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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): July 25, 2005; December 9, 2005

The Scotts Miracle-Gro Company

(Exact name of registrant as specified in its charter)

Ohio

(State or other
jurisdiction of
incorporation)

1-13292

(Commission File Number)

31-1414921

(IRS Employer
Identification No.)

14111 Scottslawn Road, Marysville, Ohio 43041

(Address of principal executive offices) (Zip Code)

(937) 644-0011

(Registrant's telephone number, including area code)

None

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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TABLE OF CONTENTS

[Section 1 — Registrant’s Business and Operations](#)

[Item 1.01. Entry into a Material Definitive Agreement.](#)

[Item 1.02. Termination of a Material Definitive Agreement.](#)

[Item 5.02. Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers.](#)

[Item 9.01. Financial Statements and Exhibits.](#)

[SIGNATURE](#)

[EX-10.1](#)

[EX-10.2](#)

[EX-10.3](#)

Table of Contents

Section 1 — Registrant's Business and Operations

Item 1.01. Entry into a Material Definitive Agreement.

Dr. Michael P. Kelty

On July 25, 2005, Dr. Michael P. Kelty, who was then serving as Vice Chairman and Executive Vice President of The Scotts Miracle-Gro Company (the "Registrant"), entered into a letter agreement with The Scotts Company LLC, a subsidiary of the Registrant ("Scotts LLC") for consulting services (the "Consulting Agreement") commencing on November 1, 2005 and terminating on September 30, 2006. Under the Consulting Agreement, Scotts LLC agreed to pay Dr. Kelty a consulting fee of \$350 per hour and Dr. Kelty was guaranteed a minimum payment of \$200,000 for the length of the Consulting Agreement.

A copy of the Consulting Agreement is being filed as Exhibit 10.1 to this Current Report on Form 8-K. The foregoing summary of the Consulting Agreement is qualified in its entirety by reference to Exhibit 10.1, the terms of which are incorporated herein by this reference.

Also on July 25, 2005, Scotts LLC entered into a Separation Agreement and Release of All Claims with Dr. Michael P. Kelty (the "Separation and Release"). Pursuant to this Separation and Release, Dr. Kelty voluntarily retired from Scotts LLC effective November 1, 2005. Pursuant to the terms of the Separation and Release, Scotts LLC agreed to pay retirement pay and benefits including immediate vesting of restricted stock covering an aggregate of 1,600 common shares, options covering an aggregate of 36,000 common shares and SARs covering an aggregate of 96,000 common shares which were not vested as of November 1, 2005, as approved by the Compensation and Organization Committee of the Registrant, with all of his outstanding options and SARs remaining exercisable for a period of five years following his November 1, 2005 retirement date, subject to the stated term of each option or SAR; pension benefits; retiree medical benefits; and other benefits as described in Exhibit A to the Separation and Release. Dr. Kelty also received a lump-sum payment on November 23, 2005 of \$550,000 (less all applicable taxes, social security deductions and elected deductions), in recognition of his distinguished service. On November 23, 2005 he also received a payment of \$4,600, a cash payment in lieu of participating in outplacement services.

A copy of the Separation and Release is being filed as Exhibit 10.2 to this Current Report on Form 8-K. The foregoing summary of the Separation and Release is qualified in its entirety by reference to Exhibit 10.2, the terms of which are incorporated herein by this reference.

Robert F. Bernstock

On December 9, 2005, the Compensation and Organization Committee of the Registrant approved an award of 10,000 performance shares to Mr. Robert F. Bernstock. Each performance share represents a contingent right to receive one common share of the Registrant. The performance shares will vest on October 1, 2006 if Mr. Bernstock has met certain performance criteria based on fiscal year 2006 Project Excellence ("PE") goals tied to the realization of specified cost savings in fiscal year 2006 and the establishment of a plan to secure additional PE results in fiscal year 2007. Mr. Bernstock will have the right to vote the common shares underlying the performance shares. However, the Registrant will defer distribution of any dividends that are declared on the common shares underlying the performance shares until such time as the performance criteria are satisfied.

