

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

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

FOR THE QUARTERLY PERIOD ENDED DECEMBER 30, 2000

OR

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER 1-13292

THE SCOTTS COMPANY
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

OHIO 31-1414921
(STATE OR OTHER JURISDICTION OF (I.R.S. EMPLOYER IDENTIFICATION NO.)
INCORPORATION OR ORGANIZATION)

41 SOUTH HIGH STREET, SUITE 3500
COLUMBUS, OHIO 43215
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES) (ZIP CODE)

(614) 719-5500
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

NO CHANGE
(FORMER NAME, FORMER ADDRESS AND FORMER FISCAL YEAR,
IF CHANGED SINCE LAST REPORT.)

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

Yes No

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

28,451,737 Outstanding at February 7, 2001
Common Shares, voting, no par value

THE SCOTTS COMPANY AND SUBSIDIARIES

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PART I - FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
THE SCOTTS COMPANY
CONDENSED, CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
(IN MILLIONS EXCEPT PER SHARE AMOUNTS)

	THREE MONTHS ENDED	
	DECEMBER 30, 2000 ----	JANUARY 1, 2000 ----
Net sales.....	\$ 152.6	\$ 191.5
Cost of sales.....	114.3	117.6
	-----	-----
Gross profit	38.3	73.9
Gross commission earned from		
agency agreement	(0.1)	0.3
Costs associated with agency agreement	4.6	3.7
	-----	-----
Net commission earned from agency		
agreement	(4.7)	(3.4)
Operating expenses:		
Advertising and promotion	16.2	23.7
Selling, general and administrative	75.7	68.1
Amortization of goodwill and other intangibles..	6.8	5.5
Other expense (income), net	(1.1)	1.3
	-----	-----
Loss from operations	(64.0)	(28.1)
Interest expense	21.3	23.7
	-----	-----
Loss before income taxes	(85.3)	(51.8)
Income taxes	(34.1)	(21.0)
	-----	-----
Net loss	(51.2)	(30.8)
Payments to preferred shareholders	--	6.4
	-----	-----
Loss applicable to common shareholders.....	\$ (51.2)	\$ (37.2)
	=====	=====
Basic earnings per share.....	\$ (1.83)	\$ (1.32)
	=====	=====
Diluted earnings per share.....	\$ (1.83)	\$ (1.32)
	=====	=====
Common shares used in basic earnings		
per share calculation	28.0	28.2
	=====	=====
Common shares and potential common		
shares used in diluted earnings		
per share calculation.....	28.0	28.2
	=====	=====

See notes to condensed, consolidated financial statements

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

	THREE MONTHS ENDED	
	DECEMBER 30, 2000 ----	JANUARY 1, 2000 ----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (51.2)	\$ (30.8)
Adjustments to reconcile net loss to net cash from operating activities:		
Depreciation and amortization.....	16.9	17.0
Net change in certain components of working capital.....	(171.0)	(150.9)
Net change in other assets and liabilities and other adjustments.....	4.3	(4.6)
	-----	-----
Net cash used in operating activities.....	(201.0)	(169.3)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in property, plant and equipment.....	(12.9)	(7.2)
Investment in acquired businesses, net of cash acquired	(8.1)	--
	-----	-----
Net cash used in investing activities.....	(21.0)	(7.2)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net borrowings under revolving and bank lines of credit	221.7	202.1
Gross borrowings under term loans.....	260.0	--
Gross repayments under term loans.....	(264.5)	(6.3)
Financing and issuance fees.....	(1.4)	--
Payments to preferred shareholders.....	--	(6.4)
Repurchase of treasury shares.....	--	(21.0)
Cash received from the exercise of stock options.....	3.3	0.2
Other, net	(8.8)	(5.8)
	-----	-----
Net cash provided by financing activities.....	210.3	162.8
	-----	-----
Effect of exchange rate changes on cash.....	0.7	(0.8)
	-----	-----
Net decrease in cash.....	(11.0)	(14.5)
Cash and cash equivalents at beginning of period	33.0	30.3
	-----	-----
Cash and cash equivalents at end of period.....	\$ 22.0	\$ 15.8
	=====	=====

See notes to condensed, consolidated financial statements

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

	UNAUDITED DECEMBER 30, 2000 ----	UNAUDITED JANUARY 1, 2000 ----	SEPTEMBER 30, 2000 ----
ASSETS			
Current assets:			
Cash and cash equivalents.....	\$ 22.0	\$ 15.8	\$ 33.0
Accounts receivable, less allowances of \$19.2, \$17.5 and \$11.7, respectively	208.9	225.3	216.0
Inventories, net	450.3	442.1	307.5
Current deferred tax asset	28.7	28.6	25.1
Prepaid and other assets	58.1	60.3	62.3
	-----	-----	-----
Total current assets	768.0	772.1	643.9
Property, plant and equipment, net	294.1	256.0	290.5
Intangible assets, net	746.6	774.0	743.1
Other assets	84.8	72.7	83.9
	-----	-----	-----
Total assets	<u>\$ 1,893.5</u>	<u>\$ 1,874.8</u>	<u>\$ 1,761.4</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term debt	\$ 67.2	\$ 120.4	\$ 49.4
Accounts payable	173.0	149.5	153.0
Accrued liabilities	151.6	153.0	207.4
	-----	-----	-----
Total current liabilities	391.8	422.9	409.8
Long-term debt	1,015.6	1,006.5	813.4
Other liabilities	51.8	63.5	60.3
	-----	-----	-----
Total liabilities	<u>1,459.2</u>	<u>1,492.9</u>	<u>1,283.5</u>
Commitments and contingencies			
Shareholders' equity:			
Class A Convertible Preferred Stock, no par value	-	-	-
Common shares, no par value per share, \$.01 stated value per share, issued 31.3, 31.4 and 31.3, respectively	0.3	0.3	0.3
Capital in excess of par value	390.2	387.9	389.3
Retained earnings	145.6	92.9	196.8
Treasury stock, 3.2, 3.4, and 3.4 shares, respectively, at cost	(80.8)	(82.9)	(83.5)
Accumulated other comprehensive expense	(21.0)	(16.3)	(25.0)
	-----	-----	-----
Total shareholders' equity	434.3	381.9	477.9
	-----	-----	-----
Total liabilities and shareholders' equity	<u>\$ 1,893.5</u>	<u>\$ 1,874.8</u>	<u>\$ 1,761.4</u>

See notes to condensed, consolidated financial statements

NOTES TO CONDENSED, CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(ALL AMOUNTS ARE IN MILLIONS EXCEPT PER SHARE DATA OR AS OTHERWISE NOTED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

The Scotts Company is engaged in the manufacture and sale of lawn care and garden products. The Company's major customers include mass merchandisers, home improvement centers, large hardware chains, independent hardware stores, nurseries, garden centers, food and drug stores, lawn and landscape service companies, commercial nurseries and greenhouses, and specialty crop growers. The Company's products are sold in the United States, Canada, the European Union, the Caribbean, South America, Southeast Asia, the Middle East, Africa, Australia, New Zealand, Mexico, Japan, and several Latin American countries.

ORGANIZATION AND BASIS OF PRESENTATION

The condensed, consolidated financial statements include the accounts of The Scotts Company and its subsidiaries, (collectively, the "Company"). All material intercompany transactions have been eliminated.

The condensed, consolidated balance sheets as of December 30, 2000 and January 1, 2000, and the related condensed, consolidated statements of operations and of cash flows for the three month periods then ended, are unaudited; however, in the opinion of management, such financial statements contain all adjustments necessary for the fair presentation of the Company's financial position and results of operations. Interim results reflect all normal recurring adjustments and are not necessarily indicative of results for a full year. The interim financial statements and notes are presented as specified by Regulation S-X of the Securities and Exchange Commission, and should be read in conjunction with the financial statements and accompanying notes in Scotts' fiscal 2000 Annual Report on Form 10-K.

REVENUE RECOGNITION

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

ADVERTISING AND PROMOTION

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

DERIVATIVE INSTRUMENTS

In the normal course of business, the Company is exposed to fluctuations in interest rates and the value of foreign currencies. The Company has established policies and procedures that govern the management of these exposures through the use of a variety of financial instruments. The Company employs various financial instruments, including forward exchange contracts, and swap agreements, to manage certain of the exposures when practical. By policy, the

Company does not enter into such contracts for the purpose of speculation or use leveraged financial instruments. The Company's derivatives activities are managed by the chief financial officer and other senior management of the Company in consultation with the Finance Committee of the Board of Directors. These activities include establishing the Company's risk-management philosophy and objectives, providing guidelines for derivative-instrument usage and establishing procedures for control and valuation, counterparty credit approval and the monitoring and reporting of derivative activity. The Company's objective in managing its exposure to fluctuations in interest rates and foreign currency exchange rates is to decrease the volatility of earnings and cash flows associated with changes in the applicable rates and prices. To achieve this objective, the Company primarily enters into forward exchange contracts and swap agreements whose values change in the opposite direction of the anticipated cash flows. Derivative instruments related to forecasted transactions are considered to hedge future cash flows, and the effective portion of any gains or losses are included in other comprehensive income until earnings are affected by the variability of cash flows. Any remaining gain or loss is recognized currently in earnings. The cash flows of the derivative instruments are expected to be highly effective in achieving offsetting cash flows attributable to fluctuations in the cash flows of the hedged risk. If it becomes probable that a forecasted transaction will no longer occur, the derivative will continue to be carried on the balance sheet at fair value, and gains and losses that were accumulated in other comprehensive income will be recognized immediately in earnings.

To manage certain of its cash flow exposures, the Company has entered into forward exchange contracts and interest rate swap agreements. The forward exchange contracts are designated as hedges of the Company's foreign currency exposure associated with future cash flows. Amounts payable or receivable under forward exchange contracts are recorded as adjustments to selling, general and administrative expense. The interest rate swap agreements are designated as hedges of the Company's interest rate risk associated with certain variable rate debt. Amounts payable or receivable under the swap agreements are recorded as adjustments to interest expense. Gains or losses resulting from valuing these swaps at fair value are recorded in other comprehensive income.

The Company adopted FAS 133 as of October 2000. Since adoption, there were no gains or losses recognized in earnings for hedge ineffectiveness or due to excluding a portion of the value from measuring effectiveness.

USE OF ESTIMATES

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

RECLASSIFICATIONS

Certain reclassifications have been made in prior periods' financial statements to conform to fiscal 2001 classifications.

2. AGENCY AGREEMENT

Effective September 30, 1998, the Company entered into an agreement with Monsanto Company ("Monsanto", now known as Pharmacia Corporation) for exclusive domestic and international marketing and agency rights to Monsanto's consumer Roundup(R) herbicide products. Under the terms of the agreement, the Company is entitled to receive

an annual commission from Monsanto in consideration for the performance of its duties as agent. The annual commission is calculated as a percentage of the actual earnings before interest and income taxes (EBIT), as defined in the agreement, of the Roundup(R) business. Each year's percentage varies in accordance with the terms of the agreement based on the achievement of two earnings thresholds and commission rates that vary by threshold and program year. The agreement also requires the Company to make fixed annual payments to Monsanto as a contribution against the overall expenses of the Roundup(R) business. The annual fixed payment is defined as \$20 million. However, portions of the annual payments for the first three years of the agreement are deferred. No payment was required for the first year (fiscal 1999), a payment of \$5 million was required for the second year and a payment of \$15 million is required for the third year so that a total of \$40 million of the contribution payments are deferred. Beginning in the fifth year of the agreement, the annual payments to Monsanto increase to at least \$25 million, which include per annum charges at 8%. The annual payments may be increased above \$25 million if certain significant earnings targets are exceeded. If all of the deferred contribution amounts are paid prior to 2018, the annual contribution payments revert to \$20 million. Regardless of whether the deferred contribution amounts are paid, all contribution payments cease entirely in 2018.

The Company is recognizing a charge each year associated with the annual contribution payments equal to the required payment for that year. The Company is not recognizing a charge for the portions of the contribution payments that are deferred until the time those deferred amounts are paid. The Company considers this method of accounting for the contribution payments to be appropriate after consideration of the likely term of the agreement, the Company's ability to terminate the agreement without paying the deferred amounts, and the fact that approximately \$18.6 million of the deferred amount is never paid, even if the agreement is not terminated prior to 2018, unless significant earnings targets are exceeded.

The express terms of the agreement permit the Company to terminate the agreement only upon Material Breach, Material Fraud or Material Willful Misconduct by Monsanto, as such terms are defined in the agreement, or upon the sale of the Roundup business by Monsanto. In such instances, the agreement permits the Company to avoid payment of any deferred contribution and related per annum charge. The Company's basis for not recording a financial liability to Monsanto for the deferred portions of the annual contribution and per annum charge is based on management's assessment and consultations with the Company's legal counsel and the Company's independent accountants. In addition, the Company has obtained a legal opinion from The Bayard Firm, P.A., which concluded, subject to certain qualifications, that if the matter were litigated, a Delaware court would likely conclude that the Company is entitled to terminate the agreement at will, with appropriate prior notice, without incurring significant economic penalty, and avoid paying the unpaid deferred amounts. The Company has concluded that, should the Company elect to terminate the agreement at any balance sheet date, it will not incur significant economic consequences as a result of such action.

The Bayard Firm was special Delaware counsel retained during fiscal 2000 solely for the limited purpose of providing a legal opinion in support of the contingent liability treatment of the agreement previously adopted by the Company and has neither generally represented or advised the Company nor participated in the preparation or review of the Company's financial statements or any SEC filings. The terms of such opinion specifically limit the parties who are entitled to rely on it.

The Company's conclusion is not free from challenge and, in fact, would likely be challenged if the Company were to terminate the agreement. If it were determined that, upon termination, the Company must pay any remaining deferred contribution amounts and related per annum charges, the resulting charge to earnings could have a material impact on the Company's results of operations and financial position. At December 30, 2000, contribution payments and related per annum charges of approximately \$40.1 million had been deferred under the agreement. This amount is considered a contingent obligation and has not been reflected in the financial statements as of and for the three months then ended.

Monsanto has disclosed that it is accruing the \$20 million fixed contribution fee per year beginning in the fourth quarter of Monsanto's fiscal year 1998, plus interest on the deferred portion.

The agreement has a term of seven years for all countries within the European Union (at the option of both parties, the agreement can be renewed for up to 20 years for the European Union countries). For countries outside of the European

Union, the agreement continues indefinitely unless terminated by either party. The agreement provides Monsanto with the right to terminate the agreement for an event of default (as defined in the agreement) by the Company or a change in control of Monsanto or sale of the Roundup business. The agreement provides the Company with the right to terminate the agreement in certain circumstances including an event of default by Monsanto or the sale of the Roundup business. Unless Monsanto terminates the 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. The termination fee is \$150 million for each of the first five program years, gradually declines to \$100 million by year ten of the program and then declines to a minimum of \$16 million if the program continues for years 11 through 20.

In consideration for the rights granted to the Company under the agreement for North America, the Company was required to pay a marketing fee of \$32 million to Monsanto. The Company has deferred this amount on the basis that the payment will provide a future benefit through commissions that will be earned under the agreement and is amortizing the balance over ten years, which is the estimated likely term of the agreement.

