

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED DECEMBER 31, 2005

OR

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

COMMISSION FILE NUMBER 1-13292

THE SCOTTS MIRACLE-GRO COMPANY

(Exact Name of Registrant as Specified in Its Charter)

OHIO
(State or Other Jurisdiction of
Incorporation or Organization)

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

14111 SCOTTSLAWN ROAD, MARYSVILLE, OHIO 43041
(Address of Principal Executive Offices) (Zip Code)

(937) 644-0011
(Registrant's Telephone Number, Including Area Code)

NO CHANGE
(Former Name, Former Address and Former Fiscal Year,
if Changed Since Last Report)

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

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

Large accelerated filer Accelerated filer Non-accelerated filer

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

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

OUTSTANDING AT FEBRUARY 3, 2006

67,964,740
Common Shares, voting, no par value

THE SCOTTS MIRACLE-GRO COMPANY AND SUBSIDIARIES
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PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	THREE MONTHS ENDED	
	DECEMBER 31, 2005	JANUARY 1, 2005
Net sales	\$ 249.5	\$ 246.5
Cost of sales	196.0	185.4
Gross profit	53.5	61.1
Operating expenses:		
Selling, general and administrative	126.0	129.6
Impairment, restructuring and other charges	5.7	22.2
Other income, net	(1.6)	(0.2)
Loss from operations	(76.6)	(90.5)
Interest expense	7.1	10.4
Loss before income taxes	(83.7)	(100.9)
Income taxes (benefit)	(31.0)	(38.4)
Loss from continuing operations	(52.7)	(62.5)
Loss from discontinued operations	—	(0.2)
Net loss	<u>\$ (52.7)</u>	<u>\$ (62.7)</u>
BASIC LOSS PER COMMON SHARE:		
Weighted-average common shares outstanding during the period	<u>68.0</u>	<u>66.0</u>
Basic loss per common share:		
Loss from continuing operations	\$ (0.78)	\$ (0.95)
Loss from discontinued operations	—	—
Net loss	<u>\$ (0.78)</u>	<u>\$ (0.95)</u>
DILUTED LOSS PER COMMON SHARE:		
Weighted-average common shares outstanding during the period	<u>68.0</u>	<u>66.0</u>
Diluted loss per common share:		
Loss from continuing operations	\$ (0.78)	\$ (0.95)
Loss from discontinued operations	—	—
Net loss	<u>\$ (0.78)</u>	<u>\$ (0.95)</u>
Dividends declared per common share	<u>\$ 0.125</u>	<u>\$ —</u>

See notes to condensed, consolidated financial statements

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

	THREE MONTHS ENDED	
	DECEMBER 31, 2005	JANUARY 1, 2005
OPERATING ACTIVITIES		
Net loss	\$ (52.7)	\$ (62.7)
Adjustments to reconcile net loss to net cash used in operating activities:		
Impairment of intangible assets	1.0	22.0
Stock-based compensation expense	4.3	2.3
Depreciation	12.2	12.5
Amortization	3.5	3.4
Deferred taxes	—	(9.5)
Changes in assets and liabilities, net of acquired businesses:		
Accounts receivable	82.0	56.6
Inventories	(222.2)	(181.2)
Prepaid and other current assets	(2.8)	(1.4)
Accounts payable	59.9	50.0
Accrued taxes and liabilities	(117.3)	(62.1)
Restructuring reserves	(5.0)	(1.9)
Other non-current items	2.9	3.0
Other, net	0.2	(1.7)
Net cash used in operating activities	<u>(234.0)</u>	<u>(170.7)</u>
INVESTING ACTIVITIES		
Redemption of available for sale securities	—	57.2
Investment in property, plant and equipment	(14.3)	(5.0)
Investment in acquired businesses, net of cash acquired	(97.7)	(70.3)
Net cash used in investing activities	<u>(112.0)</u>	<u>(18.1)</u>
FINANCING ACTIVITIES		
Borrowings under revolving and bank lines of credit	337.2	132.9
Repayments under revolving and bank lines of credit	(33.9)	(14.2)
Repayments of term loans	—	(1.0)
Dividends paid	(8.5)	—
Purchase of common shares	(1.2)	—
Financing fees, net	—	(0.4)
Payments on seller notes	(0.5)	(1.9)
Cash received from the exercise of stock options	7.5	11.8
Net cash provided by financing activities	<u>300.6</u>	<u>127.2</u>
Effect of exchange rate changes on cash	3.0	(24.9)
Net decrease in cash	(42.4)	(86.5)
Cash and cash equivalents at beginning of period	80.2	115.6
Cash and cash equivalents at end of period	<u>\$ 37.8</u>	<u>\$ 29.1</u>
Supplemental cash flow information		
Interest paid, net of interest capitalized	8.6	13.1
Income taxes paid (received)	0.7	(2.4)

See notes to condensed, consolidated financial statements

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

	UNAUDITED		
	DECEMBER 31, 2005	JANUARY 1, 2005	SEPTEMBER 30, 2005
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 37.8	\$ 29.1	\$ 80.2
Accounts receivable, less allowances of \$10.1, \$20.7 and \$11.4, respectively	250.8	252.7	323.3
Inventories, net	558.8	501.2	324.9
Prepaid and other assets	63.5	71.4	59.4
Total current assets	<u>910.9</u>	<u>854.4</u>	<u>787.8</u>
Property, plant and equipment, net of accumulated depreciation of \$336.9, \$315.3 and \$322.4, respectively	361.0	343.8	337.0
Goodwill	450.5	430.6	432.9
Intangible assets, net	472.3	467.3	439.5
Other assets	21.2	19.4	21.7
Total assets	<u>\$ 2,215.9</u>	<u>\$ 2,115.5</u>	<u>\$ 2,018.9</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Current portion of debt	\$ 13.9	\$ 20.5	\$ 11.1
Accounts payable	215.7	196.7	151.7
Accrued liabilities	224.5	238.5	314.7
Accrued taxes	(20.1)	(5.3)	8.7
Total current liabilities	<u>434.0</u>	<u>450.4</u>	<u>486.2</u>
Long-term debt	679.1	727.2	382.4
Other liabilities	126.5	110.0	124.1
Total liabilities	<u>1,239.6</u>	<u>1,287.6</u>	<u>992.7</u>
Commitments and contingencies (notes 3 and 8)			
Shareholders' equity:			
Common shares and capital in excess of \$.01 stated value per share, 68.1, 66.4, 67.8 shares issued, respectively	503.2	447.2	491.3
Retained earnings	530.6	436.7	591.5
Treasury stock, at cost;.03 shares	(1.2)	—	—
Accumulated other comprehensive loss	(56.3)	(56.0)	(56.6)
Total shareholders' equity	<u>976.3</u>	<u>827.9</u>	<u>1,026.2</u>
Total liabilities and shareholders' equity	<u>\$ 2,215.9</u>	<u>\$ 2,115.5</u>	<u>\$ 2,018.9</u>

See notes to condensed, consolidated financial statements

NOTES TO CONDENSED, CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

The Scotts Miracle-Gro Company (“Scotts Miracle-Gro”) and its subsidiaries (collectively, the “Company”) are engaged in the manufacture, marketing and sale of lawn and garden care products. The Company’s major customers include home improvement centers, mass merchandisers, warehouse clubs, large hardware chains, independent hardware stores, nurseries, garden centers, food and drug stores, commercial nurseries and greenhouses, and specialty crop growers. The Company’s products are sold primarily in North America and the European Union. We also operate the Scotts LawnService® business which provides lawn and tree and shrub fertilization, insect control and other related services in the United States. Effective October 2, 2004, Scotts acquired Smith & Hawken®, a leading brand in the outdoor living and gardening lifestyle category. Smith & Hawken® products are sold in the United States through its 57 retail stores as well as through catalog and internet sales. Effective November 18, 2005, we entered the North America wild bird category with the acquisition of Gutwein & Co. Inc. (“Gutwein”).

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

ORGANIZATION AND BASIS OF PRESENTATION

The Company’s condensed, consolidated financial statements are unaudited; however, in the opinion of management, these financial statements are presented in accordance with accounting principles generally accepted in the United States of America. The condensed, consolidated financial statements include the accounts of Scotts Miracle-Gro and all wholly-owned and majority-owned subsidiaries. All intercompany transactions and accounts have been eliminated in consolidation. The Company’s criteria for consolidating entities is based on majority ownership (as evidenced by a majority voting interest in the entity) and an objective evaluation and determination of effective management control. Interim results reflect all normal and recurring adjustments and are not necessarily indicative of results for a full year. The interim financial statements and notes are presented as specified by Regulation S-X of the Securities and Exchange Commission, and should be read in conjunction with the financial statements and accompanying notes in Scotts Miracle-Gro’s fiscal 2005 Annual Report on Form 10-K.

RESTRUCTURING MERGER

On March 18, 2005, The Scotts Company consummated the restructuring of its corporate structure into a holding company structure by merging The Scotts Company into a newly-created, wholly-owned, second-tier Ohio limited liability company subsidiary, The Scotts Company LLC, pursuant to the Agreement and Plan of Merger, dated as of December 13, 2004, by and among The Scotts Company, The Scotts Company LLC and Scotts Miracle-Gro (the “Restructuring Merger”). As a result of the Restructuring Merger, each of The Scotts Company’s common shares, without par value, issued and outstanding immediately prior to the consummation of the Restructuring Merger was automatically converted into one fully paid and nonassessable common share, without par value, of Scotts Miracle-Gro. Scotts Miracle-Gro is the public company successor to The Scotts Company. Following the consummation of the Restructuring Merger, The Scotts Company LLC is the successor to The Scotts Company and is a direct, wholly-owned subsidiary of Scotts Miracle-Gro, the new parent holding company.

STOCK SPLIT

On November 9, 2005, the Company executed a 2-for-1 stock split to shareholders of record on November 2, 2005. All share and per share information included in these consolidated financial statements and notes thereto have been adjusted to reflect this stock split for all periods presented.

REVENUE RECOGNITION

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

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

PROMOTIONAL ALLOWANCES

The Company promotes its branded products through cooperative advertising programs with retailers. Retailers also are offered in-store promotional allowances and rebates based on sales volumes. Certain products are promoted with direct consumer rebate programs and special purchasing incentives. Promotion costs (including allowances and rebates) incurred during the year are expensed to interim periods in relation to revenues and are recorded as a reduction of net sales. Accruals for expected payouts under these programs are included in the "Accrued liabilities" line in the Condensed, Consolidated Balance Sheets.

ADVERTISING

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

Scotts LawnService® promotes its service offerings primarily through direct response mail campaigns. External costs associated with these campaigns that qualify as direct response advertising costs are deferred and recognized as advertising expense in proportion to revenues over a period not beyond the end of the subsequent calendar year. The costs deferred at December 31, 2005, January 1, 2005 and September 30, 2005 were \$2.0 million, \$0.7 million and \$2.4 million, respectively.

STOCK-BASED COMPENSATION AWARDS

Beginning in fiscal 2003, the Company began expensing prospective grants of employee stock-based compensation awards in accordance with Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation." The Company adopted SFAS 123(R), "Share-Based Payment" effective October 1, 2005, following the modified prospective application approach. The Company was already in substantial compliance with SFAS 123(R) at the adoption date as the standard closely parallels SFAS 123. The adoption of SFAS 123(R) did not have a significant effect on the Company's results of operations for the period ended December 31, 2005.

The Company grants share-based awards annually to officers, other key employees, and non-employee directors. Historically, these awards primarily include stock options with exercise prices equal to the market price of the underlying common shares on the date of grant with a term of 10 years. In recent years, the Company also has begun to grant awards of restricted stock. These share-based awards have been made under plans approved by the shareholders in 1992, 1996, and 2003. Generally, in respect of grants to employees, a three-year cliff vesting schedule is used for all share-based awards unless decided otherwise by the Compensation and Organization Committee of the Board of Directors. Grants to non-employee directors typically vest in one year or less.

On January 26, 2006, the shareholders of the Company approved the 2006 Long-Term Incentive Plan, providing for an additional 4.9 million common shares of the Company for grant under the terms of the plan. As of January 31, 2006, the Company had approximately 5.0 million common shares not subject to outstanding awards and available in support of the grant of new share-based awards.

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

	FOR THE THREE MONTHS ENDED	
	DECEMBER 31, 2005	JANUARY 1, 2005
Key employees		
Options	729,900	912,600
Stock appreciation rights	—	—
Performance shares	30,000	—
Restricted stock	157,400	101,000
Board of Directors — Options	—	—
Total share-based awards	<u>917,300</u>	<u>1,013,600</u>
Fair value at grant dates (in millions)	\$ 17.3	\$ 13.0

The exercise price for option awards and the stated price for stock appreciation rights awards were determined by the closing price of the Company's common shares on the date of grant. Stock-based compensation expense recorded for the three months ended December 31, 2005 and January 1, 2005 \$4.3 million, and \$2.3 million, respectively. Stock appreciation rights result in less dilution than option awards as the SAR holder receives a net share settlement upon exercise.

Stock Options/SARs

Aggregate option and stock appreciation right award activity consists of the following (options/SARs in millions):

	Fiscal Year ended September 30, 2005			
	No. of Options/SARs	WTD. Avg. Exercise Price	WTD. Avg. Remaining Contractual Term	Aggregate Intrinsic Value
Balance at September 30, 2005	6.4	\$ 23.09		
Granted	0.7	\$ 42.58		
Exercised	(0.4)	\$ 20.08		
Forfeited	(0.1)	\$ 18.38		
Balance at December 31, 2005	<u>6.6</u>	\$ 25.41	7.3 years	\$130.9 million
Exercisable at December 13, 2005	<u>3.8</u>	\$ 19.36	4.7 years	\$98.3 million

The fair value of each award granted has been estimated on the grant date using the binomial lattice-based model for fiscal 2006 and 2005. The fair value of each option award is estimated on the date of grant using a lattice-based option valuation model that uses the assumptions noted in the following table. Expected volatilities are based on implied volatilities from traded options on the Company's stock, historical volatility of the Company's stock, and other factors. The Company uses historical data to estimate option exercise and employee termination within the valuation model; separate groups of employees that have similar historical exercise behavior are considered separately for valuation purposes. The expected term of options granted is derived from the output of the option valuation model and represents the period of time that options granted are expected to be outstanding. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

	FOR THE THREE MONTHS ENDED	
	December 31, 2005	January 1, 2005
Market price volatility	22.9%	23.9%
Risk-free interest rates	4.0%	3.7%
Expected dividend yield	0.6%	0.0%
Expected life of options/SARs	6.19	6.15
Weighted-average grant-date fair value per share of options/SARs	\$ 12.53	\$ 10.57

Restricted Stock

Aggregate restricted stock award activity is as follows:

	No. of Shares	Fair Value at Date of Grant
Balance at September 30, 2005	114,400	32.07
Granted	187,400	43.61
Fully vested	(10,600)	41.18
Forfeited	—	—
Balance at December 31, 2005	291,200	39.16

At December 31, 2005, there was \$23.2 million of total unrecognized compensation cost related to nonvested share-based awards. That cost is expected to be recognized as follows: \$8.8 million in fiscal 2006, \$8.5 million in fiscal 2007, \$5.3 million in fiscal 2008 and \$0.6 million in 2009. Unearned compensation is amortized over the vesting period for the particular grant, and is recognized as a component of "Selling, general and administrative" expenses within the Condensed, Consolidated Statements of Operations.

The total intrinsic value of stock options exercised was \$11.0 million and the total fair value of restricted stock vested was \$0.4 million during the three months ended December 31, 2005. The total intrinsic value of stock options exercised was \$16.4 million.

Cash received from stock option exercises for the three months ended December 31, 2005 was \$7.5 million. The income tax benefits from share-based arrangements totaled \$2.8 million for the three months ended December 31, 2005.

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LONG-LIVED ASSETS

Management assesses the recoverability of long-lived assets being amortized whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If it is determined that an impairment has occurred, an impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its estimated fair value.

Management also assesses the recoverability of goodwill and other intangible assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Goodwill and intangible assets not being amortized are reviewed for impairment at least annually during the first fiscal quarter. If it is determined that an impairment of intangible assets has occurred, an impairment loss is recognized for the amount by which the carrying value of the asset exceeds its estimated fair value.

The Company performed its annual impairment analysis during the first quarter of fiscal 2006 and recorded a \$1.0 million charge. The fiscal 2005 impairment charge was for the U.K. consumer business, reflecting a reduction in the value of the business resulting primarily from the decline in the profitability of its growing media business and unfavorable category mix trends.

LOSS PER COMMON SHARE

Basic loss per common share is computed based on the weighted average number of common shares outstanding each period. Diluted loss per common share is computed based on the weighted-average number of common shares and dilutive potential common shares (stock options, restricted stock, performance shares and stock appreciation rights) outstanding each period. Because of the first quarter loss, common stock equivalents were not included in the calculation of diluted loss per share because to do so would have been anti-dilutive. These common stock equivalents equate to 2.1 million common shares and 1.8 million common shares for the periods ended December 31, 2005 and January 1, 2005, respectively.

USE OF ESTIMATES

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

RECLASSIFICATIONS

Certain reclassifications have been made in prior periods financial statements to conform to fiscal 2006 classifications.

2. DETAIL OF INVENTORIES, NET

Inventories, net of provisions for slow moving and obsolete inventory of \$16.1 million, \$20.1 million, and \$16.3 million, respectively, consisted of:

	<u>DECEMBER 31,</u> <u>2005</u>	<u>JANUARY 1,</u> <u>2005</u>	<u>SEPTEMBER 30,</u> <u>2005</u>
		<u>(IN MILLIONS)</u>	
Finished goods	\$ 414.3	\$ 366.7	\$ 216.0
Work-in-process	41.3	38.9	31.4
Raw materials	103.2	95.6	77.5
	<u>\$ 558.8</u>	<u>\$ 501.2</u>	<u>\$ 324.9</u>

3. MARKETING AGREEMENT

Under the terms of the Marketing Agreement with Monsanto, the Company is Monsanto's exclusive agent for the domestic and international marketing and distribution of consumer Roundup® herbicide products. Under the terms of the Marketing Agreement, the Company is entitled to receive an annual commission from Monsanto in consideration for the performance of the Company's duties as agent. The Marketing Agreement also requires the Company to make annual payments to Monsanto as a contribution against the overall expenses of the consumer Roundup® business.

The annual gross commission under the Marketing Agreement is calculated as a percentage of the actual earnings before interest and income taxes (EBIT), as defined in the Marketing Agreement, of the consumer Roundup® business. Each year's percentage varies in accordance with the terms of the Marketing Agreement based on the achievement of two earnings thresholds and on commission rates that vary by threshold and program year. As the first earnings threshold is typically not achieved until our second fiscal quarter, there is no gross commission income in the first quarter.

The annual contribution payment as defined in the Marketing Agreement is \$20.0 million; however, portions of the annual contribution payments for the first three years of the Marketing Agreement were deferred. Through July 2, 2005, the Company recognized a periodic charge associated with the annual contribution payments equal to the required payment for that period. The Company had not recognized a charge for the portions of the contribution payments that were deferred until the time those deferred amounts were due under the terms of the Marketing Agreement. Based on the then available facts and circumstances, the Company considered this method of accounting to be appropriate. Factors considered in this determination included the likely term of the Marketing Agreement, the Company's ability to terminate the Marketing Agreement without paying the deferred amounts, the Company's assessment that the Marketing Agreement could have been terminated at any balance sheet date without incurring significant economic consequences as a result of such action and the fact that a significant portion of the deferred amount could never have been paid, even if the Marketing Agreement is not terminated prior to 2018, unless significant earnings targets were exceeded.

During the quarter ended July 2, 2005, the Company updated its assessment of the amounts deferred and previously considered a contingent obligation under the Marketing Agreement. Based on the recent strong performance of the consumer Roundup® business and other economic developments surrounding the business, the company believes that the deferred contribution amounts then outstanding would be paid in full between 2010 and 2012 under the terms of the Marketing Agreement. In management's judgement, it is probable that the deferred contribution payment that totaled \$45.7 million as of July 2, 2005 would be paid. As such, the Company recorded a \$45.7 million liability for the deferred contribution payments, with a corresponding charge to net sales in the quarter ended July 2, 2005. This amount bore interest at 8% until it was paid in October 2005. The deferred contribution balance was recorded as a current liability at September 30, 2005.

Under the terms of the Marketing Agreement, the Company performs certain functions, primarily manufacturing conversion, selling and marketing support costs, on behalf of Monsanto in the conduct of the consumer Roundup® business. The actual costs incurred for these activities are charged to and reimbursed by Monsanto, for which the Company recognizes no gross profit or net income. Prior to the fourth quarter of fiscal 2005, these costs were recognized in the consolidated statements of operations on a net basis as a recovery of incurred costs. Effective with the fourth quarter of fiscal 2005, the Company now records costs incurred under the Marketing Agreement for which the Company is the primary obligor on a gross basis, recognizing such costs in "Cost of sales" and the reimbursement of these costs in "Net sales," with no effect on gross profit or net income. As disclosed in "Note 22 — Quarterly Consolidated Financial Information (Unaudited)" of the Notes to the Consolidated Financial Statements included in the Company's fiscal 2005 Annual Report on Form 10-K, net sales and cost of sales for the quarters in fiscal 2005 were revised to reflect this change. The related revenues and cost of sales were \$8.2 million and \$9.6 million for the three-month periods ended December 31, 2005 and January 1, 2005, respectively.

Net sales also have been revised to reflect the net commission associated with the Marketing Agreement. Prior to the fourth quarter of fiscal 2005, the elements of net commission were reported as separate line items in the condensed, consolidated statements of operations. The following table displays elements of the Marketing Agreement included in "Net sales."

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	FOR THE THREE MONTHS ENDED	
	DECEMBER 31, 2005	JANUARY 1, 2005
	(IN MILLIONS)	
Gross commission	\$ —	\$ —
Contribution expenses	(5.0)	(6.3)
Deferred contribution charge	—	—
Amortization of marketing fee	(0.2)	(0.8)
Net commission expense	(5.2)	(7.1)
Reimbursements associated with Marketing Agreement	8.2	9.6
Total net sales associated with Marketing Agreement	<u>\$ 3.0</u>	<u>\$ 2.5</u>

4. IMPAIRMENT, RESTRUCTURING AND OTHER CHARGES

FISCAL 2006 CHARGES

During the first quarter of fiscal 2006, the Company recorded \$4.7 million of restructuring and other charges relating to our profit improvement plan, consisting primarily of severance and related costs. The impairment charge of \$1.0 million was associated with a tradename no longer in use in our United Kingdom business.