Table of Contents

Patrick J. Norton

On November 5, 2002, The Scotts Company, the public company predecessor to the Registrant (“Scotts”), entered into a letter agreement with Patrick J. Norton, providing that from January 1, 2003 through December 31, 2005, Mr. Norton would remain an employee of Scotts (and its successors) with limited duties, primarily acting as an advisor for the Scotts LawnService® business. Mr. Norton received an annual fee of \$11,000 for his work as an advisor and was eligible to receive options covering 4,500 common shares (adjusted to 9,000 common shares as a result of the 2-for-1 stock split on the Company’s common shares distributed on November 9, 2005) annually. As of December 31, 2005, Mr. Norton will be entitled to continue to participate in our group medical and dental plans under the prevailing annual COBRA rates until Mr. Norton’s 65th birthday on November 19, 2015. If Mr. Norton’s employment is terminated by us other than for cause, Mr. Norton will be entitled to his options and benefits through December 31, 2005. In addition, so long as Mr. Norton remained on the Company’s Board of Directors through 2005, he was entitled to compensation of \$40,000 as his annual retainer for serving on the Board of Directors each year and received options covering 5,500 common shares (11,000 common shares on a split-adjusted basis) annually, in addition to his compensation as an advisor. On October 25, 2005, Mr. Norton’s letter agreement was extended through January 31, 2006.

A copy of the letter of extension is being filed as Exhibit 10.3 to this Current Report on Form 8-K.

Item 1.02. Termination of a Material Definitive Agreement.

Please see the description of the Separation and Release entered into by Scotts LLC and Dr. Michael P. Kelty included under “Item 1.01. Entry into a Material Definitive Agreement” of this Current Report on Form 8-K.

Item 5.02. Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers.

On December 9, 2005, the Board of Directors of the Registrant appointed James Hagedorn, who was then serving as the President, Chief Executive Officer and Chairman of the Board of the Registrant, as the Chief Executive Officer and the Chairman of the Board of the Registrant, effective December 9, 2005.

Also on December 9, 2005 the Board of Directors of the Registrant appointed Robert F. Bernstock, who was then serving as the Executive Vice President of the Registrant, as the President of the Registrant, effective December 9, 2005.

Mr. Bernstock, who is age 55, was named President of the Registrant on December 9, 2005. He was named President and Chief Operating Officer of Scotts LLC in October 2005. Mr. Bernstock was named Executive Vice President of the Registrant in March 2005. Mr. Bernstock served as Executive Vice President and President, North America of Scotts LLC and its predecessor Scotts from June 2003 to October 2005. Mr. Bernstock served as Senior Vice President & General Manager — Air Fresheners, Food Products & Branded Commercial Markets of Dial Corporation (“Dial”), a manufacturer and marketer of soap products, laundry detergents, air fresheners and canned meats, from October 2002 to May 2003. From January 2002 to September 2002, he served as Special Advisor to the Chairman and Chief Executive Officer of Verticalnet, Inc., a provider of collaborative supply chain solutions software, and as a consultant to Dial. From January 2001 to January 2002, Mr. Bernstock served as Acting Chairman,

Table of Contents

President and Chief Executive Officer of Atlas Commerce, Inc. (“Atlas”), a provider of collaborative supply chain solutions software, prior to the acquisition of Atlas by Verticalnet, Inc., in January 2002. From March 1998 to January 2001, he served as President, Chief Executive Officer and a Director of Vlastic Foods International Inc. (“Vlastic”), a producer, marketer and distributor of branded convenience food products. On January 29, 2001, Vlastic and its United States operating subsidiaries filed voluntary petitions for reorganization relief pursuant to Chapter 11 of the United States Bankruptcy Code. From July 1997 to March 1998, Mr. Bernstock served as Executive Vice President of Campbell Soup Company, a manufacturer and marketer of prepared food products, and President of its U.S. Grocery Division. Mr. Bernstock serves as a director of Verticalnet, Inc. and The Pantry, Inc., both public companies and of SecureSheet Technologies, LLC, a private company.

