No. 1-13292) |
| 31(a) | Rule 13a-14(a)/15d-14(a) Certification (Principal Executive Officer) | * |
| 31(b) | Rule 13a-14(a)/15d-14(a) Certification (Principal Financial Officer) | * |
| 32 | Section 1350 Certification (Principal Executive Officer and Principal Financial Officer) | * |

* Filed herewith

Standard International Form

**THE SCOTTS MIRACLE-GRO COMPANY
AMENDED AND RESTATED
2006 LONG-TERM INCENTIVE PLAN
NONQUALIFIED STOCK OPTION AWARD AGREEMENT FOR EMPLOYEES
NONQUALIFIED STOCK OPTION GRANTED
TO [Grantee's Name] ON [Grant Date]**

The Scotts Miracle-Gro Company ("Company") believes that its business interests are best served by ensuring that you have an opportunity to share in the Company's business success. To this end, the Company adopted The Scotts Miracle-Gro Company Amended and Restated 2006 Long-Term Incentive Plan ("Plan") through which key employees, like you, may acquire (or share in the appreciation of) common shares, without par value, of the Company ("Shares"). Capitalized terms that are not defined in this Award Agreement have the same meanings as in the Plan.

This Award Agreement describes the type of Award that you have been granted and the terms and conditions of your Award. To ensure you fully understand these terms and conditions, you should:

- Read the Plan, this Award Agreement and the Plan Prospectus, as supplemented, carefully; and
- Contact [Title] at [Telephone Number] if you have any questions about your Award. Or, you may send a written inquiry to the address shown below:

The Scotts Miracle-Gro Company
Attention: [Title]
14111 Scottslawn Road
Marysville, Ohio 43041

Also, no later than [Date 30 Days After Grant Date], you must return a signed copy of this Award Agreement to:

[Third Party Administrator]
Attention: [TPA Contact's Name]
[TPA Contact's Address]
[TPA Telephone Number]

1. DESCRIPTION OF YOUR NONQUALIFIED STOCK OPTION

You have been granted a Nonqualified Stock Option (“NSO”) to purchase [Number of Common Shares] Shares at an exercise price of \$[Exercise Price] for each Share (“Exercise Price”) on or before [Expiration Date No Later Than 10 Years After Grant Date] (“Expiration Date”), subject to the terms and conditions of the Plan and this Award Agreement. The Grant Date of the NSO is [Grant Date].

2. LIMITS ON EXERCISING YOUR NSO

(a) Normally, your NSO will vest (and become exercisable) on [Vesting Date] (the “Vesting Date”) but only if you are actively employed by the Company or any Subsidiary or Affiliate on the Vesting Date and all other conditions described in this Award Agreement and the Plan are met. This does not mean that you must exercise your NSO on this date; this is merely the first date that you may do so. However, except as described below, your NSO will expire to the extent it is not exercised on or before the Expiration Date.

There are some special situations in which your NSO may vest earlier. These are described in Sections 4(a) and 4(c) of this Award Agreement.

(b) At any one time, you may not exercise your NSO to buy fewer than 100 Shares (or, if less, the number of Shares underlying the vested portion of your NSO). Also, you may never exercise your NSO to purchase a fractional Share. Any fractional Share shall be redeemed for cash equal to the Fair Market Value of such fractional Share.

3. EXERCISING YOUR NSO

(a) After your NSO vests, you may exercise the NSO by completing an Exercise Notice. A copy of this Exercise Notice is attached to this Award Agreement. Also, a copy of this Exercise Notice and a description of the procedures that you must follow to exercise your NSO are available from [Third Party Administrator] at [TPA Telephone Number] or at the address given above.

(b) You may use one of three methods to exercise your NSO and to pay any taxes related to that exercise. You will decide on the method at the time of exercise.

CASHLESS EXERCISE AND SELL: If you elect this alternative, you will be deemed to have simultaneously exercised the NSO and to have sold the Shares underlying the portion of the NSO you exercised. When the transaction is complete, you will receive cash (but no Shares) equal to the difference between the aggregate Fair Market Value of the Shares deemed to have been acquired through the exercise minus the aggregate Exercise Price and related taxes.

COMBINATION EXERCISE: If you elect this alternative, you will be deemed to have simultaneously exercised the NSO and to have sold a number of those Shares with a Fair Market Value equal to the aggregate Exercise Price and related taxes. When the transaction is complete, the balance of the Shares subject to the portion of the NSO you exercised will be transferred to you.

EXERCISE AND HOLD: If you elect this alternative, you must pay the full Exercise Price plus related taxes (in cash, a cash equivalent or in Shares having a Fair Market Value equal to the Exercise Price and which you have owned for at least six months before the exercise date). When the transaction is complete, you will receive the number of Shares purchased.

(c) Before choosing an exercise method, you should read the Plan Prospectus, as supplemented, to ensure you understand the income tax effect of exercising your NSO.

(d) If you do not elect one of the methods set forth in Section 3(b) above, we will apply the Cashless Exercise and Sell method described in Section 3(b).

4. GENERAL TERMS AND CONDITIONS

(a) **YOU MAY FORFEIT YOUR NSO IF YOU TERMINATE.** Normally, you may exercise your NSO after it vests and before the Expiration Date. However, your NSO may be cancelled earlier than the Expiration Date if you Terminate. For purposes of this Award Agreement, "Terminate" (or any form thereof) means cessation of the employee-employer relationship between you and the Company and all Affiliates and Subsidiaries for any reason.

(i) If you are Terminated for Cause, the portion of your NSO that has not been exercised will be forfeited (whether or not then vested) on the date you Terminate; or

(ii) If you die or you Terminate due to your Disability (as defined below), your NSO will become fully vested and expire on the earlier of the Expiration Date or 12 months after you Terminate. For purposes of this Award Agreement, "Disability" means your inability to perform your normal duties for a period of at least six months due to a physical or mental infirmity; or

(iii) If you Terminate after reaching either (A) age 55 and completing at least 10 years of employment with the Company, its Affiliates and/or its Subsidiaries or (B) age 62 regardless of your years of service, your NSO will become fully vested and expire on the earlier of the Expiration Date or 12 months after you Terminate; or

(iv) If you Terminate for any other reason, the unvested portion of your NSO will be forfeited immediately and the vested portion of your NSO will expire on the earlier of the Expiration Date or 90 days after you Terminate.

Note, it is your responsibility to keep track of when your NSO expires.

(b) YOU MAY FORFEIT YOUR NSO IF YOU ENGAGE IN CONDUCT THAT IS HARMFUL TO THE COMPANY (OR ANY AFFILIATE OR SUBSIDIARY). You will forfeit your NSO and must return to the Company all Shares and other amounts you have received through the Plan if, without the Company's written consent, you do any of the following within 180 days before and 730 days after you Terminate:

(i) You serve (or agree to serve) as an officer, director, manager, consultant or employee of any proprietorship, partnership, corporation or other entity or become the owner of a business or a member of a partnership, limited liability company or other entity that competes with any portion of the Company's (or any Affiliate's or Subsidiary's) business with which you have been involved any time within five years before your Termination or render any service (including, without limitation, advertising or business consulting) to entities that compete with any portion of the Company's (or any Affiliate's or Subsidiary's) business with which you have been involved any time within five years before your Termination;

(ii) You refuse or fail to consult with, supply information to or otherwise cooperate with the Company or any Affiliate or Subsidiary after having been requested to do so;

(iii) You deliberately engage in any action that the Company concludes has caused substantial harm to the interests of the Company or any Affiliate or Subsidiary;

(iv) On your own behalf or on behalf of any other person, partnership, association, corporation, limited liability company or other entity, you solicit or in any manner attempt to influence or induce any employee of the Company or any Affiliate or Subsidiary to leave the Company's or any Affiliate's or Subsidiary's employment or use or disclose to any person, partnership, association, corporation, limited liability company or other entity any information obtained while an employee of the Company or any Affiliate or Subsidiary concerning the names and addresses of the Company's or any Affiliate's or Subsidiary's employees;

(v) You disclose confidential and proprietary information relating to the Company's or any Affiliate's or Subsidiary's business affairs ("Trade Secrets"), including technical information, product information and formulae, processes, business and marketing plans, strategies, customer information and other information concerning the Company's or any Affiliate's or Subsidiary's products, promotions, development, financing, expansion plans, business policies and practices, salaries and benefits and other forms of information considered by the Company or any Affiliate or Subsidiary to be proprietary and confidential and in the nature of Trade Secrets;

(vi) You fail to return all property (other than personal property), including keys, notes, memoranda, writings, lists, files, reports, customer lists, correspondence, tapes, disks, cards, surveys, maps, logs, machines, technical data, formulae or any other tangible property or document and any and all copies, duplicates or reproductions that you have produced or received or have otherwise been submitted to you in the course of your employment with the Company or any Affiliate or Subsidiary; or

(vii) You engaged in conduct that the Committee reasonably concludes would have given rise to a Termination for Cause had it been discovered before you Terminated.

(c) **CHANGE IN CONTROL.** Normally, your NSO will vest only in the circumstances described in Section 2(a). However, if there is a Change in Control, your NSO may vest earlier. You should read the Plan carefully to ensure that you understand how this may happen.

(d) **NO RIGHT TO EMPLOYMENT.** Your NSO award is a voluntary, discretionary bonus being made on a one-time basis and it does not constitute a commitment to make any future awards. This Award and any payments made hereunder will not be considered salary or other compensation for purposes of any severance pay or similar allowance, except as otherwise required by law. Nothing in this Award Agreement will give you any right to continue employment with the Company or any Subsidiary or Affiliate, as the case may be, or interfere in any way with the right of the Company or a Subsidiary or an Affiliate to terminate your employment.

(e) **DATA PRIVACY.** Information about you and your participation in the Plan (*i.e.*, your name, home address and telephone number, date of birth, social insurance number (only to the extent required or permitted by local law), salary, nationality (only to the extent essential to identify your participation in the Plan), job title, any shares of stock or directorships held in the Company, and details of the NSO or other entitlement to shares of stock awarded, cancelled, exercised, vested, unvested or outstanding in your favor) may be collected, recorded, held, used and disclosed by the Company, its Affiliates and Subsidiaries, namely The Scotts Miracle-Go Company (located in the United States of America), [Name of the local subsidiary] (located in ____), and the [Third Party Administrator] (located in the United States of America) for any purpose related to the administration of the Plan. You understand that the Company and its Subsidiaries or Affiliates may transfer such information to any third party administrators, regardless of whether such persons are located within your country of residence, the European Economic Area or in countries outside of the European Economic Area, including the United States of America. You understand that any country outside the European Economic Area will have different data protection laws, rules and regulations than the protection offered in your country of residence pursuant to the European Privacy Directive 95/46/EC of October 24, 1995. You consent to the processing of information relating to you and your participation in the Plan in any one or more of the ways referred to above. This consent may be withdrawn at any time in writing by sending a declaration of withdrawal to the [Third Party Administrator].

(f) **AMENDMENT AND TERMINATION.** Subject to the terms of the Plan, we may amend or terminate this Award Agreement or the Plan at any time.

(g) **RIGHTS BEFORE YOUR NSO IS EXERCISED.** You may not vote, or receive any dividends associated with, the Shares underlying your NSO before your NSO is exercised with respect to such Shares.

(h) **BENEFICIARY DESIGNATION.** You may name a beneficiary or beneficiaries to receive or to exercise the vested portion of your NSO that is unexercised when

you die. This may be done only on the attached Beneficiary Designation Form and by following the rules described in that Form. The Beneficiary Designation Form need not be completed now and is not required as a condition of receiving your Award. If you die without completing a Beneficiary Designation Form or if you do not complete that Form correctly, your beneficiary will be your surviving spouse or, if you do not have a surviving spouse, your estate.

(i) **TRANSFERRING YOUR NSO.** Normally your NSO may not be transferred to another person. However, you may complete a Beneficiary Designation Form to name the person who may exercise your NSO if you die before the Expiration Date. Also, the Committee may allow you to place your NSO into a trust established for your benefit or for the benefit of your family. Contact [Third Party Administrator] at [TPA Telephone Number] or at the address given above if you are interested in doing this.

(j) **ELECTRONIC DELIVERY.** The Company may, in its sole discretion, deliver any documents related to your NSO and your participation in the Plan, or future awards that may be granted under the Plan, by electronic means or to request your consent to participate in the Plan by electronic means. You hereby consent to receive such documents by electronic delivery and, if requested, agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

(k) **GOVERNING LAW.** This Award Agreement shall be governed by the laws of the State of Ohio, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of the Plan to the substantive law of another jurisdiction.

(l) **OTHER AGREEMENTS.** Your NSO will be subject to the terms of any other written agreements between you and the Company or any Affiliate or Subsidiary to the extent that those other agreements do not directly conflict with the terms of the Plan or this Award Agreement.

(m) **ADJUSTMENTS TO YOUR NSO.** Subject to the terms of the Plan, your NSO will be adjusted, if appropriate, to reflect any change to the Company's capital structure (e.g., the number of Shares underlying your NSO and the Exercise Price will be adjusted to reflect a stock split).

(n) **OTHER TERMS AND CONDITIONS.** Your NSO is subject to more rules described in the Plan. You should read the Plan carefully to ensure you fully understand all the terms and conditions of the grant of the NSO made to you under this Award Agreement.

5. YOUR ACKNOWLEDGMENT OF AWARD CONDITIONS

By signing below, you acknowledge and agree that:

- (a) Copies of the Plan and Plan Prospectus have been made available to you;
- (b) You understand and accept the terms and conditions of your NSO; and
- (c) You must return a signed copy of this Award Agreement to the address given

above before [Date 30 Days After Grant Date].
[Grantee's Name]

BY: _____
Date signed: _____

THE SCOTTS MIRACLE-GRO COMPANY

BY: _____
[Name of Company representative]
[Title of Company representative]
Date signed: _____

THE SCOTTS MIRACLE-GRO COMPANY
AMENDED AND RESTATED
2006 LONG-TERM INCENTIVE PLAN
NONQUALIFIED STOCK OPTION EXERCISE NOTICE
FOR NONQUALIFIED STOCK OPTION GRANTED
TO [Grantee's Name] ON [Grant Date]

Additional copies of this Nonqualified Stock Option Exercise Notice ("Exercise Notice") (and any further information you may need about this Exercise Notice or exercising your NSO) are available from [Third Party Administrator] at the address given below.