FISCAL 2005 CHARGES

During the first quarter of fiscal 2005, the Company recorded \$22.2 million of impairments, restructuring and other charges. An impairment charge of \$22.0 was related to tradenames within the United Kingdom consumer business. The \$0.2 of restructuring and other charges relate to our Global Business Information Services outsourcing initiative.

The following is the detail of impairment, restructuring and other charges and roll forward of the restructuring and other charges accrued as of December 31, 2005, January 1, 2005, and September 30, 2005.

	DECEMBER 31, 2005	JANUARY 1, 2005
	(IN MILLIONS)	
Restructuring and other charges:		
Severance	\$ 2.9	\$ 0.2
Other related costs	1.8	—
	4.7	0.2
Impairment of other intangibles	1.0	22.0
	<u>\$ 5.7</u>	<u>\$ 22.2</u>
Amounts reserved for restructuring and other charges at beginning of period	\$ 15.6	\$ 5.3
Restructuring expense	4.7	0.2
Payments and other	(9.7)	(2.1)
Amounts reserved for restructuring and other charges at end of period	<u>\$ 10.6</u>	<u>\$ 3.4</u>

The restructuring activities to which these costs apply are expected to be largely completed in fiscal 2006. The balances of the accrued charges at December 31, 2005 and January 1, 2005 are included in "Accrued liabilities" on the Condensed, Consolidated Balance Sheets.

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5. LONG-TERM DEBT

	<u>DECEMBER 31, 2005</u>	<u>JANUARY 1, 2005</u> (IN MILLIONS)	<u>SEPTEMBER 30, 2005</u>
New Credit Agreement:			
Revolving loans	\$ 464.2	\$ 119.5	\$ 166.2
Term loans	—	398.0	—
6 5/8% Senior Subordinated Notes	200.0	200.0	200.0
Notes due to sellers	7.7	11.3	8.1
Foreign bank borrowings and term loans	10.1	11.2	6.8
Other	11.0	7.7	12.4
	<u>693.0</u>	<u>747.7</u>	<u>393.5</u>
Less current portions	13.9	20.5	11.1
	<u>\$ 679.1</u>	<u>\$ 727.2</u>	<u>\$ 382.4</u>

Future principal payments on our short and long-term debt are as follows (in millions):

Less than one year	\$ 13.9
One to three years	7.4
Four to five years	466.8
After five years	204.9
	<u>\$ 693.0</u>

6. STATEMENT OF COMPREHENSIVE INCOME

The components of other comprehensive loss and total comprehensive loss for the three months ended December 31, 2005 and January 1, 2005 are as follows:

	FOR THE THREE MONTHS ENDED	
	<u>DECEMBER 31, 2005</u>	<u>JANUARY 1, 2005</u>
	(IN MILLIONS)	
Net loss	\$ (52.7)	\$ (62.7)
Other comprehensive income (expense):		
Change in valuation of derivative instruments	(0.2)	0.8
Foreign currency translation adjustments	0.5	0.9
Comprehensive loss	<u>\$ (52.4)</u>	<u>\$ (61.0)</u>

7. RETIREMENT AND RETIREE MEDICAL PLANS COST INFORMATION

The following summarizes the net periodic benefit cost for the various plans sponsored by the Company:

	FOR THE THREE MONTHS ENDED	
	<u>DECEMBER 31, 2005</u>	<u>JANUARY 1, 2005</u>
	(IN MILLIONS)	
Frozen defined benefit plans	\$ 0.5	\$ 0.9
International benefit plans	1.7	1.4
Retiree medical plan	0.8	0.8

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, worker's compensation, property losses and other fiduciary liabilities for which the Company is self-insured or retains a high exposure limit. Self-insurance reserves are established based on actuarial estimates. Legal costs incurred in connection with the resolution of claims, lawsuits and other contingencies generally are expensed as incurred. In the opinion of management, its assessment of contingencies is reasonable and related reserves, in the aggregate, are adequate; however, there can be no assurance that future quarterly or annual operating results will not be materially affected by final resolution of these matters.

Reference should be made to "Note 16 – Contingencies" to Consolidated Financial Statements included in the Company's fiscal

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2005 Annual Report on Form 10-K. Pending material environment and legal proceedings have not changed significantly from those disclosed in the Company's fiscal 2005 Annual Report on Form 10-K.

9. ACQUISITIONS

Effective October 3, 2005, the Company acquired all outstanding shares of Rod McLellan Company for approximately \$21.0 million in cash. Rod McLellan Company, a provider of soil and landscape products in the western U.S., operates three soil-manufacturing facilities in California and Oregon with approximately 100 employees. This business will be strategically integrated into our existing growing media business.

Effective November 18, 2005, the Company acquired all outstanding shares of Gutwein, for approximately \$77.0 million in cash. Gutwein's annual revenues approximate \$85.0 million in the growing wild bird food category. Gutwein's Morning Song® products are sold at leading mass retailers, grocery, pet and general merchandise stores. Gutwein has 140 employees and operates five production facilities. This is the Company's first acquisition in this category, offering the opportunity to expand our share of the outdoor living market.

Preliminary purchase accounting allocations have been recorded for both Rod McLellan and Gutwein, including the allocation of the purchase price to assets acquired and liabilities assumed, based on their estimated fair values at the date of acquisitions. The Company expects to finalize purchase accounting for the acquisitions prior to the end of fiscal 2006.

Pro forma net sales, net loss, and net loss per common share for the three months ended January 1, 2005 would not have been significantly different had the acquisitions of Rod McLellan Company and Gutwein occurred as of October 1, 2004.

10. SEGMENT INFORMATION

The Company is divided into the following segments — North America, Scotts LawnService®, International, and Corporate & Other. The North America segment primarily consists of the Lawns, Gardens, Ortho®, Canada and North American Professional business groups as well as the North American portion of the Roundup® commission. This division of reportable segments is consistent with how the segments report to and are managed by senior management of the Company. Prior year amounts have been reclassified to conform with certain modifications to the Company's reporting structure in fiscal 2006.

The North America segment manufactures, markets and sells dry, granular slow-release lawn fertilizers, combination lawn fertilizer and control products, grass seed, spreaders, water-soluble, liquid and continuous-release garden and indoor plant foods, plant care products, potting, garden and lawns soils, pottery, mulches and other growing media products, pesticide products and a full line of horticulture products. Products are marketed to mass merchandisers, home improvement centers, large hardware chains, warehouse clubs, distributors, nurseries, garden centers and specialty crop growers in the United States, Canada, Latin America, South America, Australia, and Asia-Pacific. The recently acquired businesses of Rod McLellan Company and Gutwein & Co. are being integrated into the North America segment.

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

The International segment provides products similar to those described above for the North America segment to consumers primarily in Europe. The Corporate & Other segment consists of the Smith & Hawken® business and corporate, general and administrative expenses.

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The following table presents segment financial information in accordance with SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." Pursuant to SFAS No. 131, the presentation of the segment financial information is consistent with the basis used by management (i.e., certain costs not allocated to business segments for internal management reporting purposes are not allocated for purposes of this presentation).

	FOR THE THREE MONTHS ENDED		
	DECEMBER 31, 2005	JANUARY 1, 2005	SEPTEMBER 30, 2005
(IN MILLIONS)			
Net sales:			
North America	\$ 125.6	\$ 115.3	
Scotts LawnService®	23.6	20.9	
International	58.3	69.5	
Corporate & Other	42.2	41.6	
Segment total	249.7	247.3	
Roundup® amortization	(0.2)	(0.8)	
	<u>\$ 249.5</u>	<u>\$ 246.5</u>	
Operating loss:			
North America	\$ (28.5)	\$ (29.5)	
Scotts LawnService®	(11.3)	(8.2)	
International	(5.1)	(5.9)	
Corporate & Other	(22.5)	(21.3)	
Segment total	(67.4)	(64.9)	
Roundup® amortization	(0.2)	(0.8)	
Amortization	(3.3)	(2.6)	
Impairment of intangibles	(1.0)	(22.0)	
Restructuring	(4.7)	(0.2)	
	<u>\$ (76.6)</u>	<u>\$ (90.5)</u>	
	<u>DECEMBER 31, 2005</u>	<u>JANUARY 1, 2005</u>	<u>SEPTEMBER 30, 2005</u>
(IN MILLIONS)			
Total assets:			
North America	\$ 1,385.9	\$ 1,213.7	\$ 1,219.3
Scotts LawnService®	132.5	122.6	146.7
International	505.7	579.6	463.1
Corporate & Other	191.8	199.6	189.8
	<u>\$ 2,215.9</u>	<u>\$ 2,115.5</u>	<u>\$ 2,018.9</u>

Segment operating loss represents earnings before amortization of intangible assets, interest and taxes, since this is the measure of profitability used by management. Accordingly, the Corporate & Other operating loss for the three months ended December 31, 2005 and January 1, 2005 includes unallocated corporate general and administrative expenses, and certain other income/expense items not allocated to the business segments.

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

11. FINANCIAL INFORMATION FOR SUBSIDIARY GUARANTORS AND NON-GUARANTORS

The 6 5/8% Senior Subordinated Notes are general obligations of Scotts Miracle-Gro and are guaranteed by all of the existing wholly-owned, domestic subsidiaries and all future wholly-owned, significant (as defined in Regulation S-X of the Securities and Exchange Commission) domestic subsidiaries of Scotts Miracle-Gro. These subsidiary guarantors jointly and severally guarantee the obligations of the Company 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 condensed, consolidating Statements of Operations and Statements of Cash Flows for the three-month periods ended December 31, 2005 and January 1, 2005 and condensed, consolidating balance sheets as of December 31, 2005, January 1, 2005, and September 30, 2005.

THE SCOTTS MIRACLE-GRO COMPANY
CONDENSED, CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED DECEMBER 31, 2005
(IN MILLIONS)
(UNAUDITED)

	<u>PARENT</u>	<u>SUBSIDIARY GUARANTORS</u>	<u>NON- GUARANTORS</u>	<u>ELIMINATIONS</u>	<u>CONSOLIDATED</u>
Net sales	\$ —	\$ 178.9	\$ 70.6	\$ —	\$ 249.5
Cost of sales	—	148.0	48.0	—	196.0
Gross profit	—	30.9	22.6	—	53.5
Operating expenses:					
Selling, general and administrative	—	97.9	28.1	—	126.0
Impairment, restructuring and other charges	—	4.5	1.2	—	5.7
Equity loss in subsidiaries	49.4	—	—	(49.4)	—
Intracompany allocations	—	(1.7)	1.7	—	—
Other income, net	—	(1.3)	(0.3)	—	(1.6)
Loss from operations	(49.4)	(68.5)	(8.1)	49.4	(76.6)
Interest expense	3.3	1.1	2.7	—	7.1
Loss before income taxes	(52.7)	(69.6)	(10.8)	49.4	(83.7)
Income tax benefit	—	(30.7)	(0.3)	—	(31.0)
Net loss	<u>\$ (52.7)</u>	<u>\$ (38.9)</u>	<u>\$ (10.5)</u>	<u>\$ 49.4</u>	<u>\$ (52.7)</u>

THE SCOTTS MIRACLE-GRO COMPANY
CONDENSED, CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE THREE MONTH PERIOD ENDED DECEMBER 31, 2005
(IN MILLIONS)
(UNAUDITED)

	<u>PARENT</u>	<u>SUBSIDIARY GUARANTORS</u>	<u>NON- GUARANTORS</u>	<u>ELIMINATIONS</u>	<u>CONSOLIDATED</u>
OPERATING ACTIVITIES					
Net loss	\$ (52.7)	\$ (38.9)	\$ (10.5)	\$ 49.4	\$ (52.7)
Adjustments to reconcile net loss to net cash used in operating activities:					
Impairment of intangibles assets	—	—	1.0	—	1.0
Stock-based compensation expense	—	4.3	—	—	4.3
Depreciation	—	10.6	1.6	—	12.2
Amortization	—	1.9	1.6	—	3.5
Equity loss in subsidiaries	49.4	—	—	(49.4)	—
Net change in certain components of working capital	—	(160.5)	(44.9)	—	(205.4)
Net changes in other assets and liabilities and other adjustments	—	4.8	(1.7)	—	3.1
Net cash used in operating activities	<u>(3.3)</u>	<u>(177.8)</u>	<u>(52.9)</u>	<u>—</u>	<u>(234.0)</u>
INVESTING ACTIVITIES					
Investment in property, plant and equipment	—	(9.2)	(5.1)	—	(14.3)
Investment in acquired businesses, net of cash acquired	(97.1)	(0.6)	—	—	(97.7)
Net cash used in investing activities	<u>(97.1)</u>	<u>(9.8)</u>	<u>(5.1)</u>	<u>—</u>	<u>(112.0)</u>
FINANCING ACTIVITIES					
Borrowings under revolving and bank lines of credit	—	106.8	230.4	—	337.2
Repayments under revolving and bank lines of credit	—	(8.0)	(25.9)	—	(33.9)
Dividends paid	(8.5)	—	—	—	(8.5)
Purchase of common stock	(1.2)	—	—	—	(1.2)
Payments on seller notes	—	(0.5)	—	—	(0.5)
Cash received from the exercise of stock options	7.5	—	—	—	7.5
Intracompany financing	102.6	52.0	(154.6)	—	—
Net cash provided by financing activities	100.4	150.3	49.9	—	300.6
Effect of exchange rate changes on cash	—	—	3.0	—	3.0
Net decrease in cash	—	(37.3)	(5.1)	—	(42.4)
Cash and cash equivalents, beginning of period	—	42.5	37.7	—	80.2
Cash and cash equivalents, end of period	<u>\$ —</u>	<u>\$ 5.2</u>	<u>\$ 32.6</u>	<u>\$ —</u>	<u>\$ 37.8</u>

THE SCOTTS MIRACLE-GRO COMPANY
CONDENSED, CONSOLIDATING BALANCE SHEET
AS OF DECEMBER 31, 2005
(IN MILLIONS)
(UNAUDITED)

	<u>PARENT</u>	<u>SUBSIDIARY GUARANTORS</u>	<u>NON- GUARANTORS</u>	<u>ELIMINATIONS</u>	<u>CONSOLIDATED</u>
ASSETS					
Current assets:					
Cash and cash equivalents	\$ —	\$ 5.2	\$ 32.6	\$ —	\$ 37.8
Accounts receivable, net	—	148.8	102.0	—	250.8
Inventories, net	—	440.6	118.2	—	558.8
Prepaid and other assets	—	40.1	23.4	—	63.5
Total current assets	—	634.7	276.2	—	910.9
Property, plant and equipment, net	—	315.2	45.8	—	361.0
Goodwill	—	334.7	115.8	—	450.5
Intangible assets, net	—	351.8	120.5	—	472.3
Other assets	10.7	10.2	0.3	—	21.2
Investment in affiliates	875.4	—	—	(875.4)	—
Intracompany assets	290.2	—	—	(290.2)	—
Total assets	<u>\$ 1,176.3</u>	<u>\$ 1,646.6</u>	<u>\$ 558.6</u>	<u>\$ (1,165.6)</u>	<u>\$ 2,215.9</u>
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Current portion of debt	\$ —	\$ 3.8	\$ 10.1	\$ —	\$ 13.9
Accounts payable	—	166.2	49.5	—	215.7
Accrued liabilities	—	135.1	89.4	—	224.5
Accrued taxes	—	(24.1)	4.0	—	(20.1)
Total current liabilities	—	281.0	153.0	—	434.0
Long-term debt	200.0	115.4	363.7	—	679.1
Other liabilities	—	104.2	22.3	—	126.5
Intracompany liabilities	—	149.6	140.6	(290.2)	—
Total liabilities	200.0	650.2	679.6	(290.2)	1,239.6
Shareholders' equity	976.3	996.4	(121.0)	(875.4)	976.3
Total liabilities and shareholders' equity	<u>\$ 1,176.3</u>	<u>\$ 1,646.6</u>	<u>\$ 558.6</u>	<u>\$ (1,165.6)</u>	<u>\$ 2,215.9</u>

THE SCOTTS MIRACLE-GRO COMPANY
CONDENSED, CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED JANUARY 1, 2005
(IN MILLIONS)
(UNAUDITED)

	<u>PARENT</u>	<u>SUBSIDIARY GUARANTORS</u>	<u>NON- GUARANTORS</u>	<u>ELIMINATIONS</u>	<u>CONSOLIDATED</u>
Net sales	\$ 61.9	\$ 103.8	\$ 80.8	\$ —	\$ 246.5
Cost of sales	46.0	86.2	53.2	—	185.4
Gross profit	15.9	17.6	27.6	—	61.1
Operating expenses:					
Selling, general and administrative	68.4	30.2	31.0	—	129.6
Impairment, restructuring and other charges	0.3	—	21.9	—	22.2
Equity loss in subsidiaries	27.0	—	—	(27.0)	—
Intracompany allocations	(6.9)	2.8	4.1	—	—
Other income, net	0.4	(0.8)	0.2	—	(0.2)
Loss from operations	(73.3)	(14.6)	(29.6)	27.0	(90.5)
Interest expense (income)	11.0	(2.3)	1.7	—	10.4
Loss before income taxes	(84.3)	(12.3)	(31.3)	27.0	(100.9)
Income tax benefit	(21.8)	(4.7)	(11.9)	—	(38.4)
Loss from continuing operations	(62.5)	(7.6)	(19.4)	27.0	(62.5)
Loss from discontinued operations	(0.2)	—	—	—	(0.2)
Net loss	<u>\$ (62.7)</u>	<u>\$ (7.6)</u>	<u>\$ (19.4)</u>	<u>\$ 27.0</u>	<u>\$ (62.7)</u>

THE SCOTTS MIRACLE-GRO COMPANY
CONDENSED, CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED JANUARY 1, 2005
(IN MILLIONS)
(UNAUDITED)

	<u>PARENT</u>	<u>SUBSIDIARY GUARANTORS</u>	<u>NON- GUARANTORS</u>	<u>ELIMINATIONS</u>	<u>CONSOLIDATED</u>
OPERATING ACTIVITIES					
Net loss	\$ (62.7)	\$ (7.6)	\$ (19.4)	\$ 27.0	\$ (62.7)
Adjustments to reconcile net loss to net cash used in operating activities:					
Impairment of intangible assets	—	—	22.0	—	22.0
Stock-based compensation expense	2.3	—	—	—	2.3
Depreciation	8.9	1.6	2.0	—	12.5
Amortization	0.9	1.3	1.2	—	3.4
Deferred taxes	0.5	—	(10.0)	—	(9.5)
Equity loss in subsidiaries	27.0	—	—	(27.0)	—
Net change in certain components of working capital	(78.2)	(18.2)	(43.6)	—	(140.0)
Net changes in other assets and liabilities and other adjustments	—	0.5	0.8	—	1.3
Net cash used in operating activities	<u>(101.3)</u>	<u>(22.4)</u>	<u>(47.0)</u>	<u>—</u>	<u>(170.7)</u>
INVESTING ACTIVITIES					
Redemption of available for sale securities	57.2	—	—	—	57.2
Investment in property, plant and equipment	(3.3)	(1.0)	(0.7)	—	(5.0)
Investment in acquired businesses, net of cash acquired	—	(70.3)	—	—	(70.3)
Net cash provided by (used in) investing activities	<u>53.9</u>	<u>(71.3)</u>	<u>(0.7)</u>	<u>—</u>	<u>(18.1)</u>
FINANCING ACTIVITIES					
Borrowings under revolving and bank lines of credit	14.5	—	118.4	—	132.9
Repayments under revolving and bank lines of credit	—	—	(14.2)	—	(14.2)
Repayments of term loans	(1.0)	—	—	—	(1.0)
Financing fees, net	(0.3)	—	(0.1)	—	(0.4)
Payments on seller notes	—	(1.9)	—	—	(1.9)
Cash received from the exercise of stock options	11.8	—	—	—	11.8
Intracompany financing	(55.7)	95.0	(39.3)	—	—
Net cash provided by (used in) financing activities	<u>(30.7)</u>	<u>93.1</u>	<u>64.8</u>	<u>—</u>	<u>127.2</u>
Effect of exchange rate changes on cash	—	—	(24.9)	—	(24.9)
Net decrease in cash	(78.1)	(0.6)	(7.8)	—	(86.5)
Cash and cash equivalents, beginning of period	82.4	1.3	31.9	—	115.6
Cash and cash equivalents, end of period	<u>\$ 4.3</u>	<u>\$ 0.7</u>	<u>\$ 24.1</u>	<u>\$ —</u>	<u>\$ 29.1</u>

THE SCOTTS MIRACLE-GRO COMPANY
CONDENSED, CONSOLIDATING BALANCE SHEET
AS OF JANUARY 1, 2005
(IN MILLIONS)
(UNAUDITED)

	<u>PARENT</u>	<u>SUBSIDIARY GUARANTORS ASSETS</u>	<u>NON- GUARANTORS</u>	<u>ELIMINATIONS</u>	<u>CONSOLIDATED</u>
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 4.3	\$ 0.7	\$ 24.1	\$ —	\$ 29.1
Accounts receivable, net	25.2	114.2	113.3	—	252.7
Inventories, net	257.6	103.6	140.0	—	501.2
Prepaid and other assets	36.6	6.1	28.7	—	71.4
Total current assets	323.7	224.6	306.1	—	854.4
Property, plant and equipment, net	185.0	112.5	46.3	—	343.8
Goodwill	19.9	282.5	128.2	—	430.6
Intangible assets, net	17.6	306.7	143.0	—	467.3
Other assets	19.3	—	0.1	—	19.4
Investment in affiliates	1,194.2	—	—	(1,194.2)	—
Intracompany assets	—	325.4	—	(325.4)	—
Total assets	<u>\$ 1,759.7</u>	<u>\$ 1,251.7</u>	<u>\$ 623.7</u>	<u>\$ (1,519.6)</u>	<u>\$ 2,115.5</u>
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Current portion of debt	\$ 5.0	\$ 4.1	\$ 11.4	\$ —	\$ 20.5
Accounts payable	98.1	37.9	60.7	—	196.7
Accrued liabilities	99.3	26.9	112.3	—	238.5
Accrued taxes	(6.9)	0.6	1.0	—	(5.3)
Total current liabilities	195.5	69.5	185.4	—	450.4
Long-term debt	618.0	4.1	105.1	—	727.2
Other liabilities	99.2	(3.6)	14.4	—	110.0
Intracompany liabilities	19.1	—	306.3	(325.4)	—
Total liabilities	931.8	70.0	611.2	(325.4)	1,287.6
Shareholders' equity	827.9	1,181.7	12.5	(1,194.2)	827.9
Total liabilities and shareholders' equity	<u>\$ 1,759.7</u>	<u>\$ 1,251.7</u>	<u>\$ 623.7</u>	<u>\$ (1,519.6)</u>	<u>\$ 2,115.5</u>

THE SCOTTS MIRACLE-GRO COMPANY
CONDENSED, CONSOLIDATING BALANCE SHEET
AS OF SEPTEMBER 30, 2005
(IN MILLIONS)

	<u>Parent</u>	<u>Subsidiary Guarantors</u>	<u>Non- Guarantors</u>	<u>Eliminations</u>	<u>Consolidated</u>
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ —	\$ 42.5	\$ 37.7	\$ —	\$ 80.2
Accounts receivable, net	—	240.3	83.0	—	323.3
Inventories, net	—	232.5	92.4	—	324.9
Prepaid and other assets	—	40.1	19.3	—	59.4
Total current assets	—	555.4	232.4	—	787.8
Property, plant and equipment, net	—	294.7	42.3	—	337.0
Goodwill	—	314.9	118.0	—	432.9
Intangible assets, net	—	315.4	124.1	—	439.5
Other assets	10.6	10.8	0.3	—	21.7
Investment in affiliates	1,660.5	—	—	(1,660.5)	—
Intracompany assets	—	606.9	—	(606.9)	—
Total assets	<u>\$ 1,671.1</u>	<u>\$ 2,098.1</u>	<u>\$ 517.1</u>	<u>\$ (2,267.4)</u>	<u>\$ 2,018.9</u>
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities:					
Current portion of debt	\$ —	\$ 4.1	\$ 7.0	\$ —	\$ 11.1
Accounts payable	—	110.2	41.5	—	151.7
Accrued liabilities	—	222.5	92.2	—	314.7
Accrued taxes	—	5.2	3.5	—	8.7
Total current liabilities	—	342.0	144.2	—	486.2
Long-term debt	200.0	16.1	166.3	—	382.4
Other liabilities	—	102.2	21.9	—	124.1
Intracompany liabilities	444.9	—	162.0	(606.9)	—
Total liabilities	644.9	460.3	494.4	(606.9)	992.7
Shareholders' equity	1,026.2	1,637.8	22.7	(1,660.5)	1,026.2
Total liabilities and shareholders' equity	<u>\$ 1,671.1</u>	<u>\$ 2,098.1</u>	<u>\$ 517.1</u>	<u>\$ (2,267.4)</u>	<u>\$ 2,018.9</u>

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

OVERVIEW

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

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

On November 9, 2005, Scotts Miracle-Gro implemented a 2-for-1 stock split of the common shares to shareholders of record on November 2, 2005. As of December 31, 2005, on a split-adjusted basis, Scotts Miracle-Gro had approximately 68.0 million diluted common shares outstanding. All share and per share information referred to in this MD&A and elsewhere in this Form 10-Q has been adjusted to reflect this stock split for all periods presented.