On September 16, 2004, Scotts entered into an employment agreement and covenant not to compete with Robert F. Bernstock, effective as of October 1, 2004 (the “Bernstock Agreement”). On March 18, 2005, the Bernstock Agreement was assumed by Scotts LLC as part of the Restructuring. The Bernstock Agreement has an initial term of three years commencing on October 1, 2004 and expiring on September 30, 2007. Under the Bernstock Agreement, Mr. Bernstock will (a) be paid a base annual salary of \$540,000; (b) participate in the Executive Incentive Plan with a “target payment percentage” (as defined in that plan) of 65%; (c) be eligible for grants and awards under the 2003 Plan on a basis no less favorable to Mr. Bernstock than other senior management executives, commensurate with his position and title, targeted at the 50th percentile of peer companies for the chief operating officer position; (d) be entitled to participate in all of the Registrant’s and Scotts LLC’s benefit programs for senior management executives; (e) receive holidays and sick leave in accordance with Scotts LLC policies for senior executive officers; and (f) receive additional perquisites commensurate with his position. Under the Bernstock Agreement, Mr. Bernstock also received a restricted stock grant of 50,000 common shares (as adjusted to reflect the 2-for-1 stock split of the Registrant’s common shares distributed on November 9, 2005) of the Registrant as of October 1, 2004, as to which any forfeiture restrictions will lapse on September 30, 2009 if Mr. Bernstock is then employed by Scotts LLC or on September 30, 2007 if Mr. Bernstock is then employed by Scotts LLC and is not then serving as Chief Operating Officer of Scotts LLC or in a more senior position.

If Mr. Bernstock resigns, absent a constructive termination, or is terminated for cause, he will (a) receive payment of his unpaid accrued base salary to the date of termination of employment, and (b) be entitled to any amounts provided under the terms of Scotts LLC’s benefit plans and employment policies.

If Mr. Bernstock resigns following a constructive termination, or is discharged by Scotts LLC for any reason other than for cause (including by reason of Scotts LLC’s refusal to offer Mr. Bernstock a renewal of the Bernstock Agreement on then substantially comparable terms), Mr. Bernstock will receive (a) payment of his accrued unpaid base salary to the date of termination of employment, (b) payment of a lump sum amount equal to two times the sum of his annual base salary and incentive target bonus for such year, (c) payment of the amount of incentive compensation he would have earned for such year prorated to the date of termination, and (d) payment of amounts payable under Scotts LLC’s benefit plans, as well as certain perquisites and policies.

Table of Contents

Upon termination of Mr. Bernstock's employment due to his death or incapacity, Mr. Bernstock, or his estate or designated beneficiary in the event of his death, will receive (a) a lump sum amount equal to two times the sum of Mr. Bernstock's annual base salary and incentive target bonus (in each case as in effect in the year of disability or death), and (b) payment of the amount of incentive he would have earned for such year pro-rated to the date of termination.

In the event that Mr. Bernstock's employment is terminated by Scotts LLC for any reason other than cause, he resigns following a constructive termination, or his employment is terminated due to his death or incapacity, his stock-based awards and other stock-based compensation, if any, will vest, become exercisable, or mature, as applicable; provided, that in the case of the restricted stock award granted pursuant to the Bernstock Agreement and future stock-based compensation, Mr. Bernstock's termination of employment or resignation following constructive termination occurs on or after he attains age 55.

Under the Bernstock Agreement, Mr. Bernstock has agreed to maintain the confidentiality of Scotts LLC's proprietary and confidential information, and to not engage in "prohibited competitive activities" (as defined in the Bernstock Agreement) for specified periods of time (ranging from 18 months to 36 months depending upon the specific activity) in the event that his employment is terminated due to the expiration of the Bernstock Agreement, his resignation other than due to a constructive termination or by Scotts LLC without cause.

Item 9.01. Financial Statements and Exhibits.

(a) Financial statements of businesses acquired:

Not applicable.

(b) Pro forma financial information:

Not applicable.

(c) Shell company transactions:

Not applicable.

(d) Exhibits:

<u>Exhibit No.</u>	<u>Description</u>
10.1	Letter Agreement between The Scotts Company LLC and Dr. Michael P. Kelty dated July 25, 2005
10.2	Separation Agreement and Release of All Claims between The Scotts Company LLC and Dr. Michael P. Kelty dated July 25, 2005
10.3	Letter of Extension, dated October 25, 2005, between the Registrant and Patrick J. Norton

SIGNATURE

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 hereunto duly authorized.

THE SCOTTS MIRACLE-GRO COMPANY

Dated: December 14, 2005

By: /s/ Denise S. Stump

Printed Name: Denise S. Stump

Title: Executive Vice President, Global Human
Resources

INDEX TO EXHIBITS

Current Report on Form 8-K

Dated July 25, 2005; December 9, 2005

The Scotts Miracle-Gro Company

<u>Exhibit No.</u>	<u>Description</u>
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July 25, 2005

Dr. Michael P. Kelty
Executive Vice President & Vice Chairman
The Scotts Company LLC
14111 Scottslawn Road.
Marysville, Ohio 43041

Dear Michael:

This letter sets forth our agreement regarding a consulting engagement between you and The Scotts Company LLC ("Scotts").

