FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

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

For the quarterly period ended April 1, 1995

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 0-19768

THE SCOTTS COMPANY
(Exact name of registrant as specified in its charter)

Ohio	31-1199481
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

14111 Scottslawn Road
Marysville, Ohio 43041
(Address of principal executive offices) (Zip Code)

(513) 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 X No

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

18,667,064	Outstanding at May 8, 1995
Common Shares, voting, no par value	

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THE SCOTTS COMPANY AND SUBSIDIARIES

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PART I - FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

THE SCOTTS COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(in thousands except per share data)

	Three Months Ended		Six Months Ended	
	April 2 1994	April 1 1995	April 2 1994	April 1 1995
Net sales	$207,424	$236,092	$275,750	$334,111
Cost of sales	109,100	123,890	146,464	177,410
Gross profit	98,324	112,202	129,286	156,701
Marketing	32,990	36,768	45,911	56,670
Distribution	24,888	30,479	35,864	45,019
General and administrative	9,331	6,997	14,341	12,964
Research and development	2,934	2,963	4,938	5,728
Other expenses, net	776	1,558	804	2,553
Income from operations	27,405	33,437	27,428	33,767
Interest expense	4,917	8,114	7,557	13,808
Income before taxes	22,488	25,323	19,871	19,959
Income taxes	9,475	10,509	8,415	8,282
Net income	$ 13,013	$14,814	$11,456	$11,677
Net income per common share	$ .69	$ .79	$ .61	$ .62
Weighted average number of common shares outstanding	18,890	18,820	18,855	18,762

See Notes to Consolidated Financial Statements

THE SCOTTS COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in thousands)

	Six Months Ended	
	April 2 1994	April 1 1995
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$11,456	$11,677
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	10,777	11,908
Postretirement benefits	64	204
Net increase in certain components of working capital	(120,160)	(133,319)
Net change in other assets and liabilities and other adjustments	667	(504)
Net cash used in operating activities	(97,196)	(110,034)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in plant and equipment, net	(12,436)	(10,891)
Investment in software	-	(483)
Investment in Affiliate	-	(250)
Acquisition of Sierra, net of cash acquired	- (118,986)	-
Net cash used in investing activities	(131,422)	(11,624)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings under term debt	125,000	-
Payments on term and other debt	(428)	(1,197)
Revolving lines of credit and bank line of credit, net	106,295	118,378
Issuance of Class A Common Stock	160	-
Deferred financing costs incurred	-	(275)
Net cash provided by financing activities	231,027	116,906
Effect of exchange rate changes on cash	(179)	676
Net increase (decrease) in cash	2,230	(4,076)
Cash at beginning of period	2,323	10,695
Cash at end of period	$4,553	$6,619
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid, net of amount capitalized	$3,005	$ 14,007
Income taxes paid	9,164	996
Detail of entities acquired:		
Fair value of assets acquired	144,501	
Liabilities assumed	(25,515)	
Net cash paid for acquisition	118,986	

See Notes to Consolidated Financial Statements

THE SCOTTS COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)
(in thousands)

ASSETS

	April 2 1994	April 1 1995	September 30 1994
Current Assets:			
Cash	$4,553	$6,619	$10,695
Accounts receivable, less allowances of $2,784, $3,395 and $2,933, respectively	200,763	252,509	115,772
Inventories	128,832	143,574	106,636
Prepaid and other assets	16,832	22,841	17,151
Total current assets	350,980	425,543	250,254
Property, plant and equipment, net	126,594	143,791	140,105
Patents and other intangibles, net	32,770	26,529	28,880
Goodwill	106,842	103,224	104,578
Other assets	4,957	9,755	4,767
Total Assets	$622,143	$708,842	$528,584

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities:			
Revolving credit line	$98,000	$39,852	$23,416
Current portion of term debt	20,417	-	3,755
Accounts payable	69,294	79,591	46,967
Accrued liabilities	33,425	24,258	31,167
Accrued taxes	7,990	22,331	4,383
Total current liabilities	229,126	166,032	109,688
Long-term debt, less current portions	205,917	324,630	220,130
Postretirement benefits other than pensions	26,710	27,218	27,014
Other liabilities	5,254	7,622	3,592
Total Liabilities	467,007	525,502	360,424
Shareholders' Equity:			
Common Shares, no par value	211	211	211
Capital in excess of par value	193,618	193,155	193,450
Retained earnings	2,448	25,552	13,875
Cumulative translation gain	300	5,863	2,065
Treasury stock 2,415 shares at cost	(41,441)	(41,441)	(41,441)
Total Shareholders' Equity	155,136	183,340	168,160
Total Liabilities and Shareholders' Equity	$ 622,143	$ 708,842	$528,584

See Notes to Consolidated Financial Statements

THE SCOTTS COMPANY AND SUBSIDIARIES
Notes to Consolidated Financial Statements

1. Organization and Basis of Presentation

The Scotts Company ("Scotts") and its wholly owned subsidiaries, Hyponex Corporation ("Hyponex"), Republic Tool and Manufacturing Corp. ("Republic") and Scott-Sierra Horticultural Products Company ("Sierra"), (collectively, the "Company"), are engaged in the manufacture and sale of lawn care and garden products. The Company's business is highly seasonal with approximately 70% of sales occurring in the second and third fiscal quarters.

The consolidated balance sheets as of April 2, 1994 and April 1, 1995, the related consolidated statements of income for the three and six month periods ended April 2, 1994 and April 1, 1995 and the related consolidated statements of cash flows for the six month periods ended April 2, 1994 and April 1, 1995 are unaudited; however, in the opinion of management, such financial statements contain all adjustments necessary for the fair presentation of the Company's financial position and results of operations. Interim results reflect all normal recurring adjustments and are not necessarily indicative of results for a full year. The interim financial statements and notes are presented as specified by Regulation S-X of the Securities Exchange Act of 1934, and should be read in conjunction with the financial statements and accompanying notes in the Company's fiscal 1994 Annual Report on Form 10-K.

2. Reclassifications

Certain reclassifications have been made to the prior periods' financial statements to conform to April 1, 1995 presentation.

3. Inventories
(in thousands)

Inventories consisted of the following:

	April 2 1994	April 1 1995	September 30 1994
Raw material	$53,302	$56,326	$51,656
Finished products	75,530	87,248	54,980
Total Inventories	$128,832	$143,574	$106,636

4. Long-Term Debt
(in thousands)

	9/30/94	4/1/95
Revolving Credit Line	$53,416	$264,321
Senior Subordinated Notes ($100 million face amount)	99,221	99,267
Term Loan	93,598	-
Capital Lease Obligations	1,066	894
	247,301	364,482
Less current portions	27,171	39,852
	$220,130	$324,630

On March 17, 1995, the Company entered into the Fourth Amended and Restated Credit Agreement ("Agreement") with Chemical Bank ("Chemical") and various participating banks. The Agreement provides, on an unsecured basis, up to $375 million to the Company, comprised of an uncommitted competitive advance facility and a committed revolving credit facility through the scheduled termination date of March 31, 2000. The Agreement contains a requirement limiting the maximum amount

borrowed to $225 million for a minimum of 30 consecutive days each fiscal year. Expenses expected to be incurred related to the Agreement are approximately $500,000 and will be deferred.

Interest pursuant to the commercial paper/competitive advance facility is determined by auction. Interest pursuant to the revolving credit facility is at a floating rate initially equal, at the Company's option, to the Alternate Base Rate as defined in the Agreement without additional margin or the Eurodollar Rate as defined in the Agreement plus a margin of .3125% per annum, which margin may be decreased to .25% or increased up to .625% based on the higher of the unsecured debt ratings of the Company. Applicable interest rates for the facilities ranged from 6.33% to 9.00% at April 1, 1995. The Agreement provides for the payment of an annual administration fee of $100,000 and a facility fee of .1875% per annum, which fee may be reduced to .15% or increased up to .375% based on the higher of the unsecured debt ratings of the Company.

The Agreement contains certain financial and operating covenants, including maintenance of interest coverage ratios, maintenance of consolidated net worth, and restrictions on additional indebtedness and capital expenditures. The Company was in compliance with all required covenants at April 1, 1995.

Maturities of term debt for the next five years are as follows: (in thousands)

Fiscal Year	
1995	$ 39,592
1996	404
1997	149
1998	68
1999	-
2000 and thereafter	325,000

5. Foreign Exchange Instruments

The Company enters into forward foreign exchange and currency options contracts to hedge its exposure to fluctuations in foreign currency exchange rates. These contracts generally involve the exchange of one currency for a second currency at some future date. Counterparties to these contracts are major financial institutions. Gains and losses on these contracts generally offset gains and losses on the assets, liabilities and transactions being hedged.

Realized and unrealized foreign exchange gains and losses are recognized and offset foreign exchange gains or losses on the underlying exposures. Unrealized gains and losses that are designated and effective as hedges on such transactions are deferred and recognized in income in the same period as the hedged transactions. The net unrealized gain deferred totaled $646,715 at April 1, 1995.

At April 1, 1995, the Company's European operations had foreign exchange risk in various European currencies tied to the Dutch guilder. These currencies are: the Australian Dollar, Belgian Franc, German Mark, Spanish Peseta, French Franc, British Pound and the U. S. Dollar. The Company's U. S. operations have foreign exchange rate risk in the Canadian Dollar, the Dutch Guilder and the British Pound which are tied to the U. S. Dollar. As of April 1, 1995, the Company had outstanding forward foreign exchange contracts with a contract value of approximately $26.7 million and outstanding purchased currency options with a contract

value of approximately $3.3 million. These contracts have maturity dates ranging from April 6, 1995 to July 13, 1995.

6. Acquisitions

Effective December 16, 1993 the Company completed the acquisition of Grace-Sierra Horticultural Products Company now known as Scotts-Sierra Horticultural Products Company (all further references will be made as "Sierra"). Sierra is a leading international manufacturer and marketer of specialty fertilizers and related products for the nursery, greenhouse, golf course and consumer markets. Sierra manufactures controlled-release fertilizers in the United States and the Netherlands, as well as water-soluble fertilizers and specialty organics in the United States. Approximately one-quarter of Sierra's net sales are derived from European and other international markets; approximately one-quarter of Sierra's assets are internationally based.

On January 26, 1995, the Company, the shareholders (the "Miracle-Gro Shareholders") of Stern's Miracle-Gro Products, Inc. and affiliated companies (the "Miracle-Gro Companies"), and the Miracle Gro Companies entered into an Agreement and Plan of Merger (the "Miracle-Gro Agreement"). On April 6, 1995, the Company's shareholders approved certain matters necessary to permit the consummation of the transactions contemplated by the Miracle-Gro Agreement. Such transactions still require the approval of the Federal Trade Commission (the "FTC") which is currently having discussions with the Company. The Company expects a decision by the FTC during May 1995. The Miracle-Gro Agreement, as amended, provides that, upon consummation of the transactions contemplated thereby, the Company will issue $195 million face amount of convertible preferred stock and warrants to purchase three million common shares. The convertible preferred stock will be convertible into common shares at $19 per share (subject to adjustment), will pay annual dividends at a rate of 5.0%, will not be subject to redemption by the Company for five years and will be subject to certain restrictions on transfer. The warrants will be exercisable over eight and one half years at prices ranging from $21 to $29 per share. The transactions contemplated by the Miracle-Gro Agreement, as amended, will be accounted for as a purchase, of which the fair value was estimated to be approximately $200 million as of January 26, 1995.

The following pro forma results of operations give effect to the above Sierra acquisition as if it had occurred on October 1, 1992 and Miracle-Gro merger as if it had occurred on October 1, 1993.

	Six Months Ended (in thousands, except per share amounts)	
	April 2 1994	April 1 1995
Net sales	$ 349,979	$ 393,618
Net income	$ 19,179	$ 18,394
Net income per common share - primary and fully-diluted	$ .66	$ .63

Miracle-Gro contributes net sales of $59,507 and $53,403, net income of $6,717 and $7,830 and net income per common share of $.01 and $.06 for the six months ended

April 1, 1995 and April 2, 1994, respectively. For purposes of computing earnings per share, the convertible preferred stock is considered a common stock equivalent. Pro forma primary and fully-diluted earnings per share for the six months ended April 1, 1995 and April 2, 1994 are calculated using the weighted average common shares outstanding for Scotts of 18,762 and 18,855, respectively and the common shares that would have been issued assuming conversion of preferred stock at the beginning of the year to 10,263 common shares. The computation of pro forma primary earnings per share assuming reduction of earnings for preferred dividends and no conversion of preferred stock was anti-dilutive.

The pro forma information provided does not purport to be indicative of actual results of operations that would have occurred had the Sierra acquisition and Miracle-Gro merger occurred on October 1, 1992 and October 1, 1993, respectively, and is not intended to be indicative of future results or trends.

7. Contingencies

The Company is involved in various lawsuits and claims which arise in the normal course of business. In the opinion of management, these claims individually and in the aggregate are not expected to result in a material adverse effect on the Company's financial position or result of operations, however, there can be no assurance that future quarterly or annual operating results will not be materially affected by final resolution of these matters. The following details the more significant of these matters.

The Company has been involved in studying a landfill to which it is believed some of the Company's solid waste had been hauled in the 1970s. In September 1991, the Company was named by the Ohio Environmental Protection Agency ("Ohio EPA") as a Potentially Responsible Party ("PRP") with respect to this landfill. Pursuant to a consent order with the Ohio EPA, the Company together with four other PRPs identified to date, is investigating the extent of contamination at the landfill and developing a remediation program.

In July 1990, the Company was directed by the Army Corps of Engineers (the "Corps") to cease peat harvesting operations at its New Jersey facility. The Corps has alleged that the peat harvesting operations were in violation of the Clean Water Act ("CWA"). The United

States Department of Justice has commenced a legal action to seek a permanent injunction against peat harvesting at this facility and to recover civil penalties under the CWA. This action had been suspended while the parties engaged in discussion to resolve the dispute. Those discussions have not resulted in a settlement and accordingly the action has been reinstated. The Company intends to defend the action vigorously but if the Corps' position is upheld the Company could be prohibited from further harvesting of peat at this location and penalties could be assessed against the Company. In the opinion of management, the outcome of this action will not have a material adverse effect on the Company's financial position or results of operations. Furthermore, management believes the Company has sufficient raw material supplies available such that service to customers will not be adversely affected by continued closure of this peat harvesting operation.

Sierra has been named as a Potentially Responsible Party ("PRP") in an environmental contamination action in connection with a landfill near Allentown, Pennsylvania. By agreement with W. R. Grace-Conn., Sierra's liability is limited to a maximum of $200,000 with respect to this

site. Based on estimates of the clean-up costs and that the Company denies any liability in connection with this matter, management believes that the ultimate outcome will not have a material impact on the financial position or results of operations of the Company.

Sierra is subject to potential fines in connection with certain EPA labeling violations under the Federal Insecticide, Fungicide and Rodenticide Act ("FIFRA"). The fines for such violations are based upon formulas as stated in FIFRA. As determined by these formulas, Sierra's maximum exposure for the violations is approximately $810,000. The formulas allow for certain reductions of the fines based upon achievable levels of compliance. Based upon management's anticipated levels of compliance, they estimate Sierra's liability to be $200,000, which has been accrued in the financial statements.

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

Results of Operations

Three Months Ended April 1, 1995, versus Three Months Ended April 2, 1994

Net sales increased 13.8% to $236,092,000. Consumer Business Group sales of $181,975,000 increased by approximately 15.1% resulting from sales volume increases primarily in lawn fertilizers. Increased demand for seed, organics and spreaders also contributed to the sales increase, but to a lesser extent. Commercial Business Group (previously referred to as the Professional Business Group) sales of $34,610,000 increased by approximately 0.4% reflecting a continuing trend by golf course customers to order closer to spring usage. The peak Commercial selling season is August to November. International sales increased by approximately 30.9% to $19,507,000. Volume has been the primary factor of the International sales increase (approximately 19.4%) reflecting the continued positive impact from the introduction of U.S. produced Scotts products in the Sierra International distribution network. In addition, sales were aided by favorable exchange rates due to the weak dollar (approximately 11.5%).

Cost of sales for the three months ended April 1, 1995 comprised 52.5% of net sales, nearly flat with cost of sales for the three months ended April 2, 1994, which represented 52.6%.

Operating expenses increased by approximately 11.1% including increased marketing spending for national advertising and promotion programs reflecting a continuing commitment to supporting the brand and stimulating sales and increased distribution expense related to increased sales volume and higher freight rates. These increases were partially offset by lower general and administrative expenses due to synergies achieved from the integration of Sierra.

Interest expense increased approximately 65%. The increase is primarily the result of increased interest rates and a modest increase in borrowing levels to support a higher level of inventories and receivables resulting from increases in sales.

Net income of $14,814,000 increased by $1,801,000 or approximately 13.8%, as a result of increased operating income offset in part by increased interest expense.

Six Months Ended April 1, 1995 versus Six Months Ended April 2, 1994

Net sales increased to $334,111,000, up approximately 21.2%. Net sales included net sales for Sierra, which was acquired

by Scotts on December 16, 1993. On a pro forma basis, assuming the acquisition had taken place on October 1, 1993, net sales for the six months ended April 1, 1995 would have increased by $37,535,000 or approximately 12.7%. Consumer Business Group sales increased by approximately 17.5%, resulting primarily from increased sales volume, a portion of which relates to new pre-season promotion programs with major retailers. Increased demand in lawn fertilizers and to a lesser extent demand for seed, organics and spreaders also contributed to the increase. Commercial Business Group sales increased by 16.7% due to the inclusion of net sales for Sierra. International sales increased by approximately 70.5% due to gains in these markets combined with continued positive impact resulting from the introduction of U.S. produced Scotts products into the Sierra International distribution network (approximately 13.6%), the inclusion of net sales for Sierra (41.9%) and favorable exchange rates due to the weakening dollar (approximately 15%).

Cost of sales represented 53.1% of net sales, flat with cost of sales for the six months ended April 2, 1994.

Operating expenses increased approximately 20.7% which was proportional to the sales increase. On a pro forma basis, including Sierra from October 1, 1993, operating expenses increased by approximately 10.1% reflecting higher marketing expense and distribution expense related to higher sales partially offset by lower general and administrative expenses due to synergies of the Sierra integration.

Interest expense increased approximately 82.7%. The increase was caused by higher interest rates on the floating-rate bank debt and the 9 7/8% Senior Subordinated notes compared with the floating rate bank debt the notes replaced, borrowings to fund the Sierra acquisition, which were outstanding for the full six months ended April 1, 1995, as compared to 3.5 months for the previous period and an increase in borrowing levels to support increases in accounts receivable and inventories resulting from increased sales.

Net income of $11,677,000 increased by $221,000. The increase was primarily attributable to increased operating income offset by the higher interest expense discussed above.

Financial Position as of April 1, 1995

Capital expenditures for the year ending September 30, 1995 are expected to be approximately $23,000,000, which will be financed with cash provided by operations and utilization of existing credit facilities.

The seasonal volume of the Company's business is reflected in working capital requirements. Working capital requirements are greatest from November through May, the peak production period, and are at their highest in March. Working capital needs are relatively low in the summer months.

Current assets increased by $175,289,000 compared with September 30, 1994, and by $74,563,000 compared with April 2, 1994. The increase compared with September 30, 1994 is primarily attributable to the seasonal nature of Scotts' business, with inventory and accounts receivable levels generally being higher at the end of March relative to September. The increase as compared with April 2, 1994 is primarily due to higher level of receivables which is consistent with the year-to-year sales increase and higher inventory levels needed to support increased sales.

Current liabilities increased by $56,344,000 compared with September 30, 1994 and decreased by $63,094,000 compared with April 2, 1994. The increase compared with September 30, 1994 is primarily caused by the seasonality of Scotts' business. The decrease compared with April 2, 1994 is

caused by a decrease in short term debt which resulted from the requirements of the Fourth Amended and Restated Credit Agreement ("the Agreement") dated as of March 17, 1995 entered into by the Company with Chemical Bank and various participating banks which requires the Company to reduce revolving credit borrowings to no more than $225,000,000 for 30 consecutive days each year as compared to $30,000,000 in the Company's prior amended credit Agreement resulting in a reclassification from short-term to long-term. The decrease was partially offset by an increase in accounts payable needed to support the increase in sales.

Long-term debt increased by $104,500,000 compared with September 30, 1994 and increased $118,713,000 compared with April 2, 1994. The increase compared with September 30, 1994 is caused by the seasonality of the business. The increase compared with April 2, 1994 is caused by the reclassification from short-term to long-term of the borrowings under the Agreement discussed above and a moderate increase in borrowings to support increases in accounts receivable and inventories resulting from increased sales.

Shareholders' equity increased $15,180,000 compared with September 30, 1994 primarily due to $11,677,000 of net income for the six months ended April 1, 1995 and to the change in the cumulative foreign currency adjustment related to the translation of the assets and liabilities of foreign subsidiaries to U.S. dollars. Shareholders' equity increased $28,204,000 compared with April 2, 1994 primarily due to net income of $23,104,000 for the twelve months ended April 1, 1995 and the change in the cumulative foreign currency adjustment related to the translation of the assets and liabilities of foreign subsidiaries to U.S. dollars.

The primary sources of liquidity for the Company are funds generated by operations and borrowings under the Company's Credit Agreement. The Credit Agreement was amended in March 1995. As amended, the Credit Agreement provides, on an unsecured basis, up to $375 million through March 31, 2000, and does not contain a term loan facility. Additional information on the Credit Agreement is described in Footnote No. 4 on page 7 of this report.

The Company has foreign exchange rate risk related to international earnings and cash flows. A management program was designed to minimize the exposure to adverse currency impacts on the cash value of the Company's non-local currency receivables and payables, as well as the associated earnings impact. Beginning in January 1995, the Company entered into forward foreign exchange contracts and purchased currency options tied to the economic value of receivables and payables and expected cash flows denominated in non-local foreign currencies. Management anticipates that these financial instruments will act as an effective hedge against the potential adverse impact of exchange rate fluctuations on the Company's results of operations, financial condition and liquidity. It is recognized, however, that the program will minimize but not completely eliminate the Company's exposure to adverse currency movements.

As of April 1, 1995, the Company's European operations had foreign exchange risk in various European currencies tied to the Dutch guilder. These currencies are: the Australian Dollar, Belgian Franc, German Mark, Spanish Peseta, French Franc, British Pound and the U. S. Dollar. The Company's U.S. operations have foreign exchange rate risk in the Canadian Dollar, Dutch Guilder and the British Pound which are tied to the U.S. Dollar. As of April 1, 1995, outstanding foreign exchange forward contracts had a contract value of approximately $26.7 million and outstanding purchased currency options had a contract value of approximately $3.3 million. These contracts have

maturity dates ranging from April 6, 1995 to July 13, 1995.

The pending transactions involving the Company and Stern's Miracle-Gro Products, Inc. and its affiliated companies are described in Footnote No. 6 to the Company's Consolidated Financial Statements on pages 8 and 9 of this Report. Any additional working capital needs resulting from those transactions are expected to be financed through funds available under the amended credit Agreement described above.

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

Accounting Issues

In March 1995 the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 121, "Accounting for the Impairment of Long Lived Assets and for Long Lived Assets to be Disposed of" which establishes accounting standards for the impairment of long lived assets, certain identifiable intangibles and goodwill related to those assets to be held and used for long lived assets and certain identifiable intangibles to be disposed of. The Company's current policies are in accordance with SFAS No. 121.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Please see the information provided in Footnote 7 on page 9 of this Report, which information is incorporated herein by reference.

Item 2-3.

Not applicable.

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

The Annual Meeting of Shareholders of the Company was held in Dublin, Ohio on April 6, 1995. The meeting was held for the purpose of electing a board of directors and ratifying several proposals.

The results of the vote of the shareholders for each of the proposals is as follows:

A. The proposal to elect three directors for terms of one year, to elect three directors for terms of two years and to elect three directors for terms of three years:

Nominee	Votes For	Withheld	Not Voted
For terms of one year:			
Theodore Host	14,230,441	171,990	4,264,633
Karen Gordon Mills	14,230,791	171,640	4,264,633
Tadd C. Seitz	14,232,781	169,650	4,264,633
For terms of two years:			
James B Beard	14,232,781	169,650	4,264,633
John M. Sullivan	14,232,781	169,650	4,264,633
L. Jack Van Fossen	14,232,781	169,650	4,264,633
For terms of three years:			

John S. Chamberlin	14,230,413	172,018	4,264,633
Joseph P. Flannery	14,230,413	172,018	4,264,633
Donald A. Sherman	14,232,781	169,650	4,264,633

Each of the foregoing persons was elected as a director of the Company.

B. The proposal to approve the acquisition of one-third or more but less than a majority of the voting power of the Company by the shareholders of Stern's Miracle-Gro Products, Inc., Stern's Nurseries, Inc., Miracle-Gro Lawn Products Inc., and Miracle-Gro Products Limited.

For	Against	Abstain	Broker Non Votes
12,386,583	113,192	70,473	6,096,816

This proposal was approved.

C. The proposal to amend Article FOURTH of the Amended Articles of Incorporation of the Company to increase the authorized number of common shares from 35,000,000 shares to 50,000,000 shares and to authorize a class of 195,000 voting preferred shares designated Class A Convertible Preferred Stock.

For	Against	Abstain	Broker Non Votes
14,868,490	390,083	174,454	3,234,037

This proposal was approved.

D. The proposal to amend the Amended Articles of Incorporation of the Company to add a new Article NINTH - a procedure for further amending the Amended Articles of Incorporation.

For	Against	Abstain	Broker Non Votes
12,499,636	1,800,798	174,599	4,192,031

This proposal was approved.

E. The proposal to amend Subparagraph (A) and (B) of Section 2.02 of the Code of Regulations of the Company to change the number and classification of Directors and term of office.

For	Against	Abstain	Broker Non Votes
11,208,636	1,159,857	201,755	6,096,816

This proposal was approved.

F. The proposal to amend Subparagraph (C) of Section 2.02 of the Code of Regulations of the Company in order to eliminate the authority of the directors to increase the number of directors beyond twelve directors.

For	Against	Abstain	Broker Non Votes
14,659,401	460,251	95,765	3,451,647

This proposal was approved.

G. The proposal to amend Section 6.01 of the Code of

Regulations of the Company to increase to two-thirds the vote to amend Sections 1.02, 2.02 and 6.01 of the Code of Regulations.

For	Against	Abstain	Broker Non Votes
8,482,140	2,536,629	207,633	7,440,662

This proposal was defeated.

Item 5. Other Information.

On January 26, 1995, the Company, the Miracle-Gro Shareholders and the Miracle Gro Companies entered into the Miracle-Gro Agreement. On April 6, 1995, the Company's shareholders approved certain matters necessary to permit the consummation of the transactions contemplated by the Miracle-Gro Agreement. Such transactions still require the approval of the FTC which is currently having discussions with the Company. A decision by the FTC should be made during May 1995. The Miracle-Gro Agreement, as amended, provides that, upon consummation of the transactions contemplated thereby, the Company will issue $195 million face amount of convertible preferred stock and warrants to purchase three million common shares. The convertible preferred stock will be convertible into common shares at $19 per share (subject to adjustment), will pay annual dividends at a rate of 5.0%, will not be subject to redemption by the Company for five years and will be subject to certain restrictions on transfer. The warrants will be exercisable over eight and one half years at prices ranging from $21 to $29 per share. The transactions contemplated by the Miracle-Gro Agreement, as amended, will be accounted for as a purchase, of which the fair value was estimated to be approximately $200 million as of January 26, 1995.

Item 6. Exhibits and Reports on Form 8-K.

(a) See Exhibit Index at page 18 for a list of the exhibits included herewith.

(b) No reports on Form 8-K were filed during the fiscal quarter ended April 1, 1995.

SIGNATURES

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

THE SCOTTS COMPANY

Date May 11, 1995

/s/ Paul D. Yeager
Paul D. Yeager
Executive Vice President
Chief Financial Officer
Principal Accounting Officer

THE SCOTTS COMPANY

QUARTERLY REPORT ON FORM 10-Q FOR
FISCAL QUARTER ENDED APRIL 1, 1995

EXHIBIT INDEX

Exhibit Number	Description	Page Number
2(a)	Agreement and Plan of Merger dated as of January 26, 1995 among Stern's Miracle-Gro Products, Inc., Stern's Nurseries, Inc., Miracle-Gro Lawn Products Inc., and Miracle-Gro Products Limited (the "Miracle-Gro Constituent Companies"), Horace Hagedorn, James Hagedorn, Katherine Hagedorn Littlefield, Paul Hagedorn, Peter Hagedorn, Robert Hagedorn, Susan Hagedorn and John Kenlon, (the "Miracle-Gro Shareholders"), The Scotts Company and ZYX Corporation	Incorporated herein by reference to the Registration Statement on Form S-4 of The Scotts Company filed with the Securities and Exchange Commission on February 4, 1995 (Registration No. 33-57595) (Exhibit 2)
2(b)	Amendment No. 1, dated as of May 1, 1995, among the Miracle-Gro Constituent Companies, the Miracle-Gro Shareholders, The Scotts Company, ZYX Corporation, Hagedorn Partnership, L.P. and Community Funds, Inc.	Pages 19 through 31
4(a)	Amended Articles of Incorporation of The Scotts Company as filed with the Ohio Secretary of State on September 20, 1994	Incorporated herein by reference to the Annual Report on Form 10-K for the fiscal year ended September 30, 1994 of The Scotts Company (File No. 0-19768) (Exhibit 3(a))
4(b)	Certificate of Amendment by Shareholders to the Articles of Incorporation of The Scotts Company as filed with the Ohio Secretary of State on May 4, 1995	Pages 32 through 41
4(c)	Regulations of The Scotts Company (reflecting amendments adopted by the shareholders of The Scotts Company on April 6, 1995)	Pages 42 through 58
4(d)	Fourth Amended and Restated Credit Agreement dated as of March 17, 1995 among The Scotts Company, Chemical Bank, the lenders party thereto and Chemical Bank, as agent	Pages 59 through 161
11	Computation of Net Income Per Common Share	Page 162
27	Financial Data Schedule	Page 163

Amendment No. 1, dated as of May 1, 1995, among Stern's Miracle-Gro Products, Inc., Stern's Nurseries, Inc., Miracle-Gro Lawn Products, Inc., Miracle-Gro Products Limited, James Hagedorn, Katherine Hagedorn Littlefield, Paul Hagedorn, Peter Hagedorn, Robert Hagedorn, Susan Hagedorn, Horace Hagedorn, John Kenlon, The Scotts Company, ZYX Corporation, Hagedorn Partnership, L.P. and Community Funds, Inc.