By completing this Exercise Notice and returning it to [Third Party Administrator] at the address given below, I elect to exercise all or a portion of the NSO and to purchase the Shares described below. Capitalized terms not defined in this Exercise Notice have the same meanings as in the Plan and applicable Award Agreement.

NOTE: You must complete a separate Exercise Notice for each NSO being exercised (e.g., if you are simultaneously exercising an NSO to purchase 200 Shares granted on January 1, 2008 and an NSO to purchase 100 Shares granted on January 1, 2009 under a separate award agreement, you must complete two Exercise Notices, one for each NSO being exercised).

NSO TO BE EXERCISED AND SHARES TO BE PURCHASED: This Exercise Notice relates to the following NSO and number of Shares (*fill in the blanks*):

Grant Date of NSO: [Grant Date]

Number of Shares Being Purchased: _____

EXERCISE PRICE: The aggregate Exercise Price due is \$_____.

NOTE: This amount must equal the product of [Exercise Price] multiplied by the number of Shares being purchased.

PAYMENT OF EXERCISE PRICE: I have decided to pay the Exercise Price and any related taxes by (*check one*):

NOTE: These methods are described in the applicable Award Agreement.

_____ Cashless Exercise and Sell.

_____ Combination Exercise.

_____ Exercise and Hold.

NOTE:

- If you select the Exercise and Hold method, you must follow the procedures described in the Award Agreement to pay the Exercise Price and the taxes related to this exercise. You should contact [Third Party Administrator] at the address given below to find out the amount of taxes due.
- If you select either the Cashless Exercise and Sell method or the Combination Exercise method, you should contact [Third Party Administrator] at the address given below to be sure you understand how your choice of payment will affect the number of Shares you will receive.

YOUR ACKNOWLEDGMENT

By signing below, you acknowledge and agree that:

- You fully understand the effect (including the investment effect) of exercising your NSO and buying Shares and understand that there is no guarantee that the value of these Shares will appreciate or will not depreciate;
- This Exercise Notice will have no effect if it is not returned to [Third Party Administrator] at the address given below before the NSO expires, as specified in the Award Agreement under which the NSO was granted; and
- The Shares you are buying by completing and returning this Exercise Notice will be issued to you as soon as administratively practicable. You will not have any rights as a shareholder of the Company until the Shares are issued.

[Grantee's Name]

(signature)

Date signed: _____

A signed copy of this Exercise Notice must be received at the following address no later than the date the NSO expires, as specified in the Award Agreement under which the NSO was granted:

[Third Party Administrator]
Attention: [TPA Contact's Name]
[TPA Contact's Address]
[TPA Telephone Number]

ACKNOWLEDGEMENT OF RECEIPT

A signed copy of the Nonqualified Stock Option Exercise Notice was received on:

_____.

[Grantee's Name]:

_____ Has effectively exercised the portion of the NSO described in this Exercise Notice; or

_____ Has not effectively exercised the portion of the NSO described in this Exercise Notice because:

describe deficiency

The Scotts Miracle-Gro Company 2006 Long-Term Incentive Plan Committee

By: _____

Date: _____

Note: Keep a copy of this Exercise Notice as part of the Plan's permanent records.

Form — Belgium (Without Election)

**THE SCOTTS MIRACLE-GRO COMPANY
AMENDED AND RESTATED
2006 LONG-TERM INCENTIVE PLAN
NONQUALIFIED STOCK OPTION AWARD AGREEMENT FOR EMPLOYEES
NONQUALIFIED STOCK OPTION GRANTED
TO [Grantee's Name] ON [Grant Date]**

The Scotts Miracle-Gro Company ("Company") believes that its business interests are best served by ensuring that you have an opportunity to share in the Company's business success. To this end, the Company adopted The Scotts Miracle-Gro Company Amended and Restated 2006 Long-Term Incentive Plan ("Plan") through which key employees, like you, may acquire (or share in the appreciation of) common shares, without par value, of the Company ("Shares"). Capitalized terms that are not defined in this Award Agreement have the same meanings as in the Plan.

This Award Agreement describes the type of Award that you have been granted and the terms and conditions of your Award. To ensure you fully understand these terms and conditions, you should:

- Read the Plan, this Award Agreement and the Plan Prospectus, as supplemented, carefully; and
- Contact [Title] at [Telephone Number] if you have any questions about your Award. Or, you may send a written inquiry to the address shown below:

The Scotts Miracle-Gro Company
Attention: [Title]
14111 Scottslawn Road
Marysville, Ohio 43041

If you accept the NSO, you must return a signed copy of this Award Agreement, together with the Acceptance Form, to:

[Third Party Administrator]
Attention: [TPA Contact's Name]
[TPA Contact's Address]
[TPA Telephone Number]

Also, upon receipt of this Award Agreement, you must execute an acknowledgment of receipt in the form as attached hereto (the "Acknowledgment of Receipt" or "Acknowledgment") and return this Acknowledgment to **[Third Party Administrator]** at the address listed in the Acknowledgment within days following the Grant Date] **[THIS SHOULD BE A SHORTER PERIOD THAN FOR THE ACCEPTANCE AS THE ACKNOWLEDGMENT SIMPLY SERVES TO ACKNOWLEDGE RECEIPT OF THE DOCUMENTS AND OF**

Scotts Option Agreement (Belgium)

Form — Belgium (Without Election)

THE AWARD THAT WAS MADE] and decide whether you wish to accept the NSO. If you decide to accept the NSO, you must also complete the Acceptance Form attached hereto.

Acceptance of the NSO hereunder will only take place by returning this Award Agreement and the Acceptance Form attached hereto, all duly executed by you, to **[Third Party Administrator]** at the address listed in the Acknowledgment within ___days following the Grant Date.

If you do not return a signed copy of the Acknowledgement within **[__days following the Grant Date]** **[THIS SHOULD BE A SHORTER PERIOD AS THE ACKNOWLEDGMENT SIMPLY SERVES TO ACKNOWLEDGE RECEIPT OF THE DOCUMENTS AND OF THE AWARD THAT WAS MADE]** to the address shown below and a signed copy of the Award Agreement and the Acceptance Form on or before **[__days following the Grant Date]** **[THIS SHOULD REFLECT THE ULTIMATE DATE THAT THE GRANTEE CAN ACCEPT THE NSO]**, your NSO will be forfeited and you will not be entitled to receive anything on account of this award of the NSO.

Scotts Option Agreement (Belgium)

1. DESCRIPTION OF YOUR NONQUALIFIED STOCK OPTION

You have been granted a Nonqualified Stock Option (“NSO”) to purchase [Number of Common Shares] Shares at an exercise price of \$[Exercise Price] for each Share (“Exercise Price”) on or before [Expiration Date No Later Than 10 Years After Grant Date] (“Expiration Date”), subject to the terms and conditions of the Plan and this Award Agreement. The Grant Date of the NSO is [Grant Date].

2. LIMITS ON EXERCISING YOUR NSO

(a) Normally, your NSO will vest (and become exercisable) on [Vesting Date] (the “Vesting Date”) but only if you are actively employed by the Company or any Subsidiary or Affiliate on the Vesting Date and all other conditions described in this Award Agreement and the Plan are met. This does not mean that you must exercise your NSO on this date; this is merely the first date that you may do so. However, except as described below, your NSO will expire to the extent it is not exercised on or before the Expiration Date.

There are some special situations in which your NSO may vest earlier. These are described in Sections 4(a) and 4(c) of this Award Agreement.

(b) At any one time, you may not exercise your NSO to buy fewer than 100 Shares (or, if less, the number of Shares underlying the vested portion of your NSO). Also, you may never exercise your NSO to purchase a fractional Share. Any fractional Share shall be redeemed for cash equal to the Fair Market Value of such fractional Share. **You acknowledge and accept that this redemption may trigger different Belgian tax and social security treatment than when Shares are issued upon exercising your NSO and that you have consulted any tax attorneys or accountants you deem advisable thereon and that you are fully informed on such tax and/or social security treatment and you accept all liability with regard to such taxes and/or social security and the payment thereof.**

3. EXERCISING YOUR NSO

(a) After your NSO vests, you may exercise the NSO by completing an Exercise Notice. A copy of this Exercise Notice is attached to this Award Agreement. Also, a copy of this Exercise Notice and a description of the procedures that you must follow to exercise your NSO are available from [Third Party Administrator] at [TPA Telephone Number] or at the address given above.

(b) Given that you accept your NSO after the 60th day following the Grant Date, you will only be subject to tax and/or social security when you exercise your NSO. Before accepting your NSO, you should read the “Federal Income Tax” section of the Plan Prospectus, as supplemented, to ensure you understand the U.S. federal and Belgian income tax effect of accepting your NSO.

(c) The amount of tax and/or social security owed will be withheld by the social secretariat of your employer from your salary in the month in which the NSO becomes taxable and will be paid to the Belgian tax and/or social security authorities.

Scotts Option Agreement (Belgium)

(d) At the time of exercise, you must pay the aggregate exercise price plus taxes and or employee social security contributions, if any. Payment of the aggregate Exercise Price and any related taxes (for the purpose of this Section 3(d), the term “tax” shall refer to both tax and employee social security contributions, as applicable) shall be done by any of the following methods, or a combination thereof, at your election:

EXERCISE AND HOLD: If you elect this alternative, you must pay the full Exercise Price plus related taxes in cash, in a cash equivalent, or in Shares having a Fair Market Value equal to the Exercise Price plus related taxes and which you have owned for at least six months before the exercise date. When the transaction is complete, you will receive the number of Shares purchased.

CASHLESS EXERCISE AND SELL: If you elect this alternative, you will be deemed to have simultaneously exercised the NSO and to have sold the Shares underlying the portion of the NSO you exercised. When the transaction is complete, you will receive cash (but no Shares) equal to the difference between the aggregate Fair Market Value of the Shares deemed to have been acquired through the exercise *minus* the aggregate Exercise Price and related taxes. **You acknowledge and accept that this way of exercising your NSO may trigger additional Belgian taxes and/or social security and that you have consulted any tax attorneys or accountants you deem advisable thereon and that you are fully informed on such additional taxes and/or social security and you accept all liability with regard to such additional taxes and/or social security and the payment thereof.**

COMBINATION EXERCISE: If you elect this alternative, you will be deemed to have simultaneously exercised the NSO and to have sold a number of those Shares with a Fair Market Value equal to the aggregate Exercise Price and related taxes. When the transaction is complete, the balance of the Shares subject to the portion of the NSO you exercised will be transferred to you. **You acknowledge and accept that this way of exercising your NSO may trigger additional Belgian taxes and/or social security and that you have consulted any tax attorneys or accountants you deem advisable thereon and that you are fully informed on such additional taxes and/or social security and you accept all liability with regard to such additional taxes and/or social security and the payment thereof.**

(e) Before choosing an exercise method, you should read the Plan Prospectus, as supplemented, to ensure you understand the income tax effect of exercising your NSO.

(f) If you do not elect one of the methods set forth in Section 3(d) above, we will apply the Cashless Exercise and Sell method described in Section 3(d).

4. GENERAL TERMS AND CONDITIONS

(a) **YOU MAY FORFEIT YOUR NSO IF YOU TERMINATE.** Normally, you may exercise your NSO after it vests and before the Expiration Date. However, your NSO may be cancelled earlier than the Expiration Date if you Terminate. For purposes of this Award Agreement, “Terminate” (or any form thereof) means cessation of the employee-employer

relationship between you and the Company and all Affiliates and Subsidiaries for any reason.

(i) If you are Terminated for Cause, the portion of your NSO that has not been exercised will be forfeited (whether or not then vested) on the date you Terminate; or

(ii) If you die or you Terminate due to your Disability (as defined below), your NSO will become fully vested and expire on the earlier of the Expiration Date or 12 months after you Terminate. For purposes of this Award Agreement, “Disability” means your inability to perform your normal duties for a period of at least six months due to a physical or mental infirmity; or

(iii) If you Terminate after reaching either (A) age 55 and completing at least 10 years of employment with the Company, its Affiliates and/or its Subsidiaries or (B) age 62 regardless of your years of service, your NSO will become fully vested and expire on the earlier of the Expiration Date or 12 months after you Terminate; or

(iv) If you Terminate for any other reason, the unvested portion of your NSO will be forfeited immediately and the vested portion of your NSO will expire on the earlier of the Expiration Date or 90 days after you Terminate.

Note, it is your responsibility to keep track of when your NSO expires.

(b) **YOU MAY FORFEIT YOUR NSO IF YOU ENGAGE IN CONDUCT THAT IS HARMFUL TO THE COMPANY (OR ANY AFFILIATE OR SUBSIDIARY).** You will forfeit your NSO and must return to the Company all Shares and other amounts you have received through the Plan if, without the Company’s written consent, you do any of the following within 180 days before and 730 days after you Terminate:

(i) You serve (or agree to serve) as an officer, director, manager, consultant or employee of any proprietorship, partnership, corporation or other entity or become the owner of a business or a member of a partnership, limited liability company or other entity that competes with any portion of the Company’s (or any Affiliate’s or Subsidiary’s) business with which you have been involved any time within five years before your Termination or render any service (including, without limitation, advertising or business consulting) to entities that compete with any portion of the Company’s (or any Affiliate’s or Subsidiary’s) business with which you have been involved any time within five years before your Termination;

(ii) You refuse or fail to consult with, supply information to or otherwise cooperate with the Company or any Affiliate or Subsidiary after having been requested to do so;

(iii) You deliberately engage in any action that the Company concludes has caused substantial harm to the interests of the Company or any Affiliate or Subsidiary;

(iv) On your own behalf or on behalf of any other person, partnership, association, corporation, limited liability company or other entity, you solicit or in any

manner attempt to influence or induce any employee of the Company or any Affiliate or Subsidiary to leave the Company's or any Affiliate's or Subsidiary's employment or use or disclose to any person, partnership, association, corporation, limited liability company or other entity any information obtained while an employee of the Company or any Affiliate or Subsidiary concerning the names and addresses of the Company's or any Affiliate's or Subsidiary's employees;

(v) You disclose confidential and proprietary information relating to the Company's or any Affiliate's or Subsidiary's business affairs ("Trade Secrets"), including technical information, product information and formulae, processes, business and marketing plans, strategies, customer information and other information concerning the Company's or any Affiliate's or Subsidiary's products, promotions, development, financing, expansion plans, business policies and practices, salaries and benefits and other forms of information considered by the Company or any Affiliate or Subsidiary to be proprietary and confidential and in the nature of Trade Secrets;

(vi) You fail to return all property (other than personal property), including keys, notes, memoranda, writings, lists, files, reports, customer lists, correspondence, tapes, disks, cards, surveys, maps, logs, machines, technical data, formulae or any other tangible property or document and any and all copies, duplicates or reproductions that you have produced or received or have otherwise been submitted to you in the course of your employment with the Company or any Affiliate or Subsidiary; or

(vii) You engaged in conduct that the Committee reasonably concludes would have given rise to a Termination for Cause had it been discovered before you Terminated.