In accordance with SEC Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements", the Company will not recognize commission income until actual Roundup EBIT reaches the first commission threshold for that year. The annual contribution payment, if any, is recognized ratably throughout the year.

3. INVENTORIES

Inventories, net of provisions for slow moving and obsolete inventory of \$22.7 million, \$30.9 million, and \$20.1 million, respectively, consisted of:

	DECEMBER 30, 2000 ----	JANUARY 1, 2000 ----	SEPTEMBER 30, 2000 ----
Finished goods.....	\$ 359.8	\$ 346.5	\$ 232.9
Raw materials.....	89.8	94.6	73.7
	-----	-----	-----
FIFO cost.....	449.6	441.1	306.6
LIFO reserve.....	0.7	1.0	0.9
	-----	-----	-----
Total	\$ 450.3 =====	\$ 442.1 =====	\$ 307.5 =====

4. INTANGIBLE ASSETS, NET

	DECEMBER 30, 2000 ----	JANUARY 1, 2000 ----	SEPTEMBER 30, 2000 ----
Goodwill.....	\$ 281.4	\$ 499.1	\$ 280.4
Trademarks.....	334.9	202.4	331.1
Other	130.3	72.5	131.6
	-----	-----	-----
Total	\$ 746.6 =====	\$ 774.0 =====	\$ 743.1 =====

5. LONG-TERM DEBT

	DECEMBER 30, 2000 ----	JANUARY 1, 2000 ----	SEPTEMBER 30, 2000 ----
Revolving loans under credit facility....\$	263.4	\$ 257.8	\$ 37.3
Term loans under credit facility.....	454.9	502.9	452.2
Senior Subordinated Notes.....	319.6	318.3	319.2
Notes due to sellers	28.7	30.9	36.4
Amounts due to the State of Ohio.....	7.6	-	7.9
Foreign bank borrowings and term loans...	6.2	14.2	7.1
Capital lease obligations and other	2.4	2.8	2.7
	-----	-----	-----
	1,082.8	1,126.9	862.8
Less current portions.....	67.2	120.4	49.4
	-----	-----	-----
	\$ 1,015.6	\$ 1,006.5	\$ 813.4
	=====	=====	=====

The Company's credit facility provides for borrowings in the aggregate principal amount of \$1.1 billion and consists of term loan facilities in the aggregate amount of \$525 million and a revolving credit facility in the amount of \$575 million. Financial covenants included as part of the facility include, amongst others, minimum net worth, interest coverage and net leverage ratios.

In December 2000, the Company entered into an Amended and Restated Credit Agreement (the "Amended Agreement"). Under the terms of the Amended Agreement, the Company entered into a new Tranche B Term Loan Facility with an aggregate principal amount of \$260 million, the proceeds of which repaid the then outstanding principal amount of the original Tranche B and C facilities. The new Tranche B Term Loan Facility will be repaid in quarterly installments of \$0.25 million beginning June 30, 2001 through December 31, 2006, quarterly installments of \$63.5 million beginning March 31, 2007 through September 30, 2007 and a final quarterly installment of \$63.8 million on December 31, 2007. The new Tranche B Term Loan Facility bears interest at a variable rate that is less than the rates on the original Tranche B and C facilities. Under the terms of the Amended Agreement, the Revolving Credit Facility was increased from \$500 million to \$575 million and the net worth covenant under the original credit facility was amended to be measured only during the Company's second through fourth fiscal quarters. At the time the Company entered into the Amended Agreement, the amounts outstanding under the original Tranche B and C facilities were prepayable without penalty.

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

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

In conjunction with the acquisitions of Rhone-Poulenc Jardin and Sanford Scientific, Inc., notes were issued for certain portions of the total purchase price or other consideration that are to be paid in annual installments over a four-year period. The present value of the remaining note payments at December 30, 2000 is \$17.4 million and \$4.2 million, respectively. The Company is imputing interest on the non-interest bearing notes using an interest rate prevalent for similar instruments at the time of acquisition (approximately 9% and 8%, respectively).

In conjunction with other recent acquisitions, notes were issued for certain portions of the total purchase price that are to be paid in annual installments over periods ranging from four to five years. The present value of the remaining note payments is \$7.1 million at December 30, 2000. The Company is imputing interest on the non-interest bearing notes using an interest rate prevalent for similar instruments at the time of the acquisitions (approximating 8%).

In May 2000, the Company sold its North American headquarters and research facilities to the State of Ohio for approximately \$8.0 million and leased these facilities back from the State of Ohio through lease agreements extending through June 2020. The proceeds of the sale were used to fund the expansion of the North American headquarters facility.

The foreign term loans of \$3.2 million issued on December 12, 1997, have an 8-year term and bear interest at 1% below LIBOR. The loans are denominated in Pounds Sterling and can be redeemed, on demand, by the note holder. The foreign bank borrowings of \$3.0 million at December 30, 2000 represent lines of credit for foreign operations and are denominated in French Francs.

6. EARNINGS PER COMMON SHARE

The following table presents information necessary to calculate basic and diluted earnings per common share ("EPS"). For each period presented, basic and diluted EPS are equal since common share equivalents (stock options, Class A Convertible Preferred Stock and warrants) outstanding for each period were anti-dilutive and thus not considered in the diluted earnings per common share calculations. The Company did not include 1.4 million and 2.1 million potentially dilutive shares in its diluted earnings per share calculation for the three months ended December 30, 2000 and January 1, 2000, respectively, because to do so would have been anti-dilutive.

	THREE MONTHS ENDED	
	DECEMBER 30, 2000	JANUARY 1, 2000
	----	----
Net loss.....	\$ (51.2)	\$ (30.8)
Payments to preferred shareholders	--	(6.4)
	-----	-----
Loss applicable to common shareholders.....	\$ (51.2)	\$ (37.2)
Weighted-average common shares outstanding during the period	28.0	28.2
	-----	-----
Basic and diluted earnings per common share.....	\$ (1.83)	\$ (1.32)
	=====	=====

7. STATEMENT OF COMPREHENSIVE INCOME

The components of other comprehensive income and total comprehensive income for the three months ended December 30, 2000 and January 1, 2000 are as follows:

	THREE MONTHS ENDED	
	DECEMBER 30, 2000	JANUARY 1, 2000
	----	----
Net loss.....	\$ (51.2)	\$ (30.8)
Other comprehensive income (expense):		
Foreign currency translation adjustments	3.4	(3.4)
Change in valuation of derivative instruments..	0.5	0.0
	-----	-----
Comprehensive income	\$ (47.3)	\$ (34.2)
	=====	=====

8. CONTINGENCIES

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

OHIO ENVIRONMENTAL PROTECTION AGENCY

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

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

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

The Company is continuing to meet with the Ohio Attorney General and the Ohio Environmental Protection Agency in an effort to complete negotiations of an amicable resolution of these issues. Negotiations have narrowed the unresolved issues between the Company and the Ohio Attorney General/Ohio Environmental Protection Agency, and the parties anticipate concluding negotiations on an agreed Consent Order, shortly. The parties have agreed to a civil penalty cash payment subject to the successful completion of negotiations on the remaining provisions of a judicial consent order. The Company believes that it has viable defenses to the State's enforcement action, including that it had been proceeding under VAP to address specified environmental issues, and will assert those defenses should an amicable resolution of the State's enforcement action not be reached.

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

has been voluntarily addressing a number of the historical on-site waste disposal areas with the knowledge of the Ohio Environmental Protection Agency. Interim measures consisting of capping two on-site waste disposal areas have been implemented.

Since receiving the notice of enforcement action in June 1997, management has continually assessed the potential costs that may be incurred to satisfactorily remediate the Marysville site and to pay any penalties sought by the State. Because the Company and the Ohio Environmental Protection Agency have not agreed as to the extent of any possible contamination and an appropriate remediation plan, the Company has developed and initiated an action plan to remediate the site based on its own assessments and consideration of specific actions which the Ohio Environmental Protection Agency will likely require. Because the extent of the ultimate remediation plan is uncertain, management is unable to predict with certainty the costs that will be incurred to remediate the site and to pay any penalties. As of September 30, 2000, management estimates that the range of possible loss that could be incurred in connection with this matter is \$2 million to \$10 million. The Company has accrued for the amount it considers to be the most probable within that range and believes the outcome will not differ materially from the amount reserved. Many of the issues raised by the State of Ohio are already being investigated and addressed by the Company during the normal course of conducting business.

LAFAYETTE

In July 1990, the Philadelphia District of the U.S. Army Corps of Engineers ("Corps") directed that peat harvesting operations be discontinued at Hyponex's Lafayette, New Jersey facility, based on its contention that peat harvesting and related activities result in the "discharge of dredged or fill material into waters of the United States" and, therefore, require a permit under Section 404 of the Clean Water Act. In May 1992, the United States filed suit in the U.S. District Court for the District of New Jersey seeking a permanent injunction against such harvesting, and civil penalties in an unspecified amount. If the Corps' position is upheld, it is possible that further harvesting of peat from this facility would be prohibited. The Company is defending this suit and is asserting a right to recover its economic losses resulting from the government's actions. The suit was placed in administrative suspension during fiscal 1996 in order to allow the Company and the government an opportunity to negotiate a settlement, and it remains suspended while the parties develop, exchange and evaluate technical data. In July 1997, the Company's wetlands consultant submitted to the government a draft remediation plan. Comments were received and a revised plan was submitted in early 1998. Further comments from the government were received during 1998 and 1999. The Company believes agreement on the remediation plan has essentially been reached. Before this suit can be fully resolved, however, the Company and the government must reach agreement on the government's civil penalty demand. The Company has reserved for its estimate of the probable loss to be incurred under this proceeding as of December 30, 2000. Furthermore, management believes the Company has sufficient raw material supplies available such that service to customers will not be materially adversely affected by continued closure of this peat harvesting operation.

BRAMFORD

In the United Kingdom, major discharges of waste to air, water and land are regulated by the Environment Agency. The Scotts (UK) Ltd. fertilizer facility in Bramford (Suffolk), United Kingdom, is subject to environmental regulation by this Agency. Two manufacturing processes at this facility require process authorizations and previously required a waste management license (discharge to a licensed waste disposal lagoon having ceased in July 1999). The Company expects to surrender the waste management license in consultation with the Environment Agency. In connection with the renewal of an authorization, the Environment Agency has identified the need for remediation of the lagoon, and the potential for remediation of a former landfill at the site. The Company intends to comply with the reasonable remediation concerns of the Environment Agency. The Company previously installed an environmental enhancement to the facility to reduce emissions to both air and ground water. Additional work is being undertaken to further reduce emissions to groundwater and surface water. The Company believes that it has adequately addressed the environmental concerns of the Environment Agency regarding emissions to air and groundwater. The Scotts Company (UK) Ltd. has retained an environmental consulting firm to research remediation designs. The Company and the Environment Agency are in discussions over the final plan for remediating the lagoon and the landfill. The Company has reserved for its estimate of the probable loss to be incurred in connection with this matter as of December 30, 2000.

OTHER ENVIRONMENTAL MATTERS

The Company has determined that quantities of cement containing asbestos material at certain manufacturing facilities in the United Kingdom should be removed. The Company has reserved for the estimate of costs to be incurred for this matter as of December 30, 2000.

The Company has accrued \$7.2 million at December 30, 2000 for the environmental matters described in Note 8. The significant components of the accrual are: (i) costs for site remediation of \$4.7 million; (ii) costs for asbestos abatement of \$2.0 million; and (iii) fines and penalties of \$0.5 million. The significant portion of the costs accrued as of December 30, 2000 are expected to be paid in fiscal 2001 and 2002; however, payments are expected to be made through fiscal 2003 and possibly for a period thereafter.

The Company believes that the amounts accrued as of December 30, 2000 are adequate to cover its known environmental expenses based on current facts and estimates of likely outcome. However, the adequacy of these accruals is based on several significant assumptions:

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

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

AGREVO ENVIRONMENTAL HEALTH, INC.

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

AgrEvo is requesting unspecified damages as well as affirmative injunctive relief, and seeking to have the court invalidate the Roundup(R) marketing agreement as violative of the federal antitrust laws. On September 20, 1999, the Company filed an answer denying liability and asserting counterclaims that it was fraudulently induced to enter into the agreement for the purchase of the consumer herbicide business and the related agreements, and that AgrEvo breached the representations and warranties contained in these agreements. On October 1, 1999, the Company moved to dismiss the antitrust allegations against it on the ground that the claims fail to state claims for which relief may be granted. On October 12, 1999, AgrEvo moved to dismiss the Company's counterclaims. On May 5, 2000, AgrEvo amended its complaint to add a claim for fraud and to incorporate the Delaware Action described below. Thereafter, the Company moved to dismiss the new claims, and the defendants renewed their pending motions to dismiss. On June 2, 2000, the

court (i) granted the Company's motion to dismiss the fraud claim AgrEvo had added to its complaint; (ii) granted AgrEvo's motion to dismiss the Company's fraudulent-inducement counterclaim; (iii) denied AgrEvo's motion to dismiss the Company's counterclaims related to breach of representations and warranties; and (iv) denied defendants' motion to dismiss the antitrust claims. On July 14, 2000, the Company served an answer to AgrEvo's amended complaint and re-pleaded its fraud counterclaim. Under the indemnification provisions of the Roundup(R) marketing agreement, Monsanto and the Company each have requested that the other indemnify against any losses arising from this lawsuit.

On June 29, 1999, AgrEvo also filed a complaint in the Superior Court of the State of Delaware (the "Delaware Action") against two of the Company's subsidiaries seeking damages for alleged breach of contract. AgrEvo alleges that, under the contracts by which a subsidiary of the Company purchased a herbicide business from AgrEvo in May 1998, two of the Company's subsidiaries have failed to pay AgrEvo approximately \$0.6 million. AgrEvo is requesting damages in this amount, as well as pre- and post-judgment interest and attorneys' fees and costs. The Company's subsidiaries have moved to dismiss or stay this action. On January 31, 2000, the Delaware court stayed AgrEvo's action pending the resolution of a motion to amend the New York Action, and the resolution of the New York Action. The Company's subsidiaries intend to vigorously defend the asserted claims.

If the above actions are 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.

CENTRAL GARDEN & PET COMPANY

On June 30, 2000, the Company filed suit against Central Garden & Pet Company in the U.S. District Court for the Southern District of Ohio to recover approximately \$17 million in its outstanding accounts receivable from Central Garden with respect to the Company's 2000 fiscal year. The Company's complaint was later amended to seek approximately \$24 million in accounts receivable and additional damages for other breaches of duty. Pharmacia (formerly Monsanto) also filed suit against Central Garden in Missouri state court, seeking unspecified damages allegedly due Pharmacia under a four-year alliance agreement between Pharmacia and Central Garden.