Effective with our fiscal 2005 Form 10-K and 2005 Annual Report to Shareholders, we have made changes to our Consolidated Statements of Operations that management believes improve the overall presentation. As such, the fiscal 2005 quarterly financial statements presented therein have been revised to reflect these changes. With respect to the Amended and Restated Exclusive Agency and Marketing Agreement (the "Marketing Agreement") with Monsanto Company ("Monsanto"), we have made two presentational changes. First, we have reclassified as net sales the amounts previously reported as net commission from the Marketing Agreement. Second, net sales and cost of sales have been adjusted to reflect certain reimbursements and costs associated with the Marketing Agreement on a gross basis that were previously reported on a net basis, with no effect on gross profit or net income. See further details regarding these matters in Note 3 to the Condensed, Consolidated Financial Statements (Unaudited) included in Part I, Item I of this quarterly report on Form 10-Q. Furthermore, we have simplified the presentation of selling, general and administrative ("SG&A") expenses presented on the face of the Condensed, Consolidated Statement of Operations. Details of this line item are included in the Results of Operations section of this MD&A.

Executive Summary

We are dedicated to delivering strong, consistent financial results and outstanding shareholder returns by providing consumers with products of superior quality and value to enhance their outdoor living environments. We are a leading manufacturer and marketer of consumer branded products for lawn and garden care and professional horticulture in North America and Europe. We are Monsanto's exclusive agent for the marketing and distribution of consumer Roundup® non-selective herbicide products within the United States and other contractually specified countries. We recently entered the North America wild bird food category with the acquisition of Gutwein & Co. Inc. ("Gutwein") in November 2005. We have a presence in Australia, the Far East, Latin America and South America. Also, in the United States, we operate what we believe to be the second largest residential lawn service business, Scotts LawnService®. In fiscal 2006, our operations are divided into the following reportable segments: North America (including the Rod McLellan Company and Gutwein acquisitions discussed below), Scotts LawnService®, International, and Corporate & Other. The Corporate & Other segment consists of our Smith & Hawken® direct-to-consumer business, and corporate general and administrative expenses.

As a leading consumer branded lawn and garden company, we focus our marketing efforts, including advertising and consumer research, on creating consumer demand to pull products through the retail distribution channels. In the past three years, we have spent approximately 5% of our net sales annually on media advertising to support and promote our products and brands. We have applied this consumer marketing focus for the past several years, and believe that we receive a significant return on these marketing expenditures. We expect to continue our marketing efforts focused toward the consumer and make additional targeted investments in consumer marketing in the future to continue to drive sales and market share growth. In fiscal 2006, we expect to increase advertising spending 18% to 20% as we reinvest a portion of our selling, general and administrative cost savings to strengthen our brands and relationships with consumers.

Our sales are susceptible to global weather conditions. For instance, periods of wet weather can adversely impact sales of certain products, while increasing demand for other products. We believe that acquisitions have somewhat diversified both our product line risk and geographic risk to weather conditions.

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	Percent Net Sales by Quarter		
	2005	2004	2003
First Quarter	10.4%	8.7%	9.0%
Second Quarter	34.3%	35.2%	35.1%
Third Quarter	38.0%	38.2%	37.7%
Fourth Quarter	17.3%	17.9%	18.2%

Due to the nature of our lawn and garden business, significant portions of our shipments occur in the second and third fiscal quarters. Over the past few years, retailers have reduced their pre-season inventories by relying on us to deliver products “in season” when consumers buy our products.

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

The 2005 long-term strategic improvement plan (“Project Excellence”), initiated in June 2005, is focused on improving organizational effectiveness, implementing better business processes, reducing SG&A expenses, and increasing spending on consumer marketing and innovation. While we have generated strong financial performance over the past several years, management believes even greater results can be achieved. We expect Project Excellence related SG&A savings of \$50 to \$60 million for fiscal 2006, with approximately one-half being reinvested in consumer marketing, technology and innovation. The balance of these savings are expected to increase fiscal 2006 pre-tax earnings by \$25 to \$30 million. Though December 31, 2005, we have incurred approximately \$29.7 million in restructuring charges associated with Project Excellence. We continue to explore additional Project Excellence savings opportunities, which may result in future restructuring related costs.

We continue to view strategic acquisitions as a means to enhance our strong core businesses. In October 2004, we invested \$73.6 million in the acquisition of Smith & Hawken®, a leading brand in the outdoor living and gardening lifestyle category. Effective October 3, 2005, we acquired all the outstanding shares of Rod McLellan Company (“RMC”) for a total of \$21.0 million in cash. RMC is a leading branded producer and marketer of soil and landscape products in the western U.S. This business will be integrated into our existing Growing Media business. Effective November 18, 2005, we acquired Gutwein approximately \$77.0 million in cash. Through its Morning Song® brand, Gutwein is a leader in the growing U.S. wild bird food category, generating approximately \$85 million in annual revenues. Morning Song® products are sold at leading mass retailers, grocery, pet and general merchandise stores. This is our first acquisition in the wild birdseed category and we are excited about the opportunity to leverage the strengths of both organizations to drive continued growth in this category. We continue to invest in the growth of our Scotts LawnService® business, making over \$95 million in acquisitions over the past five years.

Prior to fiscal 2005, we had not paid dividends on our common shares. Based on the levels of cash flow generated by our business in recent years and our improving financial condition, on June 22, 2005, we announced that Scotts Miracle-Gro’s Board of Directors approved an annual dividend of 50-cents per share, to be paid in 12.5-cent quarterly increments beginning in the fourth quarter of fiscal 2005. Our first and second quarterly dividends were paid on September 1, 2005 and December 1, 2005, respectively. In addition to the 2-for-1 stock split noted earlier, on October 27, 2005, Scotts Miracle-Gro’s Board of Directors approved a \$500 million share repurchase program. This repurchase program is authorized for five years and we currently anticipate allocating approximately \$100 million per year to the program.

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RESULTS OF OPERATIONS

The following table sets forth the components of income and expense as a percentage of net sales for the three months ended December 31, 2005 and January 1, 2005:

	FOR THE THREE MONTHS ENDED	
	DECEMBER 31, 2005	JANUARY 1, 2005
	(UNAUDITED)	
Net sales	100.0%	100.0%
Cost of sales	78.6	75.2
Gross profit	21.4	24.8
Operating expenses:		
Selling, general and administrative	50.4	52.7
Impairment, restructuring and other charges	2.3	9.0
Other expense (income), net	(0.6)	(0.1)
Loss from operations	(30.7)	(36.8)
Interest expense	2.8	4.2
Loss before income taxes	(33.5)	(41.0)
Income tax benefit	(12.4)	(15.6)
Net loss	(21.1)	(25.4)

Net sales for the three months ended December 31, 2005 were \$249.5 million, an increase of 1.2% from net sales of \$246.5 million for the three months ended January 1, 2005. The impact of foreign exchange rates reduced sales growth for the quarter by 2.8%, while recent acquisitions and a reduction in the Roundup contribution expense favorably impacted sales growth for the quarter by 5.5% and 0.8%, respectively. Excluding these factors, sales for the quarter declined \$5.5 million or 2.2%, primarily due to ongoing retailer initiatives to reduce inventory levels and further push their purchases closer to consumer take away. Net sales for our first quarter typically comprise between 9% to 11% of our total fiscal year net sales. Therefore, first quarter net sales trends are generally not indicative of the full fiscal year. The impact of price increases in the first quarter were not material to the discussion of net sales in total or by reportable segment.

As a percentage of net sales, gross profit was 21.4% of sales in the first quarter of fiscal 2006 compared to 24.8% in the first quarter of fiscal 2005, primarily due to a margin decline in our North American business. Most of the first quarter fiscal 2006 margin pressure was anticipated and is primarily the result of higher commodity and fuel costs. Fiscal 2006 price increases were effective January 1, 2006 and the price increases taken earlier in 2005 did not offset first quarter 2006 input cost inflation.

Selling, General and Administrative Expense

	FOR THE THREE MONTHS ENDED	
	DECEMBER 31, 2005	JANUARY 1, 2005
	(IN MILLIONS) (UNAUDITED)	
Advertising	\$ 14.9	\$ 14.6
Selling, general and administrative	107.8	112.4
Amortization of intangibles	3.3	2.6
	\$ 126.0	\$ 129.6

SG&A expenses were \$107.8 million in the first quarter of fiscal 2006, compared to \$112.4 million for the first quarter of fiscal 2005. The decrease in SG&A expenses was largely due to savings generated by Project Excellence and lower outside legal fees, partially offset by increased spending to support the continued growth of Scotts LawnService® and higher stock-based compensation expense. Approximately \$2.2 million of the decrease in SG&A expense was due to foreign exchange.

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Impairment, Restructuring and Other Charges, net:

	FOR THE THREE MONTHS ENDED	
	DECEMBER 31, 2005	JANUARY 1, 2005
	(IN MILLIONS) (UNAUDITED)	
Impairment charges	\$ 1.0	\$ 22.0
Restructuring — severance and related	4.7	0.2
	<u>\$ 5.7</u>	<u>\$ 22.2</u>

The Company performed its annual impairment analysis of indefinite-lived intangibles and goodwill during the first quarter of fiscal 2006, which resulted in an impairment charge associated with a tradename no longer in use in our United Kingdom (U.K.) consumer business. The first quarter fiscal 2005 impairment charge was for indefinite-lived tradenames in our U.K. consumer business, reflecting a reduction in the value of the business resulting primarily from the decline in the profitability of its growing media business and unfavorable category mix trends.

Restructuring activities in the first quarter of fiscal 2006 relate to further organizational reductions associated with Project Excellence initiated in the third quarter of fiscal 2005. We continue to evaluate our organization and operating efficiencies. As a result of these ongoing evaluations, there may be further restructuring charges in future fiscal 2006 quarters.

Interest expense for the first quarter of fiscal 2006 was \$7.1 million, compared to \$10.4 million for the first quarter of fiscal 2005. The decrease in interest expense was due to a \$136 million reduction in average borrowings as compared to the prior year, along with a slight decrease in our weighted average interest rate as a result of the refinancing in July 2005.

The income tax benefit was calculated assuming an effective tax rate of 37.0% for the first quarter of fiscal 2006, versus 38.0% for the comparable quarter in fiscal 2005. The effective tax rate used for interim reporting purposes is based on management's best estimate of factors impacting the effective tax rate for the fiscal year. Factors affecting the estimated rate include assumptions as to income by jurisdiction (domestic and foreign), the availability and utilization of tax credits, the existence of elements of income and expense that may not be taxable or deductible, as well as other items. There can be no assurance that the effective tax rate estimated for interim financial reporting purposes will approximate the effective tax rate determined at fiscal year end. The estimated effective tax rate is subject to revision in later interim periods and at fiscal year end as facts and circumstances change during the course of the fiscal year.

The Company reported a loss of \$52.7 million for the first quarter of fiscal 2006, compared to a loss of \$62.7 million for the first quarter of fiscal 2005. Average shares outstanding increased from 66.0 million for the quarter ended January 1, 2005 to 68.0 million for the quarter ended December 31, 2005 due to shares issued for option exercises. Common stock equivalents are not included in the shares used for first quarter earnings per share calculations due to their anti-dilutive effect in periods with net losses.

SEGMENT RESULTS

Consistent with fiscal 2005, our fiscal 2006 operations are divided into the following reportable segments: North America (including RMC and Gutwein), Scotts LawnService®, International, and Corporate & Other. The Corporate & Other segment consists of Smith & Hawken and corporate general and administrative expenses. Segment performance is evaluated based on several factors, including income from operations before amortization, and impairment, restructuring and other charges, which is a non-GAAP measure. Management uses this measure of operating profit to gauge segment performance because we believe this measure is the most indicative of performance trends and the overall earnings potential of each segment.

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The following table sets forth net sales by segment:

	FOR THE THREE MONTHS ENDED	
	DECEMBER 31, 2005	JANUARY 1, 2005
	(IN MILLIONS) (UNAUDITED)	
North America	\$ 125.6	\$ 115.3
Scotts LawnService®	23.6	20.9
International	58.3	69.5
Corporate & other	42.2	41.6
Consolidated	249.7	247.2
Roundup® amortization	(0.2)	(0.8)
	<u>\$ 249.5</u>	<u>\$ 246.5</u>

The following table sets forth operating loss by segment:

	FOR THE THREE MONTHS ENDED	
	DECEMBER 31, 2005	JANUARY 1, 2005
	(IN MILLIONS) (UNAUDITED)	
North America	\$ (28.5)	\$ (29.5)
Scotts LawnService®	(11.3)	(8.2)
International	(5.1)	(5.9)
Corporate & other	(22.5)	(21.3)
Consolidated	(67.4)	(64.9)
Roundup® amortization	(0.2)	(0.8)
Amortization	(3.3)	(2.6)
Impairment of intangibles	(1.0)	(22.0)
Restructuring and other charges	(4.7)	(0.2)
	<u>\$ (76.6)</u>	<u>\$ (90.5)</u>

North America

North America segment net sales were \$125.6 million in the first quarter of fiscal 2006, an increase of 8.9% from net sales of \$115.3 million for the first quarter of fiscal 2005. This increase was driven largely by the recent acquisitions of Gutwein and RMC, and increases in Growing Media and professional sales, offset by declines in Lawns, Controls and Plant Food sales. Excluding the impact of acquisitions, North American sales declined \$3.2 million or 2.8%, primarily due to ongoing retailer initiatives to reduce inventory levels and further push their purchases closer to consumer take away. In contrast, point-of-sales in the North America increased 13% for the quarter, showing continued strong consumer demand for our products. It is important to note that our first quarter falls at the end of the growing season for North America and typically represents less than 10% of annual sales for this segment. The consumer take away in our first fiscal quarter relates in part to product sold-in during the fourth quarter of our prior fiscal year, contributing to this discrepancy between retailer purchases and consumer take away of our products. Over the course of a complete season, retailer purchases and consumer take away of our products should roughly align.

The operating loss generated by the North America segment improved by \$1.0 million in the first quarter of fiscal 2006. Excluding the impact of the Gutwein and RMC acquisitions, North America segment results for the first quarter of fiscal 2006 were flat to the first quarter of fiscal 2005. This is primarily due to lower gross margins offset by lower SG&A spending.

Scotts LawnService®

Scotts LawnService® revenues increased 12.9% from \$20.9 million in the first quarter of fiscal 2005 to \$23.6 million in the first quarter of fiscal 2006. The majority of this increase was due to higher customer counts (which increased from 320,000 at the end of the first quarter of 2005 to 363,000 at the end of the first fiscal quarter of 2006), from continued strong organic growth and improved customer retention.

The higher operating loss for Scotts LawnService® in the first quarter of fiscal 2006 is primarily attributable to higher planned SG&A spending as the business continues its rapid growth track.

International

Net sales for the International segment in the first quarter of fiscal 2006 were \$58.3 million, a decrease of \$11.2 million, or 16.1%, versus the first quarter of fiscal 2005. Excluding the effect of exchange rates, net sales decreased by \$4.9 million or 7.2%. This decrease in net sales was largely due to the phasing of pre-season orders primarily in France and the United Kingdom, as well as changes in distributor arrangements leading to more direct sales to retail customers resulting in shipments being delayed into our second fiscal quarter.

The International operating loss for the first quarter of fiscal 2006 improved by \$0.8 million as lower sales and gross margins were more than offset by reduced SG&A spending and the impact of foreign exchange rates.

Corporate & other

The net expense for Corporate & Other increased by \$1.2 million in the first quarter of 2006, as a higher Smith & Hawken® operating loss, increased spending on wellness initiatives and higher stock-based compensation expenses more than offset savings generated from Project Excellence and lower legal spending.

LIQUIDITY AND CAPITAL RESOURCES

Cash used in operating activities was \$234.0 million and \$170.7 million for the fiscal quarters ended December 31, 2005 and January 1, 2005, respectively. The increase in cash used in operating activities during the first quarter of fiscal 2006 is primarily attributable to higher inventories, as we initiated production of certain products earlier than in fiscal 2005 in response to concerns over the availability of certain input materials resulting from supply disruptions related to last summer's hurricanes in North America, and to a lesser extent increases input costs and recent acquisitions. The use of cash in the first fiscal quarter is due to the seasonal nature of our operations. The first quarter is the low point for net sales while at the same time we are building inventories in preparation for the spring selling season that gets underway in our second fiscal quarter.

Cash used in investing activities was \$112.0 million and \$18.1 million for the fiscal quarters ended December 31, 2005 and January 1, 2005, respectively. Our acquisitions of Gutwein and RMC required a net cash outlay of approximately \$97.7 million in the first quarter of 2006, which were financed with borrowings under our existing lines of credit. Our acquisition of Smith & Hawken® in the first quarter of fiscal 2005 required a cash outlay of approximately \$70.0 million financed in large part through the redemption of \$57.2 million of investments. Other capital spending of \$14.3 million was done in the normal course of business, compared to the \$5.0 million spent in the first quarter of fiscal 2005. The increase in first quarter capital spending was partially due to approximately \$4.0 million associated with the acquisition of peat bogs in Scotland.

Financing activities provided cash of \$300.6 million and \$127.2 million for the fiscal quarters ended December 31, 2005 and January 1, 2005, respectively. The higher financing needs in the first quarter of fiscal 2006 were due to a higher level of pre-season inventory build, acquisitions and higher capital spending in the first quarter of 2006. Also, first quarter 2005 investing activities were partially funded by the sale of securities. Our more efficient borrowing arrangements toward the end of fiscal 2005 allowed us to pay-down debt, eliminating the need for short-term investments, which were not carried into fiscal 2006.

Our primary sources of liquidity are cash generated by operations and borrowings under our revolving credit agreement. Our revolving credit agreement consists of a \$1.0 billion multi-currency revolving credit commitment, that extends through July 21, 2010. We may also request an additional \$150 million in revolving credit commitments, subject to approval from our lenders. As of December 31, 2005, there was \$515.9 million of availability under our revolving credit agreement. Furthermore, as of December 31, 2005, we also had \$200.0 million of 6 5/8% Senior Subordinated Notes outstanding. At December 31, 2005, we were in compliance with all of our debt covenants.

Prior to September 2005, we had not paid dividends on our common shares. Based on the levels of cash flow generated by our business in recent years and our improving financial condition, in June 2005, we announced that Scotts Miracle-Gro's Board of Directors approved an annual dividend of 50-cents per share to be paid at 12.5 cents each quarter beginning in the fourth quarter of fiscal 2005. Our first and second quarterly dividends were paid on September 1, 2005 and December 1, 2005.

On January 26, 2006, we announced that the Board of Directors of Scotts Miracle-Gro approved the fiscal 2006 second quarter dividend of 12.5 cents per share, payable February 23, 2006 to shareholders of record February 9, 2006. On October 27, 2005, we announced that Scotts Miracle-Gro's Board of Directors had approved a \$500.0 million share repurchase program. This repurchase program is authorized for five years and we currently anticipate allocating approximately \$100.0 million per year on the program. Through December 31, 2005, we expended \$1.2 million under this program. As of February 3, 2006, a total of 371,200 shares with a cost of \$17.5 million had been repurchased under this program. We did not repurchase any shares in fiscal 2005.

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All of our off-balance sheet financing is in the form of operating leases that are disclosed in the notes to consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2005.

We are party to various pending judicial and administrative proceedings arising in the ordinary course of business. These include, among others, proceedings based on accidents or product liability claims and alleged violations of environmental laws. We have reviewed our pending environmental and legal proceedings, including the probable outcomes, reasonably anticipated costs and expenses, availability and limits of our insurance coverage and have established what we believe to be appropriate reserves. We do not believe that any liabilities that may result from these proceedings are reasonably likely to have a material adverse effect on our liquidity, financial condition or results of operations.