(c) **CHANGE IN CONTROL.** Normally, your NSO will vest only in the circumstances described in Section 2(a). However, if there is a Change in Control, your NSO may vest earlier. You should read the Plan carefully to ensure that you understand how this may happen.

(d) **NO RIGHT TO EMPLOYMENT.** Your NSO award is a voluntary, discretionary bonus being made on a one-time basis and it does not constitute a commitment to make any future awards. This Award and any payments made hereunder will not be considered salary or other compensation for purposes of any severance pay or similar allowance, except as otherwise required by law. Nothing in this Award Agreement will give you any right to continue employment with the Company or any Subsidiary or Affiliate, as the case may be, or interfere in any way with the right of the Company or a Subsidiary or an Affiliate to terminate your employment.

(e) **DATA PRIVACY.** Information about you and your participation in the Plan, including, without limitation, your name, home address and telephone number, date of birth, social insurance number, salary, nationality, job title, any shares of stock or directorships held in the Company, and details of the NSO or other entitlement to shares of stock awarded, cancelled, exercised, vested, unvested or outstanding in your favor) may be collected, recorded, held, used and disclosed by the Company, its Affiliates and Subsidiaries and the [Third Party Administrator] for any purpose related to the administration of the Plan. You understand that the Company and its Subsidiaries or Affiliates may transfer such information to any third party

administrators, regardless of whether such persons are located within your country of residence, the European Economic Area or in countries outside of the European Economic Area, including the United States of America. You consent to the processing of information relating to you and your participation in the Plan in any one or more of the ways referred to above. This consent may be withdrawn at any time in writing by sending a declaration of withdrawal to the [Third Party Administrator]. You understand, however, that refusing or withdrawing your consent may affect your ability to participate in the Plan. You may, at any time, view the data relating to you and require the modification thereof, without costs, by contacting the [Third Party Administrator].

(f) **AMENDMENT AND TERMINATION.** Subject to the terms of the Plan, we may amend or terminate this Award Agreement or the Plan at any time.

(g) **RIGHTS BEFORE YOUR NSO IS EXERCISED.** You may not vote, or receive any dividends associated with, the Shares underlying your NSO before your NSO is exercised with respect to such Shares.

(h) **BENEFICIARY DESIGNATION.** You may name a beneficiary or beneficiaries to receive or to exercise the vested portion of your NSO that is unexercised when you die. This may be done only on the attached Beneficiary Designation Form and by following the rules described in that Form. The Beneficiary Designation Form need not be completed now and is not required as a condition of receiving your Award. If you die without completing a Beneficiary Designation Form or if you do not complete that Form correctly, your beneficiary will be your surviving spouse or, if you do not have a surviving spouse, your estate.

(i) **TRANSFERRING YOUR NSO.** Normally your NSO may not be transferred to another person. However, you may complete a Beneficiary Designation Form to name the person who may exercise your NSO if you die before the Expiration Date. Also, the Committee may allow you to place your NSO into a trust established for your benefit or for the benefit of your family. Contact [Third Party Administrator] at [TPA Telephone Number] or at the address given above if you are interested in doing this.

(j) **ELECTRONIC DELIVERY.** The Company may, in its sole discretion, deliver any documents related to your NSO and your participation in the Plan, or future awards that may be granted under the Plan, by electronic means or to request your consent to participate in the Plan by electronic means. You hereby consent to receive such documents by electronic delivery and, if requested, agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

(k) **GOVERNING LAW.** This Award Agreement shall be governed by the laws of the State of Ohio, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of the Plan to the substantive law of another jurisdiction.

(l) **OTHER AGREEMENTS.** Your NSO will be subject to the terms of any other written agreements between you and the Company or any Affiliate or Subsidiary to the extent that those other agreements do not directly conflict with the terms of the Plan or this Award Agreement.

Scotts Option Agreement (Belgium)

(m) **ADJUSTMENTS TO YOUR NSO.** Subject to the terms of the Plan, your NSO will be adjusted, if appropriate, to reflect any change to the Company's capital structure (e.g., the number of Shares underlying your NSO and the Exercise Price will be adjusted to reflect a stock split).

(n) **OTHER TERMS AND CONDITIONS.** Your NSO is subject to more rules described in the Plan. You should read the Plan carefully to ensure you fully understand all the terms and conditions of the grant of the NSO made to you under this Award Agreement.

5. YOUR ACKNOWLEDGMENT OF RECEIPT

By signing below, you acknowledge and agree that:

(a) Copies of the Plan and Plan Prospectus, as supplemented, have been made available to you;

(b) You understand and accept the terms and conditions of your NSO;

(c) If you do not return a signed copy of this Acknowledgement within [__days following the Grant Date] [THIS SHOULD BE A SHORTER PERIOD AS THIS ACKNOWLEDGMENT SIMPLY SERVES TO ACKNOWLEDGE RECEIPT OF THE DOCUMENTS AND OF THE AWARD THAT WAS MADE] to the address shown below and a signed copy of the Award Agreement and the Acceptance Form on or before [__Days following the Grant Date] [THIS SHOULD REFLECT THE ULTIMATE DATE THAT THE GRANTEE CAN ACCEPT THE NSO], your NSO will be forfeited and you will not be entitled to receive anything on account of this award of the NSO; and

(d) If you accept the NSO, you must return a signed copy of this Award Agreement to the address given above before together with the Acceptance Form.

[Grantee's Name]

THE SCOTTS MIRACLE-GRO COMPANY

BY: _____

BY: _____

Date signed: _____

[Name of Company representative]

[Title of Company representative]

Date signed: _____

Scotts Option Agreement (Belgium)

**THE SCOTTS MIRACLE-GRO COMPANY
AMENDED AND RESTATED
2006 LONG-TERM INCENTIVE PLAN
ACCEPTANCE FORM**

You agree to be bound by the terms and conditions of this Acceptance Form, the Award Agreement, the Plan, and the Plan Prospectus, as supplemented, and hereby accept or reject the NSO granted under the Award Agreement, as specifically designated below. You acknowledge that you have been encouraged to discuss this matter with your financial or tax advisor and that this acceptance is made knowingly.

If you elect to **accept** the NSO, please sign this Acceptance Form and the Award Agreement and indicate your acceptance below.

You hereby accept:

- o the NSO by _____, 200_____ (i.e., after 60 days after the Grant Date) to obtain taxation on the difference between the Exercise Price and the Fair Market Value of the Shares at exercise.

OR

If you intend to **reject** the NSO award, indicate your rejection below.

- o You have considered the NSO award, and hereby expressly reject the NSO award. You acknowledge that you have been encouraged to discuss this matter with your financial advisor and that this rejection is made knowingly. You further acknowledges that you, by rejecting the NSO award, will not be entitled to any payment or benefit in lieu of the NSO.

To the extent that you **accept** the NSO award, by signing below, you acknowledge and agree that:

- you understand and accept the conditions placed on your NSO award and understand what you have to do to earn and exercise your NSO award; and
- you will consent (on your own behalf and on behalf of your beneficiaries and without any further consideration) to any necessary change to your NSO or the Award Agreement to comply with any law and to avoid paying penalties under Section 409A of the Internal Revenue Code, even if those changes affect the terms of your NSO and reduce their value or potential value.

[GRANTEE'S NAME]

Date

Scotts Option Agreement (Belgium)

Form — Belgium (Without Election)

This completed form should be executed and returned to the attention of **[Third Party Administrator]** at the latest by the **[__ day following the Grant Date]**.

Scotts Option Agreement (Belgium)

THE SCOTTS MIRACLE-GRO COMPANY
AMENDED AND RESTATED
2006 LONG-TERM INCENTIVE PLAN
NONQUALIFIED STOCK OPTION EXERCISE NOTICE
FOR NONQUALIFIED STOCK OPTION GRANTED
TO [Grantee's Name] ON [Grant Date]

Additional copies of this Nonqualified Stock Option Exercise Notice ("Exercise Notice") (and any further information you may need about this Exercise Notice or exercising your NSO) are available from [Third Party Administrator] at the address given below.

By completing this Exercise Notice and returning it to [Third Party Administrator] at the address given below, I elect to exercise all or a portion of the NSO and to purchase the Shares described below. Capitalized terms not defined in this Exercise Notice have the same meanings as in the Plan and applicable Award Agreement.

NOTE: You must complete a separate Exercise Notice for each NSO being exercised (e.g., if you are simultaneously exercising an NSO to purchase 200 Shares granted on January 1, 2008 and an NSO to purchase 100 Shares granted on January 1, 2009 under a separate award agreement, you must complete two Exercise Notices, one for each NSO being exercised).

NSO TO BE EXERCISED AND SHARES TO BE PURCHASED: This Exercise Notice relates to the following NSO and number of Shares (*fill in the blanks*):

Grant Date of NSO: [Grant Date]

Number of Shares Being Purchased: _____

EXERCISE PRICE: The aggregate Exercise Price due is US\$ _____.

NOTE: This amount must equal the product of [Exercise Price] multiplied by the number of Shares being purchased.

PAYMENT OF EXERCISE PRICE: I have decided to pay the Exercise Price and any related taxes and/or employee social security contributions by (*check one*):

NOTE: These methods are described in the applicable Award Agreement.

_____ Cashless Exercise and Sell.

_____ Combination Exercise.

_____ Exercise and Hold.

Scotts Option Agreement (Belgium)

NOTE:

- If you select the Exercise and Hold method, you must follow the procedures described in the Award Agreement to pay the Exercise Price and the taxes plus the employee social security contributions, if any, related to this exercise. You should contact [Third Party Administrator] at the address given below to find out the amount of taxes due.
- If you select either the Cashless Exercise and Sell method or the Combination Exercise method, you should contact [Third Party Administrator] at the address given below to be sure you understand how your choice of payment will affect the number of Shares you will receive.

YOUR ACKNOWLEDGMENT

By signing below, you acknowledge and agree that:

- You fully understand the effect (including the investment effect) of exercising your NSO and buying Shares and understand that there is no guarantee that the value of these Shares will appreciate or will not depreciate;
- This Exercise Notice will have no effect if it is not returned to [Third Party Administrator] at the address given below before the NSO expires, as specified in the Award Agreement under which the NSO was granted; and
- The Shares you are buying by completing and returning this Exercise Notice will be issued to you as soon as administratively practicable. You will not have any rights as a shareholder of the Company until the Shares are issued.

[Grantee's Name]

(signature)

Date signed: _____

A signed copy of this Exercise Notice must be received at the following address no later than the date the NSO expires, as specified in the Award Agreement under which the NSO was granted:

[Third Party Administrator]
Attention: [TPA Contact's Name]
[TPA Contact's Address]
[TPA Telephone Number]

Scotts Option Agreement (Belgium)

ACKNOWLEDGEMENT OF RECEIPT

A signed copy of the Nonqualified Stock Option Exercise Notice was received on:

_____.

[Grantee's Name]:

_____ Has effectively exercised the portion of the NSO described in this Exercise Notice; or

_____ Has not effectively exercised the portion of the NSO described in this Exercise Notice because:

describe deficiency

The Scotts Miracle-Gro Company 2006 Long-Term Incentive Plan Committee

By: _____

Date: _____

Note: Keep a copy of this Exercise Notice as part of the Plan's permanent records.

Scotts Option Agreement (Belgium)

Form — France

**THE SCOTTS MIRACLE-GRO COMPANY
AMENDED AND RESTATED
2006 LONG-TERM INCENTIVE PLAN
RESTRICTED STOCK AWARD AGREEMENT FOR EMPLOYEES
RESTRICTED STOCK GRANTED
TO [Grantee's Name] ON [Grant Date]**

The Scotts Miracle-Gro Company (“Company”) believes that its business interests are best served by ensuring that you have an opportunity to share in the Company’s business success. To this end, the Company adopted The Scotts Miracle-Gro Company Amended and Restated 2006 Long-Term Incentive Plan (“Plan”) through which key employees, like you, may acquire (or share in the appreciation of) common shares, without par value, of the Company (“Shares”). Capitalized terms that are not defined in this Award Agreement have the same meanings as in the Plan.

This Award Agreement describes the type of Award that you have been granted and the terms and conditions of your Award. To ensure you fully understand these terms and conditions, you should:

- Read the Plan, this Award Agreement, and the Plan Prospectus, as supplemented, carefully; and
- Contact [Title] at [Telephone Number] if you have any questions about your Award. Or, you may send a written inquiry to the address shown below:

The Scotts Miracle-Gro Company
Attention: [Title]
14111 Scottslawn Road
Marysville, Ohio 43041

Also, no later than [Date 30 Days After Grant Date], you must return a signed copy of this Award Agreement to:

[Third Party Administrator]
Attention: [TPA Contact's Name]
[TPA Contact's Address]
[TPA Telephone Number]

Scotts RS Agreement — France

1. DESCRIPTION OF YOUR RESTRICTED STOCK

You have been granted [Number of Common Shares] Shares of Restricted Stock, subject to the terms and conditions of the Plan and this Award Agreement. Until the Period of Restriction (as described below) lapses, your Restricted Stock will be subject to a risk of forfeiture and you may not sell or transfer your Shares of Restricted Stock. Your Restricted Stock will be held in escrow until it is distributed or forfeited, as described below.