AMENDMENT No. 1

Amendment No. 1, dated as of May 1, 1995 (this "Amendment" or this "Amendatory Agreement"), among Stern's Miracle-Gro Products Inc., a New Jersey corporation, Stern's Nurseries, Inc., a New York corporation, Miracle-Gro Lawn Products Inc., a New York corporation, Miracle-Gro Products Limited, a New York corporation (collectively, the "Miracle-Gro Constituent Companies"), James Hagedorn, Katherine Hagedorn Littlefield, Paul Hagedorn, Peter Hagedorn, Robert Hagedorn and Susan Hagedorn (such individuals being herein referred to as the "General Partners"), Horace Hagedorn, John Kenlon, The Scotts Company, an Ohio corporation ("Scotts"), ZYX Corporation, an Ohio corporation and a direct, wholly-owned subsidiary of Scotts ("ZYX"), Hagedorn Partnership, L.P., a Delaware limited partnership (the "Partnership"), and Community Funds, Inc., a New York not-for-profit corporation (the "Charity"), to the Agreement and Plan of Merger dated as of January 26, 1995 (the "Merger Agreement" and as amended hereby, the "Amended Merger Agreement").

WHEREAS, the Miracle-Gro Constituent Companies, the General Partners, Horace Hagedorn, John Kenlon, Scotts and ZYX are parties to the Merger Agreement (capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Merger Agreement); and

WHEREAS, simultaneously herewith, the General Partners are forming Hagedorn Partnership, L.P. (the "Partnership") and contributing to the Partnership all of the shares of stock of the Miracle-Gro Constituent Companies held by such persons; and

WHEREAS, simultaneously herewith, Horace Hagedorn is contributing to the Charity all of the shares of capital stock of the Company and Miracle-Gro Delaware; and

WHEREAS, the parties wish to amend the Merger Agreement to, among other things, reflect these events.

NOW, THEREFORE, the parties hereto agree as follows:

1. The parties hereto agree that the Partnership hereby assumes and shall be obligated to perform each and every obligation and covenant to be observed or performed by the Shareholders pursuant to the Merger Agreement as if the Partnership had been an original signatory of the Merger Agreement and had been defined therein as one of the "Shareholders". The parties further agree that the Partnership shall be entitled to each and every right and benefit owing generally to the Shareholders pursuant to the Merger Agreement and shall further be entitled to receive the Merger Consideration, in accordance with the terms and conditions of the Merger Agreement and Schedule 1.04 thereto, which the Merger Agreement and Schedule 1.04 provides will be owing in respect of all shares of the Company and Miracle-Gro Delaware owned by any of the General Partners. Notwithstanding anything is this Amendment to the contrary, each of the General Partners shall continue to be obligated to perform each and every obligation and covenant to be observed or performed by the Shareholders under the Amended Merger Agreement and shall continue to be deemed to have made, jointly and severally, each and every representation and warranty in Article III of the Amended Merger Agreement.

2. The parties hereto agree that the Charity hereby assumes and shall be obligated to perform each and every obligation and covenant to be observed or performed

by the Shareholders pursuant to the Merger Agreement as if the Charity had been an original signatory of the Merger Agreement and had been defined therein as one of the "Shareholders"; provided that the Charity shall not have any obligation pursuant to Section 3.12 or Article XI (except to the extent that Article XI applies to covenants to be performed by the Charity) of the Merger Agreement, which shall continue to be the obligations of the other Shareholders as provided in the Merger Agreement. The parties further agree that the Charity shall be entitled to each and every right and benefit owing generally to the Shareholders pursuant to the Merger Agreement and shall further be entitled to receive the Merger Consideration, in accordance with the terms and conditions of the Merger Agreement and Schedule 1.04 thereto, which the Merger Agreement and Schedule 1.04 provides will be owing in respect of all shares of the Company and Miracle-Gro Delaware owned by Horace Hagedorn. Notwithstanding anything in this Agreement to the contrary, Horace Hagedorn shall continue to be obligated to perform each and every obligation and covenant to be observed or performed by him as a Shareholder under the Amended Merger Agreement and shall continue to be deemed to have made, jointly and severally with the other Shareholders, each and every representation and warranty in Article III of the Amended Merger Agreement.

3. Notwithstanding anything in this Amendment to the contrary, only the General Partners, Horace Hagedorn and John Kenlon shall be entitled to the benefits of Section 8.07 of the Merger Agreement.

4. The Shareholders repeat and reaffirm that each of the Miracle-Gro Constituent Companies, other than Nurseries, is and at all times since January 1, 1985 and prior to the consummation of the transfers of shares of capital stock of the Company, Miracle-Gro Delaware and Miracle-Gro UK to the Partnership and the Charity, respec tively, as contemplated by the Amended Merger Agreement, has been, an S corporation within the meaning of Section 1361(a)(1) of the Code (or the corresponding provisions of preceding law) and is not subject to the tax imposed on certain built-in gains under Section 1374 of the Code or the tax imposed under Section 1375 of the Code. Each of the parties hereto acknowledges and agrees that, effective upon the consummation of the transfers of shares of capital stock of the Company, Miracle-Gro Delaware and Miracle-Gro UK to the Partnership and the Charity, respectively, as contemplated hereby, such company's status as an S corporation shall terminate and that for purposes of determining the satisfaction of the condition set forth in Section 9.02(i) and the scope of the obligations of the Shareholders pursuant to Article XI, the immediately preceding sentence shall be substitut ed for the ante-penultimate sentence of Section 3.12 of the Merger Agreement.

5. Article I of the Merger Agreement is hereby amended to provide that, in lieu of Miracle-Gro UK's merg ing with and into the Company, Miracle-Gro UK shall be ac quired by, and shall become a direct wholly owned subsid iary of, the Company as follows: Immediately following the Effective Time, the Partnership and John Kenlon shall deliver to the Company certificates representing all of the shares of outstanding capital stock of Miracle-Gro UK (accompanied by stock powers properly executed in blank or other appropriate instruments of transfer), and shall receive, in consideration therefor, solely shares of Con vertible Preferred Stock as set forth in Schedule 1.04(c), and such Merger Consideration shall be legally and beneficially owned by the Partnership and John Kenlon, respectively.

6. Article I of the Merger Agreement is hereby amended to provide that, in lieu of Miracle-Gro Delaware's merging with and into the Company, Miracle-Gro Delaware shall be acquired by, and shall become a direct wholly owned subsidiary of, the Company as follows: Imme diately following the Effective Time, the Partnership,

the Charity and John Kenlon shall deliver to the Company certificates representing all of the shares of outstanding capital stock of Miracle-Gro Delaware (accompanied by stock powers properly executed in blank or other appropriate instruments of transfer), and shall receive, in consideration therefor, solely shares of Convertible Preferred Stock as set forth in Schedule 1.04(b), and such Merger Consideration shall be legally and beneficially owned by the Partnership, the Charity and John Kenlon, respectively.

7. Each of the Miracle-Gro Constituent Companies, the General Partners, the Partnership, Horace Hagedorn and John Kenlon, jointly and severally, represent and warrant to Scotts and Merger Subsidiary that immediately following the Effective Time they and the Charity shall deliver to the Company all of the outstanding capital stock of, or other ownership interest in, Miracle-Gro UK and Miracle-Gro Delaware free and clear of any Lien and free of any other limitation or restriction on the right to vote, sell or otherwise dispose of such capital stock or other ownership interest, and at such time there will be no options or other rights to acquire from the Company, or of Miracle-Gro UK or Miracle-Gro Delaware to issue, any capital stock, voting securities or other ownership interests in, or any securities convertible into or exchangeable for any capital stock, voting securities or ownership interest in, Miracle-Gro UK or Miracle-Gro Delaware, respectively.

8. This Amendment is intended to effect the amendments to the Merger Agreement provided herein and shall be deemed to do so in accordance with Section 12.02 of the Merger Agreement. Except as otherwise set forth herein, the Merger Agreement (including the representations made by the Shareholders in Article III thereof and including the provisions of Section 11.01) shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused this Amendatory Agreement to be duly executed as of the day and year first above written.

STERN'S MIRACLE-GRO PRODUCTS, INC.

By
Title: Chairman and Chief
Executive Officer

STERN'S NURSERIES, INC.

By
Title: Chief Executive Officer

MIRACLE-GRO LAWN PRODUCTS INC.

By
Title: President

MIRACLE-GRO PRODUCTS LIMITED

By
Title: Executive Vice President

HORACE HAGEDORN

JAMES HAGEDORN

KATHERINE HAGEDORN LITTLEFIELD

PAUL HAGEDORN

PETER HAGEDORN

ROBERT HAGEDORN

SUSAN HAGEDORN

JOHN KENLON

THE SCOTTS COMPANY

By
Title: Chief Executive Officer

ZYX CORPORATION, an Ohio corporation

By
Title: President

COMMUNITY FUNDS, INC.

By
HAGEDORN PARTNERSHIP, L.P.

By
A General Partner

Certificate of Amendment by Shareholders to the Articles of Incorporation of The Scotts Company as filed with the Ohio Secretary of State on May 4, 1995.

CERTIFICATE OF AMENDMENT
by Shareholders to the Articles of Incorporation of

THE SCOTTS COMPANY
(Name of Corporation)

Theodore J. Host, who is:

Chairman of the Board _X_President Vice President (check one)

and
Craig D. Walley, who is:

_X_Secretary Assistant Secretary (check one)
of the above named Ohio corporation for profit do hereby certify that:
(check the appropriate box and complete the appropriate statements)

a meeting of the shareholders was duly called for the purpose of adopting this amendment and held on April 6, 1995 at which meeting a quorum of the shareholders was present in person or by proxy, and by the affirmative vote of the holders of shares entitling them to exercise more than 66-2/3% of the voting power of the corporation.

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

RESOLVED, that Article FOURTH of the Corporation's Amended Articles of Incorporation be amended and restated to read in its entirety as set forth in Exhibit A hereto; and

FURTHER RESOLVED, that the Corporation's Amended Articles of Incorporation be amended to include a new Article NINTH in the form set forth in Exhibit B hereto.

IN WITNESS WHEREOF, the above named officers, acting for and on the behalf of the corporation, have hereto subscribed their names this 20th day of April, 1995.

By /s/Theodore J. Host
(President)

By /s/Craig D. Walley
(Secretary)

NOTE: Ohio law does not permit one officer to sign in two capacities. Two separate signatures are required, even if this necessitates the election of a second officer before the filing can be made.

Exhibit A

FOURTH: The authorized number of shares of the corporation shall be Fifty Million, One Hundred and Ninety-Five Thousand (50,195,000), consisting of Fifty Million (50,000,000) common shares, each without par value, and One Hundred and Ninety-Five Thousand (195,000) shares of Class A Convertible Preferred Stock, without par value (the "Class A Preferred").

The following is a statement of the express terms, powers, preferences, rights, qualifications, limitations and restrictions of the Class A Preferred:

1. Authorized Number. The number of shares constituting the Class A Preferred shall be One Hundred Ninety-Five Thousand (195,000) shares.

2. Dividends. (a) The holders of the Class A Preferred shall be entitled to receive, ratably with the holders of any other class of the corporation's capital stock with Parity Rights (as defined below) as to dividends based on their respective

dividend rates, annual cumulative dividends in cash on each outstanding share of Class A Preferred at the rate of $50.00 per share per annum. Such cumulative dividends shall be paid in equal amounts (other than with respect to the initial dividend period) quarterly on June 30, September 30, December 31 and March 31 of each year (unless such day is not a business day, in which event on the next business day) as declared by the directors to the extent legally permitted, to holders of record as they appear on the register for the Class A Preferred on the June 15, September 15, December 15 and March 15 immediately preceding the relevant Dividend Payment Date (as hereinafter defined), out of any funds at the time legally available therefor; shall accrue until so paid from the date of issuance of the applicable shares of Class A Preferred; and shall be deemed to accrue from day to day, whether or not declared. A quarterly dividend period shall begin on the day following each June 30, September 30, December 31 and March 31 (each a "Dividend Payment Date," whether or not a dividend is paid on such date) and end on the next succeeding Dividend Payment Date. Notwithstanding the foregoing, the first quarterly dividend period shall commence on the date of issue, and such dividend shall be paid on June 30, 1995 for the actual number of days in such period. If dividends shall not have been paid, or declared and set apart for payment, upon all outstanding shares of Class A Preferred at the aforesaid times and rates, such deficiency shall be cumulative in full. Any accumulation of dividends shall not bear interest.

(b) No dividends or other distribution (other than dividends payable in common shares), and no redemption, purchase or other acquisition for value (other than redemptions, purchases or acquisitions payable in common shares or repurchases of common shares from employees of the corporation pursuant to obligations existing as of the date hereof or upon foreclosure pursuant to loans existing as of the date hereof to employees of the corporation secured by common shares), shall be made with respect to the common shares or any other class or series of the corporation's capital stock ranking junior to the Class A Preferred with respect to dividends or liquidation preferences until cumulative dividends on the Class A Preferred in the full amounts as set forth above for all dividend periods ending, and all amounts payable upon redemption of Class A Preferred, on or prior to the date on which the proposed dividend or distribution is paid, or the proposed redemption, purchase or other acquisition is effected, have been declared and paid or set apart for payment.

(c)(i) If on any Dividend Payment Date all or any portion of any dividend payable on such date is not so paid and at such time all or any portion of the dividend payable on the next preceding Dividend Payment Date remains in arrears, then from such second Dividend Payment Date, until all accrued and unpaid dividends for all previous quarterly dividend periods and for the current quarterly dividend period on all shares of Class A Preferred then outstanding shall have been declared and paid (herein a "Default Period"), the holders of Class A Preferred, voting separately as a class, shall have the right to increase the number of directors by three and to elect three directors designated by the Shareholder Representative (as defined in the Merger Agreement) to fill the vacancies so created.

(ii) After the holders of Class A Preferred shall have exercised their right to elect directors pursuant to subparagraph (i) hereof, and during the continuance of such Default Period, the number of directors may not be increased or decreased except by vote of the holders of Class A Preferred, voting separately as a separate class.

(iii) Immediately upon the expiration of a Default Period, (x) the right of the holders of Class A Preferred Stock as a class to elect directors pursuant to this Section 2(c) shall cease, (y) the term of any directors elected by the holders of Class A Preferred as a class pursuant to this Section 2(c) shall terminate, and (z) the number of directors shall be such number as was in effect immediately prior to the increase pursuant to this Section 2(c).

3. Liquidation Preference. In the event of any liquidation, dissolution, or winding up of the corporation, either voluntary or involuntary, distributions to the shareholders of the corporation shall be made in the following manner:

(a) The holders of the Class A Preferred shall be entitled to receive, ratably with the holders of any other class or series of the corporation's capital stock with Parity Rights (as defined below) as to liquidation preferences based on their respective preference amounts (which, in the case of the Class A Preferred, shall include any amounts owing in respect of accrued and unpaid dividends), prior and in preference to any distribution of any of the assets or funds of the corporation to the holders of the common shares (or any other securities of the corporation ranking junior to the Class A Preferred as to liquidation preferences), the preference amount (in cash) of $1,000 per share for each share of Class A Preferred then held by them plus an amount equal to all accrued but unpaid dividends (whether or not declared) on the Class A Preferred to the date of liquidation, dissolution or winding up. If the assets and funds thus distributed among the holders of the Class A Preferred and of any other class or series of the corporation's capital stock with Parity Rights as to liquidation preferences are insufficient to permit the payment to such holders of the full preferential amount described above, then the entire assets and funds of the corporation legally available for distribution shall be distributed among the holders of the Class A Preferred and of any other class or series of the corporation's capital stock with Parity Rights as to liquidation preferences in the proportion that the aggregate preferential amount of shares of Class A Preferred and of any other class or series of the corporation's capital stock with Parity Rights as to liquidation preferences held by each such holder bears to the aggregate preferential amount of all shares of Class A Preferred and of any other class or series of the corporation's capital stock with Parity Rights as to liquidation preferences. After payment has been made to the holders of the Class A Preferred and of any other class or series of the corporation's capital stock with Parity Rights as to liquidation preferences of the full amounts to which they are entitled, no further amounts shall be paid with respect to the Class A Preferred, and the remaining assets of the corporation shall be distributed among the holders of the common shares (and other junior securities with regard to liquidation preferences) in accordance with the Amended Articles of Incorporation and applicable law.

(b) For purposes of this Section 3, a merger or consolidation of the corporation with or into any other corporation or corporations in which the corporation is not the surviving corporation, or a voluntary sale of all or substantially all of the assets of the corporation, shall not be treated as a liquidation, dissolution or winding up of the corporation (unless in connection therewith, the liquidation, dissolution or winding up of the corporation is specifically approved), but shall be treated as provided in Section 6(e) of this Article FOURTH.

4. Provisions Generally Applicable to Dividends and Liquidation.

(a) The term "Parity Rights," as used in this Article FOURTH of the Amended Articles of Incorporation, shall mean dividend rights and liquidation preferences of any class or series of the corporation's capital stock which has preferences upon any liquidation, dissolution, or winding up of the corporation or rights with respect to the declaration, payment and setting aside of dividends on a parity with those of the Class A Preferred.

(b) Except as otherwise permitted by the Agreement and Plan of Merger dated as of January 26, 1995 among Stern's Miracle-Gro Products, Inc., Stern's Nurseries, Inc., Miracle-Gro Lawn Products Inc., Miracle-Gro Products Limited, the Shareholders listed therein, the corporation and ZYX Corporation (the "Merger Agreement"), the corporation will not, by amendment of its Amended Articles of Incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the corporation, but will at all times in good faith assist in the carrying out of all the provisions of Sections 2 and 3 of this Article FOURTH and in the taking of all such action as may be necessary or appropriate in order to protect the dividend and liquidation rights of the holders of the Class A Preferred against impairment; provided, however, that nothing herein will prevent the corporation from creating any new class or series of capital stock with higher

dividend rates or liquidation payments so long as the priority of such rights is not senior to the rights of the Class A Preferred.

5. Voting Rights. Except as otherwise required by law, the holder of each share of Class A Preferred shall be entitled to the number of votes equal to the number of common shares into which such share of Class A Preferred could be converted at the record date for determination of the shareholders entitled to vote on such matters, such votes to be counted together with all other shares of capital stock of the corporation having general voting power and not separately as a class or series. Holders of Class A Preferred shall be entitled to receive the same notice of any shareholders' meeting as is provided to holders of common shares. Fractional votes by the holders of Class A Preferred shall not, however, be permitted, and any fractional voting rights shall (after aggregating all shares into which shares of Class A Preferred held by each holder could be converted) be rounded to the nearest whole number. The corporation will, or will cause its transfer agent or registrar to, transmit to the registered holders of the Class A Preferred all reports and communications from the corporation that are generally mailed to holders of its common shares.

6. Conversion. The holders of the Class A Preferred have conversion rights as follows (the "Conversion Rights"):

(a) Right to Convert. Each share of Class A Preferred shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such share and prior to the close of business of the corporation on the business day next preceding any date set for the redemption thereof (provided that funds sufficient to redeem all shares to be redeemed on such date have been paid or made available for payment as described in Section 7(b)(iii) of this Article FOURTH), at the office of the corporation or any transfer agent for the Class A Preferred, into such number of fully paid and nonassessable common shares as is determined by dividing $1,000 by the Conversion Price, determined as hereinafter provided, in effect at the time of conversion. The price at which common shares shall be deliverable upon conversion (the "Conversion Price") shall initially be $19 per common share. Such initial Conversion Price shall be subject to adjustment as hereinafter provided.

(b) Accrued Dividends and Fractional Shares. Dividends shall cease to accrue on shares of Class A Preferred surrendered for conversion into common shares; provided, however, that any dividends (whether or not declared) upon such shares which were accrued as of but not paid on or before the Dividend Payment Date immediately preceding the conversion date shall be paid in cash upon such conversion or as soon thereafter as permitted by law.

No fractional common shares shall be issued upon conversion of Class A Preferred. In lieu of any fractional shares to which the holder would otherwise be entitled, the corporation shall, after aggregation of all fractional share interests held by each holder, pay cash equal to such remaining fractional interest multiplied by the Market Price (as defined in Section 11 of this Article FOURTH) at the time of conversion.

(c) Mechanics of Conversion. Before any holder of Class A Preferred shall be entitled to convert the same into full common shares of the corporation and to receive certificates therefor, such holder shall surrender the certificate or certificates for the Class A Preferred to be converted, duly endorsed, at the office of the corporation or of any transfer agent for the Class A Preferred, and shall give written notice to the corporation at such office that such holder elects to convert the same. The corporation shall, as soon as practicable after such delivery, issue and deliver at such office to such holder of Class A Preferred (or to any other person specified in the notice delivered by such holder), a certificate or certificates for the number of common shares to which such holder shall be entitled as aforesaid and a check payable to the holder for any cash amounts payable as the result of a conversion into fractional common shares. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the shares of Class A Preferred to be converted, and the person or persons entitled to receive the common shares issuable upon such conversion shall be treated for all purposes as the record holder or holders of such common shares on such date. In case any certificate for shares of Class A Preferred

shall be surrendered for conversion of only a part of the shares represented thereby, the corporation shall deliver at such office to or upon the written order of the holder thereof, a certificate or certificates for the number of shares of Class A Preferred represented by such surrendered certificate which are not being converted. Notwithstanding the foregoing, the corporation shall not be obligated to issue certificates evidencing the common shares issuable upon such conversion unless the certificates evidencing Class A Preferred are either delivered to the corporation or its transfer agent, or the holder notifies the corporation or its transfer agent that such certificates have been lost, stolen or destroyed and executes an agreement satisfactory to the corporation to indemnify the corporation from any loss incurred by it in connection with such certificates. The issuance of certificates for common shares issuable upon conversion of shares of Class A Preferred shall be made without charge to the converting holder for any tax imposed in respect of the issuance thereof; provided that the corporation shall not be required to pay any tax which may be payable with respect to any transfer involved in the issue and delivery of any certificate in a name other than that of the holder of the shares of Class A Preferred being converted.

(d) Effects of Certain Events.

(i) Common Share Dividends, Subdivisions or Combinations. In case the corporation shall (A) pay or make a dividend or other distribution to all holders of its common shares in common shares, (B) subdivide, split or reclassify the outstanding number of common shares into a larger number of common shares or (C) combine or reclassify the outstanding number of its common shares into a smaller number of common shares, the Conversion Price in effect immediately prior thereto shall be adjusted so that the holder of each outstanding share of Class A Preferred shall thereafter be entitled to receive upon the conversion of such share the number of common shares which such holder would have owned and been entitled to receive had such shares of Class A Preferred been converted immediately prior to the happening of any of the events described above or, in the case of a stock dividend or other distribution, prior to the record date for determination of shareholders entitled thereto. An adjustment made pursuant to this clause (i) shall become effective immediately after such record date in the case of a dividend or distribution and immediately after the effective date in the case of a subdivision, split, combination or reclassification.

(ii) Distributions of Assets or Securities Other Than Common Shares. In case the corporation shall, by dividend or otherwise, distribute to all holders of its common shares, shares of any of its capital stock (other than common shares), rights or warrants to purchase any of its securities (other than those referred to in (iii) below), cash (other than any regular quarterly or semi-annual dividend which the directors of the corporation declares), other assets or evidences of its indebtedness, then in each such case the Conversion Price shall be adjusted by multiplying the Conversion Price in effect immediately prior to the date of such dividend or distribution by a fraction, of which the numerator shall be the Average Market Price (as defined in Section 11 of this Article FOURTH) per common share at the record date for determining shareholders entitled to such dividend or distribution less the fair market value (as determined in good faith by the directors) of the portion of the securities, cash, assets or evidences of indebtedness so distributed applicable to one common share, and of which the denominator shall be such Average Market Price per common share. An adjustment made pursuant to this clause (ii) shall become effective immediately after such record date.

(iii) Below Market Distributions or Issuances. In case the corporation shall issue common shares (or rights, warrants or other securities convertible into or exchangeable or exercisable for common shares) to all holders of common shares at a price per share (or having an effective exercise, exchange or conversion price per share) less than the Average Market Price per common share at the record date for the determination of shareholders entitled to receive such common shares (or rights, warrants or other securities convertible into or exchangeable or exercisable for common shares), then in each such case the Conversion Price shall be adjusted by multiplying the Conversion Price in effect immediately prior to the date of issuance of such common shares (or rights, warrants or other securities) by a fraction, the

numerator of which shall be the sum of (A) the number of common shares outstanding on the date of such issuance (without giving effect to any such issuance) and (B) the number of common shares which the aggregate consideration receivable by the corporation for the total number of common shares so issued (or into or for which such rights, warrants or other securities are convertible, exchangeable or exercisable) would purchase at such Average Market Price, and the denominator of which shall be the sum of (A) the number of common shares outstanding on the date of such issuance (without giving effect to any such issuance) and (B) the number of additional common shares so issued (or into or for which such rights, warrants or other securities are convertible, exchangeable or exercisable). An adjustment made pursuant to this clause (iii) shall become effective immediately after the record date for determination of shareholders entitled to receive or purchase such common shares (or rights, warrants or other securities convertible into or exchangeable or exercisable for common shares). For purposes of this clause (iii), the issuance of any options, rights or warrants or any common shares (whether treasury shares or newly issued shares) pursuant to any employee (including consultants and directors) benefit or stock option or purchase plan or program of the corporation shall not be deemed to constitute an issuance of common shares or options, rights or warrants to which this clause (iii) applies. Notwithstanding anything herein to the contrary, no further adjustment to the Conversion Price shall be made (i) upon the issuance or sale of common shares upon the exercise of any rights or warrants or (ii) upon the issuance or sale of common shares upon conversion or exchange of any convertible securities, if any adjustment in the Conversion Price was made or required to be made upon the issuance or sale of such rights, warrants or securities.

(iv) Repurchases. In case at any time or from time to time the corporation or any subsidiary thereof shall repurchase, by self tender offer or otherwise, any common shares of the corporation at a weighted average purchase price in excess of the Average Market Price on the business day immediately prior to the earliest of the date of such repurchase, the commencement of an offer to repurchase or the public announcement of either (such date being referred to as the "Determination Date"), the Conversion Price in effect as of such Determination Date shall be adjusted by multiplying such Conversion Price by a fraction, the numerator of which shall be (A) the product of (x) the number of common shares outstanding on such Determination Date and (y) the Average Market Price of the common shares on such Determination Date minus (B) the aggregate purchase price of such repurchase and the denominator of which shall be the product of (x) the number of common shares outstanding on such Determination Date minus the number of common shares repurchased by the corporation or any subsidiary thereof in such repurchase and (y) the Average Market Price of the common shares on such Determination Date. For purposes of this clause (iv), the repurchase or repurchases by the corporation or any subsidiary thereof within any 12 month period of not more than 15% of the common shares outstanding as of the first date of such period, at a price not in excess of 120% of the Average Market Price as of the Determination Date of any such repurchase, shall not be deemed to constitute a repurchase to which this clause (iv) applies. An adjustment made pursuant to this clause (iv) shall become effective immediately after the effective date of such repurchase.

(e) Certain Reorganizations. In the event of any change, reclassification, conversion, exchange or cancellation of outstanding common shares of the corporation (other than any reclassification referred to in Section 6(d)(i) in this Article FOURTH), whether pursuant to a merger, consolidation, reorganization or otherwise, or the sale or other disposition of all or substantially all of the assets and properties of the corporation, the shares of Class A Preferred shall, after such merger, consolidation, reorganization or other transaction, sale or other disposition, be convertible into the kind and number of shares of stock or other securities or property, of the corporation or otherwise, to which such holder would have been entitled if immediately prior to such event such holder had converted its shares of Class A Preferred into common shares at the Conversion Price in effect as of the consummation of such event. The provisions of this Section 8(e) shall similarly apply to successive changes, reclassifications, conversions, exchange or cancellations.

(f) No Impairment. Except as permitted by the Merger

Agreement, the corporation will not, by amendment of its Amended Articles of Incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the corporation, but will at all times in good faith assist in the carrying out of all the provisions of this Section 6 and in the taking of all such action as may be necessary or appropriate in order to protect the conversion rights of the holders of the Class A Preferred against impairment.

(g) Calculation of Adjustments. No adjustment in the Conversion Price shall be required unless such adjustment would require an increase or decrease of at least 1% in such price; provided, however, that any adjustments which by reason of this subsection (g) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 6 shall be made by the corporation and shall be made to the nearest cent or to the nearest one hundredth of a share, as the case may be. Anything in this Section 6 to the contrary notwithstanding, the corporation shall be entitled to make such reductions in the Conversion Price, in addition to those required by this Section 6, as it in its sole discretion shall determine to be advisable in order that any stock dividends, subdivision of shares, distribution of rights to purchase stock or securities, or a distribution of securities convertible into or exchangeable for stock hereafter made by the corporation to its shareholders shall not be taxable.

(h) Certificate as to Adjustments. Upon the occurrence of each adjustment or readjustment of the Conversion Price pursuant to this Section 6, the corporation at its expense shall promptly compute such adjustment or readjustment in accordance with the terms hereof and furnish to each holder of Class A Preferred a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The corporation shall, upon the written request at any time of any holder of Class A Preferred, furnish or cause to be furnished to such holder a like certificate setting forth (i) such adjustments and readjustments; (ii) the Conversion Price at the time in effect; and (iii) the number of common shares and the amount, if any, of other property which at the time would be received upon the conversion of Class A Preferred.

(i) Notices.

(A) In the event that the corporation shall propose at any time:

(1) to declare any dividend or distribution upon its common shares;

(2) to offer for subscription pro rata to the holders of any class or series of its capital stock any additional shares of stock of any class or series or other rights; or

(3) to effect any transaction of the type described in Section 6(e) hereof involving a change in the common shares;

then, in connection with each such event, the corporation shall send to the holders of the Class A Preferred:

(i) at least 20 days' prior written notice of the date on which a record shall be taken for such dividend or distribution (and specifying the date on which the holders of common shares shall be entitled thereto) or for determining rights to vote in respect of the matters referred to in (1) and (2) above; and

(ii) in the case of the matters referred to in (3) above, at least 20 days' prior written notice of the date when the same shall take place (and specifying the date on which the holders of common shares shall be entitled to exchange their common shares for securities or other property deliverable upon the occurrence of such event).

(B) In the event of any voluntary or involuntary

dissolution, liquidation or winding up of the corporation, the corporation shall send to the holders of the Class A Preferred at least 20 days' prior written notice.

(C) The corporation shall send written notice immediately upon any public announcement with respect to an open market repurchase program, any self tender offer for common shares and any other repurchase other than a repurchase of stock of an employee or consultant pursuant to any benefit plan or agreement.

7. Redemption.

(a) Redemption. The Class A Preferred shall not be subject to redemption prior to the last day of the month in which the fifth anniversary of the original date of issuance occurs. On or after such date, the corporation may, at its option, redeem all or from time to time any part of the shares of Class A Preferred, out of funds legally available therefor, upon giving the Redemption Notice as set forth in Section 7(b) of this Article FOURTH. The redemption payment for each share of Class A Preferred shall be an amount (the "Redemption Payment") in cash equal to the sum of (i) the amount of all accrued and unpaid dividends (whether or not declared) thereon to and including the date fixed for redemption, plus (ii) $1,000. In the event of a redemption of only a part of the then outstanding Class A Preferred, the corporation shall effect such redemption ratably according to the number of shares held by each holder of Class A Preferred.