In our opinion, cash flows from operations and capital resources will be sufficient to meet debt service and working capital needs during fiscal 2006 and thereafter for the foreseeable future. However, we cannot ensure that our business will generate sufficient cash flow from operations or that future borrowings will be available under our credit facilities in amounts sufficient to pay indebtedness or fund other liquidity needs. Actual results of operations will depend on numerous factors, many of which are beyond our control.

ENVIRONMENTAL MATTERS

We are subject to local, state, federal and foreign environmental protection laws and regulations with respect to our business operations and believe we are operating in substantial compliance with, or taking 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 results of operations, financial position and cash flows. Additional information on environmental matters affecting us is provided in the fiscal 2005 Annual Report on Form 10-K under the "ITEM 1. BUSINESS — ENVIRONMENTAL AND REGULATORY CONSIDERATIONS" and "ITEM 3. LEGAL PROCEEDINGS" sections.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preceding discussion and analysis of the consolidated results of operations and financial position should be read in conjunction with our Condensed, Consolidated Financial Statements included elsewhere in this Quarterly Report on Form 10-Q. Our Annual Report on Form 10-K for the fiscal year ended September 30, 2005 includes additional information about the Company, our operations, our financial position, our critical accounting policies and accounting estimates, and should be read in conjunction with this Quarterly Report on Form 10-Q.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risks have not changed significantly from those disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2005.

ITEM 4. CONTROLS AND PROCEDURES

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

- (A) information required to be disclosed by the Company in this Quarterly Report on Form 10-Q and the other reports that the Company files or submits under the Exchange Act would be accumulated and communicated to the Company's management, including its principal executive and financial officers, as appropriate to allow timely decisions regarding required disclosure,
- (B) information required to be disclosed by the Company in this Quarterly Report on Form 10-Q and the other reports that the Company files or submits under the Exchange Act would be recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms; and

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- (C) the Company's disclosure controls and procedures are effective as of the end of the fiscal quarter covered by this Quarterly Report on Form 10-Q to ensure that material information relating to the Company and its consolidated subsidiaries is made known to them, particularly during the period in which the Company's periodic reports, including this Quarterly Report on Form 10-Q, are being prepared.

In addition, there were no changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the Company's fiscal quarter ended December 31, 2005, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Pending material legal proceedings have not changed significantly from those disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2005.

ITEM IA. RISK FACTORS

Cautionary Statement on forward-looking Statements

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

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

Some forward-looking statements that we make in this Quarterly Report on Form 10-Q and in other contexts represent challenging goals for the Company, and the achievement of these goals is subject to a variety of risks and assumptions and numerous factors beyond our control. Important factors that could cause actual results to differ materially from the forward-looking statements we make are included in Part I, Item IA Risk Factors of our Annual Report on Form 10-K for the fiscal year ended September 30, 2005. All forward-looking statements attributable to us or persons working on our behalf are expressly qualified in their entirety by those cautionary statements.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

(c) Issuer Purchases of Equity Securities

The following table shows the purchases made by or on behalf of the Company or any "affiliated purchaser" as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934, as amended, for each of the three months in the quarter ended December 31, 2005:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ¹	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Program(s)
October 1 through 31, 2005	0	—	0	\$ 100,000,000
November 1 through 30, 2005	0	—	0	100,000,000
December 1 through 31, 2005	25,600	\$ 47.22	25,600	98,791,202
Total	25,600	\$ 47.22	25,600	98,791,202

¹ The Company repurchases its common shares under a share repurchase program that was approved by the Board of Directors and publicly announced on October 27, 2005 (the "Share Repurchase Program"). Under the Share Repurchase Program, the Company is authorized to purchase \$100 million of the Company's common shares through September 30, 2006.

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

The Annual Meeting of Shareholders of Scotts Miracle-Gro (the "Annual Meeting") was held in Marysville, Ohio on January 26, 2006.

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

NOMINEE	VOTES FOR	VOTES WITHHELD
Arnold W. Donald	62,418,062	1,898,577
Mindy F. Grossman	63,977,362	339,277
Gordon F. Brunner	63,803,089	513,550

Each of the nominees was elected. The other directors whose terms of office continue after the Annual Meeting are Mark R. Baker, Joseph P. Flannery, James Hagedorn, Katherine Hagedorn Littlefield, Karen G. Mills, Patrick J. Norton and Stephanie M. Shern.

The amendment and restatement of The Scotts Miracle-Gro Company Discounted Stock Purchase Plan was approved. The result of the vote was:

VOTES FOR	VOTES AGAINST	ABSTENTIONS	BROKER NON-VOTES
58,741,480	435,901	187,384	4,951,874

The Scotts Miracle-Gro Company 2006 Long-Term Incentive Plan was approved. The result of the vote was:

VOTES FOR	VOTES AGAINST	ABSTENTIONS	BROKER NON-VOTES
46,529,593	12,671,983	163,189	4,951,875

The Scotts Company LLC Executive/Management Incentive Plan was approved. The result of the vote was:

VOTES FOR	VOTES AGAINST	ABSTENTIONS	BROKER NON-VOTES
55,817,451	3,388,612	158,701	4,951,875

The proposal submitted by Mr. John C. Harrington to declassify the Company's Board of Directors was not approved. The result of the vote was:

VOTES FOR	VOTES AGAINST	ABSTENTIONS	BROKER NON-VOTES
26,968,697	31,968,320	427,747	4,951,875

ITEM 5. OTHER INFORMATION

(a) On February 9, 2006, the Company and The Scotts Company LLC entered into a Third Amendment to Employment Agreement and Covenant Not to Compete with Robert F. Bernstock, effective as of October 1, 2005 (the "Bernstock Third Amendment"). The following description of the Bernstock Third Amendment is qualified in its entirety by reference to the actual terms of the Bernstock Third Amendment, which is filed with this Quarterly Report on Form 10-Q as Exhibit 10(c). The Bernstock Third Amendment amends the terms of Mr. Bernstock's Employment Agreement and Covenant Not to Compete effective as of October 1, 2004 (the "Employment Agreement") to (a) amend his title and duties to President and Chief Operating Officer of The Scotts Company LLC effective October 1, 2005 and President of the Company effective December 9, 2005; (b) clarify that during the term of his Employment Agreement, a change in Mr. Bernstock's assignments or duties will not constitute "Constructive Termination", as defined in Paragraph 2(c) of his Employment Agreement, if, in any given fiscal year, Mr. Bernstock does not lose supervision or reporting relationships over business functions or segments that have generated \$100 million or more of revenue in the prior fiscal year, or which constitute a core business function of the Company; (c) increase Mr. Bernstock's base annual salary to \$660,000; (d) amend Mr. Bernstock's benefit plan participation to provide that Mr. Bernstock: (i) will be entitled to participate in all of the Company's and Scotts LLC's benefit programs for senior management executives; (ii) will receive holidays and sick leave in accordance with the Company's policies for senior executive officers; (iii) will receive an automobile allowance of no more than \$2,000 annually; and (iv) for himself and, in some circumstances, members of his immediate family will receive use of one or more Company-owned or leased and Company operated aircraft in accordance with the Company's standard executive flight and travel policies, in any event not to exceed more than thirty hours of personal use per year; and (e) provided he completes at least six years of full-time continuous employment with the Company, the Company will extend active employee health care benefits required to be available to Mr. Bernstock for a limited period ("COBRA Coverage") under Part Six of Title One of ERISA, until Mr. Bernstock attains the age of sixty-five years (or, in the event of Mr. Bernstock's death, would have attained the age of sixty-five years) or becomes entitled to benefits under the Federal "Medicare Part A" program, whichever shall first occur. The Bernstock Third Amendment also amended the Employment Agreement to specifically provide that the Employment Agreement will be administered in a manner reasonably expected to avoid any penalties under Section 409A of the Internal Revenue Code of 1986, as amended.

On October 12, 2005, the Compensation and Organization Committee of the Company approved the award of nonqualified stock options ("NSOs") to purchase 16,900 common shares (33,800 common shares as adjusted for the 2-for-1 stock split distributed on November 9, 2005) to Mr. Robert F. Bernstock, which award was evidenced by the Company's specimen form of award agreement for awards granted to employees under the Company's 2003 Stock Option and Incentive Equity Plan. The following description of the award agreement is qualified in its entirety by reference to the actual terms of the award agreement, which is filed with this Quarterly Report on Form 10-Q as Exhibit 10(d). Each NSO represents the right to purchase one common share of the Company. The exercise price for each common share purchased is \$42.50 (as adjusted for the 2-for-1 stock split distributed on November 9, 2005). The NSOs will vest on October 12, 2008 and expire on October 12, 2015.

Also on October 12, 2005, the Compensation and Organization Committee of the Company approved the award of 3,200 shares of Restricted Stock (6,400 shares of Restricted Stock as adjusted for the 2-for-1 stock split on November 9, 2005) to Mr. Bernstock which award was evidenced by the Company's specimen form of award agreement for awards granted to employees under the Company's 2003 Stock Option and Incentive Equity Plan. The following description of the award agreement is qualified in its entirety by reference to the actual terms of the award agreement, which is filed with this Quarterly Report on Form 10-Q as Exhibit 10(e). Each restricted share represents a contingent right to receive one common share of the Company. The shares of Restricted Stock will mature into an equal number of common shares of the Company if Mr. Bernstock is actively employed by the Company on October 12, 2008. Mr. Bernstock will have the right to vote the common shares underlying the Restricted Stock. However, the Company will defer distribution of any dividends that are declared on the common shares underlying the shares of Restricted Stock until such time as the restriction is satisfied.

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On February 9, 2006, the Company and Mr. Bernstock entered into amendments (the "Award Amendments") to the award agreements evidencing the October 12, 2005 grants of NSOs covering 33,800 common shares (as adjusted) and 6,400 shares of Restricted Stock (as adjusted) to Mr. Bernstock. The following description of the Award Amendments is qualified in its entirety by reference to the actual terms of the Award Amendments, which are filed respectively with this Quarterly Report on Form 10-Q as Exhibits 10(f) and 10(g). These Award Amendments serve to make the general terms and conditions specified in the award agreements consistent with the termination provisions included in Mr. Bernstock's Employment Agreement, as amended. Each Award Amendment provides that: (a) if Mr. Bernstock's employment is terminated for cause, other than due to "Constructive Termination" as defined in Mr. Bernstock's Employment Agreement, the award may expire earlier than its expiration date as provided in the Company's 2003 Stock Option and Incentive Equity Plan based on those events; (b) Mr. Bernstock's NSO and Restricted Stock awards are noncancellable, unless Mr. Bernstock consents in writing; and (c) the Company may amend or terminate the 2003 Stock Option and Incentive Equity Plan at any time, but may not cancel or terminate Mr. Bernstock's award without his written consent. Mr. Bernstock's awards will vest, become exercisable, or mature, as applicable, in the event of his termination of employment by the Company for any reason other than for "Cause", or a resignation following "Constructive Termination," in each case as such terms are defined in the Employment Agreement.

As previously reported in the Company's Current Report on Form 8-K filed on December 14, 2005, on December 9, 2005, the Compensation and Organization Committee of the Company awarded 10,000 performance shares to Robert F. Bernstock. A copy of The Scotts Miracle-Gro Company 2003 Stock Option and Incentive Equity Plan Award Agreement for Nondirectors evidencing this award is filed with this Quarterly Report on Form 10-Q as Exhibit 10(a).

The Company is filing with this Current Report on Form 8-K the specimen forms of the Award Agreements to be used to evidence the following types of awards to be granted under The Scotts Miracle-Gro Company 2006 Long-Term Incentive Plan: (a) time-based incentive stock options for employees; (b) time-based nonqualified stock options for employees; (c) time-based restricted stock for employees; (d) time-based/cash-settled stock appreciation rights for employees; (e) time-based/stock-settled stock appreciation rights for employees; (f) time-based restricted stock units for employees; and (g) performance shares for employees. These specimen forms of Award Agreement are filed with this Quarterly Report on Form 10-Q as Exhibit 10(b).

ITEM 6. EXHIBITS

See Index to Exhibits at page 33 for a list of the exhibits included herewith.

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SIGNATURES

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

THE SCOTTS MIRACLE-GRO COMPANY

/s/ CHRISTOPHER L. NAGEL

Christopher L. Nagel

Date: February 9, 2006

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

THE SCOTTS MIRACLE-GRO COMPANY
QUARTERLY REPORT ON FORM 10-Q
FOR THE FISCAL QUARTER ENDED DECEMBER 31, 2005

INDEX TO EXHIBITS

<u>EXHIBIT NO.</u>	<u>DESCRIPTION</u>	<u>LOCATION</u>
10(a)	The Scotts Miracle-Gro Company 2003 Stock Option and Incentive Equity Plan Award Agreement for Nondirectors, effective as of December 9, 2005, between The Scotts Miracle-Gro Company and Robert F. Bernstock, in respect of grant of 10,000 Performance Shares.	*
10(b)	Specimen form of Award Agreement to evidence Time-Based Nonqualified Stock Options for Employees under The Scotts Miracle-Gro Company 2006 Long-Term Incentive Plan.	*
10(c)	Third Amendment to Employment Agreement and Covenant Not to Compete, executed February 9, 2006 to be effective as of October 1, 2005, between The Scotts Miracle-Gro Company, The Scotts Company LLC and Robert F. Bernstock.	*
10(d)	The Scotts Miracle-Gro Company 2003 Stock Option and Incentive Equity Plan Award Agreement for Nondirectors, effective as of October 12, 2005, between The Scotts Miracle-Gro Company and Robert F. Bernstock, in respect of grant of Nonqualified Stock Options to purchase 16,900 common shares (33,800 common shares as adjusted for 2-for-1 Stock Split distributed on November 9, 2005).	*
10(e)	The Scotts Miracle-Gro Company 2003 Stock Option and Incentive Equity Plan Award Agreement for Nondirectors, effective as of October 12, 2005, between The Scotts Miracle-Gro Company and Robert F. Bernstock, in respect of grant of 3,200 shares of Restricted Stock (6,400 as adjusted for 2-for-1 Stock Split distributed on November 9, 2005).	*
10(f)	Amendment to The Scotts Miracle-Gro Company 2003 Stock Option and Incentive Equity Plan Award Agreement for Nondirectors, dated February 9, 2006, between The Scotts Miracle-Gro Company and Robert F. Bernstock in respect of grant of Nonqualified Stock Options to purchase 33,800 common shares (as adjusted).	*
10(g)	Amendment to The Scotts Miracle-Gro Company 2003 Stock Option and Incentive Equity Plan Award Agreement for Nondirectors, dated February 9, 2006 between The Scotts Miracle-Gro Company and Robert F. Bernstock, in respect of grant of 6,400 shares Restricted Stock (as adjusted).	*
31(a)	Rule 13a-14(a)/15-14(a) Certification (Principal Executive Officer)	*
31(b)	Rule 13a-14(a)/15-14(a) Certification (Principal Financial Officer)	*
32	Section 1350 Certification (Principal Executive Officer and Principal Financial Officer)	*

* Filed herewith

THE SCOTTS MIRACLE-GRO COMPANY
2003 STOCK OPTION AND INCENTIVE EQUITY PLAN

AWARD AGREEMENT FOR NONDIRECTORS

The Scotts Miracle-Gro Company ("Company") believes that its business interests are best served by ensuring that you have an opportunity to share in the Company's business success. To this end, the Company sponsors the 2003 Stock Option and Incentive Equity Plan ("Plan") through which key employees, like you, may acquire (or share in the appreciation of) common shares of the Company.

We cannot guarantee that the value of your Award (or the value of the common shares you acquire through an Award) will increase. This is because the value of the Company's common shares is affected by many factors. However, the Company believes that your efforts contribute to the value of the Company's common shares and that the Plan (and the Awards made through the Plan) is an appropriate means of sharing with you the value of your contribution to the Company's business success.

This Agreement describes the type of Award that you have been granted and the conditions that must be met before you may receive the value associated with your Award. To ensure you fully understand these terms and conditions, you should:

- Carefully read this Award Agreement and the attached copies of the Plan and Prospectus; and
- Call us at 937-578-5630 if you have any questions about your Award. Or, you may send a written inquiry to:

The Scotts Miracle-Gro Company
Attention: Robert J. Hanley
Vice President Global Total Rewards
14111 Scottslawn Rd.
Marysville, OH 43041

Description of Your Performance Shares

You have been awarded 10,000 Performance Shares which will mature into an equal number of common shares of the Company if the following performance goal is met before October 1, 2006 ("Measurement Date") and you meet all other Plan conditions:

Vesting will occur on the Measurement Date if you have met the performance criteria based on FY06 Project Excellence ("PE") Goals as detailed in Attachment A.

The Compensation and Organization Committee of the Board of Directors will review and evaluate whether performance criteria have been met before the Measurement Date. The award will be forfeited if performance criteria have not been met by the Measurement Date.

Your Rights in Performance Shares Before the Measurement Date

Until all performance goals and applicable conditions have been met, your Performance Share certificates will be held in escrow. Also, the Company will defer distribution of any dividends that are declared on your Performance Shares until the Measurement Date. These dividends will be distributed as of the Measurement Date if all the performance goals are met or will be forfeited if the performance goals have not been met.

However, you may vote your Performance Shares before all the performance goals described in this Agreement are met. This is the case even though your Performance Shares will not be distributed to you until the Measurement Date.

Tax Treatment of Your Performance Shares

This brief discussion of the federal tax rules that affect your Performance Shares is provided as general information (not as personal tax advice) and is based on the Company's understanding of federal tax laws and regulations in effect as of the date of this Agreement.

You should consult with a tax or financial adviser to ensure you fully understand the tax ramifications of your Performance Shares.

You are not required to pay income taxes on your Performance Shares at this time. However, you will be required to pay income taxes (at ordinary income tax rates) when (and if) applicable performance goals are certified as being met. The amount of ordinary income you will recognize is the value of your Performance Shares when the performance goals described in this Agreement are certified as being met. Any subsequent appreciation of the common shares will be taxed at capital gains rates when you sell the common shares. If applicable performance goals are not met before the Measurement Date, your Performance Shares will expire and no taxes will be due.

You may increase the portion of your Award's value that is subject to capital gains tax rates by making a special election [known as a Code §83(b) election] within 30 days of the date of this Agreement. However, there are important tax and investment issues that you must consider before making a Code §83(b) election. These should be discussed with your personal tax and investment adviser.

GENERAL TERMS AND CONDITIONS

These terms and conditions apply to all Awards issued under this Award Agreement. This is merely a summary of these important terms and conditions; you are urged to read the entire Plan and Prospectus (copies of which are attached), all of the terms of which are incorporated by reference into this Award Agreement.

1.00 Loss of an Award. There are ways in which you may forfeit an Award.

[1] If You Terminate Employment . . .

Normally, your Awards will be cancelled on the date specified earlier in this Agreement unless all conditions to your acquiring the common shares or other amounts subject to your Awards have been satisfied before that date. However, these Awards may be cancelled earlier than that date if you terminate employment (as defined in the Plan).

[a] If your employment is terminated by the Company or a Subsidiary for “cause” or you resign other than due to “Constructive Termination”, in each case as such terms are defined in the Employment Agreement and Covenant Not To Compete between you and the Company that is effective October 1, 2004 (or in any successor to, or renewal of, such agreement) (the “Employment Agreement”), the Award may expire earlier than its Expiration Date as provided in the Plan based on those events; or

[b] If you terminate employment because you [i] die or [ii] become disabled (as defined in the Plan), the Awards will expire no later than 60 months after you terminate (12 months in the case of any ISOs); or

[c] If you terminate after reaching either [i] age 55 and completing at least 10 years of employment or [ii] age 62 regardless of your years of service, the Awards will expire no later than 60 months after you terminate (three months in the case of ISOs); or

[d] If you terminate employment for any other reason, your Awards will expire no later than 90 days after you terminate.

Note, it is your responsibility to keep track of when your Awards expire.

[2] If You Engage in Conduct That is Harmful to the Company (or Subsidiary) . . .

You also will forfeit any outstanding Awards and must return to the Company all common shares and other amounts you have received through the Plan if, without our consent, you do any of the following within 180 days before and 730 days after terminating employment with the Company:

[a] You serve (or agree to serve) as an officer, director, consultant or employee of any proprietorship, partnership or corporation or become the owner of a business or a member of a partnership that competes with any portion of the Company’s (or a Subsidiary’s) business with which you have been involved anytime within five years before termination of employment or render any service (including without limitation, advertising or business consulting) to entities that compete with any portion of the

Company's (or a Subsidiary's) business with which you have been involved anytime within five years before termination of employment;

[b] You refuse or fail to consult with, supply information to or otherwise cooperate with the Company after having been requested to do so;

[c] You deliberately engage in any action that we conclude has caused substantial harm to the interests of the Company or any Subsidiary;

[d] On your own behalf or on behalf of any other person, partnership, association, corporation or other entity, solicit or in any manner attempt to influence or induce any employee of the Company or a Subsidiary to leave the Company's or Subsidiary's employment or use or disclose to any person, partnership, association, corporation or other entity any information obtained while an employee of the Company or any Subsidiary concerning the names and addresses of the Company's and any Subsidiary's employees;

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

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

[g] You engaged in conduct that the Committee reasonably concludes would have given rise to a termination for cause (as defined in the Plan) had it been discovered before you terminated.

2.00 Cancellation Of Awards By Company. Except as otherwise specifically provided in this Award Agreement, your Award shall be noncancellable, unless you consent in writing.

3.00 Amendment/Termination. We may amend or terminate the Plan at any time, but we may not cancel or terminate your Award without your written consent, except as otherwise specifically provided in this Award Agreement. Your Award shall vest, become exercisable, or mature, as applicable, in the event of your termination of employment by the Company for any reason other than for "Cause", or in the event you resign following "Constructive Termination," in each case as such terms are defined in the Employment Agreement.

###

You must sign this Agreement; if you do not, your Award will be cancelled. By signing this Agreement, you acknowledge that this Award is granted under and is subject to the terms and conditions described in this Agreement and in the Plan.

OPTIONEE/GRANTEE

THE SCOTTS MIRACLE-GRO COMPANY

/s/ Robert F. Bernstock

/s/ David M. Aronowitz

Robert F. Bernstock

David M. Aronowitz

(date signed) 1/17/06

(date signed) JAN 05

DATE OF THIS AGREEMENT: December 9, 2005

THIS DOCUMENT CONSTITUTES PART OF A PROSPECTUS COVERING SECURITIES
THAT HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933.