2. PERIOD OF RESTRICTION

Subject to the terms of the Plan and this Award Agreement (including Section 3), the restrictions imposed on your Restricted Stock normally will lapse if you are actively employed by the Company or any Subsidiary or Affiliate on [Vesting Date] (the "Vesting Date"). If all applicable terms and conditions have been satisfied, your Restricted Stock will be released from escrow and distributed to you as soon as administratively practicable, but no later than 60 days, after the Vesting Date.

3. GENERAL TERMS AND CONDITIONS

(a) **YOU WILL FORFEIT YOUR RESTRICTED STOCK IF YOU TERMINATE.** Normally, your Restricted Stock will be settled on the Vesting Date. However, the Shares of Restricted Stock will be forfeited if you Terminate for any reason before the Vesting Date. For purposes of this Award Agreement, "Terminate" (or any form thereof) means the date of notification of the cessation of the employee-employer relationship between you and the Company and all Affiliates and Subsidiaries for any reason.

(b) **CHANGE IN CONTROL.** Normally, your Restricted Stock will vest only under the circumstances described in Section 2. However, if there is a Change in Control, your Restricted Stock may vest earlier. You should read the Plan carefully to ensure that you understand how this may happen.

(c) **NO RIGHT TO EMPLOYMENT.** Your Restricted Stock award is a voluntary, discretionary bonus being made on a one-time basis and it does not constitute a commitment to make any future awards. This Award and any payments made hereunder will not be considered salary or other compensation for purposes of any severance pay or similar allowance, except as otherwise required by law. Nothing in this Award Agreement will give you any right to continue employment with the Company or any Subsidiary or Affiliate, as the case may be, or interfere in any way with the right of the Company or a Subsidiary or an Affiliate to terminate your employment.

(d) **DATA PRIVACY.** Information about you and your participation in the Plan, including, but not limited to, your name, home address and telephone number, date of birth, social insurance number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of your Restricted Stock Award or other entitlement to shares of stock awarded, cancelled, exercised, vested, unvested or outstanding in your favor, may be collected, recorded, held, used and disclosed for any purpose related to the administration and management of the Plan and in order to satisfy legal and regulatory requirements. You understand that the

Scotts RS Agreement — France

Company will keep your personal data in accordance with the rules set forth by Law No. 78-17, dated January 6, 1978, related to “software, files and liberties” (the “Law”). The Company will also take reasonable measures in order to protect your personal data and to observe the requirements set forth by the Commission Nationale de l’Informatique et des Libertés. Pursuant to the Law, you have the right to access, correct and request deletion of any of your personal data that is inaccurate, incomplete, ambiguous, obsolete or whose collection, use, communication or conservation is prohibited. You also understand that the Company and its Subsidiaries or Affiliates may transfer such information to any third party administrators, regardless of whether such persons are located within your country of residence, the European Economic Area or in countries outside of the European Economic Area, including the United States of America, where the rules protecting such data are less stringent than those applicable within the European Economic Area. You expressly consent and agree to the collection, holding, use, disclosure, transfer in electronic or other form, and processing of information relating to you and your participation in the Plan.

French translation:

(d) **PROTECTION DES DONNES PERSONNELLES.** Les informations vous concernant ainsi que votre participation dans le Plan, y compris mais non limitativement, votre nom, votre adresse personnelle et numéro de téléphone, date de naissance, numéro de sécurité sociale, salaire, nationalité, intitulé de poste, toutes participations ou tous mandats détenus dans la Société, les renseignements sur le NSO ou sur tout autre droit à des participations octroyées, annulées, exercées, disponibles ou non disponibles ou en circulation en votre faveur, peuvent être rassemblées, enregistrées, détenues, utilisées et divulguées pour toute raison liée à l’administration et la gestion du Plan et afin de satisfaire aux exigences légales et réglementaires. Vous comprenez que la Société conservera vos données personnelles conformément aux règles posées par la Loi No. 78-17 du 7 janvier 1978 relative à “l’informatique, aux fichiers et aux libertés” (la “Loi”). La Société prendra également toutes les mesures raisonnables afin de protéger vos données personnelles et d’observer les exigences posées par la Commission Nationale de l’Informatique et des Libertés. En application de la Loi, vous bénéficiez d’un droit d’accès, de modification et de suppression de vos données personnelles qui seraient incorrectes, incomplètes, ambiguës, obsolètes ou dont la collecte, l’utilisation, la communication ou la conservation seraient prohibées. Vous comprenez également que la Société et ses Filiales ou Sociétés Affiliées peuvent transférer ces informations à des tiers administrateurs, peu importe que ces personnes soient situées dans votre pays de résidence, l’Espace Economique Européen ou dans des pays autres que l’Espace Economique Européen, y compris, les Etas-Unis d’Amérique, où les règles de protection de telles données personnelles sont moins contraignantes que celles applicables dans l’Espace Economique Européen. Vous consentez expressément et vous acceptez la collecte, la détention, l’utilisation, la divulgation, le transfert sous forme électronique ou autre et plus généralement le traitement des informations vous concernant et concernant votre participation au Plan.

(e) **AMENDMENT AND TERMINATION.** Subject to the terms of the Plan, the Company may amend or terminate this Award Agreement or the Plan at any time.

(f) **RIGHTS BEFORE YOUR RESTRICTED STOCK VESTS.** During the Period of Restriction (even though your Restricted Stock is held in escrow until it is settled or

forfeited):

(i) You may exercise any voting rights associated with the Shares of Restricted Stock while it is held in escrow.

(ii) You will be entitled to receive any dividends paid with respect to the Shares of Restricted Stock, although these dividends will be held in escrow and subject to the same restrictions on transferability and forfeitability as the Shares of Restricted Stock with respect to which they were paid under this Award Agreement. A reasonable rate of interest, as determined by the Committee in its sole discretion, will be credited to you and held in escrow during the Period of Restriction with respect to any such cash dividends that are declared and paid during the period beginning on [Grant Date] and ending on the Vesting Date. At the end of the Period of Restriction, any such dividends and interest thereon will be distributed to you in accordance with Section 2 of this Award Agreement or forfeited, depending on whether or not you have met the conditions described in this Award Agreement and the Plan.

(g) **BENEFICIARY DESIGNATION.** You may name a beneficiary or beneficiaries to receive any Restricted Stock that is vested before you die but settled after you die. This may be done only on the attached Beneficiary Designation Form and by following the rules described in that Form. The Beneficiary Designation Form does not need to be completed now and is not required as a condition of receiving your Award. However, if you die without completing a Beneficiary Designation Form or if you do not complete that Form correctly, your beneficiary will be your surviving spouse or, if you do not have a surviving spouse, your estate.

(h) **TRANSFERRING YOUR RESTRICTED STOCK.** Normally your Restricted Stock may not be transferred to another person. However, as described in Section 3(g), you may complete a Beneficiary Designation Form to name the person to receive any Restricted Stock that is vested before you die but settled after you die. Also, the Committee may allow you to place your Restricted Stock into a trust established for your benefit or the benefit of your family. Contact [Third Party Administrator] at [TPA Telephone Number] or at the address given above if you are interested in doing this.

(i) **GOVERNING LAW.** This Award Agreement shall be governed by the laws of the State of Ohio, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of the Plan to the substantive law of another jurisdiction.

(j) **OTHER AGREEMENTS.** Your Restricted Stock will be subject to the terms of any other written agreements between you and the Company or any Affiliate or Subsidiary to the extent that those other agreements do not directly conflict with the terms of the Plan or this Award Agreement.

(k) **ADJUSTMENTS TO YOUR RESTRICTED STOCK.** Subject to the terms of the Plan, your Restricted Stock will be adjusted, if appropriate, to reflect any change to the Company's capital structure (e.g., the number of Shares underlying your Restricted Stock will be adjusted to reflect a stock split).

Scotts RS Agreement — France

(l) **OTHER RULES.** Your Restricted Stock is subject to more rules described in the Plan. You should read the Plan carefully to ensure you fully understand all the terms and conditions of the grant of Restricted Stock under this Award Agreement.

4. YOUR ACKNOWLEDGMENT OF AWARD CONDITIONS

By signing below, you acknowledge and agree that:

- (a) Copies of the Plan and the Plan Prospectus have been made available to you;
- (b) You understand and accept the terms and conditions of your Award; and
- (c) You must return a signed copy of this Award Agreement to the address given above before [Date 30 Days After Grant Date].

[Grantee's Name]

THE SCOTTS MIRACLE-GRO COMPANY

By: _____

By: _____

Date signed: _____

[Name of Company Representative]

[Title of Company Representative]

Date signed: _____

Form — France

**THE SCOTTS MIRACLE-GRO COMPANY
AMENDED AND RESTATED
2006 LONG-TERM INCENTIVE PLAN
NONQUALIFIED STOCK OPTION AWARD AGREEMENT FOR EMPLOYEES
NONQUALIFIED STOCK OPTION GRANTED
TO [Grantee's Name] ON [Grant Date]**

The Scotts Miracle-Gro Company (“Company”) believes that its business interests are best served by ensuring that you have an opportunity to share in the Company’s business success. To this end, the Company adopted The Scotts Miracle-Gro Company Amended and Restated 2006 Long-Term Incentive Plan (“Plan”) through which key employees, like you, may acquire (or share in the appreciation of) common shares, without par value, of the Company (“Shares”). Capitalized terms that are not defined in this Award Agreement have the same meanings as in the Plan.

This Award Agreement describes the type of Award that you have been granted and the terms and conditions of your Award. To ensure you fully understand these terms and conditions, you should:

- Read the Plan, this Award Agreement and the Plan Prospectus, as supplemented, carefully; and
- Contact [Title] at [Telephone Number] if you have any questions about your Award. Or, you may send a written inquiry to the address shown below:

The Scotts Miracle-Gro Company
Attention: [Title]
14111 Scottslawn Road
Marysville, Ohio 43041

Also, no later than [Date 30 Days After Grant Date], you must return a signed copy of this Award Agreement to:

[Third Party Administrator]
Attention: [TPA Contact's Name]
[TPA Contact's Address]
[TPA Telephone Number]

Scotts NSO Agreement — France

1. DESCRIPTION OF YOUR NONQUALIFIED STOCK OPTION

You have been granted a Nonqualified Stock Option (“NSO”) to purchase [Number of Common Shares] Shares at an exercise price of \$[Exercise Price] for each Share (“Exercise Price”) on or before [Expiration Date No Later Than 10 Years After Grant Date] (“Expiration Date”), subject to the terms and conditions of the Plan and this Award Agreement. The Grant Date of the NSO is [Grant Date].

2. LIMITS ON EXERCISING YOUR NSO

(a) Normally, your NSO will vest (and become exercisable) on [Vesting Date] (the “Vesting Date”) but only if you are actively employed by the Company or any Subsidiary or Affiliate on the Vesting Date and all other conditions described in this Award Agreement and the Plan are met. This does not mean that you must exercise your NSO on this date; this is merely the first date that you may do so. However, except as described below, your NSO will expire to the extent it is not exercised on or before the Expiration Date.

There are some special situations in which your NSO may vest earlier. These are described in Sections 4(a) and 4(b) of this Award Agreement.

(b) At any one time, you may not exercise your NSO to buy fewer than 100 Shares (or, if less, the number of Shares underlying the vested portion of your NSO). Also, you may never exercise your NSO to purchase a fractional Share. Any fractional Share shall be redeemed for cash equal to the Fair Market Value of such fractional Share.

3. EXERCISING YOUR NSO

(a) After your NSO vests, you may exercise the NSO by completing an Exercise Notice. A copy of this Exercise Notice is attached to this Award Agreement. Also, a copy of this Exercise Notice and a description of the procedures that you must follow to exercise your NSO are available from [Third Party Administrator] at [TPA Telephone Number] or at the address given above.

(b) You may use one of three methods to exercise your NSO and to pay any taxes related to that exercise. You will decide on the method at the time of exercise.

CASHLESS EXERCISE AND SELL: If you elect this alternative, you will be deemed to have simultaneously exercised the NSO and to have sold the Shares underlying the portion of the NSO you exercised. When the transaction is complete, you will receive cash (but no Shares) equal to the difference between the aggregate Fair Market Value of the Shares deemed to have been acquired through the exercise minus the aggregate Exercise Price and related taxes.

Scotts NSO Agreement — France

COMBINATION EXERCISE: If you elect this alternative, you will be deemed to have simultaneously exercised the NSO and to have sold a number of those Shares with a Fair Market Value equal to the aggregate Exercise Price and related taxes. When the transaction is complete, the balance of the Shares subject to the portion of the NSO you exercised will be transferred to you.

EXERCISE AND HOLD: If you elect this alternative, you must pay the full Exercise Price plus related taxes (in cash, a cash equivalent or in Shares having a Fair Market Value equal to the Exercise Price and which you have owned for at least six months before the exercise date). When the transaction is complete, you will receive the number of Shares purchased.

(c) Before choosing an exercise method, you should read the Plan Prospectus, as supplemented, to ensure you understand the income tax effect of exercising your NSO.

(d) If you do not elect one of the methods set forth in Section 3(b) above, we will apply the Cashless Exercise and Sell method described in Section 3(b).

4. GENERAL TERMS AND CONDITIONS

(a) **YOU MAY FORFEIT YOUR NSO IF YOU TERMINATE.** Normally, you may exercise your NSO after it vests and before the Expiration Date. However, to the extent permitted by law, your NSO may be cancelled earlier than the Expiration Date if you Terminate. For purposes of this Award Agreement, "Terminate" (or any form thereof) means the date of notification of the cessation of the employee-employer relationship between you and the Company and all Affiliates and Subsidiaries for any reason.