On July 7, 2000, Central Garden filed suit against the Company and Pharmacia in the U.S. District Court for the Northern District of California (San Francisco Division) alleging various claims, including breach of contract and violations of federal antitrust laws, and seeking an unspecified amount of damages and injunctive relief. On October 26, 2000, after a notice hearing, the District Court dismissed all of Central Garden's breach of contract claims for lack of subject matter jurisdiction. On November 17, 2000, Central Garden filed an amended complaint in the District Court, re-alleging various claims for violations of federal antitrust laws and also alleging state antitrust claims under the Cartwright Act, Section 16726 of the California Business and Professions Code. On October 31, 2000, Central Garden filed an additional complaint against the Company and Pharmacia in the California Superior Court of Contra Costa County. The complaint seeks to assert the breach of contract claims previously dismissed by the District Court and additional claims under Section 17200 of the California Business and Professional Code. On December 4, 2000, defendants Scotts and Pharmacia jointly filed a motion to stay this action based on the pendency of prior lawsuits (including the two described above) that involve the same subject matter. At a hearing on January 29, 2001, the Superior Court stayed the state court action pending before it. Also on that same date, Central Garden filed its answer and cross-claims and counterclaims in the Missouri action. In its cross-claims, Central Garden seeks an unspecified amount of damages for alleged contractual breaches by the Company with respect to the agreements which are the subject of the Missouri and Ohio actions described above. In addition, Central Garden has included cross-claims under California's Section 17200 on behalf of the general public and/or third party purchasers of the Company's products. Central Garden seeks injunctive and restitutionary relief pursuant to this newly added action. The Company believes that Central Garden's federal and state claims are entirely without merit and intends to vigorously defend against them.

9. SUBSEQUENT EVENTS

On January 1, 2001, the Company acquired the Substral(R) brand and consumer plant care business from Henkel KgaA. Substral is a leading consumer fertilizer brand in many European countries including Germany, Austria, Belgium, France and the Nordics. Under the terms of the Asset Purchase Agreement, the Company acquired specified working capital and intangible assets associated with the Substral business. The purchase price will be determined based on the value of the working capital assets acquired and the performance of the business for the period from June 15, 2000 to December 31, 2000. Management estimates that the final purchase price will be approximately \$40-\$45 million. On December 29, 2000 the Company advanced \$6.9 million to Henkel KgaA toward the Substral purchase price.

10. NEW ACCOUNTING STANDARDS

In May 2000, the Emerging Issues Task Force (EITF) reached consensus on Issue 00-14 "Accounting for Certain Sales Incentives". This issue requires certain sales incentives (e.g., discounts, rebates, coupons) offered by the Company to distributors, retail customers and consumers to be classified as a reduction of sales revenue. Like many other consumer products companies, the Company has historically classified these costs as advertising, promotion, or selling expenses. The guidance is effective for the fourth quarter of fiscal years beginning after December 15, 1999. The Company has adopted the guidance for the first quarter of fiscal 2001 and does not anticipate that the new accounting policy will impact fiscal 2001 results of operations.

In January 2001, the EITF reached consensus on Issue 00-22 "Accounting for Points and Certain Other Time or Volume-Based Sales Incentive Offers". This issue requires certain allowance and discounts (e.g., volume discounts) paid to distributors and retail customers to be classified as a reduction of sales revenue. Like many other consumer products companies, the Company has historically classified these costs as advertising, promotion, or selling expenses. The guidance is effective for the Company's second fiscal quarter of fiscal 2001. The Company does not anticipate that the new accounting policy will impact fiscal 2001 results of operations.

11. SEGMENT INFORMATION

The Company is divided into three reportable segments - North American Consumer, Global Professional and International Consumer. The North American Consumer segment consists of the Lawns, Gardens, Growing Media, Ortho, Lawn Service and Canadian business units. These segments differ from those used in the prior year due to the sale of the Company's professional turfgrass business in May 2000 and the resulting change in management reporting structure.

The North American Consumer segment specializes in dry, granular slow-release lawn fertilizers, lawn fertilizer combination and lawn control products, grass seed, spreaders, water-soluble and controlled-release garden and indoor plant foods, plant care products, and potting soils, barks, mulches and other growing media products, and pesticide products. Products are marketed to mass merchandisers, home improvement centers, large hardware chains, nurseries and gardens centers.

The Global Professional segment is focused on a full line of horticulture products including controlled-release and water-soluble fertilizers and plant protection products, grass seed, spreaders, custom application services and growing media. Products are sold to lawn and landscape service companies, commercial nurseries and greenhouses and specialty crop growers. Prior to June 2000, this segment also included the Company's North American professional turf business, which was sold in May 2000.

The International Consumer segment provides products similar to those described above for the North American Consumer segment to consumers in countries other than the United States and Canada.

The following table presents segment financial information in accordance with SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information". Pursuant to that statement, the presentation of the segment financial information is consistent with the basis used by management (i.e., certain costs not allocated to business segments for internal management reporting purposes are not allocated for purposes of this presentation). Certain prior year amounts have been restated to conform with the Company's current segment presentation.

(IN MILLIONS)	NORTH AMERICAN CONSUMER	GLOBAL PROFESSIONAL	INTERNATIONAL CONSUMER	OTHER/ CORPORATE	TOTAL
SALES:					
Q1 2001.....	\$ 75.5	\$ 35.2	\$ 41.9	\$ --	\$ 152.6
Q1 2000.....	\$ 101.6	\$ 40.8	\$ 49.1	\$ --	\$ 191.5
OPERATING INCOME (LOSS):					
Q1 2001	\$ (38.5)	\$ (0.1)	\$ (10.7)	\$ (14.7)	\$ (64.0)
Q1 2000.....	\$ (7.8)	\$ 1.8	\$ (5.7)	\$ (16.4)	\$ (28.1)
OPERATING MARGIN:					
Q1 2001.....	(51.0%)	(0.3%)	(25.5%)	nm	(41.9%)
Q1 2000.....	(7.7%)	4.4%	(11.6%)	nm	(14.7%)
TOTAL ASSETS:					
Q1 2001.....	\$ 1,190.9	\$ 146.4	\$ 437.2	\$ 119.0	\$ 1,893.5
Q1 2000.....	\$ 1,175.2	\$ 143.6	\$ 474.4	\$ 81.6	\$ 1,874.8

nm Not meaningful.

Operating income reported for the Company's three operating segments represents earnings before amortization of intangible assets, interest and taxes, since this is the measure of profitability used by management. Accordingly, corporate operating loss for the three months ended December 30, 2000 and January 1, 2000 includes amortization of certain intangible assets, corporate general and administrative expenses, and certain "other" income/expense not allocated to the business segments.

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

12. FINANCIAL INFORMATION FOR SUBSIDIARY GUARANTORS AND NON-GUARANTORS

In January 1999, the Company issued \$330 million of 8 5/8% Senior Subordinated Notes due 2009 to qualified institutional buyers under the provisions of Rule 144A of the Securities Act of 1933. During the first quarter of fiscal 2001, the Company completed the registration of an exchange offer for these Notes under the Securities Act.

The Notes are general obligations of the Company and are guaranteed by all of the existing wholly-owned, domestic subsidiaries and all future wholly-owned, significant (as defined in Regulation S-X) domestic subsidiaries of the Company. These subsidiary guarantors jointly and severally guarantee the Company's obligations under the Notes. The guarantees represent full and unconditional general obligations of each subsidiary that are subordinated in right of payment to all existing and future senior debt of that subsidiary but are senior in right of payment to any future junior subordinated debt of that subsidiary.

The following unaudited information presents consolidating statements of operations, statements of cash flows and balance sheets for the three-month periods ended December 30 and January 1, 2000.

Separate unaudited financial statements of the individual guarantor subsidiaries have not been provided because management does not believe they would be meaningful to investors.

THE SCOTTS COMPANY
STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED DECEMBER 30, 2000 (IN MILLIONS)
(UNAUDITED)

	PARENT	SUBSIDIARY GUARANTORS	NON- GUARANTORS	ELIMINATIONS	CONSOLIDATED
	-----	-----	-----	-----	-----
Net sales.....	\$ 52.1	\$ 41.3	\$ 59.2		\$ 152.6
Cost of sales.....	39.3	39.9	35.1		114.3
	-----	-----	-----		-----
Gross profit.....	12.8	1.4	24.1		38.3
Gross commission earned from agency agreement.....	(0.1)	--	--		(0.1)
Costs associated with agency agreement.....	4.2	0.0	0.4		4.6
	-----	-----	-----		-----
Net commission.....	(4.3)	--	(0.4)		(4.7)
Operating expenses:					
Advertising and promotion.....	6.4	2.4	7.4		16.2
Selling, general and administrative.....	44.5	5.1	26.1		75.7
Amortization of goodwill and other intangibles.....	2.3	2.3	2.2		6.8
Equity loss in subsidiaries.....	15.0	--	--	(15.0)	--
Intracompany allocations.....	(3.3)	1.3	2.0		--
Other expense (income), net	(0.8)	(0.3)	--		(1.1)
	-----	-----	-----	-----	-----
Income (loss) from operations.....	(55.6)	(9.4)	(14.0)	15.0	(64.0)
Interest (income) expense.....	19.6	(3.7)	5.4		21.3
	-----	-----	-----	-----	-----
Income (loss) before income taxes...	(75.2)	(5.7)	(19.4)	15.0	(85.3)
Income taxes.....	(24.1)	(2.3)	(7.8)		(34.1)
	-----	-----	-----	-----	-----
Net income (loss).....	\$ (51.1)	\$ (3.4)	\$ (11.6)	\$ 15.0	\$ (51.2)
	=====	=====	=====	=====	=====

THE SCOTTS COMPANY
STATEMENT OF CASH FLOWS
FOR THE THREE MONTH PERIOD ENDED DECEMBER 30, 2000 (IN MILLIONS) (UNAUDITED)

	PARENT	SUBSIDIARY GUARANTORS	NON- GUARANTORS	ELIMINATIONS	CONSOLIDATED
	-----	-----	-----	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income.....	\$ (51.2)	\$ (3.4)	\$(11.6)	\$ 15.0	\$ (51.2)
Adjustments to reconcile net income to net cash used in operating activities:					
Depreciation and amortization.....	7.5	5.7	3.7		16.9
Loss on sale of property.....					
Equity loss in subsidiaries.....	15.0			(15.0)	
Net change in certain components of working capital.....	(73.2)	(81.9)	(15.9)		(171.0)
Net changes in other assets and liabilities and other adjustments.....	(3.2)	6.8	0.7		4.3
	-----	-----	-----	-----	-----
Net cash used in operating activities.....	(105.1)	(72.8)	(23.1)	-	(201.0)
	-----	-----	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in property, plant and equipment.....	(1.5)	(9.1)	(2.3)		(12.9)
Investments in acquired businesses, net of cash acquired.....	-	(6.9)	(1.2)		(8.1)
	-----	-----	-----	-----	-----
Net cash used in investing activities.....	(1.5)	(16.0)	(3.5)		(21.0)
	-----	-----	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES					
Net borrowings and repayments under revolving and bank lines of credit.....	166.3		55.4		221.7
Gross borrowings under term loans.....	260.0				260.0
Gross repayments under term loans.....	(257.5)		(7.0)		(264.5)
Financing and issuance fees.....	(1.4)				(1.4)
Cash received from exercise of stock options.....	3.3				3.3
Intracompany financing.....	(74.8)	88.8	(14.0)		--
Other, net.....	--	(1.1)	(7.7)		(8.8)
	-----	-----	-----	-----	-----
Net cash used in financing activities.....	95.9	87.7	26.7		210.3
	-----	-----	-----	-----	-----
Effect of exchange rate changes on cash.....			0.7		0.7
	-----	-----	-----	-----	-----
Net increase in cash	(10.7)	(1.2)	0.9		(11.0)
Cash and cash equivalents, beginning of period.....	16.0	4.7	12.3		33.0
	-----	-----	-----	-----	-----
Cash and cash equivalents, end of period	\$ 5.3	\$ 3.5	\$13.2	\$	\$ 22.0
	=====	=====	=====	=====	=====

THE SCOTTS COMPANY
BALANCE SHEET
AS OF DECEMBER 30, 2000 (IN MILLIONS)
(UNAUDITED)

	PARENT	SUBSIDIARY GUARANTORS	NON- GUARANTORS	ELIMINATIONS	CONSOLIDATED
	-----	-----	-----	-----	-----
ASSETS					
Current assets:					
Cash and cash equivalents.....	\$ 5.3	\$ 3.5	\$ 13.2		\$ 22.0
Accounts receivable, net.....	77.3	44.1	87.5		208.9
Inventories, net.....	286.0	88.2	76.1		450.3
Current deferred tax asset	28.1	0.6	--		28.7
Prepaid and other assets	37.4	1.3	19.4		58.1
	-----	-----	-----		-----
Total current assets	434.1	137.7	196.2		768.0
Property, plant and equipment, net .	179.5	74.6	40.0		294.1
Intangible assets, net	27.9	469.0	249.7		746.6
Other assets	61.0	13.4	10.4		84.8
Investment in affiliates.....	825.2	--	--	(825.2)	--
Intracompany assets.....	--	102.1	6.1	(108.2)	--
	-----	-----	-----	-----	-----
Total assets.....	\$ 1,527.7	\$ 796.8	\$ 502.4	\$ (933.4)	\$ 1,893.5
	=====	=====	=====	=====	=====
LIABILITIES AND SHAREHOLDERS'					
EQUITY					
Current liabilities:					
Short-term debt	\$ 47.9	\$ 2.4	\$ 16.9	\$	\$ 67.2
Accounts payable	89.3	28.9	54.8		173.0
Accrued liabilities	95.8	18.8	37.0		151.6
	-----	-----	-----		-----
Total current liabilities	233.0	50.1	108.7		391.8
Long-term debt	705.6	4.1	305.9		1,015.6
Other liabilities	28.2	6.5	17.1		51.8
Intracompany liabilities.....	108.1	--	--	(108.1)	--
	-----	-----	-----	-----	-----
Total liabilities	1,074.9	60.7	431.7	(108.1)	1,459.2
	-----	-----	-----	-----	-----
Commitments and contingencies					
Shareholders' equity:					
Investment from parent.....		488.7	59.8	(548.5)	0.0
Common shares, no par value per share, \$.01 stated value per share.....	0.3				0.3
Capital in excess of par value...	390.2				390.2
Retained earnings	145.7	248.6	28.2	(276.8)	145.6
Accumulated other comprehensive . expense.....	(2.5)	(1.2)	(17.3)		(21.0)
Treasury stock, 3.4 shares at cost	(80.8)	--	--	--	(80.8)
	-----	-----	-----	-----	-----
Total shareholders' equity	452.9	736.1	70.7	(825.3)	434.3
	-----	-----	-----	-----	-----
Total liabilities and shareholders' equity.....	\$ 1,527.7	\$ 796.8	\$ 502.4	\$ (933.4)	\$ 1,893.5
	=====	=====	=====	=====	=====

THE SCOTTS COMPANY
STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED JANUARY 1, 2000 (IN MILLIONS)
(UNAUDITED)

