UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

FOR ANNUAL AND TRANSITIONAL REPORTS PURSUANT TO
SECTIONS 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

(Mark One)

(X) ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended September 30, 2002

OR

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

For the transition period from __________ to __________

Commission file number 1-13292

THE SCOTTS COMPANY

(Exact Name of Registrant as Specified in Its Charter)

OHIO	31-1414921
(State or Other Jurisdiction of or Organization)	(I.R.S. Employer Identification Incorporation No.)
14111 SCOTTSLAWN ROAD, MARYSVILLE, OHIO	43041
(Address of Principal Executive Offices)	(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Shares, without par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: NONE

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 by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ( )

The number of Common Shares of the registrant outstanding as of December 6, 2002 was 30,385,680.

Indicated by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes X No _ .

The aggregate market value of Common Shares held by non-affiliates of the registrant computed by reference to the price at which Common Shares were last sold as of the last business day of the registrant's most recently completed second fiscal quarter (March 28, 2002) was $887,969,390.

DOCUMENTS INCORPORATED BY REFERENCE:

PORTIONS OF THE PROXY STATEMENT FOR REGISTRANT'S 2003 ANNUAL MEETING OF SHAREHOLDERS TO BE HELD JANUARY 30, 2003, ARE INCORPORATED BY REFERENCE INTO PART III HEREOF.

PART I

ITEM 1. BUSINESS

GENERAL

The Scotts Company, an Ohio corporation, is the combination of two of the most innovative companies in the consumer lawn and garden market: O.M. Scott & Sons, which traces its heritage back to a company founded by O.M. Scott in Marysville, Ohio in 1868, and Stern's Miracle-Gro Products, Inc., which traces its heritage back to a company formed on Long Island by Horace Hagedorn and his partner in 1951. In the mid 1900's, Scotts had become widely known for innovation in the development of quality lawn fertilizers and grass seeds that led to the creation of a new industry -- consumer lawn care. Sterns Miracle-Gro(R)captured the attention of gardeners with its award-winning advertising campaigns for plant food.

In fiscal 1995, through a merger, Scotts and Miracle-Gro joined forces in what became the start of several acquisitions of other leading brands in the lawn and garden industry in North America and Europe. In fiscal 1999, we acquired the Ortho(R) brand and exclusive rights to market the consumer Roundup(R) brand, thereby adding industry-leading pesticides and herbicides to our controls portfolio. In the 1990's, we completed several acquisitions in Europe which gave us well-known brands in France, Germany and the United Kingdom. We are among the most widely recognized marketers and manufacturers of products for lawns, gardens and professional horticulture, and we are rapidly expanding into the lawn care service industry through our Scotts LawnService(R)business.

We believe that our market leadership in the lawn and garden category is driven by our leading brands, consumer-focused marketing, superior product performance, supply chain competency and the strength of our extensive relationships with major U.S. retailers in our categories. Our portfolio of consumer brands, each of which we believe holds a leading market share position in its respective U.S. markets, includes the following:

- Miracle-Gro(R)
- Scotts(R)
- Ortho(R)
- Roundup(R)*
- Turf Builder(R)
- Osmocote(R)
- Hyponex(R)

Our portfolio of European Union brands includes the following:

- Celaflor(R)
- Fertiligene(R)
- KB(R)
- Levington(R)
- Miracle-Gro(R)
- Nexa-Lotte(R)
- Shamrock(R)
- Substral(R)
- Weedol(R)

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* Roundup(R) is a registered trademark of Monsanto Technology LLC (an affiliate of Monsanto Company). We market and distribute consumer Roundup(R) products for Monsanto under a marketing agreement. For additional information, please see the discussion under the heading "-- Roundup(R) Marketing Agreement".

BUSINESS SEGMENTS

We divide our business into four reporting segments:

- North American Consumer;
- Scotts LawnService(R);
- Global Professional; and
- International Consumer.

Financial information about these segments for the three years ended September 30, 2002 is presented in Note 21 of the Notes to Consolidated Financial Statements, which are included under Item 8 of this Form 10-K.

NORTH AMERICAN CONSUMER

In our North American Consumer segment, we manufacture and market products that provide fast, easy and effective assistance to homeowners who seek to nurture beautiful, weed and pest-free lawns, gardens and indoor plants. These products are sold under brand names that people know and trust, and that incorporate many of the best technologies available. These products include:

TURF BUILDER(R). We sell a complete line of granular lawn fertilizer and combination products which include fertilizer and crabgrass control, weed control or pest controls under the Scotts(R) Turf Builder(R) brand name. The Turf Builder(R) line of products is designed to make it easy for do-it-yourself consumers to select and properly apply the right product in the right quantity for their lawns.

MIRACLE-GRO(R). We sell a complete line of plant foods under the Miracle-Gro(R) brand name. The leading product is a water-soluble plant food that, when dissolved in water, creates a diluted nutrient solution which is poured over plants or sprayed through an applicator and rapidly absorbed by a plant's roots and leaves. Miracle-Gro(R) products are specially formulated to give different kinds of plants the right kind of nutrition. While Miracle-Gro(R) All-Purpose Water-Soluble Plant food is the leading product in the Miracle-Gro(R) line by market share, the Miracle-Gro(R) line includes other products such as Miracle-Gro(R) Rose Plant Food, Miracle-Gro(R) Tomato Plant Food, Miracle-Gro(R) Lawn Food and Miracle-Gro(R) Bloom Booster(R). Miracle-Gro(R) continues to develop ways to improve the convenience of its products for the consumer. The Miracle-Gro(R) Garden Feeder provides consumers with an easy, fast and effective way to feed all the plants in their garden. We also introduced a high quality, slow release line of Miracle-Gro(R) plant foods for extended feeding convenience sold as Miracle-Gro(R) Shake 'n Feed.

ORTHO(R). We sell a broad line of weed control, indoor and outdoor pest control and plant disease control products under the Ortho(R) brand name. Ortho(R) products are available in aerosol, liquid ready-to-use, concentrated, granular and dust forms. Ortho(R) control products include Weed-B-Gon(R), Brush-B-Gon(R), Bug-B-Gon(R), RosePride(R), Ortho-Klor(R), Ant-Stop(R), Orthene(R) Fire Ant control, Ortho(R) Home Defense(R) and Flea-B-Gon(R).

GROWING MEDIA. We sell a complete line of growing media products for indoor and outdoor uses under the Miracle-Gro(R), Scotts(R), Hyponex(R), Earthgro(R) and Nature Scapes(R) brand names, as well as other labels. These products include potting mix, garden soils, topsoil, manures, sphagnum peat and decorative barks and mulches. The addition of the Miracle-Gro(R) brand name and fertilizer to potting mix and garden soils has turned previously low-margin commodity products into value-added category leaders.

ROUNDUP(R). In 1998, we entered into a long-term marketing agreement with Monsanto and became Monsanto's exclusive agent for the marketing and distribution of consumer Roundup(R) non-selective herbicide products in the consumer lawn and garden market within the United States and other specified countries, including Australia, Austria, Canada, France, Germany and the United Kingdom.

OTHER PRODUCTS. We manufacture and market several lines of high quality lawn spreaders under the Scotts(R) brand name, including Scotts EdgeGuard(TM) Total Performance spreaders, SpeedyGreen(R) rotary spreaders, AccuGreen(R) drop spreaders and Handy Green(R) II handheld lawn spreaders. We sell a line of hose-end applicators for water-soluble plant foods such as Miracle-Gro(R) products, and lines of applicators under the Ortho(R), Dial 'N Spray(R), and Pull 'N Spray(R) trademarks for the application of certain insect control products. We also sell numerous varieties and blends of high quality grass seed, many of them proprietary, designed for different conditions and geographies. These consumer grass seed products are sold under the Scotts(R) Pure Premium(R), Scotts(R) Turf Builder(R), Scotts(R) and PatchMaster(R) brands.

SCOTTS LAWNSERVICE(R)

In addition to our products, we provide residential lawn care, lawn aeration, tree and shrub care and external pest control services through our Scotts LawnService(R) business in the United States. These services consist primarily of fertilizer, weed control, pest control and disease control applications. Scotts

LawnService(R) had 60 company operated locations serving 42 metropolitan markets, and 45 independent franchise locations as of September 30, 2002.

GLOBAL PROFESSIONAL

Through our Global Professional segment, we sell professional products to commercial nurseries, greenhouses, landscape service providers and specialty crop growers in North America and internationally in many locations including Africa, Australia, the Caribbean, the European Union, Japan, Latin America, the Middle East, New Zealand and Southeast Asia.

Our professional products include a broad line of sophisticated controlled-release fertilizers, water-soluble fertilizers, pesticide products, wetting agents and growing media products which are sold under brand names that include Banrot(R), Metro-Mix(R), Miracle-Gro(R), Osmocote(R), Peters(R), Poly-S(R), Rout(R), ScottKote(R), Sierrablen(R), Shamrock(R) and Sierra(R).

Our Branded Plants business is also a part of the Global Professional segment. This business arranges for the sale of high-quality annual plants to retailers. The annuals are produced by independent growers according to a defined protocol and branded with Scotts' trademarks, in accordance with a licensing agreement. We receive a fee for each branded plant sold.

Our biotechnology activities are conducted within our Global Professional Segment. For more information please see "Biotechnology".

For information concerning risks attendant to our foreign operations, please see "ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS -- Forward-Looking Statements."

INTERNATIONAL CONSUMER

In our International Consumer segment, we sell consumer lawn and garden products in over 25 countries outside of North America. Our International Consumer segment also manages and markets the consumer Roundup(R) business with Monsanto outside of North America under a long-term marketing agreement.

Our International Consumer products and brand names vary from country to country depending upon the market conditions, brand name strength and the nature of our strategic relationships in a given country. For example, in the United Kingdom, we sell Miracle-Gro(R) plant fertilizers, Weedol(R) and Pathclear(R) herbicides, EverGreen(R) lawn fertilizer and Levington(R) growing media. Our other international brands include KB(R) and Fertiligene(R) in France, Celaflor(R), Nexa-Lotte(R) and Substral(R) in Germany and Austria, and ASEF(R), KB(R) and Substral(R) in the Benelux countries.

For information concerning risks attendant to our foreign operations, please see "ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS -- Forward-Looking Statements."

RESEARCH AND DEVELOPMENT

We believe strongly in the benefits of research and development, and we continually invest in research and development to improve existing or develop new products, manufacturing processes and packaging and delivery systems. In fiscal 2002, 2001 and 2000, we spent 1.5% of our net sales, $26.2 million, $24.7 million and $24.1 million, respectively, on research and development, including environmental and regulatory expenses. We believe that our long-standing commitment to innovation has benefited us, as evidenced by a portfolio of patents worldwide that support most of our fertilizers and many of our grass seeds and application devices. In addition to the benefits of our own research and development, we benefit from the research and development activities of our suppliers.

Our research and development headquarters for North America are located at the Dwight G. Scott Research Center in Marysville, Ohio. We also have research and development facilities in Levington, the United Kingdom; Ecully, France; Ingelheim, Germany; Heerlen, the Netherlands and Sydney, Australia, as well as several research field stations located throughout the United States.