THE SCOTTS MIRACLE-GRO COMPANY
2006 LONG-TERM INCENTIVE PLAN

AWARD AGREEMENT FOR EMPLOYEES

[FORM OF AWARD] AWARDED TO [GRANTEE'S NAME] ON [GRANT DATE]

The Scotts Miracle-Gro Company ("Company") and its shareholders believe that their business interests are best served by ensuring that you have an opportunity to share in the Company's business success. To this end, the Company adopted and its shareholders approved The Scotts Miracle-Gro Company 2006 Long-Term Incentive Plan ("Plan") through which key employees, like you, may acquire (or share in the appreciation of) common shares of the Company.

We cannot guarantee that the value of your Award (or the value of the common shares you acquire through an Award) will increase. This is because the value of the Company's common shares is affected by many factors. However, the Company believes that your efforts contribute to the value of the Company's common shares and that the Plan (and the Awards made through the Plan) is an appropriate means of sharing with you the value of your contribution to the Company's business success.

This Award Agreement describes the type of Award that you have been granted and the conditions that must be met before you may receive the value associated with your Award. To ensure you fully understand these terms and conditions, you should:

- Read the Plan and the Plan's Prospectus carefully to ensure you understand how the Plan works;
- Read this Award Agreement carefully to ensure you understand the nature of your Award and what you must do to earn it; and
- Contact [Contact's Name at Company], [Contact's Title] at [Telephone Number] if you have any questions about your Award. Or, you may send a written inquiry to the address shown below:

The Scotts Miracle-Gro Company
Attention: [Contact's Name at Company]
[Contact's Title]
14111 Scottslawn Road
Marysville, Ohio 43041

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

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

[TPA Telephone Number]

If you do not do this, your Award will be forfeited and you will not be entitled to receive anything on account of this Award.

Section 409A of the Internal Revenue Code ("Section 409A") imposes substantial penalties on persons who receive some forms of deferred compensation (see the Plan's Prospectus for more information about these penalties). Your Award has been designed to avoid these penalties. However, because the Internal Revenue Service ("IRS") has not yet issued final rules fully defining the effect of Section 409A, it is possible that your Award Agreement must be revised after the IRS issues these rules if you are to avoid these penalties. As a condition of accepting this Award, you must agree to accept those revisions, without any further consideration, even if those revisions change the terms of your Award and reduce its value or potential value.

DESCRIPTION OF YOUR RESTRICTED STOCK UNITS

YOU HAVE BEEN AWARDED [NUMBER GRANTED] RESTRICTED STOCK UNITS (OR "RSUS"). If you satisfy the conditions described in this Award Agreement, the Plan and the Prospectus, you will be issued [Number Granted] common shares of the Company. You also must arrange to pay any taxes due on settlement.

WHEN YOUR RSUS WILL BE SETTLED

Normally, on [Vesting Date] ("Settlement Date"), the Company will ascertain if you have satisfied the conditions imposed on your RSUs. If you have not, your RSUs will be forfeited. If you have, as soon as administratively practicable after [Vesting Date], [Number Granted] common shares will be distributed to you.

The restrictions imposed on your RSUs normally will be met if you are actively employed by the Company or any Affiliate or Subsidiary (as defined in the Plan) on [Vesting Date] and all other conditions described in this Award Agreement, the Plan and the Prospectus are met.

TAX TREATMENT OF YOUR RSUS

The federal income tax treatment of your RSUs is discussed in the Plan's Prospectus.

GENERAL TERMS AND CONDITIONS

YOU WILL FORFEIT YOUR RSUS IF YOUR EMPLOYMENT ENDS

Normally, your RSUs will be settled on the date shown earlier in this Award Agreement. However, the unvested portion of your RSUs will be forfeited if you terminate employment before [Vesting Date].

YOU MAY FORFEIT YOUR RSUS IF YOU ENGAGE IN CONDUCT THAT IS HARMFUL TO THE COMPANY (OR ANY AFFILIATE OR SUBSIDIARY)

You also will forfeit any outstanding RSUs and must return to the Company all common shares and other amounts you have received through the Plan if, without our consent, you do any of the following within 180 days before and 730 days after terminating employment:

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

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

[c] You deliberately engage in any action that the Company concludes has caused substantial harm to the interests of the Company or any Affiliate or Subsidiary;

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

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

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

[g] You engaged in conduct that the Committee (as defined in the Plan) reasonably concludes would have given rise to a termination for "cause" (as defined in the Plan) had it been discovered before you terminated employment.

YOUR RSUS MAY VEST EARLIER THAN DESCRIBED ABOVE. Normally, your RSUs will vest only in the circumstances described above. However, if there is a "Change in Control" (as defined in the Plan), your RSUs may vest earlier. You should read the Plan and the Prospectus carefully to ensure that you understand how this may happen.

RIGHTS BEFORE YOUR RSUS VEST: You may not vote, or receive any dividends associated with the common shares underlying your RSUs.

BENEFICIARY DESIGNATION: You may name a beneficiary or beneficiaries to receive any RSUs that are settled after you die. This may be done only on the attached Beneficiary Designation Form and by following the rules described in that Form. The Beneficiary Designation Form need not be completed now and is not required as a condition of receiving your Award. If you die without completing a Beneficiary Designation Form or if you do not complete that Form correctly, your beneficiary will be your surviving spouse or, if you do not have a surviving spouse, your estate.

TRANSFERRING YOUR RSUS: Normally your RSUs may not be transferred to another person. However, you may complete a Beneficiary Designation Form to name the person to receive any RSUs that are settled after you die. Also, the Committee may allow you to place your RSUs into a trust established for your benefit or the benefit of your family. Contact [Third Party Administrator] at [TPA Telephone Number] or at the address given below if you are interested in doing this.

GOVERNING LAW: This Award Agreement will be construed in accordance with and governed by the laws of the United States and of the State of Ohio (other than laws governing conflicts of laws).

OTHER AGREEMENTS: Also, your RSUs will be subject to the terms of any other written agreements between you and the Company or any Affiliate or Subsidiary to the extent that those other agreements do not directly conflict with the terms of the Plan or this Award Agreement.

ADJUSTMENTS TO YOUR RSUS: Your RSUs will be adjusted, if appropriate, to reflect any change to the Company's capital structure (e.g., the number of your RSUs will be adjusted to reflect a stock split).

OTHER RULES: Your RSUs also are subject to more rules described in the Plan and in the Plan's Prospectus. You should read both of these documents carefully to ensure you fully understand all the terms and conditions of the grant of RSUs made to you under this Award Agreement.

You may contact [Third Party Administrator] at [TPA Telephone Number] or at the address given below if you have any questions about your Award or this Award Agreement.

YOUR ACKNOWLEDGMENT OF AWARD CONDITIONS

Note: You must sign and return a copy of this Award Agreement to [Third Party Administrator] at the address given below no later than [30 Days Post Grant Date].

By signing below, I acknowledge and agree that:

- A copy of the Plan has been made available to me;
- I have received a copy of the Plan's Prospectus;
- I understand and accept the conditions placed on my Award and understand what I must do to earn my Award;
- I will consent (on my own behalf and on behalf of my beneficiaries and without any further consideration) to any necessary change to my Award or this Award Agreement to comply with any law and to avoid paying penalties under Section 409A of the Internal Revenue Code, even if those changes affect the terms of my Award and reduce their value or potential value; and
- If I do not return a signed copy of this Award Agreement to the address shown below on or before [30 Days Post Grant Date], my Award will be forfeited and I will not be entitled to receive anything on account of this Award.

[Grantee's Name]

THE SCOTTS MIRACLE-GRO COMPANY

BY: _____

BY: _____

Date signed: _____

Name: _____

Title: _____

Date signed: _____

A signed copy of this Award Agreement must be sent to the following address no later than [30 Days Post Grant Date]:

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

[TPA Telephone Number]

After it is received, The Scotts Miracle-Gro Company 2006 Long-Term Incentive Plan Committee will acknowledge receipt of your signed Award Agreement.

DESCRIPTION OF YOUR PERFORMANCE SHARES

YOU HAVE BEEN AWARDED [NUMBER GRANTED] PERFORMANCE SHARES. If you satisfy the conditions described in this Award Agreement, the Plan and the Prospectus, you will be issued [Number Granted] common shares of the Company. Federal income tax rules apply to Performance Shares. You also must arrange to pay any taxes due on settlement.

WHEN YOUR PERFORMANCE SHARES WILL BE SETTLED

Normally, on [Vesting Date], the Committee (as defined in the Plan) will ascertain if you have satisfied the conditions imposed on your Performance Shares. If you have not, your Performance Shares will be forfeited. If you have, as soon as administratively practicable after [Vesting Date], these common shares will be distributed to you.

The restrictions imposed on your Performance Shares normally will be met only if you

Insert description of performance conditions based on the Performance Criteria enumerated in the Plan.

TAX TREATMENT OF YOUR AWARD

The federal income tax treatment of your Award is discussed in the Plan's Prospectus.

GENERAL TERMS AND CONDITIONS

YOU WILL FORFEIT YOUR PERFORMANCE SHARES IF YOUR EMPLOYMENT ENDS

Normally, your Performance Shares will be settled on the date shown earlier in this Award Agreement. However, the unvested portion of your Award will be forfeited if you terminate employment before [Vesting Date].

YOU MAY FORFEIT YOUR PERFORMANCE SHARES IF YOU ENGAGE IN CONDUCT THAT IS HARMFUL TO THE COMPANY (OR ANY AFFILIATE OR SUBSIDIARY)

You also will forfeit any outstanding Performance Shares and must return to the Company all common shares and other amounts you have received through the Plan if, without our consent, you do any of the following within 180 days before and 730 days after terminating employment:

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

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

[c] You deliberately engage in any action that the Company concludes has caused substantial harm to the interests of the Company or any Affiliate or Subsidiary;

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

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

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

[g] You engaged in conduct that the Committee reasonably concludes would have given rise to a termination for "cause" (as defined in the Plan) had it been discovered before you terminated employment.

YOUR PERFORMANCE SHARES MAY VEST EARLIER THAN DESCRIBED ABOVE. Normally, your Performance Shares will vest only in the circumstances described above. However, if there is a "Change in Control" (as defined in the Plan), your Performance Shares may vest earlier. You should read the Plan and the Prospectus carefully to ensure that you understand how this may happen.

RIGHTS BEFORE YOUR PERFORMANCE SHARES VEST: You may not vote, or receive any dividends associated with, your Performance Shares.

BENEFICIARY DESIGNATION: You may name a beneficiary or beneficiaries to receive any Performance Shares that are settled after you die. This may be done only on the attached Beneficiary Designation Form and by following the rules described in that Form. The Beneficiary Designation form need not be completed now and is not required as a condition of receiving your Award. If you die without completing a Beneficiary Designation Form or if you do not complete that Form correctly, your beneficiary will be your surviving spouse or, if you do not have a surviving spouse, your estate.

TRANSFERRING YOUR PERFORMANCE SHARES: Normally your Performance Shares may not be transferred to another person. However, you may complete a Beneficiary Designation Form to name the person to receive any Performance Shares that are settled after you die. Also, the Committee may allow you to place your Performance Shares into a trust established for your benefit or the benefit of your family. Contact [Third Party Administrator] at [TPA Telephone Number] or at the address given below if you are interested in doing this.

GOVERNING LAW: This Award Agreement will be construed in accordance with and governed by the laws of the United States and of the State of Ohio (other than laws governing conflicts of laws).

OTHER AGREEMENTS: Also, your Performance Shares will be subject to the terms of any other written agreements between you and the Company or any Affiliate or Subsidiary to the extent that those other agreements do not directly conflict with the terms of the Plan or this Award Agreement.

ADJUSTMENTS TO YOUR PERFORMANCE SHARES: Your Performance Shares will be adjusted, if appropriate, to reflect any change to the Company's capital structure (e.g., the number of your Performance Shares will be adjusted to reflect a stock split).

OTHER RULES: Your Performance Shares also are subject to more rules described in the Plan and in the Plan's Prospectus. You should read both of these documents carefully to ensure you fully understand all the terms and conditions of the grant of Performance Shares made to you under this Award.

You may contact [Third Party Administrator] at [TPA Telephone Number] or at the address given below if you have any questions about your Award or this Award Agreement.

YOUR ACKNOWLEDGMENT OF AWARD CONDITIONS

Note: You must sign and return a copy of this Award Agreement to [Third Party Administrator] at the address given below no later than [30 Days Post Grant Date].

By signing below, I acknowledge and agree that:

- A copy of the Plan has been made available to me;
- I have received a copy of the Plan's Prospectus;
- I understand and accept the conditions placed on my Performance Shares and understand what I must do to earn my Award;
- I will consent (on my own behalf and on behalf of my beneficiaries and without any further consideration) to any necessary change to my Performance Shares or this Award Agreement to comply with any law and to avoid paying penalties under Section 409A of the Internal Revenue Code, even if those changes affect the terms of my Award and reduce their value or potential value; and
- If I do not return a signed copy of this Award Agreement to the address shown below on or before [30 Days Post Grant Date], my Performance Shares will be forfeited and I will not be entitled to receive anything on account of these Performance Shares.

[Grantee's Name]

THE SCOTTS MIRACLE-GRO COMPANY

By: _____

By: _____

Date signed: _____

Name: _____

Title: _____

Date signed: _____

A signed copy of this Award Agreement must be sent to the following address no later than [30 Days Post Grant Date]:

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

[TPA Telephone Number]

After it is received, The Scotts Miracle-Gro Company 2006 Long-Term Incentive Plan Committee will acknowledge receipt of your signed Award Agreement.

DESCRIPTION OF YOUR NONQUALIFIED STOCK OPTIONS

YOU HAVE BEEN AWARDED NONQUALIFIED STOCK OPTIONS (OR "NSOS") TO PURCHASE [NUMBER GRANTED] COMMON SHARES OF THE COMPANY. You may purchase one of the Company's common shares for each NSO, but only if you pay \$[Price] ("Exercise Price") for each common share you purchase, you exercise the NSOs on or before [Expiration Date] ("Expiration Date") and you meet the terms and conditions described in this Award Agreement, the Plan and the Prospectus. You also must arrange to pay any taxes due on exercise using one of the procedures described later in this Award Agreement.

LIMITS ON EXERCISING YOUR NSOS

Normally, your NSOs will vest (and become exercisable) on [Vesting Date] but only if you are actively employed by the Company or any Subsidiary or Affiliate (as defined in the Plan) on [Vesting Date] and all other conditions described in this Award Agreement, the Plan and the Prospectus are met.

This does not mean that you must exercise your NSOs on this date; this is merely the first date that you may do so. However, your NSOs will expire unless they are exercised on or before the Expiration Date ([Expiration Date]).

There are some special situations in which your NSOs may vest earlier. These are described later in this Award Agreement.

At any one time, you may not exercise NSOs to buy fewer than 100 common shares of the Company (or, if smaller, the number of your outstanding vested NSOs). Also, you may never exercise an NSO to purchase a fractional common share of the Company; NSOs for fractional common shares will always be redeemed for cash.

EXERCISING YOUR NSOS

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

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

CASHLESS EXERCISE AND SELL: If you elect this alternative, you will be deemed to have simultaneously exercised the NSOs and to have sold the common shares underlying those NSOs. When the transaction is complete, you will receive cash (but no common shares of the Company) equal to the difference between the aggregate value of the common shares deemed to have been acquired through the exercise minus the NSOs' aggregate exercise price and related taxes.

COMBINATION EXERCISE: If you elect this alternative, you will be deemed to have simultaneously exercised the NSOs and to have sold a number of those common shares with a value equal to the NSOs' aggregate exercise price and related taxes. When the transaction is complete, the balance of the common shares subject to the NSOs you exercised will be transferred to you.

EXERCISE AND HOLD: If you elect this alternative, you must pay the full exercise price plus related taxes (in cash, a cash equivalent or in common shares of the Company having a value equal to the exercise price and which you have owned for at least six months before the exercise date). When

the transaction is complete, you will receive one common share for each NSO exercised.

Before choosing an exercise method, you should read the "Federal Income Tax" section of the Prospectus to ensure you understand the federal income tax effect of exercising your NSOs and of the exercise method you choose.

If you do not elect one of these methods, we will apply the Cashless Exercise and Sell method described above.

TAX TREATMENT OF YOUR NSOS

The federal income tax treatment of your NSOs is discussed in the Plan's Prospectus.

GENERAL TERMS AND CONDITIONS

YOU MAY FORFEIT YOUR NSOS IF YOUR EMPLOYMENT ENDS

Normally, you may exercise your NSOs after they vest and before the Expiration Date ([Expiration Date]). However, your NSOs may be cancelled earlier than the Expiration Date if you terminate employment before [Vesting Date].

[a] If your employment is terminated for "cause" (as defined in the Plan), the NSOs will expire on the date your employment ends; or

[b] If you terminate employment because you [I] die or [II] become disabled (as defined in the Plan), the NSOs will expire on the earlier of the Expiration Date or 12 months after you terminate; or

[c] If you terminate employment after reaching either [I] age 55 and completing at least 10 years of employment or [II] age 62 regardless of your years of service, the NSOs will expire on the earlier of the Expiration Date or 12 months after you terminate; or

[d] If you terminate employment for any other reason, your NSOs will expire on the earlier of the Expiration Date or 90 days after you terminate.

Note, it is your responsibility to keep track of when your NSOs expire.

YOU MAY FORFEIT YOUR NSOS IF YOU ENGAGE IN CONDUCT THAT IS HARMFUL TO THE COMPANY (OR ANY AFFILIATE OR SUBSIDIARY)

You also will forfeit any outstanding NSOs and must return to the Company all common shares and other amounts you have received through the Plan if, without our consent, you do any of the following within 180 days before and 730 days after terminating employment (as defined in the Plan) with the Company or any Affiliate or Subsidiary:

[a] You serve (or agree to serve) as an officer, director, consultant or employee of any proprietorship, partnership, corporation or other entity or become the owner of a business or a member of a partnership that competes with any portion of the Company's (or any Affiliate's or Subsidiary's) business with which you have been involved any time within five years before termination of employment or render any service (including, without limitation, advertising or

business consulting) to entities that compete with any portion of the Company's (or any Affiliate's or Subsidiary's) business with which you have been involved any time within five years before termination of employment;

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

[c] You deliberately engage in any action that the Company concludes has caused substantial harm to the interests of the Company or any Affiliate or Subsidiary;

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

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

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

[g] You engaged in conduct that the Committee (as defined in the Plan) reasonably concludes would have given rise to a termination for "cause" (as defined in the Plan) had it been discovered before you terminated employment.

YOUR NSOS MAY VEST EARLIER THAN DESCRIBED ABOVE. Normally, your NSOs will vest only in the circumstances described above. However, if there is a "Change in Control" (as defined in the Plan), your NSOs may vest earlier. You should read the Plan and the Prospectus carefully to ensure that you understand how this may happen.

AMENDMENT/TERMINATION. We may amend or terminate the Plan at any time.

RIGHTS BEFORE YOUR NSOS ARE EXERCISED: You may not vote, or receive any dividends associated with, the common shares underlying your NSOs.

BENEFICIARY DESIGNATION: You may name a beneficiary or beneficiaries to receive or to exercise any vested NSOs that are unexercised when you die. This may be done only on the attached Beneficiary Designation Form and by following the rules described in that Form. The Beneficiary Designation Form need not be completed now and is not required as a condition of receiving your Award. If you die

without completing a Beneficiary Designation Form or if you do not complete that Form correctly, your beneficiary will be your surviving spouse or, if you do not have a surviving spouse, your estate.

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

GOVERNING LAW: This Award Agreement will be construed in accordance with and governed by the laws of the United States and of the State of Ohio (other than laws governing conflicts of laws).

OTHER AGREEMENTS: Also, your NSOs will be subject to the terms of any other written agreements between you and the Company or any Affiliate or Subsidiary to the extent that those other agreements do not directly conflict with the terms of the Plan or this Award Agreement.

ADJUSTMENTS TO NSOS: Your NSOs will be adjusted, if appropriate, to reflect any change to the Company's capital structure (e.g., the number of your NSOs and the Exercise Price will be adjusted to reflect a stock split).

OTHER RULES: Your NSOs also are subject to more rules described in the Plan and in the Plan's Prospectus. You should read both of these documents carefully to ensure you fully understand all the terms and conditions of the grant of NSOs made to you under this Award Agreement.

You may contact [Third Party Administrator] at [TPA Telephone Number] or at the address given below if you have any questions about your Award or this Award Agreement.

YOUR ACKNOWLEDGMENT OF AWARD CONDITIONS

Note: You must sign and return a copy of this Award Agreement to [Third Party Administrator] at the address given below no later than [30 Days Post Grant Date].

By signing below, I acknowledge and agree that:

- A copy of the Plan has been made available to me;
- I have received a copy of the Plan's Prospectus;
- I understand and accept the conditions placed on my NSOs and understand what I must do to earn and exercise my NSOs;
- I will consent (on my own behalf and on behalf of my beneficiaries and without any further consideration) to any necessary change to my NSOs or this Award Agreement to comply with any law and to avoid paying penalties under Section 409A of the Internal Revenue Code, even if those changes affect the terms of my NSOs and reduce their value or potential value; and
- If I do not return a signed copy of this Award Agreement to the address shown below on or before [30 Days Post Grant Date], my NSOs will be forfeited and I will not be entitled to receive anything on account of this Award.

[Grantee's Name]

THE SCOTTS MIRACLE-GRO COMPANY

By: _____

By: _____

Date signed: _____

Name: _____

Title: _____

Date signed: _____

A signed copy of this Award Agreement must be sent to the following address no later than [30 Days Post Grant Date]:

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

[TPA Telephone Number]

After it is received, The Scotts Miracle-Gro Company 2006 Long-Term Incentive Plan Committee will acknowledge receipt of your signed Award Agreement.

THE SCOTTS MIRACLE-GRO COMPANY
2006 LONG-TERM INCENTIVE PLAN

NONQUALIFIED STOCK OPTION EXERCISE NOTICE

AFFECTING NONQUALIFIED STOCK OPTIONS GRANTED TO
[GRANTEE'S NAME] ON [GRANT DATE]

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

By completing this Exercise Notice and returning it to [Third Party Administrator] at the address given below, I elect to exercise the NSOs described below:

NOTE: You must complete a separate Nonqualified Stock Option Exercise Notice each time you exercise NSOs granted under each Award Agreement (e.g., if you are exercising 200 NSOs granted January 1, 2007 and 100 NSOs granted January 1, 2008 under a separate award agreement, you must complete two Nonqualified Stock Option Exercise Notices, one for each set of NSOs being exercised).