	PARENT -----	SUBSIDIARY GUARANTORS -----	NON- GUARANTORS -----	ELIMINATIONS -----	CONSOLIDATED -----
Net sales.....	\$ 80.3	\$ 42.1	\$ 69.1	\$	\$ 191.5
Cost of sales	51.1	27.9	38.6		117.6
	-----	-----	-----	-----	-----
Gross profit	29.1	14.2	30.5		73.9
Gross commission earned from agency agreement	0.3	--	--		0.3
Costs associated with agency agreement	3.7	--	--		3.7
	-----	-----	-----	-----	-----
Net commission	(3.4)	--	--	--	(3.4)
Operating expenses:					
Advertising and promotion	10.7	4.1	8.9		23.7
Selling, general and administrative	38.9	5.1	24.1		68.1
Amortization of goodwill and other intangibles	1.1	2.1	2.3		5.5
Equity income in subsidiaries	5.4			(5.4)	--
Intracompany allocations	(1.9)	0.6	1.3		--
Other (income) expenses, net	2.3	(0.9)	(0.1)		1.3
	-----	-----	-----	-----	-----
Income (loss) from operations	(30.7)	3.2	(6.0)	5.4	(28.1)
Interest expense	17.6	(0.1)	6.2		23.7
	-----	-----	-----	-----	-----
Income (loss) before income taxes	(48.3)	3.3	(12.2)	5.4	(51.8)
Income taxes	(17.5)	1.5	(5.0)		(21.0)
	-----	-----	-----	-----	-----
Net income (loss).....	\$ (30.8)	\$ 1.8	\$ (7.2)	\$ 5.4	\$ (30.8)
	=====	=====	=====	=====	=====

THE SCOTTS COMPANY
STATEMENT OF CASH FLOWS
FOR THE THREE MONTH PERIOD ENDED JANUARY 1, 2000 (IN MILLIONS)
(UNAUDITED)

	PARENT	SUBSIDIARY GUARANTORS	NON- GUARANTORS	ELIMINATIONS	CONSOLIDATED
	-----	-----	-----	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income.....	\$ (30.8)	\$ 1.8	\$ (7.2)	\$ 5.4	\$ (30.8)
Adjustments to reconcile net loss to net cash used in operating activities:					
Depreciation and amortization ...	8.8	4.5	3.7		17.0
Loss on sale of property.....					
Equity income.....	5.4			(5.4)	--
Net change in certain components of working capital	(84.6)	(45.2)	(21.1)		(150.9)
Net changes in other assets and liabilities and other adjustments	(1.0)	(0.8)	(2.8)	--	(4.6)
	-----	-----	-----	-----	-----
Net cash used in operating activities	(102.2)	(39.7)	(27.4)	--	(169.3)
	-----	-----	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in property, plant and equipment	(4.7)	(0.9)	(1.6)	--	(7.2)
	-----	-----	-----	-----	-----
Net cash used in investing activities	(4.7)	(0.9)	(1.6)	--	(7.2)
	-----	-----	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES					
Net borrowings under revolving and bank lines of credit	174.7	(0.2)	27.6		202.1
Gross borrowings under term loans.....					
Gross repayments under term loans.....	(0.5)		(5.8)		(6.3)
Payments to preferred shareholders	(6.4)				(6.4)
Repurchase of treasury shares....	(21.0)				(21.0)
Intracompany financing	(47.0)	39.9	7.1		--
Other, net.....	0.2	--	(5.8)	--	(5.6)
	-----	-----	-----	-----	-----
Net cash provided by financing activities	100.0	39.7	23.1	--	162.8
	-----	-----	-----	-----	-----
Effect of exchange rate changes on cash	--	--	(0.8)	--	(0.8)
	-----	-----	-----	-----	-----
Net increase (decrease) in cash	(6.9)	(0.9)	(6.7)		(14.5)
Cash and cash equivalents, beginning of period	8.5	3.1	18.7	--	30.3
	-----	-----	-----	-----	-----
Cash and cash equivalents, end of period.....	\$ 1.6	\$ 2.2	\$ 12.0	\$ --	\$ 15.8
	=====	=====	=====	=====	=====

THE SCOTTS COMPANY
BALANCE SHEET
AS OF JANUARY 1, 2000 (IN MILLIONS)
(UNAUDITED)

	PARENT	SUBSIDIARY GUARANTORS	NON- GUARANTORS	ELIMINATIONS	CONSOLIDATED
	-----	-----	-----	-----	-----
ASSETS					
Current assets:					
Cash and cash equivalents.....	\$ 1.6	\$ 2.2	\$ 12.0		\$ 15.8
Accounts receivable, net	112.0	32.4	80.9		225.3
Inventories, net	254.7	101.7	85.7		442.1
Current deferred tax asset	28.1	0.5			28.6
Prepaid and other assets	38.2	2.7	19.4	--	60.3
	-----	-----	-----	-----	-----
Total current assets	434.6	139.6	198.0	--	772.1
Property, plant and equipment, net	156.9	58.6	40.5		256.0
Intangible assets, net	225.8	266.5	281.7		774.0
Other assets	63.4		9.3		72.7
Investment in affiliates.....	701.2			(701.2)	0.0
Intracompany assets.....	.	254.7	--	(254.7)	0.0
	-----	-----	-----	-----	-----
Total assets	\$ 1,581.9	\$ 719.3	\$ 529.5	\$ (955.9)	\$ 1,874.8
	=====	=====	=====	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Short-term debt	\$ 93.9	\$ 1.2	\$ 25.3	\$	\$ 120.4
Accounts payable	78.8	21.2	49.5		149.5
Accrued liabilities	30.4	88.4	34.2	--	153.0
	-----	-----	-----	-----	-----
Total current liabilities	203.1	110.8	109.0	--	422.9
Long-term debt	701.0		305.5		1,006.5
Other liabilities	41.5	0.8	21.2		63.5
Intracompany liabilities.....	242.3	--	12.4	(254.7)	--
	-----	-----	-----	-----	-----
Total liabilities	1,187.9	111.6	448.1	(254.7)	1,492.9
	-----	-----	-----	-----	-----
Commitments and contingencies					
Shareholders' equity:					
Investment from parent.....		413.6	57.4	(471.0)	--
Common shares, no par value per share, \$.01 stated value per share.....	0.3				0.3
Capital in excess of par value...	387.9				387.9
Class A Convertible Preferred Stock, no par value.....					
Retained earnings.....	92.9	194.1	36.1	(230.2)	92.9
Accumulated other comprehensive expense.....	(4.2)		(12.1)		(16.3)
Treasury stock, 2.8 shares at cost.....	(82.9)				(82.9)
	-----	-----	-----	-----	-----
Total shareholders' equity	394.0	607.7	81.4	(701.2)	381.9
	-----	-----	-----	-----	-----
Total liabilities and shareholders' equity.....	\$ 1,581.9	\$ 719.3	\$ 529.5	\$ (955.9)	\$ 1,874.8
	=====	=====	=====	=====	=====

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

OVERVIEW

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

As a leading consumer branded lawn and garden company, we focus on our consumer marketing efforts, including advertising and consumer research, to create demand to pull product through the retail distribution channels. During fiscal 2000, we spent \$209.1 million on advertising and promotional activities, which was a significant increase over fiscal 1999 spending levels of \$189.0. We have applied this consumer marketing focus over the past several years, and we believe that Scotts continues to receive a significant return on these increased marketing expenditures. For example, sales in our North American Consumer Lawns business group increased 13.2% from fiscal 1999 to fiscal 2000, after having experienced double-digit percentage increases in sales during the prior two years. We believe that this dramatic sales growth resulted primarily from our increased consumer-oriented marketing efforts. We expect that we will continue to focus our marketing efforts toward the consumer and to increase consumer marketing expenditures in the future to drive market share and category growth.

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

Scotts has entered into a long-term marketing agreement with Monsanto for its consumer Roundup(R) herbicide products. Under the marketing agreement, Scotts and Monsanto are jointly developing global consumer and trade marketing programs for Roundup(R), while Scotts is responsible for sales support, merchandising, distribution, logistics and certain administrative functions. In addition, in January 1999 Scotts purchased from Monsanto the assets of its worldwide consumer lawn and garden businesses, exclusive of the Roundup(R) business. These transactions with Monsanto further our strategic objective of significantly enhancing our position in the pesticides segment of the consumer lawn and garden category. These businesses make up the Ortho business group within the North American Consumer segment.

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

Over the past several years, we have made other acquisitions to strengthen our global market position in the lawn and garden category, including Rhone-Poulenc Jardin, Asef Holding B.V. and, most recently, Substral. These acquisitions provided a significant addition to our then existing European platform and strengthened our foothold in the continental European consumer lawn and garden market. Through these acquisitions, we have established a strong presence in France, Germany, Austria, and the Benelux countries. These acquisitions may also mitigate, to a certain extent, our susceptibility to weather conditions by expanding the regions in which we operate.

The following discussion and analysis of the consolidated results of operations and financial position should be read in conjunction with our Condensed, Consolidated Financial Statements included elsewhere in this report. Scotts' Annual Report on Form 10-K for the fiscal year ended September 30, 2000 includes additional information about the Company, our operations, and our financial position, and should be read in conjunction with this Quarterly Report on Form 10-Q.

RESULTS OF OPERATIONS

The following table sets forth sales by business segment for the three months ended December 30, 2000 and January 1, 2000:

	FOR THE THREE MONTHS ENDED	
	DECEMBER 30, 2000	JANUARY 1, 2000
North American Consumer:		
Lawns	\$ 17.7	\$ 45.1
Gardens.....	8.0	14.2
Growing Media.....	21.0	19.9
Ortho	16.5	18.2
Lawn Service.....	4.9	2.8
Canada	1.1	1.4
Other	6.3	0.0
Total	75.5	101.6
Global Professional	35.2	40.8
International Consumer.....	41.9	49.1
Consolidated.....	\$ 152.6	\$ 191.5

The following table sets forth the components of income and expense as a percentage of sales for the three months ended December 30, 2000 and January 1, 2000:

	FOR THE THREE MONTHS ENDED	
	DECEMBER 30, 2000	JANUARY 1, 2000
Net sales	100.0%	100.0%
Cost of sales	74.9	61.4
Gross profit	25.1	38.6
Net commission earned from agency agreement	(3.1)	(1.8)
Operating expenses:		
Advertising and promotion	10.6	12.4
Selling, general and administrative	49.6	35.6
Amortization of goodwill and other intangibles .	4.5	2.9
Other expense (income), net	(0.7)	0.7
Loss from operations	(41.9)	(14.6)
Interest expense	14.0	12.4
Loss before income taxes	(55.9)	(27.0)
Income taxes	(22.3)	(11.0)
Net loss.....	(33.6)	(16.0)
Payments to preferred shareholders	-.-	3.3
Loss applicable to common shareholders	(33.6)%	(19.4)%

THREE MONTHS ENDED DECEMBER 30, 2000 VERSUS THREE MONTHS ENDED JANUARY 1, 2000

Sales for the three months ended December 30, 2000 were \$152.6 million, a decrease of 20.3% from sales for the three months ended January 1, 2000 of \$191.5 million. The decrease in sales was driven primarily by decreases in sales in the North American and International Consumer segments as discussed below.

North American Consumer segment sales were \$75.5 million in the first quarter of fiscal 2001, a decrease of \$26.1 million, or 25.7%, from sales for the first quarter of fiscal 2000 of \$101.6 million. Beginning in fiscal 2001, the Company has significantly changed the selling and distribution model for the Lawns, Gardens and Ortho business groups in North America. The products in these groups are now being sold by an integrated sales force, as opposed to separate sales forces in prior years, and the majority of these products are now being sold directly to retail customers rather than through distributors. The impact of this change is that sales are recognized generally later in the season than they would have been in prior years, which contributed to the decline in sales for these business groups when compared to the prior year. In addition, several large retailers in the United States have delayed orders as compared to the prior year in an effort to minimize inventory levels. Sales for the Growing Media group increased slightly to \$21.0 million in the first quarter of fiscal 2001 compared to \$19.9 million in the prior year. Selling price changes did not have a material impact on sales for the North American Consumer segment in the first quarter of fiscal 2001.

Sales for the Global Professional segment were \$35.2 million in the first quarter of fiscal 2001, which were \$5.6 million, or 13.7%, lower than sales for the first quarter of fiscal 2000 of \$40.8 million. The decrease in sales was primarily the result of the sale of the Company's North American professional turf business in May of fiscal 2000.

Sales for the International Consumer segment were \$41.9 million in the first quarter of fiscal 2001, which were \$7.2 million, or 14.7%, lower than sales for the first quarter of fiscal 2000 of \$49.1 million. The decline in sales from the prior year was primarily experienced in the United Kingdom and France as retailers delayed orders to minimize inventory levels.

Gross profit decreased to \$38.3 million in the first quarter of fiscal 2001, a decrease of \$35.6 million from gross profit of \$73.9 million in the first quarter of fiscal 2000. As a percentage of sales, gross profit was 25.1% of sales in the first quarter of fiscal 2001 compared to 38.6% in the first quarter of fiscal 2000. The decline in gross margin from prior year was due to the decline in sales as discussed above and an increase in the cost of urea and other raw materials from a year ago.

The net commission earned from agency agreement in the first quarter of fiscal 2001 represents net costs of \$4.7 million compared to net costs of \$3.4 million in the first quarter of fiscal 2000. The increase in costs from the prior year is primarily due to the increase in the contribution payment due to Monsanto to \$15 million in fiscal 2001 compared to \$5 million in fiscal 2000. Scotts does not recognize commission income under the agency agreement until minimum earnings thresholds in the agreement are achieved, which is generally in our second fiscal quarter.

Advertising and promotion expenses in the first quarter of fiscal 2001 were \$16.2 million, a decrease of \$7.5 million, or 31.6%, from advertising and promotion expenses in the first quarter of fiscal 2000 of \$23.7 million. The decrease in advertising and promotion expenses from the prior year is primarily due to the decrease in sales from a year ago as discussed above.

Selling, general and administrative expenses in the first quarter of fiscal 2001 were \$75.7 million in the first quarter of fiscal 2001 compared to \$68.1 million for the first quarter of fiscal 2000. The increase in selling, general and administrative expenses from the prior year is partially due to an increase in selling expenses as a result of the change in the selling and distribution model for the North American business described above. The increase in selling, general and administrative expenses is also due to an increase in information technology expenses from the prior year as a result of the cost of many information technology resources being capitalized toward the cost of our enterprise resource planning system a year ago. Most of these information technology resources have assumed a system support function that is now being expensed as incurred.

Amortization of goodwill and intangibles in the first quarter of fiscal 2001 was \$6.8 million compared to \$5.5 million in the first quarter of fiscal 2000, primarily due to adjustments to the final purchase price assumptions for the Ortho and Rhone-Poulenc Jardin acquisitions.

Other income was \$1.1 million for the first quarter of fiscal 2001, compared to other expense of \$1.3 million in the first quarter of fiscal 2000. The reduction in other expenses from a year ago is primarily due to losses incurred on the disposal of miscellaneous manufacturing assets in the prior year.

The loss from operations for the first quarter of fiscal 2001 was \$64.0 million, compared with \$28.1 million for the first quarter of 2000. The increased loss from operations from the prior year is the result of the decline in sales and gross margin as described above.

Interest expense for the first quarter of fiscal 2001 was \$21.3 million, a decrease of \$2.4 million from interest expense for the first quarter of fiscal 2000 of \$23.7 million. The decrease in interest expense was primarily due to a reduction in average borrowings for the quarter as compared to the prior year, partially offset by an increase in borrowing rates from a year ago.