BIOTECHNOLOGY

We believe that the development and commercialization of innovative products is an important key to our continued success.

We have a long history of dedication to responsible research in search of better, more effective and easier to use products. In particular, we have worked for 75 years to create better products for the establishment and maintenance of turfgrass. Biology and breeding have been a part of that research and development for the past 40 years. We remain dedicated to being the technology leader in turfgrass products. Today, that dedication results in research into products that can be enhanced with biotechnology, as well as products that can be improved through biology and breeding.

Before a product enhanced with biotechnology may be sold in the United States, it must be "deregulated" by appropriate governmental agencies. Deregulation involves compliance with the rules and regulations of and cooperation with the United States Department of Agriculture, Animal and Plant Health Inspection Service (the "USDA"), the Environmental Protection Agency (the "EPA") and/or the Food and Drug Administration (the "FDA"). Therefore, any product enhanced with biotechnology for which we seek commercialization to the point of submitting a petition for deregulation, will be subjected to rigorous and thorough governmental regulatory review.

More specifically, as part of the deregulation process for any product enhanced with biotechnology, we are required to present evidence to the USDA in the form of scientifically rigorous studies showing that the product is not substantially different from products of the same species that have not been enhanced with biotechnology. We are also required to satisfy other agencies, such as the EPA and the FDA, as to their appropriate areas of regulatory authority. This process typically takes years to complete and also includes at least two opportunities for public comment.

We submitted a petition for deregulation of a non-residential turfgrass product enhanced with biotechnology to the USDA on April 30, 2002. This turfgrass has been shown, through our research trials, to provide simple, more flexible, and better weed control for golf courses in a manner that we believe is more environmentally friendly. The USDA requested additional information and data. We determined that it was more expedient to withdraw the petition and submit a revised petition that addressed the USDA's requests than to amend the current petition. On October 3, 2002, we withdrew our petition. We are in the process of preparing a revised petition that addresses the USDA's requests. We intend to submit the revised petition sometime in the next twelve months.

There can be no assurance that our petition for deregulation of this turfgrass product enhanced with biotechnology will be approved, or that if approved and commercially introduced, it will generate any revenues for the Company or contribute to the Company's earnings.

TRADEMARKS, PATENTS AND LICENSES

The Scotts(R), Miracle-Gro(R), Hyponex(R) and Ortho(R) brand names and logos, as well as a number of product trademarks, including Turf Builder(R), Osmocote(R) and Peters(R), are federally and/or internationally registered and are considered material to our business. We regularly monitor our trademark registrations, which are generally effective for ten years, so that we can renew those nearing expiration.

As of September 30, 2002, we held over 95 issued patents in the United States covering fertilizer, chemical and growing media compositions and processes, grasses and application devices. Many of these patents have also been issued in numerous countries around the world, bringing our total worldwide patents to more than 290. International patents are subject to annual renewal, with patent protection generally extending to 20 years from the date of filing. Many of our patents extend well into the next decade. In addition, we continue to file new patent applications each year. Currently, we have over 205 pending patent applications worldwide. We also hold exclusive and non-exclusive patent licenses from various raw material suppliers, permitting the use and sale of additional patented fertilizers and pesticides.

During fiscal 2002, we were granted a number of key U.S. and International patents. Some of the more significant new U.S. Patents include: new "Pull and Spray" application technology, new Water Soluble Fertilizer and Growing Media technologies, and Household Pest technology. Internationally, we extended patent coverage of our core fertilizer technologies (controlled release and water soluble) and applicator technologies to additional countries within our European and Asia/Pacific markets.

One of our material methylene-urea patents expired in July 2001. This product composition patent covered Scotts(R) Turf Builder(R), Scotts(R) Turf Builder(R) with Plus 2(R) Weed Control and Scotts(R) Turf Builder(R) with Halts(R) Crabgrass Control, among other products. These products are also the subject of a separate patent extending to 2010, which covers the current and preferred manufacturing method for producing these products. Although these products possibly could be manufactured by an alternative method, we believe that the higher manufacturing costs to replicate these products and the strength of the Scotts(R) brand should lessen the likelihood of product duplication by any competitor.

ROUNDUP(R) MARKETING AGREEMENT

On September 30, 1998, we entered into a marketing agreement with Monsanto and became Monsanto's exclusive agent for the marketing and distribution of consumer Roundup(R) products in the consumer lawn and garden market within the United States and other specified countries, including Australia, Austria, Canada, France, Germany and the United Kingdom. In addition, if Monsanto develops new products containing glyphosate, the active ingredient in Roundup(R), or other new non-selective herbicides, we have specified rights to market those products in the consumer lawn and garden market in the United States and other specified countries. Glyphosate is no longer subject to a patent in the United States or elsewhere.

Under the marketing agreement, we and Monsanto are jointly responsible for developing global consumer and trade marketing programs for Roundup(R). We have assumed responsibility for sales support, merchandising, distribution and logistics for Roundup(R). Monsanto continues to own the consumer Roundup(R) business and provides significant oversight of its brand. In addition, Monsanto continues to own and operate the agricultural Roundup(R) business. A steering committee comprised of two Scotts designees and two Monsanto designees has ultimate oversight over the consumer Roundup(R) business. In the event of a deadlock, the president of Monsanto is entitled to the tie-breaking vote.

We are compensated under the marketing agreement based on the success of the consumer Roundup(R) business in the markets covered by the agreement. In addition to recovering out-of-pocket costs on a fully burdened basis, we receive a graduated commission to the extent that the earnings before interest and taxes of the consumer Roundup(R) business in the included markets exceed specified thresholds. Regardless of these earnings, we are required to make an annual contribution payment against the overall expenses of the Roundup(R) business. For fiscal 2002, this contribution payment was $20 million. Beginning in fiscal 2003 until 2018 or the earlier termination of the agreement, the minimum annual contribution payment will be $25 million and may be higher if certain significant earnings targets are achieved.

Our net commission under the marketing agreement is equal to the graduated commission amount described above, less the applicable contribution payment and amortization of the marketing rights advance payment. For fiscal 2002, the net commission was $16.2 million. See Note 3 of the Notes to Consolidated Financial Statements, which are included under Item 8 of this Form 10-K.

The marketing agreement has no definite term, except as it relates to the European Union countries. With respect to the European Union countries, the initial term of the marketing agreement extends through September 30, 2005. After September 30, 2005, the parties may agree to renew the agreement with respect to the European Union countries for three successive terms ending on September 30, 2008, 2015 and 2018, respectively with a separate determination being made by the parties at the expiration of each such renewal term as to whether to commence a subsequent renewal term. However, if Monsanto does not agree to any of the renewal terms with respect to the European Union countries, the commission structure will be recalculated in a manner likely to be favorable to us.

Monsanto has the right to terminate the marketing agreement upon certain specified events of default by Scotts, including an uncured material breach, material fraud, material misconduct or egregious injury to the Roundup(R) brand. Monsanto also has the right to terminate the agreement upon a change of control of Monsanto or the sale of the consumer Roundup(R) business, so long as the termination occurs later than September 30, 2003. In addition, Monsanto may terminate the agreement within specified regions, including North America, for specified declines in the consumer Roundup(R) business.

We have rights similar to Monsanto's to terminate the marketing agreement upon an uncured material breach, material fraud or material willful misconduct by Monsanto. In addition, we may terminate the agreement upon Monsanto's sale of the consumer Roundup(R) business or in certain other circumstances, in which case we would not be able to collect the termination fee described below.

If Monsanto terminates the marketing agreement upon a change of control of Monsanto or the sale of the consumer Roundup(R) business prior to September 30, 2003, we will be entitled to a termination fee of $185 million. The termination fee declines over time to $100 million if a termination for the aforementioned reasons occurs after September 30, 2003 but before September 30, 2008. If we terminate the agreement upon an uncured material breach, material fraud or material willful misconduct by Monsanto, we will be entitled to receive a termination fee of up to $150 million if the termination occurs prior to September 30, 2003, with the termination fee declining over time to $100 million if the termination occurs prior to September 30, 2008. The termination fee declines to a minimum of $16 million per year for terminations after September 30, 2008.

Monsanto has agreed to provide us with notice of any proposed sale of the consumer Roundup(R) business, allow us to participate in the sale process and negotiate in good faith with us with respect to a sale. If the sale is run as an auction, we would be entitled to a 15-day exclusive negotiation period following the submission of all bids to Monsanto. In the event that we acquire the consumer Roundup(R) business in such a sale, we would receive credit against the purchase price in the amount of the termination fee that would otherwise have been paid to us upon termination by Monsanto of the marketing agreement upon the sale. If Monsanto decides to sell the consumer Roundup(R) business to another party, we must let Monsanto know whether we intend to terminate the marketing agreement and forfeit any right to a termination fee or whether we will agree to continue to perform under the agreement on behalf of the purchaser, unless and until the purchaser terminates our services and pays any applicable termination fee.

COMPETITION

Each of our segments participates in markets that are highly competitive. Many of our competitors sell their products at prices lower than ours, and we compete primarily on the basis of product quality, product performance, value, brand strength and advertising.

In the North American consumer do-it-yourself lawn and garden markets and pest control markets, we compete against "control label" products as well as branded products. "Control label" products are those sold under a retailer-owned label or a supplier-owned label, which are sold exclusively at a specific retail chain. The control label products that we compete with include Vigoro(R) products sold at Home Depot, Sta-Green(R) products sold at Lowe's, Sam's American Choice(R) products sold at Wal*Mart and KGro(R) products sold at Kmart. Our competitors in branded lawn and garden products and the consumer pest control markets include United Industries Corporation, Bayer AG, Central Garden & Pet Company, Lesco, Inc., Garden Tech, Enforcer Products, Inc., Green Light Company and Lebanon Chemical Corp.

TruGreen-ChemLawn, a division of ServiceMaster, has a leading market share in the U.S. lawn care service market and has a substantially larger share of this market than our Scotts LawnService(R).

With respect to growing media products, in addition to nationally distributed, branded competitive products, we face competition from regional competitors who are able to compete on the basis of price.

In the North American professional horticulture markets, we face a broad range of competition from numerous companies ranging in size from multi-national chemical and fertilizer companies such as Dow AgroSciences Company, Uniroyal Chemical Corporation and Chisso-Asahi Fertilizer Co. Ltd., to smaller, specialized companies such as Pursell Technologies, Inc., Sun Gro-U.S. (a division of Hines Horticulture, Inc.) and Fafard, Inc. Some of these competitors have significant financial resources and research departments.

The international professional horticulture markets in which we compete are also very competitive, particularly the markets for controlled-release and water-soluble fertilizer products. We have numerous U.S. and European competitors in these international markets, including Pursell Industries, Inc., Lesco, Inc., Compo GmbH, Norsk Hydro ASA, Haifa Chemicals Ltd. and Kemira Oyj. We also face competition from control label products.

Internationally, we face strong competition in the consumer do-it-yourself lawn and garden market, particularly in Europe. Our competitors in the European Union include Bayer AG, Kali & Salz (Compo, Algoflash brands) and a variety of local companies.