(i) If you are Terminated for Cause, the portion of your NSO that has not been exercised will be forfeited (whether or not then vested) on the date you Terminate; or

(ii) If you die or you Terminate due to your Disability (as defined below), your NSO will become fully vested and expire on the earlier of the Expiration Date or 12 months after you Terminate. For purposes of this Award Agreement, "Disability" means your inability to perform your normal duties for a period of at least six months due to a physical or mental infirmity; or

(iii) If you Terminate after reaching either (A) age 55 and completing at least 10 years of employment with the Company, its Affiliates and/or its Subsidiaries or (B) age 62 regardless of your years of service, your NSO will become fully vested and expire on the earlier of the Expiration Date or 12 months after you Terminate; or

(iv) If you Terminate for any other reason, the unvested portion of your NSO will be forfeited immediately and the vested portion of your NSO will expire on the earlier of the Expiration Date or 90 days after you Terminate.

Note, it is your responsibility to keep track of when your NSO expires.

(b) **CHANGE IN CONTROL.** Normally, your NSO will vest only in the circumstances described in Section 2(a). However, if there is a Change in Control, your NSO may vest earlier. You should read the Plan carefully to ensure that you understand how this may happen.

(c) **NO RIGHT TO EMPLOYMENT.** Your NSO award is a voluntary, discretionary bonus being made on a one-time basis and it does not constitute a commitment to make any future awards. This Award and any payments made hereunder will not be considered salary or other compensation for purposes of any severance pay or similar allowance, except as otherwise required by law. Nothing in this Award Agreement will give you any right to continue employment with the Company or any Subsidiary or Affiliate, as the case may be, or interfere in any way with the right of the Company or a Subsidiary or an Affiliate to terminate your employment.

(d) **DATA PRIVACY.** Information about you and your participation in the Plan, including, but not limited to, your name, home address and telephone number, date of birth, social insurance number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of the NSO or other entitlement to shares of stock awarded, cancelled, exercised, vested, unvested or outstanding in your favor, may be collected, recorded, held, used and disclosed for any purpose related to the administration and management of the Plan and in order to satisfy legal and regulatory requirements. You understand that the Company will keep your personal data in accordance with the rules set forth by Law No. 78-17, dated January 6, 1978, related to “software, files and liberties” (the “Law”). The Company will also take reasonable measures in order to protect your personal data and to observe the requirements set forth by the Commission Nationale de l’Informatique et des Libertés. Pursuant to the Law, you have the right to access, correct and request deletion of any of your personal data that is inaccurate, incomplete, ambiguous, obsolete or whose collection, use, communication or conservation is prohibited. You also understand that the Company and its Subsidiaries or Affiliates may transfer such information to any third party administrators, regardless of whether such persons are located within your country of residence, the European Economic Area or in countries outside of the European Economic Area, including the United States of America, where the rules protecting such data are less stringent than those applicable within the European Economic Area. You expressly consent and agree to the collection, holding, use, disclosure, transfer in electronic or other form, and processing of information relating to you and your participation in the Plan.

French translation:

(d) **PROTECTION DES DONNES PERSONNELLES.** Les informations vous concernant ainsi que votre participation dans le Plan, y compris mais non limitativement, votre nom, votre adresse personnelle et numéro de téléphone, date de naissance, numéro de sécurité sociale, salaire, nationalité, intitulé de poste, toutes participations ou tous mandats détenus dans la Société, les renseignements sur le NSO ou sur tout autre droit à des participations octroyées, annulées, exercées, disponibles ou non disponibles ou en circulation en votre faveur, peuvent être rassemblées, enregistrées, détenues, utilisées et divulguées pour toute raison liée à l’administration et la gestion du Plan et afin de satisfaire aux exigences légales et réglementaires.

Scotts NSO Agreement — France

Vous comprenez que la Société conservera vos données personnelles conformément aux règles posées par la Loi No. 78-17 du 7 janvier 1978 relative à “l’informatique, aux fichiers et aux libertés” (la “Loi”). La Société prendra également toutes les mesures raisonnables afin de protéger vos données personnelles et d’observer les exigences posées par la Commission Nationale de l’Informatique et des Libertés. En application de la Loi, vous bénéficiez d’un droit d’accès, de modification et de suppression de vos données personnelles qui seraient incorrectes, incomplètes, ambiguës, obsolètes ou dont la collecte, l’utilisation, la communication ou la conservation seraient prohibées. Vous comprenez également que la Société et ses Filiales ou Sociétés Affiliées peuvent transférer ces informations à des tiers administrateurs, peu importe que ces personnes soient situées dans votre pays de résidence, l’Espace Economique Européen ou dans des pays autres que l’Espace Economique Européen, y compris, les Etas-Unis d’Amérique, où les règles de protection de telles données personnelles sont moins contraignantes que celles applicables dans l’Espace Economique Européen. Vous consentez expressément et vous acceptez la collecte, la détention, l’utilisation, la divulgation, le transfert sous forme électronique ou autre et plus généralement le traitement des informations vous concernant et concernant votre participation au Plan.

(e) **AMENDMENT AND TERMINATION.** Subject to the terms of the Plan, we may amend or terminate this Award Agreement or the Plan at any time.

(f) **RIGHTS BEFORE YOUR NSO IS EXERCISED.** You may not vote, or receive any dividends associated with, the Shares underlying your NSO before your NSO is exercised with respect to such Shares.

(g) **BENEFICIARY DESIGNATION.** You may name a beneficiary or beneficiaries to receive or to exercise the vested portion of your NSO that is unexercised when you die. This may be done only on the attached Beneficiary Designation Form and by following the rules described in that Form. The Beneficiary Designation Form need not be completed now and is not required as a condition of receiving your Award. If you die without completing a Beneficiary Designation Form or if you do not complete that Form correctly, your beneficiary will be your surviving spouse or, if you do not have a surviving spouse, your estate.

(h) **TRANSFERRING YOUR NSO.** Normally your NSO may not be transferred to another person. However, you may complete a Beneficiary Designation Form to name the person who may exercise your NSO if you die before the Expiration Date. Also, the Committee may allow you to place your NSO into a trust established for your benefit or for the benefit of your family. Contact [Third Party Administrator] at [TPA Telephone Number] or at the address given above if you are interested in doing this.

(i) **GOVERNING LAW.** This Award Agreement shall be governed by the laws of the State of Ohio, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of the Plan to the substantive law of another jurisdiction.

(j) **OTHER AGREEMENTS.** Your NSO will be subject to the terms of any other written agreements between you and the Company or any Affiliate or Subsidiary to the extent that those other agreements do not directly conflict with the terms of the Plan or this Award Agreement.

Scotts NSO Agreement — France

(k) **ADJUSTMENTS TO YOUR NSO.** Subject to the terms of the Plan, your NSO will be adjusted, if appropriate, to reflect any change to the Company's capital structure (e.g., the number of Shares underlying your NSO and the Exercise Price will be adjusted to reflect a stock split).

(l) **OTHER TERMS AND CONDITIONS.** Your NSO is subject to more rules described in the Plan. You should read the Plan carefully to ensure you fully understand all the terms and conditions of the grant of the NSO made to you under this Award Agreement.

5. YOUR ACKNOWLEDGMENT OF AWARD CONDITIONS

By signing below, you acknowledge and agree that:

- (a) Copies of the Plan and Plan Prospectus have been made available to you;
- (b) You understand and accept the terms and conditions of your NSO; and
- (c) You must return a signed copy of this Award Agreement to the address given above before [Date 30 Days After Grant Date].

[Grantee's Name]

THE SCOTTS MIRACLE-GRO COMPANY

By: _____
Date signed: _____

By: _____
[Name of Company Representative]
[Title of Company Representative]
Date signed: _____

THE SCOTTS MIRACLE-GRO COMPANY
AMENDED AND RESTATED
2006 LONG-TERM INCENTIVE PLAN
NONQUALIFIED STOCK OPTION EXERCISE NOTICE
FOR NONQUALIFIED STOCK OPTION GRANTED
TO [Grantee's Name] ON [Grant Date]

Additional copies of this Nonqualified Stock Option Exercise Notice ("Exercise Notice") (and any further information you may need about this Exercise Notice or exercising your NSO) are available from [Third Party Administrator] at the address given below.

By completing this Exercise Notice and returning it to [Third Party Administrator] at the address given below, I elect to exercise all or a portion of the NSO and to purchase the Shares described below. Capitalized terms not defined in this Exercise Notice have the same meanings as in the Plan and applicable Award Agreement.

NOTE: You must complete a separate Exercise Notice for each NSO being exercised (e.g., if you are simultaneously exercising an NSO to purchase 200 Shares granted on January 1, 2008 and an NSO to purchase 100 Shares granted on January 1, 2009 under a separate award agreement, you must complete two Exercise Notices, one for each NSO being exercised).

NSO TO BE EXERCISED AND SHARES TO BE PURCHASED: This Exercise Notice relates to the following NSO and number of Shares (*fill in the blanks*):

Grant Date of NSO: [Grant Date]

Number of Shares Being Purchased: _____

EXERCISE PRICE: The aggregate Exercise Price due is \$_____.

NOTE: This amount must equal the product of [Exercise Price] multiplied by the number of Shares being purchased.

PAYMENT OF EXERCISE PRICE: I have decided to pay the Exercise Price and any related taxes by (*check one*):

NOTE: These methods are described in the applicable Award Agreement.

_____ Cashless Exercise and Sell.

_____ Combination Exercise.

_____ Exercise and Hold.

NOTE:

- If you select the Exercise and Hold method, you must follow the procedures described in the Award Agreement to pay the Exercise Price and the taxes related to this exercise. You should contact [Third Party Administrator] at the address given below to find out the amount of taxes due.
- If you select either the Cashless Exercise and Sell method or the Combination Exercise method, you should contact [Third Party Administrator] at the address given below to be sure you understand how your choice of payment will affect the number of Shares you will receive.

YOUR ACKNOWLEDGMENT

By signing below, you acknowledge and agree that:

- You fully understand the effect (including the investment effect) of exercising your NSO and buying Shares and understand that there is no guarantee that the value of these Shares will appreciate or will not depreciate;
- This Exercise Notice will have no effect if it is not returned to [Third Party Administrator] at the address given below before the NSO expires, as specified in the Award Agreement under which the NSO was granted; and
- The Shares you are buying by completing and returning this Exercise Notice will be issued to you as soon as administratively practicable. You will not have any rights as a shareholder of the Company until the Shares are issued.

[Grantee's Name]

(signature)

Date signed: _____

A signed copy of this Exercise Notice must be received at the following address no later than the date the NSO expires, as specified in the Award Agreement under which the NSO was granted:

[Third Party Administrator]
Attention: [TPA Contact's Name]
[TPA Contact's Address]
[TPA Telephone Number]

Scotts NSO Agreement — France

ACKNOWLEDGEMENT OF RECEIPT

A signed copy of the Nonqualified Stock Option Exercise Notice was received on:

_____.

[Grantee's Name]:

_____ Has effectively exercised the portion of the NSO described in this Exercise Notice; or

_____ Has not effectively exercised the portion of the NSO described in this Exercise Notice because:

_____.
describe deficiency

The Scotts Miracle-Gro Company 2006 Long-Term Incentive Plan Committee

By: _____

Date: _____

Note: Keep a copy of this Exercise Notice as part of the Plan's permanent records.

Scotts NSO Agreement — France

Form — Poland

**THE SCOTTS MIRACLE-GRO COMPANY
AMENDED AND RESTATED
2006 LONG-TERM INCENTIVE PLAN
NONQUALIFIED STOCK OPTION AWARD AGREEMENT FOR EMPLOYEES
NONQUALIFIED STOCK OPTION GRANTED
TO [Grantee's Name] ON [Grant Date]**

The Scotts Miracle-Gro Company ("Company") believes that its business interests are best served by ensuring that you have an opportunity to share in the Company's business success. To this end, the Company adopted The Scotts Miracle-Gro Company Amended and Restated 2006 Long-Term Incentive Plan ("Plan") through which key employees, like you, may acquire (or share in the appreciation of) common shares, without par value, of the Company ("Shares"). Capitalized terms that are not defined in this Award Agreement have the same meanings as in the Plan.

This Award Agreement describes the type of Award that you have been granted and the terms and conditions of your Award. To ensure you fully understand these terms and conditions, you should:

- Read the Plan, this Award Agreement and the Plan Prospectus, as supplemented, carefully; and
- Contact [Title] at [Telephone Number] if you have any questions about your Award. Or, you may send a written inquiry to the address shown below:

The Scotts Miracle-Gro Company
Attention: [Title]
14111 Scottslawn Road
Marysville, Ohio 43041

Also, no later than [Date 30 Days After Grant Date], you must return a signed copy of this Award Agreement to:

[Third Party Administrator]
Attention: [TPA Contact's Name]
[TPA Contact's Address]
[TPA Telephone Number]

Scotts Option Agreement (Poland)

1. DESCRIPTION OF YOUR NONQUALIFIED STOCK OPTION

You have been granted a Nonqualified Stock Option (“NSO”) to purchase [Number of Common Shares] Shares at an exercise price of \$[Exercise Price] for each Share (“Exercise Price”) on or before [Expiration Date No Later Than 10 Years After Grant Date] (“Expiration Date”), subject to the terms and conditions of the Plan and this Award Agreement. The Grant Date of the NSO is [Grant Date].

2. LIMITS ON EXERCISING YOUR NSO

(a) Normally, your NSO will vest (and become exercisable) on [Vesting Date] (the “Vesting Date”) but only if you are actively employed by the **[name of the Polish employer]** (the “Employer”) on the Vesting Date and all other conditions described in this Award Agreement and the Plan are met. The term “actively employed” as used above includes the entire duration of employment, except for the periods of (i) unpaid leave; and (ii) childcare leave (*urlop wypoczynkowy*), if any.

This does not mean that you must exercise your NSO on this date; this is merely the first date that you may do so. However, except as described below, your NSO will expire to the extent it is not exercised on or before the Expiration Date.

There are some special situations in which your NSO may vest earlier. These are described in Sections 4(a) and 4(c) of this Award Agreement.

(b) At any one time, you may not exercise your NSO to buy fewer than 100 Shares (or, if less, the number of Shares underlying the vested portion of your NSO). Also, you may never exercise your NSO to purchase a fractional Share. Any fractional Share shall be redeemed for cash equal to the Fair Market Value of such fractional Share.

3. EXERCISING YOUR NSO

(a) After your NSO vests, you may exercise the NSO by completing an Exercise Notice. A copy of this Exercise Notice is attached to this Award Agreement. Also, a copy of this Exercise Notice and a description of the procedures that you must follow to exercise your NSO are available from [Third Party Administrator] at [TPA Telephone Number] or at the address given above.