(b) Mechanics of Redemption.

(i) At least 30 days, but no more than 60 days, prior to the date fixed for any redemption pursuant to Section 7(a) of this Article FOURTH (the "Redemption Date"), the corporation shall send a written notice (the "Redemption Notice") to the holders of shares to be redeemed on such date (the "Redemption Shares") stating: (A) the total number of shares being redeemed; (B) the number of Redemption Shares held by such holder; (C) the Redemption Date and the Redemption Payment; (D) the date on which such holder's conversion rights as to such shares shall terminate; and (E) the manner in which and the place at which such holder is to surrender to the corporation the certificate or certificates representing the Redemption Shares.

(ii) Upon the surrender to the corporation, in the manner and at the place designated, of a certificate or certificates representing Redemption Shares, the Redemption Payment for such shares shall be payable to the order of the person whose name appears on such certificate or certificates as the owner thereof. All such surrendered certificates shall be canceled. Upon redemption of only a portion of the shares of Class A Preferred represented by a certificate surrendered for redemption, the corporation shall issue and deliver to or upon the written order of the holder of the certificate so surrendered, at the expense of the corporation (except for expenses relating to the issuance of such shares to a person other than the record holder of the Redemption Shares), a new certificate representing the unredeemed shares of Class A Preferred represented by the certificate so surrendered.

(iii) On or prior to the Redemption Date, the corporation shall have the option to deposit the aggregate of all Redemption Payments for all Redemption Shares (other than Redemption Shares surrendered for conversion prior to such date) in a bank or trust company (designated in the notice of such redemption) doing business in the State of Ohio or the City of New York, having aggregate capital and surplus in excess of $500,000,000, as a trust fund for the benefit of the respective holders of Redemption Shares, with irrevocable instructions and authority to the bank or trust company to pay the appropriate Redemption Payment to the holders of Redemption Shares upon receipt of notification from the Company that such holder has surrendered the certificate representing such shares to the corporation. Such instructions shall also provide that any such moneys remaining unclaimed at the expiration of one year following the Redemption Date shall thereafter be returned to the corporation upon its request as expressed in a resolution of its directors. The holder of any Redemption Shares in respect of which such deposit has been returned to the corporation pursuant to the preceding sentence shall have a claim as an unsecured creditor

against the corporation for the Redemption Payment in respect thereof, without interest.

(iv) Provided that the corporation has given the Redemption Notice described in Section 7(b)(i) of this Article FOURTH and has on or prior to the Redemption Date either paid or made available (as described in Section 7(b)(iii) of this Article FOURTH) Redemption Payments to the holders of Redemption Shares, all Redemption Shares shall be deemed to have been redeemed as of the close of business of the corporation on the applicable Redemption Date. Thereafter, the holder of such shares shall no longer be treated for any purposes as the record holder of such shares of Class A Preferred, regardless of whether the certificates representing such shares are surrendered to the corporation or its transfer agent, excepting only the right of the holder to receive the appropriate Redemption Payment, without interest, upon such surrender. Such shares so redeemed shall not be transferred on the books of the corporation or be deemed to be outstanding for any purpose whatsoever.

(v) The corporation shall not be obligated to pay the Redemption Payment to any holder of Redemption Shares unless the certificates evidencing such shares are either delivered to the corporation or its transfer agent, or the holder notifies the corporation or its transfer agent that such certificates have been lost, stolen or destroyed and executes an agreement satisfactory to the corporation to indemnify the corporation from any loss incurred by it in connection with such certificates.

(c) Limitation on Redemption. The corporation shall not be obligated to redeem any shares of Class A Preferred which have previously been converted into common shares. The corporation shall not be obligated to redeem shares pursuant to this Section 7 if such redemption would violate any provisions of applicable law. If, after giving the Redemption Notice, the corporation is unable, pursuant to applicable law, to redeem some or all unconverted Redemption Shares on any particular Redemption Date, the corporation shall promptly notify the holders thereof of the facts that prevent the corporation from so redeeming such shares. Thereafter, the corporation shall redeem such unredeemed Redemption Shares at such time as it is lawfully able to do so.

8. Status of Converted Shares. If shares of Class A Preferred are converted pursuant to Section 6 of this Article FOURTH or redeemed pursuant to Section 7 of this Article FOURTH, the shares so converted or redeemed shall resume the status of authorized but unissued shares of Class A Preferred unless otherwise prohibited by applicable law.

9. Notices. All notices, requests, demands, and other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered by hand or when sent by telegram or telecopier (with receipt confirmed), provided a copy is also sent by express (overnight, if possible) courier, addressed (i) in the case of a holder of Class A Preferred, to such holder's address of record, and (ii) in the case of the corporation, to the corporation's principal executive offices to the attention of the corporation's secretary.

10. Amendments and Waivers. Any right, preference, privilege or power of, or restriction provided for the benefit of, the Class A Preferred set forth herein may be amended and the observance thereof may be waived (either generally or in a particular instance and either retroactively or prospectively) with the written consent of the corporation and the affirmative vote or written consent of the holders of not less than a majority of the shares of Class A Preferred then outstanding, and any amendment or waiver so effected shall be binding upon the corporation and all holders of Class A Preferred.

11. Additional Definitions. As used herein the term "Trading Day" means each Monday, Tuesday, Wednesday, Thursday and Friday which is a day on which the New York Stock Exchange, Inc. is open for trading.

As used herein, the term "Market Price" of a common share or of any other security of the corporation on any date shall mean: (i) the last reported sales price of the common shares or such other security on the principal national securities exchange on which such common shares or other security is listed or admitted to trading or, if no such reported sale takes place on such date,

the average of the closing bid and asked prices thereon, as reported in The Wall Street Journal, or (ii) if such common shares or other security shall not be listed or admitted to trading on a national securities exchange, the last reported sales price on the NASDAQ National Market or, if no such reported sales takes place on any such date, the average of the closing bid and asked prices thereon, as reported in The Wall Street Journal, or (iii) if such common shares or other security shall not be quoted on such National Market nor listed or admitted to trading on a national securities exchange, then the average of the closing bid and asked prices, as reported by The Wall Street Journal for the over-the-counter market, or (iv) if there is no public market for such common shares or other security, the fair market value of a share of such common shares or a unit of such other security as determined in good faith by the Directors of the corporation.

The term "Average Market Price" shall mean the average of the 30 consecutive trading days immediately preceding the date in question.

Exhibit B

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

(1) A proposed amendment to this Article NINTH to the Amended Articles of Incorporation of the corporation;

(2) An agreement of merger or consolidation providing for the proposed merger or consolidation of the corporation with or into one or more other corporations and requiring shareholder approval;

(3) A proposed combination or majority share acquisition involving the issuance of shares of the corporation and requiring shareholder approval;

(4) A proposal to sell, exchange, transfer or otherwise dispose of all, or substantially all, the assets, with or without the goodwill, of the corporation; or

(5) A proposed dissolution of the corporation.

Regulations of The Scotts Company (reflecting amendments adopted by the shareholders of The Scotts Company on April 6, 1995).

CODE OF REGULATIONS

OF

THE SCOTTS COMPANY

(As amended through April 6, 1995)

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CODE OF REGULATIONS

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ARTICLE ONE

MEETINGS OF SHAREHOLDERS

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

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

Section 1.03. Place of Meetings. All meetings of shareholders shall be held at the principal office of the corpo ration, unless otherwise provided by action of the directors. Meetings of shareholders may be held at any place within or without the State of Ohio.

Section 1.04. Notice of Meetings. (A) Written notice stating the time, place and purposes of a meeting of the share holders shall be given either by personal delivery or by mail not less than seven nor more than sixty days before the date of the meeting, (1) to each shareholder of record entitled to notice of the meeting, (2) by or at the direction of the chairman of the board, the president or the secretary. If mailed, such notice shall be addressed to the shareholder at his address as it appears on the records of the corporation. Notice of adjournment of a meeting need not be given if the time and place to which it is adjourned are fixed and announced at such meeting. In the event of a transfer of shares after the record date for determining the shareholders who are entitled to receive notice of a meeting of shareholders, it shall not be necessary to give notice to the transferee. Nothing herein contained shall prevent the setting of a record date in the manner provided by law, the Articles or the Regulations for the determination of shareholders who are entitled to receive notice of or to vote at any meeting of shareholders or for any purpose required or permitted by law.

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

such notice is not given within fifteen days after the receipt of such request by the president or the secretary, then, and only then, the persons properly calling the meeting may fix the time of meeting and give notice thereof in accordance with the provi sions of the Regulations.

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

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

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

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

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

Section 1.10. Proxies. At meetings of the share holders, any shareholder of record entitled to vote thereat may be represented and may vote by a proxy or proxies appointed by an instrument in writing signed by such shareholder, but such instrument shall be filed with the secretary of the meeting before the person holding such proxy shall be allowed to vote thereunder. No proxy shall be valid after the expiration of eleven months after the date of its execution, unless the shareholder executing it shall have specified therein the length of time it is to continue in force.

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

ARTICLE TWO

DIRECTORS

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

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

(A) Until changed pursuant to Article FOURTH of the Amended Articles of Incorporation, by the amendment of the Regulations, by the adoption of new regulations or by action of the directors pursuant to subsection (C) hereof, the number of directors of the corporation shall be nine, divided into three classes, each of which shall consist of not less than three directors nor more than five directors as may be determined by the directors or as may be required by the provisions of Section 2(c) of Article FOURTH of the Amended Articles of Incorporation. The number of directors in each class shall be, to the greatest extent possible, uniform. The election of each class of directors shall be a separate election. At the 1995 annual meeting of shareholders an election shall be held to elect three persons to serve as directors for three years and until their successors are elected, an election shall be held to elect three persons to serve as directors for two years and until their successors are elected and an election shall be held to elect three persons to serve as directors for one year and until their successors are elected.

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

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

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

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

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

Section 2.06. Meetings. A meeting of the directors shall be held immediately following the adjournment of each annual meeting of shareholders at which directors are elected, and notice of such meeting need not be given. The directors shall hold such other meetings as may from time to time be

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

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

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

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

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

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

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

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

Section 2.10. Executive and Other Committees. The directors may create an executive committee or any other committee of directors, to consist of not less than three directors, and may authorize the delegation to such executive committee or other committees of any of the authority of the directors, however conferred, other than that of filling vacancies among the directors or in the executive committee or in any other committee of the directors.

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

Any act or authorization of any act by the executive committee or any other committee within the authority delegated to it shall be as effective for all purposes as the act or authorization of the directors. No notice of a meeting of the

executive committee or of any other committee of directors shall be required. A meeting of the executive committee or of any other committee of directors may be called only by the president or by a member of such executive or other committee of directors. Meetings of the executive committee or of any other committee of directors may be held through any communications equipment if all persons participating can hear each other and participation in such a meeting shall constitute presence thereat.

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

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

ARTICLE THREE

OFFICERS

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

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

Section 3.03. Duties of the Chairman of the Board. The chairman of the board shall preside at all meetings of the shareholders and directors at which he is present, shall be the chief executive officer of the corporation, and shall have general control and supervision of the policies and operations of the corporation and shall see that all orders and resolutions of the board of directors are carried into effect. He shall manage and administer the corporation's business and affairs and shall also perform all duties and exercise all powers usually pertaining to the office of a chief executive officer of a corporation. He shall have the authority to sign, in the name and on behalf of the corporation, checks, orders, contracts, leases, notes, drafts and other documents and instruments in connection with the business of the corporation, and together with the secretary or an assistant secretary, conveyances of real estate and other documents and instruments. He shall have the authority to cause the employment or appointment of such employees and agents of the corporation as the conduct of the business of the corporation may require, and to fix their compensation; and to remove or suspend any employee or agent elected or appointed by the chairman of the board.

Section 3.04. Duties of the President. The president shall be chief operating officer of the corporation, and, subject to the control of the chairman of the board, shall have general and active management of the ordinary business of the corporation and shall see that all orders and resolutions of the board of directors are carried into effect. In the absence of the chairman of the board, the president shall exercise all the powers of the chairman, including, without limitation, the authority to: (A) sign, in the name and on behalf of the corporation, checks, orders, contracts, leases, notes, drafts and other documents and instruments in connection with the business of the corporation, and, together with the secretary or an assistant secretary, conveyances of real estate and other

documents and instruments; (B) cause the employment or appointment of such employees and agents of the corporation as the conduct of the business of the corporation may require and to fix their compensation; and (C) remove or suspend any employee or agent who shall not have been elected or appointed by the chairman of the board or the board of directors. The president shall perform such other duties and have such other powers as the board of directors or the chairman of the board may from time to time prescribe.

Section 3.05. Duties of the Vice Presidents. Each vice president shall perform such duties and exercise such powers as may be assigned to him from time to time by the chairman of the board or the president. In the absence of the chairman of the board or the president, the duties of the chairman of the board or the president shall be performed and his powers may be exercised by such vice president as shall be designated by the chairman of the board or the president, or failing such designation, such duties shall be performed and such powers may be exercised by each vice president in the order of their earliest election to that office, subject in any case to review and superseding action by the chairman of the board or the president.

Section 3.06. Duties of the Secretary. The secretary shall have the following powers and duties:

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

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

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

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

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

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

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

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

Section 3.07. Duties of the Treasurer. The treasurer shall have the following powers and duties:

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

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

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

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

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

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

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

ARTICLE FOUR

SHARES

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

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

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

(2) Reasonable assurance is given that the indorsement of each appropriate person is genuine and effective; the corporation or its agents may refuse to register a transfer of shares unless the signature of each appropriate person is guaranteed by a commercial bank or trust company having an office or a correspondent in the City of New York or by a firm having membership in the New York Stock Exchange; and

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

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

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

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

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

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

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

ARTICLE FIVE

INDEMNIFICATION AND INSURANCE

Section 5.01. Mandatory Indemnification. The corpor ation shall indemnify any officer or director of the corporation who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (including, without limitation, any action threatened or instituted by or in the right of the corporation), by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, trustee, officer, employee, member, manager or agent of another corporation (domestic or foreign, nonprofit or for profit), limited liability company, partnership, joint venture, trust or other enterprise, against expenses (including, without limitation, attorneys' fees, filing fees, court reporters' fees and transcript costs), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and with respect to any criminal action or proceeding, he had no reasonable cause to believe his conduct was unlawful. A person claiming indemnification under this Section 5.01 shall be presumed, in respect of any act or omission giving rise to such claim for indemnification, to have acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and with respect to any criminal matter, to have had no reasonable cause to believe his conduct was unlawful, and the termination of any action, suit or proceed ing by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, rebut such presumption.

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

(A) the corporation shall not indemnify any officer or director of the corporation who was a party to any completed action or suit instituted by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the corpora tion, or is or was serving at the request of the corporation as a director, trustee, officer, employee, member, manager or agent of another corporation (domestic or foreign, nonprofit or for pro fit), limited liability company, partnership, joint venture, trust or other enterprise, in respect of any claim, issue or matter asserted in such action or suit as to which he shall have

been adjudged to be liable for acting with reckless disregard for the best interests of the corporation or misconduct (other than negligence) in the performance of his duty to the corporation unless and only to the extent that the Court of Common Pleas of Union County, Ohio or the court in which such action or suit was brought shall determine upon application that, despite such adjudication of liability, and in view of all the circumstances of the case, he is fairly and reasonably entitled to such indemnity as such Court of Common Pleas or such other court shall deem proper; and

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

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

Section 5.04. Determination Required. Any indemni fication required under Section 5.01 and not precluded under Section 5.02 shall be made by the corporation only upon a determination that such indemnification of the officer or director is proper in the circumstances because he has met the ap plicable standard of conduct set forth in Section 5.01. Such determination may be made only (A) by a majority vote of a quorum consisting of directors of the corporation who were not and are not parties to, or threatened with, any such action, suit or proceeding, or (B) if such a quorum is not obtainable or if a majority of a quorum of disinterested directors so directs, in a written opinion by independent legal counsel other than an attorney, or a firm having associated with it an attorney, who has been retained by or who has performed services for the corporation, or any person to be indemnified, within the past five years, or (C) by the shareholders, or (D) by the Court of Common Pleas of Union County, Ohio or (if the corporation is a party thereto) the court in which such action, suit or proceeding was brought, if any; any such determination may be made by a court under division (D) of this Section 5.04 at any time [including, without limitation, any time before, during or after the time when any such determination may be requested of, be under consideration by or have been denied or disregarded by the disinterested directors under division (A) or by independent legal counsel under division (B) or by the shareholders under division (C) of this Section 5.04]; and no failure for any reason to make any such determination, and no decision for any reason to deny any such determination, by the disinterested directors under division (A) or by independent legal counsel under division (B) or by shareholders under division (C) of this Section 5.04 shall be evidence in rebuttal of the presumption recited in Section 5.01. Any determination made by the disinterested directors under division (A) or by independent legal counsel under division (B) of this Section 5.04 to make indemnification in respect of any claim, issue or matter asserted in an action or suit threatened or brought by or in the right of the corporation shall be promptly communicated to the person who threatened or brought such action or suit, and within ten days after receipt of such notification such person shall have the right to petition the Court of Common Pleas of Union County, Ohio or the court in which such action or suit was brought, if any, to review the reasonableness of such determination.

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

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

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

Section 5.06. Article FIVE Not Exclusive. The indemnification provided by this Article FIVE shall not be exclusive of, and shall be in addition to, any other rights to which any person seeking indemnification may be entitled under the Articles or the Regulations or any agreement, vote of shareholders or disinterested directors, or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be an officer or director of the corporation and shall inure to the benefit of the heirs, executors, and administrators of such a person.

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

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

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

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

Section 5.09. Venue. Any action, suit or proceeding to determine a claim for indemnification under this Article FIVE may be maintained by the person claiming such indemnification, or

by the corporation, in the Court of Common Pleas of Union County, Ohio. The corporation and (by claiming such indemnification) each such person consent to the exercise of jurisdiction over its or his person by the Court of Common Pleas of Union County, Ohio in any such action, suit or proceeding.

ARTICLE SIX

MISCELLANEOUS

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

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

Fourth Amended and Restated Credit Agreement dated as of March 17, 1995 among The Scotts Company, Chemical Bank, the lenders party thereto and Chemical Bank, as agent.

FOURTH AMENDED AND RESTATED CREDIT AGREEMENT, dated as of March 17, 1995, by and among THE SCOTTS COMPANY, an Ohio corporation (the "Borrower" or "Scotts"), the several banks and other financial institutions from time to time parties to this Agreement (the "Lenders") and CHEMICAL BANK, a New York banking corporation ("Chemical"), as agent for the Lenders hereunder (in such capacity, the "Agent").

W I T N E S S E T H :

WHEREAS, the Borrower is a party to that certain Third Amended and Restated Revolving Credit Agreement dated as of April 7, 1992 (as amended, supplemented or otherwise modified from time to time, the "Existing Credit Agreement"), among the Borrower, the lenders parties thereto (the "Existing Banks") and Chemical Bank, as agent for the Existing Banks, pursuant to which the Existing Banks have made revolving credit and term loans to the Borrower for the purposes set forth therein; and

WHEREAS, the Borrower has requested that the Existing Credit Agreement be amended and restated on the terms and conditions set forth herein to provide for, among other things, (i) the repayment in full of the revolving credit loans and term loans under the Existing Credit Agreement and the payment of any and all other amounts owing to the Existing Banks thereunder, (ii) the addition of certain lenders as parties thereto and (iii) the release of the collateral pledged by the Borrower and its Subsidiaries for the benefit of the Existing Banks;

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, it is hereby agreed that, on the Restatement Date (as hereinafter defined), the Existing Credit Agreement shall be amended and restated in entirety to read as follows:

1. DEFINITIONS

1 Defined Terms. As used in this Agreement, the following terms have the following meanings:

"ABR" shall mean for any day, a rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Base CD Rate in effect on such day plus 1% and (c) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%. For purposes hereof: "Prime Rate" shall mean the rate of interest per annum publicly announced from time to time by the Agent as its prime rate in effect at its principal office in New York City (the Prime Rate not being intended to be the lowest rate of interest charged by Chemical Bank in connection with extensions of credit to debtors); "Base CD Rate" shall mean the sum of (a) the product of (i) the Three-Month Secondary CD Rate and (ii) a fraction, the numerator of which is one and the denominator of which is one minus the C/D Reserve Percentage and (b) the C/D Assessment Rate; "Three-Month Secondary CD Rate" shall mean, for any day, the secondary market rate for three-month certificates of deposit reported as being in effect on such day (or, if such day shall not be a Business Day, the next preceding Business Day) by the Board of Governors of the Federal Reserve System (the "Board") through the public information telephone line of the Federal Reserve Bank of New York (which rate will, under the current practices of the Board, be published in Federal Reserve Statistical Release H.15(519) during the week following such day), or, if such rate shall not be so reported on such day or such next preceding Business Day, the average of the secondary market quotations for three-month certificates of deposit of major money center banks in New York City received at approximately 10:00 A.M., New York City time, on such day (or, if such day shall not be a Business Day, on the next preceding Business Day) by the Agent from three New York City negotiable certificate of deposit dealers of recognized

standing selected by it; and "Federal Funds Effective Rate" shall mean, for any day, the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for the day of such transactions received by the Agent from three federal funds brokers of recognized standing selected by it. Any change in the ABR due to a change in the Prime Rate, the Three-Month Secondary CD Rate or the Federal Funds Effective Rate shall be effective as of the opening of business on the effective day of such change in the Prime Rate, the Three-Month Secondary CD Rate or the Federal Funds Effective Rate, respectively.

"ABR Loans" shall mean the Loans at such time as they are made and/or being maintained at a rate of interest based upon the ABR.

"Affiliate" shall mean (a) any Person (other than a Subsidiary of the Borrower) which, directly or indirectly, controls, is controlled by or is under common control with, the Borrower or (b) any Person who is a director or officer of the Borrower, any Subsidiary of the Borrower or any Person described in clause (a) of this definition. For purposes of this definition, "control" of a Person means the power, direct or indirect, to vote 20% or more of the securities having voting power for the election of directors of such Person or otherwise to direct or cause the direction of the management and policies of such Person, whether by contract or otherwise.

"Aggregate Outstanding Extensions of Credit" shall mean an amount equal to the sum of (a) the aggregate principal amount of all Revolving Credit Loans (including, without limitation, Swing Line Loans) then outstanding, (b) the aggregate principal amount of all Bid Loans then outstanding and (c) the aggregate amount of all L/C Obligations then outstanding.

"Agreement" shall mean this Fourth Amended and Restated Credit Agreement, as the same may be amended, supplemented or otherwise modified from time to time.

"Applicable Margin" shall mean, with respect to each day for each Type of Loan, the rate per annum based on the Ratings in effect on such day, as set forth under the relevant column heading below:

Rating Category	Eurodollar Rate Loans	ABR Loans
Rating I	.2500%	.0000%
Rating II	.2750%	.0000%
Rating III	.3125%	.0000%
Rating IV	.5000%	.0000%
Rating V	.6250%	.1250%;

provided, however, that the Applicable Margin shall be deemed to be .3125% in respect of Eurodollar Rate Loans and .0000% in respect of ABR Loans for the period from and including the Restatement Date to and excluding the date on which a change in either Rating shall occur.

"Application" shall mean an application, in such form as the Issuing Lender may specify from time to time, requesting such Issuing Lender to open a Letter of Credit.

"Assignment and Acceptance" shall mean an Assignment and Acceptance, substantially in the form of Exhibit H hereto.

"Available Commitment" shall mean, as to any Lender at any time, the amount equal to the excess, if any, of (a) such Lender's Revolving Credit Commitment over (b) the sum of (i) the Revolving Credit Loans made by such Lender (including, without limitation, such Lender's Commitment Percentage of the then outstanding Swing Line Loans) then outstanding, (ii) such Lender's Commitment Percentage of the then outstanding Bid Loans and (iii) such Lender's

Commitment Percentage of the L/C Obligations then outstanding.

"Bid Loan" shall mean each advance made to the Borrower pursuant to subsection 2.5.

"Bid Loan Confirmation" shall mean a bid loan confirmation, substantially in the form of Exhibit I, to be delivered by the Borrower to the Agent in accordance with subsection 2.5(b)(iv).

"Bid Loan Request" shall mean a bid loan request, substantially in the form of Exhibit J, to be delivered by the Borrower to the Agent in accordance with subsection 2.5(b)(i) in writing, by facsimile transmission, or by telephone immediately confirmed by facsimile transmission.

"Bid Note" shall have the meaning assigned to such term in subsection 2.6(e).

"Bid Quote" shall mean a bid quote substantially in the form of Exhibit K, to be delivered by a Lender to the Agent in accordance with subsection 2.5(b) in writing, by facsimile transmission, or by telephone immediately confirmed by facsimile transmission.

"Borrowing Date" shall mean, as to any Lender, any Business Day specified in a notice transmitted pursuant to subsection 2.2 or 2.3 as a date on which such Lender has been requested by the Borrower to make Loans hereunder.

"Business Day" shall mean a day other than a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to close; provided, however, that when used to describe the date of any borrowing of, or any payment or interest rate determination in respect of, a Eurodollar or a LIBOR Bid Loan, the term "Business Day" shall also exclude any day on which commercial banks are not open for dealings in Dollar deposits in the London Interbank Market.

"Capital Stock" shall mean any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person (other than a corporation) and any and all warrants or options to purchase any of the foregoing.

"Cash Equivalents" shall mean (a) securities with maturities of one year or less from the date of acquisition issued or fully guaranteed or insured by the United States Government or any agency thereof, (b) certificates of deposit, eurodollar time deposits, overnight bank deposits, and bankers acceptances, each with maturities of one year or less from the date of the acquisition thereof, of any Lender or any other commercial bank having capital and surplus in excess of $300,000,000, and (c) commercial paper of the Lenders or any of their affiliates or of a domestic issuer rated at least A-1 by Standard & Poor's Corporation or P-1 by Moody's Investors Service, Inc.

"CBAS" shall mean Chemical Bank Agency Services.

"C/D Assessment Rate" shall mean, for any day as applied to any ABR Loan, the annual assessment rate in effect on such day which is payable by a member of the Bank Insurance Fund maintained by the Federal Deposit Insurance Corporation (the "FDIC") classified as well-capitalized and within supervisory subgroup "B" (or a comparable successor assessment risk classification) within the meaning of 12 C.F.R. 327.3(d) (or any successor provision) to the FDIC (or any successor) for the FDIC's (or such successor's) insuring time deposits at offices of such institution in the United States.

"C/D Reserve Percentage" shall mean, for any day as applied to any ABR Loan, that percentage (expressed as a decimal) which is in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) (the "Board"), for determining the maximum reserve requirement for a Depositary Institution (as defined

in Regulation D of the Board) in respect of new non-personal time deposits in Dollars having a maturity of 30 days or more.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

"Commercial Paper Obligations" shall mean at any time, the aggregate principal amount of commercial paper of the Borrower then outstanding.

"Commitment Percentage" shall mean, as to any Lender at any time, the percentage set forth opposite such Lender's name on Schedule I hereto (or at any time after the Revolving Credit Commitments shall have expired or terminated, the percentage which the aggregate principal amount of such Lender's Loans then outstanding constitutes of the aggregate principal amount of the Loans then outstanding).

"Commonly Controlled Entity" shall mean an entity, whether or not incorporated, which is under common control with the Borrower within the meaning of Section 4001 of ERISA.

"Consolidated Interest Expense" shall mean, for any period of determination thereof, the interest expense of the Borrower and its Subsidiaries for such period, as determined in accordance with GAAP.

"Consolidated Net Income" shall mean, for any period of determination thereof, net income of the Borrower and its Subsidiaries for such period, as determined in accordance with GAAP.

"Consolidated Net Worth" shall mean, in respect of any Person at a particular date, all amounts which, in conformity with GAAP, would be included under the caption "total shareholders' equity" (or any like caption) on a consolidated balance sheet of such Person and its Subsidiaries at such date.

"Contingent Obligation" shall mean as to any Person, the outstanding amount of letters of credit with respect to which such Person is the account party that have not been drawn upon and any obligation of such Person guaranteeing or in effect guaranteeing any Indebtedness, leases, dividends or other obligations primarily to pay money ("primary obligations") of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, any obligation of such Person, whether or not contingent, (a) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (b) to advance or supply funds (i) for the purchase or payment of any such primary obligation or (ii) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (c) to purchase property, securities or services primarily for the purpose of assuring the obligee under any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (d) otherwise to assure or hold harmless the obligee under such primary obligation against loss in respect thereof; provided, however, that the term Contingent Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business.

"Contractual Obligation" shall mean, as to any Person, any material provision of any material security issued by such Person or of any material agreement, instrument or undertaking to which such Person is a party or by which it or any of its property is bound.

"Default" shall mean any of the events specified in Section 8, whether or not any requirement for the giving of notice, the lapse of time, or both, or any other condition, has been satisfied.

"Dollars" and "$" shall mean dollars in lawful currency of the United States of America.

"Domestic Subsidiary" shall mean any Subsidiary incorporated under the laws of the United States or any political subdivision thereof.

"EBITDA" shall mean without duplication, for any fiscal period, the sum of the amounts for such fiscal period of (i) Consolidated Net Income, (ii) provision for taxes based on income, (iii) depreciation expense, (iv) Consolidated Interest Expense, (v) amortization expense and (vi) other non-recurring, non-cash items reducing Consolidated Net Income (reduced by any non-recurring, non-cash items increasing Consolidated Net Income), all as determined on a consolidated basis for the Borrower and its Subsidiaries in conformity with GAAP.

"Effective Federal Funds Rate" shall have the meaning specified in subsection 2.15(b).

"Engagement Letter" shall mean the letter, dated February 10, 1995, from the Agent to the Borrower.

"Environmental Laws" shall mean any and all foreign, Federal, state, local or municipal laws, rules, orders, regulations, statutes, ordinances, codes, decrees, requirements of any Governmental Authority or requirements of law (including common law) regulating, relating to or imposing liability or standards of conduct concerning protection of human health or the environment, as now or may at any time hereafter be in effect.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.

"Eurodollar Loans" shall mean the Loans hereunder at such time as they are made and/or being maintained at a rate of interest based upon the Eurodollar Rate.

"Eurodollar Base Rate" shall mean, with respect to each day during each Interest Period pertaining to a Eurodollar Loan, the rate per annum equal to the rate (rounded upward, if necessary, to the next 1/16 of 1%) at which the Reference Lender is offered Dollar deposits two Business Days prior to the beginning of such Interest Period in the interbank eurodollar market where the foreign currency and exchange operations or eurodollar funding operations of the Reference Lender are customarily conducted at or about 10:00 A.M., New York City time, for delivery on the first day of such Interest Period for the number of days comprised therein and in an amount equal to the amount of the Eurodollar Loan to be outstanding during such Interest Period.