Income tax benefit for the first quarter of fiscal 2001 was \$34.1 million, compared with an income tax benefit for the first quarter of fiscal 2000 of \$21.0 million. The increase in the tax benefit from the prior year is the result of the increased pre-tax loss for the first quarter of fiscal 2001 for the reasons noted above. The estimated income tax rate for the first quarter of fiscal 2001 is 40.0% compared to 40.5% for the first quarter of fiscal 2000.

The Company reported a net loss of \$51.2 million for the first quarter of fiscal 2001, or \$1.83 per common share on a basic and diluted basis, compared to a net loss of \$30.8 million for the first quarter of fiscal 2000, or \$1.32 per common share on a basic and diluted basis. In connection with the early conversion of the preferred shares in October 1999, the Company paid dividends of \$6.4 million to the holders of the preferred shares.

LIQUIDITY AND CAPITAL RESOURCES

Cash used in operating activities was \$201.0 million for the three months ended December 30, 2000 compared to a use of cash of \$169.3 million for the three months ended January 1, 2000. The seasonal nature of our operations generally requires cash to fund significant increases in working capital (primarily inventory and accounts receivable) during the first and second quarters. The third fiscal quarter is a period for collecting accounts receivable and liquidating inventory levels. The increase in cash required to fund operating activities for the first quarter of fiscal 2001 compared to the prior year was due to the increased loss and working capital requirements for the period resulting from the operating and business changes noted above.

Cash used in investing activities was \$21.0 million for the first three months of fiscal 2001 compared to \$7.2 million in the prior year. The additional cash used for investing activities was primarily due to an increase in capital expenditures for the period and the \$6.9 million payment toward the purchase of the Substral business discussed in Note 9 to the quarterly financial statements.

Financing activities provided cash of \$210.3 million for the first three months of fiscal 2001 compared to providing \$162.8 million in the prior year. The increase in cash from financing activities was primarily due to an increase in borrowings under the Company's revolving credit facility to fund operations and payments made to preferred shareholders and treasury share repurchases that were made in the first quarter of fiscal 2000 and that did not occur this quarter.

Total debt was \$1,082.8 million as of December 30, 2000, a decrease of \$44.1 million compared with debt at January 1, 2000 of \$1,126.9. The decrease in debt compared to the prior year was primarily due to debt repayments on our term loans during fiscal 2000, partially offset by increased borrowings under our revolving credit facilities.

Our primary sources of liquidity are funds generated by operations and borrowings under our credit facility. The credit facility provides for borrowings in the aggregate principal amount of \$1.1 billion and consists of term loan facilities in the aggregate amount of \$525 million and a revolving credit facility in the amount of \$575 million.

In July 1998, our Board of Directors authorized the repurchase of up to \$100 million of our common shares on the open market or in privately negotiated transactions on or prior to September 30, 2001. As of December 30, 2000, 1,106,295 common shares (or \$40.6 million) have been repurchased under this repurchase program limit.

In October 2000, the Board of Directors approved cancellation of the third year commitment of \$50 million under the share repurchase program. The Board did authorize repurchasing the amount still outstanding under the second year repurchase commitment (approximately \$9.0 million) through September 30, 2001.

Any repurchase will also be subject to the covenants contained in our credit facility as well as our other debt instruments. The repurchased shares will be held in treasury and will thereafter be used for the exercise of employee stock options and for other valid corporate purposes.

In our opinion, cash flows from operations and capital resources will be sufficient to meet debt service and working capital needs during fiscal 2001, and thereafter for the foreseeable future. However, we cannot ensure that our business groups will generate sufficient cash flow from operations, that currently anticipated cost savings and operating improvements will be realized on schedule or at all, or that future borrowings will be available under our credit facilities in amounts sufficient to pay indebtedness or fund other liquidity needs. Actual results of operations will depend on numerous factors, many of which are beyond our control. We cannot ensure that we will be able to refinance any indebtedness, including our credit facility, on commercially reasonable terms, or at all.

ENVIRONMENTAL MATTERS

We are subject to local, state, federal and foreign environmental protection laws and regulations with respect to our business operations and believe we are operating in substantial compliance with, or taking action aimed at ensuring compliance with, such laws and regulations. We are involved in several 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 future quarterly or annual operating results. Additional information on environmental matters affecting us is provided in Note 8 to the Company's unaudited Condensed, Consolidated Financial Statements as of and for the three months ended December 30, 2000 and in the fiscal 2000 Annual Report on Form 10-K under the "ITEM 1. BUSINESS -- ENVIRONMENTAL AND REGULATORY CONSIDERATIONS" and "ITEM 3. LEGAL PROCEEDINGS" sections.

YEAR 2000 READINESS

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

ENTERPRISE RESOURCE PLANNING ("ERP")

In July 1998, we announced a project designed to bring our information system resources in line with our current strategic objectives. The project includes the redesign of certain key business processes in connection with the installation of new software. SAP was selected as the primary software provider for this project. As of October 1, 2000, all of the North American businesses with the exception of Canada were operating under the new system. Through December 30, 2000, we spent approximately \$55.1 million on the project, approximately 75% of which has been capitalized and will be amortized over a period of four to eight years. We are currently evaluating when, and to what extent, the new information systems and applications will be implemented at our international locations.

EURO

A new currency called the "euro" has been introduced in certain Economic and Monetary Union (EMU) countries. During 2002, all EMU countries are expected to be operating with the euro as their single currency. Uncertainty exists as to the effects the euro currency will have on the marketplace. We are still assessing the impact the EMU formation and euro implementation will have on our internal systems and the sale of our products. We are in the process of developing our plans and contracts for work to be performed to implement utilization of the euro as required at our operations in continental Europe. We expect that a significant portion of the costs associated with this work will be incurred during fiscal 2001; however, some costs will likely be incurred in the first quarter of fiscal 2002 as well. We estimate that the cost related to addressing this issue will be \$1.5-\$2.0 million, however, there can be no assurance that the ultimate costs related to this issue will not exceed this estimate.

MANAGEMENT'S OUTLOOK

Results for the first three months of fiscal 2001 are in line with management's expectations and we believe we are well positioned to continue our trend of significant sales and earnings growth. We are coming off a very strong fiscal 2000 as we reported record sales of \$1.76 billion, grew diluted earnings per share by at least 20% for the fourth consecutive year (on a pro forma basis, excluding extraordinary items and the impact of the early conversion of the Class A Convertible Preferred Stock) and established or maintained what we believe to be the number one market share position in most of the significant lawn and garden categories across the world. The performance in fiscal 2000 reflected the successful continuation of our emphasis on consumer-oriented marketing efforts to pull demand through distribution channels.

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

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

Scotts anticipates that we will continue to deliver significant revenue and earnings growth through emphasis on executing our strategic plan. We believe that we can continue to generate annual sales growth of 6% to 8% in our core businesses and annual earnings growth of at least 15%. In addition, we have targeted improving our return on invested capital. We believe that we can achieve our goal of realizing a return of 13.5% on our invested capital (our estimate of the average return on invested capital for our consumer products peer group) in the next four years. We expect to achieve this goal by reducing our overhead spending, tightening capital spending controls, implementing return on capital measures into our incentive compensation plans and accelerating operating performance and gross margin improvements utilizing our new Enterprise Resource Planning capabilities in North America.

FORWARD-LOOKING STATEMENTS

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

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

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

- ADVERSE WEATHER CONDITIONS COULD ADVERSELY IMPACT OUR FINANCIAL RESULTS.

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

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

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

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

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

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

Our substantial indebtedness could:

- make it more difficult for us to satisfy our obligations;

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

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

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

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

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

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

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

Our top 10 North American retail customers together accounted for approximately 56.5% of our fiscal 2000 sales and 41% of our outstanding accounts receivable as of September 30, 2000. Our top three customers, Home Depot, Wal*Mart and Kmart represented approximately 22.9%, 8.9% and 8.2% of our fiscal 2000 sales. These customers hold significant positions in the retail lawn and garden market. The loss of, or reduction in

orders from, Home Depot, Wal*Mart, Kmart or any other significant customer could have a material adverse effect on our business and our financial results, as could customer disputes regarding shipments, fees, merchandise condition or related matters. Our inability to collect accounts receivable from any of these customers could also have a material adverse affect.

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

If we were to commit a serious default under the marketing agreement with Monsanto for consumer Roundup(R) products, Monsanto may have the right to terminate the agreement. If Monsanto were to terminate the marketing agreement rightfully, or if we were to terminate the agreement without appropriate cause, we would not be entitled to any termination fee, and we would lose all, or a significant portion, of the significant source of earnings we believe the marketing agreement provides. Monsanto may also terminate the marketing agreement within a given region, including North America, without paying us a termination fee if sales to consumers in that region decline:

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

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

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

Glyphosate, the active ingredient in Roundup(R), is covered by a patent in the United States that expired in September 2000. Scotts cannot predict the success of Roundup(R) now that glyphosate is no longer patented. Substantial new competition in the United States could adversely affect Scotts. Glyphosate is no longer subject to patent in Europe and is not subject to patent in Canada. While sales of Roundup(R) in such countries have continued to increase despite the lack of patent protection, sales in the United States may decline as a result of increased competition. Any such decline in sales would adversely affect Scott's financial results through the reduction of commissions as calculated under the Roundup(R) marketing agreement.

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

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

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

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

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

The Food Quality Protection Act, enacted by the U.S. Congress in August 1996, establishes a standard for food-use pesticides, which is that a reasonable certainty of no harm will result from the cumulative effect of pesticide exposures. Under this act, the USEPA is evaluating the cumulative risks from dietary and non-dietary exposures to pesticides. The pesticides in Scotts' products, which are also used on foods, will be evaluated by the USEPA as part of this non-dietary exposure risk assessment. It is possible that the USEPA or the active ingredient registrant may decide that a pesticide Scotts uses in its products would be limited or made unavailable to Scotts. We cannot predict the outcome or the severity of the effect of the USEPA's continuing evaluations. We believe that we should be able to obtain substitute ingredients if selected pesticides are limited or made unavailable, but there can be no assurance that we will be able to do so for all products.

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

The harvesting of peat for our growing media business has come under increasing regulatory and environmental scrutiny. In the United States, state regulations frequently require us to limit our harvesting and to restore the property to its intended use. In some locations we have been required to create water retention ponds to control the sediment content of discharged water. In the United Kingdom, our peat extraction efforts are also the subject of legislation. Since 1990, we have been involved in litigation with the Philadelphia District of the U.S. Army Corps of Engineers involving our peat harvesting operations at Hyponex's Lafayette, New Jersey facility. The Corps of Engineers is seeking a permanent injunction against harvesting and civil penalties in an unspecified amount.

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

During fiscal 2000, we made approximately \$1.2 million in environmental capital expenditures and \$1.8 million in other environmental expenses, compared with approximately \$1.1 million in environmental capital expenditures and \$5.9 million in other environmental expenses in fiscal 1999. Management anticipates that environmental capital expenditures and other environmental expenses for fiscal 2001 will not differ

significantly from those incurred in fiscal 2000. If we are required to significantly increase our actual

environmental capital expenditures and other environmental expenses, it could adversely affect our financial results.

- THE IMPLEMENTATION OF THE EURO CURRENCY IN SOME EUROPEAN COUNTRIES COULD ADVERSELY AFFECT US.

In January 1999, the "euro" was introduced in some Economic and Monetary Union (EMU) countries and by 2002, all EMU countries are expected to be operating with the euro as their single currency. Uncertainty exists as to the effects the euro currency will have on the market place. Additionally, the European Commission has not yet defined and finalized all of the rules and regulations with regard to the euro currency. We are still assessing the impact the EMU formation and euro implementation will have on our internal systems and the sale of our products. We expect to take appropriate actions based on the results of our assessment. We estimate that the cost related to addressing this issue will be \$1.5-\$2.0 million, however, there can be no assurance that the ultimate costs related to this issue will not exceed this estimate.

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

We currently operate manufacturing, sales and service facilities outside of North America, particularly in the United Kingdom, Germany and France. Our international operations have increased with the acquisitions of Levington, Miracle Garden, Ortho and Rhone-Poulenc Jardin and with the marketing agreement for consumer Roundup(R) products. In fiscal 2000, international sales accounted for approximately 21% of our total sales. Accordingly, we are subject to risks associated with operations in foreign countries, including:

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

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

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

As noted in Note 8 to the Company's unaudited Condensed, Consolidated Financial Statements as of and for the period ended December 30, 2000, the Company is involved in several pending legal and environmental matters. Pending other material legal proceedings are as follows:

Rhone-Poulenc, S.A., Rhone-Poulenc Agro S.A. and Hoechst, A.G.

On October 15, 1999, the Company began arbitration proceedings before the International Chamber of Commerce against Rhone-Poulenc S.A. and Rhone-Poulenc Agro S.A. (collectively, "Rhone-Poulenc") under arbitration provisions contained in contracts relating to the purchase by the Company of Rhone-Poulenc's European lawn and garden business, Rhone-Poulenc Jardin, in 1998. The Company alleges that the combination of Rhone-Poulenc and Hoechst Schering AgrEvo GmbH into a new entity, Aventis S.A., will result in the violation of non-compete and other provisions in the contracts mentioned above. In the arbitration proceedings, the Company is seeking injunctive relief as well as an award of damages.

On January 7, 2000, the tribunal issued a segregated Record Agreement and Order requiring Aventis S.A., Rhone-Poulenc and any affiliate or entity controlled by Aventis S.A. or Rhone-Poulenc to maintain a segregated record of select sales of certain products. A damages hearing has been scheduled to begin July 2, 2001.

Also on October 15, 1999, the Company filed a complaint styled The Scotts Company, et al. v. Rhone-Poulenc, S.A., Rhone-Poulenc Agro S.A. and Hoechst, A.G. in the Court of Common Pleas for Union County, Ohio, seeking injunctive relief maintaining the status quo in aid of the arbitration proceedings as well as an award of damages against Hoechst for Hoechst's tortious interference with the Company's contractual rights. On October 19, 1999, the defendants removed the Union County action to the United States District Court for the Southern District of Ohio. On December 8, 1999, the Company requested that this action be stayed pending the outcome of the arbitration proceedings.

Scotts v. AgrEvo USA Company

The Company filed suit against AgrEvo USA Company on August 8, 2000 in the Court of Common Pleas for Union County, Ohio, alleging breach of contract relating to an Agreement dated June 22, 1998 entitled "Exclusive Distributor Agreement - Horticulture". The action seeks an unspecified amount of damages resulting from AgrEvo's breaches of the Agreement, an order of specific performance directing AgrEvo to comply with its obligations under the Agreement, a declaratory judgment that the Company's future performance under the Agreement is waived as a result of AgrEvo's failure to perform, and such other relief to which the Company might be entitled. This action was dismissed without prejudice on February 6, 2001, pending the outcome of settlement discussions.

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

ITEM 4. Submission of Matters to a Vote of Security Holders

The Annual Meeting of Shareholders of the Company (the "Annual Meeting") was held in Columbus, Ohio on January 18, 2001.