SIGNIFICANT CUSTOMERS

Approximately seventy percent (70%) of our worldwide sales in fiscal 2002 were made by our North American Consumer segment. Within the North American Consumer segment, approximately 37% of our sales in fiscal 2002 were made to Home Depot, 18% to Wal*Mart, 11% to Lowe's and 10% to Kmart. We face strong competition for the business of these significant customers. The loss of any of these customers or a substantial decrease in the volume or profitability of our business with any of these customers could have a material adverse effect on our earnings and profits.

STRATEGIC INITIATIVES

INTERNATIONAL PROFIT IMPROVEMENT

In August 2002 we announced an initiative to reduce costs and improve the profitability of our European consumer and professional businesses. We expect to invest between $50 and $60 million in these businesses over the next three years. Approximately one-fourth of this amount will be capital expenditures, most of which will involve installation of SAP, an ERP system, in all locations. The project also involves reorganization and rationalization of our supply chain activities in Europe to reduce costs and shift to pan-European category management of our product portfolio. As part of this project, restructuring and other charges will be incurred at various times. We expect this initiative will substantively change our cost structure in Europe leading to a significant improvement in the profitability from these businesses.

NEW BUSINESS DEVELOPMENT GROUP

In late fiscal 2002 we formed the New Business Development Group for the North American consumer business. This group has three primary goals: (i) to restore sales growth and profitability in the hardware and independent garden center sector, which currently represents about 20% of our business, (ii) to expand our presence for certain products in the grocery and drug store sectors, and (iii) to identify opportunities to expand into adjacent segments of the lawn and garden category such as tools, pottery and watering equipment.

INVESTMENT IN SCOTTS LAWNSERVICE(R)

Scotts LawnService(R) has grown from nearly $42 million in revenues in fiscal 2001 to over $75 million in fiscal 2002 and is expected to grow by over 60% in fiscal 2003. A portion of this growth is being fueled by acquisitions. We completed nearly $55 million on Scotts LawnService(R) acquisitions in fiscal 2002 and anticipate making up to $30 million in acquisitions annually for the next several years. We are also making significant investments in our Scotts LawnService(R) business infrastructure to improve information systems and customer service.

NORTH AMERICAN SUPPLY CHAIN INITIATIVES WITH MAJOR RETAILERS

In the past few years, we invested over $50 million to install SAP, an ERP system, for our North American businesses. With this single system supporting our operations over the past two years, we have been able to realign our supply chain operations and realign our sales force. In fiscal 2002 the benefits of the new systems and processes were evident as we demonstrated our ability to meet major North American retailers' demands for higher service levels, lower inventory investment and on-time delivery of products to their stores and warehouses. In fiscal 2003 we will be working even more closely with our retail customers to further align our systems and processes to meet their needs. We believe the investments we have made in systems, processes and people have positioned us to be uniquely qualified to meet the ever increasing demands of our major retail customers.

SEASONALITY AND BACKLOG

Our business is highly seasonal with approximately 74% and 77% of our net sales occurring in our combined second and third quarters of fiscal 2002 and fiscal 2001, respectively, excluding Roundup(R) product sales.

Consistent with prior years, we anticipate that significant orders for the upcoming spring season will start to be received late in the first fiscal quarter and continue through the spring season. Historically, substantially all orders are received and shipped within the same fiscal year with minimal carryover of open orders at the end of the fiscal year.

RAW MATERIALS

We purchase raw materials for our products from various sources that we presently consider to be adequate, and no one source is considered essential to any of our segments or to our business as a whole. We are subject to market risk from fluctuating market prices of certain raw materials, including urea and other chemicals and paper and plastic products. Our objectives surrounding the procurement of these materials are to ensure continuous supply and to minimize costs. We seek to achieve these objectives through negotiation of contracts with favorable terms directly with vendors. We do not enter into forward contracts or other market instruments as a means of achieving our objectives or minimizing our risk exposures on these materials.

DISTRIBUTION

We manufacture products for our North American Consumer business at our facilities in Marysville, Ohio, Ft. Madison, Iowa and Temecula, California, and by a number of third party contract packers. The primary distribution centers for our North American Consumer businesses are strategically placed mixing warehouses across the United States, that are managed by a third party logistics provider.

Our Global Professional business produces horticultural products a fertilizer manufacturing facility located in the United States, and a fertilizer manufacturing facility located in Heerlen, the Netherlands. Certain products are also produced for the Professional business from other Company facilities and subcontractors in the United States and Europe. The majority of shipments to customers are made via common carriers through distributors in the United States and a network of public warehouses and distributors in Europe. Global Professional products for the United Kingdom are warehoused and shipped from warehouses in Daventry (Northamptonshire) and Chasetown (Staffordshire), in the United Kingdom.

Our International Consumer business uses production facilities in Howden (East Yorkshire) and Bramford (Suffolk), in the United Kingdom and distributes products for the U.K. markets through the Daventry warehouse. Fertilizers and pesticide products manufactured in Bourth, France are shipped to customers via a central distribution center located in Savigny, France. Growing media products are packaged at Hatfield in the United Kingdom for local delivery and are also produced in Hautmont, France for continental European customers. We have announced the mid-2003 closure of the Bramford facility as part of our international growth and integration plan. All future requirements after fiscal 2003 will be sourced from the Howden facility.

EMPLOYEES

As of September 30, 2002, we employed 2,370 full-time workers in the United States and an additional 1,041 full-time employees located outside the United States. During peak production periods, we utilize temporary labor.

None of our U.S. employees are members of a union. Approximately 120 of our full-time U.K. employees are members of the Transport and General Workers Union and have full collective bargaining rights. An undisclosed number of our full-time employees at our international headquarters office in Ecully, France are members of the Confederation Generale des Cadres, Confederation Francaise Democratique du Travail and Confederation Generale du Travail, participation in which is confidential under French law. In addition, a number of union and non-union full-time employees are members of works councils at three sites in Bourth, Hautmont and Ecully, France, and a number of non-union employees are members of works councils in Ingelheim, Germany. Works councils represent employees on labor and employment matters and manage social benefits. We consider our current relationships with our employees, both unionized and non-unionized, U.S. and international, to be good.

ENVIRONMENTAL AND REGULATORY CONSIDERATIONS

Local, state, federal and foreign laws and regulations relating to environmental matters affect us in several ways. In the United States, all products containing pesticides must be registered with the United States Environmental Protection Agency (and similar state agencies) before they can be sold. The inability to obtain or the cancellation of any such registration could have an adverse effect on our business, the severity of which would depend on the products involved, whether another product could be substituted and whether our competitors were similarly affected. We attempt to anticipate regulatory developments and maintain registrations of, and access to, substitute active ingredients, but there can be no assurance that we will continue to be able to avoid or minimize these risks. Fertilizer and growing media products are also subject to state and foreign labeling regulations. Our manufacturing operations are subject to waste, water and air quality permitting and other regulatory requirements of federal and state agencies.

The Food Quality Protection Act, enacted by the U.S. Congress in August 1996, establishes a standard for food-use pesticides, which standard is the reasonable certainty that no harm will result from the cumulative effects of pesticide exposures. Under this act, the U.S. EPA is evaluating the cumulative risks from dietary and non-dietary exposures to pesticides. The pesticides in our products, certain of which may be used on crops processed into various food products, are typically manufactured by independent third parties and continue to be evaluated by the U.S. EPA as part of this exposure risk assessment. The U.S. EPA or the third party registrant may decide that a pesticide we use in our products will be limited or made unavailable to us, this occurred in recent years with regard to diazinon and chlorpyrifos. We cannot predict the outcome or the severity of the effect of these continuing evaluations.

In addition, the use of certain pesticide and fertilizer products is regulated by various local, state, federal and foreign environmental and public health agencies. These regulations may include requirements that only certified or professional users apply the product or that certain products be used only on certain types of locations (such as "not for use on sod farms or golf courses"), may require users to post notices on properties to which products have been or will be applied, may require notification to individuals in the vicinity that products will be applied in the future or may ban the use of certain ingredients. We believe that we are operating in substantial compliance with, or taking action aimed at ensuring compliance with, these laws and regulations.

State and federal authorities generally require growing media facilities to obtain permits (sometimes on an annual basis) in order to harvest peat and to discharge storm water run-off or water pumped from peat deposits. The state permits typically specify the condition in which the property must be left after the peat is fully harvested, with the residual use typically being natural wetland habitats combined with open water areas. We are generally required by these permits to limit our harvesting and to restore the property consistent with the intended residual use. In some locations, these facilities have been required to create water retention ponds to control the sediment content of discharged water.

Regulations and environmental concerns also exist surrounding peat extraction in the United Kingdom and the European Union. In August 2000, English Nature, the nature conservation advisory body to the U.K. government, notified us that three of our peat harvesting sites in the United Kingdom were under consideration as possible "Special Areas of Conservation" under European Union law. In April 2002, working in conjunction with Friends of the Earth (U.K.), we reached agreement with English Nature to transfer our interests in the properties and for the immediate cessation of all but a limited amount of peat extraction on one of the three sites. As a result of this agreement, we have withdrawn our objection to the proposed European designations as Special Areas of Conservation and will undertake restoration work on the sites, for which we will receive additional consideration from English Nature. We believe that we have sufficient raw material supplies available to replace the peat extracted from such sites.

REGULATORY ACTIONS

In June 1997, the Ohio Environmental Protection Agency initiated an enforcement action against us with respect to alleged surface water violations and inadequate treatment capabilities at our Marysville facility and seeking corrective action under the federal Resource Conservation and Recovery Act. The action

relates to several discontinued on-site disposal areas which date back to the early operations of the Marysville facility that we had already been assessing and, in some cases, remediating, on a voluntary basis. On December 3, 2001, an agreed judicial Consent Order was submitted to the Union County Common Pleas Court and was entered by the court on January 25, 2002.

Now that the Consent Order has been entered, we have paid a $275,000 fine and must satisfactorily remediate the Marysville site. We have continued our remediation activities with the knowledge and oversight of the Ohio EPA. We completed an updated evaluation of our expected liability related to this matter based on the fine paid and remediation actions that we have taken and expect to take in the future. As a result, we accrued an additional $3.0 million in the third quarter of fiscal 2002 to increase our reserve based on the latest estimates.

In addition to the dispute with the Ohio EPA, we are negotiating with the Philadelphia District of the U.S. Army Corps of Engineers regarding the terms of site remediation and the resolution of the Corps' civil penalty demand in connection with our prior peat harvesting operations at our Lafayette, New Jersey facility. We are also addressing remediation concerns raised by the Environment Agency of the United Kingdom with respect to emissions to air and groundwater at our Bramford (Suffolk), United Kingdom facility. We have reserved for our estimates of probable losses to be incurred in connection with each of these matters.

At September 30, 2002, $8.2 million was accrued for the environmental and regulatory matters described herein. The most significant component of this accrual are estimated costs for site remediation of $5.9 million. Most of the costs accrued as of September 30, 2002, are expected to be paid in fiscal 2003 and 2004; however, payments could be made for a period thereafter.