AFFECTED NSOS: This exercise relates to the following NSOs (fill in the blanks):

GRANT DATE: [GRANT DATE]

NUMBER OF NSOS BEING EXERCISED WITH THIS EXERCISE NOTICE:

EXERCISE PRICE: The Exercise Price due is \$ _____

NOTE: This amount must be the product of \$[Price] multiplied by the number of NSOs being exercised.

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

NOTE: These methods are described in the Award Agreement.

___ Cashless Exercise and Sell.

___ Combination Exercise.

___ Exercise and Hold.

Note:

- o If you select the Exercise and Hold method of exercise, you must also follow the procedures described in the Award Agreement to pay the Exercise Price and the taxes

related to this exercise. You should contact [Third Party Administrator] at the address given below to find out the amount of the taxes due.

- o If you select either the Cashless Exercise and Sell or the Combination Exercise methods of paying the Exercise Price, you should contact [Third Party Administrator] at the address given below to be sure you understand how your choice of payment will affect the number of common shares of the Company you will receive.

YOUR ACKNOWLEDGEMENT OF EFFECT OF EXERCISE

By signing below, I acknowledge and agree that:

- o I fully understand the effect (including the investment effect) of exercising my NSOs and buying common shares of the Company and understand that there is no guarantee that the value of these common shares will appreciate or will not depreciate;
- o This Exercise Notice will have no effect if it is not returned to [Third Party Administrator] at the address given below before the Expiration Date specified in the Award Agreement under which these NSOs were granted; and
- o The common shares of the Company I am buying by completing and returning this Exercise Notice will be issued to me as soon as administratively practicable.

[Grantee's Name]

(signature)

Date signed: _____

A signed copy of this Nonqualified Stock Option Exercise Notice must be sent to the following address no later than the Expiration Date:

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

[TPA Telephone Number]

ACKNOWLEDGEMENT OF RECEIPT

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

_____.

[Grantee's Name]:

_____ Has effectively exercised the NSOs described in this Notice; or

_____ Has not effectively exercised the NSOs described in this Notice
because

describe deficiency

The Scotts Company 2006 Long-Term Incentive Plan Committee

By: _____

Date: _____

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

DESCRIPTION OF YOUR INCENTIVE STOCK OPTIONS

YOU HAVE BEEN AWARDED INCENTIVE STOCK OPTIONS (OR "ISOS") TO PURCHASE [NUMBER GRANTED] COMMON SHARES OF THE COMPANY. You may purchase one of the Company's common shares for each ISO, but only if you pay \$[Price] ("Exercise Price") for each common share you purchase, you exercise the ISOs on or before [Expiration Date] ("Expiration Date") and meet the terms and conditions described in this Award Agreement, the Plan and the Prospectus. You also must arrange to pay any taxes due on exercise using one of the procedures described later in this Award Agreement.

LIMITS ON EXERCISING YOUR ISOS

Normally, your ISOs will vest (and become exercisable) on [Vesting Date] but only if you are actively employed by the Company or any Subsidiary or Affiliate (as defined in the Plan) on [Vesting Date] and all other conditions described in this Award Agreement, the Plan and the Prospectus are met.

This does not mean that you must exercise your ISOs on this date; this is merely the first date that you may do so. However, your ISOs will expire unless they are exercised on or before the Expiration Date ([Expiration Date]).

There are some special situations in which your ISOs may vest earlier. These are described later in this Award Agreement.

At any one time, you may not exercise ISOs to buy fewer than 100 common shares of the Company (or, if smaller, the number of your outstanding vested ISOs). Also, you may never exercise an ISO to purchase a fractional common share of the Company; ISOs for fractional common shares will always be redeemed for cash.

EXERCISING YOUR ISOS

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

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

CASHLESS EXERCISE AND SELL: If you elect this alternative, you will be deemed to have simultaneously exercised the ISOs and to have sold the common shares underlying those ISOs. When the transaction is complete, you will receive cash (but no common shares of the Company) equal to the difference between the aggregate value of the common shares deemed to have been acquired through the exercise minus the ISOs' aggregate exercise price and related taxes.

COMBINATION EXERCISE: If you elect this alternative, you will be deemed to have simultaneously exercised the ISOs and to have sold a number of those common shares with a value equal to the ISOs' aggregate exercise price and related taxes. When the transaction is complete, the balance of the common shares subject to the ISOs you exercised will be transferred to you.

EXERCISE AND HOLD: If you elect this alternative, you must pay the full exercise price plus related taxes (in cash, a cash equivalent or in common shares of the Company having a value equal to the exercise price and which you have owned for at least six months before the exercise date). When

the transaction is complete, you will receive one common share for each ISO exercised. 16

Before choosing an exercise method, you should read the "Federal Income Tax" section of the Prospectus to ensure you understand the federal income tax effect of exercising your ISOs and of the exercise method you choose.

If you do not elect one of these methods, we will apply the Cashless Exercise and Sell method described above.

TAX TREATMENT OF YOUR ISOS

The federal income tax treatment of your ISOs is discussed in the Plan's Prospectus.

GENERAL TERMS AND CONDITIONS

YOU MAY FORFEIT YOUR ISOS IF YOUR EMPLOYMENT ENDS

Normally, you may exercise your ISOs after it vests and before the Expiration Date ([Expiration Date]). However, your ISOs may be cancelled earlier than the Expiration Date if you terminate employment before [Vesting Date].

[a] If your employment is terminated for "cause" (as defined in the Plan), the ISOs will expire on the date your employment ends; or

[b] If you terminate employment because you [I] die or [II] become disabled (as defined in the Plan), the ISOs will expire on the earlier of the Expiration Date or 12 months after you terminate; or

[c] If you terminate employment after reaching either [I] age 55 and completing at least 10 years of employment or [II] age 62 regardless of your years of service, the ISOs will expire on the earlier of the Expiration Date or three months after you terminate; or

[d] If you terminate employment for any other reason, your ISOs will expire on the earlier of the Expiration Date or 90 days after you terminate.

Note, it is your responsibility to keep track of when your ISOs expire.

YOU MAY FORFEIT YOUR ISOS IF YOU ENGAGE IN CONDUCT THAT IS HARMFUL TO THE COMPANY (OR ANY AFFILIATE OR SUBSIDIARY)

You also will forfeit any outstanding ISOs and must return to the Company all common shares and other amounts you have received through the Plan if, without our consent, you do any of the following within 180 days before and 730 days after terminating employment with the Company or any Affiliate or Subsidiary:

[a] You serve (or agree to serve) as an officer, director, consultant or employee of any proprietorship, partnership, corporation or other entity or become the owner of a business or a member of a partnership that competes with any portion of the Company's (or any Affiliate's or Subsidiary's) business with which you have been involved any time within five years before termination of employment or render any service (including, without limitation, advertising or

business consulting) to entities that compete with any portion of the Company's (or any Affiliate's or Subsidiary's) business with which you have been involved any time within five years before termination of employment;

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

[c] You deliberately engage in any action that the Company concludes has caused substantial harm to the interests of the Company or any Affiliate or Subsidiary;

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

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

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

[g] You engaged in conduct that the Committee (as defined in the Plan) reasonably concludes would have given rise to a termination for "cause" (as defined in the Plan) had it been discovered before you terminated employment.

YOUR ISOS MAY VEST EARLIER THAN DESCRIBED ABOVE. Normally, your ISOs will vest only in the circumstances described above. However, if there is a "Change in Control" (as defined in the Plan), your ISOs may vest earlier. You should read the Plan and the Prospectus carefully to ensure that you understand how this may happen.

RIGHTS BEFORE YOUR ISOS ARE EXERCISED: You may not vote, or receive any dividends associated with, the common shares underlying your ISOs.

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

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

GOVERNING LAW: This Award Agreement will be construed in accordance with and governed by the laws of the United States and of the State of Ohio (other than laws governing conflicts of laws).

OTHER AGREEMENTS: Also, your ISOs will be subject to the terms of any other written agreements between you and the Company or any Affiliate or Subsidiary to the extent that those other agreements do not directly conflict with the terms of the Plan or this Award Agreement.

ADJUSTMENTS TO ISOS: Your ISOs will be adjusted, if appropriate, to reflect any change to the Company's capital structure (e.g., the number of your ISOs and the Exercise Price will be adjusted to reflect a stock split).

OTHER RULES: Your ISOs also are subject to more rules described in the Plan and in the Plan's Prospectus. You should read both of these documents carefully to ensure you fully understand all the terms and conditions of the grant of ISOs made to you under this Award Agreement.

You may contact [Third Party Administrator] at [TPA Telephone Number] or at the address given below if you have any questions about your Award or this Award Agreement.

YOUR ACKNOWLEDGMENT OF AWARD CONDITIONS

Note: You must sign and return a copy of this Award Agreement to [Third Party Administrator] at the address given below no later than [30 Days Post Grant Date].

By signing below, I acknowledge and agree that:

- A copy of the Plan has been made available to me;
- I have received a copy of the Plan's Prospectus;
- I understand and accept the conditions placed on my Award and understand what I must do to earn my Award;
- I will consent (on my own behalf and on behalf of my beneficiaries and without any further consideration) to any necessary change to my Award or this Award Agreement to comply with any law and to avoid paying penalties under Section 409A of the Internal Revenue Code, even if those changes affect the terms of my Award and reduce their value or potential value; and
- If I do not return a signed copy of this Award Agreement to the address shown below on or before [30 Days Post Grant Date], my Award will be forfeited and I will not be entitled to receive anything on account of this Award.

[Grantee's Name]

THE SCOTTS MIRACLE-GRO COMPANY

By: _____

By: _____

Date signed: _____

Name: _____

Title: _____

Date signed: _____

A signed copy of this Award Agreement must be sent to the following address no later than [30 Days Post Grant Date]:

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

[TPA Telephone Number]

After it is received, The Scotts Miracle-Gro Company 2006 Long-Term Incentive Plan Committee will acknowledge receipt of your signed Award Agreement.

THE SCOTTS MIRACLE-GRO COMPANY
2006 LONG-TERM INCENTIVE PLAN

INCENTIVE STOCK OPTION EXERCISE NOTICE

AFFECTING INCENTIVE STOCK OPTIONS GRANTED TO
[GRANTEE'S NAME] ON [GRANT DATE]

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

By completing this Exercise Notice and returning it to [Third Party Administrator] at the address given below, I elect to exercise the ISOs described below:

NOTE: You must complete a separate Incentive Stock Option Exercise Notice each time you exercise ISOs granted under each Award Agreement (e.g., if you are exercising 200 ISOs granted January 1, 2007 and 100 ISOs granted January 1, 2008 under a separate award agreement, you must complete two Incentive Stock Option Exercise Notices, one for each set of ISOs being exercised).

AFFECTED ISOS: This exercise relates to the following ISOs (fill in the blanks):

GRANT DATE: [GRANT DATE]

NUMBER OF ISOS BEING EXERCISED WITH THIS EXERCISE NOTICE: _____

EXERCISE PRICE: The Exercise Price due is \$_____

NOTE: This amount must be the product of \$[Price] multiplied by the number of ISOs being exercised.

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

NOTE: These methods are described in the Award Agreement.

- Cashless Exercise and Sell.
- Combination Exercise.
- Exercise and Hold.

Note:

- o If you select the Exercise and Hold method of exercise, you must also follow the procedures described in the Award Agreement to pay the Exercise Price.

- o If you select either the Cashless Exercise and Sell or the Combination Exercise methods of paying the Exercise Price, you should contact [Third Party Administrator] at the address given below to be sure you understand how your choice of payment will affect the number of common shares of the Company you will receive and any taxes associated with this exercise method.

YOUR ACKNOWLEDGEMENT OF EFFECT OF EXERCISE

By signing below, I acknowledge and agree that:

- o I fully understand the effect (including the investment effect) of exercising my ISOs and buying common shares of the Company and understand that there is no guarantee that the value of these common shares will appreciate or will not depreciate;
- o This Exercise Notice will have no effect if it is not returned to [Third Party Administrator] at the address given below before the Expiration Date specified in the Award Agreement under which these ISOs were granted; and
- o The common shares of the Company I am buying by completing and returning this Exercise Notice will be issued to me as soon as administratively practicable.

[Grantee's Name]

(signature)

Date signed: _____

A signed copy of this Incentive Stock Option Exercise Notice must be sent to the following address no later than the Expiration Date:

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

[TPA Telephone Number]

ACKNOWLEDGEMENT OF RECEIPT

A signed copy of this Incentive Stock Option Exercise Notice was received on:

_____.

[Grantee's Name]:

- _____ Has effectively exercised the ISOs described in this Notice; or
- _____ Has not effectively exercised the ISOs described in this Notice because

describe deficiency

The Scotts Company 2006 Long-Term Incentive Plan Committee

By: _____

Date: _____

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

DESCRIPTION OF YOUR RESTRICTED STOCK

YOU HAVE BEEN AWARDED [NUMBER GRANTED] SHARES OF RESTRICTED STOCK. If you satisfy the conditions described in this Award Agreement, the Plan and the Prospectus, the restrictions imposed on your Restricted Stock will be removed and you will own the underlying common shares. You also must arrange to pay any taxes due on settlement.

WHEN YOUR RESTRICTED STOCK WILL BE SETTLED

Normally, on [Vesting Date], the Committee (as defined in the Plan) will ascertain if you have satisfied the conditions imposed on your Restricted Stock. If you have not, your Restricted Stock will be forfeited. If you have, as soon as administratively practicable after [Vesting Date], these common shares will be distributed to you, free of any restrictions. Your Restricted Stock will be held in escrow until it is settled or forfeited.

The restrictions imposed on your Restricted Stock normally will be met if you are actively employed by the Company or any Affiliate or Subsidiary (as defined in the Plan) on [Vesting Date] and all other conditions described in this Award Agreement, the Plan and the Prospectus are met.

TAX TREATMENT OF YOUR RESTRICTED STOCK

The federal income tax treatment of your Restricted Stock is discussed in the Plan's Prospectus.

GENERAL TERMS AND CONDITIONS

YOU WILL FORFEIT YOUR RESTRICTED STOCK IF YOUR EMPLOYMENT ENDS

Normally, your Restricted Stock will be settled on [Vesting Date]. However, the unvested portion of your Restricted Stock will be forfeited if you terminate employment before [Vesting Date].

YOU MAY FORFEIT YOUR RESTRICTED STOCK IF YOU ENGAGE IN CONDUCT THAT IS HARMFUL TO THE COMPANY (OR ANY AFFILIATE OR SUBSIDIARY)

You also will forfeit any outstanding Restricted Stock and must return to the Company all common shares and other amounts you have received through the Plan if, without our consent, you do any of the following within 180 days before and 730 days after terminating employment:

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

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

[c] You deliberately engage in any action that the Company concludes has caused substantial harm to the interests of the Company or any Affiliate or Subsidiary;

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

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

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

[g] You engaged in conduct that the Committee reasonably concludes would have given rise to a termination for "cause" (as defined in the Plan) had it been discovered before you terminated employment.

YOUR RESTRICTED STOCK MAY VEST EARLIER THAN DESCRIBED ABOVE. Normally, your Restricted Stock will vest only in the circumstances described above. However, if there is a "Change in Control" (as defined in the Plan), your Restricted Stock may vest earlier. You should read the Plan and the Prospectus carefully to ensure that you understand how this may happen.

RIGHTS BEFORE YOUR RESTRICTED STOCK VESTS: Even though your Restricted Stock is held in escrow until it is settled or forfeited, you may exercise any voting rights associated with the common shares underlying your Restricted Stock while it is held in escrow. You also will be entitled to receive any dividends paid on these common shares during this period, although these dividends also will be held in escrow until the Restricted Stock is settled and distributed to you (or forfeited) depending on whether or not you have met the conditions described in this Award Agreement and in the Plan and the Prospectus.

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

TRANSFERRING YOUR RESTRICTED STOCK: Normally your Restricted Stock may not be transferred to another person. However, you may complete a Beneficiary Designation Form to name the person to receive any

Restricted Stock that is settled after you die. Also, the Committee may allow you to place your Restricted Stock into a trust established for your benefit or the benefit of your family. Contact [Third Party Administrator] at [TPA Telephone Number] or the address given below if you are interested in doing this.

GOVERNING LAW: This Award Agreement will be construed in accordance with and governed by the laws of the United States and of the State of Ohio (other than laws governing conflicts of laws).

OTHER AGREEMENTS: Also, your Restricted Stock will be subject to the terms of any other written agreements between you and the Company or any Affiliate or Subsidiary to the extent that those other agreements do not directly conflict with the terms of the Plan or this Award Agreement.

ADJUSTMENTS TO YOUR RESTRICTED STOCK: Your Restricted Stock will be adjusted, if appropriate, to reflect any change to the Company's capital structure (e.g., the number of common shares underlying your Restricted Stock will be adjusted to reflect a stock split).

OTHER RULES: Your Restricted Stock also is subject to more rules described in the Plan and in the Plan's Prospectus. You should read both of these documents carefully to ensure you fully understand all the terms and conditions of the grant of Restricted Stock under this Award Agreement.

You may contact [Third Party Administrator] at [TPA Telephone Number] or at the address given below if you have any questions about your Award or this Award Agreement.

YOUR ACKNOWLEDGMENT OF AWARD CONDITIONS

Note: You must sign and return a copy of this Award Agreement to [Third Party Administrator] at the address given below no later than [30 Days Post Grant Date].

By signing below, I acknowledge and agree that:

- A copy of the Plan has been made available to me;
- I have received a copy of the Plan's Prospectus;
- I understand and accept the conditions placed on my Award and understand what I must do to earn my Award;
- I will consent (on my own behalf and on behalf of my beneficiaries and without any further consideration) to any necessary change to my Award or this Award Agreement to comply with any law and to avoid paying penalties under Section 409A of the Internal Revenue Code, even if those changes affect the terms of my Award and reduce their value or potential value; and
- If I do not return a signed copy of this Award Agreement to the address shown below on or before [30 Days Post Grant Date], my Award will be forfeited and I will not be entitled to receive anything on account of this Award.

[Grantee's Name]

THE SCOTTS MIRACLE-GRO COMPANY

By: _____

By: _____

Date signed: _____

Name: _____

Title: _____

Date signed: _____

A signed copy of this Award Agreement must be sent to the following address no later than [30 Days Post Grant Date]:

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

[TPA Telephone Number]

After it is received, The Scotts Miracle-Gro Company 2006 Long-Term Incentive Plan Committee will acknowledge receipt of your signed Award Agreement.

DESCRIPTION OF YOUR CASH SETTLED STOCK APPRECIATION RIGHTS

YOU HAVE BEEN AWARDED [NUMBER GRANTED] STOCK APPRECIATION RIGHTS (OR "SARS"). If you satisfy the conditions described in this Award Agreement, the Plan and the Prospectus, you may exercise your SARS on or before [Expiration Date] ("Expiration Date"). If you do this, you will receive cash equal to the fair market value of one common share of the Company on the exercise date minus \$[Price] ("Exercise Price"), multiplied by the number of SARS you are exercising and minus any related taxes. You also must arrange to pay any taxes due on exercise using one of the procedures described later in this Award Agreement.

LIMITS ON EXERCISING YOUR SARS

Normally, your SARS will vest (and become exercisable) on [Vesting Date] but only if you are actively employed by the Company or any Subsidiary or Affiliate (as defined in the Plan) on [Vesting Date] and all other conditions described in this Award Agreement, the Plan and the Prospectus are met.

This does not mean that you must exercise your SARS on this date; this is merely the first date that you may do so. However, your SARS will expire unless they are exercised on or before the Expiration Date ([Expiration Date]).

There are some special situations in which your SARS may vest earlier. These are described later in this Award Agreement.

At any one time, you may not exercise fewer than 100 SARS (or, if smaller, the number of your outstanding vested SARS).

EXERCISING YOUR SARS

After they vest, you may exercise your SARS by completing an Exercise Notice. A copy of this Exercise Notice is attached to this Award Agreement. Also, a copy of this form and a description of the procedures that you must follow to exercise your SARS, are available from [Third Party Administrator] at [TPA Telephone Number] or at the address shown below.

When you exercise your SARS, you will receive cash equal to the fair market value of one common share of the Company on the exercise date minus \$[Price] ("Exercise Price"), multiplied by the number of SARS you are exercising and minus any related taxes.

Before exercising your SARS, you should read the "Federal Income Tax" section of the Prospectus to ensure you understand the federal income tax effect of exercising your SARS.

TAX TREATMENT OF YOUR SARS

The federal income tax treatment of your SARS is discussed in the Plan's Prospectus.

GENERAL TERMS AND CONDITIONS

YOU MAY FORFEIT YOUR SARs IF YOUR EMPLOYMENT ENDS

Normally, you may exercise your SARs after they vest and before the Expiration Date ([Expiration Date]). However, your SARs may be cancelled earlier than the Expiration Date if you terminate employment before [Vesting Date].

[A] If your employment is terminated for "cause" (as defined in the Plan), the SARs will expire on the date your employment ends; or

[B] If you terminate employment because you [I] die or [II] become disabled (as defined in the Company's long-term disability plan), the SARs will expire on the earlier of the Expiration Date or 12 months after you terminate; or

[C] If you terminate employment after reaching either [I] age 55 and completing at least 10 years of employment or [II] age 62 regardless of your years of service, the SARs will expire on the earlier of the Expiration Date or 12 months after you terminate; or

[D] If you terminate employment for any other reason, your SARs will expire on the earlier of the Expiration Date or 90 days after you terminate.

Note, it is your responsibility to keep track of when your SARs expire.

YOU MAY FORFEIT YOUR SARs IF YOU ENGAGE IN CONDUCT THAT IS HARMFUL TO THE COMPANY (OR ANY AFFILIATE OR SUBSIDIARY)

You also will forfeit any outstanding SARs and must return to the Company all amounts you have received through the Plan if, without our consent, you do any of the following within 180 days before and 730 days after terminating employment:

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

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

[C] You deliberately engage in any action that the Company concludes has caused substantial harm to the interests of the Company or any Affiliate or Subsidiary;

[D] On your own behalf or on behalf of any other person, partnership, association, corporation or other entity, you solicit or in any manner attempt to influence or induce any employee of the Company or any Affiliate or Subsidiary to leave the Company's or any Affiliate's or Subsidiary's employment or use or disclose to any person, partnership,

association, corporation or other entity any information obtained while an employee of the Company or any Affiliate or Subsidiary concerning the names and addresses of the Company's or any Affiliate's or Subsidiary's employees;

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

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

[G] You engaged in conduct that the Committee (as defined in the Plan) reasonably concludes would have given rise to a termination for cause (as defined in the Plan) had it been discovered before you terminated employment.