The result of the vote of the shareholders for the matter of the election of four directors, for terms of three years each, is as follows:

NOMINEE -----	VOTES FOR -----	WITHHELD -----
Joseph P. Flannery.....	25,787,038	294,533
Albert E. Harris.....	25,787,438	294,133
Katherine Hagedorn Littlefield.....	25,722,268	359,303
Patrick J. Norton.....	25,787,156	294,415

Each of the nominees was elected. The other directors whose terms of office continue after the Annual Meeting are Charles M. Berger, James Hagedorn, Karen G. Mills, John Walker, Ph.D., Arnold W. Donald, John Kenlon, John M. Sullivan and L. Jack Van Fossen.

The result of the vote of the shareholders for the matter of the amendment to the Company's Amended Articles of Incorporation, to return the Class A Convertible Preferred Stock to the status of authorized, but unissued, "blank check" shares, is as follows:

VOTES FOR -----	VOTES AGAINST -----	ABSTAIN -----	BROKER NON-VOTES -----
15,946,618	7,893,294	38,693	2,274,878

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

The result of the vote of the shareholders for the matter of amendments to the Company's Code of Regulations to: (i) permit appointment of shareholder proxies in any manner permitted by Ohio law; (ii) permit shareholders to receive notice of shareholder meetings in any manner permitted by Ohio law; and (iii) allow shareholder meetings to be held in any manner permitted by Ohio law, was as follows:

VOTES FOR -----	VOTES AGAINST -----	ABSTAIN -----
26,030,086	36,957	14,528

This proposal to amend the Company's Code of Regulations, was adopted.

The result of the vote of the shareholders for the matter of a further amendment to the Company's Code of Regulations to clarify and separate the roles of the Company's officers, was as follows:

VOTES FOR -----	VOTES AGAINST -----	ABSTAIN -----
26,048,843	19,422	13,306

This proposal to further amend the Company's Code of Regulations, was adopted.

The result of the vote of the shareholders for the matter of a further amendment to the Company's Code of Regulations to provide for Board committees of one or more directors, was as follows:

VOTES FOR -----	VOTES AGAINST -----	ABSTAIN -----
27,789,193	253,759	38,619

The proposal to further amend the Company's Code of Regulations, was adopted.

ITEM 6.

EXHIBITS AND REPORTS ON FORM 8-K

- (a) See Exhibit Index at page 40 for a list of the exhibits included herewith.
- (b) The Registrant filed no Current Reports on Form 8-K for the quarter covered by this Report.

SIGNATURES

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

THE SCOTTS COMPANY

/s/ CHRISTOPHER L. NAGEL

Principal Accounting Officer,
Vice President and Corporate
Controller

Date: February 13th, 2001

THE SCOTTS COMPANY
 QUARTERLY REPORT ON FORM 10-Q FOR
 FISCAL QUARTER ENDED DECEMBER 30, 2000

EXHIBIT INDEX

EXHIBIT NUMBER -----	DESCRIPTION -----	PAGE NUMBER -----
3(a)(1)	Certificate of Amendment by Shareholders to Articles of The Scotts Company reflecting adoption of amendment to Article FOURTH of Amended Articles of Incorporation by the shareholders of The Scotts Company on January 18, 2001, as filed with Ohio Secretary of State on January 18, 2001	*
3(a)(2)	Certificate of Amendment by Directors of the Scotts Company reflecting adoption of Restated Articles of Incorporation attached thereto, by the Board of Directors of The Scotts Company on January 18, 2001, as filed with Ohio Secretary of State on January 29, 2001.	*
3(b)(1)	Certificate regarding Adoption of Amendments to the Code of Regulations of The Scotts Company by the Shareholders on January 18, 2001	*
3(b)(2)	Code of Regulations of The Scotts Company (reflecting amendments through January 18, 2001) [for SEC reporting compliance purposes only]	*
*	Filed herewith	

Certificate of Amendment by Shareholders
to Articles of The Scotts Company reflecting
adoption of amendment to Article FOURTH of
Amended Articles of Incorporation by the
shareholders of The Scotts Company on
January 18, 2001, as filed with
Ohio Secretary of State on January 18, 2001

Expedite this form
[X] Yes

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

CERTIFICATE OF AMENDMENT
BY SHAREHOLDERS TO ARTICLES OF

The Scotts Company

(Name of Corporation)
878361

(charter number)

G. Robert Lucas, who is the Secretary

(name)

(title)

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

[X] a meeting of the shareholders was duly called and held on January 18,
2001, at which meeting a quorum the shareholders was present in person
or by proxy, and that by the affirmative vote of the holders of shares
entitling them to exercise ___% of the voting power of the corporation,

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

RESOLVED, that Article FOURTH of the Company's Amended Articles of
Incorporation be, and it hereby is, amended in its entirety to read as
set forth on page 12 of the definitive printed proxy statement
delivered to the shareholders in connection with this meeting and
presented to the shareholders at this meeting, which amendment shall be
included in Exhibit B to the minutes of this meeting.
[See Exhibit A, attached hereto for the text of the amendment to
Article FOURTH as adopted in the foregoing resolution.]

IN WITNESS WHEREOF, the above named officer, acting for and on behalf of the
corporation, has hereunto subscribed his name on January 18, 2001

(his/her)

(date)

Signature: /s/ G. Robert Lucas

Title: Secretary

EXHIBIT A

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

The directors of the corporation are authorized to adopt amendments to the Amended Articles of Incorporation in respect of any unissued preferred shares and thereby to fix or change, to the fullest extent now or hereafter permitted by Ohio law: the division of such shares into series and the designation and authorized number of shares of each series; the dividend or distribution rights; dividend rate; liquidation rights, preferences and price; redemption rights and price; sinking fund requirements; voting rights; pre-emptive rights; conversion rights; restrictions on issuance of shares; and such other rights, preferences and limitations as shall not be inconsistent with this Article FOURTH.

Certificate of Amendment by Directors of
The Scotts Company reflecting adoption of
Restated Articles of Incorporation attached thereto,
by the Board of Directors of The Scotts Company
on January 18, 2001, as filed with Ohio
Secretary of State on January 29, 2001

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

CERTIFICATE OF AMENDMENT
BY DIRECTORS OF

The Scotts Company

(Name of Corporation)
878361

(charter number)

G. Robert Lucas, who is the Secretary

(name)

(title)

of the above named Ohio corporation for profit, does hereby certify that:

[X] at a meeting of the directors duly called and held on January 18, 2001

(date)

[] in a writing signed by all the Directors pursuant to Section 1701.54 of
the Ohio Revised Code, the following resolution was adopted pursuant to
Section 1701.72 (B) (insert proper paragraph number) of the Ohio
Revised Code:

RESOLVED, that the Restated Articles of Incorporation of the Company,
attached hereto as Exhibit __, be, and they hereby are, adopted to
supersede and take the place of the existing Amended Articles of
Incorporation of the Company, as amended, which are of record and
remain in force with the Office of the Ohio Secretary of State as of
January 18, 2001.

IN WITNESS WHEREOF, the above named officer, acting for and on behalf of the
corporation, has hereunto subscribed his name on January 18, 2001

(his/her)

(date)

Signature: /s/ G. Robert Lucas

Title: Secretary

RESTATED ARTICLES OF INCORPORATION

OF

THE SCOTTS COMPANY

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

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

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

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

The directors of the corporation are authorized to adopt amendments to the Restated Articles of Incorporation in respect of any unissued preferred shares and thereby to fix or change, to the fullest extent now or hereafter permitted by Ohio law: the division of such shares into series and the designation and authorized number of shares of each series; the dividend or distribution rights; dividend rate; liquidation rights, preferences and price; redemption rights and price; sinking fund requirements; voting rights; pre-emptive rights; conversion rights; restrictions on issuance of shares; and such other rights, preferences and limitations as shall not be inconsistent with this Article FOURTH.

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

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

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

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

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

NINTH: These Restated Articles of Incorporation take the place of and supersede the existing articles of incorporation, as amended, of The Scotts Company.

Certificate regarding Adoption of
Amendments to the Code of Regulations
of The Scotts Company by the
Shareholders on January 18, 2001

The undersigned hereby certifies that he is the duly elected, qualified and acting Secretary of The Scotts Company (the "Company"); and that at the 2001 Annual Meeting of Shareholders (the "Annual Meeting") duly called and held on January 18, 2001, the shareholders of the Company duly adopted proposals to (a) adopt amendments to Sections 1.03, 1.04 and 1.10 of the Company's Code of Regulations (Proposal No. 3 as considered at the Annual Meeting); (b) adopt amendments to Sections 3.01, 3.03, 3.04, 3.05, 3.06, 3.07 and 3.08 of Article THREE of the Company's Code of Regulations (Proposal No. 4 as considered at the Annual Meeting); and (c) adopt an amendment to Section 2.10 of the Company's Code of Regulations (Proposal No. 5 as considered at the Annual Meeting). The text of the Section(s) of the Company's Code of Regulations amended as a result of the adoption of each Proposal is attached hereto in Annex A (Proposal No. 3), Annex B (Proposal No. 4) and Annex C (Proposal No. 5).

IN WITNESS WHEREOF, the undersigned has signed this Certificate this 8th day of February, 2001.

/s/ G. Robert Lucas

G. Robert Lucas, Secretary

Amended Sections 1.03, 1.04 and 1.10
of the Code of Regulations of
The Scotts Company as Adopted in Proposal No. 3

Section 1.03. Place of Meetings. Meetings of shareholders may be held either within or outside the State of Ohio. Meetings of shareholders may be held in any manner or place determined by the Board of Directors and permitted by Ohio law.

Section 1.04. Notice of Meetings. (A) Written notice stating the time, place, if any, and purposes of a meeting of the shareholders, and any other matters related to the conduct of the meeting required by Ohio law to be specified, shall be given by personal delivery, by mail or by any other means of delivery or communication permitted by Ohio law. Any such notice shall be given not less than seven nor more than sixty days before the date of the meeting, (1) to every shareholder of record entitled to notice of the meeting, (2) by or at the direction of the chairman of the board, the president or the secretary. If mailed or sent by a delivery service permitted by Ohio law, the notice shall be sent to the shareholder at the shareholder's address as it appears on the records of the corporation. If transmitted by another means of communications in the manner permitted by Ohio law, the notice shall be transmitted to the address furnished by the shareholder for such transmissions. Notice of adjournment of a meeting need not be given if the time and place, if any, to which it is adjourned and any other matters related to the conduct of the adjourned meeting required by Ohio law to be specified, shall be fixed and announced at such meeting. In the event of a transfer of shares after the record date for determining the shareholders who are entitled to receive notice of a meeting of shareholders, it shall not be necessary to give notice to the transferee. Nothing herein contained shall prevent the setting of a record date in the manner provided by law, the Articles or the Regulations for the determination of shareholders who are entitled to receive notice of or to vote at any meeting of shareholders or for any purpose required or permitted by law.

(B) Following receipt by the president or the secretary of a request in writing, specifying the purpose or purposes for which the persons properly making such request have called a meeting of shareholders, delivered either in person or by registered mail to such officer by any persons entitled to call a meeting of shareholders, such officer shall cause to be given to the shareholders entitled to notice, notice of a meeting to be held on a date not less than seven nor more than sixty days after the receipt of the request, as the officer may fix. If the notice is not given within fifteen days after the receipt of the request by the president or the secretary, then, and only then, the persons properly calling the meeting may fix the time of meeting and give notice on the time of meeting in accordance with the provisions of the Regulations.

Section 1.10. Proxies. At meetings of the shareholders, any shareholder of record entitled to vote thereat may be represented and may vote by proxy or proxies appointed by an instrument in writing signed by such shareholder or appointed in any

other manner permitted by Ohio law. Any such instrument in writing or record of any such appointment shall be filed with or received by the secretary of the meeting before the person holding such proxy shall be allowed to vote thereunder. No appointment of a proxy is valid after the expiration of eleven months after it is made unless the writing or other communication which appoints such proxy specifies the date on which it is to expire or the length of time it is to continue in force.

Amendments to Sections in Article THREE
of the Code of Regulations of The Scotts Company
as Adopted in Proposal No. 4

Section 3.01. Officers. The officers of the corporation to be elected by the directors shall be a chairman of the board, chief executive officer, a president, a secretary, a treasurer, and, if desired, one or more vice presidents and such other officers and assistant officers as the directors may from time to time elect. The chairman of the board must be a director. Officers need not be shareholders of the corporation, and may be paid such compensation as the board of directors may determine. Any two or more offices may be held by the same person, but no officer shall execute, acknowledge, or verify any instrument in more than one capacity if such instrument is required by law, the Articles, the Regulations or the By-Laws to be executed, acknowledged, or verified by two or more officers.

Section 3.03. Duties of the Chairman of the Board. The chairman of the board, if there shall be such an officer, shall preside at all meetings of the directors and of the shareholders. He shall perform such other duties and exercise such other powers as the directors shall from time to time assign to him.

Section 3.04. Duties of the Chief Executive Officer. The chief executive officer of the corporation shall have, subject to the control of the directors, general supervision and management over the business of the corporation and over its officers and employees. The chief executive officer shall perform such other duties and exercise such other powers as the directors may from time to time assign to him.

Section 3.05. Duties of the President. The president of the corporation shall have, subject to the control of the directors and, if there be one, the chief executive officer, general and active supervision and management over the business of the corporation and over its officers and employees. The president shall perform such other duties and exercise such other powers as the directors may from time to time assign to him.

Section 3.06. Duties of the Vice Presidents. Each vice president shall perform such duties and exercise such powers as may be assigned to him from time to time by the chairman of the board or the president. In the absence of the chairman of the board or the president, the duties of the chairman of the board or the president shall be performed and his powers may be exercised by such vice president as shall be designated by the chairman of the board or the president, or failing such designation, such duties shall be performed and such powers may be exercised by each vice president in the order of their earliest election to that office, subject in any case to review and superseding action by the chairman of the board or the president.

Section 3.07. Duties of the Secretary. The secretary shall have the following powers and duties:

(A) He shall keep or cause to be kept a record of all the proceedings of the meetings of the shareholders and of the board of directors in books provided for that purpose.

(B) He shall cause all notices to be duly given in accordance with the provisions of these Regulations and as required by law.

(C) Whenever any committee shall be appointed pursuant to a resolution of the board of directors, he shall furnish a copy of such resolution to the members of such committee.

(D) He shall be the custodian of the records of the corporation.

(E) He shall properly maintain and file all books, reports, statements, certificates and all other documents and records required by law, the Articles or these Regulations.

(F) He shall have charge of the stock books and ledgers of the corporation and shall cause the stock and transfer books to be kept in such manner as to show at any time the number of shares of the corporation of each class issued and outstanding, the names (alphabetically arranged) and the addresses of the holders of record of such shares, the number of shares held by each holder and the date as of which each became such holder of record.

(G) He shall sign (unless the treasurer, an assistant treasurer or assistant secretary shall have signed) certificates representing shares of the corporation the issuance of which shall have been authorized by the board of directors.

(H) He shall perform, in general, all duties incident to the office of secretary and such other duties as may be specified in these Regulations or as may be assigned to him from time to time by the board of directors, the chairman of the board or the president.

Section 3.08. Duties of the Treasurer. The treasurer shall have the following powers and duties:

(A) He shall have charge and supervision over and be responsible for the moneys, securities, receipts and disbursements of the corporation, and shall keep or cause to be kept full and accurate records of all receipts of the corporation.