We believe that the amounts accrued as of September 30, 2002 are adequate to cover our known environmental exposures based on current facts and estimates of likely outcome. However, the adequacy of these accruals is based on several significant assumptions:

- that we have identified all of the significant sites that must be remediated;
- that there are no significant conditions of potential contamination that are unknown to us; and
- that with respect to the agreed judicial Consent Order in Ohio, that potentially contaminated soil can be remediated in place rather than having to be removed and only specific stream segments will require remediation as opposed to the entire stream.

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

During fiscal 2002, we incurred approximately $0.3 million in environmental capital expenditures and $5.4 million in environmental expenses, compared with approximately $0.6 million in environmental capital expenditures and $2.1 million in environmental expenses for fiscal 2001. Included in the $5.4 million is the $3.0 million increase in the accrual for future costs related to site remediation as described above.

FINANCIAL INFORMATION ABOUT GEOGRAPHIC AREAS

For certain information concerning our international revenues and long-lived assets, see "ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS" and Note 21 of the Notes to Consolidated Financial Statements, which are included under Item 8 of this Form 10-K.

ITEM 2. PROPERTIES

We have fee or leasehold interests in approximately 125 properties.

We lease land from the Union County Community Improvement Corporation in Marysville, Ohio for our headquarters and for our research and development functions. We own property in Marysville, Ohio for our manufacturing and distribution facilities. Combined, these facilities are situated on approximately 875 acres of land.

The North American Consumer business uses three additional research facilities. We own one in Apopka, Florida, another in Gervais, Oregon, and a third in Valley Center, California. We also own a production facility which encompasses 27 acres in Fort Madison, Iowa and lease a spreader and other durable components manufacturing facility in Temecula, California. We operate 23 growing media facilities in 18 states; 18 of which are owned by us and five of which are leased. Most of our growing media facilities include production lines, warehouses, offices and field processing areas. We have one compost facility, located at a bagging facility in Lebanon, Connecticut. We also lease sales offices in Atlanta, Georgia; Troy, Michigan; Wilkesboro, North Carolina; Rolling Meadows, Illinois; and Bentonville, Arkansas.

Scotts LawnService(R) conducts its company-owned operations from 60 leased facilities, primarily office/warehouse units in industrial/office parks, in 42 major metropolitan areas primarily in the Midwest, Northeast and Southern regions of the United States. The Global Professional business has offices in Marysville, Ohio and Waardenburg, the Netherlands and a manufacturing facility used to produce and pack coated fertilizers in Heerlen, the Netherlands. We also lease two manufacturing facilities for Global Professional horticultural products in North Charleston, South Carolina and Travelers Rest, South Carolina.

The International Consumer business leases its U.K. office, located in Godalming (Surrey); its French headquarters and local operations office, located in Ecully; a German office, located in Ingelheim; an Australian office, located in Baulkan Hills (New South Wales); and a Canadian office located in Ontario. We own manufacturing facilities in Howden and Hatfield (East Yorkshire) and Bramford (Suffolk) in the United Kingdom. We also own the Hautmont plant in France, which is a blending and bagging facility for growing media; and a plant in Bourth, France, that we use for formulating, blending and packaging control products for the consumer market. We lease a research and development facility in Chazay, France. The manufacturing site in Heerlen, the Netherlands is also used to produce coated fertilizers for the consumer market. We maintain a sales and research and development facility at our Ingelheim, Germany site and own a research and development facility in Levington, the United Kingdom. We lease a sales office in Sint Niklaas, Belgium.

We lease warehouse space throughout the United States and continental Europe as needed.

We believe that our facilities are adequate to serve their intended purposes at this time and that our property leasing arrangements are satisfactory.

ITEM 3. LEGAL PROCEEDINGS

As noted in the discussion in "ITEM 1. BUSINESS -- Environmental and Regulatory Considerations" and "ITEM 1. BUSINESS -- Regulatory Actions," we are involved in several pending environmental matters. We believe that our assessment of contingencies is reasonable and that related reserves, in the aggregate, are adequate; however, there can be no assurance that the final resolution of these matters will not have a material adverse affect on our results of operations, financial position and cash flows.

Pending material legal proceedings are as follows:

AGREVO ENVIRONMENTAL HEALTH, INC.

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

AgrEvo is requesting unspecified damages as well as affirmative injunctive relief, and seeking to have the court invalidate the Roundup(R) marketing agreement as violative of the federal antitrust laws. Under the indemnification provisions of the Roundup(R) marketing agreement, Monsanto and Scotts each have requested that the other indemnify against any losses arising from this lawsuit.

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

On May 15, 2002, AgrEvo filed an additional, duplicative complaint that makes the same claims that are made in the amended complaint in the New York Action, described above. On June 6, 2002, Scotts moved to dismiss this duplicative complaint as procedurally improper. There has been no ruling by the court on Scotts' motion.

Scotts believes that AgrEvo's claims in these matters are without merit and intends to vigorously defend against them. If the above actions are determined adversely to Scotts, the result could have a material adverse effect on Scotts' results of operations, financial position and cash flows. Any potential exposure that Scotts may face cannot be reasonably estimated. Therefore, no accrual has been established related to these matters.

CENTRAL GARDEN & PET COMPANY

SCOTTS V. CENTRAL GARDEN, SOUTHERN DISTRICT OF OHIO

On June 30, 2000, Scotts filed suit against Central Garden & Pet Company in the U.S. District Court for the Southern District of Ohio to recover approximately $24 million in accounts receivable and additional damages for other breaches of duty.

Central Garden filed counterclaims including allegations that Scotts and Central Garden had entered into an oral agreement in April 1998 whereby Scotts would allegedly share with Central Garden the benefits and liabilities of any future business integration between Scotts and Pharmacia Corporation (formerly Monsanto). The court dismissed a number of Central Garden's counterclaims as well as Scotts' claims that Central Garden breached other duties owed to Scotts. On April 22, 2002, a jury returned a verdict in favor of Scotts of $22.5 million and for Central Garden on its remaining counterclaims in an amount of approximately $12.1 million. Various post-trial motions have been filed in the Ohio Action, but so far Central Garden has not challenged the propriety of the $22.5 million award to Scotts and Scotts has challenged only $750,000 of the $12.1 million awarded to Central Garden on its counterclaim. Central Garden has challenged, however, the dismissal during trial of several other counterclaims.

Two counterclaims that the court permitted Central Garden to add on the eve of trial also remain pending. In these counterclaims, Central Garden seeks damages in an unspecified amount for Scotts' alleged breach of contract and conversion with respect to certain inventory held by Central Garden's subagents and subdistributors. A trial date of October 6, 2003 has been set on these remaining claims, and discovery has recently commenced.

CENTRAL GARDEN V. SCOTTS & PHARMACIA, NORTHERN DISTRICT OF CALIFORNIA

On July 7, 2000, Central Garden filed suit against Scotts and Pharmacia in the U.S. District Court for the Northern District of California (San Francisco Division) alleging various claims, including breach of contract and violations of federal antitrust laws, and seeking an unspecified amount of damages and injunctive relief. On April 15, 2002, Scotts and Central Garden each filed summary judgment motions in this action. On June 26, 2002, the court granted summary judgment in favor of Scotts and dismissed all of Central Garden's then remaining claims. On July 28, 2002, Central Garden filed a notice of appeal. The case is now pending on appeal in the Ninth Circuit Court of Appeals.

CENTRAL GARDEN V. SCOTTS & PHARMACIA, CONTRA COSTA SUPERIOR COURT

On October 31, 2000, Central Garden filed a complaint against Scotts and Pharmacia in the California Superior Court for Contra Costa County. That complaint seeks to assert the breach of contract claims previously dismissed by the District Court in the California federal action described above, and additional claims under Section 17200 of the California Business and Professions Code. On December 4, 2000, Scotts and Pharmacia jointly filed a motion to stay this action based on the pendency of prior lawsuits that involve the same subject matter. By order dated February 23, 2001, the Superior Court stayed the action pending before it.

All claims in the Contra Costa action currently remain stayed. A further status conference is set for May 29, 2003. Central Garden and Pharmacia have settled their claims relating to this action.

Scotts believes that Central Garden's remaining claims are without merit and intends to vigorously defend against them. Although Scotts has prevailed consistently and extensively in the litigation with Central Garden, the decisions in Scotts' favor are subject to appeal. If, upon appeal or otherwise, the above actions are determined adversely to Scotts, the result could have a material adverse affect on Scotts' results of operations, financial position and cash flows. Scotts believes that it will continue to prevail in the Central Garden matters and that any potential exposure that Scotts may face cannot be reasonably estimated. Therefore, no accrual has been established related to the claims brought against Scotts by Central Garden, except for amounts ordered paid to Central Garden in the Ohio action for which Scotts believes it has adequate reserves recorded for the amounts it may ultimately be required to pay.

SCOTTS V. UNITED INDUSTRIES AND PURSELL INDUSTRIES, SOUTHERN DISTRICT OF FLORIDA

On April 15, 2002, Scotts and OMS Investments, Inc., a subsidiary of Scotts that holds various Scotts intellectual property assets, filed a six count complaint against United Industries Corp. and Pursell Industries, Inc. for acts of (1) federal trademark and trade dress infringement; (2) federal unfair competition; (3) federal dilution; (4) common law trademark and trade dress infringement in violation of Florida law and other applicable law; (5) common law unfair competition in violation of Florida law and other applicable law; and (6) dilution in violation of Florida law and other applicable law. Scotts also filed its motion for preliminary injunction, which motion seeks an injunction enjoining United Industries, pending trial, from manufacturing, producing, shipping, distributing, advertising, promoting, displaying, selling or offering for sale products in the current packaging for its Spectracide(R) No Odor Fire Ant Killer Ready-to-Use Dust product and from otherwise using any trademarks, trade dress, packaging, promotional materials or other items which incorporate or are confusingly similar to the trademarks and trade dress featured in Scotts' Ortho(R) Orthene(R) Fire Ant Killer product packaging.

The claims in the complaint center upon United Industries' and Pursell's use of trade dress on the packaging of their lawn care, garden care and insecticide/herbicide products that closely mimic Scotts' unique, proprietary and famous trademarks and trade dress. The complaint seeks an injunction enjoining United Industries and Pursell from using any trademarks, trade dress, packaging, promotional materials or other items which incorporate, which are confusingly similar to or which dilute the trademarks and trade dress encompassed in and featured in Scotts' Miracle-Gro(R) line, Ortho(R) line or Turf Builder(R) line. The complaint also seeks compensatory damages, treble damages, costs and attorney's fees.

United Industries subsequently filed its answer and counterclaim. Its counterclaim seeks to cancel Scotts' Miracle-Gro(R) and Design trademark registration and Scotts' pending Ortho(R) Orthene(R) Fire Ant Killer And Design trademark application. We believe that this counterclaim is completely without merit.

The court held a hearing on July 24 and 25, 2002, on Scotts' motion for preliminary injunction and denied the motion on August 23, 2002. We have appealed this court's denial of our motion for preliminary injunction.