(b) You may use one of three methods to exercise your NSO and to pay any taxes related to that exercise. You will decide on the method at the time of exercise.

CASHLESS EXERCISE AND SELL: If you elect this alternative, you will be deemed to have simultaneously exercised the NSO and to have sold the Shares underlying the portion of the NSO you exercised. When the transaction is complete, you will receive cash (but no Shares) equal to the difference between the aggregate Fair Market Value of the Shares deemed to have been acquired through the exercise minus the aggregate Exercise Price and related taxes.

Scotts Option Agreement (Poland)

COMBINATION EXERCISE: If you elect this alternative, you will be deemed to have simultaneously exercised the NSO and to have sold a number of those Shares with a Fair Market Value equal to the aggregate Exercise Price and related taxes. When the transaction is complete, the balance of the Shares subject to the portion of the NSO you exercised will be transferred to you.

EXERCISE AND HOLD: If you elect this alternative, you must pay the full Exercise Price plus related taxes (in cash, a cash equivalent or in Shares having a Fair Market Value equal to the Exercise Price and which you have owned for at least six months before the exercise date). When the transaction is complete, you will receive the number of Shares purchased.

(c) Before choosing an exercise method, you should read the Plan Prospectus, as supplemented, to ensure you understand the income tax effect of exercising your NSO.

(d) If you do not elect one of the methods set forth in Section 3(b) above, we will apply the Cashless Exercise and Sell method described in Section 3(b).

4. GENERAL TERMS AND CONDITIONS

(a) **YOU MAY FORFEIT YOUR NSO IF YOU TERMINATE.** Normally, you may exercise your NSO after it vests and before the Expiration Date. However, your NSO may be cancelled earlier than the Expiration Date if you Terminate. For purposes of this Award Agreement, "Terminate" (or any form thereof) means cessation of the employee-employer relationship between you and the Employer for any reason.

(i) If you are Terminated for Cause, the portion of your NSO that has not been exercised will be forfeited (whether or not then vested) on the date you Terminate; or

(ii) If you die or you Terminate due to your Disability (as defined below), your NSO will become fully vested and expire on the earlier of the Expiration Date or 12 months after you Terminate. For purposes of this Award Agreement, "Disability" means your inability to perform your normal duties for a period of at least six months due to a physical or mental infirmity, confirmed by a decision of a significant or moderate degree of disability (*orzeczenie ustalające znaczny lub umiarkowany stopień niepełnosprawności*); or

(iii) If you Terminate after reaching either (A) age 55 and completing at least 10 years of employment with the Employer or (B) age 62 regardless of your years of service, your NSO will become fully vested and expire on the earlier of the Expiration Date or 12 months after you Terminate; or

(iv) If you Terminate for any other reason, the unvested portion of your NSO will be forfeited immediately and the vested portion of your NSO will expire on the earlier of the Expiration Date or 90 days after you Terminate.

Scotts Option Agreement (Poland)

Note, it is your responsibility to keep track of when your NSO expires.

(b) YOU MAY FORFEIT YOUR NSO IF YOU ENGAGE IN CONDUCT THAT IS HARMFUL TO THE COMPANY (OR ANY AFFILIATE OR SUBSIDIARY). You will forfeit your NSO and must return to the Company all Shares and other amounts you have received through the Plan if, without the Company's written consent, you do any of the following within 180 days before and 730 days after you Terminate:

(i) You serve (or agree to serve) as an officer, director, manager, consultant or employee of any proprietorship, partnership, corporation or other entity or become the owner of a business or a member of a partnership, limited liability company or other entity that competes with any portion of the Company's (or any Affiliate's or Subsidiary's) business with which you have been involved any time within five years before your Termination or render any service (including, without limitation, advertising or business consulting) to entities that compete with any portion of the Company's (or any Affiliate's or Subsidiary's) business with which you have been involved any time within five years before your Termination;

(ii) You refuse or fail to consult with, supply information to or otherwise cooperate with the Company or any Affiliate or Subsidiary after having been requested to do so;

(iii) You deliberately engage in any action that the Company concludes has caused substantial harm to the interests of the Company or any Affiliate or Subsidiary;

(iv) On your own behalf or on behalf of any other person, partnership, association, corporation, limited liability company or other entity, you solicit or in any manner attempt to influence or induce any employee of the Company or any Affiliate or Subsidiary to leave the Company's or any Affiliate's or Subsidiary's employment or use or disclose to any person, partnership, association, corporation, limited liability company or other entity any information obtained while an employee of the Company or any Affiliate or Subsidiary concerning the names and addresses of the Company's or any Affiliate's or Subsidiary's employees;

(v) You disclose confidential and proprietary information relating to the Company's or any Affiliate's or Subsidiary's business affairs ("Trade Secrets"), including technical information, product information and formulae, processes, business and marketing plans, strategies, customer information and other information concerning the Company's or any Affiliate's or Subsidiary's products, promotions, development, financing, expansion plans, business policies and practices, salaries and benefits and other forms of information considered by the Company or any Affiliate or Subsidiary to be proprietary and confidential and in the nature of Trade Secrets;

(vi) You fail to return all property (other than personal property), including keys, notes, memoranda, writings, lists, files, reports, customer lists, correspondence, tapes, disks, cards, surveys, maps, logs, machines, technical data, formulae or any other tangible property or document and any and all copies, duplicates or reproductions that

Scotts Option Agreement (Poland)

you have produced or received or have otherwise been submitted to you in the course of your employment with the Employer; or

(vii) You engaged in conduct that the Committee reasonably concludes would have given rise to a Termination for Cause had it been discovered before you Terminated.

(c) **CHANGE IN CONTROL.** Normally, your NSO will vest only in the circumstances described in Section 2(a). However, if there is a Change in Control, your NSO may vest earlier. You should read the Plan carefully to ensure that you understand how this may happen.

(d) **NO RIGHT TO EMPLOYMENT.** Your NSO award is a voluntary act by the Company being made on a one-time basis and it does not constitute a commitment to make any future awards. This Award and any payments made hereunder do not originate and are not due from the Employer and they will not be considered salary or other compensation for purposes of any severance pay or similar allowance, except as otherwise required by law. Nothing in this Award Agreement will give you any right to continue employment with the Employer, as the case may be, or interfere in any way with the right of the Employer to terminate your employment.

(e) **DATA PRIVACY.** Information about you and your participation in the Plan (*i.e.*, your name, home address and telephone number, date of birth, social insurance number, salary, nationality, job title, any shares of stock or directorships held in the Company, and details of the NSO or other entitlement to shares of stock awarded, cancelled, exercised, vested, unvested or outstanding in your favor) may be collected, recorded, held, used and disclosed by the Company, its Affiliates and Subsidiaries, namely The Scotts Miracle-Go Company (located in the United States of America), [Name of Polish subsidiary] (located in Poland), and the [Third Party Administrator] (located in the United States of America) for any purpose related to the administration of the Plan. You understand that the Employer, the Company and its Subsidiaries or Affiliates may transfer such information to any third party administrators, regardless of whether such persons are located within your country of residence, the European Economic Area or in countries outside of the European Economic Area, including the United States of America. Your execution of the Award Agreement is tantamount to your consent to the transfer of your personal data as provided above and the processing of information relating to you and your participation in the Plan in any one or more of the ways referred to above. This consent may be withdrawn at any time in writing by sending a declaration of withdrawal to the [Third Party Administrator].

(f) **AMENDMENT AND TERMINATION.** Subject to the terms of the Plan, we may amend or terminate this Award Agreement or the Plan at any time.

(g) **RIGHTS BEFORE YOUR NSO IS EXERCISED.** You may not vote, or receive any dividends associated with, the Shares underlying your NSO before your NSO is exercised with respect to such Shares.

(h) **BENEFICIARY DESIGNATION.** You may name a beneficiary or beneficiaries to receive or to exercise the vested portion of your NSO that is unexercised when

Scotts Option Agreement (Poland)

you die. This may be done only on the attached Beneficiary Designation Form and by following the rules described in that Form. The Beneficiary Designation Form need not be completed now and is not required as a condition of receiving your Award. If you die without completing a Beneficiary Designation Form or if you do not complete that Form correctly, your beneficiary will be your surviving spouse or, if you do not have a surviving spouse, your estate.

(i) **TRANSFERRING YOUR NSO.** Normally your NSO may not be transferred to another person. However, you may complete a Beneficiary Designation Form to name the person who may exercise your NSO if you die before the Expiration Date. Also, the Committee may allow you to place your NSO into a trust established for your benefit or for the benefit of your family. Contact [Third Party Administrator] at [TPA Telephone Number] or at the address given above if you are interested in doing this.

(j) **ELECTRONIC DELIVERY.** The Company may, in its sole discretion, deliver any documents related to your NSO and your participation in the Plan, or future awards that may be granted under the Plan, by electronic means or to request your consent to participate in the Plan by electronic means. You hereby consent to receive such documents by electronic delivery and, if requested, agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

(k) **GOVERNING LAW.** This Award Agreement shall be governed by the laws of the State of Ohio, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of the Plan to the substantive law of another jurisdiction.

(l) **OTHER AGREEMENTS.** Your NSO will be subject to the terms of any other written agreements between you and the Company or any Affiliate or Subsidiary to the extent that those other agreements do not directly conflict with the terms of the Plan or this Award Agreement.

(m) **ADJUSTMENTS TO YOUR NSO.** Subject to the terms of the Plan, your NSO will be adjusted, if appropriate, to reflect any change to the Company's capital structure (e.g., the number of Shares underlying your NSO and the Exercise Price will be adjusted to reflect a stock split).

(n) **OTHER TERMS AND CONDITIONS.** Your NSO is subject to more rules described in the Plan. You should read the Plan carefully to ensure you fully understand all the terms and conditions of the grant of the NSO made to you under this Award Agreement.

5. YOUR ACKNOWLEDGMENT OF AWARD CONDITIONS

By signing below, you acknowledge and agree that:

- (a) Copies of the Plan and Plan Prospectus have been made available to you;
- (b) You understand and accept the terms and conditions of your NSO; and
- (c) You must return a signed copy of this Award Agreement to the address given

Scotts Option Agreement (Poland)

above before [Date 30 Days After Grant Date].

[Grantee's Name]

BY: _____
Date signed: _____

THE SCOTTS MIRACLE-GRO COMPANY

BY: _____
[Name of Company representative]
[Title of Company representative]
Date signed: _____

Scotts Option Agreement (Poland)

THE SCOTTS MIRACLE-GRO COMPANY
AMENDED AND RESTATED
2006 LONG-TERM INCENTIVE PLAN
NONQUALIFIED STOCK OPTION EXERCISE NOTICE
FOR NONQUALIFIED STOCK OPTION GRANTED
TO [Grantee's Name] ON [Grant Date]

Additional copies of this Nonqualified Stock Option Exercise Notice ("Exercise Notice") (and any further information you may need about this Exercise Notice or exercising your NSO) are available from [Third Party Administrator] at the address given below.

By completing this Exercise Notice and returning it to [Third Party Administrator] at the address given below, I elect to exercise all or a portion of the NSO and to purchase the Shares described below. Capitalized terms not defined in this Exercise Notice have the same meanings as in the Plan and applicable Award Agreement.

NOTE: You must complete a separate Exercise Notice for each NSO being exercised (e.g., if you are simultaneously exercising an NSO to purchase 200 Shares granted on January 1, 2008 and an NSO to purchase 100 Shares granted on January 1, 2009 under a separate award agreement, you must complete two Exercise Notices, one for each NSO being exercised).

NSO TO BE EXERCISED AND SHARES TO BE PURCHASED: This Exercise Notice relates to the following NSO and number of Shares (*fill in the blanks*):

Grant Date of NSO: [Grant Date]

Number of Shares Being Purchased: _____

EXERCISE PRICE: The aggregate Exercise Price due is \$_____.

NOTE: This amount must equal the product of [Exercise Price] multiplied by the number of Shares being purchased.

PAYMENT OF EXERCISE PRICE: I have decided to pay the Exercise Price and any related taxes by (*check one*):

NOTE: These methods are described in the applicable Award Agreement.

_____ Cashless Exercise and Sell.

_____ Combination Exercise.

_____ Exercise and Hold.

Scotts Option Agreement (Poland)

NOTE:

- If you select the Exercise and Hold method, you must follow the procedures described in the Award Agreement to pay the Exercise Price and the taxes related to this exercise. You should contact [Third Party Administrator] at the address given below to find out the amount of taxes due.
- If you select either the Cashless Exercise and Sell method or the Combination Exercise method, you should contact [Third Party Administrator] at the address given below to be sure you understand how your choice of payment will affect the number of Shares you will receive.

YOUR ACKNOWLEDGMENT

By signing below, you acknowledge and agree that:

- You fully understand the effect (including the investment effect) of exercising your NSO and buying Shares and understand that there is no guarantee that the value of these Shares will appreciate or will not depreciate;
- This Exercise Notice will have no effect if it is not returned to [Third Party Administrator] at the address given below before the NSO expires, as specified in the Award Agreement under which the NSO was granted; and
- The Shares you are buying by completing and returning this Exercise Notice will be issued to you as soon as administratively practicable. You will not have any rights as a shareholder of the Company until the Shares are issued.

[Grantee's Name]

(signature)

Date signed: _____

A signed copy of this Exercise Notice must be received at the following address no later than the date the NSO expires, as specified in the Award Agreement under which the NSO was granted:

[Third Party Administrator]
Attention: [TPA Contact's Name]
[TPA Contact's Address]
[TPA Telephone Number]

Scotts Option Agreement (Poland)

ACKNOWLEDGEMENT OF RECEIPT

A signed copy of the Nonqualified Stock Option Exercise Notice was received on:

_____.

[Grantee's Name]:

_____ Has effectively exercised the portion of the NSO described in this Exercise Notice; or

_____ Has not effectively exercised the portion of the NSO described in this Exercise Notice because:

_____.
describe deficiency

The Scotts Miracle-Gro Company 2006 Long-Term Incentive Plan Committee

By: _____

Date: _____

Note: Keep a copy of this Exercise Notice as part of the Plan's permanent records.