YOUR SARS MAY VEST EARLIER THAN DESCRIBED ABOVE. Normally, your SARS will vest only in the circumstances described above. However, if there is a "Change in Control" (as defined in the Plan), your SARS may vest earlier. You should read the Plan and the Prospectus carefully to ensure that you understand how this may happen.

RIGHTS BEFORE YOUR SARS ARE EXERCISED: You may not vote, or receive any dividends associated with, the common shares underlying your SARS.

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

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

GOVERNING LAW: This Award Agreement will be construed in accordance with and governed by the laws of the United States and of the State of Ohio (other than laws governing conflicts of laws).

OTHER AGREEMENTS: Also, your SARs will be subject to the terms of any other written agreements between you and the Company or any Affiliate or Subsidiary to the extent that those other agreements do not directly conflict with the terms of the Plan or this Award Agreement.

ADJUSTMENTS TO SARs: Your SARs will be adjusted, if appropriate, to reflect any change to the Company's capital structure (e.g., the number of your SARs and the Exercise Price will be adjusted to reflect a stock split).

OTHER RULES: Your SARs also are subject to more rules described in the Plan and in the Plan's Prospectus. You should read both of these documents carefully to ensure you fully understand all the terms and conditions on the grant of SARs made to you under this Award Agreement.

You may contact [Third Party Administrator] at [TPA Telephone Number] or at the address given below if you have any questions about your Award or this Award Agreement.

YOUR ACKNOWLEDGMENT OF AWARD CONDITIONS

Note: You must sign and return a copy of this Award Agreement to [Third Party Administrator] at the address given below no later than [30 Days Post Grant Date].

By signing below, I acknowledge and agree that:

- o A copy of the Plan has been made available to me;
- o I have received a copy of the Plan's Prospectus;
- o I understand and accept the conditions placed on my Award and understand what I must do to earn my Award;
- o I will consent (in my own behalf and in behalf of my beneficiaries and without any further consideration) to any necessary change to my Award or this Award Agreement to comply with any law and to avoid paying penalties under Section 409A of the Internal Revenue Code, even if those changes affect the terms of my Award and reduce their value or potential value; and
- o If I do not return a signed copy of this Award Agreement to the address shown below on or before [30 Days Post Grant Date], my Award will be forfeited and I will not be entitled to receive anything on account of this Award.

[Grantee's Name]

THE SCOTTS MIRACLE-GRO COMPANY

By: _____

By: _____

Date signed: _____

Name: _____

Title: _____

Date signed: _____

A signed copy of this Award Agreement must be sent to the following address no later than [30 Days Post Grant Date]:

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

[TPA Telephone Number]

After it is received, The Scotts Miracle-Gro Company 2006 Long-Term Incentive Plan Committee will acknowledge receipt of your signed Award Agreement.

THE SCOTTS MIRACLE-GRO COMPANY
2006 LONG-TERM INCENTIVE PLAN

CASH SETTLED STOCK APPRECIATION RIGHT EXERCISE NOTICE

AFFECTING CASH SETTLED STOCK APPRECIATION RIGHTS GRANTED TO
[GRANTEE'S NAME] ON [GRANT DATE]

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

By completing this Exercise Notice and returning it to [Third Party Administrator] at the address given below, I elect to exercise the SARs described below:

NOTE: You must complete a separate Stock Appreciation Right Exercise Notice each time you exercise SARs granted under each Award Agreement (e.g., if you are exercising 200 SARs granted January 1, 2007 and 100 SARs granted January 1, 2008 under a separate award agreement, you must complete two Stock Appreciation Right Exercise Notices, one for each set of SARs being exercised).

AFFECTED SARs: This exercise relates to the following SARs (fill in the blanks):

GRANT DATE: [GRANT DATE]

NUMBER OF SARs BEING EXERCISED WITH THIS EXERCISE NOTICE:

YOUR ACKNOWLEDGEMENT OF EFFECT OF EXERCISE

By signing below, I acknowledge and agree that:

- o I fully understand the effect (including the investment effect) of exercising my SARs; and
- o This Exercise Notice will have no effect if it is not returned to [Third Party Administrator] at the address given below before the Expiration Date specified in the Award Agreement under which these SARs were granted.

[Grantee's Name]

(signature)

Date signed: _____

A signed copy of this Stock Appreciation Right Exercise Notice must be sent to the following address no later than the Expiration Date:

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

[TPA Telephone Number]

ACKNOWLEDGEMENT OF RECEIPT

A signed copy of this Stock Appreciation Right Exercise Notice was received on:
_____.

[Grantee's Name]:

_____ Has effectively exercised the SARs described in this Exercise Notice; or

_____ Has not effectively exercised the SARs described in this Exercise Notice because

describe deficiency

The Scotts Company 2006 Long-Term Incentive Plan Committee

By: _____

Date: _____

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

DESCRIPTION OF YOUR STOCK SETTLED STOCK APPRECIATION RIGHTS

YOU HAVE BEEN AWARDED [NUMBER GRANTED] STOCK APPRECIATION RIGHTS (OR "SARS"). If you satisfy the conditions described in this Award Agreement, the Plan and the Prospectus, you may exercise your SARs on or before [Expiration Date] ("Expiration Date"). If you do this, you will receive common shares of the Company. The number of common shares you will receive will equal the fair market value of one common share of Company on the exercise date minus \$[Price] ("Exercise Price") divided by the fair market value of one common share of the Company on the exercise date and multiplied by the number of SARs you are exercising. You also must arrange to pay any taxes due on exercise using one of the procedures described later in this Award Agreement.

LIMITS ON EXERCISING YOUR SARs

Normally, your SARs will vest (and become exercisable) on [Vesting Date] but only if you are actively employed by the Company or any Subsidiary or Affiliate (as defined in the Plan) on [Vesting Date] and all other conditions described in this Award Agreement, the Plan and the Prospectus are met.

This does not mean that you must exercise your SARs on this date; this is merely the first date that you may do so. However, your SARs will expire unless they are exercised on or before the Expiration Date ([Expiration Date]).

There are some special situations in which your SARs may vest earlier. These are described later in this Award Agreement.

At any one time, you may not exercise fewer than 100 SARs (or, if smaller, the number of your outstanding vested SARs). Also, you may never exercise SARs with respect to a fractional common share of the Company; SARs relating to fractional common shares will always be redeemed for cash.

EXERCISING YOUR SARs

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

You may use one of two methods to pay the taxes related to your SAR exercise. You will decide on the method at the time of exercise.

COMBINATION EXERCISE: If you elect this alternative, you will be deemed to have simultaneously exercised the SARs and to have sold a number of those common shares with a value equal to the taxes due. When the transaction is complete, the balance of the common shares will be transferred to you.

EXERCISE AND HOLD: If you elect this alternative, you must pay the related taxes (in cash, a cash equivalent or in common shares of the Company having a value equal to the taxes due and which you have owned for at least six months before the exercise date). When the transaction is complete, you will receive whole common shares of the Company.

Before exercising your SARs, you should read the "Federal Income Tax" section of the Prospectus to ensure you understand the federal income tax effect of exercising your SARs and of the exercise method you choose.

If you do not elect one of these methods, we will apply the Combination Exercise method described above.

TAX TREATMENT OF YOUR SARs

The federal income tax treatment of your SARs is discussed in the Plan's Prospectus.

GENERAL TERMS AND CONDITIONS

YOU MAY FORFEIT YOUR SARs IF YOUR EMPLOYMENT ENDS

Normally, you may exercise your SARs after they vest and before the Expiration Date ([Expiration Date]). However, your SARs may be cancelled earlier than the Expiration Date if you terminate employment before [Vesting Date].

[a] If your employment is terminated for "cause" (as defined in the Plan), the SARs will expire on the date your employment ends; or

[b] If you terminate employment because you [I] die or [II] become disabled (as defined in the Plan), the SARs will expire on the earlier of the Expiration Date or 12 months after you terminate; or

[c] If you terminate employment after reaching either [I] age 55 and completing at least 10 years of employment or [II] age 62 regardless of your years of service, the SARs will expire on the earlier of the Expiration Date or 12 months after you terminate; or

[d] If you terminate employment for any other reason, your SARs will expire on the earlier of the Expiration Date or 90 days after you terminate.

Note, it is your responsibility to keep track of when your SARs expire.

YOU MAY FORFEIT YOUR SARs IF YOU ENGAGE IN CONDUCT THAT IS HARMFUL TO THE COMPANY (OR ANY AFFILIATE OR SUBSIDIARY)

You also will forfeit any outstanding SARs and must return to the Company all common shares and other amounts you have received through the Plan if, without our consent, you do any of the following within 180 days before and 730 days after terminating employment:

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

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

[c] You deliberately engage in any action that the Company concludes has caused substantial harm to the interests of the Company or any Affiliate or Subsidiary;

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

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

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

[g] You engaged in conduct that the Committee (as defined in the Plan) reasonably concludes would have given rise to a termination for "cause" (as defined in the Plan) had it been discovered before you terminated employment.

YOUR SARS MAY VEST EARLIER THAN DESCRIBED ABOVE. Normally, your SARS will vest only in the circumstances described above. However, if there is a "Change in Control" (as defined in the Plan), your SARS may vest earlier. You should read the Plan and the Prospectus carefully to ensure that you understand how this may happen.

RIGHTS BEFORE YOUR SARS ARE EXERCISED: You may not vote, or receive any dividends associated with, the common shares underlying your SARS.

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

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

GOVERNING LAW: This Award Agreement will be construed in accordance with and governed by the laws of the United States and of the State of Ohio (other than laws governing conflicts of laws).

OTHER AGREEMENTS: Also, your SARs will be subject to the terms of any other written agreements between you and the Company or any Affiliate or Subsidiary to the extent that those other agreements do not directly conflict with the terms of the Plan or this Award Agreement.

ADJUSTMENTS TO SARs: Your SARs will be adjusted, if appropriate, to reflect any change to the Company's capital structure (e.g., the number of your SARs and the Exercise Price will be adjusted to reflect a stock split).

OTHER RULES: Your SARs also are subject to more rules described in the Plan and in the Plan's Prospectus. You should read both of these documents carefully to ensure you fully understand all the terms and conditions of the grant of SARs made to you under this Award Agreement.

You may contact [Third Party Administrator] at [TPA Telephone Number] or at the address given below if you have any questions about your Award or this Award Agreement.

YOUR ACKNOWLEDGMENT OF AWARD CONDITIONS

Note: You must sign and return a copy of this Award Agreement to [Third Party Administrator] at the address given below no later than [30 Days Post Grant Date].

By signing below, I acknowledge and agree that:

- A copy of the Plan has been made available to me;
- I have received a copy of the Plan's Prospectus;
- I understand and accept the conditions placed on my Award and understand what I must do to earn my Award;
- I will consent (in my own behalf and in behalf of my beneficiaries and without any further consideration) to any necessary change to my Award or this Award Agreement to comply with any law and to avoid paying penalties under Section 409A of the Internal Revenue Code, even if those changes affect the terms of my Award and reduce their value or potential value; and
- If I do not return a signed copy of this Award Agreement to the address shown below on or before [30 Days Post Grant Date], my Award will be forfeited and I will not be entitled to receive anything on account of this Award.

[Grantee's Name]

THE SCOTTS MIRACLE-GRO COMPANY

By: _____

By: _____

Date signed: _____

Name: _____

Title: _____

Date signed: _____

A signed copy of this Award Agreement must be sent to the following address no later than [30 Days Post Grant Date]:

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

[TPA Telephone Number]

After it is received, The Scotts Miracle-Gro Company 2006 Long-Term Incentive Plan Committee will acknowledge receipt of your signed Award Agreement.

THE SCOTTS MIRACLE-GRO COMPANY
2006 LONG-TERM INCENTIVE PLAN

STOCK SETTLED STOCK APPRECIATION RIGHT EXERCISE NOTICE

AFFECTING STOCK SETTLED STOCK APPRECIATION RIGHTS GRANTED TO
[GRANTEE'S NAME] ON [GRANT DATE]

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

By completing this Exercise Notice and returning it to [Third Party Administrator] at the address given below, I elect to exercise the SARs described below:

NOTE: You must complete a separate Stock Appreciation Right Exercise Notice each time you exercise SARs granted under each Award Agreement (e.g., if you are exercising 200 SARs granted January 1, 2007 and 100 SARs granted January 1, 2008 under a separate award agreement, you must complete two Stock Appreciation Right Exercise Notices, one for each set of SARs being exercised).

AFFECTED SARs: This exercise relates to the following SARs (fill in the blanks):

GRANT DATE: [GRANT DATE]

NUMBER OF SARs BEING EXERCISED WITH THIS EXERCISE NOTICE:

PAYMENT OF TAXES: I have decided to exercise my SARs (and to pay the taxes related to this exercise) by (check one):

NOTE: These methods are described in the Award Agreement.

___ Combination Exercise.

___ Exercise and Hold.

Note:

- o If you select the Exercise and Hold method of exercise, you must also follow one of the procedures described in the Award Agreement to pay the taxes related to this exercise. You should contact [Third Party Administrator] at the address given below to find out the amount of these taxes.
- o If you select the Combination Exercise method of exercise, you should contact [Third Party Administrator] at the address given below to be sure you understand how your choice will affect the number of common shares of the Company you will receive.

YOUR ACKNOWLEDGEMENT OF EFFECT OF EXERCISE

By signing below, I acknowledge and agree that:

- o I fully understand the effect (including the investment effect) of exercising my SARs and buying common shares of the Company and understand that there is no guarantee that the value of these shares common will appreciate or will not depreciate;
- o This Exercise Notice will have no effect if it is not returned to [Third Party Administrator] at the address given below before the Expiration Date specified in the Award Agreement under which these SARs were granted; and
- o Any common shares of the Company I am acquiring by completing and returning this Exercise Notice will be issued to me as soon as administratively practicable.

[Grantee's Name]

(signature)

Date signed: _____

A signed copy of this Stock Appreciation Right Exercise Notice must be sent to the following address no later than the Expiration Date:

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

[TPA Telephone Number]

ACKNOWLEDGEMENT OF RECEIPT

A signed copy of this Stock Appreciation Right Exercise Notice was received on: _____.

[Grantee's Name]:

_____ Has effectively exercised the SARs described in this Notice; or

_____ Has not effectively exercised the SARs described in this Notice because

describe deficiency

The Scotts Company 2006 Long-Term Incentive Plan Committee

By: _____

Date: _____

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

COMMITTEE'S ACKNOWLEDGMENT OF RECEIPT

A signed copy of this Award Agreement was received on _____.

By: _____

[Grantee's Name]

_____ Has complied with the conditions imposed on the grant and the Award Agreement remains in effect; or

_____ Has not complied with the conditions imposed on the grant and the [Name of Award(s)] are forfeited because _____ . describe deficiency

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

By: _____

Date: _____

NOTE: Send a copy of this completed Award Agreement to [Grantee's Name] and keep a copy as part of the Plan's permanent records.

THE SCOTTS MIRACLE-GRO COMPANY
2006 LONG-TERM INCENTIVE PLAN

BENEFICIARY DESIGNATION FORM
RELATING TO [FORM OF AWARD] AWARD GRANTED TO
[GRANTEE'S NAME] ON [GRANT DATE]

1.00 INSTRUCTIONS FOR COMPLETING THIS BENEFICIARY DESIGNATION FORM

You may use this Beneficiary Designation Form to [1] name the person you want to receive any amount due under The Scotts Miracle-Gro Company 2006 Long-Term Incentive Plan after your death or [2] change the person who will receive these benefits.

There are several things you should know before you complete this Beneficiary Designation Form.

FIRST, if you do not elect another beneficiary, any amount due to you under the Plan when you die will be paid to your surviving spouse or, if you have no surviving spouse, to your estate.

SECOND, your election will not be effective (and will not be implemented) unless you complete all applicable portions of this Beneficiary Designation Form and return it to [Third Party Administrator] at the address given below.

THIRD, all elections will remain in effect until they are changed (or until all death benefits are paid).

FOURTH, if you designate your spouse as your beneficiary but are subsequently divorced from that person (or your marriage is annulled), your beneficiary designation will be revoked automatically.

FIFTH, if you have any questions about this Beneficiary Designation Form or if you need additional copies of this Form, please contact [Third Party Administrator] at [TPA Telephone Number] or at the address or number given below.

1.00 DESIGNATION OF BENEFICIARY

1.01 PRIMARY BENEFICIARY:

I designate the following person(s) as my Primary Beneficiary or Beneficiaries to receive any amount due after my death under the terms of the Award Agreement described at the top of this Beneficiary Designation Form. This benefit will be paid, in the proportion specified, to:

_____ % to _____
(Name) (Relationship)

Address: _____

1.02 CONTINGENT BENEFICIARY

If one or more of my Primary Beneficiaries die before I die, I direct that any amount due after my death under the terms of the Award described at the top of this Beneficiary Designation Form:

_____ Be paid to my other named Primary Beneficiaries in proportion to the allocation given above (ignoring the interest allocated to the deceased Primary Beneficiary); or

_____ Be distributed among the following Contingent Beneficiaries:

_____ % to _____
(Name) (Relationship)

Address: _____

Elections made on this Beneficiary Designation Form will be effective only after this Form is received by [Third Party Administrator] and only if it is fully and properly completed and signed.

[Grantee's Name]

Date of Birth: _____

Address: _____

Sign and return this Beneficiary Designation Form to [Third Party Administrator] at the address given below.

_____ Signature

Return this signed Beneficiary Designation Form to [Third Party Administrator] at the following address:

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

[TPA Telephone Number]

Received on: _____

By: _____

THIRD AMENDMENT
TO
EMPLOYMENT AGREEMENT
AND
COVENANT NOT TO COMPETE

THIS THIRD AMENDMENT TO EMPLOYMENT AGREEMENT AND COVENANT NOT TO COMPETE (the "Employment Agreement") by and between THE SCOTTS MIRACLE-GRO COMPANY (the "Company"), THE SCOTTS COMPANY LLC (the "LLC"), previously known as THE SCOTTS COMPANY, and ROBERT F. BERNSTOCK (the "Executive"), effective October 1, 2005, and executed and agreed to on February 9, 2006.

WITNESSETH

WHEREAS, the Executive and the LLC entered into an Employment Agreement and Covenant Not to Compete, effective as of October 1, 2004, which was executed on September 16, 2004 (the "Employment Agreement");

WHEREAS, the LLC and the Executive subsequently entered into First and Second Amendments to the Employment Agreement;

WHEREAS, subsequently, the Executive was assigned different responsibilities with the LLC and also became an officer of the Company;

WHEREAS, the Company, the LLC and the Executive desire to modify the provisions of the Employment Agreement to reflect Executive's new arrangement with the Company and the LLC;

NOW, THEREFORE, in consideration of the premises and agreements of the parties contained in this Third Amendment, and intending to be legally bound, the Executive, the Company and the LLC agree that the Employment Agreement is hereby amended as follows effective as of October 1, 2005.

1. PARAGRAPH 1 (a) IS HEREBY AMENDED IN ITS ENTIRETY TO READ AS FOLLOWS:

1. Title and Duties

(a) General. The Executive agrees to continue in the employment of the LLC on and after October 1, 2005, pursuant to the terms of this Employment Agreement, as amended. The Executive's titles will be President and Chief Operating Officer of The Scotts Company LLC ("LLC") effective October 1, 2005 and President of The Scotts Miracle-Gro Company ("Company") effective December 9, 2005. The Executive's duties and responsibilities will be as described in the Company's and the LLC's Bylaws (as in effect as of the dates just given) and the Executive shall at all times report directly to the Chief Executive Officer of the Company, or as otherwise agreed by the Executive. The Executive will exercise due diligence and reasonable care in the performance of the Executive's duties under this Employment Agreement. During the Term of this Employment Agreement, a change in the Executive's assignments or duties shall not

constitute "Constructive Termination", as defined in Paragraph 2(c), if, in any given fiscal year, the Executive does not lose supervision or reporting relationships over business functions or segments that have generated one hundred million dollars or more of revenue in the prior fiscal year, or which constitute a core business function of the Company.

2. PARAGRAPH 3 (a) IS HEREBY AMENDED IN ITS ENTIRETY TO READ AS FOLLOWS:

3. Compensation

(a) Base Salary. Beginning October 1, 2005, and continuing for each year during the Term hereof, the Executive will be paid an annualized base salary of \$660,000 ("Base Salary"), payable in accordance with the Company's payroll guidelines, subject to applicable tax and benefit plan withholding. Increases may be made to the Executive's Base Salary (in accordance with the standard performance review procedures for senior executive officers of the Company) at the discretion of the Compensation and Organization Committee and approved by the Board of Directors based upon the Executive's individual performance. Notwithstanding the foregoing, if the Executive's Base Salary is increased, it shall not thereafter be decreased during the Term of this Employment Agreement.