(B) He shall cause the moneys and other valuable effects of the corporation to be deposited in the name and to the credit of the corporation in such banks or trust companies or with such bankers or other depositories as

shall be selected by the board of directors, the chairman of the board or the president.

(C) He shall cause the moneys of the corporation to be disbursed by checks or drafts upon the authorized depositaries of the corporation and cause to be taken and preserved proper vouchers for all moneys disbursed.

(D) He shall render to the board of directors, the chairman of the board or the president, whenever requested, a statement of the financial condition of the corporation and of all his transactions as treasurer, and render a full financial report at the annual meeting of the shareholders, if called upon to do so.

(E) He shall be empowered from time to time to require from all officers or agents of the corporation reports or statements giving such information as he may desire with respect to any and all financial transactions of the corporation.

(F) He may sign (unless an assistant treasurer or the secretary or an assistant secretary shall have signed) certificates representing shares of the corporation the issuance of which shall have been authorized by the board of directors.

(G) He shall perform, in general, all duties incident to the office of treasurer and such other duties as may be specified in these Regulations or as may be assigned to him from time to time by the board of directors, the chairman of the board or the president.

Amendment to Section 2.10 of the
Code of Regulations of The Scotts Company
as Adopted in Proposal No. 5

Section 2.10. Executive and Other Committees. The directors may create an executive committee or any other committee of directors, to consist of one or more directors (subject to any other requirements as to the number of directors serving on a committee that may be imposed by law or the rules and regulations of the Securities and Exchange Commission or any other regulatory authority), and may authorize the delegation to such executive committee or other committees, of any of the authority of the directors, however conferred, other than that of filling vacancies among the directors or in the executive committee or in any other committee of the directors.

Such executive committee or any other committee of directors shall serve at the pleasure of the directors, shall act only in the intervals between meetings of the directors, and shall be subject to the control and direction of the directors. Such executive committee or other committee of directors may act by a majority of its members at a meeting or by a writing or writings signed by all of its members.

Any act or authorization of any act by the executive committee or any other committee within the authority delegated to it shall be as effective for all purposes as the act or authorization of the directors. No notice of a meeting of the executive committee or of any other committee of directors shall be required. A meeting of the executive committee or of any other committee of directors may be called only by the chairman of the board, chief executive officer or president or by a member of such executive or other committee of directors. Meetings of the executive committee or of any other committee of directors may be held through any communications equipment if all persons participating can hear each other and participation in such a meeting shall constitute presence thereat.

Code of Regulations of
The Scotts Company
(reflecting amendments through
January 18, 2001)
[For SEC reporting compliance purposes only]

CODE OF REGULATIONS
OF
THE SCOTTS COMPANY
(As amended through January 18, 2001)

CODE OF REGULATIONS

OF

THE SCOTTS COMPANY

(As amended through January 18, 2001)

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CODE OF REGULATIONS

OF

THE SCOTTS COMPANY

(As amended through January 18, 2001)

ARTICLE ONE

MEETINGS OF SHAREHOLDERS

Section 1.01. Annual Meetings. The annual meeting of the shareholders for the election of directors, for the consideration of reports to be laid before such meeting and for the transaction of such other business as may properly come before such meeting, shall be held on the second Tuesday of March in each year or on such other date as may be fixed from time to time by the directors.

Section 1.02. Calling of Meetings. Meetings of the shareholders may be called only by the chairman of the board, the president, or, in case of the president's absence, death, or disability, the vice president authorized to exercise the authority of the president; the secretary; the directors by action at a meeting, or a majority of the directors acting without a meeting; or the holders of at least a majority of all shares outstanding and entitled to vote thereat.

Section 1.03. Place of Meetings. Meetings of shareholders may be held either within or outside the State of Ohio. Meetings of shareholders may be held in any manner or place determined by the Board of Directors and permitted by Ohio law.

Section 1.04. Notice of Meetings. (A) Written notice stating the time, place, if any, and purposes of a meeting of the shareholders, and any other matters related to the conduct of the meeting required by Ohio law to be specified, shall be given by personal delivery, by mail or by any other means of delivery or communication permitted by Ohio law. Any such notice shall be given not less than seven nor more than sixty days before the date of the meeting, (1) to every shareholder of record entitled to notice of the meeting, (2) by or at the direction of the chairman of the board, the president or the secretary. If mailed or sent by a delivery service permitted by Ohio law, the notice shall be sent to the shareholder at the shareholder's address as it appears on the records of the corporation. If transmitted by another means of communications in the manner permitted by Ohio law, the notice shall be transmitted to the address furnished by the shareholder for such transmissions. Notice of adjournment of a meeting need not be given if the time and place, if any, to which it is adjourned and any other matters related to the conduct of the adjourned meeting required by Ohio law to be specified, shall be fixed and announced at such

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meeting. In the event of a transfer of shares after the record date for determining the shareholders who are entitled to receive notice of a meeting of shareholders, it shall not be necessary to give notice to the transferee. Nothing herein contained shall prevent the setting of a record date in the manner provided by law, the Articles or the Regulations for the determination of shareholders who are entitled to receive notice of or to vote at any meeting of shareholders or for any purpose required or permitted by law.

(B) Following receipt by the president or the secretary of a request in writing, specifying the purpose or purposes for which the persons properly making such request have called a meeting of shareholders, delivered either in person or by registered mail to such officer by any persons entitled to call a meeting of shareholders, such officer shall cause to be given to the shareholders entitled to notice, notice of a meeting to be held on a date not less than seven nor more than sixty days after the receipt of the request, as the officer may fix. If the notice is not given within fifteen days after the receipt of the request by the president or the secretary, then, and only then, the persons properly calling the meeting may fix the time of meeting and give notice on the time of meeting in accordance with the provisions of the Regulations.

Section 1.05. Waiver of Notice. Notice of the time, place and purpose or purposes of any meeting of shareholders may be waived in writing, either before or after the holding of such meeting, by any shareholder, which writing shall be filed with or entered upon the records of such meeting. The attendance of any shareholder, in person or by proxy, at any such meeting without protesting the lack of proper notice, prior to or at the commencement of the meeting, shall be deemed to be a waiver by such shareholder of notice of such meeting.

Section 1.06. Quorum. At any meeting of shareholders, the holders of a majority of the voting shares of the corporation then outstanding and entitled to vote thereat, present in person or by proxy, shall constitute a quorum for such meeting. The holders of a majority of the voting shares represented at a meeting, whether or not a quorum is present, or the chairman of the board, the president, or the officer of the corporation acting as chairman of the meeting, may adjourn such meeting from time to time, and if a quorum is present at such adjourned meeting any business may be transacted as if the meeting had been held as originally called.

Section 1.07. Votes Required. At all elections of directors, the candidates receiving the greatest number of votes shall be elected. Any other matter submitted to the shareholders for their vote shall be decided by the vote of such proportion of the shares, or of any class of shares, or of each class, as is required by law, the Articles or the Regulations.

Section 1.08. Order of Business. The order of business at any meeting of shareholders shall be determined by the officer of the corporation acting as chairman of such meeting unless otherwise determined by a vote of the holders of a majority of the voting shares of the corporation then outstanding, present in person or by proxy, and entitled to vote at such meeting.

Section 1.09. Shareholders Entitled to Vote. Each shareholder of record on the books of the corporation on the record date for determining the shareholders who are entitled to vote at a meeting of shareholders shall be entitled at such meeting to one vote for each share of the corporation standing in his name on the books of the corporation on such record date. The directors may fix a record date for the determination of the shareholders who are entitled to receive notice of and to vote at a meeting of shareholders, which record date shall not be a date earlier than the date on which the record date is fixed and which record date may be a maximum of sixty days preceding the date of the meeting of shareholders.

Section 1.10. Proxies. At meetings of the shareholders, any shareholder of record entitled to vote thereat may be represented and may vote by proxy or proxies appointed by an instrument in writing signed by such shareholder or appointed in any other manner permitted by Ohio law. Any such instrument in writing or record of any such appointment shall be filed with or received by the secretary of the meeting before the person holding such proxy shall be allowed to vote thereunder. No appointment of a proxy is valid after the expiration of eleven months after it is made unless the writing or other communication which appoints such proxy specifies the date on which it is to expire or the length of time it is to continue in force.

Section 1.11. Inspectors of Election. In advance of any meeting of shareholders, the directors may appoint inspectors of election to act at such meeting or any adjournment thereof; if inspectors are not so appointed, the officer of the corporation acting as chairman of any such meeting may make such appointment. In case any person appointed as inspector fails to appear or act, the vacancy may be filled only by appointment made by the directors in advance of such meeting or, if not so filled, at the meeting by the officer of the corporation acting as chairman of such meeting. No other person or persons may appoint or require the appointment of inspectors of election.

ARTICLE TWO

DIRECTORS

Section 2.01. Authority and Qualifications. Except where the law, the Articles or the Regulations otherwise provide, all authority of the corporation shall be vested in and exercised by its directors. Directors need not be shareholders of the corporation.

Section 2.02. Number and Classification of Directors and Term of Office.

(A) Until changed pursuant to Article FOURTH of the Amended Articles of Incorporation, by the amendment of the Regulations, by the adoption of new regulations or by action of the directors pursuant to subsection (C) hereof, the number of directors of the corporation shall be nine, divided into three classes, each of which shall consist of not less than three directors nor more than five directors as may be determined by the directors or as may be required by the provisions of Section 2(c) of Article FOURTH of the Amended Articles of

Incorporation. The number of directors in each class shall be, to the greatest extent possible, uniform. The election of each class of directors shall be a separate election. At the 1995 annual meeting of shareholders an election shall be held to elect three persons to serve as directors for three years and until their successors are elected, an election shall be held to elect three persons to serve as directors for two years and until their successors are elected and an election shall be held to elect three persons to serve as directors for one year and until their successors are elected.

(B) At each annual meeting of shareholders after the 1995 annual meeting, directors shall be elected to serve for terms of three years, so that the term of office of one class of directors shall expire in each year.

(C) The directors may change the number of directors and may fill any vacancy that is created by an increase in the number of directors; provided, however, that the directors may not reduce the number of directors to less than three or increase the number of directors to more than twelve.

Section 2.03. Election. At each annual meeting of shareholders for the election of directors, the successors to the directors whose term shall expire in that year shall be elected, but if the annual meeting is not held or if one or more of such directors are not elected thereat, they may be elected at a special meeting called for that purpose. The election of directors shall be by ballot whenever requested by the presiding officer of the meeting or by the holders of a majority of the voting shares outstanding, entitled to vote at such meeting and present in person or by proxy, but unless such request is made, the election shall be viva voce.

Section 2.04. Removal. A director or directors may be removed from office, with or without assigning any cause, only by the vote of the holders of shares entitling them to exercise not less than a majority of the voting power of the corporation to elect directors in place of those to be removed. In case of any such removal, a new director may be elected at the same meeting for the unexpired term of each director removed. Failure to elect a director to fill the unexpired term of any director removed shall be deemed to create a vacancy in the board.

Section 2.05. Vacancies. The remaining directors, though less than a majority of the whole authorized number of directors, may, by the vote of a majority of their number, fill any vacancy in the board for the unexpired term. A vacancy in the board exists within the meaning of this Section 2.05 in case the shareholders increase the authorized number of directors but fail at the meeting at which such increase is authorized, or an adjournment thereof, to elect the additional directors provided for, or in case the shareholders fail at any time to elect the whole authorized number of directors.

Section 2.06. Meetings. A meeting of the directors shall be held immediately following the adjournment of each annual meeting of shareholders at which directors are elected, and notice of such meeting need not be given. The directors shall hold such other meetings as may from time to time be called, and such other meetings of directors may be called only by the chairman of the board, the president, or any two directors. All meetings of directors shall be held at the principal office

of the corporation in Marysville or at such other place within or without the State of Ohio, as the directors may from time to time determine by a resolution. Meetings of the directors may be held through any communications equipment if all persons participating can hear each other and participation in a meeting pursuant to this provision shall constitute presence at such meeting.

Section 2.07. Notice of Meetings. Notice of the time and place of each meeting of directors for which such notice is required by law, the Articles, the Regulations or the By-Laws shall be given to each of the directors by at least one of the following methods:

(A) In a writing mailed not less than three days before such meeting and addressed to the residence or usual place of business of a director, as such address appears on the records of the corporation; or

(B) By telegraph, cable, radio, wireless, facsimile or a similar writing sent or delivered to the residence or usual place of business of a director as the same appears on the records of the corporation, not later than the day before the date on which such meeting is to be held; or

(C) Personally or by telephone not later than the day before the date on which such meeting is to be held.

Notice given to a director by any one of the methods specified in the Regulations shall be sufficient, and the method of giving notice to all directors need not be uniform. Notice of any meeting of directors may be given only by the chairman of the board, the president or the secretary of the corporation. Any such notice need not specify the purpose or purposes of the meeting. Notice of adjournment of a meeting of directors need not be given if the time and place to which it is adjourned are fixed and announced at such meeting.

Section 2.08. Waiver of Notice. Notice of any meeting of directors may be waived in writing, either before or after the holding of such meeting, by any director, which writing shall be filed with or entered upon the records of the meeting. The attendance of any director at any meeting of directors without protesting, prior to or at the commencement of the meeting, the lack of proper notice, shall be deemed to be a waiver by him of notice of such meeting.

Section 2.09. Quorum. A majority of the whole authorized number of directors shall be necessary to constitute a quorum for a meeting of directors, except that a majority of the directors in office shall constitute a quorum for filling a vacancy in the board. The act of a majority of the directors present at a meeting at which a quorum is present is the act of the board, except as otherwise provided by law, the Articles or the Regulations.

Section 2.10. Executive and Other Committees. The directors may create an executive committee or any other committee of directors, to consist of one or more directors (subject to any other requirements as to the number of directors serving on a committee that may

be imposed by law or the rules and regulations of the Securities and Exchange Commission or any other regulatory authority), and may authorize the delegation to such executive committee or other committees, of any of the authority of the directors, however conferred, other than that of filling vacancies among the directors or in the executive committee or in any other committee of the directors.

Such executive committee or any other committee of directors shall serve at the pleasure of the directors, shall act only in the intervals between meetings of the directors, and shall be subject to the control and direction of the directors. Such executive committee or other committee of directors may act by a majority of its members at a meeting or by a writing or writings signed by all of its members.

Any act or authorization of any act by the executive committee or any other committee within the authority delegated to it shall be as effective for all purposes as the act or authorization of the directors. No notice of a meeting of the executive committee or of any other committee of directors shall be required. A meeting of the executive committee or of any other committee of directors may be called only by the chairman of the board, chief executive officer or president or by a member of such executive or other committee of directors. Meetings of the executive committee or of any other committee of directors may be held through any communications equipment if all persons participating can hear each other and participation in such a meeting shall constitute presence thereat.

Section 2.11. Compensation. Directors shall be entitled to receive as compensation for services rendered and expenses incurred as directors, such amounts as the directors may determine.

Section 2.12. By-Laws. The directors may adopt, and amend from time to time, By-Laws for their own government, which By-Laws shall not be inconsistent with the law, the Articles or the Regulations.