"Eurodollar Rate" shall mean, with respect to each day during each Interest Period pertaining to a Eurodollar Loan, the rate per annum equal to the quotient (rounded upward to the nearest 1/100 of 1%) of (a) the Eurodollar Base Rate, divided by (b) a number equal to 1.00 minus the aggregate of the rates (expressed as a decimal fraction) of reserve requirements current on the date two Business Days prior to the beginning of such Interest Period (including, without limitation, basic, supplemental, marginal and emergency reserves under any regulations of the Board of Governors of the Federal Reserve System or other Governmental Authority having jurisdiction with respect thereto), as now and from time to time hereafter in effect, dealing with reserve requirements prescribed for eurocurrency funding (currently referred to as "Eurocurrency liabilities" in Regulation D of such Board) maintained by a member bank of such System.

"Event of Default" shall mean any of the events specified in Section 8, provided that any requirement for the giving of notice, the lapse of time, or both, or any other condition, has been satisfied.

"Existing Banks" shall have the meaning assigned to such term in the preamble to this Agreement.

"Existing Credit Agreement" shall have the meaning assigned to such term in the preamble to this Agreement.

"Extension of Credit" shall mean (i) all Loans or advances made to the Borrower hereunder and (ii) all Letters

of Credit issued for the account of the Borrower hereunder.

"Facility Fee Rate" shall mean, for each day during each calculation period, a rate per annum based on the Ratings in effect on such day, as set forth below:

Rating Category	Facility Fee Rate
Rating I	.1500%
Rating II	.1750%
Rating III	.1875%
Rating IV	.2500%
Rating V	.3750%;

provided, however, that the Facility Fee Rate shall be deemed to be .1875% for the period from and including the Restatement Date to and excluding the date on which a change in either Rating shall occur.

"Fixed Rate Bid Loan" shall mean any Bid Loan made at a fixed rate (as opposed to a rate based upon the LIBOR Rate).

"Fixed Rate Bid Loan Request" shall mean any Bid Loan Request requesting the Lenders to offer to make Fixed Rate Bid Loans.

"GAAP" shall mean generally accepted accounting principles in the United States of America as in effect from time to time; provided, however, that if any modifications in GAAP after the Restatement Date change any calculation of any financial covenants under this Agreement, the Agent and the Lenders agree to amend this Agreement to the effect that each such financial covenant is no more restrictive than such covenant was prior to such modification in GAAP.

"Governmental Authority" shall mean any nation or government, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Hedging Agreements" shall mean (a) any interest rate protection agreement, interest rate future, interest rate option, interest rate swap, interest rate cap or other interest rate hedge or arrangement under which the Borrower is a party or a beneficiary and (b) any agreement or arrangement designed to limit or eliminate the risk and/or exposure of the Borrower to fluctuations in currency exchange rates.

"Hedging Lender" shall mean any Lender which from time to time enters into a Hedging Agreement with the Borrower.

"Indebtedness" shall mean, as to any Person, at a particular time, (a) indebtedness of such Person for borrowed money or for the deferred purchase price of property or services (including, without limitation, any such indebtedness which is non-recourse to the credit of such Person but is secured by assets of such Person), (b) obligations of such Person under leases which shall have been or should be, in accordance with GAAP, recorded as capitalized leases, (c) indebtedness of such Person arising under acceptance facilities, (d) indebtedness of such Person arising under unpaid reimbursement obligations in respect of all drafts drawn under letters of credit issued for the account of such Person, (e) the incurrence of withdrawal liability under Title IV of ERISA by such Person or a Commonly Controlled Entity to a Multiemployer Plan and (f) liabilities arising under Hedging Agreements of such Person.

"Insolvency" shall mean, with respect to any Multiemployer Plan, the condition that such Plan is insolvent within the meaning of such term as used in Section 4245 of ERISA.

"Interest Payment Date" shall mean (a) as to any ABR Loan, the last day of each March, June, September and December, commencing on the first of such days to occur after such ABR Loan is made or Eurodollar Loans are converted to such ABR Loan, (b) as to any Eurodollar Loan or LIBOR Bid Loan in respect of which the Borrower has selected

an Interest Period of one month or three months or any Fixed Rate Bid Loan having an Interest Period of 90 days or less, the last day of such Interest Period, (c) as to any Eurodollar Loan or LIBOR Bid Loan in respect of which the Borrower has selected a longer Interest Period than the periods described in preceding clause (b), the 90th day of such Interest Period and the last day of such Interest Period and (d) as to any Fixed Rate Bid Loan in respect of which the Borrower has selected a longer Interest Period than the period described in preceding clause (b), the last day of each March, June, September and December falling within such Interest Period and the last day of such Interest Period.

"Interest Period" shall mean (a) with respect to any Eurodollar Loan, (i) initially, the period commencing on, as the case may be, the borrowing or conversion date with respect to a Eurodollar Loan and ending one, three or six months thereafter, as selected by the Borrower, as the case may be, in its irrevocable written notice of borrowing as provided in subsection 2.2 or 2.3 or its written irrevocable notice of conversion as provided in subsection 2.11 and (ii) thereafter, each period commencing on the last day of the next preceding Interest Period applicable to such Eurodollar Loan and ending one, three or six months thereafter, as selected by the Borrower by irrevocable written notice to the Agent not less than three Business Days prior to the last day of the then current Interest Period with respect to such Eurodollar Loan and (b) with respect to any Bid Loan, the period specified in the Bid Loan Confirmation with respect to such Bid Loan; provided that all of the foregoing provisions relating to Interest Periods are subject to the following:

(A) if any Interest Period pertaining to a Eurodollar Loan or a LIBOR Bid Loan would otherwise end on a day which is not a Business Day, that Interest Period shall be extended to the next succeeding Business Day unless the result of such extension would be to carry such Interest Period into another calendar month in which event such Interest Period shall end on the next preceding Business Day;

(B) if the Borrower shall fail to give notice as provided in clause (a)(ii) above, the Borrower shall be deemed to have requested conversion of the affected Eurodollar Loan to an ABR Loan on the last day of the then current Interest Period with respect thereto;

(C) if any Interest Period pertaining to a Fixed Rate Bid Loan would otherwise end on a day that is not a Business Day, such Interest Period shall be extended to the next succeeding Business Day;

(D) any Interest Period that would otherwise extend beyond the Termination Date shall end on the Termination Date; and

(E) any Interest Period pertaining to a Eurodollar Loan or LIBOR Bid Loan that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of a calendar month.

"Issuing Lender" shall mean, in respect of any Letter of Credit, Chemical or, at the option of Chemical, any Affiliate of Chemical, in its capacity as the issuer of such Letter of Credit.

"L/C Commitment" shall mean the amount of $15,000,000.

"L/C Obligations" shall mean, at any time, an amount equal to the sum of (a) the aggregate then undrawn and unexpired amount of the then outstanding Letters of Credit and (b) the aggregate amount of drawings under Letters of Credit which have not then been reimbursed pursuant to Section 3.

"L/C Participants" shall mean the collective reference

to all the Lenders other than the Issuing Lender.

"Letter of Credit" shall mean any Standby L/C or Trade L/C.

"LIBOR Bid Loan" shall mean any Bid Loan made and/or being maintained at a rate of interest based upon the LIBOR Rate.

"LIBOR Bid Loan Request" shall mean any Bid Loan Request requesting the Lenders to offer to make LIBOR Bid Loans.

"LIBOR Rate" shall mean, in respect of any Bid Loan requested pursuant to a LIBOR Bid Loan Request, the London interbank offered rate for deposits in Dollars for the period commencing on the date of such Bid Loan and ending on the maturity date thereof which appears on Telerate Page 3750 as of 11:00 A.M., London time, two Business Days prior to the beginning of such period.

"Lien" shall mean any mortgage, deed of trust, pledge, hypothecation, assignment, deposit arrangement, charge, encumbrance, lien (statutory or other), or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and the authorized filing by or against a Person of any financing statement as debtor under the Uniform Commercial Code or comparable law of any jurisdiction).

"Loan" shall mean any Revolving Credit Loan, Swing Line Loan and/or Bid Loan, as the context shall require; collectively, the "Loans".

"Loan Documents" shall mean, collectively, this Agreement, any Notes, the Applications, the Letters of Credit, and the Subsidiaries Guarantee.

"Material Adverse Effect" shall mean a material adverse effect on (a) the business, operations, property, condition (financial or otherwise) or prospects of the Borrower and its Subsidiaries taken as a whole or (b) the validity or enforceability of any material term of this or any of the other Loan Documents or the rights or remedies of the Agent or the Lenders hereunder or thereunder.

"Material Environmental Amount" shall mean an amount payable by the Borrower or any of its Subsidiaries in excess of $10,000,000 in the aggregate for remedial costs, compliance costs, compensatory damages, punitive damages, fines, penalties, or any combination thereof.

"Material Subsidiary" shall mean at any time (a) any Subsidiary of the Borrower created or acquired after the Restatement Date which has a Total Capitalization of more than $20,000,000, (b) any Subsidiary of the Borrower with assets greater than or equal to 5% of all assets of the Borrower and its Subsidiaries, computed and consolidated in accordance with GAAP ("Consolidated Assets"), (c) any Subsidiary with revenues greater than or equal to 5% of the revenues of the Borrower and its Subsidiaries, computed and consolidated in accordance with GAAP ("Net Revenues") or (d) any Subsidiary designated in writing by the Borrower as a Material Subsidiary; provided that if at any time (i) the aggregate Total Capitalization of all Subsidiaries that are not Material Subsidiaries shall exceed 10% of the Total Capitalization of the Borrower and its Subsidiaries, computed and consolidated in accordance with GAAP, (ii) the aggregate assets of all Subsidiaries that are not Material Subsidiaries shall exceed 10% of Consolidated Assets or (iii) the aggregate revenues of all Subsidiaries that are not Material Subsidiaries shall exceed 10% of Net Revenues, then, in any such case, the term Material Subsidiary shall be deemed to include such Subsidiaries (as determined pursuant to the next following sentence) of the Borrower as may be required so that none of preceding clauses (i), (ii) or (iii) shall continue to be true. For purposes of the proviso to the next preceding sentence, the Subsidiaries

which shall be deemed to be Material Subsidiaries shall be determined based on the percentage that the assets of each such Subsidiary are of Consolidated Assets, with the Subsidiary with the highest such percentage being selected first, and each other Subsidiary required to satisfy the requirements set forth in such proviso being selected in descending order of such percentage.

"Materials of Environmental Concern" shall mean any gasoline or petroleum (including crude oil or any fraction thereof) or petroleum products or any hazardous or toxic substances, materials or wastes, defined or regulated as such in or under any Environmental Law, including, without limitation, asbestos, polychlorinated biphenyls, and urea-formaldehyde insulation.

"Merger Agreement" shall mean that certain Agreement and Plan of Merger dated as of January 26, 1995 among Miracle-Gro, the other Miracle-Gro Constituent Companies party thereto, the shareholders of the Miracle-Gro Constituent Companies party thereto, the Borrower and Merger Subsidiary, the exhibits and schedules thereto, and the agreements and documents executed in connection therewith, copies of which have been delivered to the Agent and the Lenders prior to the date hereof.

"Merger Subsidiary" shall have the meaning assigned to such term in the Merger Agreement.

"Merger Transactions" shall have the meaning assigned to such term in the Merger Agreement.

"Miracle-Gro" shall mean Miracle-Gro Products, Inc., a New Jersey corporation.

"Miracle-Gro Constituent Companies" shall have the meaning assigned to such term in the Merger Agreement.

"Miracle-Gro Shareholders" shall mean Horace Hagedorn, James Hagedorn, Katherine Hagedorn Littlefield, Paul Hagedorn, Peter Hagedorn, Robert Hagedorn, Susan Hagedorn and John Kenlon.

"Moody's" shall mean Moody's Investors Service, Inc.

"Multiemployer Plan" shall mean a Plan which is a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"Net Cash Proceeds" shall mean, when used in respect of any issuance of equity or subordinated notes, the aggregate cash proceeds received by the Borrower from such issuance (and any cash payments received in respect of promissory notes or other non-cash consideration delivered to the Borrower in respect of any such issuance), less (without duplication) the reasonable fees and expenses (including legal fees, consulting fees, accounting fees and brokers' and underwriters' commissions paid to third parties which are not Affiliates or Subsidiaries of the Borrower or the Borrower) incurred in connection with such issuance.

"New Miracle-Gro" shall have the meaning assigned to such term in the Merger Agreement.

"Note" shall mean (i) any Revolving Credit Note, (ii) the Swing Line Note or (iii) any Bid Note, as the context shall require; collectively, the "Notes".

"Obligations" shall mean the unpaid principal of and interest on (including, without limitation, interest accruing after the maturity of the Loans and interest thereon accruing after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to the Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) the Notes and all other obligations and liabilities of the Borrower to the Agent or the Lenders, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter incurred, which may arise under, out of, or in

connection with, this Agreement, the Notes or any other document made, delivered or given in connection herewith or therewith, whether on account of principal, interest, reimbursement obligations, fees, indemnities, costs, expenses (including, without limitation, all fees and disbursements of counsel to the Agent or any Lender) or otherwise.

"PBGC" shall mean the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA.

"Person" shall mean an individual, a partnership, a corporation, a limited liability company, a business trust, a joint stock company, a trust, an unincorporated association, a joint venture, a Governmental Authority or any other entity of whatever nature.

"Plan" shall mean, at any particular time, any employee benefit plan which is covered by ERISA and in respect of which the Borrower or a Commonly Controlled Entity is (or if such plan were terminated at such time, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Rating" shall mean the respective rating, actual or implied, of each of the Rating Agencies applicable to the long-term senior unsecured non-credit enhanced debt of the Borrower, as announced by the Rating Agencies from time to time; provided, however, that if such a rating is not available from Moody's, the rating of Moody's hereunder shall be deemed to be the rating of Moody's immediately higher than the rating of Moody's applicable to the Subordinated Notes, as announced by Moody's from time to time.

"Rating Agencies" shall mean collectively, S&P and Moody's.

"Rating Category" shall mean each of Rating I, Rating II, Rating III, Rating IV and Rating V.

"Rating I, Rating II, Rating III, Rating IV and Rating V" shall mean the respective Ratings set forth below:

Rating Category	S&P	Moody's
Rating I	greater than or equal to BBB+	greater than or equal to Baa1
Rating II	equal to BBB	equal to Baa2
Rating III	equal to BBB-	equal to Baa3
Rating IV	equal to BB+	equal to Ba1
Rating V	equal to BB or lower	equal to Ba2 or lower;

provided, that (i) if on any day the Ratings of the Rating Agencies do not fall in the same Rating Category, and the lower of such Ratings is one Rating lower than the higher of such Ratings, then the Rating Category of the higher of such Ratings shall be applicable for such day, (ii) if on any day the Ratings of the Rating Agencies do not fall in the same Rating Category, and the lower of such Ratings is more than one Rating lower than the higher of such Ratings, then the Rating next lower from that of the higher of such Ratings shall be used to determine the applicable Rating Category for such day, (iii) if on any day the Rating of only one of the Rating Agencies is available, then such Rating Category shall be applicable for such day and (iv) if on any day a Rating is available from neither of the Rating Agencies, then Rating V shall be applicable for such day. Any change in the applicable Rating Category resulting from a change in the Rating of a Rating Agency shall become effective on the date such change is publicly announced by such Rating Agency.

"Reference Lender" shall mean Chemical Bank.

"Refunded Swing Line Loans" shall have the meaning assigned to such term in subsection 2.3(b).

"Register" shall have the meaning specified in subsection 10.6(d).

"Reimbursement Obligation" shall mean the Borrower's obligation to reimburse the Agent on account of the Letters of Credit as provided in Section 3.

"Reincorporation" shall have the meaning assigned to such term in the Merger Agreement.

"Reorganization" shall mean, with respect to any Multiemployer Plan, the condition that such Plan is in reorganization within the meaning of such term as used in Section 4241 of ERISA.

"Reportable Event" shall mean any of the events set forth in Section 4043(b) of ERISA or the regulations thereunder (with respect to which the PBGC has not, by regulation, waived the 30-day notice requirement).

"Required Lenders" shall mean, at any time, Lenders, the Commitment Percentages of which aggregate in excess of 50%.

"Requirement of Law" shall mean, as to any Person, the Certificate of Incorporation or Articles of Incorporation, as the case may be, and Code of Regulations and/or By-Laws or other organizational or governing documents of such Person, and any law, treaty, rule or regulation, or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"Responsible Officer" shall mean, as to any Person, the Chairman, President or a Vice President of such Person and, with respect to financial matters, the Chief Financial Officer, the Treasurer or the Controller of such Person.

"Restatement Date" shall mean the date upon which all of the conditions precedent to the effectiveness of this Fourth Amended and Restated Credit Agreement contained in subsection 5.1 are satisfied or waived by the Agent and each of the Lenders.

"Revolving Credit Commitment" shall mean, as to any Lender, the amount set forth opposite its name on Schedule I hereto under the heading "Revolving Credit Commitment", as such amount may be reduced from time to time in accordance with the provisions of subsection 2.8; collectively, as to all the Lenders, the "Revolving Credit Commitments".

"Revolving Credit Commitment Period" shall mean the period from and including the Restatement Date to, but not including, the Termination Date or such earlier date as the Revolving Credit Commitments may terminate as provided herein.

"Revolving Credit Loan" shall mean any Loan made pursuant to subsection 2.1; collectively, the "Revolving Credit Loans".

"Revolving Credit Note" shall have the meaning assigned to such term in subsection 2.6(e).

"S&P" shall mean Standard & Poor's Rating Group.

"Sierra-Sunpol" shall mean Sierra-Sunpol Resins, Inc., a California corporation and an indirect, non-wholly owned Subsidiary of the Borrower.

"Single Employer Plan" shall mean any Plan which is covered by Title IV of ERISA but which is not a Multiemployer Plan.

"Standby L/C" and "Standby L/Cs" shall each have the meaning specified in subsection 3.1(a).

"Subordinated Debt" shall mean the Indebtedness of the Borrower pursuant to the Subordinated Note Indenture and the Subordinated Notes.

"Subordinated Note Indenture" shall mean the Indenture dated as of June 1, 1994 between the Borrower and Chemical Bank as Trustee, as supplemented by the First Supplemental Indenture dated as of July 12, 1994, the Second Supplemental Indenture dated as of September 20, 1994 and the Third Supplemental Indenture dated as of September 30, 1994, in each case as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms of subsection 7.12(b).

"Subordinated Notes" shall mean the subordinated notes of the Borrower issued in the aggregate principal amount of $100,000,000 pursuant to the Subordinated Note Indenture.

"Subsidiary" shall mean, as to any Person, a corporation of which shares of stock having ordinary voting power (other than stock having such power only by reason of the happening of a contingency) to elect a majority of the board of directors are at the time owned, or the management of which is otherwise controlled, directly, or indirectly, through one or more intermediaries, or both, by such Person. Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of the Borrower.

"Subsidiary Guarantors" shall mean (a) each Domestic Subsidiary of the Borrower (other than Sierra-Sunpol) and (b) each Domestic Subsidiary acquired or organized subsequent to the Restatement Date.

"Subsidiaries Guarantee" shall mean the Subsidiaries Guarantee dated as of the date hereof, substantially in the form of Exhibit E hereto, as the same may be amended, modified or supplemented from time to time.

"Swing Line Commitment" shall mean the obligation of Chemical Bank, at any date, to make a Swing Line Loan pursuant to subsection 2.3(a) in the amount referred to therein.

"Swing Line Loan Participation Certificate" shall mean a certificate, substantially in the form of Exhibit D hereto.

"Swing Line Loans" shall have the meaning assigned to such term in subsection 2.3(a).

"Swing Line Note" shall have the meaning assigned to such term in subsection 2.6(e).

"Termination Date" shall mean the fifth anniversary of the Restatement Date or such earlier date upon which the Revolving Credit Commitments shall terminate as provided herein.

"Total Capitalization" shall mean, in respect of any Person at a particular date, the sum at such date of the Total Indebtedness of such Person and the Consolidated Net Worth of such Person.

"Total Indebtedness" shall mean, in respect of any Person at a particular date, the sum at such date of (a) the aggregate outstanding principal amount of all Indebtedness for borrowed money of such Person and (b) all other items which would properly be included as indebtedness, determined in accordance with GAAP, on a consolidated balance sheet of such Person and its Subsidiaries.

"Trade L/C" shall have the meaning assigned to such term in subsection 3.1(a).

"Trade L/C Exposure" shall mean, at a particular date, the sum of (a) the aggregate undrawn and unexpired face amount of the Trade L/Cs at such date and (b) the aggregate amount of any unpaid Reimbursement Obligations with respect to Trade L/Cs at such date (after giving effect to any Loans

made on such date which are used to reimburse the Agent pursuant to subsection 3.5).

"Transfer Effective Date", with respect to any Assignment and Acceptance, shall have the meaning assigned to such term in such Assignment and Acceptance.

"Type" as to any Loan, its nature as an ABR Loan or a Eurodollar Loan.

"Uniform Customs" shall mean the Uniform Customs and Practice for Documentary Credits (1993 Revision), International Chamber of Commerce Publication No. 500, as the same may be amended from time to time; provided, however, that in respect of Letters of Credit issued prior to January 1, 1994, the term "Uniform Customs" shall mean the Uniform Customs and Practice for Documentary Credits (1983 Revision), International Chamber of Commerce Publication No. 400, as amended.

2 Other Definitional Provisions. (a) All terms defined in this Agreement shall have the defined meanings when used in the Notes, in any of the other Loan Documents or in any certificate or other document made or delivered pursuant hereto or thereto unless otherwise defined therein.

(a) As used herein, in the Notes, in any of the other Loan Documents, or in any certificate or other document made or delivered pursuant hereto or thereto, accounting terms, to the extent not otherwise defined in subsection 1.1, shall have the respective meanings given to them under GAAP.

(b) The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and section, subsection, schedule and exhibit references are to this Agreement unless otherwise specified.

2. AMOUNT AND TERMS OF LOANS

1 Revolving Credit Commitment. Subject to and upon the terms and conditions of this Agreement, each Lender severally (but not jointly) agrees to make Revolving Credit Loans to the Borrower from time to time during the Revolving Credit Commitment Period in an amount not to exceed the Available Commitment; provided that, after giving effect to the making of such Revolving Credit Loans, the Aggregate Outstanding Extensions of Credit will not exceed the Revolving Credit Commitments. During the Revolving Credit Commitment Period the Borrower may use the Revolving Credit Commitments by borrowing, prepaying the Revolving Credit Loans in whole or in part, and reborrowing, all in accordance with the terms and conditions hereof.

2 Procedure for Revolving Credit Borrowing. (a) The Borrower may borrow under the Revolving Credit Commitments during the Revolving Credit Commitment Period on any Business Day; provided that the Borrower shall give the Agent irrevocable notice (1) (which notice must be received by the Agent prior to 11:00 A.M., New York City time) on the requested Borrowing Date, in the case of ABR Loans, and (2) (which notice must be received by the Agent prior to 1:00 P.M., New York City time) three Business Days prior to the requested Borrowing Date, in the case of Eurodollar Loans, specifying (i) the amount to be borrowed, (ii) the requested Borrowing Date, (iii) whether the borrowing is to be an ABR Loan or a Eurodollar Loan or a combination thereof, and (iv) if the borrowing is to be entirely or partly a Eurodollar Loan, the amount to be a Eurodollar Loan and the length of the Interest Period for such Eurodollar Loan. Each borrowing by the Borrower pursuant to the Revolving Credit Commitments shall be in an aggregate principal amount equal to $5,000,000 or a whole multiple of $2,500,000 in excess thereof.

(a) Upon receipt of any notice from the Borrower pursuant to this subsection 2.2, the Agent shall promptly notify each Lender thereof. Each Lender will make the amount of its pro rata share of each borrowing available to the Agent for the account of the Borrower at the office of the Agent specified in subsection 10.2 prior to 2:00 P.M., New York City time, on the Borrowing Date requested by the Borrower in funds immediately available to the Agent. Such borrowing will then be made available to the

Borrower by the Agent crediting the account of the Borrower on the books of such office with the aggregate of the amounts made available to the Agent by the Lenders and in like funds as received by the Agent.

3 Swing Line Commitments. (a) Subject to the terms and conditions hereof, Chemical agrees to make swing line loans (individually, a "Swing Line Loan"; collectively, the "Swing Line Loans") to the Borrower from time to time prior to the Termination Date in an aggregate principal amount not to exceed $10,000,000 at any one time outstanding, provided that, after giving effect to the making of such Swing Line Loans, the Aggregate Outstanding Extensions of Credit will not exceed the Revolving Credit Commitments. Amounts borrowed by the Borrower under this subsection 2.3 may be repaid and, during the Revolving Credit Commitment Period, reborrowed. All Swing Line Loans shall be made as ABR Loans and shall not be entitled to be converted into Eurodollar Loans. The Borrower shall give Chemical irrevocable notice (which notice must be received by Chemical prior to 1:00 P.M., New York City time) on the requested borrowing date specifying the amount of each requested Swing Line Loan, which shall be in an aggregate minimum amount of $250,000 or a whole multiple thereof. The proceeds of each Swing Line Loan will be made available by Chemical to the Borrower by crediting the account of the Borrower designated to Chemical with such proceeds on the requested Borrowing Date.

(a) Chemical, at any time and in its sole and absolute discretion, may, on behalf of the Borrower (which hereby irrevocably directs Chemical to act on its behalf), request each Lender, including Chemical, to make a Revolving Credit Loan in an amount equal to such Lender's Commitment Percentage of the amount of the Swing Line Loans (the "Refunded Swing Line Loans") outstanding on the date such notice is given. Unless any of the events described in paragraph (f) of Section 8 shall have occurred (in which event the procedures of paragraph (c) of this subsection 2.3 shall apply), each Lender shall make the proceeds of its Revolving Credit Loan available to Chemical for the account of Chemical at the office of Chemical prior to 12:00 Noon (New York City time) in funds immediately available on the Business Day next succeeding the date such notice is given. The proceeds of such Revolving Credit Loans shall be immediately applied to repay the Refunded Swing Line Loans.

(b) If, prior to the making of a Revolving Credit Loan pursuant to paragraph (b) of subsection 2.3, one of the events described in paragraph (f) of Section 8 shall have occurred, each Lender hereby agrees to and will, on the date such Revolving Credit Loan was to have been made, purchase an undivided participating interest in the Refunded Swing Line Loan in an amount equal to its Commitment Percentage of such Refunded Swing Line Loan. Each Lender will immediately transfer to Chemical, in immediately available funds, the amount of its participation and, upon receipt thereof, Chemical will deliver to such Lender a Swing Line Loan Participation Certificate dated the date of receipt of such funds and in such amount.

(c) Whenever, at any time after Chemical has received from any Lender such Lender's participating interest in a Refunded Swing Line Loan and Chemical receives any payment on account thereof, Chemical will distribute to such Lender its participating interest in such amount (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Lender's participating interest was outstanding and funded) in like funds as received; provided, however, that in the event that such payment received by Chemical is required to be returned, such Lender will return to Chemical any portion thereof previously distributed by Chemical to it in like funds as such payment is required to be returned by Chemical.

4 Participation. Each Lender's obligation to purchase participating interests pursuant to paragraph (c) of subsection 2.3 shall be absolute and unconditional and shall not be affected by any circumstances, including, without limitation, (a) any set-off, counterclaim, recoupment, defense or other right which such Lender may have against Chemical, the Borrower or any other Person for any reason whatsoever; (b) the occurrence or continuance of an Event of Default; (c) any adverse change in the condition (financial or otherwise) of the Borrower; (d) any breach of this Agreement by the Borrower or any other Lender; or (e) any other circumstance, happening or event whatsoever,

whether or not similar to any of the foregoing. Notwithstanding the foregoing, no Lender shall have any obligation to purchase participating interests pursuant to paragraph (c) of subsection 2.3 or to make any Refunded Swing Line Loans in respect of any Swing Line Loan which was made at any time following receipt by the Agent of a notice from any Lender specifying that (x) a Default or Event of Default has occurred and is continuing and (y) explicitly stating that such Lender will not purchase such participating interests or make Refunded Swing Line Loans with respect to Swing Line Loans made after the date of receipt of such notice, except to the extent that the Agent believes, reasonably and in good faith, that the facts and circumstances giving rise to such notice were no longer continuing at the time that such Swing Line Loan was made or at the time that such reimbursement is sought.

5 Bid Loans. (a) The Borrower may request one or more Lenders to make offers to make Bid Loans from time to time on any Business Day during the period from the Closing Date until the date seven days prior to the Termination Date in the manner set forth in this subsection 2.5, provided that, after giving effect to the making of such Bid Loans, the Aggregate Outstanding Extensions of Credit will not exceed the aggregate amount of the Revolving Credit Commitments at such time. Each Lender may, but shall have no obligation to, make such offers, and the Borrower may, but shall have no obligation to, accept any such offers in the manner set forth herein.

(b) (i) The Borrower may request Bid Loans by delivering a Bid Loan Request to the Agent, not later than 10:00 A.M. (New York City time) three Business Days prior to the proposed Borrowing Date (in the case of a LIBOR Bid Loan Request), and not later than 3:00 P.M. (New York City time) one Business Day prior to the proposed Borrowing Date (in the case of a Fixed Rate Bid Loan Request). Each Bid Loan Request shall solicit Bid Quotes for Bid Loans in an aggregate principal amount of $10,000,000 or an integral multiple of $1,000,000 in excess thereof and for not more than four alternative maturity dates for such Bid Loans, none of which shall be earlier than seven days from the respective requested Borrowing Date or later than the earlier of (A) the date (1) 180 days from the respective requested Borrowing Date in the case of a Fixed Rate Bid Loan Request and (2) 6 months from the respective requested Borrowing Date in the case of a LIBOR Bid Loan Request and (B) the Termination Date. Bid Loan Requests may be submitted no more frequently than once during any period of three successive Business Days. The Agent shall promptly notify each Lender by facsimile transmission of the contents of each Bid Loan Request received by it.

(ii) In the case of a LIBOR Bid Loan Request, upon receipt of notice from the Agent of the contents of such Bid Loan Request, any Lender that elects, in its sole discretion, to do so, may irrevocably offer to make one or more Bid Loans at the LIBOR Rate plus or minus a margin for each such Bid Loan determined by such Lender in its sole discretion. Any such irrevocable offer shall be made by delivering a Bid Quote to the Agent, before 2:00 P.M. (New York City time) three Business Days before the proposed Borrowing Date, setting forth the maximum amount of Bid Loans for each maturity date which such Lender would be willing to make (which amount may, subject to subsection 2.1, exceed such Lender's Revolving Credit Commitment) and the margin above or below the LIBOR Rate at which such Lender is willing to make each such Bid Loan; the Agent shall advise the Borrower before 2:30 P.M. (New York City time) three Business Days before the proposed Borrowing Date, of the contents of each such Bid Quote received by it. If the Agent in its capacity as a Lender shall, in its sole discretion, elect to make any such offer, it shall advise the Borrower of the contents of its Bid Quote before 1:45 P.M. (New York City time) three Business Days before the proposed Borrowing Date.