We do not anticipate incurring any damages relating to this action.

SCOTTS V. AVENTIS S.A. AND STARLINK LOGISTICS, INC.

On August 9, 2002, Scotts filed suit against Aventis S.A. and its wholly owned subsidiary Starlink Logistics, Inc. in the U.S. District Court for the Southern District of Ohio. In the complaint, Scotts alleges it is entitled to injunctive and monetary relief arising from Aventis' and Starlink's interference with Scotts'

contractual right to purchase a company called TechPac, L.L.C. from one of Aventis' former subsidiaries, Aventis CropScience. The complaint alleges that pursuant to a contract between Scotts and a predecessor-in-interest to Aventis CropScience, Aventis CropScience was obligated to make a bona fide offer to sell its interest in TechPac to Scotts. The complaint further alleges that Aventis directed Aventis CropScience to make a belated sham offer to Scotts and that later, upon the sale of Aventis CropScience to Bayer AG, Aventis transferred ownership of TechPac to Starlink, an act which has made it impossible for Aventis CropScience's successor-in-interest to make a bona fide offer to sell TechPac to Scotts.

In this suit, Scotts seeks to ensure that it is able to exercise its right to receive a bona fide offer to acquire TechPac, and Scotts seeks to recover compensatory and punitive damages in an amount as yet undetermined for Aventis' and Starlink's interference with Scotts' right to receive such an offer. On October 4, 2002, Starlink filed a motion to dismiss the complaint on jurisdictional grounds. Scotts intends to vigorously oppose this motion and to vigorously prosecute its claims against Aventis and Starlink. Discovery on jurisdictional issues recently commenced. A trial date has not been set.

OTHER

We are involved in other lawsuits and claims which arise in the normal course of our business. In our opinion, these claims individually and in the aggregate are not expected to result in a material adverse effect on our results of operations, financial position or cash flows.

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

There were no matters submitted to a vote of the security holders during the fourth quarter of fiscal 2002.

SUPPLEMENTAL ITEM. EXECUTIVE OFFICERS OF REGISTRANT

The executive officers of The Scotts Company, their positions and, as of November 25, 2002, their ages and years with The Scotts Company (and its predecessors) are set forth below.

Name	Age	Position(s) Held	Years with Scotts (And Its Predecessors)
Charles M. Berger	66	Chairman of the Board	6
James Hagedorn	47	President, Chief Executive Officer and a Director	15
Michael P. Kelty, Ph.D.	52	Vice Chairman and Executive Vice President	23
David M. Aronowitz	46	Executive Vice President, General Counsel and Secretary	4

Denise S. Stump	48	Senior Vice President, Human Resources Worldwide	2
Patrick J. Norton	52	Executive Vice President, Chief Financial Officer and a Director	2
Michel J. Farkouh	45	Executive Vice President, International Consumer Business Group	4
L. Robert Stohler	61	Executive Vice President, North America	7

Executive officers serve at the discretion of the Board of Directors pursuant to employment agreements or other arrangements.

The business experience of each of the persons listed above during at least the past five years is as follows:

Mr. Berger was elected Chairman of the Board of Directors of Scotts in August 1996. From August 1996 to May 2001, he was also Chief Executive Officer of Scotts, and from August 1996 until April 2000, he was also President of Scotts. Mr. Berger came to Scotts from H.J. Heinz Company. During his 32-year career at Heinz, he held the positions of Chairman and Chief Executive Officer of Heinz India Pvt. Ltd. (Bombay); Chairman, President and Chief Executive Officer of Weight Watchers International, Inc., a Heinz affiliate; Managing Director and Chief Executive Officer of Heinz-Italy (Milan), the largest Heinz profit center in Europe; General Manager, Marketing, for Heinz U.S. grocery products; Marketing Director for Heinz U.K.

(London); and Director of Corporate Planning at Heinz World Headquarters. Mr. Berger intends to resign from his positions as Chairman of the Board and as a director of The Scotts Company on January 30, 2003.

Mr. Hagedorn was named President and Chief Executive Officer of Scotts in May 2001. He served as President and Chief Operating Officer of Scotts from April 2000 to May 2001. From December 1998 to April 2000, he served as President, Scotts North America. He was previously Executive Vice President, U.S. Business Groups, of Scotts, from October 1996 to December 1998. Mr. Hagedorn also serves as a director of Scotts. Mr. Hagedorn is the son of Horace Hagedorn, Director Emeritus of Scotts, and is the brother of Katherine Hagedorn Littlefield, a director of Scotts.

Dr. Kelty was named Vice Chairman and Executive Vice President of Scotts in May 2001. He served as Group Executive Vice President, Technology and Operations, of Scotts, from February 2000 to May 2001. He was previously Executive Vice President, Technology and Operations, of Scotts, from February 1999 to February 2000. From July 1995 to February 1999, he was Senior Vice President, Professional Business Group, of Scotts.

Mr. Aronowitz was named Executive Vice President, General Counsel and Secretary of Scotts in October 2001. He was previously Senior Vice President, Assistant General Counsel and Assistant Secretary of Scotts, from February 2000 to October 2001. From October 1998 until February 2000, Mr. Aronowitz was Vice President and Assistant General Counsel of Scotts. From January 1996 to October 1998, he was Assistant General Counsel for Insilco Corporation, a Delaware corporation, based in Dublin, Ohio, and Group General Counsel for Taylor Publishing Company, an Insilco subsidiary.

Ms. Stump was named Senior Vice President, Human Resources Worldwide of Scotts in October 2002. From July 2001 until October 2002, Ms. Stump served as Vice President, Human Resources North America, of Scotts. From September 2000 until July 2001, Ms. Stump served as Vice President, Human Resources Technology and Operations, of Scotts. From April 1998 to September 2000, Ms. Stump served as Director, Human Resources, for the Ross Products Division of Abbott Laboratories. Ms. Stump joined the Ross Products Division of Abbott Laboratories in 1996.

Mr. Norton was named Executive Vice President and Chief Financial Officer of Scotts in May 2000, having served as interim Chief Financial Officer of Scotts since February 2000. From 1983 until February 1997, Mr. Norton was the President, Chief Executive Officer and a director of Barefoot Inc., the second largest lawn care company in the United States prior to its acquisition in February 1997 by ServiceMaster. Mr. Norton also serves as a director of Scotts. Mr. Norton has announced his retirement from his position as Executive Vice President and Chief Financial Officer to be effective January 1, 2003. He will be succeeded by Mr. Christopher Nagel, Senior Vice President, Finance of Scotts.

Mr. Farkouh was named Executive Vice President, International Consumer Business Group, of Scotts in October 2001. From May 2001 to October 2001, he served as Senior Vice President, International Consumer Business Group, of Scotts, having served as interim Senior Vice President, International Consumer Business Group from October 2000 to May 2001. From May 1999 to October 2000, he served as Senior Vice President, Zone 3, International, having joined Scotts France SAS in January 1999. From January 1997 to the time he joined Scotts, he was Vice President, Worldwide Lawn and Garden Category Manager, of Monsanto Company.

Mr. Stohler was named Executive Vice President, North America, of Scotts in October 2001. From July 2001 to October 2001, he served as acting Senior Vice President, North America, of Scotts. From October 1998 to July 2001, he served as Senior Vice President, Consumer Lawns Business Group, of Scotts. He served as Senior Vice President, International Business Group, of Scotts from December 1996 to October 1998. From November 1995 to December 1996, he served as Vice President, International Business Group, of Scotts.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The common shares of The Scotts Company trade on the New York Stock Exchange under the symbol "SMG".

	Sale Prices	
	High	Low
FISCAL 2001		
1st quarter	$38.125	$28.875
2nd quarter	43.070	36.625
3rd quarter	47.100	36.130
4th quarter	42.020	33.320
FISCAL 2002		
1st quarter	$47.300	$34.450
2nd quarter	48.990	43.470
3rd quarter	50.350	42.390
4th quarter	49.390	35.430

We have not paid dividends on the common shares in the past and do not presently plan to pay dividends on the common shares. It is presently anticipated that earnings will be retained and reinvested to support the growth of our business. The payment of future dividends, if any, on common shares will be determined by the Board of Directors of Scotts in light of conditions then existing, including our earnings, financial condition and capital requirements, restrictions in financing agreements, business conditions and other factors.

As of December 6, 2002, there were approximately 9,040 shareholders including holders of record and our estimate of beneficial holders.

ITEM 6. SELECTED FINANCIAL DATA

FIVE YEAR SUMMARY
FOR THE FISCAL YEAR ENDED SEPTEMBER 30,
(IN MILLIONS EXCEPT PER SHARE AMOUNTS)

	2002(1)	2001(1)(2)	2000(1)	1999(3)	1998(4)
OPERATING RESULTS:					
Net sales(7)	$1,760.6	$1,695.8	$1,656.2	$1,550.6	$1,066.0
Gross profit(7)(5)	634.9	596.4	603.8	563.3	351.0
Income from operations(5)	239.2	116.4	210.2	196.1	94.1
Income before extraordinary items and cumulative effect of change in accounting	101.0	15.5	73.1	69.1	37.0
Income applicable to common shareholders	82.5	15.5	66.7	53.5	26.5
Depreciation and amortization	43.5	63.6	61.0	56.2	34.5
FINANCIAL POSITION:					
Working capital	278.3	249.1	234.1	274.8	135.3
Property, plant and equipment, net	329.2	310.7	290.5	259.4	197.0
Total assets	1,901.4	1,843.0	1,761.4	1,769.6	1,035.2
Total debt	829.4	887.8	862.8	950.0	372.5
Total shareholders' equity	593.9	506.2	477.9	443.3	403.9
CASH FLOWS:					
Cash flows from operating activities					

224.3 65.7 171.5 78.2 71.0 Investments in property, plant and equipment 57.0 63.4 72.5 66.7 41.3 Cash invested in acquisitions, including payments on seller notes 63.0 37.6 19.3 506.2 151.4 RATIOS: Operating margin 13.6% 6.9% 12.7% 12.6% 8.8% Current ratio 1.6 1.5 1.6 1.7 1.6 Total debt to total book capitalization 58.3% 63.7% 64.3% 68.2% 48.0% Return on average shareholders' equity (book value) 15.0% 3.1% 14.5% 12.6% 6.7% PER SHARE DATA: Basic earnings per common share(8) $ 2.81 $ 0.55 $ 2.39 $ 2.93 $ 1.42 Diluted earnings per common share(8) 2.61 0.51 2.25 2.08 1.20 Price to diluted earnings per share, end of period 16.0 66.9 14.9 16.6 25.5 Stock price at year-end 41.69 34.10 33.50 34.63 30.63 Stock price range -- High 50.35 47.10 42.00 47.63 41.38 Stock price range -- Low 34.45 28.88 29.44 26.63 26.25 OTHER: EBITDA(6) 282.6 180.0 271.2 252.3 128.6 EBITDA margin(6) 16.1% 10.6% 16.4% 16.3% 12.1% Interest coverage (EBITDA/interest expense)(6) 3.7 2.1 2.9 3.2 4.0 Average common shares outstanding 29.3 28.4 27.9 18.3 18.7 Common shares used in diluted earnings per

common share
calculation
31.7 30.4 29.6
30.5 30.3
Dividends on
Class A
Convertible
Preferred Stock
$ 0.0 $ 0.0 $
6.4 $ 9.7 $ 9.8

- ---------------

NOTE: Prior year presentations have been changed to conform to fiscal 2002 presentation; these changes did not impact net income.