3. PARAGRAPH 3(d) IS HEREBY AMENDED IN ITS ENTIRETY TO READ AS FOLLOWS:

(d) Benefit Plan Participation. The Executive shall be entitled to participate in all of the Company's benefit programs for senior management executives. The Executive shall participate in, and be eligible to receive benefits under, any "employee welfare benefit plans" and "employee pension benefit plans" (as such terms are defined in the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) and business travel insurance plans and programs as shall apply to general and/or executive employees of the Company; and shall be provided benefits under such plans and agreements substantially equivalent (in the aggregate) to the benefits provided to other senior executive officers of the Company and on substantially similar terms and conditions as such benefits are provided to other senior executive officers of the Company. Notwithstanding the foregoing, the Executive is not eligible for participation in the Company's pension plan. The Executive will participate, or be eligible to participate where participation is voluntary, in any non-qualified pension, supplemental executive retirement programs, deferred compensation, and excess benefit plans sponsored by the Company and available to any of the Company's senior management executives. During the Term, the Company shall provide to the Executive all of the fringe benefits and perquisites that are provided to other senior executive officers of the Company, and the Executive shall be entitled to receive any other fringe benefits or perquisites that become available to other senior executive officers of the Company subsequent to the date of execution of this Employment Agreement. Without limiting the generality of the foregoing, the Company shall provide the Executive with the following benefits during the Term: (i) paid vacation, paid holidays and sick leave in accordance with the Company's standard policies for its senior executive officers, which policies shall provide the Executive with benefits no less favorable (in the aggregate) than those provided to any other senior

executive officers of the Company; (ii) an automobile allowance of no more than \$2,000 annually; (iii) the Executive and, in some circumstances, members of his immediate family shall receive use of one or more Company-owned or leased and Company operated aircraft in accordance with the Company's standard executive flight and travel policies, in any event not to exceed more than thirty hours of personal use per year. The Executive acknowledges that part of any such travel may constitute additional taxable compensation of the Executive, but the Company makes no tax representation relating thereto. The Executive shall be responsible for all taxes related to such additional taxable compensation of the Executive. In the event that the Executive shall attain the age of fifty-five years while in the active employment of the Company, and completes at least six years of full-time continuous employment with the Company, the Company will extend active employee health care benefits required to be available to the Executive for a limited period ("COBRA Coverage") under Part Six of Title One of ERISA, until the Executive attains the age of sixty-five years (or, in the event of the Executive's death, would have attained the age of sixty-five years) or becomes entitled to benefits under the Federal "Medicare Part A" program, whichever shall first occur. The Executive will pay a premium for such extended health care coverage. During the period in which COBRA Coverage is statutorily required under ERISA, the Executive (or his spouse or dependents in the event of his death) shall pay the COBRA premium then in effect for those who elect COBRA Coverage under the Company's health plan or plans. Thereafter, during the extended coverage period described in this Paragraph 3(d), the Executive shall pay one hundred fifty percent of such COBRA premium in effect from time to time for such coverage.

4. NEW PARAGRAPH7(m) IS ADDED TO READ AS FOLLOWS:

Regardless of any other provision, the parties agree that this Agreement will be administered in a manner reasonably expected to avoid any penalties under Section 409A of the Internal Revenue Code of 1986, as amended.

THE SCOTTS MIRACLE-GRO COMPANY

THE SCOTTS COMPANY LLC

BY: /s/ Denise S. Stump

BY: /s/ Denise S. Stump

Its: EVP, Global HR

Its: EVP, Global HR

AGREED AND ACCEPTED This
9th day of February 2006.

/s/ Robert F. Bernstock

ROBERT F. BERNSTOCK

THE SCOTTS MIRACLE-GRO COMPANY
2003 STOCK OPTION AND INCENTIVE EQUITY PLAN
AWARD AGREEMENT FOR NONDIRECTORS

The Scotts Miracle-Gro Company ("Company") believes that its business interests are best served by ensuring that you have an opportunity to share in the Company's business success. To this end, the Company sponsors the 2003 Stock Option and Incentive Equity Plan ("Plan") through which key employees, like you, may acquire (or share in the appreciation of) common shares of the Company.

We cannot guarantee that the value of your Award (or the value of the common shares you acquire through an Award) will increase. This is because the value of the Company's common shares is affected by many factors. However, the Company believes that your efforts contribute to the value of the Company's common shares and that the Plan (and the Awards made through the Plan) is an appropriate means of sharing with you the value of your contribution to the Company's business success.

This Agreement describes the type of Award that you have been granted and the conditions that must be met before you may receive the value associated with your Award. To ensure you fully understand these terms and conditions, you should:

- Carefully read this Award Agreement and the attached copies of the Plan and Prospectus; and
- Call us at (937) 578-5630 if you have any questions about your Award. Or, you may send a written inquiry to:

The Scotts Miracle-Gro Company
Attention: Robert J. Hanley
Vice President, Total Global Rewards
14111 Scottslawn Rd.
Marysville, OH 43041

DESCRIPTION OF YOUR NONQUALIFIED STOCK OPTIONS

YOU HAVE BEEN AWARDED NONQUALIFIED STOCK OPTIONS (or "NSOs") TO PURCHASE 16,900 COMMON SHARES OF THE COMPANY. You may purchase one of the Company's common shares for each NSO, but only if you pay \$85.010 ("Exercise Price") for each common share purchased, you exercise the NSOs on or before October 12, 2015 ("Expiration Date") and meet the terms and conditions described in this Agreement and in the Plan and in the Prospectus.

LIMITS ON EXERCISING YOUR NSOS

Your NSOs will vest (and be exercisable) on October 12, 2008.

This does not mean that you must exercise your NSOs on this date; this is merely the first date that you may do so. However, your NSOs will expire unless they are exercised on or before the Expiration Date.

There also are some special situations in which your options may vest earlier. These are described later in this Agreement.

At any one time you may not exercise NSOs to buy fewer than 100 common shares of the Company (or, if smaller, the number of your outstanding vested NSOs). Also, you may never exercise an NSO to purchase a fractional common share of the Company; NSOs for fractional common shares will always be redeemed for cash.

EXERCISING YOUR NSOS

After they vest, you may exercise your NSOs by completing a form. This form, and other procedures that you must follow, are available from Merrill Lynch or by contacting us at the number (or address) shown above.

There are three exercise methods available to you. You will decide on the method at the time of exercise.

- - CASHLESS EXERCISE AND SELL: You will settle in common shares of the Company. This will result in a cash payment (net of taxes) at settlement. The number of common shares required to settle costs and taxes is equal to the stock price appreciation at the time of exercise.
- - COMBINATION EXERCISE (Exercise and sell enough common shares to cover cost and taxes): You have no out of pocket costs for doing the transaction, and hold a smaller number of common shares than exercised.
- - EXERCISE AND HOLD: You come up with the monies to cover the exercise cost and taxes, and you will receive the common shares exercised on settlement.

If you do not elect one of these methods, we will apply the Cashless Exercise and Sell method described above.

GENERAL TERMS AND CONDITIONS

THESE TERMS AND CONDITIONS APPLY TO ALL AWARDS ISSUED UNDER THIS AWARD AGREEMENT. THIS IS MERELY A SUMMARY OF THESE IMPORTANT TERMS AND CONDITIONS; YOU ARE URGED TO READ THE ENTIRE PLAN AND PROSPECTUS (COPIES OF WHICH ARE ATTACHED), ALL OF THE TERMS OF WHICH ARE INCORPORATED BY REFERENCE INTO THIS AWARD AGREEMENT.

1.00 LOSS OF AN AWARD. There are ways in which you may forfeit an Award.

[1] IF YOU TERMINATE EMPLOYMENT . . .

Normally, your Awards will be cancelled on the date specified earlier in this Agreement unless all conditions imposed on them are met before that date. However, these Awards may be cancelled earlier than that date if you terminate employment (as defined in the Plan).

[a] If your employment is terminated by the Company for cause (as defined in the Plan), the Awards will expire on the date your employment ends; or

[b] If you terminate employment because you [I] die or [II] become disabled (as defined in the Plan), the Awards will expire no later than 60 months after you terminate (12 months in the case of any ISOs); or

[c] If you terminate after reaching either [I] age 55 and completing at least 10 years of employment or [II] age 62 regardless of your years of service, the Awards will expire no later than 60 months after you terminate (three months in the case of ISOs); or

[d] If you terminate employment for any other reason, your Awards will expire no later than 90 days after you terminate.

Note, it is your responsibility to keep track of when your Awards expire.

[2] IF YOU ENGAGE IN CONDUCT THAT IS HARMFUL TO THE COMPANY (OR SUBSIDIARY)...

You also will forfeit any outstanding Awards and must return to the Company all common shares and other amounts you have received through the Plan if, without our consent, you do any of the following within 180 days before and 730 days after terminating employment with the Company:

[a] You serve (or agree to serve) as an officer, director, consultant or employee of any proprietorship, partnership or corporation or become the owner of a business or a member of a partnership that competes with any portion of the Company's (or a Subsidiary's) business with which you have been involved anytime within five years before termination of employment or render any service (including, without limitation, advertising or business consulting) to entities that compete with any portion of the Company's (or a Subsidiary's) business with which you have been involved anytime within five years before termination of employment;

[b] You refuse or fail to consult with, supply information to or otherwise cooperate with the Company after having been requested to do so;

[c] You deliberately engage in any action that we conclude has caused substantial harm to the interests of the Company or any Subsidiary;

[d] On your own behalf or on behalf of any other person, partnership, association, corporation or other entity, solicit or in any manner attempt to influence or induce any employee of the Company or a Subsidiary to leave the Company's or Subsidiary's employment or use or disclose to any person, partnership, association, corporation or other entity any information obtained while an employee of the Company or any Subsidiary concerning the names and addresses of the Company's and any Subsidiary's employees;

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

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

[g] You engaged in conduct that the Committee reasonably concludes would have given rise to a termination for cause (as defined in the Plan) had it been discovered before you terminated.

2.00 BUY OUT/CANCELLATION OF AWARDS BY COMPANY. We may decide at any time to buy out your Awards. This may happen without your consent and at any time. If we decide to buy out your Awards, we will pay you the difference between the value of Awards that are exercisable (or vested) at that time and that are being bought out and the Exercise Price associated with those Awards. However, no payment will be made for any cancelled Awards that are not vested (and not exercisable) on the cancellation date.

3.00 AMENDMENT/TERMINATION. We may amend or terminate the Plan at any time.

#

You must sign this Agreement; if you do not, your Award will be cancelled. By signing this Agreement, you acknowledge that this Award is granted under and is subject to the terms and conditions described in this Agreement and in the Plan.

OPTIONEE/GRANTEE

THE SCOTTS MIRACLE-GRO COMPANY

/s/ Robert F. Bernstock

/s/ David M. Aronowitz

Robert F. Bernstock

David M. Aronowitz

(date signed) 11/17/05

(date signed) Nov 10

Date of this agreement: October 12, 2005

THE SCOTTS MIRACLE-GRO COMPANY

2003 STOCK OPTION AND INCENTIVE EQUITY PLAN

AWARD AGREEMENT FOR NONDIRECTORS

The Scotts Miracle-Gro Company ("Company") believes that its business interests are best served by ensuring that you have an opportunity to share in the Company's business success. To this end, the Company adopted the 2003 Stock Option and Equity Incentive Plan ("Plan") through which key employees, like you, may acquire (or share in the appreciation of) shares of the Company's common stock.

We cannot guarantee that the value of your Award (or the value of the stock you acquire through an Award) will increase. This is because the value of the Company's stock is affected by many factors. However, the Company believes that your efforts contribute to the value of the Company's stock and that the Plan (and the Awards made through the Plan) is an appropriate means of sharing with you the value of your contribution to the Company's business success.

This Agreement describes the type of Award that you have been granted and the conditions that must be met before you may receive the value associated with your Award. To ensure you fully understand these terms and conditions, you should:

- Carefully read this Award Agreement and the attached copies of the Plan and Prospectus; and
- Call us at (937) 578-5630 if you have any questions about your Award. Or, you may send a written inquiry to:

The Scotts Miracle-Gro Company
Attn: Robert J. Hanley
Vice President, Global Total Rewards
14111 Scottslawn Road
Marysville, OH 43041

DESCRIPTION OF YOUR RESTRICTED STOCK

YOU HAVE BEEN AWARDED 3,200 SHARES OF RESTRICTED STOCK, which will mature into an equal number of shares of Company stock if you are actively employed on October 12, 2008 ("Vesting Date") and have met all other Plan conditions.

YOUR RIGHTS IN RESTRICTED STOCK BEFORE THE EXPIRATION DATE

Until all restrictions and conditions have been met, your Restricted Stock certificates will be held in escrow. Also, the Company will defer distribution of any dividends that are declared on your Restricted Stock until the Expiration Date. These dividends will be distributed as of the Expiration Date if all the restrictions and conditions are met or will be forfeited if these restrictions and conditions have not been met.

However, you may vote your Restricted Shares before all the terms and conditions described in this Agreement are met. This is the case even though your Restricted Stock will not be distributed to you until the Expiration Date.

TAX TREATMENT OF YOUR RESTRICTED STOCK

This brief discussion of the federal tax rules that affect your Restricted Stock is provided as general information (not as personal tax advice) and is based on the Company's understanding of federal tax laws and regulations in effect as of the date of this Agreement.

You should consult with a tax or financial adviser to ensure you fully understand the tax ramifications of your Award.

You are not required to pay income taxes on your Restricted Stock at this time. However, you will be required to pay income taxes (at ordinary income tax rates) when (and if) applicable restrictions and conditions are met. The amount of ordinary income you will recognize is the value of your Restricted Stock when the terms and conditions described in this Agreement lapse. Any subsequent appreciation of the shares will be taxed at capital gains rates when you sell the shares. If applicable restrictions and conditions are not met before the Expiration Date, your Restricted Stock will expire and no taxes will be due.

You may increase the portion of your Award's value that is subject to capital gains tax rates by making a special election [known as a Code Section 83(b) election] within 30 days of the date of this Agreement. However, there are important tax and investment issues that you must consider before making a Code Section 83(b) election. These should be discussed with your personal tax and investment adviser.

GENERAL TERMS AND CONDITIONS

THESE TERMS AND CONDITIONS APPLY TO ALL AWARDS ISSUED UNDER THIS AWARD AGREEMENT. THIS IS MERELY A SUMMARY OF THESE IMPORTANT TERMS AND CONDITIONS; YOU ARE URGED TO READ THE ENTIRE PLAN AND PROSPECTUS (COPIES OF WHICH ARE ATTACHED), ALL OF THE TERMS OF WHICH ARE INCORPORATED BY REFERENCE INTO THIS AWARD AGREEMENT.

1.00 LOSS OF AN AWARD. There are ways in which you may forfeit an Award.

[1] IF YOU TERMINATE EMPLOYMENT . . .

Normally, your Awards will expire on the date specified earlier in this Agreement. However, these Awards may expire earlier than their Expiration Date if you terminate employment (as defined in the Plan).

[a] If your employment is terminated by the Company for cause (as defined in the Plan), the Awards will expire on the date your employment ends; or

[b] If you terminate employment because you [I] die or [II] become disabled (as defined in the Plan), the Awards will expire no later than 60 months after you terminate (12 months in the case of any ISOs); or

[c] If you terminate after reaching either [I] age 55 and completing at least 10 years of employment or [II] age 62 regardless of your years of service, the Awards will expire no later than 60 months after you terminate (three months in the case of ISOs); or

[d] If you terminate employment for any other reason, your Awards will expire no later than 90 days after you terminate.

Note, it is your responsibility to keep track of when your Awards expire.

[2] IF YOU ENGAGE IN CONDUCT THAT IS HARMFUL TO THE COMPANY (OR SUBSIDIARY)...

You also will forfeit any outstanding Awards and must return to the Company all shares and other amounts you have received through the Plan if, without our consent, you do any of the following within 180 days before and 730 days after terminating employment with the Company:

[a] You serve (or agree to serve) as an officer, director, consultant or employee of any proprietorship, partnership or corporation or become the owner of a business or a member of a partnership that competes with any portion of the Company's (or a Subsidiary's) business with which you have been involved anytime within five years before termination of employment or render any service (including, advertising business consulting) to entities that compete with any portion of the Company's (or a Subsidiary's) business with which you have been involved anytime within five years before termination of employment;

[b] You refuse or fail to consult with, supply information to or otherwise cooperate with the Company after having been requested to do so;

[c] You deliberately engage in any action that we conclude has caused substantial harm to the interests of the Company or any Subsidiary;

[d] On your own behalf or on behalf of any other person, partnership, association, corporation or other entity, solicit or in any manner attempt to influence or induce any employee of the Company or a Subsidiary to leave the Company's or Subsidiary's employment or use or disclose to any person, partnership, association, corporation or other entity any information obtained while an employee of the Company or any Subsidiary concerning the names and addresses of the Company's and any Subsidiary's employees;

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

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

[g] You engaged in conduct that the Committee reasonably concludes would have given rise to a termination for cause (as defined in the Plan) had it been discovered before you terminated.

2.00 BUY OUT/CANCELLATION OF AWARDS BY COMPANY. We may decide at any time to buy out your Award. This may happen without your consent and at any time. If we decide to buy out your Awards, we will pay you the difference between the value of Awards that are exercisable (or vested) at that time and that are being bought out and the Exercise Price associated with that Award. However, no payment will be made for any cancelled Awards that are not vested (and not exercisable) on the cancellation date.

3.00 AMENDMENT/TERMINATION. We may amend or terminate the Plan at any time.

#

You must sign this Agreement; if you do not, your Award will be cancelled. By signing this Agreement you acknowledge that this Award is granted under and is subject to the terms and conditions described in this Agreement and in the Plan.

OPTIONEE/GRANTEE

THE SCOTTS MIRACLE-GRO COMPANY

/s/ Robert F. Bernstock

/s/ David M. Aronowitz

Robert F. Bernstock

David M. Aronowitz

(date signed) 11/17/05

(date signed) Nov 10

DATE OF THIS AGREEMENT: October 12, 2005

AMENDMENT TO
THE SCOTTS MIRACLE-GRO COMPANY
2003 STOCK OPTION AND INCENTIVE EQUITY PLAN
AWARD AGREEMENT FOR NONDIRECTORS

On October 12, 2005, Robert F. Bernstock (the "Executive") received a grant of non-qualified stock options. This grant was evidenced by an Award Agreement issued by The Scotts Miracle-Gro Company (the "Company") and by an acknowledgement executed by the Executive.

The Executive and the Company have entered into an Employment Agreement and Covenant Not To Compete as of October 1, 2004 (hereinafter, including any successor to, or renewal of, such agreement, called the "Employment Agreement"). Pursuant to Paragraph 3(k) of the Employment Agreement, the Award Agreement of October 12, 2005 is hereby amended.

1. Section 1.00 [1][a] is hereby amended in the entirety, to read as follows:

"If your employment is terminated by the Company for "Cause" or you resign other than due to "Constructive Termination", in each case as such terms are defined in the Employment Agreement and Covenant Not To Compete between you and the Company that is effective October 1, 2004 (or in any successor to, or renewal of, such agreement) (the "Employment Agreement"), the Award may expire earlier than its Expiration Date as provided in the Plan based on those events; or"

2. Section 2.00 of the Award Agreement is hereby amended in the entirety, to read as follows:

"2.00 CANCELLATION OF AWARDS BY COMPANY. Except as otherwise specifically provided in this Award Agreement, your Award shall be noncancellable, unless you consent in writing."

3. Section 3.00 is hereby amended in the entirety, to read as follows:

"3.00 AMENDMENT/TERMINATION. We may amend or terminate the Plan at any time, but we may not cancel or terminate your Award without your written consent, except as otherwise specifically provided in this Award Agreement. Your Award shall vest, become exercisable, or mature, as applicable, in the event of your termination of employment by the Company for any reason other than for "Cause", or in the event you resign following "Constructive Termination," in each case as such terms are defined in the Employment Agreement."

4. Except as amended hereby, the Award Agreement shall remain in full force and effect.

5. This Amendment dated February 9th, 2006 shall be effective October 12, 2005.

OPTIONEE/GRANTEE THE SCOTTS MIRACLE-GRO COMPANY

/s/ Robert F. Bernstock

Robert F. Bernstock

BY /s/ Denise S. Stump

ITS EVP, Global HR

(date signed) 2/9/06

(date signed) 02/07/06

AMENDMENT TO
THE SCOTTS MIRACLE-GRO COMPANY
2003 STOCK OPTION AND INCENTIVE EQUITY PLAN
AWARD AGREEMENT FOR NONDIRECTORS

On October 12, 2005, Robert F. Bernstock (the "Executive") received a grant of restricted stock. This grant was evidenced by an Award Agreement issued by The Scotts Miracle-Gro Company (the "Company") and by an acknowledgement executed by the Executive.

The Executive and the Company have entered into an Employment Agreement and Covenant Not To Compete as of October 1, 2004 (hereinafter, including any successor to, or renewal of, such agreement, called the "Employment Agreement"). Pursuant to Paragraph 3(k) of the Employment Agreement, the Award Agreement of October 12, 2005 is hereby amended.

1. Section 1.00 [1][a] is hereby amended in the entirety, to read as follows:

"If your employment is terminated by the Company for "Cause" or you resign other than due to "Constructive Termination", in each case as such terms are defined in the Employment Agreement and Covenant Not To Compete between you and the Company that is effective October 1, 2004 (or in any successor to, or renewal of, such agreement) (the "Employment Agreement"), the Award may expire earlier than its Expiration Date as provided in the Plan based on those events; or"

2. Section 2.00 of the Award Agreement is hereby amended in the entirety, to read as follows:

"2.00 CANCELLATION OF AWARDS BY COMPANY. Except as otherwise specifically provided in this Award Agreement, your Award shall be noncancellable, unless you consent in writing."

3. Section 3.00 is hereby amended in the entirety, to read as follows:

"3.00 AMENDMENT/TERMINATION. We may amend or terminate the Plan at any time, but we may not cancel or terminate your Award without your written consent, except as otherwise specifically provided in this Award Agreement. Your Award shall vest, become exercisable, or mature, as applicable, in the event of your termination of employment by the Company for any reason other than for "Cause", or in the event you resign following "Constructive Termination," in each case as such terms are defined in the Employment Agreement."

4. Except as amended hereby, the Award Agreement shall remain in full force and effect.

5. This Amendment dated February 9th, 2006 shall be effective October 12, 2005.

OPTIONEE/GRANTEE THE SCOTTS MIRACLE-GRO COMPANY

/s/ Robert F. Bernstock

Robert F. Bernstock

BY /s/ Denise S. Stump

ITS EVP, Global HR

(date signed) 2/9/06

(date signed) 02/07/06

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

I, James Hagedorn, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The Scotts Miracle-Gro Company for the quarterly period ended December 31, 2005;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's first fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: February 9, 2006

By: /s/ JAMES HAGEDORN

Printed Name: James Hagedorn

Title: Chief Executive Officer and Chairman of the Board

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

I, Christopher L. Nagel, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The Scotts Miracle-Gro Company for the quarterly period ended December 31, 2005;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's first fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: February 9, 2006

By: /s/ CHRISTOPHER L. NAGEL

Printed Name: Christopher L. Nagel

Title: Executive Vice President and Chief Financial Officer

SECTION 1350 CERTIFICATION*

In connection with the Quarterly Report of The Scotts Miracle-Gro Company (the "Company") on Form 10-Q for the quarterly period ended December 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned James Hagedorn, Chief Executive Officer and Chairman of the Board of the Company, and Christopher L. Nagel, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of their knowledge:

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

/s/ James Hagedorn

 James Hagedorn
 Chief Executive Officer
 and Chairman of the Board

/s/ Christopher L. Nagel

 Christopher L. Nagel
 Executive Vice President
 and Chief Financial Officer

February 9, 2006

February 9, 2006

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