(iii) In the case of a Fixed Rate Bid Loan Request, upon receipt of notice from the Agent of the contents of such Bid Loan Request, any Lender that elects, in its sole discretion, to do so, may irrevocably offer to make one or more Bid Loans at a rate or rates of interest for each such Bid Loan determined by such Lender in its sole discretion. Any such irrevocable offer shall be made by delivering a Bid Quote to the Agent, before 9:30 A.M. (New York City time) on the proposed Borrowing Date, setting forth the maximum amount of Bid Loans for each maturity date

which such Lender would be willing to make (which amount may, subject to subsection 2.1, exceed such Lender's Revolving Credit Commitment) and the rate or rates of interest therefor; the Agent shall advise the Borrower before 10:00 A.M. (New York City time) on the proposed Borrowing Date of the contents of each such Bid Quote received by it. If the Agent in its capacity as a Lender shall, in its sole discretion, elect to make any such offer, it shall advise the Borrower of the contents of its Bid Quote before 9:15 A.M. (New York City time) on the proposed Borrowing Date.

(iv) The Borrower shall before 3:00 P.M. (New York City time) three Business Days before the proposed Borrowing Date in the case of a LIBOR Bid Loan Request and before 10:30 A.M. (New York City time) on the proposed Borrowing Date in the case of a Fixed Rate Bid Loan Request either, in its absolute discretion:

(A) cancel such Bid Loan Request by giving the Agent telephone notice to that effect, or

(B) accept one or more of the offers made by any Lender or Lenders pursuant to clause (ii) or clause (iii) above, as the case may be, by giving telephone notice (immediately confirmed by execution and facsimile transmission of a Bid Loan Confirmation) to the Agent of the amount of Bid Loans to be made by each Lender (which amount shall be equal to or less than the maximum amount requested to be made, but in each event an amount equal to $5,000,000 or a integral multiple of $1,000,000 in excess thereof, notified to the Borrower by the Agent on behalf of such Lender for such Bid Loans pursuant to clause (ii) or clause (iii) above, as the case may be), provided that the Borrower may not accept offers for Bid Loans in an aggregate principal amount in excess of the maximum principal amount requested in the related Bid Loan Request.

(v) If the Borrower notifies the Agent that a Bid Loan Request is cancelled pursuant to clause (iv)(A) above, the Agent shall give prompt telephone notice thereof to the Lenders, and the Bid Loans requested thereby shall not be made.

(vi) If the Borrower accepts one or more of the offers made by any Lender or Lenders pursuant to clause (iv)(B) above, the Agent shall as promptly as practicable following receipt of the Borrower's acceptance, three Business Days before the proposed Borrowing Date in the case of a LIBOR Bid Loan Request and on the proposed Borrowing Date in the case of a Fixed Rate Bid Loan Request, notify each Lender which has made such an offer of (A) the aggregate amount of such Bid Loans to be made on such Borrowing Date for each maturity date and (B) the acceptance or rejection of any offers to make such Bid Loans made by such Lender. Each Lender which is to make a Bid Loan shall, before 12:00 Noon (New York City time) on the Borrowing Date specified in the Bid Loan Request applicable thereto, make available to the Agent at its office set forth in subsection 10.2 the amount of such Lender's Bid Loans, in immediately available funds. The Agent will make such funds available to the Borrower as soon as practicable on such date at the Agent's aforesaid address.

(c) Within the limits and on the conditions set forth in this subsection 2.5, the Borrower may from time to time borrow under this subsection 2.5, repay pursuant to paragraph (d) below, and reborrow under this subsection 2.5.

(d) The Borrower shall repay to the Agent for the account of each Lender which has made a Bid Loan on the maturity date of each Bid Loan (such maturity date being that specified by the Borrower for repayment of such Bid Loan in the related Bid Loan Request) or such earlier date on which the Bid Loans become due and payable pursuant to Section 8 the then unpaid principal amount of such Bid Loan. The Borrower shall not have the right to prepay any principal amount of any Bid Loan without the prior written consent of the applicable Lender then making such Bid Loan.

(e) The Borrower shall pay interest on the unpaid principal amount of each Bid Loan from the date of such Bid Loan to the stated maturity date thereof, at the rate of interest for such Bid Loan determined pursuant to paragraph (b) above (calculated on the basis of a 360 day year for actual days elapsed), payable on the Interest Payment Date specified by the

Borrower for such Bid Loan in the related Bid Loan Request.

6 Repayment of Loans; Evidence of Debt. (a) The Borrower hereby unconditionally promises to pay to the Agent for the account of each Lender (i) the then unpaid principal amount of each Revolving Credit Loan of such Lender on the Termination Date (or such earlier date on which the Revolving Credit Loans become due and payable pursuant to Section 8), (ii) the then unpaid principal amount of the Swing Line Loans of the Swing Line Lender on the Termination Date (or such earlier date on which the Swing Line Loans become due and payable pursuant to Section 8) and (iii) the then unpaid principal amount of the Bid Loans pursuant to subsection 2.5(d). The Borrower hereby further agrees to pay interest on the unpaid principal amount of the Loans from time to time outstanding from the date hereof until payment in full thereof at the rates per annum, and on the dates, set forth in subsection 2.12.

(a) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing indebtedness of the Borrower to such Lender resulting from each Loan of such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time under this Agreement.

(b) The Agent shall maintain the Register pursuant to subsection 10.6(d), and a subaccount therein for each Lender, in which shall be recorded (i) the amount of each Loan made hereunder, the Type thereof and each Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) both the amount of any sum received by the Agent hereunder from the Borrower and each Lender's share thereof.

(c) The entries made in the Register and the accounts of each Lender maintained pursuant to subsection 2.6(b) shall, to the extent permitted by applicable law, be prima facie evidence of the existence and amounts of the obligations of the Borrower therein recorded; provided, however, that the failure of any Lender or the Agent to maintain the Register or any such account, or any error therein, shall not in any manner affect the obligation of the Borrower to repay (with applicable interest) the Loans made to such Borrower by such Lender in accordance with the terms of this Agreement.

(d) The Borrower agrees that, upon the request to the Agent by any Lender, the Borrower will execute and deliver to such Lender (i) a promissory note of the Borrower evidencing the Revolving Credit Loans of such Lender, substantially in the form of Exhibit A, with appropriate insertions as to date and principal amount (a "Revolving Credit Note"), (ii) in the case of the Swing Line Lender, a promissory note of the Borrower evidencing the Swing Line Loans of the Swing Line Lender, substantially in the form of Exhibit B, with appropriate insertions as to date and principal amount (the "Swing Line Note") and/or (iii) in the case of Bid Loans, a promissory note of the Borrower evidencing the Bid Loans of such Lender, substantially in the form of Exhibit C, with appropriate insertions as to date, type and principal amount (the "Bid Note").

7 Facility Fee. The Borrower agrees to pay to the Agent, for the account of each Lender, a facility fee for the period from and including the Restatement Date to the Termination Date, calculated as an amount equal to the product of (a) the Facility Fee Rate and (b) the average daily amount of the Revolving Credit Commitment of such Lender (regardless of usage) during the period for which such Facility Fee is calculated, payable quarterly in arrears on the last day of each March, June, September and December and on the Termination Date. Such payments shall commence on March 31, 1995, and such first payments shall be for the period from the Restatement Date through March 31, 1995. The Borrower also agrees to pay to the Agent the fees described in the Engagement Letter.

8 Termination or Reduction of Revolving Credit Commitments. (a) Optional. The Borrower shall have the right, upon not less than five Business Days' written notice to the Agent to terminate the Revolving Credit Commitments or, from time to time, reduce the amount of the Revolving Credit Commitments, provided that (i) any such reduction shall be accompanied by prepayment of the

Loans made hereunder, together with accrued interest on the amount so prepaid to the date of such prepayment, to the extent, if any, that the amount of the Aggregate Outstanding Extensions of Credit exceed the amount of the Revolving Credit Commitments as then reduced, (ii) any such termination of the Revolving Credit Commitments shall be accompanied by (A) prepayment in full of the Loans then outstanding hereunder, (B) cash collateralization of all L/C Obligations then outstanding in accordance with the provisions of subsection 2.11, and (C) payment of accrued interest thereon to the date of such prepayment and the payment of any unpaid fees then accrued hereunder (including, without limitation, in respect of any Letters of Credit) and (iii) any termination of the Revolving Credit Commitments while Eurodollar Loans are outstanding under the Revolving Credit Commitments and any reduction of the aggregate amount of the Revolving Credit Commitments that reduces the amount of the Revolving Credit Commitments below the principal amount of the Eurodollar Loans then outstanding under the Revolving Credit Commitments may be made only on the last day of the respective Interest Periods for such Eurodollar Loans. Upon receipt of such notice, the Agent shall promptly notify each Lender thereof. Any such reduction shall be in an amount of $1,000,000 or a whole multiple of $1,000,000 in excess thereof and shall reduce permanently the amount of the Revolving Credit Commitments then in effect.

(a) Mandatory. The Revolving Credit Commitments shall automatically terminate on the Termination Date and all Loans shall be repaid and to the extent any Letter of Credit remains outstanding after the Termination Date, the Borrower shall cash collateralize such L/C Obligations (and the fees thereon) in accordance with the provisions of subsection 2.10.

9 Prepayments. (a) Optional. The Borrower may, (i) at any time and from time to time prepay the ABR Loans made to it hereunder, and (ii) on the last day of the Interest Period with respect thereto, prepay any Eurodollar Loans made to it hereunder, in each case in whole or in part, without premium or penalty, upon at least four Business Days' irrevocable notice to the Agent in the case of Eurodollar Loans and two Business Days' irrevocable notice to the Agent in the case of ABR Loans, specifying the date and amount of prepayment and whether the prepayment is of Eurodollar Loans, ABR Loans or a combination thereof, and, if a combination thereof, the amount of prepayment allocable to each. If such notice is given, the Borrower shall make such prepayment and the payment amount specified in such notice shall be due and payable on the date specified therein, together with accrued interest to such date on the amount prepaid. Partial prepayments shall be in an aggregate principal amount of $1,000,000 or a whole multiple of $500,000 in excess thereof, provided that unless a Eurodollar Loan is prepaid in full, no prepayment shall be made in respect of Eurodollar Loans if, after giving effect to such prepayment, the aggregate principal amount of Eurodollar Loans outstanding with respect to which a common Interest Period has been selected shall be less than $5,000,000. The Borrower shall not have the right to prepay any principal amount of any Bid Loan without the prior written consent of the applicable Lender then making such Bid Loan.

(a) Mandatory. The Borrower, without notice or demand, shall immediately prepay the Loans to the extent, if any, that the Aggregate Outstanding Extensions of Credit exceed the Revolving Credit Commitments then in effect, together with accrued interest to the date of such prepayment on the amount so prepaid. In the event that, after giving effect to any such prepayment, the L/C Obligations then outstanding exceed the Revolving Credit Commitments then in effect, the Borrower will cash collateralize such L/C Obligations (and the fees thereon) in accordance with the provisions of subsection 2.10.

10 Cash Collateralization of Letters of Credit. To the extent that at any time and from time to time, the L/C Obligations exceed the amount of the Revolving Credit Commitments (whether pursuant to subsections 2.8, 2.9 or otherwise), the Borrower shall cash collateralize (in a manner reasonably satisfactory to the Agent) such portion of the L/C Obligations (and the fees thereon through the stated expiration date of the Letters of Credit giving rise to such L/C Obligations) which is in excess of the Revolving Credit Commitments.

11 Conversion Options. (a) The Borrower may elect from time

to time to convert Eurodollar Loans to ABR Loans, and may elect from time to time to convert ABR Loans to Eurodollar Loans, by giving the Agent at least three Business Days' prior irrevocable written notice of such election to convert (which date shall be a Business Day and in the case of any conversion of any Eurodollar Loans to ABR Loans, the last day of an Interest Period therefor), the amount and type of conversion and, in the case of any conversion of ABR Loans to Eurodollar Loans, the Interest Period selected with respect thereto; provided, however, that (i) ABR Loans may not be converted to Eurodollar Loans when any Default or Event of Default has occurred and is continuing and (ii) Swing Line Loans may not, at any time, be converted to Eurodollar Loans. All or any part of outstanding Eurodollar Loans or ABR Loans may be converted as provided herein, provided that partial conversions of Eurodollar Loans to ABR Loans shall be in an aggregate principal amount of $2,500,000 or a whole multiple thereof and partial conversions of ABR Loans to Eurodollar Loans with respect to which a common Interest Period has been selected shall be in an aggregate principal amount of $5,000,000 or a whole multiple of $2,500,000 in excess thereof, and provided, further, that in the case of a partial conversion of Eurodollar Loans to ABR Loans, after giving effect to such conversion, the aggregate principal amount of the Eurodollar Loans outstanding with respect to which a common Interest Period has been selected shall be not less than $5,000,000.

(a) Any Eurodollar Loans may be continued as such upon the expiration of an Interest Period by compliance by the Borrower with the notice provisions contained in the definition of Interest Period, provided that no Eurodollar Loan may be continued as such when any Default or Event of Default has occurred and is continuing, but shall be automatically converted to an ABR Loan on the last day of the last Interest Period for which a Eurodollar Rate was determined by the Agent on or prior to the Agent's obtaining knowledge of such Default or Event of Default.

12 Interest Rate and Payment Dates. (a) Each Eurodollar Loan shall bear interest for each day during each Interest Period with respect thereto at a rate per annum equal to the Eurodollar Rate determined for such Interest Period plus the Applicable Margin.

(a) Each ABR Loan shall bear interest for the period from and including the date thereof until maturity at a rate per annum equal to the ABR plus the Applicable Margin.

(b) If all or a portion of (i) the principal amount of any Loan, (ii) any interest payable thereon or (iii) any facility fee, commission or other amount payable hereunder shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), such overdue amount shall bear interest at a rate per annum which is (x) in the case of overdue principal, the higher of (A) the rate that would otherwise be applicable thereto pursuant to the foregoing provisions of this subsection plus 2% and (B) the rate described in paragraph (b) of this subsection plus 2% or (y) in the case of overdue interest, facility fees, commissions or other amounts, the rate described in paragraph (b) of this subsection plus 2%, in each case from the date of such non-payment until such amount is paid in full (as well after as before judgment).

(c) Each Bid Loan shall bear interest as provided in subsection 2.5.

(d) Interest shall be payable in arrears on each Interest Payment Date, except that interest payable pursuant to subsection 2.12(c) shall be payable upon demand.

13 Computation of Interest and Fees. (a) Facility fees and interest in respect of the ABR Loans shall be calculated on the basis of a 365 (or 366, as the case may be) day year for the actual days elapsed. Interest in respect of the Eurodollar Loans and letter of credit commissions shall be calculated on the basis of a 360-day year for the actual days elapsed. The Agent shall as soon as practicable notify the Borrower and the Lenders of each determination of a Eurodollar Rate. Any change in the interest rate on a Loan resulting from a change in the ABR shall become effective as of the opening of business on the day on which such change in the ABR shall become effective.

(a) Each determination of an interest rate by the Agent pursuant to any provision of this Agreement shall be conclusive and binding on the Borrower absent manifest error.

14 Inability to Determine Interest Rate. In the event that the Reference Lender shall have reasonably determined (which determination shall be conclusive and binding upon the Borrower) that by reason of circumstances affecting the interbank eurodollar market, adequate and reasonable means do not exist for ascertaining the Eurodollar Rate applicable pursuant to subsection 2.12(a) for any Interest Period with respect to (a) a proposed Loan that the Borrower has requested be made as a Eurodollar Loan or LIBOR Bid Loan, (b) a Eurodollar Loan that will result from the requested conversion of an ABR Loan into a Eurodollar Loan or (c) the continuation of Eurodollar Loans beyond the expiration of the then current Interest Period with respect thereto, the Agent shall forthwith give telecopy or telephonic notice of such determination, confirmed in writing, to the Borrower and the Lenders at least one Business Day prior to, as the case may be, the requested Borrowing Date for such Eurodollar Loan or LIBOR Bid Loan, the conversion date of such ABR Loan or the last day of such Interest Period. If such notice is given (i) any requested Eurodollar Loan shall be made as an ABR Loan and any requested LIBOR Bid Loan shall be made as Fixed Rate Bid Loans based upon the ABR, (ii) any ABR Loan that was to have been converted to a Eurodollar Loan shall be continued as an ABR Loan and (iii) any outstanding Eurodollar Loan shall be converted, on the last day of the then current Interest Period with respect thereto, to an ABR Loan. Until such notice has been withdrawn by the Agent, no further Eurodollar Loans or LIBOR Bid Loans shall be made nor shall the Borrower have the right to convert an ABR Loan to a Eurodollar Loan. Such notice shall be withdrawn by the Agent when the Agent shall reasonably determine that adequate and reasonable means exist for ascertaining the Eurodollar Rate.

15 Pro Rata Treatment and Payments. (a) Each borrowing by the Borrower from the Lenders hereunder, each payment by the Borrower on account of any facility fee hereunder and any reduction of the Revolving Credit Commitments of the Lenders shall be made pro rata according to the respective Commitment Percentages of the Lenders. Each payment (including each prepayment) by the Borrower on account of principal of and interest on the Loans shall be made pro rata according to the respective outstanding principal amounts of such Loans then held by the Lenders. All payments (including prepayments) to be made by the Borrower hereunder, whether on account of principal, interest, fees or otherwise, shall be made without set off or counterclaim and shall be made prior to 12:00 Noon, New York City time, on the due date thereof to the Agent, for the account of the Lenders, at the Agent's office specified in subsection 10.2, in Dollars and in immediately available funds. The Agent shall distribute such payments to the Lenders promptly upon receipt in like funds as received. If any payment hereunder (other than payments on the Eurodollar Loans) becomes due and payable on a day other than a Business Day, such payment shall be extended to the next succeeding Business Day and such extension of time shall in such case be included in the computation of the amount payable hereunder. If any payment on a Eurodollar Loan becomes due and payable on a day other than a Business Day, the maturity thereof shall be extended to the next succeeding Business Day unless the result of such extension would be to extend such payment into another calendar month, in which event such payment shall be made on the immediately preceding Business Day.

(a) Unless the Agent shall have been notified in writing by any Lender prior to a Borrowing Date that such Lender will not make the amount that would constitute its Commitment Percentage of the borrowing on such date available to the Agent, the Agent may assume that such Lender has made such amount available to the Agent on such Borrowing Date, and the Agent may, in reliance upon such assumption, make available to the Borrower a corresponding amount. If such amount is made available to the Agent on a date after such Borrowing Date, such Lender shall pay to the Agent on demand an amount equal to the product of (i) the daily average Federal funds rate during such period as quoted by the Agent, times (ii) the amount of such Lender's Commitment Percentage of such borrowing, times (iii) a fraction the numerator of which is the number of days that elapse from and including such Borrowing Date to the date on which such Lender's Commitment Percentage of such borrowing shall have become immediately available to the

Agent and the denominator of which is 360 (the "Effective Federal Funds Rate"). A certificate of the Agent submitted to any Lender with respect to any amounts owing under this subsection shall be conclusive in the absence of manifest error. If such amount is so made available, such payment to the Agent shall constitute such Lender's Loan on such Borrowing Date for all purposes of this Agreement. If such amount is not so made available to the Agent, then the Agent shall notify the Borrower of such failure and on the fourth Business Day following such Borrowing Date, the Borrower shall pay to the Agent such ratable portion, together with interest thereon for each day that the Borrower had the use of such ratable portion, at the Effective Federal Funds Rate. Nothing contained in this subsection 2.15(b) shall relieve any Lender which has failed to make available its ratable portion of any borrowing hereunder from its obligation to do so in accordance with the terms hereof.

(b) The failure of any Lender to make the Loan to be made by it on any Borrowing Date shall not relieve any other Lender of its obligation, if any, hereunder to make its Loan on such Borrowing Date, but no Lender shall be responsible for the failure of any other Lender to make the Loan to be made by such other Lender on such Borrowing Date.

16 Illegality. Notwithstanding any other provisions herein, if any introduction of or change in any law, regulation, treaty or directive or in the interpretation or application thereof occurring after the date hereof shall make it unlawful for any Lender to make or maintain Eurodollar Loans or LIBOR Bid Loans as contemplated by this Agreement, (a) such Lender shall forthwith give telecopy or telephonic notice of such circumstances, confirmed in writing, to the Borrower (which notice shall be withdrawn by such Lender when such Lender shall reasonably determine that it shall no longer be illegal for such Lender to make or maintain Eurodollar Loans or LIBOR Bid Loans or to convert ABR Loans to Eurodollar Loans), (b) the commitment of such Lender hereunder to make Eurodollar Loans or to convert ABR Loans to Eurodollar Loans shall forthwith be cancelled and (c) such Lender's Loans then outstanding as Eurodollar Loans or LIBOR Bid Loans, if any, shall be converted automatically to ABR Loans or Fixed Rate Bid Loans based upon the ABR on the respective last days of the then current Interest Periods with respect to such Loans or within such earlier period as may be required by law. The Borrower hereby agrees promptly to pay the Agent for the account of each Lender, upon demand by the Agent, any additional amounts necessary to compensate the Lenders for any costs incurred by the Lenders in making any conversion in accordance with this subsection 2.16, including, but not limited to, any interest or fees payable by the Lenders to lenders of funds obtained by them in order to make or maintain their Eurodollar Loans or LIBOR Bid Loans hereunder (the Agent's notice of such costs, as certified to the Borrower, to be conclusive, absent manifest error).

17 Requirements of Law. (a) In the event that any introduction of or change in any law, regulation, treaty or directive or in the interpretation or application thereof occurring after the date hereof or compliance by any Lender with any request or directive (whether or not having the force of law) from any central bank or other governmental authority, agency or instrumentality:

(i) shall subject such Lender to any tax of any kind, whatsoever with respect to this Agreement, any Note, any Letter of Credit, any Application or any Loan made hereunder, or change the basis of taxation of payments to such Lender of principal, facility fee, interest or any other amount payable hereunder (other than withholding tax imposed by the United States of America and other than any other tax of any kind whatsoever that is measured with respect to the overall net income of such Lender or of a lending office of such Lender, and that is imposed by the United States of America, or by the jurisdiction in which such Lender is organized or has its principal office (or any political subdivision or taxing authority thereof or therein), or by the jurisdiction in which such Lender is managed and controlled (or any political subdivision or taxing authority thereof or therein) or by the jurisdiction in which such Lender has its Eurodollar lending office (or any political subdivision or taxing authority thereof or therein)), or

(ii) shall impose, modify or hold applicable any reserve,

special deposit, compulsory loan or similar requirement against assets held by, or deposits or other liabilities in or for the account of, advances or loans by, or other credit extended by, or any other acquisition of funds by, any office of such Lender which are not otherwise included in the determination of the Eurodollar Rate hereunder or the interest rate applicable to any Bid Loan hereunder, or

(iii) shall impose on such Lender or the eurodollar market any other condition;

and the result of any of the foregoing is to increase the cost to such Lender (which increase in cost shall be the result of such Lender's reasonable allocation of the aggregate of such cost increases resulting from such events), of making, renewing or maintaining Eurodollar Loans or Bid Loans or issuing or participating in Letters of Credit or to reduce any amount receivable thereunder then, in any such case, the Borrower shall, upon notice to it from such Lender (with a copy to the Agent) certifying that (x) one of the events described in this subsection 2.17(a) has occurred and the nature of such event, (y) the increased cost or reduced amount resulting from such event and (z) the additional amounts demanded by such Lender and a reasonably detailed explanation of the calculation thereof, promptly pay to the Agent for the account of the applicable Lender, upon demand by the Agent, without duplication, any additional amounts necessary to compensate such Lender for such increased cost or reduced amount receivable which such Lender deems to be material as determined in good faith by such Lender with respect to this Agreement or the Loans made hereunder, provided that, in any such case, the Borrower may elect to convert the Eurodollar Loans made hereunder to ABR Loans by giving such Lender and the Agent at least one Business Day's prior irrevocable notice of such election in which case the Borrower shall promptly pay the Agent for the account of the applicable Lender, upon demand by the Agent, without duplication, any loss or expense incurred by such Lender in liquidating or re-employing the deposits from which the funds were obtained by such Lender for the purpose of making and/or maintaining such Eurodollar Loans. If such Lender becomes entitled to claim any additional amounts pursuant to this subsection, it shall promptly notify the Borrower of the event by reason of which it has become so entitled.

(b) In the event that any Lender shall have determined that any change in any Requirement of Law regarding capital adequacy or in the interpretation or application thereof or compliance by such Lender or any corporation controlling such Lender with any request or directive regarding capital adequacy (whether or not having the force of law) from any Governmental Authority made subsequent to the date hereof does or shall have the effect of reducing the rate of return on such Lender's or such corporation's capital as a consequence of its obligations hereunder or under any Letters of Credit to a level below that which such Lender or such corporation could have achieved but for such change or compliance (taking into consideration such Lender's or such corporation's policies with respect to capital adequacy) by an amount deemed by such Lender to be material, then from time to time, within 15 days after submission by such Lender to the Borrower (with a copy to the Agent) of a written request therefor certifying that (x) one of the events described in this subsection 2.17(b) has occurred and the nature of such event, (y) the increased cost or reduced amount resulting from such event and (x) the additional amounts demanded by such Lender and a reasonably detailed explanation of the calculation thereof, the Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender for such reduction.

(c) A certificate as to any additional amounts payable pursuant to paragraphs (a) and (b) above submitted by any Lender to the Borrower shall be conclusive absent manifest error.

18 Indemnity. The Borrower agrees to indemnify each Lender and to hold each Lender harmless from any loss or expense which such Lender may sustain or incur as a consequence of (a) default by the Borrower in payment of the principal amount of or interest on any Eurodollar Loans or Bid Loan, including, but not limited to, any such loss or expense arising from interest or fees payable by such Lender to lenders of funds obtained by them in order to maintain their Eurodollar Loans hereunder, (b) default by the Borrower in making a Eurodollar Loan or conversion after

the Borrower has given a notice in accordance with subsection 2.2 or 2.11, (c) default by the Borrower in making a borrowing or conversion after the Borrower has given (or is deemed to have given) a notice in accordance with subsection 2.5 (so long as the Borrower shall have accepted a Bid Loan offered in connection with any such notice), (d) default by the Borrower in making any prepayment of a Eurodollar Loan after the Borrower has given a notice in accordance with subsection 2.8, and (e) the making of any payment or conversion of Eurodollar Loans, LIBOR Bid Loans or Fixed Rate Bid Loans on a day which is not the last day of the applicable Interest Period with respect thereto, including, but not limited to, any such loss or expense arising from interest or fees payable by the Lenders to lenders of funds obtained by them in order to maintain their Eurodollar Loans hereunder. This covenant shall survive termination of this Agreement and payment of the outstanding Notes.

19 Use of Proceeds. The proceeds of the Loans shall be used by the Borrower (i) for the repayment in full of the revolving credit loans and term loans under the Existing Credit Agreement and the payment in full of any and all other amounts owing to the Existing Banks under the Existing Credit Agreement, (ii) for the issuance of Letters of Credit, (ii) for working capital and other general corporate purposes of the Borrower and its Subsidiaries, including, without limitation, stock repurchases in accordance with subsection 7.5 and (iii) for acquisitions in accordance with the terms and provisions of subsections 7.4(c) and 7.4(d).

3. LETTER OF CREDIT FACILITIES

1 L/C Commitment. (a) Subject to the terms and conditions hereof, the Issuing Lender, in reliance on the agreements of the other Lenders set forth in subsection 3.4(a), agrees to issue letters of credit ("Letters of Credit") for the account of the Borrower on any Business Day during the Revolving Credit Commitment Period in such form as may be approved from time to time by the Issuing Lender; provided that the Issuing Lender shall not have any obligation to issue any Letter of Credit if, after giving effect to such issuance, (i) the L/C Obligations would exceed the L/C Commitment or (ii) the Aggregate Outstanding Extensions of Credit would exceed the Revolving Credit Commitments. Each Letter of Credit shall (i) be denominated in Dollars, (ii) be either (x) a standby letter of credit issued to support obligations of the Borrower, contingent or otherwise, with an expiry date occurring not later than 360 days after such standby letter of credit was issued (a "Standby L/C") or (y) a documentary letter of credit in respect of the purchase of goods or services by the Borrower and its Subsidiaries in the ordinary course of business with an expiry date occurring not later than 180 days after such documentary letter of credit was issued and, in the case of any such documentary letter of credit which is to be accepted by the Issuing Lender pending payment at a date after presentation of sight drafts, with a payment date no more than 180 days after such drafts were presented for acceptance (a "Trade L/C") and (iii) expire no later than the Termination Date.

(a) Each Letter of Credit shall be subject to the Uniform Customs and, to the extent not inconsistent therewith, the laws of the State of New York.

(b) The Issuing Lender shall at no time be obligated to issue any Letter of Credit hereunder if such issuance would conflict with, or cause the Issuing Lender or any L/C Participant to exceed any limits imposed by, any applicable Requirement of Law.

(c) Notwithstanding anything to the contrary contained herein, each Letter of Credit outstanding under the Existing Credit Agreement on the date hereof shall be deemed to be issued and outstanding under this Agreement.

2 Procedure for Issuance of Letters of Credit. The Borrower may from time to time request that the Issuing Lender issue a Letter of Credit by delivering to the Issuing Lender (with a copy to the Agent) at its address for notices specified herein an Application therefor, completed to the satisfaction of the Issuing Lender, and such other certificates, documents and other papers and information as the Issuing Lender may reasonably request. Upon receipt of any Application, the Issuing Lender will process such Application and the certificates, documents and other papers and information delivered to it in connection therewith in accordance with its customary procedures and shall

promptly issue the Letter of Credit requested thereby (but in no event shall the Issuing Lender be required to issue any Letter of Credit earlier than five Business Days after its receipt of the Application therefor and all such other certificates, documents and other papers and information relating thereto) by issuing the original of such Letter of Credit to the beneficiary thereof or as otherwise may be agreed by the Issuing Lender and the Borrower. The Issuing Lender shall furnish a copy of such Letter of Credit to the Borrower and to the Agent promptly following the issuance thereof.