I. Scope of Services

You agree to make yourself reasonably available to consult with and provide advice to Scotts and its affiliates at such places and times as Scotts may reasonably request with respect to a variety of matters to be determined by us, including but not limited to: assisting with the hiring of a new Senior Vice President; managing the key elements of the Biotech program; working with North America management to develop an innovation plan; transition Environmental Stewardship to the newly hired SVP; and assist in lobbying efforts at the CEO's request. You agree to provide the consulting services contemplated herein in a manner acceptable to Scotts in the exercise of its reasonable discretion.

In providing consulting services to Scotts, you will be an independent contractor and will not be an employee, servant, agent, partner, or joint venturer of Scotts or of any of Scotts' affiliates, or of any of its or their respective officers, directors or employees. You will not participate in or receive benefits under any of Scotts' employee fringe benefit programs or receive any other fringe benefits from Scotts, including, without limitation, health, disability, life insurance, retirement, pension and profit sharing benefits, on account of the consulting services you provide to Scotts.

II. Length of Consulting Agreement

The consulting arrangement will commence November 1st, 2005 and end September 30th, 2006 and then be renewed pursuant to the paragraph below.

This engagement letter will automatically renew on a fiscal year basis at Scotts' sole discretion.

III. Authority

You will have no authority at any time while providing the consulting services contemplated herein to assume or create any obligation or liability, express or implied, on Scotts' behalf or in Scotts' name or to bind Scotts in any manner whatsoever.

IV. Consulting Fees and Expenses

Scotts shall pay you a consulting fee of \$350 per hour for the time your providing consulting services as requested by Scotts hereunder. Scotts also will guarantee you a minimum payment of \$200,000 for the length of the consulting agreement as defined in Section II of this engagement letter.

Scotts also will pay or reimburse you for all reasonable expenses incurred by you in connection with providing consulting services to Scotts as contemplated herein, including, without limitation, all reasonable (A) telephone and fax expenses, and (B) travel expenses, including, without limitation, transportation, food and lodging, incurred in connection with attending Scotts approved meetings. You must incur and account for expenses in accordance with the policies and procedures established by Scotts as a precondition to Scotts' obligation to pay or reimburse you for such expenses pursuant to the terms of the preceding sentence.

You agree to provide, at your own expense, all equipment necessary to provide the consulting services contemplated herein and to be responsible for your own overhead costs and expenses except for those expenses that Scotts has expressly agreed to pay pursuant to the terms of the preceding paragraph.

V. Termination

Either party may terminate the consulting services at any time and for any reason, or for no reason by giving the other written notice of termination. Your consulting relationship with Scotts shall automatically terminate upon your death or disability.

Should you die or become totally disabled following the Termination Date but before the payments due you under Section IV above have been made to you, any remaining payments shall be made to you (or your designated beneficiary, as applicable) within 90 days of your death or total disability.

The termination of your consulting relationship with Scotts shall not affect Scotts' obligation to pay you for the amounts you have earned, and for reimbursable expenses

you have incurred, pursuant to the terms of this letter prior to the date of such termination.

VI. Confidential Information

In providing the consulting services contemplated herein, you will be privy to Confidential Information about Scotts and its affiliates. Maintaining the confidential nature of this information is very important to Scotts. As used in this letter, "Confidential Information" is any information about Scotts, or its affiliates, to which you gain access in connection with your provision of consulting services to Scotts. Confidential Information does not include information you can show (A) was already in your possession prior to the time you received such information as a consultant to Scotts, or (B) is publicly available or otherwise in the public domain by means other than your violation of the terms of this letter.

You agree to not at any time hereafter, without the prior written consent of Scotts, disclose, directly or indirectly, any Confidential Information or use any Confidential Information for any purpose other than providing consulting services to Scotts as contemplated herein.

You agree to promptly return to Scotts, upon Scotts' request, all electronic or tangible documents that contain any Confidential Information and to retain no copies for yourself.

VII. Other

You understand and agree that this letter does not obligate Scotts to utilize your consulting services, but it is intended to set forth the terms pursuant to which Scotts may utilize your consulting services in its discretion.

You are not permitted to assign, sell or otherwise transfer any of your rights or obligations hereunder.

THE SCOTTS COMPANY

By: /s/ Denise Stump
Denise Stump
Executive Vice President,
Human Resources Global

ACKNOWLEDGED AND AGREED:

/s/ Michael P. Kelty, Ph.D.