(1) Includes various Scotts LawnService(R) acquisitions from dates acquired.

(2) Includes Substral(R) brand acquired from Henkel KGaA from January 2001.

(3) Includes Rhone-Poulenc Jardin (nka Scotts France SAS) from October 1998, ASEF Holding BV from December 1998 and the non-Roundup(R) ("Ortho") business from January 1999.

(4) Includes EarthGro, Inc. from February 1998.

(5) Income from operations for fiscal 2002, 2001 and 1998 includes $8.1, $75.7 and $20.4 of restructuring and other charges, respectively. Gross profit for fiscal 2002 and 2001 includes $1.7 and $7.3 of restructuring and other charges, respectively.

(6) EBITDA is defined as income from operations, plus depreciation and amortization. We believe that EBITDA provides additional information for determining our ability to meet debt service requirements. EBITDA does not represent and should not be considered as an alternative to net income or cash flow from operations as determined by generally accepted accounting principles, and EBITDA does not necessarily indicate whether cash flow will be sufficient to meet cash requirements. EBITDA margin is calculated as EBITDA divided into net sales. Our measure of EBITDA may not be similar to other similarly titled captions used by other companies.

(7) For fiscal 2002, we adopted EITF 00-25 "Accounting for Consideration from a Vendor to a Retailer in Connection with the Purchase or Promotion of the Vendor's Products" which requires that certain consideration from a vendor to a retailer be classified as a reduction in sales. As have many other companies, we have historically classified these as advertising and promotion costs. The information for all periods presented reflects this new method of presentation. Also, certain expenses previously recorded as advertising were reclassified to marketing within selling, general and administrative expenses. The amounts reclassified as a result of adopting this new accounting policy are as follows:

	For the years ended September 30,			
	2001	2000	1999	1998
Net sales	$(51.1)	$(53.6)	$(51.9)	$(17.3)
Gross profit	(54.2)	(55.5)	(51.9)	(17.3)
Advertising	(61.1)	(64.8)	(56.2)	(17.3)
Selling, general and administrative	6.9	9.3	4.3	

(8) Basic and diluted earnings per share would have been as follows if the accounting change for intangible assets adopted in the fiscal year beginning October 1, 2001, had been adopted as of October 1, 1999:

	For the years ended September 30,	
	2001	2000
Income available to common shareholders		

	$32.1 $83.4
Basic earnings per share	1.13 2.98
Diluted earnings per share	1.05 2.81

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

Scotts is a leading manufacturer and marketer of consumer branded products for lawn and garden care and professional horticulture in the United States and Europe. We also have a presence in Australia, the Far East, Latin America and South America. Also, in the United States, we operate the second largest residential lawn service business, Scotts LawnService(R). Our operations are divided into four business segments: North American Consumer, Scotts LawnService(R), International Consumer, and Global Professional. The North American Consumer segment includes the Lawns, Gardens, Growing Media, Ortho and Canadian business groups.

In fiscal 2002 we continued the rapid expansion of our Scotts LawnService(R) business. Through acquisitions and internal growth, revenues increased from nearly $42 million in fiscal 2001 to over $75 million in fiscal 2002. We expect to do approximately $30 million of lawn service acquisitions annually for fiscal 2003 and beyond.

As a leading consumer branded lawn and garden company, we focus our consumer marketing efforts, including advertising and consumer research, on creating consumer demand to pull products through the retail distribution channels. In the past three years, we have spent approximately 5% of our gross sales annually on media advertising to support and promote our products and brands. We have applied this consumer marketing focus for the past several years, and we believe that Scotts receives a significant return on these marketing expenditures. We expect that we will continue to focus our marketing efforts toward the consumer and make additional significant investments in consumer marketing expenditures in the future to continue to drive market share and sales growth. In fiscal 2003 we expect to increase advertising spending and our advertising to net sales ratio as we deliver a new media message for the Ortho line, increase our advertising reach in Europe and continue to have the largest share of voice in the lawn and garden category in North America.

Our sales are susceptible to global weather conditions, primarily in North America and Europe. For instance, periods of wet weather can slow fertilizer sales but can create increased demand for pesticide sales. We believe that our past acquisitions have diversified both our product line risk and geographic risk to weather conditions.

Our operations are also seasonal in nature. In fiscal 2001, net sales by quarter were 8.7%, 42.1%, 35.2% and 14.0% of total year net sales, respectively. Operating losses were reported in the first and fourth quarters of fiscal 2001 while significant profits were recorded for the second and third quarters. The sales trend in fiscal 2002 followed a somewhat different pattern than our historical experience due to retailer initiatives to reduce their investment in inventory and improve their inventory turns. This has caused a sales shift from the second quarter to the third and fourth quarters that coincides more closely to when consumers buy our products. Net sales by quarter were 9.3%, 34.2%, 39.3% and 17.2% in fiscal 2002. The trend of operating losses in the first and fourth quarters and significant operating profits in the second and third quarters continued in fiscal 2002. There has also been a shift in profitability between the second and third quarters with the third quarter now more profitable than the second.

In fiscal 2001, restructuring and other charges of $75.7 million were recorded for reductions in work force, facility closures, asset writedowns, and other related costs. Certain costs associated with this restructuring initiative, including costs related to the relocation of equipment, personnel and inventory, were not recorded as part of the restructuring costs in fiscal 2001. These costs, which totaled $4.1 million, were recorded as they were incurred in fiscal 2002 as required under generally accepted accounting principles in the United States.

In fiscal 2002 we announced a major initiative to improve the operations and profitability of our European-based consumer and professional businesses. Over the next three years we anticipate spending $50 to $60 million on various projects, approximately 25% of which will be capital expenditures. Certain projects will result in the recognition of restructuring and other charges over the duration of this initiative. In the fourth quarter of fiscal 2002 we announced the closure of a manufacturing plant in Bramford, England. The closure will occur in late fiscal 2003. The depreciation of fixed assets at the facility will be accelerated so that they are fully depreciated by the closure date. In the fourth quarter of fiscal 2002 $4.0 million of severance and additional pension costs related to the closure were recorded and reported as restructuring and other charges.

In fiscal 2001, Scotts adopted accounting policies that required certain amounts payable to customers or consumers related to the purchase of our products to be recorded as a reduction in net sales rather than as advertising and promotion expense (e.g., volume rebates and coupons). In fiscal 2002, Scotts adopted EITF 00-25, "Accounting for Consideration from a Vendor to a Retailer in Connection with the Purchase or Promotion of the Vendor's Products." This standard requires Scotts to record certain of its cooperative advertising expenditures as reductions of net sales rather than as advertising and promotion expense. Results for fiscal years 2001 and 2000 have been reclassified to conform to this new presentation method for these expenses.

In addition, in fiscal 2002 we adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets." This statement eliminates the requirement to amortize indefinite-lived assets and goodwill. It also requires an initial impairment test on all indefinite-lived assets as of the date of adoption of this standard and impairment tests done at least annually thereafter. As a result of adopting the standard as of October 1, 2001, amortization expense for fiscal 2002 was reduced by approximately $21.0 million.

We completed our impairment analysis in the second quarter of 2002, taking into account additional guidance provided by EITF 02-07, "Unit of Measure for Testing Impairment of Indefinite-Lived Intangible

Assets." As a result, a pre-tax impairment charge related to the value of tradenames in our German, French and United Kingdom consumer businesses of $29.8 million was recorded as of October 1, 2001. After income taxes, the net charge was $18.5 million which is recorded as a cumulative effect of a change in accounting principle. There was no goodwill impairment as of the date of adoption.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The following discussion and analysis of the consolidated results of operations and financial position should be read in conjunction with our Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K for the fiscal year ended September 30, 2002.

Our discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to customer programs and incentives, product returns, bad debts, inventories, intangible assets, income taxes, restructuring, environmental matters, contingencies and litigation. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. The estimates that we believe are most critical to our reporting of results of operations and financial position are as follows:

- We have significant investments in property and equipment, intangible assets and goodwill. Whenever changing conditions warrant, we review the realizability of the assets that may be impacted. At least annually we review indefinite-lived intangible assets for impairment. The review for impairment of long-lived assets, intangibles and goodwill takes into account estimates of future cash flows. Our estimates of future cash flows are based upon budgets and longer-range plans. These budgets and plans are used for internal purposes and are also the basis for communication with outside parties (lenders, analysts, etc.) about future business trends. While we believe the assumptions we use to estimate future cash flows are reasonable, there can be no assurance that the expected future cash flows will be realized. As a result, impairment charges that possibly should have been recognized in earlier periods may not be recognized until later periods if actual results deviate unfavorably from earlier estimates.

- We continually assess the adequacy of our reserves for uncollectible accounts due from customers. However, future changes in our customers' operating performance and cash flows or in general economic conditions could have an impact on their ability to fully pay these amounts which could have a material impact on our operating results.

- Reserves for product returns are based upon historical data and current program terms and conditions with our customers. Changes in economic conditions, regulatory actions or defective products could result in actual returns being materially different than the amounts provided for in our interim or annual results of operations.

- Reserves for excess and obsolete inventory are based on a variety of factors, including product changes and improvements, changes in active ingredient availability and regulatory acceptance, new product introductions and estimated future demand. The adequacy of our reserves could be materially affected by changes in the demand for our products or by regulatory or competitive actions.

- As described more fully in the notes to the consolidated financial statements for the year ended September 30, 2002, we are involved in significant environmental and legal matters which have a high degree of uncertainty associated with them. We continually assess the likely outcomes of these matters and the adequacy of amounts, if any, provided for these matters. There can be no assurance that the ultimate outcomes will not differ materially from our assessment of them. There can also be no assurance that all matters that may be brought against us or that we may bring against other parties are known to us at any point in time.

- We accrue for the estimated costs of customer volume rebates, cooperative advertising, consumer coupons and other trade programs as the related sales occur during the year. These accruals involve the use of estimates as to the total expected program costs and the expected sales levels. Historical results are also used to evaluate the accuracy and adequacy of amounts provided at interim dates and year end. There can be no assurance that actual amounts paid for these trade programs will not differ from estimated amounts accrued. However, we believe any such differences would not be material to our financial position or results of operations.

- We record income tax liabilities utilizing known obligations and estimates of potential obligations. A deferred tax asset or liability is recognized whenever there are future tax effects from existing temporary differences and operating loss and tax credit carryforwards. Valuation allowances are used to reduce deferred tax assets to the balance that is more likely than not to be realized. We must make estimates and judgments on future taxable income, considering feasible tax planning strategies and taking into account existing facts and circumstances, to determine the proper valuation allowance. When we determine that deferred tax assets could be realized in greater or lesser amounts than recorded, the asset balance and income statement reflects the change in the period such determination is made. Due to changes in facts and circumstances and the estimates and judgments that are involved in determining the proper valuation allowance, differences between actual future events and prior estimates and judgments could result in adjustments to this valuation allowance. The Company uses an estimate of its annual effective tax rate at each interim period based on the facts and circumstances available at that time, while the actual effective tax rate is calculated at year-end.