3 Fees, Commissions and Other Charges. (a) The Borrower shall pay to the Agent, for the ratable account of the Issuing Lender and the L/C Participants, a letter of credit commission with respect to each Trade L/C issued by the Issuing Lender (i) in an amount equal to 1/4 of 1% of the face amount of each such Letter of Credit which is payable upon presentation of sight drafts (plus an additional 1/4 of 1% which shall be payable for the account of the Issuing Lender) and (ii) in an amount equal to the product of, on the date on which such commission is calculated, (A) the rate equal to the Applicable Margin in respect of Eurodollar Rate Loans and (B) the aggregate amount available to be drawn under each Letter of Credit in respect of which a draft is to be accepted by the Issuing Lender pending payment thereon at a later date (plus an additional 1/4 of 1% per annum which shall be payable for the account of the Issuing Lender). Such letter of credit commissions shall be payable in arrears on the last day of each March, June, September and December and shall be nonrefundable.

(a) The Borrower shall pay to the Agent, for the ratable account of the Issuing Lender and the L/C Participants, a letter of credit commission with respect to each Standby Letter of Credit issued by the Issuing Lender, computed for the period from the date of such payment to the date upon which the next such payment is due hereunder in an amount equal to the product of (i) the rate equal to the Applicable Margin in respect of Eurodollar Rate Loans in effect on the date on which such commission is calculated and (ii) the aggregate amount available to be drawn under such Standby Letter of Credit on the date on which such commission is calculated. The Borrower shall also pay to the Agent, for the account of the Issuing Lender, an additional 1/4 of 1% per annum of the aggregate amount available to be drawn under such Standby Letter of Credit on the date on which such fee is calculated. Such letter of credit commissions shall be payable in arrears on the last day of each March, June, September and December and shall be nonrefundable.

(b) In addition to the foregoing fees and commissions, the Borrower shall pay or reimburse the Issuing Lender for such normal and customary costs and expenses as are incurred or charged by the Issuing Lender in issuing, effecting payment under, amending or otherwise administering any Letter of Credit issued by it.

(c) The Agent shall, promptly following its receipt thereof, distribute to the Issuing Lender and the L/C Participants all fees and commissions received by the Agent for their respective accounts pursuant to this subsection 3.3.

4 L/C Participation. (a) The Issuing Lender irrevocably agrees to grant and hereby grants to each L/C Participant, and, to induce the Issuing Lender to issue Letters of Credit hereunder, each L/C Participant irrevocably agrees to accept and purchase and hereby accepts and purchases from the Issuing Lender, on the terms and conditions hereinafter stated, for such L/C Participant's own account and risk an undivided interest equal to such L/C Participant's Commitment Percentage in the Issuing Lender's obligations and rights under each Letter of Credit issued hereunder and the amount of each draft paid by the Issuing Lender thereunder. Each L/C Participant unconditionally and irrevocably agrees with the Issuing Lender that, if a draft is paid under any Letter of Credit for which the Issuing Lender is not reimbursed in full by the Borrower in accordance with the terms of this Agreement, such L/C Participant shall pay to the Issuing Lender upon demand at the Issuing Lender's address for notices specified herein an amount equal to such L/C Participant's Commitment Percentage of the amount of such draft, or any part thereof, which is not so reimbursed.

(a) If any amount required to be paid by any L/C Participant

to the Issuing Lender pursuant to subsection 3.4(a) in respect of any unreimbursed portion of any payment made by the Issuing Lender under any Letter of Credit is not paid to the Issuing Lender within three Business Days after the date such payment is due, such L/C Participant shall pay to the Issuing Lender on demand an amount equal to the product of (i) such amount, times (ii) the daily average Federal funds rate, as quoted by the Issuing Lender, during the period from and including the date such payment is required to the date on which such payment is immediately available to the Issuing Lender, times (iii) a fraction the numerator of which is the number of days that elapse during such period and the denominator of which is 360. If any such amount required to be paid by any L/C Participant pursuant to subsection 3.4(a) is not in fact made available to the Issuing Lender by such L/C Participant within three Business Days after the date such payment is due, the Issuing Lender shall be entitled to recover from such L/C Participant, on demand, such amount with interest thereon calculated from such due date at the rate per annum applicable to ABR Loans hereunder. A certificate of the Issuing Lender submitted to any L/C Participant with respect to any amounts owing under this subsection shall be conclusive in the absence of manifest error.

(b) Whenever, at any time after the Issuing Lender has made payment under any Letter of Credit and has received from any L/C Participant its pro rata share of such payment in accordance with subsection 3.4(a), the Issuing Lender receives any payment related to such Letter of Credit (whether directly from the Borrower or otherwise), or any payment of interest on account thereof, the Issuing Lender will distribute to such L/C Participant its pro rata share thereof; provided, however, that in the event that any such payment received by the Issuing Lender shall be required to be returned by the Issuing Lender, such L/C Participant shall return to the Issuing Lender the portion thereof previously distributed by the Issuing Lender to it.

5 Reimbursement Obligation of the Borrower. The Borrower agrees to reimburse the Issuing Lender on each date on which the Issuing Lender notifies the Borrower of the date and amount of a draft presented under any Letter of Credit and paid by the Issuing Lender for the amount of (a) such draft so paid and (b) any taxes, fees, charges or other costs or expenses incurred by the Issuing Lender in connection with such payment; provided that upon the acceleration of such reimbursement obligations in accordance with Section 8, the Borrower agrees to reimburse the Issuing Lender for the amount equal to the then maximum liability (whether direct or contingent) of the Issuing Lender and the L/C Participants under each Letter of Credit. Each such payment shall be made to the Issuing Lender at its address for notices specified herein in lawful money of the United States of America and in immediately available funds. Interest shall be payable on any and all amounts remaining unpaid by the Borrower under this subsection from the date such amounts become payable (whether at stated maturity, by acceleration or otherwise) until payment in full at the rate which would be payable on any outstanding ABR Loans which were then overdue.

6 Obligations Absolute. The Borrower's obligations under this Section 3 shall be absolute and unconditional under any and all circumstances and irrespective of any set-off, counterclaim or defense to payment which the Borrower may have or have had against the Issuing Lender or any beneficiary of a Letter of Credit. The Borrower also agrees with the Issuing Lender that the Issuing Lender shall not be responsible for, and the Borrower's Reimbursement Obligations under subsection 3.5 shall not be affected by, among other things, the validity or genuineness of documents or of any endorsements thereon, even though such documents shall in fact prove to be invalid, fraudulent or forged, or any dispute between or among the Borrower and any beneficiary of any Letter of Credit or any other party to which such Letter of Credit may be transferred or any claims whatsoever of the Borrower against any beneficiary of such Letter of Credit or any such transferee. The Issuing Lender shall not be liable for any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Letter of Credit issued by it, except for errors or omissions caused by the Issuing Lender's gross negligence or willful misconduct. The Borrower agrees that any action taken or omitted by the Issuing Lender under or in connection with any Letter of Credit issued by it or the related drafts or documents, if done in the absence of

gross negligence or willful misconduct and in accordance with the standards or care specified in the Uniform Commercial Code of the State of New York, shall be binding on the Borrower and shall not result in any liability of the Issuing Lender to the Borrower.

7 Increased Costs. If the adoption of or any change in any law or regulation or in the interpretation thereof by any court or administrative or Governmental Authority charged with the administration thereof shall either (i) impose, modify or deem applicable any reserve, special deposit or similar requirement against letters of credit issued by the Issuing Lender or participated in by the Lenders or (ii) impose on any Lender any other condition regarding any Letter of Credit, and the result of any event referred to in clauses (i) or (ii) above shall be to increase the cost to the Issuing Lender or any Lender of issuing or maintaining such Letter of Credit (or its participation therein, as the case may be) (which increase in cost shall be the result of the Issuing Lender's or such Lender's reasonable allocation of the aggregate of such cost increases resulting from such events), then, upon notice to it from the Issuing Lender or such Lender (with a copy to the Agent) certifying that (x) one of the events hereinabove described has occurred and the nature of such event, (y) the increased cost or reduced amount resulting from such event and (z) the additional amounts demanded by the Issuing Lender or such Lender, as the case may be, and a reasonably detailed explanation of the calculation thereof, the Borrower shall immediately pay to such Issuing Lender or such Lender, as the case may be, from time to time as specified by the Agent or such Lender, additional amounts which shall be sufficient to compensate such Issuing Lender or such Lender for such increased cost, together with interest on each such amount from the date demanded until payment in full thereof at the rate provided in subsection 3.3. A certificate as to the fact and amount of such increased cost incurred by the Issuing Lender or such Lender as a result of any event mentioned in clauses (i) or (ii) above, submitted by the Issuing Lender or such Lender to the Borrower, shall be conclusive, absent manifest error.

8 Letter of Credit Payments. If any draft shall be presented for payment under any Letter of Credit, the Issuing Lender shall promptly notify the Borrower and the Agent of the date and amount thereof. The responsibility of the Issuing Lender to the Borrower in connection with any draft presented for payment under any Letter of Credit shall, in addition to any payment obligation expressly provided for in such Letter of Credit, be limited to determining that the documents (including each draft) delivered under such Letter of Credit in connection with such presentment are in conformity with such Letter of Credit.

9 Application. To the extent that any provision of any Application related to any Letter of Credit is inconsistent with the provisions of this Agreement, the provisions of this Agreement shall apply.

10 Purpose of the Letters of Credit. The Letters of Credit shall be used for any lawful purposes requested by the Borrower.

4. REPRESENTATIONS AND WARRANTIES

In order to induce the Lenders and the Agent to enter into this Agreement and to make the Loans and issue or participate in the Letters of Credit herein provided for, the Borrower hereby represents and warrants to the Agent and to each Lender that:

1 Financial Condition. The consolidated balance sheet of the Borrower and its consolidated Subsidiaries as at September 30, 1994 and the related consolidated statements of income and of cash flows for the fiscal year ended on such date, reported on by Coopers & Lybrand, L.L.P., copies of which have heretofore been delivered to each of the Lenders, are complete and correct and present fairly the consolidated financial condition of the Borrower and its consolidated Subsidiaries as at such date, and the consolidated results of their operations and their consolidated cash flows for the fiscal year then ended. The unaudited interim consolidated balance sheet of the Borrower and its Subsidiaries as at December 31, 1994, and the related unaudited interim consolidated statements of income and of cash flows for the three month period ended on such date, certified by

a Responsible Officer, copies of which have heretofore been furnished to each Lender, are complete and correct in all material respects and present fairly the consolidated financial condition of the Borrower and its consolidated Subsidiaries as at such date, and the consolidated results of their operations and their cash flows for the three-month period then ended (subject to normal year-end audit adjustments). All such financial statements, including the related schedules and notes thereto, have been prepared in accordance with GAAP applied consistently throughout the periods involved (except as approved by such accountants, as the case may be, and as disclosed therein). Neither the Borrower nor any of its consolidated Subsidiaries had, at the date of the most recent balance sheet referred to above, any material obligation, contingent liability or liability for taxes, or any long-term lease or unusual forward or long-term commitment, including without limitation, any interest rate or foreign currency swap or exchange transaction, which is not reflected in the foregoing statements or in the notes thereto. Since December 31, 1994, there has been no development or event which has had or could reasonably be expected to have a Material Adverse Effect.

2 Corporate Existence; Compliance with Law. Each of the Borrower and its Material Subsidiaries (a) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, (b) has the corporate power and authority and the legal right to own and operate its property, to lease the property it leases and to conduct the business in which it is currently engaged, (c) is duly qualified as a foreign corporation and in good standing under the laws of any jurisdiction where its ownership, lease or operation of property or the conduct or proposed conduct of its business requires such qualification, except where the failure to so qualify could not, in any instance or in the aggregate, reasonably be expected to have a Material Adverse Effect and (d) is in compliance with all material Requirements of Law applicable to it or its business.

3 Corporate Power; Authorization; Enforceable Obligations. Each of the Borrower and its Subsidiaries has the corporate power and authority and the legal right to make, deliver and perform this Agreement and the other Loan Documents to which it is a party and to borrow hereunder (in the case of the Borrower) and has taken all corporate action necessary to be taken by it to authorize such actions. No consent, waiver or authorization of, filing with, or other act by or in respect of, any Governmental Authority or any other Person is required to be made or obtained by the Borrower or its Subsidiaries in connection with the borrowings hereunder or the execution, delivery, performance, validity or enforceability of this Agreement and the other Loan Documents to which it is a party. This Agreement constitutes, and the other Loan Documents to which the Borrower or any Subsidiary is a party when executed and delivered hereunder will constitute, a legal, valid and binding obligation of the Borrower and such Subsidiary, enforceable against the Borrower and such Subsidiary in accordance with their respective terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

4 No Legal Bar. The execution, delivery and performance of this Agreement and the other Loan Documents, the borrowings hereunder and the use of the proceeds thereof do not and will not violate any usury law applicable to the Borrower or any other Requirement of Law or Contractual Obligation of the Borrower or any of its Material Subsidiaries and do not and will not result in, or require, the creation or imposition of any Lien on any of its or their respective properties or revenues pursuant to any such Requirement of Law or Contractual Obligation which could reasonably be expected to have a Material Adverse Effect.

5 No Material Litigation. No litigation, investigation or proceeding of or before any arbitrator or Governmental Authority is pending or, to the best knowledge of the Borrower, threatened by or against the Borrower or any of its Subsidiaries or against any of its or their respective properties or revenues (a) with respect to this Agreement, any of the other Loan Documents or any of the transactions contemplated hereby or thereby except as set forth on Schedule 4.5 or (b) which could reasonably be expected

to have a Material Adverse Effect.

6 Federal Regulations. No part of the proceeds of any Loans will be used for (i) any purpose which violates, or which would be inconsistent with, the provisions of the Regulations of the Board of Governors of the Federal Reserve System as now and from time to time hereafter in effect, and if deemed necessary in the reasonable judgment of the Agent or its counsel, the Borrower will furnish to the Agent and each Lender a statement to the foregoing effect in conformity with the requirements of FR Form U-1 referred to in Regulation U of said Board or (ii) except as set forth on Schedule 4.6, purchasing any security in any transaction which is subject to Sections 13 and 14 of the Securities Exchange Act of 1934, as amended.

7 Investment Company Act; Other Regulations. Neither the Borrower nor any of its Subsidiaries is an "investment company", or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended. Neither the Borrower nor any of its Subsidiaries is subject to regulation under any Federal or State statute or regulation which limits its ability to incur indebtedness.

8 Subsidiaries. The Subsidiaries listed on Schedule 4.8 constitute all of the subsidiaries of the Borrower in existence on the date hereof.

9 Disclosure. No representations or warranties made by, or information supplied by, the Borrower or any of its Subsidiaries in this Agreement, any other Loan Document or in any other document furnished to the Lenders from time to time in connection herewith or therewith (as such other documents may be supplemented from time to time) contains or will contain any untrue statement of a material fact or omits or will omit to state any material fact necessary to make the statements herein or therein, in light of the circumstances under which they were made, not misleading. Except as disclosed in the Loan Documents or as otherwise disclosed in writing to the Lenders, there is no fact known to the Borrower or any of its Subsidiaries which has, or which could reasonably be expected in the future to have, in the Borrower's or such Subsidiary's reasonable judgment, a Material Adverse Effect.

10 Schedules. Each of the Schedules to this Agreement contains true, complete and correct information in all material respects.

11 ERISA. No "prohibited transaction" or "accumulated funding deficiency" (each as defined in Section 8) or Reportable Event has occurred and has not been cured since July 1, 1974 with respect to any Single Employer Plan. The present value of all benefits vested under all Single Employer Plans maintained by the Borrower or a Commonly Controlled Entity (based on those assumptions used to fund such Plans) did not, as of the last annual valuation date, which in the case of any one such Plan was not earlier than September 30, 1991, exceed the value of the assets of such Plan allocable to such vested benefits. The liability to which the Borrower or any Commonly Controlled Entity would become subject under ERISA if the Borrower or any such Commonly Controlled Entity were to withdraw completely from all Plans as of the valuation date most closely preceding the date hereof is not in excess of $3,000,000. The Borrower does not currently participate in any Multiemployer Plans.

12 No Default. Neither the Borrower nor any of its Subsidiaries is in default under or with respect to any of its Contractual Obligations in any respect which could reasonably be expected to have a Material Adverse Effect. No Default or Event of Default has occurred and is continuing. Neither the Borrower nor any of its Subsidiaries is in default under any order, award or decree of any arbitrator or Governmental Authority binding upon or affecting it or by which any of its properties or assets may be bound or affected, where such default could reasonably be expected to have a Material Adverse Effect.

13 Title to Real Property, Etc. Each of the Borrower and its Subsidiaries has good record and marketable title in fee simple to, or a valid and subsisting leasehold interest in, all its real property and good title to all its other property, except where the failure to have such good record or marketable title could not reasonably be expected to have a Material Adverse Effect, and

none of such property is subject to any Lien, except (a) as permitted by subsection 7.2 of this Agreement and (b) Liens granted to the Agent and the Lenders pursuant to the Existing Credit Agreement (it being understood that the Liens referred to in preceding clause (b) are in the process of being released).

14 Taxes. Each of the Borrower and its Subsidiaries has filed or caused to be filed all tax returns which, to the knowledge of the Borrower, are required to be filed and has paid all taxes shown to be due and payable on said returns or on any assessments made against it or any of its property and all other taxes, fees or other charges imposed on it or any of its property by any Governmental Authority (other than any the amount or validity of which are currently being contested in good faith by appropriate proceedings and with respect to which reserves in conformity with GAAP have been provided on the books of the Borrower or its Subsidiaries, as the case may be) except where the failure to file such returns or pay such taxes and/or assessments could not reasonably be expected to have a Material Adverse Effect; no tax Lien has been filed, and, to the knowledge of the Borrower, no claim is being asserted, with respect to any such tax, fee or other charge.

15 Environmental Matters. To the best knowledge of the Borrower, each of the representations and warranties set forth in paragraphs (a) through (f) of this subsection is true and correct with respect to each parcel of real property owned or operated by the Borrower or any its Subsidiaries (the "Properties"), except to the extent that the facts and circumstances giving rise to all such failures to be so true and correct could not reasonably be expected by the Borrower to result in the payment of a Material Environmental Amount:

(a) The Properties do not contain, and have not previously contained, any Materials of Environmental Concern in amounts or concentrations which (i) constitute or constituted a violation of, or (ii) could reasonably give rise to liability under, Environmental Laws except in either case insofar as such violation or liability, or any aggregation thereof, is not reasonably likely to result in the payment of a Material Environmental Amount.

(b) The Properties and all operations at the Properties have been in compliance in all material respects with all applicable Environmental Laws, and there is no contamination at, under or about the Properties, or violation of any Environmental Law with respect to the Properties which, in the aggregate with all other contaminations and violations, could materially interfere with the continued operation of the Properties taken as a whole or materially impair the fair saleable value thereof.

(c) Neither the Borrower nor any of its Subsidiaries has received any notice of violation, alleged violation, non-compliance, liability or potential liability regarding environmental matters or compliance with Environmental Laws with regard to any of the Properties, nor does the Borrower have knowledge or reason to believe that any such notice will be received or is being threatened except insofar as such notice or threatened notice, or any aggregation thereof, does not involve a matter or matters that is or are reasonably likely to result in the payment of a Material Environmental Amount.

(d) Materials of Environmental Concern have not been transported or disposed of from the Properties in violation of, or in a manner or to a location which could reasonably give rise to liability under, Environmental Laws, nor have any Materials of Environmental Concern been generated, treated, stored or disposed of at, on or under any of the Properties in violation of, or in a manner that could reasonably give rise to liability under, any applicable Environmental Laws except insofar as any such violation or liability referred to above, or any aggregation thereof, is not reasonably likely to result in the payment of a Material Environmental Amount.

(e) No judicial proceedings or governmental or administrative action is pending, or, to the knowledge of the Borrower, threatened, under any Environmental Law to which the Borrower or any of its Subsidiaries is or will be named as a party with respect to the Properties, nor are there any consent decrees or other decrees, consent orders, administrative orders or other orders, or other administrative or judicial requirements

outstanding under any Environmental Law with respect to the Properties or the Borrower or any of its Subsidiaries except insofar as such proceeding, action, decree, order or other requirement, or any aggregation thereof, is not reasonably likely to result in the payment of a Material Environmental Amount.

(f) There has been no release or threat of release of Materials of Environmental Concern at or from the Properties, or arising from or related to the operations of the Borrower or any of its Subsidiaries in connection with the Properties or otherwise in connection with the Borrower or any of its Subsidiaries, in violation of or in amounts or in a manner that could reasonably give rise to liability under Environmental Laws except insofar as any such violation or liability referred to above, or any aggregation thereof, is not reasonably likely to result in the payment of a Material Environmental Amount.

16 Intellectual Property. The Borrower and each of its Subsidiaries owns, or is licensed to use, all trademarks, tradenames, copyrights, technology, know-how and processes necessary for the conduct of its business as currently conducted except for those the failure to own or license which could not reasonably be expected to have a Material Adverse Effect (the "Intellectual Property"). No claim has been asserted and is pending by any Person challenging or questioning the use of any such Intellectual Property or the validity or effectiveness of any such Intellectual Property, and the Borrower does not know of any valid basis for any such claim, except for such claims which have previously been disclosed to the Lenders and could not reasonably be expected to have a Material Adverse Effect. The use of such Intellectual Property by the Borrower and its Subsidiaries does not infringe on the rights of any Person, except for such claims and infringements that, in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

5. CONDITIONS PRECEDENT

1 Conditions to Effectiveness of this Agreement. This Agreement shall become effective on the date upon which the conditions set forth in this Section 5 shall have been satisfied (the "Restatement Date") and the obligation of each Lender to make its initial Loan and of the Issuing Lender to issue any Letter of Credit requested to be issued by it hereunder is subject to the satisfaction or waiver by the Agent and each of the Lenders of the following conditions precedent on or prior to the Restatement Date:

(a) Execution of Agreement. The Agent shall have received this Agreement, executed and delivered by a duly authorized officer of the Borrower, with a counterpart for each Lender.

(b) Subsidiaries Guarantee. The Agent shall have received the Subsidiaries Guarantee, duly executed and delivered by a duly authorized officer of each Subsidiary Guarantor.

(c) Legal Opinion of Counsel to the Borrower. The Agent and each Lender shall have received an executed legal opinion of Vorys, Sater, Seymour and Pease, special counsel to the Borrower, dated the Restatement Date and addressed to the Agent and the Lenders substantially in the form of Exhibit F. Such legal opinion shall cover such other matters incident to the transactions contemplated by this Agreement as the Lenders may reasonably require in form and substance satisfactory to the Agent.

(d) Corporate Proceedings of the Borrower and its Subsidiaries. The Agent shall have received a copy of the resolutions (in form and substance reasonably satisfactory to the Agent and its counsel) of the Board of Directors of each of the Borrower and each of its Subsidiaries executing any Loan Document authorizing (i) the execution, delivery and performance of each of the Loan Documents to which it is a party on the Restatement Date, (ii) the consummation of the transactions contemplated hereby and thereby and (iii) the borrowings herein provided for, all certified by the Secretary or the Assistant Secretary of the Borrower or such Subsidiary, as the case may be, on the Restatement Date. Each such certificate shall (A) state that the resolutions set forth therein have not been amended, modified, revoked or rescinded as of the date of such certificate, (B)

specify the names and titles of the officers of the Borrower or such Subsidiary, as the case may be, authorized to sign the Loan Documents to which it is a party and (C) contain specimens of the signatures of such officers.

(e) No Proceeding or Litigation; No Injunctive Relief. No action, suit, investigation or other proceeding (including, without limitation, the enactment or promulgation of a statute or rule) by or before any arbitrator or any Governmental Authority shall be threatened or pending and no preliminary or permanent injunction or order by a state or federal court shall have been entered (i) in connection with this Agreement or any transaction contemplated hereby except as set forth in Schedule 5.1(e) or (ii) which, in any case, in the reasonable judgment of the Agent, could reasonably be expected to have a Material Adverse Effect.

(f) Consents, Licenses, Approvals, etc. The Agent shall have received true copies (certified to be such by the Borrower or other appropriate party) of all consents, licenses and approvals required in accordance with applicable law in connection with the execution, delivery, performance, validity and enforceability of this Agreement and the other Loan Documents to be delivered on or before the Restatement Date, and the Borrower and its Material Subsidiaries shall have all such material consents, licenses and approvals required in connection with the continued operation of the Borrower and its Material Subsidiaries, and such approvals shall be in full force and effect, and all applicable waiting periods shall have expired without any action being taken or threatened by any competent authority which would restrain, prevent or otherwise impose adverse conditions on this Agreement and the actions contemplated hereby.

(g) Representations and Warranties. Each of the representations and warranties made by the Borrower and its Subsidiaries in or pursuant to this Agreement or any other Loan Document to which it is a party and the representations of the Borrower and its Subsidiaries which are contained in any certificate, document or financial or other statement furnished pursuant hereto or thereto on or before the Restatement Date shall be true and correct in all material respects on and as of the Restatement Date as if made on and as of such date both before and after giving effect to the making of the Loans hereunder.

(h) No Default or Event of Default. No Default or Event of Default shall have occurred and be continuing hereunder after giving effect to the making of any Extension of Credit hereunder.

(i) Financial Statements. The Agent shall have received (i) all financial statements of the Borrower for the fiscal year of the Borrower ended on September 30, 1994 and (ii) unaudited interim consolidated financial statements of the Borrower for the fiscal quarter of the Borrower ended December 31, 1994.

(j) Borrowing Certificate. The Agent shall have received, with a counterpart for each Lender, a Borrowing Certificate, dated the Restatement Date, substantially in the form of Exhibit G hereto, with appropriate insertions, executed by a duly authorized Responsible Officer of the Borrower.

(k) Certificate as to Consents. The Agent shall have received a certificate setting forth the consents and approvals of third parties necessary in connection with the execution, delivery, performance, validity and enforceability of this Agreement and the other Loan Documents that have not been obtained, and certifying that the failure to obtain such consents and the violation of any Contractual Obligations could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(l) Fees; Interest Accrued on Existing Notes. The Agent shall have received for its account or on behalf of the Lenders or the Existing Banks, as the case may be, all fees and any other amounts payable on the Restatement Date pursuant to the Engagement Letter, this Agreement or the Existing Credit Agreement, including, but not limited to, the interest accrued but unpaid on the revolving credit notes and term notes under the Existing Credit Agreement to (but not including) the Restatement Date and amounts payable pursuant to subsection 2.18 of the Existing Credit Agreement.

(m) Additional Matters. All corporate and other proceedings and all other documents and legal matters in connection with the transactions contemplated by this Agreement and the other Loan Documents, including, without limitation, documentation concerning the status of all labor, tax, employee benefit and health and safety matters involving the Borrower and its Subsidiaries shall be reasonably satisfactory in form and substance to the Agent and its counsel.

(n) Additional Information. The Agent shall have received such additional information which the Agent shall have reasonably requested, including, without limitation, copies of any debt agreements, security agreements, tax sharing agreements, employment agreements, management compensation arrangements, financing arrangements and other material contracts, and such agreements or arrangements shall be reasonably satisfactory in form and substance to the Agent and its counsel.

2 Conditions to All Extensions of Credit. The obligation of each Lender to make any Loan (other than any Loan the proceeds of which are to be used exclusively to repay Refunded Swing Line Loans) or of the Issuing Lender to issue any Letter of Credit requested to be issued by it hereunder on any date (including, without limitation, the Restatement Date) is subject to the satisfaction of the following conditions precedent as of such date:

(a) Representations and Warranties. The representations and warranties made by the Borrower or any of its Subsidiaries in the Loan Documents to which it is a party and any representations and warranties made by the Borrower or any of its Subsidiaries which are contained in any certificate, document or financial or other statement furnished at any time pursuant hereto or thereto shall be true and correct in all material respects on and as of the date thereof as if made on and as of such date unless stated to relate to a specific earlier date.

(b) No Default or Event of Default. No Default or Event of Default shall have occurred and be continuing on such date or after giving effect to the Extension of Credit to be made on such date.

(c) Bid Loan Confirmation. With respect to any Bid Loan, a Bid Loan Confirmation shall have been delivered in accordance with subsection 2.5(b)(iv).

Each borrowing by the Borrower under this Agreement, each conversion of any Loan pursuant to subsection 2.11 of this Agreement and each issuance of any Letter of Credit hereunder shall constitute a representation and warranty by the Borrower as of the date of such borrowing, conversion or issuance that the conditions contained in the foregoing paragraphs (a) and (b) of this subsection 5.2 have been satisfied.

6. AFFIRMATIVE COVENANTS

The Borrower hereby agrees that, so long as the Revolving Credit Commitments remain in effect or any amount is owing to any Lender or the Agent hereunder or under any other Loan Document, the Borrower shall, and in the case of the agreements set forth in subsections 6.3, 6.4, 6.5, 6.6, and 6.13, shall cause each of its Material Subsidiaries to:

1 Financial Statements. Furnish to the Agent and each Lender:

(a) as soon as available, but in any event within ninety days after the end of each fiscal year of the Borrower, a copy of the consolidated balance sheet of the Borrower and its Subsidiaries as at the end of such year and the related statements of consolidated income and retained earnings and of cash flows for such year, setting forth in each case in comparative form the figures for the previous year; provided that the consolidated statements shall be certified without a "going concern" or like qualification or exception or qualification arising out of the scope of the audit by independent certified public accountants of nationally recognized standing; and

(b) as soon as available, but in any event not later than forty-five days after the end of each of the first three

quarterly periods of each fiscal year of the Borrower, a copy of the unaudited consolidated balance sheet of the Borrower and its Subsidiaries as at the end of each such quarter and the related unaudited statements of consolidated income and retained earnings and of cash flows for such quarter and the portion of the fiscal year through such date setting forth in each case in comparative form the figures for the previous year, certified by a Responsible Officer as being fairly stated in all material respects;

all such financial statements to be complete and correct in all material respects and prepared in reasonable detail and in accordance with GAAP (except, in the case of the financial statements referred to in subparagraph (b), such financial statements need not contain footnotes and shall be prepared substantially in accordance with GAAP) applied consistently throughout the periods reflected therein, except as otherwise disclosed in the notes thereto.