Dr. Michael P. Kelty

**SEPARATION AGREEMENT AND
RELEASE OF ALL CLAIMS**

THIS SEPARATION AGREEMENT AND RELEASE OF ALL CLAIMS (“Agreement”) is made and entered into by and between Michael P. Kelty (“Employee”), and The Scotts Company LLC (“Company”);

WHEREAS, Employee has elected to voluntarily retire from his employment with Company effective November 1, 2005 (the “Retirement Date”);

WHEREAS, Employee and Company wish to enter into an agreement providing for an orderly separation of Employee’s employment with Company and providing for pay and additional consideration for Employee to which Employee is not or may not be otherwise entitled;

NOW THEREFORE, in exchange for and in consideration of the promises and covenants contained herein, along with other good and valuable consideration, the receipt of which is expressly acknowledged hereby, the parties agree as follows:

1. **Retirement Benefits.** Company agrees to pay Employee retirement pay and benefits as set forth on the attached Exhibit A (the “Retirement Benefits”), incorporated herein by reference. The Retirement Benefits described herein shall be the only amounts paid by or on behalf of Company, and no interest on this amount shall be paid. Employee otherwise acknowledges hereby the receipt of all wages and other compensation or benefits to which Employee is entitled as a result of Employee’s employment with Company through the Retirement Date.

2. **Release of Claims.** Employee, on behalf of Employee and Employee’s spouse, personal representatives, administrators, minor children, heirs, assigns, wards, agents, and all other persons claiming by or through Employee, does hereby forever release and discharge Company and its respective officers, directors, shareholders, agents, employees, affiliates, subsidiaries, divisions, predecessors, successors, and assigns (the “Released Parties”) from any and all charges, claims, demands, judgments, causes of action, damages, expenses, costs, and liabilities of any kind whatsoever. Employee expressly acknowledges that the claims released by this paragraph include all rights and claims relating to Employee’s employment with Company and the termination thereof, including without limitation any claims Employee may have under the Age Discrimination in Employment Act, as amended by the Older Worker Benefit Protection Act, Title VII of the Civil Rights Act of 1964, as amended, the Equal Pay Act, the Americans with Disabilities Act, the Employee Retirement Income Security Act, the Worker Adjustment Retraining and Notification (WARN) Act, Ohio Revised Code Chapter 4112, and any other federal, state, or local laws or regulations governing employment relationships. This release specifically and without limitation includes a release and waiver of any claims for employment discrimination, wrongful discharge,

breach of contract, or promissory estoppel, and extends to all claims of every nature and kind, whether known or unknown, suspected or unsuspected, presently existing or resulting from or attributable to any act or omission of the Released Parties occurring prior to the execution of this Agreement.

Notwithstanding the foregoing release, Employee does not hereby waive or release any right to indemnification as an officer of The Scotts Miracle-Gro Company, and/or its subsidiaries or affiliates, pursuant to The Scotts Miracle-Gro code of regulations, articles of incorporation, and/or director and officer insurance policies. The release contained herein also does not apply to any rights or claims first arising after the Effective Date of this Agreement or to any vested or accrued rights you have in the Scotts Company Retirement Savings Plan and the Scotts Executive Retirement Plan.

Employee agrees not to file any claim or initiate any proceeding, in law or in equity, released by this Agreement. In the event that Employee files any legal action asserting any claim released by this Agreement other than a claim under the Age Discrimination in Employment Act, as amended by the Older Worker Benefit Protection Act, Employee must immediately repay to Company the value of the Special Payment described in the description of Retirement Benefits set forth herein as a condition precedent to the maintenance of such a lawsuit, and Employee shall reimburse Company for all costs, including attorney fees, incurred in defense of such claim or proceeding; provided, however, that the terms of this paragraph shall not permit the setting aside of this Agreement by repayment of such pay without adjudication by a court that this Agreement is otherwise invalid.

3. Knowing and Voluntary Act. Employee acknowledges and agrees that the release set forth above is a general release. Employee, having been encouraged to and having had the opportunity to be advised by counsel, expressly waives all claims for damages which exist as of this date, but of which Employee does not now know or suspect to exist, whether through ignorance, oversight, error, negligence, or otherwise, and which, if known would materially affect Employee's decision to enter into this Agreement. Employee further agrees that Employee accepts the Pay and Benefits as a complete compromise of matters involving disputed issues of law and fact and assumes the risk that the facts and law may be other than Employee believes. Employee further acknowledges and agrees that all the terms of this Agreement shall be in all respects effective and not subject to termination or rescission by reason of any such differences in the facts or law, and that Employee provides this release voluntarily and with full knowledge and understanding of the terms hereof.