Scotts Option Agreement (Poland)

Form — UK

**THE SCOTTS MIRACLE-GRO COMPANY
AMENDED AND RESTATED
2006 LONG-TERM INCENTIVE PLAN
NONQUALIFIED STOCK OPTION AWARD AGREEMENT FOR UNITED KINGDOM EMPLOYEES
NONQUALIFIED STOCK OPTION GRANTED
TO [Grantee's Name] ON [Grant Date]**

The Scotts Miracle-Gro Company (“Company”) believes that its business interests are best served by ensuring that you have an opportunity to share in the Company’s business success. To this end, the Company adopted the UK Sub-Plan (the “Sub-Plan”) under The Scotts Miracle-Gro Company Amended and Restated 2006 Long-Term Incentive Plan (“Plan”) through which key employees, like you, may acquire (or share in the appreciation of) common shares, without par value, of the Company (“Shares”). Capitalized terms that are not defined in this Award Agreement have the same meanings as in the Plan.

This Award Agreement describes the type of Award that you have been granted and the terms and conditions of your Award. To ensure you fully understand these terms and conditions, you should:

- Read the Plan, the Sub-Plan, this Award Agreement, and the Plan Prospectus, as supplemented, carefully; and
- Contact [Title] at [Telephone Number] if you have any questions about your Award. Or, you may send a written inquiry to the address shown below:

The Scotts Miracle-Gro Company
Attention: [Title]
14111 Scottslawn Road
Marysville, Ohio 43041

Also, no later than [Date 30 Days After Grant Date], you must return a signed copy of this Award Agreement to:

[Third Party Administrator]
Attention: [TPA Contact's Name]
[TPA Contact's Address]
[TPA Telephone Number]

1. DESCRIPTION OF YOUR NONQUALIFIED STOCK OPTION

You have been granted a Nonqualified Stock Option (“NSO”) to purchase [Number of Common Shares] Shares at an exercise price of \$[Exercise Price] for each Share (“Exercise Price”) on or before [Expiration Date No Later Than 10 Years After Grant Date] (“Expiration Date”), subject to the terms and conditions of the Plan and this Award Agreement. The Grant Date of the NSO is [Grant Date].

2. LIMITS ON EXERCISING YOUR NSO

(a) Normally, your NSO will vest (and become exercisable) on [Vesting Date] (the “Vesting Date”) but only if you are actively employed by the Company or any Subsidiary or Affiliate on the Vesting Date and all other conditions described in this Award Agreement, the Plan and the Sub-Plan are met. This does not mean that you must exercise your NSO on this date; this is merely the first date that you may do so. However, except as described below, your NSO will expire to the extent it is not exercised on or before the Expiration Date.

There are some special situations in which your NSO may vest earlier. These are described in Sections 4(a) and 4(b) of this Award Agreement.

(b) At any one time, you may not exercise your NSO to buy fewer than 100 Shares (or, if less, the number of Shares underlying the vested portion of your NSO). Also, you may never exercise your NSO to purchase a fractional Share. Any fractional Share shall be redeemed for cash equal to the Fair Market Value of such fractional Share.

3. EXERCISING YOUR NSO

(a) After your NSO vests, you may exercise the NSO by completing an Exercise Notice. A copy of this Exercise Notice is attached to this Award Agreement. Also, a copy of this Exercise Notice and a description of the procedures that you must follow to exercise your NSO are available from [Third Party Administrator] at [TPA Telephone Number] or at the address given above.

(b) You may use one of three methods to exercise your NSO and to pay any taxes related to that exercise. You will decide on the method at the time of exercise.

CASHLESS EXERCISE AND SELL: If you elect this alternative, you will be deemed to have simultaneously exercised the NSO and to have sold the Shares underlying the portion of the NSO you exercised. When the transaction is complete, you will receive cash (but no Shares) equal to the difference between the aggregate Fair Market Value of the Shares deemed to have been acquired through the exercise minus the aggregate Exercise Price and related taxes.

Scotts NSO Agreement — UK

COMBINATION EXERCISE: If you elect this alternative, you will be deemed to have simultaneously exercised the NSO and to have sold a number of those Shares with a Fair Market Value equal to the aggregate Exercise Price and related taxes. When the transaction is complete, the balance of the Shares subject to the portion of the NSO you exercised will be transferred to you.

EXERCISE AND HOLD: If you elect this alternative, you must pay the full Exercise Price plus related taxes (in cash, a cash equivalent or in Shares having a Fair Market Value equal to the Exercise Price and which you have owned for at least six months before the exercise date). When the transaction is complete, you will receive the number of Shares purchased.

(c) For purposes of this Section 3, “taxes” include, without limitation, UK income tax and UK primary class 1 (employee’s) national insurance contributions, and the Company or the Subsidiary or Affiliate which employs you will have the power and the right to deduct or withhold, or require you to remit to the Company or the relevant Subsidiary or Affiliate any amounts required to be withheld as a result of the exercise of your NSO. Before choosing an exercise method, you should read the Plan Prospectus Supplement entitled “UK Tax Consequences” in the Plan Prospectus to ensure you understand the income tax effect of exercising your NSO.

(d) If you do not elect one of the methods set forth in Section 3(b) above, we will apply the Cashless Exercise and Sell method described in Section 3(b).

4. GENERAL TERMS AND CONDITIONS

(a) **YOU MAY FORFEIT YOUR NSO IF YOU TERMINATE.** Normally, you may exercise your NSO after it vests and before the Expiration Date. However, your NSO may be cancelled earlier than the Expiration Date if you Terminate. For purposes of this Award Agreement, “Terminate” (or any form thereof) means cessation of the employee-employer relationship between you and the Company and all Affiliates and Subsidiaries for any reason.

(i) If you are Terminated for Cause, the portion of your NSO that has not been exercised will be forfeited (whether or not then vested) on the date you Terminate; or

(ii) If you die or you Terminate due to your Disability (as defined below), your NSO will become fully vested and expire on the earlier of the Expiration Date or 12 months after you Terminate. For purposes of this Award Agreement, “Disability” means either (A) your inability to perform your normal duties for a period of at least six months due to a physical or mental infirmity, or (B) where you are “disabled” for the purposes of legislation applicable in the country in which you ordinarily perform your duties, and your employment is terminated for a reason related to your inability to fully and properly perform your normal duties provided such inability is caused in whole or in part by your “disability;” or

(iii) If you Terminate for any other reason, the unvested portion of your NSO

Scotts NSO Agreement — UK

will be forfeited immediately and the vested portion of your NSO will expire on the earlier of the Expiration Date or 90 days after you Terminate.

Note, it is your responsibility to keep track of when your NSO expires.

(b) **CHANGE IN CONTROL.** Normally, your NSO will vest only in the circumstances described in Section 2(a). However, if there is a Change in Control, your NSO may vest earlier. You should read the Plan carefully to ensure that you understand how this may happen.

(c) **DATA PRIVACY.** Information about you and your participation in the Plan (*i.e.*, your name, home address and telephone number, date of birth, social insurance number, salary, nationality, job title, any shares of stock or directorships held in the Company, and details of the NSO or other entitlement to shares of stock awarded, cancelled, exercised, vested, unvested or outstanding in your favor) may be collected, recorded, held, used and disclosed by the Company, and the [Third Party Administrator] for any purpose related to the administration of the Plan. You understand that the Company and its Subsidiaries or Affiliates may transfer such information to any third party administrators, regardless of whether such persons are located within your country of residence, the European Economic Area or in countries outside of the European Economic Area, including the United States of America. You consent to the processing of information relating to you and your participation in the Plan in any one or more of the ways referred to above. This consent may be withdrawn at any time in writing by sending a declaration of withdrawal to the [Third Party Administrator].

(d) **AMENDMENT AND TERMINATION.** Subject to the terms of the Plan, we may amend or terminate this Award Agreement or the Plan at any time.

(e) **RIGHTS BEFORE YOUR NSO IS EXERCISED.** You may not vote, or receive any dividends associated with, the Shares underlying your NSO before your NSO is exercised with respect to such Shares.

(f) **BENEFICIARY DESIGNATION.** You may name a beneficiary or beneficiaries to receive or to exercise the vested portion of your NSO that is unexercised when you die. This may be done only on the attached Beneficiary Designation Form and by following the rules described in that Form. The Beneficiary Designation Form need not be completed now and is not required as a condition of receiving your Award. If you die without completing a Beneficiary Designation Form or if you do not complete that Form correctly, your beneficiary will be your surviving spouse or, if you do not have a surviving spouse, your estate.

(g) **TRANSFERRING YOUR NSO.** Normally your NSO may not be transferred to another person. However, as described in Section 4(f), you may complete a Beneficiary Designation Form to name the person who may exercise your NSO if you die before the Expiration Date. Also, the Committee may allow you to place your NSO into a trust established for your benefit or for the benefit of your family, but the beneficiaries of any such trust cannot extend beyond the restricted class of beneficiaries in Section 15 of the Plan (as amended by the Sub-Plan). Contact [Third Party Administrator] at [TPA Telephone Number] or at the address given above if you are interested in doing this.

Scotts NSO Agreement — UK

(h) **GOVERNING LAW.** This Award Agreement shall be governed by the laws of the State of Ohio, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of the Plan or the Sub-Plan to the substantive law of another jurisdiction.

(i) **OTHER AGREEMENTS.** Your NSO will be subject to the terms of any other written agreements between you and the Company or any Affiliate or Subsidiary to the extent that those other agreements do not directly conflict with the terms of the Plan, the Sub-Plan or this Award Agreement.

(j) **ADJUSTMENTS TO YOUR NSO.** Subject to the terms of the Plan, your NSO will be adjusted, if appropriate, to reflect any change to the Company's capital structure (e.g., the number of Shares underlying your NSO and the Exercise Price will be adjusted to reflect a stock split).

(l) **OTHER TERMS AND CONDITIONS.** Your NSO is subject to more rules described in the Plan and the Sub-Plan. You should read the Plan and Sub-Plan carefully to ensure you fully understand all the terms and conditions of the grant of the NSO made to you under this Award Agreement.

5. YOUR ACKNOWLEDGMENT OF AWARD CONDITIONS

By signing below, you acknowledge and agree that:

- (a) Copies of the Plan, the Sub-Plan and the Plan Prospectus have been made available to you;
- (b) You understand and accept the terms and conditions of your NSO; and
- (c) You must return a signed copy of this Award Agreement to the address given above before [Date 30 Days After Grant Date].

[Grantee's Name]

THE SCOTTS MIRACLE-GRO COMPANY

BY: _____

BY: _____

Date signed: _____

[Name of Company representative]

[Title of Company representative]

Date signed: _____

Scotts NSO Agreement — UK

THE SCOTTS MIRACLE-GRO COMPANY
AMENDED AND RESTATED
2006 LONG-TERM INCENTIVE PLAN
NONQUALIFIED STOCK OPTION EXERCISE NOTICE
FOR NONQUALIFIED STOCK OPTION GRANTED
TO [Grantee's Name] ON [Grant Date]

Additional copies of this Nonqualified Stock Option Exercise Notice ("Exercise Notice") (and any further information you may need about this Exercise Notice or exercising your NSO) are available from [Third Party Administrator] at the address given below.

By completing this Exercise Notice and returning it to [Third Party Administrator] at the address given below, I elect to exercise all or a portion of the NSO and to purchase the Shares described below. Capitalized terms not defined in this Exercise Notice have the same meanings as in the Plan and applicable Award Agreement.

NOTE: You must complete a separate Exercise Notice for each NSO being exercised (e.g., if you are simultaneously exercising an NSO to purchase 200 Shares granted on January 1, 2008 and an NSO to purchase 100 Shares granted on January 1, 2009 under a separate award agreement, you must complete two Exercise Notices, one for each NSO being exercised).

NSO TO BE EXERCISED AND SHARES TO BE PURCHASED: This Exercise Notice relates to the following NSO and number of Shares (*fill in the blanks*):

Grant Date of NSO: [Grant Date]

Number of Shares Being Purchased: _____

EXERCISE PRICE: The aggregate Exercise Price due is \$_____.

NOTE: This amount must equal the product of [Exercise Price] multiplied by the number of Shares being purchased.

PAYMENT OF EXERCISE PRICE: I have decided to pay the Exercise Price and any related taxes by (*check one*):

NOTE: These methods are described in the applicable Award Agreement.

_____ Cashless Exercise and Sell.

_____ Combination Exercise.

_____ Exercise and Hold.

NOTE:

- If you select the Exercise and Hold method, you must follow the procedures described in the Award Agreement to pay the Exercise Price and the taxes related to this exercise. You should contact [Third Party Administrator] at the address given below to find out the amount of taxes due.
- If you select either the Cashless Exercise and Sell method or the Combination Exercise method, you should contact [Third Party Administrator] at the address given below to be sure you understand how your choice of payment will affect the number of Shares you will receive.

YOUR ACKNOWLEDGMENT

By signing below, you acknowledge and agree that:

- You fully understand the effect (including the investment effect) of exercising your NSO and buying Shares and understand that there is no guarantee that the value of these Shares will appreciate or will not depreciate;
- This Exercise Notice will have no effect if it is not returned to [Third Party Administrator] at the address given below before the NSO expires, as specified in the Award Agreement under which the NSO was granted; and
- The Shares you are buying by completing and returning this Exercise Notice will be issued to you as soon as administratively practicable. You will not have any rights as a shareholder of the Company until the Shares are issued.

[Grantee's Name]

(signature)

Date signed: _____

A signed copy of this Exercise Notice must be received at the following address no later than the date the NSO expires, as specified in the Award Agreement under which the NSO was granted:

[Third Party Administrator]
Attention: [TPA Contact's Name]
[TPA Contact's Address]
[TPA Telephone Number]

Scotts NSO Agreement — UK

ACKNOWLEDGEMENT OF RECEIPT

A signed copy of the Nonqualified Stock Option Exercise Notice was received on:

_____.

[Grantee's Name]:

_____ Has effectively exercised the portion of the NSO described in this Exercise Notice; or

_____ Has not effectively exercised the portion of the NSO described in this Exercise Notice because:

describe deficiency

The Scotts Miracle-Gro Company 2006 Long-Term Incentive Plan Committee

By: _____

Date: _____

Note: Keep a copy of this Exercise Notice as part of the Plan's permanent records.