2 Certificates; Other Information. Furnish to the Agent and each Lender:

(a) concurrently with the delivery of the financial statements referred to in subsection 6.1(a) above, a certificate of the independent certified public accountants certifying such financial statements (i) stating that in making the examination necessary therefor no knowledge was obtained of any Default or Event of Default, except as specified in such certificate and (ii) showing in detail the calculations supporting such statement in respect of subsections 6.8, 6.9, 6.10, 7.1, 7.6, 7.7 and 7.8;

(b) concurrently with the delivery of the financial statements referred to above, a certificate from the auditing accountants (for the year-end statements) or a Responsible Officer of the Borrower (for all statements) stating that, to the best of such officer's knowledge, the Borrower and each of its Material Subsidiaries during such period has observed or performed in all material respects all of its material covenants and other agreements, and satisfied every condition contained in this Agreement, any Notes and the Subsidiaries Guarantee to be observed, performed or satisfied by it, and that such Officer has obtained no knowledge of any Default or Event of Default except as specified in such certificate, and showing in detail the calculations supporting such statement in respect of subsections 6.8, 6.9, 6.10, 7.1, 7.6, 7.7 and 7.8;

(c) concurrently with the delivery of the financial statements referred to in subsection 6.1(a) and (b) above, a written discussion and analysis (in a form and detail substantially similar to that contained in the Form 10-K or Form 10-Q filed by the Borrower with the Securities and Exchange Commission for the period covered by such financial statements) by the Borrower with respect to the period covered by such financial statements;

(d) promptly after the same are sent and received, copies of all financial statements, reports and notices which the Borrower or any of its Subsidiaries sends to its shareholders and promptly after the same are filed and received, copies of all financial statements and reports which the Borrower or any of its Subsidiaries may make to, or file with, and copies of all material notices the Borrower or any such Subsidiary receives from, the Securities and Exchange Commission or any public body succeeding to any or all of the functions of the Securities and Exchange Commission;

(e) promptly upon receipt thereof, copies of all final reports submitted to the Borrower by independent certified public accountants in connection with each annual, interim or special audit of the books of the Borrower or any of its Subsidiaries made by such accountants, including, without limitation, any final comment letter submitted by such accountants to management in connection with their annual audit; and

(f) promptly, on reasonable notice to the Borrower, such additional financial and other information as the Agent may from time to time reasonably request.

3 Payment of Obligations. Pay, discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all its Indebtedness and other material obligations of whatever nature, except, without prejudice to the

effectiveness of paragraph (e) of Section 8 hereof for any Indebtedness or other obligations (including any obligations for taxes), when the amount or validity thereof is currently being contested in good faith by appropriate proceedings and reserves in conformity with GAAP with respect thereto have been provided on the books of the Borrower or its Subsidiaries, as the case may be, and except for trade accounts payable incurred in the ordinary course of business which are paid in accordance with normal industry practice.

4 Conduct of Business and Maintenance of Existence. Continue to engage in business of the same general type as now conducted by it and, except as may be permitted under subsection 7.4, preserve, renew and keep in full force and effect its corporate existence and take all reasonable action to maintain all rights, privileges, contracts, copyrights, patents, trademarks, tradenames and franchises necessary or desirable in the normal conduct of its business; and comply with all of its Contractual Obligations and Requirements of Law except to the extent that the failure to comply therewith could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

5 Maintenance of Property, Insurance. Keep all property useful and necessary in its business in good working order and condition; maintain with financially sound and reputable insurance companies insurance on all its property in at least such amounts and against at least such risks (but including in any event public liability, product liability and business interruption insurance) as are usually insured against in the same general area by companies engaged in the same or a similar business; and furnish to each Lender, upon written request, reasonable information as to the insurance carried.

6 Inspection of Property; Books and Records; Discussions. Keep proper books of record and account in which full, true and correct entries in conformity with GAAP and all Requirements of Law shall be made of all dealings and transactions in relation to its business and activities; and permit representatives of the Agent to visit and inspect any of its properties, and examine and make abstracts from any of its books and records at the Borrower's expense, at any reasonable time and as often as may reasonably be requested, and to discuss the business, operations, properties and financial and other condition of the Borrower and its Subsidiaries with officers and employees of the Borrower and its Subsidiaries and with its independent certified public accountants.

7 Notices. Promptly give notice to the Agent and each Lender (and, in the case of clauses (a), (b) and (c), in any event within five Business Days after learning thereof):

(a) of the occurrence of any Default or Event of Default;

(b) of any (i) default or event of default under any material Contractual Obligation of the Borrower or any of its Material Subsidiaries or (ii) litigation, investigation or proceeding which may exist at any time between the Borrower or any of its Subsidiaries and any Governmental Authority, which, if adversely determined, could reasonably be expected to have a Material Adverse Effect;

(c) of any litigation or proceeding affecting the Borrower or any of its Subsidiaries (i) (A) in which the amount of liability asserted against the Borrower and its Subsidiaries is $5,000,000 or more and not covered by insurance or (B) which, in the reasonable opinion of a Responsible Officer of the Borrower, if adversely determined, could reasonably be expected to have a Material Adverse Effect or (ii) in which injunctive or similar relief is sought and which, in the reasonable opinion of a Responsible Officer of the Borrower, if adversely determined, could reasonably be expected to have a Material Adverse Effect;

(d) of the following events, as soon as possible and in any event within 30 days after the Borrower knows or has reason to know thereof: (i) the occurrence of any Reportable Event with respect to any Plan, or (ii) the institution of proceedings or the taking or expected taking of any other action by PBGC or the Borrower or any Commonly Controlled Entity to terminate or withdraw or partially withdraw from any Plan under circumstances which could lead to material liability to the PBGC or, with

respect to a Multiemployer Plan, the Reorganization or Insolvency (as each such term is defined in ERISA) of the Plan and in addition to such notice, deliver to the Agent and each Lender whichever of the following may be applicable: (A) a certificate of a Responsible Officer of the Borrower setting forth details as to such Reportable Event and the action that the Borrower or a Commonly Controlled Entity proposes to take with respect thereto, together with a copy of any notice of such Reportable Event that may be required to be filed with PBGC, or (B) any notice delivered by PBGC evidencing its intent to institute such proceedings or any notice to PBGC that such Plan is to be terminated, as the case may be; and

(e) of any event, act or omission which could reasonably be expected to have a Material Adverse Effect.

Each notice pursuant to subsections (a) through (e) of this subsection 6.7 shall be accompanied by a statement of the Chief Executive Officer or Chief Financial Officer or other Responsible Officer of the Borrower setting forth details of the occurrence referred to therein and stating what action the Borrower proposes to take with respect thereto. For all purposes of clause (d) of this subsection 6.7, the Borrower shall be deemed to have knowledge of all facts attributable to the administrator of such Plan.

8 Interest Coverage. Maintain the ratio of (a) EBITDA as of the end of each fiscal quarter of the Borrower (commencing with the fiscal quarter ended June 30, 1995) for the preceding twelve months to (b) the sum of (i) Consolidated Interest Expense as of the end of such fiscal quarter for the preceding twelve months and (ii) the amount accrued by the Borrower or any of its Subsidiaries in respect of any series of preferred stock of the Borrower or such Subsidiary as of the end of such fiscal quarter for the preceding twelve months at not less than 3.0 to 1.0.

9 Maintenance of Leverage Ratio. At each date set forth below with respect to the fiscal year of the Borrower then ending, maintain the ratio of Total Indebtedness of the Borrower to Total Capitalization of the Borrower at not greater than the ratio set forth opposite each such date:

Date	Ratio
September 30, 1995	0.55 to 1.00
September 30, 1996	0.55 to 1.00
September 30, 1997	0.50 to 1.00
September 30, 1998	0.50 to 1.00
September 30, 1999	0.50 to 1.00

10 Maintenance of Consolidated Net Worth. Maintain Consolidated Net Worth of the Borrower in an amount at all times equal to the sum of (a) $110,000,000, (b) the aggregate amount of Net Cash Proceeds and the fair market value of any other consideration received by the Borrower or any of its Subsidiaries from any issuance of equity securities of the Borrower or any such Subsidiary (including, without limitation, equity securities of the Borrower issued pursuant to any of the Merger Transactions) and (c) the amount equal to 50% of Consolidated Net Income at the end of each fiscal quarter of the Borrower for the fiscal quarter of the Borrower then ended, provided that Consolidated Net Income for such fiscal quarter is a positive amount (commencing with the fiscal quarter ending March 31, 1995).

11 New Subsidiaries. (a) Upon the creation or acquisition of a Domestic Subsidiary by the Borrower or any of its Subsidiaries, and upon the written request of the Agent, cause such Domestic Subsidiary to become a Subsidiary Guarantor.

(a) Immediately after the Reincorporation, cause New Miracle-Gro to become a Subsidiary Guarantor.

(b) If Sierra-Sunpol were to become a wholly owned Subsidiary of the Borrower, cause Sierra-Sunpol to become a Subsidiary Guarantor.

12 Clean Down. For a period of 30 consecutive days during each fiscal year of the Borrower, not have the aggregate amount of Indebtedness for borrowed money outstanding at any one time pursuant to subsections 7.1(a), (e) and (j) during such period

exceed $225,000,000.

13 Environmental, Health and Safety Matters. (a) Comply with, and ensure compliance by all tenants and subtenants, if any, with, all applicable Environmental Laws and obtain and comply with and maintain, and ensure that all tenants and subtenants obtain and comply with and maintain, any and all licenses, approvals, notifications, registrations or permits required by applicable Environmental Laws except to the extent that any such failure to so comply could not reasonably be expected to result in the payment of a Material Environmental Amount.

(a) Conduct and complete all investigations, studies, sampling and testing, and all remedial, removal and other actions required under Environmental Laws and promptly comply with all lawful orders and directives of all Governmental Authorities regarding Environmental Laws, except to the extent that the amount or validity thereof is currently being contested in good faith by appropriate proceedings and (to the extent required by GAAP) reserves in conformity with GAAP with respect thereto have been provided on the books of the Borrower or any of its Subsidiaries, as the case may be.

(b) Defend, indemnify and hold harmless the Agent and the Lenders, and their respective parents, subsidiaries, affiliates, employees, agents, officers and directors, from and against any claims, demands, penalties, fines, liabilities, settlements, damages, costs and expenses of whatever kind or nature known or unknown, contingent or otherwise, arising out of, or in any way relating to the violation of, noncompliance with or liability under any Environmental Laws applicable to the operations of the Borrower or the Properties, or any orders, requirements or demands of Governmental Authorities related thereto, including, without limitation, attorney's and consultant's fees, investigation and laboratory fees, response costs, court costs and litigation expenses, except to the extent that any of the foregoing arise out of the gross negligence or willful misconduct of the party seeking indemnification therefor. This indemnity shall continue in full force and effect regardless of the termination of this Agreement.

7. NEGATIVE COVENANTS

The Borrower hereby agrees that, from the Restatement Date and so long as the Revolving Credit Commitments remain in effect or any amount is owing to any Lender or the Agent hereunder or under any other Loan Document, the Borrower shall not, nor shall it permit any of its Subsidiaries to, directly or indirectly:

1 Limitation on Indebtedness. Create, incur, assume or suffer to exist any Indebtedness except:

(a) Indebtedness of the Borrower under this Agreement;

(b) Indebtedness in respect of capitalized lease obligations and purchase money obligations for fixed or capital assets within the limitations set forth in subsection 7.2(a) on terms and conditions reasonably satisfactory to the Required Lenders; provided, however, that the aggregate amount of any such Indebtedness at any one time outstanding shall not exceed $15,000,000;

(c) Indebtedness in existence on the Restatement Date (other than the Subordinated Debt) and listed on Schedule 7.1(c) (and any extensions, renewals or replacements of such Indebtedness so long as the principal amount of such Indebtedness is not increased);

(d) Indebtedness to financial institutions under one or more unsecured credit line agreements in an aggregate amount not to exceed $15,000,000;

(e) Indebtedness in respect of Commercial Paper Obligations;

(f) Indebtedness permitted pursuant to subsection 7.7(e);

(g) Indebtedness under Hedging Agreements entered into with any Hedging Lender in the ordinary course of business;

(h) until September 30, 1995, Indebtedness of New Miracle-Gro to The Chase Manhattan Bank, N.A, (the "Chase Debt"), provided that the aggregate principal amount of such Indebtedness shall not exceed $57,000,000 (it being further understood and agreed by the parties to this Agreement that any obligation of New Miracle-Gro under the Subsidiary Guarantee shall be subordinate to its obligations to pay the Chase Debt);

(i) the Subordinated Debt (as the same may hereafter be refinanced by the Borrower in accordance with terms and provisions reasonably satisfactory to the Agent and the Required Lenders); and

(j) additional Indebtedness of the Borrower and its Subsidiaries not exceeding $40,000,000 in aggregate principal amount at any one time outstanding.

2 Limitation on Liens. Create, incur, assume or suffer to exist any Lien upon any of its property, assets or revenues, whether now owned or hereafter acquired, except:

(a) Liens securing Indebtedness permitted under subsection 7.1(b); provided that (i) such Liens do not at any time encumber any property other than the property financed by such Indebtedness and (ii) the Indebtedness secured thereby shall not exceed the cost or fair market value, whichever is lower, of the property being acquired on the date of acquisition;

(b) Liens for taxes and special assessments not yet due or which are being contested in good faith and by appropriate proceedings if adequate reserves with respect thereto are maintained on the books of the Borrower and its Subsidiaries in accordance with GAAP;

(c) carriers', warehousemen's, mechanics', materialmen's, repairmen's, or other like Liens arising in the ordinary course of business which are not overdue for a period of more than 30 days or which are being contested in good faith and by appropriate proceedings;

(d) pledges or deposits in connection with workmen's compensation, unemployment insurance and other social security legislation;

(e) deposits to secure the performance of bids, trade contracts (other than for borrowed money), leases, statutory and other obligations required by law, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(f) easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business and other Liens incurred in the ordinary course of business which, in the aggregate, are not substantial in amount, and which do not in any case materially detract from the value of the property subject thereto or interfere with the ordinary conduct of the business of the Borrower or its Subsidiaries;

(g) Liens resulting from judgments of any court or governmental proceeding, provided such Liens in the aggregate do not constitute an Event of Default under subsection 8(h);

(h) Liens in existence on the Restatement Date and reflected in the financial statements of the Borrower for the fiscal year ended September 30, 1994 or described in Schedule 7.2(h);

(i) Liens of landlords or of mortgagees of landlords, arising solely by operation of law, on fixtures located on premises leased in the ordinary course of business, provided that the rental payments secured thereby are not yet due; and

(j) Liens (not otherwise permitted hereunder) which secure Indebtedness permitted pursuant to subsection 7.1 in an aggregate amount not exceeding $40,000,000 at any time outstanding.

3 Limitation on Contingent Obligations. Agree to or assume, guarantee, indorse or otherwise in any way be or become responsible or liable for, directly or indirectly, any Contingent Obligation except for (i) the guarantees contemplated by the

Subsidiaries Guarantee and (ii) Contingent Obligations in an aggregate amount not to exceed $10,000,000 at any one time outstanding.

4 Limitation on Fundamental Changes. Except as permitted or contemplated by this Agreement, any other Loan Documents or the Merger Agreement, enter into any transaction of merger or consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution), convey, sell, lease, transfer or otherwise dispose of, in one transaction or a series of transactions, all or any material part of its business or assets, whether now owned or hereafter acquired, or acquire by purchase or otherwise all or substantially all the business or assets of, or stock or other evidence of beneficial ownership of, any Person, or make any material change in the method by which it conducts business, except that:

(a) any Subsidiary of the Borrower may be merged, amalgamated or consolidated with or into the Borrower or any wholly owned Subsidiary of the Borrower (provided that in the case of each such merger or consolidation, the Borrower or such wholly owned Subsidiary, as the case may be, shall be the continuing or surviving corporation) and such wholly owned Subsidiary shall be a Subsidiary Guarantor;

(b) any Subsidiary of the Borrower may be liquidated, wound up or dissolved into, or all or substantially all, or such lesser amount thereof as the Borrower shall determine, of its business, property or assets may be conveyed, sold, leased, transferred or otherwise disposed of, in one transaction or a series of transactions, to, (i) the Borrower or any wholly owned Subsidiary of the Borrower (provided that such wholly owned Subsidiary shall be a Subsidiary Guarantor) or (ii) to any other Person (provided that the aggregate Net Cash Proceeds received by the Borrower and its Subsidiaries in respect of any such liquidation, winding up, dissolution, conveyance, sale, lease, transfer or other disposition, as the case may be, shall not exceed $25,000,000);

(c) the Borrower or any Subsidiary of the Borrower may acquire by purchase or otherwise all or substantially all the business or assets of, or stock or other evidence of beneficial ownership of, any Person (including, without limitation, any Affiliate of the Borrower), in the same or similar line of business as the Borrower or such Subsidiary, as the case may be (provided that (i) the aggregate consideration derived from one or more equity issuances of the Borrower and paid or payable by the Borrower for all such acquisitions during any fiscal year of the Borrower shall not exceed $50,000,000, (ii) the sum of (A) the aggregate consideration paid or payable by the Borrower or such Subsidiary for all such acquisitions (including the amount of any debt incurred or assumed by the Borrower or such Subsidiary in respect thereof) other than pursuant to preceding clause (i) and (B) the aggregate consideration paid or payable pursuant to subsection 7.4(d)(i) shall not exceed $75,000,000 and (iii) at the time of and immediately after giving effect to any such acquisition, no Default or Event of Default shall have occurred and be continuing); and

(d) the Borrower or any Subsidiary of the Borrower may acquire by purchase or otherwise less than substantially all the business or assets of, or stock or other evidence of beneficial ownership of, any Person (including, without limitation, any Affiliate of the Borrower), in the same or similar line of business as the Borrower or such Subsidiary, as the case may be (provided that (i) the aggregate consideration paid or payable by the Borrower or such Subsidiary for all such acquisitions (including the amount of any debt incurred or assumed by the Borrower or such Subsidiary in respect thereof) shall not exceed $10,000,000 and (ii) the aggregate consideration paid or payable pursuant to subsection 7.4(c)(ii) (A) and preceding clause (i) shall not exceed $75,000,000 and (iii) at the time of and immediately after giving effect to any such acquisition, no Default or Event of Default shall have occurred and be continuing).

5 Limitation on Dividends and Stock Repurchases. (a) At any time that a Default or Event of Default shall have occurred and be continuing, declare any dividends (other than dividends payable solely in common shares of the Borrower) on, or make any payment on account of, or set apart assets for a sinking or other analogous fund for, the purchase, redemption, retirement or other acquisition of, any shares of any class of stock of the Borrower

or any of its Subsidiaries, whether now or hereafter outstanding, or make any other distribution in respect thereof, either directly or indirectly, whether in cash or property or in obligations of the Borrower or any of its Subsidiaries.

(a) At any time, make any payment on account of, or set apart assets for a sinking or other analogous fund for, the purchase, redemption, retirement or other acquisition of, any shares of any class of stock of the Borrower or any of its Subsidiaries, whether now or hereafter outstanding, except that (i) the Borrower and its Subsidiaries may make such payments and set apart such assets in an aggregate amount not to exceed $30,000,000 and (ii) in addition to the $30,000,000 provided for in preceding clause (i), the Borrower may use any funds received by the Borrower from the exercise of employee stock options granted after January 26, 1995 to repurchase the Borrower's common stock through the open market or privately negotiated transactions (provided that at the time of and immediately after giving effect to any such payment, setting apart or repurchase, no Default or Event of Default shall have occurred and be continuing).

6 Limitation on Capital Expenditures. Directly or indirectly (by way of the acquisition of the securities of a Person or otherwise) make or commit to make any expenditure in respect of the purchase or other acquisition of any fixed or capital asset (excluding (i) normal replacements and maintenance which are properly charged to current operations or replacements and maintenance which are payable from the proceeds of insurance received by the Borrower or any of its Subsidiaries and (ii) transactions permitted by subsection 7.4(b)) by the expenditure of cash or the incurrence of Indebtedness except for the purchase or other acquisition in any fiscal year of any such asset the cost of which (or, in the case of any acquisition not in the nature of an ordinary purchase, the book value of the consideration given for which), when aggregated with the costs of all other such assets purchased or otherwise acquired by the Borrower and its Subsidiaries taken as a whole during such fiscal year, does not exceed $50,000,000; provided that (i) if such $50,000,000 is not so utilized during any fiscal year (commencing with the fiscal year ending September 30, 1996), the unutilized amount for such fiscal year may be utilized in the next succeeding fiscal year, but not in any subsequent fiscal year and (ii) Capital Expenditures unutilized during the fiscal year ending on September 30, 1995 up to the amount of $12,500,000 may be utilized during the fiscal year of the Borrower beginning October 1, 1995 but not in any subsequent fiscal year.

7 Limitation on Investments, Loans and Advances. Make or commit to make any advance, loan, extension of credit or capital contribution to, or purchase of any stock, bonds, notes, debentures or other securities of, or make any other investment in, any Person except:

(a) investments in Cash Equivalents;

(b) loans and advances to officers and directors of the Borrower or any of its Subsidiaries (or employees thereof or manufacturers' representatives provided such loans and advances are approved by an officer of the Borrower) for travel, entertainment and relocation expenses in the ordinary course of business which do not exceed at any time outstanding an aggregate amount in excess of $5,000,000;

(c) investments in Subsidiaries existing on the Restatement Date;

(d) investments in notes and other securities received in the settlement of overdue debts and accounts payable in the ordinary course of business and for amounts which, individually or in the aggregate, are not material to the Borrower and its Subsidiaries taken as a whole;

(e) loans by the Borrower to any Subsidiary Guarantor for working capital purposes;

(f) pursuant to the Merger Transactions as set forth in the Merger Agreement as in effect on the date hereof;

(g) as otherwise provided pursuant to subsection 7.4; and

(h) insofar as not otherwise permitted pursuant to preceding clauses (a) through (g), loans to or investments in Affiliates in an aggregate amount not in excess of $10,000,000.

8 Limitation on Leases. Enter into any agreement, or be or become liable under any agreement, for the lease, hire or use of any real or personal property, except for (a) any such agreement in the nature of an operating lease the payment obligations for any fiscal year of the Borrower under which, when aggregated with the payment obligations for such fiscal year under all other operating leases to which the Borrower or any of its Subsidiaries, respectively, are parties, do not exceed $30,000,000, and (b) any such agreement in the nature of a capitalized lease the payment obligations under which are permitted by subsection 7.1(b).

9 Transactions with Affiliates and Officers. Except for transactions associated with the relocation expenses of officers of the Borrower in the ordinary course of business, (a) enter into any transaction, including, without limitation, the purchase, sale or exchange of property or the rendering of any services, with any Affiliate or any officer or director thereof, or enter into, assume or suffer to exist any employment or consulting contract with any Affiliate or any officer or director thereof, except any transaction or contract which is in the ordinary course of the Borrower's or such Subsidiary's business and which is upon fair and reasonable terms no less favorable to the Borrower or such Subsidiary than it would obtain in a comparable arm's length transaction with a Person not an Affiliate, (b) make any advance or loan to any Affiliate (except as otherwise made pursuant to subsection 7.7(h)) or any director or officer thereof or to any trust of which any of the foregoing is a beneficiary, or to any Person on the guarantee of any of the foregoing or (c) pay any fees (other than reasonable directors' fees or expenses) or expenses to, or reimburse or assume any obligation for the reimbursement of any expenses incurred by, any Affiliate or any officer or director thereof; provided that, subject to subsection 7.5, nothing contained in this subsection 7.9 shall be deemed to prohibit the transactions contemplated by the Merger Agreement, including, without limitation, the payment of dividends on, or the redemption of, the Borrower's Class A Convertible Preferred Stock in the exercise of any right of first refusal by the Borrower pursuant to the terms of the Merger Agreement.

10 Limitation on Sale of Assets. Except as permitted or contemplated by this Agreement or any other Loan Document, sell, lease, assign, transfer or otherwise dispose of any of its assets (including, without limitation, receivables and leasehold interests, but excluding obsolete or worn out property or property (including inventory) disposed of in the ordinary course of business), whether now owned or hereafter acquired, except that the Borrower or any of its Subsidiaries may sell, lease, assign, transfer or otherwise dispose of assets provided that (i) the fair market value of all such assets disposed of in any fiscal year shall not exceed $25,000,000 in the aggregate (which amount shall be inclusive of amounts in respect of transactions pursuant to subsection 7.4(b)(ii), but exclusive of transactions permitted under 7.11), (ii) if such $25,000,000 is not so utilized during any fiscal year (commencing with the fiscal year ending September 30, 1996), the unutilized amount for such fiscal year may be utilized in the succeeding fiscal year, but not in any subsequent fiscal year and (iii) up to $12,500,000 of the unutilized amount for the fiscal year ending on September 30, 1995 may be utilized for the fiscal year beginning October 1, 1995, but not in any subsequent fiscal year.

11 Sale and Leaseback. Enter into any arrangement with any Person providing for the leasing by the Borrower or any of its Subsidiaries of real or personal property which has been or is to be sold or transferred by the Borrower or any such Subsidiary to such Person or to any other Person to whom funds have been or are to be advanced by such Person on the security of such property or rental obligations of the Borrower or any such Subsidiary, except with respect to any such transactions which in any fiscal year shall not have an aggregate fair market value in excess of $10,000,000.

12 Limitation on Prepayments of Subordinated Debt and Modification of the Subordinated Notes. (a) Directly or

indirectly prepay, purchase, redeem, retain or otherwise acquire any of its Subordinated Debt; provided, however, that discharges of Subordinated Debt by mandatory prepayments or by scheduled installments and payments in full at their stated maturities shall not be deemed to violate this subsection 7.12 or (b) directly or indirectly, without the consent of the Required Lenders, permit the modification, waiver or amendment of any of the material terms (including, without limitation, the subordination provisions) of the Subordinated Notes (other than a consent from the holders thereof in respect of the Merger Transactions).

13 Fiscal Year. Permit the fiscal year of the Borrower and its Subsidiaries to end on a day other than September 30.

14 Sierra-Sunpol. Permit the Total Capitalization of Sierra-Sunpol to exceed $2,000,000 at any time.

8. EVENTS OF DEFAULT

Upon the occurrence of any of the following events:

(a) Payments. The Borrower shall fail to pay any principal of any Loan or any Reimbursement Obligation within two days after any such amount becomes due in accordance with the terms thereof or hereof (including, without limitation, all amounts of L/C Obligations, whether or not the beneficiaries of the then outstanding Letters of Credit shall have presented the documents required thereunder); or the Borrower shall fail to pay any interest on any Loan or any fee or other amount payable hereunder, within five days after any such interest, fee or amount becomes due in accordance with the terms thereof or hereof (including, without limitation, all amounts of L/C Obligations, whether or not the beneficiaries of the then outstanding Letters of Credit shall have presented the documents required thereunder); or

(b) Representations and Warranties. Any representation or warranty made or deemed made by the Borrower or any of its Subsidiaries in any of the Loan Documents to which it is a party or which is contained in any certificate, document or financial or other statement furnished at any time under or in connection herewith or therewith shall prove to have been incorrect in any material respect on or as of the date made or deemed made; or

(c) Certain Covenants. The Borrower shall default in the observance or performance of any covenant or agreement contained in subsection 2.9(b), subsections 6.8, 6.9, 6.10 or 6.12; or

(d) Other Covenants. The Borrower or any of its Subsidiaries or any other party thereto shall default in the observance or performance of any covenant or agreement (i) contained in subsections 7.4, 7.5, 7.6, 7.10, 7.11 or 7.12 and such default shall continue unremedied for a period of 10 days or (ii) contained in this Agreement or in any other Loan Document not referred to in preceding clause (i) or Section 8(c) and such default shall continue unremedied for a period of 30 days; or

(e) Cross-Default. The Borrower or any of its Subsidiaries shall (i) default in any payment of principal of or interest on any Indebtedness (other than the Loans) or in the payment of any Contingent Obligation, the aggregate principal amount of which exceeds $5,000,000, beyond the period of grace (not to exceed 30 days), if any, provided in the instrument or agreement under which such Indebtedness or Contingent Obligation was created; or (ii) default in the observance or performance of any other agreement or condition relating to any such Indebtedness or Contingent Obligation or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or holders of such Indebtedness or beneficiary or beneficiaries of such Contingent Obligation (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause, with the giving of notice if required, such Indebtedness to become due prior to its stated maturity or such Contingent Obligation to become payable; or (iii) any such Indebtedness or Contingent Obligation shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled

required prepayment) prior to the stated maturity thereof; or

(f) Commencement of Bankruptcy or Reorganization Proceedings. (i) The Borrower or any of its Subsidiaries shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets, or the Borrower or any of its Subsidiaries shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against the Borrower or any of its Subsidiaries any case, proceeding or other action of a nature referred to in clause (i) above which (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed, undischarged or unbonded for a period of 60 days; or (iii) there shall be commenced against the Borrower or any of its Subsidiaries any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within 60 days from the entry thereof; or (iv) the Borrower or any of its Subsidiaries shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii) or (iii) above; or (v) the Borrower or any of its Subsidiaries shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; or

(g) ERISA. (i) Any Person shall engage in any "prohibited transaction" (as defined in Section 406 of ERISA or Section 4975 of the Code) involving any Plan, (ii) any "accumulated funding deficiency" (as defined in Section 302 of ERISA), whether or not waived, shall exist with respect to any Plan, (iii) a Reportable Event shall occur with respect to, or proceedings shall commence to have a trustee appointed, or a trustee shall be appointed, to administer or to terminate, any Single Employer Plan, which Reportable Event or institution of proceedings is, in the reasonable opinion of the Required Lenders, likely to result in the termination of such Plan for purposes of Title IV of ERISA in a "distress termination" (within the meaning of Section 4041(c) of ERISA, and, in the case of a Reportable Event, the continuance of such Reportable Event unremedied for ten days after notice of such Reportable Event pursuant to Section 4043(a), (c) or (d) of ERISA is given or, in the case of institution of proceedings, the continuance of such proceedings for ten days after commencement thereof, (iv) any Single Employer Plan shall terminate for purposes of Title IV of ERISA in a "distress termination" (within the meaning of Section 4041(c) of ERISA, (v) the Borrower or any Commonly Controlled Entity shall, or is, in the reasonable opinion of the Required Lenders, likely to, incur any liability in connection with a withdrawal from, or the Insolvency or Reorganization of, a Multiemployer Plan or (vi) any other event or condition shall occur or exist with respect to a Single Employer Plan; and in each case in clauses (i) through (vi) above, such event or condition, together with all other such events or conditions, if any, could subject the Borrower or any of its Subsidiaries to any tax, penalty or other liabilities in the aggregate material in relation to the business, operations, property or financial or other condition of the Borrower and its Subsidiaries taken as a whole; or

(h) Material Judgments. One or more judgments or decrees shall be entered against the Borrower or any of its Subsidiaries involving in the aggregate a liability (not covered by insurance) of $5,000,000 or more and all such judgments or decrees shall not have been vacated, satisfied, discharged, or stayed or bonded pending appeal within 60 days from the entry thereof; or

(i) Change in Control. (i) Any Person (other than one or more of the Miracle-Gro Shareholders and their Permitted Transferees (as such term is defined in the Merger Agreement)) shall at any time own, directly or indirectly, shares representing more than 30% of the aggregate ordinary voting power represented by the issued and outstanding Capital Stock of the Borrower or (ii) one

or more of the Miracle-Gro Shareholders or their Permitted Transferees shall at any time own, directly or indirectly, shares representing more than 44% of the aggregate ordinary voting power represented by the issued and outstanding Capital Stock of the Borrower or (iii) a "Change of Control" as defined in Section 1008 of the Subordinated Note Indenture (as in effect on the Restatement Date), following the waiver of such Section in respect of the Miracle-Gro Shareholders and the consummation of the transactions contemplated by the Merger Transactions, shall occur; or

(j) Effectiveness of the Subsidiaries Guarantee. The Subsidiaries Guarantee shall cease for any reason (other than pursuant to the terms and conditions of this Agreement or the other Loan Documents) to be in full force and effect in accordance with its terms or any party thereto shall so assert in writing;

then, and in any such event, (a) if such event is an Event of Default specified in paragraph (f) above, automatically the Revolving Credit Commitments, the Swing Line Commitment and the L/C Commitment shall immediately terminate and the Bid Loans, the Swing Line Loans, the Revolving Credit Loans and the Reimbursement Obligations hereunder (with accrued interest thereon), the maximum amount available to be drawn under all outstanding Letters of Credit and all other amounts owing under this Agreement shall immediately become due and payable, and (b) if such event is any other Event of Default and is continuing, either or both of the following actions may be taken: (i) with the consent of the Required Lenders, the Agent may or upon the request of the Required Lenders, the Agent shall, by notice to the Borrower, declare the Revolving Credit Commitments, the Swing Line Commitment and the L/C Commitment to be terminated forthwith, whereupon the Revolving Credit Commitments, the Swing Line Commitment and the L/C Commitment shall immediately terminate; and (ii) with the consent of the Required Lenders, the Agent may or upon the request of the Required Lenders, the Agent shall, by notice of default to the Borrower, declare the Bid Loans, the Swing Line Loans, the Revolving Credit Loans and the Reimbursement Obligations hereunder (with accrued interest thereon), the maximum amount available to be drawn under all outstanding Letters of Credit and all other amounts owing under this Agreement to be due and payable forthwith, whereupon the same shall immediately become due and payable. Any amounts paid by the Borrower in respect of such undrawn Letters of Credit shall be returned to the Borrower after the last expiry date of the Letters of Credit and after all Obligations under the Loan Documents have been paid in full.