4. Compliance with Older Workers Benefit Protection Act. **Employee specifically acknowledges and understands that this Agreement is intended to release and discharge any claims of Employee under the Age Discrimination in Employment Act, as amended by the Older Worker Benefit Protection Act. Employee has 21 days in which to consider this Agreement and will have 7 days in which to revoke Employee's acceptance after signing this Agreement.** To revoke, Employee must deliver written notice of revocation to Denise Stump, Company's Executive Vice President, Human Resources. This Agreement will not be effective or enforceable until the revocation period has expired, provided that during such time Employee does not revoke Employee's acceptance (the "Effective Date"). **Employee is cautioned and encouraged to seek the advice of counsel of Employee's own choosing before signing this Agreement.**

5. Non-disparagement. Employee agrees that Employee will not make any statement to any third party that Employee could reasonably foresee would cause harm to the personal or professional reputation of the Released Parties.

6. No Admission of Liability. Neither this Agreement, nor any term contained herein, may be construed as, or may be used as, an admission on the part of either party of any fault, wrongdoing, or liability whatsoever.

7. Return of Property. Employee agrees to return all Company property remaining in Employee's possession or control, including without limitation any and all equipment, documents, credit cards, hardware, software, source code, data, keys or access cards, files, or records on or before the Retirement Date.

8. Confidentiality. This Agreement is and shall remain confidential. Employee agrees not to, at any time, disclose the terms of this Agreement, in whole or in part, including the existence and amount of the Pay and Benefits, to any individual or entity without the prior written consent of Company or unless required by law. Employee may, however, disclose the terms of this Agreement to Employee's attorney, tax advisor, and immediate family, provided that any such persons agree in advance to be bound by this confidentiality provision. **Employee further acknowledges and agrees that the Employee Confidentiality, Noncompetition, Nonsolicitation Agreement ("ECNN") between Employee and Company dated April 27, 2005 remains in full force and effect, except that Employee specifically agrees that the restrictions imposed by paragraphs 4 and 5 of the ECNN are hereby extended to November 1, 2010. Employee acknowledges and agrees that Company may advise any entity hereafter employing Employee or evidencing an interest in employing Employee of the existence and provisions of the ECNN and this paragraph. Employee further acknowledges and agrees that Employee's acceptance of the Terms and Conditions of The Scotts Company Fiscal Year 2005 Executive/Management Incentive Plan also survives this Agreement and remains in full force and effect.** Employee expressly agrees to keep and maintain Company confidential information confidential, and not to use or disclose such information, directly or indirectly, without the

prior written consent of Company or unless required by law. Employee agrees that the provisions of this paragraph are material terms of this Agreement.

9. Cooperation with Litigation. Employee will cooperate fully with Company in its defense of any lawsuit filed over matters that occurred during the tenure of Employee's employment with Company, and Employee agrees to provide full and accurate information with respect to same. Employee further agrees not to assist any party in maintaining any lawsuit against any of the Released Parties, and will not provide any information to anyone concerning any of the Released Parties, unless compelled to do so by valid subpoena or other court order, and in such case only after first notifying Company sufficiently in advance of such subpoena or court order to reasonably allow Company an opportunity to object to same.

10. Resignation of Offices. You hereby resign all officer and director positions with The Scotts Miracle-Gro Company, and its subsidiaries and affiliates, effective on the Retirement Date.

11. Choice of Law. The validity, construction and interpretation of this Agreement shall be governed by the laws of the State of Ohio.

12. Execution in Parts. This Agreement may be executed in multiple counterparts, each of which shall constitute an original, and all of which shall constitute a single Agreement.

13. No Waiver of Terms. Failure to insist upon strict compliance with any of the terms, covenants, or conditions of this Agreement shall not be deemed a waiver of any such term, covenant, or condition, nor shall any failure at any one time or more times be deemed a waiver or relinquishment at any other time or times of any right under this Agreement.

14. Modifications. No modification or amendment of this Agreement shall be effective unless the same is in a writing duly executed by all the parties hereto.