ARTICLE THREE

OFFICERS

Section 3.01. Officers. The officers of the corporation to be elected by the directors shall be a chairman of the board, chief executive officer, a president, a secretary, a treasurer, and, if desired, one or more vice presidents and such other officers and assistant officers as the directors may from time to time elect. The chairman of the board must be a director. Officers need not be shareholders of the corporation, and may be paid such compensation as the board of directors may determine. Any two or more offices may be held by the same person, but no officer shall execute, acknowledge, or verify any instrument in more than one capacity if such instrument is required by law, the Articles, the Regulations or the By-Laws to be executed, acknowledged, or verified by two or more officers.

Section 3.02. Tenure of Office. The officers of the corporation shall hold office at the pleasure of the directors. Any officer of the corporation may be removed, either with or without cause, at any time, by the affirmative vote of a majority of all the directors then in office; such removal, however, shall be without prejudice to the contract rights, if any, of the person so removed.

Section 3.03. Duties of the Chairman of the Board. The chairman of the board, if there shall be such an officer, shall preside at all meetings of the directors and of the shareholders. He shall perform such other duties and exercise such other powers as the directors shall from time to time assign to him.

Section 3.04. Duties of the Chief Executive Officer. The chief executive officer of the corporation shall have, subject to the control of the directors, general supervision and management over the business of the corporation and over its officers and employees. The chief executive officer shall perform such other duties and exercise such other powers as the directors may from time to time assign to him.

Section 3.05. Duties of the President. The president of the corporation shall have, subject to the control of the directors and, if there be one, the chief executive officer, general and active supervision and management over the business of the corporation and over its officers and employees. The president shall perform such other duties and exercise such other powers as the directors may from time to time assign to him.

Section 3.06. Duties of the Vice Presidents. Each vice president shall perform such duties and exercise such powers as may be assigned to him from time to time by the chairman of the board or the president. In the absence of the chairman of the board or the president, the duties of the chairman of the board or the president shall be performed and his powers may be exercised by such vice president as shall be designated by the chairman of the board or the president, or failing such designation, such duties shall be performed and such powers may be exercised by each vice president in the order of their earliest election to that office, subject in any case to review and superseding action by the chairman of the board or the president.

Section 3.07. Duties of the Secretary. The secretary shall have the following powers and duties:

(A) He shall keep or cause to be kept a record of all the proceedings of the meetings of the shareholders and of the board of directors in books provided for that purpose.

(B) He shall cause all notices to be duly given in accordance with the provisions of these Regulations and as required by law.

(C) Whenever any committee shall be appointed pursuant to a resolution of the board of directors, he shall furnish a copy of such resolution to the members of such committee.

(D) He shall be the custodian of the records of the corporation.

(E) He shall properly maintain and file all books, reports, statements, certificates and all other documents and records required by law, the Articles or these Regulations.

(F) He shall have charge of the stock books and ledgers of the corporation and shall cause the stock and transfer books to be kept in such manner as to show at any time the number of shares of the corporation of each class issued and outstanding, the names (alphabetically arranged) and the addresses of the holders of record of such shares, the number of shares held by each holder and the date as of which each became such holder of record.

(G) He shall sign (unless the treasurer, an assistant treasurer or assistant secretary shall have signed) certificates representing shares of the corporation the issuance of which shall have been authorized by the board of directors.

(H) He shall perform, in general, all duties incident to the office of secretary and such other duties as may be specified in these Regulations or as may be assigned to him from time to time by the board of directors, the chairman of the board or the president.

Section 3.08. Duties of the Treasurer. The treasurer shall have the following powers and duties:

(A) He shall have charge and supervision over and be responsible for the moneys, securities, receipts and disbursements of the corporation, and shall keep or cause to be kept full and accurate records of all receipts of the corporation.

(B) He shall cause the moneys and other valuable effects of the corporation to be deposited in the name and to the credit of the corporation in such banks or trust companies or with such bankers or other depositories as shall be selected by the board of directors, the chairman of the board or the president.

(C) He shall cause the moneys of the corporation to be disbursed by checks or drafts upon the authorized depositories of the corporation and cause to be taken and preserved proper vouchers for all moneys disbursed.

(D) He shall render to the board of directors, the chairman of the board or the president, whenever requested, a statement of the financial condition of the corporation and of all his transactions as treasurer, and render a full financial report at the annual meeting of the shareholders, if called upon to do so.

(E) He shall be empowered from time to time to require from all officers or agents of the corporation reports or statements giving such information as he may desire with respect to any and all financial transactions of the corporation.

(F) He may sign (unless an assistant treasurer or the secretary or an assistant secretary shall have signed) certificates representing shares of the corporation the issuance of which shall have been authorized by the board of directors.

(G) He shall perform, in general, all duties incident to the office of treasurer and such other duties as may be specified in these Regulations or as may be assigned to him from time to time by the board of directors, the chairman of the board or the president.

ARTICLE FOUR

SHARES

Section 4.01. Certificates. Certificates evidencing ownership of shares of the corporation shall be issued to those entitled to them. Each certificate evidencing shares of the corporation shall bear a distinguishing number; the signatures of the chairman of the board, the president, or a vice president, and of the secretary, an assistant secretary, the treasurer or an assistant treasurer (except that when any such certificate is countersigned by an incorporated transfer agent or registrar, such signatures may be facsimile, engraved, stamped or printed); and such recitals as may be required by law. Certificates evidencing shares of the corporation shall be of such tenor and design as the directors may from time to time adopt and may bear such recitals as are permitted by law.

Section 4.02. Transfers. Where a certificate evidencing a share or shares of the corporation is presented to the corporation or its proper agents with a request to register transfer, the transfer shall be registered as requested if:

(1) An appropriate person signs on each certificate so presented or signs on a separate document an assignment or transfer of shares evidenced by each such certificate, or signs a power to assign or transfer such shares, or when the signature of an appropriate person is written without more on the back of each such certificate; and

(2) Reasonable assurance is given that the indorsement of each appropriate person is genuine and effective; the corporation or its agents may refuse to register a transfer of shares unless

the signature of each appropriate person is guaranteed by a commercial bank or trust company having an office or a correspondent in the City of New York or by a firm having membership in the New York Stock Exchange; and

(3) All applicable laws relating to the collection of transfer or other taxes have been complied with; and

(4) The corporation or its agents are not otherwise required or permitted to refuse to register such transfer.

Section 4.03. Transfer Agents and Registrars. The directors may appoint one or more agents to transfer or to register shares of the corporation, or both.

Section 4.04. Lost, Wrongfully Taken or Destroyed Certificates. Except as otherwise provided by law, where the owner of a certificate evidencing shares of the corporation claims that such certificate has been lost, destroyed or wrongfully taken, the directors must cause the corporation to issue a new certificate in place of the original certificate if the owner:

(1) So requests before the corporation has notice that such original certificate has been acquired by a bona fide purchaser; and

(2) Files with the corporation, unless waived by the directors, an indemnity bond, with surety or sureties satisfactory to the corporation, in such sums as the directors may, in their discretion, deem reasonably sufficient as indemnity against any loss or liability that the corporation may incur by reason of the issuance of each such new certificate; and

(3) Satisfies any other reasonable requirements which may be imposed by the directors, in their discretion.

ARTICLE FIVE

INDEMNIFICATION AND INSURANCE

Section 5.01. Mandatory Indemnification. The corporation shall indemnify any officer or director of the corporation who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (including, without limitation, any action threatened or instituted by or in the right of the corporation), by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, trustee, officer, employee, member, manager or agent of another corporation (domestic or foreign, nonprofit or for profit), limited liability company, partnership, joint venture, trust or other enterprise, against expenses (including, without limitation, attorneys' fees, filing fees, court reporters' fees and transcript costs), judgments,

finances and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and with respect to any criminal action or proceeding, he had no reasonable cause to believe his conduct was unlawful. A person claiming indemnification under this Section 5.01 shall be presumed, in respect of any act or omission giving rise to such claim for indemnification, to have acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and with respect to any criminal matter, to have had no reasonable cause to believe his conduct was unlawful, and the termination of any action, suit or proceeding by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, rebut such presumption.

Section 5.02. Court-Approved Indemnification. Anything contained in the Regulations or elsewhere to the contrary notwithstanding:

(A) the corporation shall not indemnify any officer or director of the corporation who was a party to any completed action or suit instituted by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, trustee, officer, employee, member, manager or agent of another corporation (domestic or foreign, nonprofit or for profit), limited liability company, partnership, joint venture, trust or other enterprise, in respect of any claim, issue or matter asserted in such action or suit as to which he shall have been adjudged to be liable for acting with reckless disregard for the best interests of the corporation or misconduct (other than negligence) in the performance of his duty to the corporation unless and only to the extent that the Court of Common Pleas of Union County, Ohio or the court in which such action or suit was brought shall determine upon application that, despite such adjudication of liability, and in view of all the circumstances of the case, he is fairly and reasonably entitled to such indemnity as such Court of Common Pleas or such other court shall deem proper; and

(B) the corporation shall promptly make any such unpaid indemnification as is determined by a court to be proper as contemplated by this Section 5.02.

Section 5.03. Indemnification for Expenses. Anything contained in the Regulations or elsewhere to the contrary notwithstanding, to the extent that an officer or director of the corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 5.01, or in defense of any claim, issue or matter therein, he shall be promptly indemnified by the corporation against expenses (including, without limitation, attorneys' fees, filing fees, court reporters' fees and transcript costs) actually and reasonably incurred by him in connection therewith.

Section 5.04. Determination Required. Any indemnification required under Section 5.01 and not precluded under Section 5.02 shall be made by the corporation only upon a determination that such indemnification of the officer or director is proper in the circumstances because he has met the applicable standard of conduct set forth in Section 5.01. Such determination may be made only (A) by a majority vote of a quorum consisting of directors of the corporation who were not

and are not parties to, or threatened with, any such action, suit or proceeding, or (B) if such a quorum is not obtainable or if a majority of a quorum of disinterested directors so directs, in a written opinion by independent legal counsel other than an attorney, or a firm having associated with it an attorney, who has been retained by or who has performed services for the corporation, or any person to be indemnified, within the past five years, or (C) by the shareholders, or (D) by the Court of Common Pleas of Union County, Ohio or (if the corporation is a party thereto) the court in which such action, suit or proceeding was brought, if any; any such determination may be made by a court under division (D) of this Section 5.04 at any time [including, without limitation, any time before, during or after the time when any such determination may be requested of, be under consideration by or have been denied or disregarded by the disinterested directors under division (A) or by independent legal counsel under division (B) or by the shareholders under division (C) of this Section 5.04]; and no failure for any reason to make any such determination, and no decision for any reason to deny any such determination, by the disinterested directors under division (A) or by independent legal counsel under division (B) or by shareholders under division (C) of this Section 5.04 shall be evidence in rebuttal of the presumption recited in Section 5.01. Any determination made by the disinterested directors under division (A) or by independent legal counsel under division (B) of this Section 5.04 to make indemnification in respect of any claim, issue or matter asserted in an action or suit threatened or brought by or in the right of the corporation shall be promptly communicated to the person who threatened or brought such action or suit, and within ten days after receipt of such notification such person shall have the right to petition the Court of Common Pleas of Union County, Ohio or the court in which such action or suit was brought, if any, to review the reasonableness of such determination.

Section 5.05. Advances for Expenses. Expenses (including, without limitation, attorneys' fees, filing fees, court reporters' fees and transcript costs) incurred in defending any action, suit or proceeding referred to in Section 5.01 shall be paid by the corporation in advance of the final disposition of such action, suit or proceeding to or on behalf of the officer or director promptly as such expenses are incurred by him, but only if such officer or director shall first agree, in writing, to repay all amounts so paid in respect of any claim, issue or other matter asserted in such action, suit or proceeding in defense of which he shall not have been successful on the merits or otherwise:

(A) if it shall ultimately be determined as provided in Section 5.04 that he is not entitled to be indemnified by the corporation as provided under Section 5.01; or

(B) if, in respect of any claim, issue or other matter asserted by or in the right of the corporation in such action or suit, he shall have been adjudged to be liable for acting with reckless disregard for the best interests of the corporation or misconduct (other than negligence) in the performance of his duty to the corporation, unless and only to the extent that the Court of Common Pleas of Union County, Ohio or the court in which such action or suit was brought shall determine upon application that, despite such adjudication of liability, and in view of all the circumstances, he is fairly and reasonably entitled to all or part of such indemnification.

Section 5.06. Article FIVE Not Exclusive. The indemnification provided by this Article FIVE shall not be exclusive of, and shall be in addition to, any other rights to which person

seeking indemnification may be entitled under the Articles or the Regulations or any agreement, vote of shareholders or disinterested directors, or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be an officer or director of the corporation and shall inure to the benefit of the heirs, executors, and administrators of such a person.

Section 5.07. Insurance. The corporation may purchase and maintain insurance or furnish similar protection, including but not limited to trust funds, letters of credit, or self-insurance, on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, trustee, officer, employee, member, manager or agent of another corporation (domestic or foreign, nonprofit or for profit), limited liability company, partnership, joint venture, trust or other enterprise, against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the corporation would have the obligation or the power to indemnify him against such liability under the provisions of this Article FIVE. Insurance may be purchased from or maintained with a person in which the corporation has a financial interest.

Section 5.08. Certain Definitions. For purposes of this Article FIVE, and as examples and not by way of limitation:

(A) A person claiming indemnification under this Article FIVE shall be deemed to have been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 5.01, or in defense of any claim, issue or other matter therein, if such action, suit or proceeding shall be terminated as to such person, with or without prejudice, without the entry of a judgment or order against him, without a conviction of him, without the imposition of a fine upon him and without his payment or agreement to pay any amount in settlement thereof (whether or not any such termination is based upon a judicial or other determination of the lack of merit of the claims made against him or otherwise results in a vindication of him); and

(B) References to an "other enterprise" shall include employee benefit plans; references to a "fine" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the corporation" shall include any service as a director, officer, employee or agent of the corporation which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the best interests of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the corporation" within the meaning of that term as used in this Article FIVE.

Section 5.09. Venue. Any action, suit or proceeding to determine a claim for indemnification under this Article FIVE may be maintained by the person claiming such indemnification, or by the corporation, in the Court of Common Pleas of Union County, Ohio. The corporation and (by claiming such indemnification) each such person consent to the exercise of jurisdiction over its

or his person by the Court of Common Pleas of Union County, Ohio in any such action, suit or proceeding.

ARTICLE SIX

MISCELLANEOUS

Section 6.01. Amendments. The Regulations may be amended, or new regulations may be adopted, at a meeting of shareholders held for such purpose, only by the affirmative vote of the holders of shares entitling them to exercise not less than a majority of the voting power of the corporation on such proposal, or without a meeting by the written consent of the holders of shares entitling them to exercise not less than all of the voting power of the corporation on such proposal.

Section 6.02. Action by Shareholders or Directors Without a Meeting. Anything contained in the Regulations to the contrary notwithstanding, any action which may be authorized or taken at a meeting of the shareholders or of the directors or of a committee of the directors, as the case may be, may be authorized or taken without a meeting with the affirmative vote or approval of, and in a writing or writings signed by, all the shareholders who would be entitled to notice of a meeting of the shareholders held for such purpose, or all the directors, or all the members of such committee of the directors, respectively, which writings shall be filed with or entered upon the records of the corporation.