Scotts NSO Agreement — UK

**THE SCOTTS MIRACLE-GRO COMPANY
AMENDED AND RESTATED
2006 LONG-TERM INCENTIVE PLAN
RESTRICTED STOCK AWARD AGREEMENT FOR EMPLOYEES IN THE UNITED KINGDOM
RESTRICTED STOCK GRANTED
TO [Grantee's Name] ON [Grant Date]**

The Scotts Miracle-Gro Company (“Company”) believes that its business interests are best served by ensuring that you have an opportunity to share in the Company’s business success. To this end, the Company adopted the UK Sub-Plan (the “Sub-Plan”) under The Scotts Miracle-Gro Company Amended and Restated 2006 Long-Term Incentive Plan (“Plan”) through which key employees, like you, may acquire (or share in the appreciation of) common shares, without par value, of the Company (“Shares”). Capitalized terms that are not defined in this Award Agreement have the same meanings as in the Plan.

This Award Agreement describes the type of Award that you have been granted and the terms and conditions of your Award. To ensure you fully understand these terms and conditions, you should:

- Read the Plan, this Award Agreement and the Plan Prospectus, as supplemented, carefully; and
- Contact [Title] at [Telephone Number] if you have any questions about your Award. Or, you may send a written inquiry to the address shown below:

The Scotts Miracle-Gro Company
Attention: [Title]
14111 Scottslawn Road
Marysville, Ohio 43041

Also, no later than [Date 30 Days After Grant Date], you must return a signed copy of this Award Agreement to:

[Third Party Administrator]
Attention: [TPA Contact's Name]
[TPA Contact's Address]
[TPA Telephone Number]

1. DESCRIPTION OF YOUR RESTRICTED STOCK

You have been granted [Number of Common Shares] Shares of Restricted Stock, subject to the terms and conditions of the Plan and this Award Agreement. Until the Period of Restriction (as described below) lapses, your Restricted Stock will be subject to a risk of forfeiture and you may not sell or transfer your Shares of Restricted Stock. Your Restricted Stock will be held in escrow until it is distributed or forfeited, as described below.

2. PERIOD OF RESTRICTION

Subject to the terms of the Plan and this Award Agreement (including Section 3), the restrictions imposed on your Restricted Stock normally will lapse if you are actively employed by the Company or any Subsidiary or Affiliate on [Vesting Date] (the “Vesting Date”). If all applicable terms and conditions have been satisfied, your Restricted Stock will be released from escrow and distributed to you as soon as administratively practicable, but no later than 60 days, after the Vesting Date.

3. GENERAL TERMS AND CONDITIONS

(a) **YOU WILL FORFEIT YOUR RESTRICTED STOCK IF YOU TERMINATE.** Normally, your Restricted Stock will be settled on the Vesting Date. However, the Shares of Restricted Stock will be forfeited if you Terminate for any reason before the Vesting Date. For purposes of this Award Agreement, “Terminate” (or any form thereof) means cessation of the employee-employer relationship between you and the Company and all Affiliates and Subsidiaries for any reason.

(b) **CHANGE IN CONTROL.** Normally, your Restricted Stock will vest only under the circumstances described in Section 2. However, if there is a Change in Control, your Restricted Stock may vest earlier. You should read the Plan carefully to ensure that you understand how this may happen.

(c) **DATA PRIVACY.** Information about you and your participation in the Plan (i.e., your name, home address and telephone number, date of birth, social insurance number, salary, nationality, job title, any shares of stock or directorships held in the Company, and details of the Restricted Stock or other entitlement to shares of stock awarded, cancelled, exercised, vested, unvested or outstanding in your favor) may be collected, recorded, held, used and disclosed by the Company, and the [Third Party Administrator] for any purpose related to the administration of the Plan. You understand that the Company and its Subsidiaries or Affiliates may transfer such information to any third party administrators, regardless of whether such persons are located within your country of residence, the European Economic Area or in countries outside of the European Economic Area, including the United States of America. You consent to the processing of information relating to you and your participation in the Plan in any one or more of the ways referred to above. This consent may be withdrawn at any time in writing by sending a declaration of withdrawal to the [Third Party Administrator].

(d) **AMENDMENT AND TERMINATION.** Subject to the terms of the Plan, the Company may amend or terminate this Award Agreement or the Plan at any time.

Scotts RS Agreement — UK

(e) **RIGHTS BEFORE YOUR RESTRICTED STOCK VESTS.** During the Period of Restriction (even though your Restricted Stock is held in escrow until it is settled or forfeited):

(i) You may exercise any voting rights associated with the Shares of Restricted Stock while it is held in escrow.

(ii) You will be entitled to receive any dividends paid with respect to the Shares of Restricted Stock, although these dividends will be delivered only in Shares and will be held in escrow and subject to the same restrictions on transferability and forfeitability as the Shares of Restricted Stock with respect to which they were paid under this Award Agreement. A reasonable rate of interest, as determined by the Committee in its sole discretion, will be credited to you and held in escrow during the Period of Restriction with respect to any such cash dividends that are declared and paid during the period beginning on [Grant Date] and ending on the Vesting Date and will be delivered in Shares. At the end of the Period of Restriction, any such dividends and interest thereon will be distributed to you in accordance with Section 2 of this Award Agreement or forfeited, depending on whether or not you have met the conditions described in this Award Agreement and the Plan.

(f) **BENEFICIARY DESIGNATION.** You may name a beneficiary or beneficiaries to receive any Restricted Stock that is vested before you die but settled after you die. This may be done only on the attached Beneficiary Designation Form and by following the rules described in that Form. The Beneficiary Designation Form does not need to be completed now and is not required as a condition of receiving your Award. However, if you die without completing a Beneficiary Designation Form or if you do not complete that Form correctly, your beneficiary will be your surviving spouse or, if you do not have a surviving spouse, your estate.

(g) **TRANSFERRING YOUR RESTRICTED STOCK.** Normally your Restricted Stock may not be transferred to another person. However, as described in Section 3(f), you may complete a Beneficiary Designation Form to name the person to receive any Restricted Stock that is vested before you die but settled after you die. Also, the Committee may allow you to place your Restricted Stock into a trust established for your benefit or the benefit of your family, but the beneficiaries of any such trust cannot extend beyond the restricted class of beneficiaries in Section 15 of the Plan (as amended by the Sub-Plan). Contact [Third Party Administrator] at [TPA Telephone Number] or at the address given above if you are interested in doing this.

(h) **GOVERNING LAW.** This Award Agreement shall be governed by the laws of the State of Ohio, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of the Plan to the substantive law of another jurisdiction.

(i) **OTHER AGREEMENTS.** Your Restricted Stock will be subject to the terms of any other written agreements between you and the Company or any Affiliate or Subsidiary to the extent that those other agreements do not directly conflict with the terms of the Plan or this Award Agreement.

(j) **ADJUSTMENTS TO YOUR RESTRICTED STOCK.** Subject to the terms of

Scotts RS Agreement — UK

the Plan, your Restricted Stock will be adjusted, if appropriate, to reflect any change to the Company's capital structure (e.g., the number of Shares underlying your Restricted Stock will be adjusted to reflect a stock split).

(k) **OTHER RULES.** Your Restricted Stock is subject to more rules described in the Plan. You should read the Plan carefully to ensure you fully understand all the terms and conditions of the grant of Restricted Stock under this Award Agreement.

4. YOUR ACKNOWLEDGMENT OF AWARD CONDITIONS

By signing below, you acknowledge and agree that:

- (a) Copies of the Plan and the Plan Prospectus have been made available to you;
- (b) You understand and accept the terms and conditions of your Award; and
- (c) You must return a signed copy of this Award Agreement to the address given above before [Date 30 Days After Grant Date].

[Grantee's Name]

THE SCOTTS MIRACLE-GRO COMPANY

By: _____

By: _____

Date signed: _____

[Name of Company Representative]

[Title of Company Representative]

Date signed: _____

Scotts RS Agreement — UK

UK SUB-PLAN
under
THE SCOTTS MIRACLE-GRO COMPANY
2006 LONG-TERM INCENTIVE PLAN

This Sub-Plan, adopted under The Scotts Miracle-Gro Company Long-Term Incentive Plan (the “**Plan**”), is made as of the 30th day of October, 2007, pursuant to resolutions adopted by the Compensation and Organization Committee of the Board of The Scotts Miracle-Gro Company (the “**Company**”), and the provisions of Article 21.9 of the Plan.

1. **Purpose.** The purpose of this Sub-Plan is primarily to amend those provisions of the Plan which are required to be amended in order:
 - (a) for grants made under the Plan, and communications concerning those grants, to be exempt from provisions of the United Kingdom Financial Services and Markets Act 2000; and
 - (b) to take account of United Kingdom tax treatment;with respect solely to grants made to officers and employees of the Company or one of its Subsidiaries who are residents of the United Kingdom. This Sub-Plan shall not apply to any other grants made under the Plan.
 2. **Restricted Availability of Grants.** Any grants made pursuant to this Sub-Plan shall be made only to officers and employees of the Company or one of its Subsidiaries who are residents of the United Kingdom.
 3. **Restricted Delivery of Awards.** Any payments made pursuant to this Sub-Plan shall be made only in common shares of the Company. For the avoidance of doubt, and without limitation, dividend equivalents granted pursuant to Article 14 of the Plan may be delivered only in Shares and no earlier than the Shares to which they relate are delivered under the Award.
 4. **Restricted Beneficiary Designation.** For purposes of grants made pursuant to this Sub-Plan, the persons to whom any benefit may be designated under Article 15 of the Plan shall be limited to a Participant’s children and step-children under the age of eighteen, spouses and surviving spouses and civil partners (within the meaning of the United Kingdom Civil Partnerships Act 2004) and surviving partners.
 5. **Inapplicability of Certain Provisions of Plan.** For purposes of grants made pursuant to this Sub-Plan, the entireties of Articles 7 and 13 of the Plan are not applicable to said grants.
 6. **Modification of Certain Provisions of Plan.** For purposes of grants made pursuant to this Sub-Plan:
-

- (a) **[Article 8 (Restricted Stock and Restricted Stock Units):** Article 8 of the Plan shall be extended by the addition of the following sub-Article:
“8.8 *Section 430 Election.* The Committee may provide in an Award Agreement that the Award of Restricted Stock is conditional upon the Participant making a joint election with the Company or a Subsidiary with respect to the Award under Section 430(1) of the United Kingdom Income Tax (Earnings and Pensions) Act 2003.”]
- (b) **Article 16 (Rights of Participants):** The following paragraph shall be added to Article 16.1:
“Any Participant who leaves the employment of the Company or any Subsidiary shall not be entitled to any compensation for any loss of any right or benefit or prospective right or benefit under the Plan which they might otherwise have enjoyed whether such compensation is claimed by way of damages for breach of contract or by way of compensation for loss of office or otherwise.”
- (c) **Article 19 (Withholding):** Article 19.1 shall be amended to read as follows:
“The Company or any Subsidiary shall have the power and the right to deduct or withhold, or require a Participant to remit to the Company or a Subsidiary any amounts to satisfy federal, state and local taxes, domestic or foreign required by law or regulation to be withheld with respect to any taxable event arising as a result of this Plan. Foreign taxes shall, for these purposes, include without limitation, any United Kingdom primary class 1 (employee’s) national insurance contributions and, if so agreed specifically between the Company and the Participant, any United Kingdom secondary class 1 (employer’s) national insurance contributions.”
7. **Incorporation of Remaining Plan Provisions.** With the exception of the provisions noted above, the provisions of the Plan will apply or be available to all grants made pursuant to this Sub-Plan.

THE SCOTTS MIRACLE-GRO COMPANY

By: _____
Title:

**Rule 13a-14(a)/15d-14(a) Certification
(Principal Executive Officer)**

I, James Hagedorn, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The Scotts Miracle-Gro Company for the quarterly period ended March 29, 2008;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 8, 2008

By: /s/ JAMES HAGEDORN

Name: Printed James Hagedorn

Title: President, Chief Executive Officer and Chairman of
the Board

**Rule 13a-14(a)/15d-14(a) Certification
(Principal Financial Officer)**

I, David C. Evans, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The Scotts Miracle-Gro Company for the quarterly period ended March 29, 2008;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 8, 2008

By: /s/ DAVID C. EVANS

Name: Printed David C. Evans

Title: Executive Vice President and Chief Financial
Officer

SECTION 1350 CERTIFICATION*

In connection with the Quarterly Report of The Scotts Miracle-Gro Company (the "Company") on Form 10-Q for the quarterly period ended March 29, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned James Hagedorn, President, Chief Executive Officer and Chairman of the Board of the Company, and David C. Evans, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of their knowledge:

- 1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
- 2) The information contained in the Report fairly presents, in all material respects, the consolidated financial condition and results of operations of the Company and its subsidiaries.

/s/ JAMES HAGEDORN

James Hagedorn
President, Chief Executive Officer
and Chairman of the Board

/s/ DAVID C. EVANS

David C. Evans
Executive Vice President
and Chief Financial Officer

May 8, 2008

May 8, 2008

* THIS CERTIFICATION IS BEING FURNISHED AS REQUIRED BY RULE 13a-14(b) UNDER THE SECURITIES EXCHANGE ACT OF 1934 (THE "EXCHANGE ACT") AND SECTION 1350 OF CHAPTER 63 OF TITLE 18 OF THE UNITED STATES CODE, AND SHALL NOT BE DEEMED "FILED" FOR PURPOSES OF SECTION 18 OF THE EXCHANGE ACT OR OTHERWISE SUBJECT TO THE LIABILITY OF THAT SECTION. THIS CERTIFICATION SHALL NOT BE DEEMED TO BE INCORPORATED BY REFERENCE INTO ANY FILING UNDER THE SECURITIES ACT OF 1933 OR THE EXCHANGE ACT, EXCEPT TO THE EXTENT THAT THE COMPANY SPECIFICALLY INCORPORATES THIS CERTIFICATION BY REFERENCE.