15. Assignment. Company may assign, in whole or in part, its rights and obligations under this Agreement, and the rights of Company hereunder shall inure to the benefit of, and the obligations of Company hereunder shall be binding upon, its successors and assigns. Employee's rights and obligations hereunder may not be assigned.

16. Survivorship. Should you die or become totally disabled following the Termination Date but before the payments due you under paragraph 1 above have been made to you, any remaining payments shall be made to you (or your designated beneficiary, as applicable) within 90 days of your death or total disability.

17. Entire Agreement. This Agreement sets forth the entire Agreement between Company and Employee and supersedes and replaces any and all prior or contemporaneous representations or agreements, whether oral or written, relating to the subject matter hereof.

IN WITNESS WHEREOF, EACH OF THE UNDERSIGNED, HAVING RECEIVED ALL THE ADVICE DEEMED NECESSARY, AND HAVING CAREFULLY READ AND UNDERSTOOD THIS AGREEMENT, DOES HEREBY SIGN AND ACCEPT THIS AGREEMENT AS OF THE DATE SET FORTH BELOW.

July 26, 2005
Date

/s/ Michael P. Kelty
Michael P. Kelty

THE SCOTTS COMPANY LLC

7/26/05
Date

By /s/ Denise Stump
Title EVP, Human Resources Global

EXHIBIT A

BENEFITS AND SPECIAL PAYMENT

Equity

Upon Employee's Retirement Date, Employee's unvested options will vest immediately, subject to the approval of the Compensation & Organization Committee of the Board of Directors on or before the November 3, 2005 committee meeting. Following the approval of the committee, Employee will have the shorter of 5 years, or the expiration of a specific grant, to exercise Employee's options. As of May 16, 2005 Employee was holding \$3,192,512 (SMG stock price @ \$70.89) in equity (Stock Options, SARs, and Restricted Stock). An equity grant summary is attached for Employee's information.

Pension

The two tables below show the pension benefit monthly payment options for Employee and Employee's surviving spouse.

Pension Benefit (Non-Excess) as of November 1, 2005

<i>Payment Options</i>	<i>Your Monthly Benefit Payable on November 1, 2005</i>		<i>Monthly Benefit Payable to Your Surviving Spouse</i>	
	<i>To Age 62</i>	<i>From Age 62</i>	<i>To Age 62</i>	<i>From Age 62</i>
50% Joint and Survivor Annuity	\$ 2,414.22	\$ 2,212.25	\$ 1,207.11	\$ 1,106.13
Spouse's Contingent Annuity	\$ 2,402.07	\$ 2,201.12	\$ 1,292.41	\$ 1,184.29
100% Joint and Survivor Annuity	\$ 2,264.30	\$ 2,074.88	\$ 2,264.30	\$ 2,074.88
10-year Certain & Continuous Annuity	\$ 2,506.76	\$ 2,297.05	\$ 2,506.76	\$ 2,297.05
20-year Certain & Continuous Annuity	\$ 2,340.04	\$ 2,144.28	\$ 2,340.04	\$ 2,144.28
Single Life Annuity	\$ 2,584.82	\$ 2,368.58	N/A	N/A

Pension Benefit (Excess) as of November 1, 2005

Payment Options	Your Monthly Benefit Payable on November 1, 2005		Monthly Benefit Payable to Your Surviving Spouse	
	To Age 62	From Age 62	To Age 62	From Age 62
50% Joint and Survivor Annuity	\$ 1,080.40	\$ 1,069.68	\$ 540.20	\$ 534.84
Spouse's Contingent Annuity	\$ 1,074.97	\$ 1,064.30	\$ 578.38	\$ 572.64
100% Joint and Survivor Annuity	\$ 1,013.31	\$ 1,003.26	\$ 1,013.31	\$ 1,003.26
10-year Certain & Continuous Annuity	\$ 1,121.82	\$ 1,110.68	\$ 1,121.82	\$ 1,110.68
20-year Certain & Continuous Annuity	\$ 1,047.21	\$ 1,036.81	\$ 1,047.21	\$ 1,036.81
Single Life Annuity	\$ 1,156.75	\$ 1,145.27	N/A	N/A

Retiree Medical Benefits

Employee's options for retiree medical benefits starting November 1, 2005 are shown below. Once Employee is contacted by Fidelity Investments, Employee will need to select one of the four options in order to begin coverage. Please note that these rates assume Employee's spouse is under age 65.