- Also, as described more fully in notes to the consolidated financial statements, we have not accrued the deferred contribution under the Roundup(R) marketing agreement with Monsanto or the per annum charges thereon. We consider this method of accounting for the contribution payments to be appropriate after consideration of the likely term of the agreement, our ability to terminate the agreement without paying the deferred amounts, and the fact that approximately $18.6 million of the deferred amount is never paid, even if the agreement is not terminated prior to 2018, unless significant earnings targets are exceeded. At September 30, 2002, contribution payments and related per annum charges of approximately $50.2 million had been deferred under the agreement.

NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE

In July 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 146 "Accounting for Costs Associated with Exit or Disposal Activities". This statement modifies and amends the accounting for restructuring activities that are currently accounted for in accordance with EITF Issue 94-3 "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)". SFAS No. 146 requires most charges to be recorded when they are incurred, rather than when it is identified that a cost resulting from a restructuring activity is likely to be incurred. This Statement applies to restructuring activities occurring after December 31, 2002. The adoption of this standard will not have an impact on the Company's restructuring costs incurred prior to the adoption of SFAS No. 146. However the adoption of Statement 146 can be expected to impact the timing of liability recognition associated with future restructuring and exit activities.

Also, in fiscal 2003 we will change our accounting for stock option grants prospectively. Grants awarded after September 30, 2002 will be expensed in accordance with Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation". Based on historical option grant levels, compensation expense is expected to increase by approximately $4 million in fiscal 2003. Since expensing occurs ratably over the three-year vesting period of the options, the full effect of expensing option grants, assuming similar levels of option grants in each of fiscal 2003, 2004 and 2005 and a constant option value for each of the awards, will be approximately $12 million per year beginning in fiscal 2005.

RESULTS OF OPERATIONS

The following table sets forth the components of income and expense as a percentage of net sales for the three years ended September 30, 2002:

	2002	2001	2000
Net sales	100.0%	100.0%	100.0%
Cost of sales	63.9	64.8	63.6
Gross profit	36.1	35.2	36.4
Commission earned from marketing agreement, net	0.9	1.2	1.8
Advertising	4.7	5.3	5.4
Selling, general and administrative	18.7	19.1	18.9
Restructuring and other charges	0.4	4.0	0.0
Amortization of goodwill and other intangibles	0.3	1.6	1.6
Other income, net	(0.7)	(0.5)	(0.4)
Income from operations	13.6	6.9	12.7
Interest expense	4.3	5.2	5.7
Income before income taxes	9.3	1.7	7.0
Income taxes	3.5	0.8	2.6
Income before cumulative effect of accounting change	5.8	0.9	4.4
Cumulative effect of change in accounting for intangible assets, net of tax	(1.1)	0.0	0.0

Net income	4.7	0.9	4.4
Dividends on Class A Convertible Preferred Stock	0.0	0.0	0.4
Income applicable to common shareholders	4.7%	0.9%	4.0%

The following table sets forth net sales by business segment for the three years ended September 30, 2002:

($ millions)	2002	2001	2000
North American Consumer:			
Lawns	$ 523.3	$ 495.8	$ 452.2
Growing Media	330.6	296.9	287.0
Ortho	220.9	222.2	236.1
Gardens	141.1	149.4	149.8
Canada	26.7	26.5	28.2
Other	12.2	26.0	36.2
Total	1,254.8	1,216.8	1,189.5
Scotts LawnService(R)	75.6	41.2	21.4
International Consumer	249.0	252.1	264.8
Global Professional	181.2	185.7	180.5
Consolidated	$1,760.6	$1,695.8	$1,656.2

FISCAL 2002 COMPARED TO FISCAL 2001

Net sales for fiscal 2002 increased nearly 4% to $1,760.6 million from $1,695.8 million in fiscal 2001.

North American Consumer segment net sales were $1,254.8 million in fiscal 2002, an increase of $38.0 million, or 3.1% from net sales for fiscal 2001 of

$1,216.8 million. Within the North American Consumer segment, compared to net sales for fiscal 2001, Lawns net sales increased over 5.5% due to strong acceptance of our new SummerGuard product and continued strong sales of Turf Builder(R) weed control products and grass seed; Growing Media sales increased over 11% due to continued strong performance of our value added line of Miracle-Gro(R) potting mix and garden soil. Ortho sales were down slightly from fiscal 2001 to fiscal 2002. Despite an increase in consumer purchases of certain product lines, overall Ortho sales declined slightly in fiscal 2002 as we reduced national television advertising support to reassess our campaign for this line and prepare for a new campaign in fiscal 2003. Gardens sales declined over 5.5%, primarily due to a colder and wetter May (the business' peak sales month) in the Midwest and Eastern portions of the U.S.

Scotts LawnService(R) revenues increased over 83% from $41.2 million in fiscal 2001 to $75.6 million in fiscal 2002. The growth in revenue reflects the growth in the business from the acquisitions completed in fiscal 2002, new branch openings in late winter of 2001 and the growth in customers from our spring 2002 and fall 2001 marketing campaigns. Spending on acquisitions, including seller-financing, increased from nearly $18.0 million in fiscal 2001 to over $54.0 million in fiscal 2002. Due to one major acquisition, nearly one-half of fiscal 2002's acquisition spending occurred in August 2002 resulting in only a minor contribution to fiscal 2002's revenue growth.

Net sales for the International Consumer segment were $249.0 million in fiscal 2002, which were $3.1 million, or 1.2%, lower than net sales for fiscal 2001. Excluding the effects of currency fluctuations, net sales declined over $7.0 million from fiscal 2001 to fiscal 2002. Efforts by retailers to reduce their inventory investment and more closely time their purchases to consumer purchases contributed to the year over year sales decrease.

Net sales for the Global Professional segment were $181.2 million in fiscal 2002, which were $4.5 million, or 2.4%, lower than net sales for fiscal 2001. The decline was primarily in North America where our customers, the end-user growers, have been impacted by retailer initiatives to reduce inventory levels.

Selling price changes were not material to net sales in fiscal 2002 or fiscal 2001.

Gross profit increased $38.5 million in fiscal 2002 from fiscal 2001. As a percentage of net sales, gross profit was 36.1% of net sales in fiscal 2002 compared to 35.2% in fiscal 2001. In North America, cost savings from our supply chain and purchasing initiatives to reduce manufacturing costs were partially offset by lower absorption of fixed costs due to lower production levels. Production levels were lowered in order to reduce North American inventory levels, which declined over $92 million from the end of fiscal 2001 to the end of fiscal 2002. Other factors affecting margins were better product mix, particularly in our Lawns and Growing Media businesses, and the increasing contribution of our rapidly growing Scotts LawnService(R) business which has higher margins than our other business units. Lastly, restructuring expenses included in cost of sales declined from $7.3 million in fiscal 2001 to $1.7 million in fiscal 2002 which improved gross profit as a percentage of net sales by 32 basis points.

The net commission earned from marketing agreement in fiscal 2002 was $16.2 million compared to $20.8 million in fiscal 2001. The decrease from the prior year is primarily due to a $5.0 million increase in the contribution payment due to Monsanto to $20.0 million in fiscal 2002 from $15.0 million in fiscal 2001.

Advertising expenses in fiscal 2002 were $82.2 million, a decrease of $6.9 million from advertising expenses in fiscal 2001 of $89.1 million. The decrease in advertising expenses from the prior year is primarily due to efficiencies from improved media buying and lower rates and reduced media spending on the Ortho line which was replaced with more in-store promotional support, which is a marketing expense included in selling, general and administrative expenses.

Selling, general and administrative ("SG&A") expenses in fiscal 2002 were $336.0 million compared to $392.5 million for fiscal 2001. The reduction is primarily due to restructuring and other charges of $68.4 million in fiscal 2001 compared to only $6.4 million in fiscal 2002. Excluding restructuring expenses in both fiscal years, the $3.0 million environmental charge in fiscal 2002 and selling, general and administrative expenses of the Scotts LawnService(R) business from both fiscal 2002 and 2001 results, SG&A expenses were $295.8 million, or 17.6% of net sales, in fiscal 2002 compared to $307.5 million, or 18.6% of net sales in fiscal 2001 which reflects the benefits in fiscal 2002 from the cost reduction efforts undertaken in 2001 through reduction in workforce and other restructuring activities even though other costs such as litigation related legal expenses and information systems support expenses increased in fiscal 2002 from fiscal 2001.

Fiscal 2002 includes $1.7 million of restructuring charges in costs of goods sold related to the redeployment of inventory from closed plants and warehouses and $2.4 million in selling, general and administrative expenses related to the relocation of personnel for the restructuring activities initiated in fiscal 2001. Under generally accepted accounting principles in the United States, these costs have been expensed in the period incurred. Also, in the fourth quarter of fiscal 2002 approximately $4.0 million in restructuring charges, primarily severance and pension costs, related to the announced closure of a plant in Bramford, England were recorded. In fiscal 2001, $7.3 million of restructuring and other charges were recorded in cost of goods sold and $68.4 million in selling, general and administrative costs.

Amortization of goodwill and intangibles in fiscal 2002 declined to $5.7 million from $27.7 million in fiscal 2001, primarily due to the adoption of SFAS No. 142 in fiscal 2002 as described previously.

Other income was $12.0 million for fiscal 2002, compared to $8.5 million in fiscal 2001. The increase is primarily due to the gain and other income from the agreement for the cessation of peat extraction in the United Kingdom of approximately $6.6 million. This transaction with English Nature is more fully described in the "Liquidity and Capital Resources" section. This gain was partially offset by lower royalty income due to the phase out in 2002 of a lawn mower program at a major North American retailer and a one-time insurance settlement gain in fiscal 2001.

Income from operations for fiscal 2002 was $239.2 million, compared with $116.4 million for fiscal 2001. The increase in income from operations over the prior year is the result of lower restructuring expenses, increased gross margin from the increase in net sales, lower advertising spending, lower selling, general and administrative expenses, and the effect of the change in accounting for amortization of indefinite-lived assets.

For segment reporting purposes, earnings before interest, taxes and amortization is used as the measure for Income from Operations ("operating income"). On that basis, operating income in the North American Consumer segment increased from $250.7 million for fiscal 2001 to $273.7 million for fiscal 2002 on an increase in net sales from $1,216.8 million in fiscal 2001 to $1,254.8 million in fiscal 2002. Gross margin improvement from supply chain cost reductions, improved mix in Lawns and Growing Media, and reduced media spending levels offset by lower overhead absorption due to lower production levels, lower Roundup commission and lower licensee royalties generated the improvement of North American Consumer operating income.

Scotts LawnService's(R) operating income increased from $4.7 million in fiscal 2001 to $8.8 million in fiscal 2002 due to the over 80% increase in net sales driven by internal growth and acquisitions.