With respect to all Letters of Credit for which presentment for honor shall not have occurred at the time of an acceleration pursuant to the preceding paragraph, the Borrower shall at such time deposit in a cash collateral account opened by the Agent an amount equal to the aggregate then undrawn and unexpired amount of such Letters of Credit. Amounts held in such cash collateral account shall be applied by the Agent to the payments of drafts drawn under such Letters of Credit, and the unused portion thereof after all such Letters of Credit shall have expired or been fully drawn upon, if any, shall be applied to repay other obligations of the Borrower hereunder. After all such Letters of Credit shall have expired or been fully drawn upon, all Reimbursement Obligations shall have been satisfied and all other obligations of the Borrower hereunder shall have been paid in full, the balance, if any, in such cash collateral account shall be returned to the Borrower.

Except as expressly provided above in this Section 8, presentment, demand, protest and all other notices of any kind are hereby expressly waived.

9. THE AGENT

1 Appointment. (a) Each Lender hereby irrevocably designates and appoints Chemical Bank as the Agent of such Lender under this Agreement and the Subsidiaries Guarantee, and each such Lender hereby irrevocably authorizes Chemical Bank, as the Agent for such Lender, to take such action on its behalf under the provisions of this Agreement and the Subsidiaries Guarantee and to exercise such powers and perform such duties as are expressly delegated to the Agent by the terms of this Agreement

and the Subsidiaries Guarantee, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Agreement or the Subsidiaries Guarantee, the Agent shall not have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or the Subsidiaries Guarantee or otherwise exist against the Agent.

(a) Any proceeds received by the Agent pursuant to the terms of the Subsidiaries Guarantee shall be applied first to the payment in full of the Obligations and then, after all the Obligations have been paid in full and the Revolving Credit Commitments have been terminated, second to the payment of all obligations of the Borrower or any of its Subsidiaries to any Hedging Lender under any Hedging Agreement provided by such Hedging Lender. Each Hedging Lender agrees that (i) if at any time it shall receive any proceeds pursuant to the terms of the Subsidiaries Guarantee (other than through application by the Agent in accordance with this subsection 9.1(b)), it shall promptly turn the same over to the Agent for application in accordance with the provisions hereof and (ii) it will not take or cause to be taken any action, including, without limitation, the commencement of any legal or equitable proceedings, the purpose of which is or could be to give such Hedging Lender any preference or priority against the other Lenders with respect to such proceeds.

2 Delegation of Duties. The Agent may execute any of its duties under this Agreement by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care. Without limiting the foregoing, the Agent may appoint CBAS as its agent to perform the functions of the Agent hereunder relating to the advancing of funds to the Borrower and distribution of funds to the Lenders and to perform such other related functions of the Agent hereunder as are reasonably incidental to such functions.

3 Exculpatory Provisions. Neither the Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or affiliates (including, without limitation, CBAS) shall be (i) liable for any action lawfully taken or omitted to be taken by it or such Person under or in connection with this Agreement or the Subsidiaries Guarantee (except for its or such Person's own gross negligence or wilful misconduct) or (ii) responsible in any manner to any of the Lenders for any recitals, statements, representations or warranties made by the Borrower or any officer thereof contained in this Agreement or the Subsidiaries Guarantee or in any certificate, report, statement or other document referred to or provided for in, or received by the Agent under or in connection with, this Agreement or the Subsidiaries Guarantee or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement, any Notes or the Subsidiaries Guarantee or for any failure of the Borrower to perform its obligations hereunder or thereunder. Neither the Agent nor CBAS shall be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or the Subsidiaries Guarantee, or to inspect the properties, books or records of the Borrower.

4 Reliance by Agent. Each of the Agent and CBAS shall be entitled to rely, and shall be fully protected in relying, upon any Note, writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, telecopy or teletype message, statement, order or other document or conversation reasonably believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Borrower), independent accountants and other experts selected by the Agent. The Agent and CBAS may deem and treat the payee of any Note as the owner thereof for all purposes unless (a) a written notice of assignment, negotiation or transfer thereof shall have been filed with the Agent and (b) the Agent shall have received the written agreement of such assignee that such assignee is bound hereby as it would have been had it been an original Lender party hereto, in each case in form and substance satisfactory to the Agent. The Agent shall be

fully justified in failing or refusing to take any action under this Agreement or the Subsidiaries Guarantee unless it shall first receive such advice or concurrence of the Required Lenders as it deems appropriate or it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement and the other Loan Documents in accordance with a request of the Required Lenders, and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders and all future holders of the Loans.

5 Notice of Default. The Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder unless the Agent has received notice from a Lender or the Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". In the event that the Agent receives such a notice, the Agent shall give notice thereof to the Lenders. The Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the Required Lenders; provided that, unless and until the Agent shall have received such directions, the Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interests of the Lenders.

6 Non-Reliance on Agent, Other Lenders and CBAS. Each Lender expressly acknowledges that neither the Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or affiliates (including, without limitation, CBAS) has made any representations or warranties to it and that no act by the Agent hereinafter taken, including any review of the affairs of the Borrower, shall be deemed to constitute any representation or warranty by the Agent to any Lender. Each Lender represents to the Agent and CBAS that it has, independently and without reliance upon the Agent or any other Lender or CBAS, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Borrower and made its own decision to make its extensions of credit hereunder and enter into this Agreement. Each Lender also represents that it will, independently and without reliance upon the Agent, CBAS or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement or the Subsidiaries Guarantee, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of the Borrower. Except for notices, reports and other documents expressly required to be furnished to the Lenders by the Agent hereunder, the Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, property, financial and other condition or creditworthiness of the Borrower which may come into the possession of the Agent or any of its officers, directors, employees, agents, attorneys-in-fact or affiliates.

7 Indemnification. The Lenders agree to indemnify each of the Agent and CBAS in its capacity as such (to the extent not reimbursed by the Borrower and without limiting the obligation of the Borrower to do so), ratably according to the respective amounts of their Revolving Credit Commitments in effect on the date on which indemnification is sought (or, if indemnification is sought after the date upon which the Revolving Credit Commitments shall have terminated and the Loans shall have been paid in full, ratably according to the respective amounts of their Revolving Credit Commitments immediately prior to such date), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever which may at any time (including, without limitation, at any time following the payment of the Loans) be imposed on, incurred by or asserted against the Agent or CBAS in any way relating to or arising out of this Agreement, any of the other Loan Documents, or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by the Agent or CBAS under or in connection with any

of the foregoing; provided that no Lender shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting solely from the Agent's or CBAS' gross negligence or wilful misconduct. The agreements in this subsection shall survive the payment of the Loans and all other amounts payable hereunder.

8 Agent in Its Individual Capacity. The Agent and its Affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Borrower as though the Agent were not the Agent hereunder. With respect to its Loans made or renewed by it and any Note issued to it and with respect to any Letter of Credit issued or participated in by it, the Agent shall have the same rights and powers under this Agreement as any Lender and may exercise the same as though it were not the Agent, and the terms "Lender" and "Lenders" shall include the Agent in its individual capacity.

9 Successor Agent. The Agent may resign as Agent upon 10 days' notice to the Lenders. If the Agent shall resign as Agent under this Agreement, then the Required Lenders shall appoint from among the Lenders a successor agent for the Lenders (with the approval of the Borrower, which approval shall not be unreasonably withheld), whereupon such successor agent shall succeed to the rights, powers and duties of the Agent, and the term "Agent" shall mean such successor agent effective upon its appointment, and the former Agent's rights, powers and duties as Agent shall be terminated, without any other or further act or deed on the part of such former Agent or any of the parties to this Agreement or any holders of the Loans. After any retiring Agent's resignation hereunder as Agent, the provisions of this Section 9 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement.

10. MISCELLANEOUS

1 Amendments and Waivers. The Agent and the Borrower may, from time to time, with the written consent of the Required Lenders, enter into written amendments, supplements or modifications for the purpose of adding any provisions to this Agreement, the Subsidiaries Guarantee or any other Loan Document or changing in any manner the rights of the Lenders or the Borrower hereunder or thereunder, and, with the consent of the Required Lenders, the Agent, on behalf of the Lenders, may execute and deliver to the Borrower a written instrument waiving, on such terms and conditions as the Agent may specify in such instrument, any of the requirements of this Agreement or any other Loan Document or any Default or Event of Default and its consequences; provided, however, that no such waiver and no such amendment, supplement or modification shall (a) extend the final maturity of any Loan or reduce the rate or extend the time of payment of interest or fees thereon, or reduce the principal amount thereof, or change the amount or terms of any Lender's Revolving Credit Commitment, or amend, modify or waive any provision of this subsection, or reduce the percentage specified in the definition of Required Lenders, or consent to the assignment or transfer by the Borrower of any of its rights and obligations under this Agreement, or release all or substantially all of the guarantee obligations under the Subsidiaries Guarantee, in each case without the written consent of each Lender affected thereby, (b) amend, modify or waive any provision of Section 9 without the written consent of the then Agent, or (c) amend, modify or waive the provisions of any Letters of Credit or Reimbursement Obligation, without the written consent of the Borrower and the Issuing Lender. Any such waiver and any such amendment, supplement or modification shall be binding upon the Borrower, the Lenders and all future holders of the Loans. In the case of any waiver, the Borrower and the Lenders shall be restored to their former position and rights hereunder and under the other Loan Documents, and any Default or Event of Default waived shall be deemed to be cured and not continuing; but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereon.

2 Notices. Subject to the provisions of subsection 2.2(a), all notices, requests and demands to or upon the respective parties hereto to be effective shall be in writing or by telecopy and, unless otherwise expressly provided herein, shall be deemed

to have been duly given or made when delivered by hand, or when deposited in the mail, postage prepaid, or, in the case of telecopy notice, when received, addressed as follows in the case of each of the Borrower and the Agent, and as set forth in Schedule I in the case of the Lenders, or to such address or other address as may be hereafter notified by the respective parties hereto and any future holders of the Loans:

The Borrower: The Scotts Company
14111 Scottslawn Road
Marysville, Ohio 43041
Attention: Mr. Paul D. Yeager
Telecopy: (513) 644-7568

The Agent: Chemical Bank
270 Park Avenue
New York, New York 10017
Attention: Credit and Lending Group
Telecopy: (212) 972-0009

CBAS: Chemical Bank Agency Services
140 East 45th Street, 29th Floor
New York, New York 10017
Attention: Maxeen Francis
Telecopy: (212) 622-0122

provided that any notice, request or demand to or upon the Agent or the Lenders shall not be effective until received.

3 No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of the Agent or any Lender, any right, remedy, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

4 Survival of Representations, Warranties and Indemnities. All representations and warranties made hereunder and in any document, certificate or statement delivered pursuant hereto or in connection herewith shall survive the execution and delivery of this Agreement and the making of the Loans hereunder. The obligation of the Borrower to make payments or to provide indemnities as provided for in this Agreement shall survive payment in full of the Loans, expiration of all Letters of Credit and termination of the Revolving Credit Commitments and this Agreement.

5 Payment of Expenses and Taxes. The Borrower agrees (a) to pay or reimburse the Agent for all its reasonable out-of-pocket costs and expenses incurred in connection with the development, preparation and execution of, and any amendment, supplement or modification to, this Agreement, the Notes, the Subsidiaries Guarantee and any other documents prepared in connection herewith or therewith, and the consummation of the transactions contemplated hereby and thereby, including, without limitation, the reasonable fees and disbursements of counsel to the Agent, (b) to pay or reimburse each Lender and the Agent for all its costs and expenses incurred in connection with the enforcement or preservation of any rights under this Agreement, the Notes, the Subsidiaries Guarantee and any such other documents, including, without limitation, the reasonable fees and disbursements of counsel (including, without limitation, in-house counsel) to the Agent and to the several Lenders, (c) to pay, indemnify and hold each Lender and the Agent harmless from any and all recording and filing fees and any and all liabilities with respect to, or resulting from any delay in paying, stamp, excise and other similar taxes, if any, which may be payable or determined to be payable in connection with the execution and delivery of, or consummation of any of the transactions contemplated by, or any amendment, supplement or modification of, or any waiver or consent under or in respect of, this Agreement, the Notes, the Subsidiaries Guarantee and any such other documents, and (d) to pay, indemnify, and hold each Lender and the Agent harmless from and against any and all other liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever with respect to

the execution, delivery, enforcement, performance and administration of this Agreement, the Notes, the Subsidiaries Guarantee and any such other documents; provided, however, that with respect to subparagraphs (c) and (d), the Borrower shall not be liable for the payment of any losses, costs, penalties, judgments, suits, liabilities, damages, penalties, actions, expenses or disbursements resulting solely from the gross negligence or wilful misconduct of any such Lender. The agreements in this subsection shall survive repayment of the Loans, the Reimbursement Obligations and all other amounts payable hereunder.

6 Successors and Assigns; Participants; Agency.

(a) This Agreement shall be binding upon and inure to the benefit of the Borrower, the Lenders, the Agent, all future holders of the Loans and their respective successors and assigns, except that the Borrower may not assign or transfer any of its rights or obligations under this Agreement without the prior written consent of each Lender.

(b) Any Lender may, in the ordinary course of its commercial banking business and in accordance with applicable law, at any time sell to one or more banks or other financial institutions ("Participants") participating interests in any Loan owing to such Lender, any Reimbursement Obligation with respect to such Lender, any Revolving Credit Commitment of such Lender or any other interest of such Lender hereunder and under the other Loan Documents. In the event of any such sale by a Lender of participating interests to a Participant, such Lender's obligations under this Agreement to the other parties to this Agreement shall remain unchanged, such Lender shall remain solely responsible for the performance thereof, and such Lender shall remain the holder of any such Loan or Swing Line Participation Certificate for all purposes under this Agreement and the other Loan Documents, and the Borrower and the Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and the other Loan Documents. The Borrower agrees that if amounts outstanding under this Agreement are due and unpaid, or shall have been declared or shall have become due and payable upon the occurrence of an Event of Default, each Participant shall be deemed to have the right of setoff in respect of its participating interest in amounts owing under this Agreement to the same extent as if the amount of its participating interests were owing directly to it as a Lender under this Agreement; provided that such right of setoff shall be subject to the obligation of such Participant to share with the Lenders, and the Lenders agree to share with such Participant, as provided in subsection 10.7. The Borrower also agrees that each Participant shall be entitled to the benefits of subsections 2.16, 2.17 and 2.18 as if it were a Lender; provided, that, no Participant shall be entitled to receive any greater amount pursuant to any such subsection than the transferor Lender would have been entitled to receive in respect of the amount of the participation transferred by such transferor Lender to such Participant had no such transfer occurred.

(c) Any Lender may, in the ordinary course of its commercial banking business and in accordance with applicable law, at any time sell to any Lender or any affiliate thereof and, with the consent of the Borrower and the Agent (which in each case shall not be unreasonably withheld), to one or more additional banks or financial institutions (including, without limitation, "prime rate" funds, insurance companies and other institutions which purchase performing bank loans in the ordinary course of business) ("Purchasing Lenders") all or any part of its rights and obligations under this Agreement and the other Loan Documents pursuant to an Assignment and Acceptance, executed by such Purchasing Lender, such transferor Lender (and, in the case of a Purchasing Lender that is not then a Lender or an affiliate thereof, by the Borrower and the Agent) and delivered to the Agent for its acceptance and recording in the Register; provided that any sale by any Lender of all or any part of its Revolving Credit Commitment and/or Loans need not be made ratably in accordance with the respective amounts of such Revolving Credit Commitment or Loans, if any, held by such Lender immediately prior to such sale. Upon such execution, delivery, acceptance and recording, from and after the Transfer Effective Date determined pursuant to such Assignment and Acceptance, (x) the Purchasing Lender thereunder shall be a party hereto and, to the extent provided in such Assignment and Acceptance, have the

rights and obligations of a Lender hereunder with a Revolving Credit Commitment and/or Loans as set forth therein, and (y) the transferor Lender thereunder shall, to the extent provided in such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of a Assignment and Acceptance covering all or the remaining portion of a transferor Lender's rights and obligations under this Agreement, such transferor Lender shall cease to be a party hereto). Such Assignment and Acceptance shall be deemed to amend this Agreement to the extent, and only to the extent, necessary to reflect the addition of such Purchasing Lender and the resulting adjustment of Commitment Percentages and amounts of affected Revolving Credit Commitments arising from the purchase by such Purchasing Lender of all or a portion of the rights and obligations of such transferor Lender under this Agreement and the other Loan Documents. Anything in this subsection 10.6(c) to the contrary notwithstanding, (i) no transfer to any Lender party to this Agreement on the Restatement Date (an "Original Lender") or any affiliate thereof by any other Original Lender or any affiliate thereof shall be made pursuant to this subsection 10.6(c) if such transfer is in respect of less than $5,000,000 in the aggregate of the Revolving Credit Commitment of such transferor Original Lender, (ii) except as provided in preceding clause (i), no transfer to a Purchasing Lender shall be made pursuant to this subsection 10.6(c) if such transfer is in respect of less than $10,000,000 in the aggregate of the Revolving Credit Commitment of such transferor Lender, (iii) no transfer to a Purchasing Lender shall be made pursuant to this subsection 10.6(c) if such transfer shall reduce the transferor Lender's Revolving Credit Commitment to less than $10,000,000 and (iv) the consent of the Borrower shall not be required, and, unless requested by the Purchasing Lender and/or the transferor Lender, new Notes shall not be required to be executed and delivered by the Borrower, for any assignment which occurs at any time when any of the events described in Section 8(f) shall have occurred and be continuing.

(d) The Agent, on behalf of the Borrower, shall maintain at its address referred to in subsection 10.2 a copy of each Assignment and Acceptance delivered to it and a register (the "Register") for the recordation of the names and addresses of the Lenders and the Revolving Credit Commitments of, and principal amount and types of Loans owing to, each Lender from time to time. The entries in the Register shall be conclusive, in the absence of manifest error, and the Borrower, the Agent and the Lenders may (and, in the case of any Loan or other obligation hereunder not evidenced by a Note, shall) treat each Person whose name is recorded in the Register as the owner of a Loan or other obligation hereunder as the owner thereof for all purposes of this Agreement and the other Loan Documents, notwithstanding any notice to the contrary. Any assignment of any Loan or other obligation hereunder not evidenced by a Note shall be effective only upon appropriate entries with respect thereto being made in the Register. The Register shall be available for inspection by the Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice.

(e) Upon its receipt of an Assignment and Acceptance executed by a transferor Lender and a Purchasing Lender together with payment to the Agent (by the transferor Lender or the Purchasing Lender, as agreed between them) of a registration and processing fee of $3,000 for each Purchasing Lender listed in such Assignment and Acceptance, the Agent shall (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice of such acceptance and recordation to the Lenders and the Borrower.

(f) The Borrower authorizes each Lender to disclose to any Participant or Purchasing Lender (each a "Transferee") and any prospective Transferee any and all financial information in such Lender's possession concerning the Borrower which has been delivered to such Lender by the Borrower pursuant to this Agreement or which has been delivered to such Lender by the Borrower in connection with such Lender's credit evaluation of the Borrower prior to entering into this Agreement.

(g) For avoidance of doubt, the parties to this Agreement acknowledge that the provisions of this subsection concerning assignments of Loans and Notes relate only to absolute assignments and that such provisions do not prohibit assignments creating security interests, including, without limitation, any pledge or assignment by a Lender of any Loan or Note to any

Federal Reserve Bank in accordance with applicable law.

7 Adjustments; Set-off. (a) If any Lender (a "benefitted Lender") shall at any time receive any payment of all or part of its Loans or the Reimbursement Obligations owing to it, or interest thereon (whether voluntarily or involuntarily, by set-off, pursuant to events or proceedings of the nature referred to in clause (f) of Section 8, or otherwise), in a greater proportion than any such payment to any other Lender, if any, in respect of such other Lender's Loans or the Reimbursement Obligations owing to it, or interest thereon, such benefitted Lender shall purchase for cash from the other Lenders such portion of each such other Lender's Loan or the Reimbursement Obligations owing to it as shall be necessary to cause such benefitted Lender to share the excess payment ratably with each of the Lenders; provided, however, that if all or any portion of such excess payment is thereafter recovered from such benefitted Lender, such purchase shall be rescinded and the purchase price returned to the extent of such recovery, but without interest. The Borrower agrees that each Lender so purchasing a portion of another Lender's Loan or the Reimbursement Obligations owing to it may exercise all rights of payment (including, without limitation, rights of set-off) with respect to such portion as fully as if such Lender were the direct holder of such portion.

(a) In addition to any rights and remedies of the Lenders provided by law, upon the occurrence of an Event of Default and acceleration of the obligations owing in connection with this Agreement, each Lender shall have the right, without prior notice to the Borrower, any such notice being expressly waived by the Borrower to the extent permitted by applicable law, to set off, appropriate and apply against any indebtedness, whether matured or unmatured, of the Borrower to such Lender, any amount held by or owing from such Lender to or for the credit or the account of the Borrower at, or at any time after, the happening of any of the above mentioned events, and the aforesaid right of set-off may be exercised by such Lender against the Borrower or against any trustee in bankruptcy, debtor in possession, assignee for the benefit of creditors, receiver, custodian or execution, judgment or attachment creditor of the Borrower, or against anyone else claiming through or against the Borrower or such trustee in bankruptcy, debtor in possession, assignee for the benefit of creditors, receiver, custodian or execution, judgment or attachment creditor, notwithstanding the fact that such right of set-off shall not have been exercised by such Lender prior to the making, filing or issuance of, or service upon such Lender of, or of notice of, any such petition, assignment for the benefit of creditors, appointment or application for the appointment of a receiver, or issuance of execution, subpoena, order or warrant. Each Lender agrees promptly to notify the Borrower after any such set-off and application made by such Lender, provided that the failure to give such notice shall not affect the validity of such set-off and application.

8 Merger Transactions. If consummated, the Merger Transactions shall be consummated on terms reasonably acceptable to the Agent and the Lenders and all necessary governmental and third party waivers shall have been obtained. For purposes hereof, the Agent and the Lenders shall be deemed to have approved the terms of the Merger Transactions, provided that the material terms thereof are, in the reasonable judgment of the Agent and the Required Lenders, substantially similar to the terms and conditions set forth in the copy of the Merger Agreement heretofore delivered to the Agent and the Lenders.

9 Non-U.S. Lenders. Each Lender that is not incorporated under the laws of the United States of America or a state thereof shall:

(i) deliver to the Borrower and the Agent (A) two duly completed copies of United States Internal Revenue Service Form 1001 or 4224, or successor applicable form, as the case may be, and (B) an Internal Revenue Service Form W-8 or W-9, or successor applicable form, as the case may be;

(ii) deliver to the Borrower and the Agent two further copies of any such form or certification on or before the date that any such form or certification expires or becomes obsolete and after the occurrence of any event requiring a change in the most recent form previously delivered by it to the Borrower; and

(iii) obtain such extensions of time for filing and complete such forms or certifications as may reasonably be requested by the Borrower or the Agent;

unless in any such case an event (including, without limitation, any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required which renders all such forms inapplicable or which would prevent such Lender from duly completing and delivering any such form with respect to it and such Lender so advises the Borrower and the Agent. Such Lender shall certify (i) in the case of a Form 1001 or 4224, that it is entitled to receive payments under this Agreement without deduction or withholding of any United States federal income taxes and (ii) in the case of a Form W-8 or W-9, that it is entitled to an exemption from United States backup withholding tax. Each Person that shall become a Transferee pursuant to subsection 10.6(f) shall, upon the effectiveness of the related transfer, be required to provide all of the forms and statements required pursuant to this subsection, provided that, in the case of a Participant, such Participant shall furnish all such required forms and statements to the Lender from which the related participation shall have been purchased.

10 Counterparts. This Agreement may be executed by one or more of the parties hereto on any number of separate counterparts and all of said counterparts taken together shall be deemed to constitute one and the same instrument. A set of the copies of this Agreement signed by all the parties hereto shall be delivered to the Borrower and the Agent.

11 Governing Law; No Third Party Rights. This Agreement and the Notes and the rights and obligations of the parties under this Agreement and the Notes shall be governed by, and construed and interpreted in accordance with, the law of the State of New York. This Agreement is solely for the benefit of the parties hereto and their respective successors and assigns, and no other Person shall have any right, benefit, priority or interest under, or because of the existence of, this Agreement.

12 Headings. The headings of the Sections and subsections of this Agreement are inserted for convenience only and shall not be deemed to constitute a part hereof.

13 Submission To Jurisdiction; Waivers. The Borrower hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Agreement and the other Loan Documents to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the Courts of the State of New York, the courts of the United States of America for the Southern District of New York, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to the Borrower at its address set forth in subsection 10.2 or at such other address of which the Agent shall have been notified pursuant thereto;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this subsection any special, exemplary, punitive or consequential damages.

14 Acknowledgements. The Borrower hereby acknowledges that:

(a) it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the Notes and the

other Loan Documents;

(b) neither the Agent nor any Lender has any fiduciary relationship to the Borrower, and the relationship between Agent and Lenders, on one hand, and the Borrower, on the other hand, is solely that of debtor and creditor; and

(c) no joint venture exists among the Lenders or among the Borrower and the Lenders.

15 WAIVERS OF JURY TRIAL. THE BORROWER, THE AGENT AND THE LENDERS HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR THE NOTES OR ANY LOAN DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN.

16 Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

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

THE SCOTTS COMPANY

By:
Title:

CHEMICAL BANK, as Agent and as a Lender

By:
Title:

BANK ONE, COLUMBUS, N.A.

By:
Title:

COMERICA BANK

By:
Title:

CREDIT LYONNAIS CAYMAN ISLAND BRANCH

By:
Title:

THE FIRST NATIONAL BANK OF CHICAGO

By:
Title:

NATIONAL CITY BANK, COLUMBUS

By:
Title:

NBD BANK

By:
Title:

PNC BANK, OHIO, NATIONAL
ASSOCIATION

By:
Title:

ROYAL BANK OF SCOTLAND

By:
Title:

SOCIETE GENERALE

By:
Title:

SOCIETY NATIONAL BANK

By:
Title:

THE BANK OF NOVA SCOTIA

By:
Title:

THE BANK OF TOKYO TRUST COMPANY

By:
Title:

THE CHASE MANHATTAN BANK, N.A.

By:
Title:

THE NORTHERN TRUST COMPANY

By:
Title:

THE SANWA BANK, LIMITED, CHICAGO BRANCH

By:
Title:

THE TOKAI BANK, LIMITED

By:
Title:

THE TORONTO-DOMINION BANK

By:
Title:

UNION BANK

By:
Title:

THE SCOTTS COMPANY

FOURTH AMENDED AND RESTATED CREDIT AGREEMENT

dated as of March 17, 1995

CHEMICAL BANK,

THE LENDERS PARTY HERETO

and

CHEMICAL BANK
as Agent

TABLE OF CONTENTS

SCHEDULES

EXHIBITS

THE SCOTTS COMPANY

Computation of Net Income Per Common Share
Primary (Unaudited)
(Dollars in thousands except per share amounts)

	For the Six Months Ended		For the Three Months Ended	
	April 2 1994	April 1 1995	April 2 1994	April 1 1995
Net income for computing net income per common share:				
Net income	$ 11,456	$ 11,677	$ 13,013	$ 14,815
Net income per common share:				
Net income per common share	$ .61	$ .62	$ .69	$ .79

Computation of Weighted Average Number of Common Shares Outstanding (Unaudited)

	For the Six Months Ended		For the Three Months Ended	
	April 2 1994	April 1 1995	April 2 1994	April 1 1995
Weighted average common shares outstanding during the period	18,659,472	18,667,064	18,658,999	18,667,064
Effect of options outstanding based upon the Treasury Stock Method:				
Performance shares	102,484		84,961	
January 1992 - 136,364 at $9.90	73,326	68,495	71,598	64,097
June 1992 - 15,000 at $16.25	2,245	-	1,896	-
November 1992 - 522,175 at $16.25	21,540	44,127	18,184	13,156
December 1992 - 300,000 at $18.00	17,425	-	9,678	-
March 1993 - 24,000 at $18.25	1,080	-	452	-
October 1993 - 247,170 at $17.25	12,649	6,963	9,432	-
October 1994 - 254,420 at $18.25	-	32,250	-	17,857
January 1995 - 18,000 at $16.50	-	1,268	-	184
Weighted average common shares outstanding during the period for computing net income per common share	18,890,221	18,820,167	18,855,200	18,762,358

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

5

This schedule contains summary financial information extracted from the consolidated balance sheet at April 1, 1995 and statement of income for the six months ended April 1, 1995 of The Scotts Company and its subsidiaries and is qualified in its entirety by reference to such financial statements.

1000
U.S. DOLLARS

6-MOS	
SEP-30-1995	
OCT-01-1994	
APR-01-1995	
1	
6,619	
0	
255,904	
3,395	
143,574	
425,543	
218,905	
75,114	
708,842	
166,032	
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211	
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0	
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0	
0	
11,677	
.62	
.62	