Monthly Cost to Michael Kely				
AETNA HMO				
Participant			\$119.98	
Spouse			\$119.98	
AETNA PPO MEDIUM				
Participant			\$131.08	
Spouse			\$131.08	
AETNA PPO LOW				
Participant			\$124.44	
Spouse			\$124.44	
AETNA TRADITIONAL				
Participant	\$ 244.42	(under 65)	\$ 91.43	(over 65)
Spouse	\$ 244.42	(under 65)	\$ 91.43	(over 65)

Note: Rates are updated on a calendar year basis.

Dental and Vision are not offered under retiree medical. These benefits, however, may be elected under COBRA. COBRA election information will be mailed to Employee after Employee's last day worked. The 2005 monthly COBRA dental and vision rates are:

<u>Plan</u>	<u>Single</u>	<u>Associate & Spouse</u>	<u>Associate & Family</u>
Dental	\$ 27.25	\$ 47.56	\$ 85.25
Vision	\$ 8.80	\$ 13.77	\$ 22.65

Note: Rates are updated on a calendar year basis.

Other Benefits

Retirement Savings Plan (401k)

Employee's Retirement Savings Plan (401k) account balance as of May 18, 2005 was \$461,178.38. As long as the money remains in the Retirement Savings Plan (401k), Employee may change Employee's investment fund allocations. Under current law, regulations and plan terms, Employee may keep this money in the Retirement Savings Plan (401k) until age 65.

Executive Retirement Savings Plan (non-qualified plan):

Employee's Executive Retirement Savings Plan (non-qualified plan) account balance as of May 18, 2005 was \$332,410.70. Distributions will be paid automatically in accordance with the elections Employee previously made during the years of Employee's participation.

Life Insurance

Company Life insurance may be converted to an individual policy.

Financial Planning (AYCO)

Employee may continue to participate in the Company's Executive Financial Planning Program through the end of the Company's fiscal year 2006 (i.e. September 30, 2006), at which time services to Employee under this program will cease. If Employee desires not to participate in this program, Employee will receive a cash payment of \$4,000, which will be added to the Special Payment described below.

Automobile Allowance

Employee's automobile allowance will cease on October 25, 2005.

Outplacement

In lieu of Employee participating in the outplacement program from Lee Hecht Harrison, Employee will receive the equivalent value in a cash payment of \$4,600, which will be added to the Special Payment described below.

Executive Physical

Employee and Employee's spouse are eligible to participate in the Company's Executive Physical Program through the end of the Company's fiscal year 2006 (i.e. September 30, 2006), at which time services to Employee and Employee's spouse under this program will cease.

Special Payment

In recognition of Employee's distinguished service to the Company, Company will, upon Employee's execution and delivery of this Agreement, provide Employee with a special lump sum payment in the amount of \$550,000, *less* all applicable payroll deductions for federal, state and local taxes, social security deductions, and elected deductions. This payment will be made on the later of November 1, 2005 or 30 days after the Effective Date of this Agreement.

Special Payment

<u>Component</u>	<u>Value</u>
Pay Notice (4 weeks)	\$ 29,710
Service Recognition (2 weeks/year of service)(1)	\$386,150
Auto Allowance (1 Year)	\$ 12,000
Medical Coverage (1 Year)	\$ 3,325
Band Adjustment (16 weeks)	<u>\$118,815</u>
Total	<u>\$550,000</u>

(1) 26 years service

Employee may contact Bob Hanley at (937) 578-5630 in the event Employee has questions about, or needs assistance with, any of the benefits described above. Once Employee has signed this Agreement, Company will initiate contact with Fidelity Investments on Employee's behalf so that Employee may begin receiving Employee's pension and retiree medical benefits. Employee may also contact Bob Hanley (within 31 days of your last day worked) in the event Employee's wishes to convert Employee's life insurance policy to an individual policy.

[The Scotts Miracle-Gro Company Letterhead]

Denise Stump
Executive Vice President, Human Resources Global

October 25, 2005

Mr. Patrick Norton
[Address]

Re: Extension of Letter Agreement through 1/31/06

Dear Patrick:

As you are aware, the Compensation & Organization Committee of the Board of Directors approved, at the October 12, 2005 Committee meeting, an extension of your Letter Agreement. The Letter Agreement now concludes effective 1/31/06. This extension will allow for the vesting of your 10,000 stock options granted on 1/28/05.

Please let me know if you would like to discuss this further, or if you have any additional questions.

Sincerely,

/s/ Denise

Denise Stump