International Consumer operating income was $16.6 million for fiscal 2002, compared to a loss of $4.0 million for fiscal 2001 even though net sales declined to $249.0 million from $252.1 million during the periods. Income increased due to the peat transaction with English Nature, lower spending on selling, general and administrative expenses, and restructuring charges which declined from $10.5 million in fiscal 2001 to $4.5 million in fiscal 2002.

Global Professional operating income increased slightly to $13.1 million in fiscal 2002 from $12.7 million in fiscal 2001 despite a slight reduction in net sales due to cost controls implemented in fiscal 2002.

Interest expense for fiscal 2002 was $76.3 million, a decrease of $11.4 million from interest expense for fiscal 2001 of $87.7 million. The decrease in interest expense was primarily due to a reduction in average borrowings as compared to the prior year due to increased profitability and lower working capital, and lower interest rates on our debt. The weighted average cost of debt was 7.65% in fiscal 2002 compared to 8.47% in fiscal 2001.

Income tax expense for fiscal 2002 was $61.9 million, compared with income tax expense for fiscal 2001 of $13.2 million. The increase in income tax expense from the prior year is the result of higher pre-tax income in fiscal 2002 for the reasons noted above. The lower estimated income tax rate for fiscal 2002 of 38% compared to 46% for fiscal 2001 is primarily due to effect of the elimination of amortization expense for book purpose that was not deductible for tax purposes and higher earnings in fiscal 2002.

The Company reported income before cumulative effect of accounting changes of $101.0 million for fiscal 2002, compared to $15.5 million for fiscal 2001. After the charge of $29.8 million ($18.5 million, net of tax) for the impairment of tradenames in our German, French and United Kingdom businesses, net income for fiscal 2002 was $82.5 million, or $2.61 per diluted share, compared to net income of

$15.5 million or $.51 per diluted share in fiscal 2001. If SFAS No. 142 had been adopted as of the beginning of fiscal 2001 diluted earnings per share for fiscal 2001 would have been $1.05 excluding impairment charges, if any, that would have been recorded upon adoption at October 1, 2000. Diluted earnings per share in fiscal 2002 would have been $3.19 per share if the impairment charge was excluded.

Average diluted shares outstanding increased from 30.4 million in fiscal 2001 to 31.7 million in fiscal 2002 due to option and warrant exercises, and the impact on common stock equivalents of a higher average share price in fiscal 2002.

FISCAL 2001 COMPARED TO FISCAL 2000

Net sales for fiscal 2001 were $1,695.8 million, an increase of 2.4% over fiscal 2000 sales of $1,656.2 million. As discussed below, net sales increased over 2.3% in the North American Consumer segment; whereas, net sales declined by 4.8% in the International Consumer segment and Global Professional net sales were up 2.9%. Net sales for the Scotts LawnService(R) segment increased 92.5% in fiscal 2001 over fiscal 2000.

North American Consumer net sales were $1,216.8 million in fiscal 2001 compared to net sales of $1,189.5 million. Net sales in the Lawns business within this segment were $495.8 million in fiscal 2001, a 9.6% increase over fiscal 2000 net sales of $452.2 million, primarily due to the introduction of a new line of grass seed products. Net sales in the Growing Media business increased 3.5% to $296.9 million in fiscal 2001 from $287.0 million in fiscal 2000 due to the continuation of the successful roll out of the value-added line of Miracle-Gro(R) branded garden and potting soils in the Growing Media business. Sales of branded soils increased from $74 million in fiscal 2000 to $101 million in fiscal 2001. Net sales in the Ortho business decreased 5.9% to $222.2 million in fiscal 2001 from $236.1 million in fiscal 2000 due primarily to the weather and product availability issues due to ERP system data problems. The other sales category consists of sales under a supply agreement to the purchaser of the ProTurf(R) business in 2001 and actual sales of the ProTurf(R) business in fiscal 2000 prior to the date of sale.

Selling price changes were not material to net sales in fiscal 2001 or fiscal 2000.

Net sales in the Scotts LawnService(R) business increased 92.5% to $41.2 million in fiscal 2001 from $21.4 million in fiscal 2000. This growth reflects continued expansion through acquisitions and new branch openings, as well as the success of our direct marketing campaign utilizing the Scotts(R) brand name.

International Consumer net sales decreased 4.8% to $252.1 million in fiscal 2001, compared to $264.8 million in fiscal 2000. Excluding the adverse impact of changes in exchange rates, net sales for International Consumer increased over 3% compared to the prior year. The increase in sales is primarily due to the successful sell-in of a new line of fertilizer products under the Substral(R) brand name acquired January 1, 2001.

Net sales for Global Professional of $185.7 million for fiscal 2001 increased 2.9% from fiscal 2000 net sales of $180.5 million. Excluding the unfavorable impact of changes in foreign exchange rates, Global Professional net sales increased approximately 6.3% year over year. Approximately half of the increase was from professional seed sales which previously had been part of the Pro Turf business which was sold in May 2000.

Gross profit decreased to $596.4 million in fiscal 2001, compared to $603.8 million in fiscal 2000. Excluding restructuring charges, gross profit was flat year over year. Gross profit, including restructuring charges, as a percentage of net sales was 35.2% in fiscal 2001 compared to 36.5% in fiscal 2000. The decrease in gross profit as a percentage of net sales was driven by the restructuring charges in fiscal 2001 which reduced gross profit by 90 basis points and unfavorable product mix in the Ortho and Gardens businesses and increased sales of seed which has a lower margin than fertilizers and control products, offset by lower distribution costs and the favorable margin impact from increased sales of value-added Growing Media products.

The net commission earned from the Roundup(R) marketing agreement in fiscal 2001 was $20.8 million, compared to $29.3 million in fiscal 2000. Despite worldwide earnings for the consumer Roundup(R) business increasing by approximately $4.0 million from fiscal 2000 to fiscal 2001, the gross commission earned by Scotts was flat due to the increased earnings targets and reduced commission rate schedule in the commission calculation for 2001 as compared to 2000. In addition, the net commission decreased due to the $10 million increase in contribution expenses as specified in the agreement.

Advertising expenses for fiscal 2001 were $89.1 million, compared to fiscal 2000 advertising expenses of $89.0 million. Advertising expense declined as a percentage of net sales due to the impact of improved media buying efficiencies and lower advertising rates compared to the prior year.

Selling, general and administrative expenses for fiscal 2001 were $324.1 million, an increase of $11.3 million, or 3.6%, over similar expenses in fiscal 2000 of $312.8 million. As a percentage of sales, selling, general and administrative expenses were 19.1% for fiscal 2001, compared to 18.9% for fiscal 2000. The increase in selling, general and administrative expenses from the prior year is partially due to an increase in selling expenses as a result of the change in the selling and distribution model for the North American Consumer businesses. The increase in selling, general and administrative expenses is also due to an increase in information technology expenses from the prior year as a result of the cost of many information technology resources being capitalized toward the cost of our enterprise resource planning system ("ERP") in fiscal 2000 and the increased depreciation on the new ERP system in fiscal 2001. Most of these information technology resources have assumed a system support function that is now being expensed as incurred.

Selling, general and administrative expenses associated with restructuring and other non-operating expenses were $68.4 million for fiscal 2001. These charges, along with the $7.3 million which is included in cost of sales for the write-off of obsolete inventory, were primarily associated with the closure or relocation of certain plants and administrative facilities. Included in the $68.4 million charge in selling, general and administrative costs is $20.4 million to write-down to fair value certain property and equipment and other assets; $5.8 million of facility exit costs; $27.0 million of severance costs; and $15.2 million in other restructuring and other costs. The severance costs related to reduction in force initiatives and facility closures and consolidations in North America and Europe covering approximately 340 administrative, production, selling and other employees. Most severance costs were paid in fiscal 2002 with some payments extending into 2003. Most other fiscal 2001 restructuring related activities and costs were completed by the end of fiscal 2002.

Amortization of goodwill and other intangibles increased to $27.7 million in fiscal 2001 from $27.1 million in fiscal 2000 due to the additional amortization related to the Substral(R) acquisition in December 2000 and numerous small acquisitions by Scotts LawnService(R) throughout fiscal 2001.

Other income for fiscal 2001 was $8.5 million compared to $6.0 million for fiscal 2000. The increase in other income was primarily due to the favorable settlement of certain legal matters in fiscal 2001 and an insurance settlement from a seed warehouse fire. Fiscal 2000 results also included losses on the sale of miscellaneous assets which did not recur in fiscal 2001.

Income from operations for fiscal 2001 was $116.4 million compared to $210.2 million for fiscal 2000. The decrease was the result of the restructuring and other charges and increased selling, general and administrative costs, the decline in the marketing agreement net commission and higher depreciation expense for the new ERP system in North America which was fully in service for all of fiscal 2001.

For segment reporting purposes, earnings before interest, taxes and amortization is used as the measure for income from operations or operating income. On that basis, operating income in the North American Consumer segment increased from $243.3 million in fiscal 2000 to $250.7 million in fiscal 2001 due to the 2.3% increase in sales offset by lower margins due to mix and higher expenses for its sales force and the new ERP system. Scotts LawnService(R) had income from operations in fiscal 2001 of $4.7 million, compared to $0.9 million in fiscal 2000. This increase resulted from continued expansion through acquisitions and new branch openings. Operating income in the Global Professional segment declined from $26.4 million in fiscal 2000 to $12.7 million in fiscal 2001 due to lower sales due to poor weather and higher operating costs in the international Professional business, increased spending in biotechnology and new investments in branded plants initiatives. The operating cost structure in the international Professional business was addressed in the restructuring initiatives undertaken in late fiscal 2001. International Consumer segment operating income declined from income of $21.0 million in fiscal 2000 to a loss of $4.0 million in fiscal 2001. Excluding restructuring charges, International Consumer reported operating income of $6.0 million. The decline in income was due to lower sales related to poor weather in Europe and higher operating costs. The International Consumer cost structure was also

addressed in 2001's restructuring initiatives. The Corporate operating loss increased from $54.2 million in fiscal 2000 to $120.0 million in fiscal 2001 primarily due to restructuring charges related to the domestic business.

Interest expense for fiscal 2001 was $87.7 million, a decrease of $6.2 million from fiscal 2000 interest expense of $93.9 million. The decrease in interest expense was primarily due to favorable interest rates. The average rate on our variable rate debt was 7.85% in fiscal 2001, compared to 8.78% in fiscal 2000.

Income tax expense was $13.2 million for fiscal 2001, compared to $43.2 million in fiscal 2000. The effective tax rate in fiscal 2001 was 46%, compared to 37.1% for fiscal 2000. The primary driver of the change in the effective tax rate was the restructuring and other charges recorded in fiscal 2001, which reduced pre-tax income thereby increasing the effect of non-deductible goodwill amortization on the effective tax rate. Also, the prior year effective tax rate benefited from the elimination of tax reserves due to the settlement of certain tax contingencies.

Net income was $15.5 million for fiscal 2001, or $.51 per common share on a diluted basis, compared to net income of $73.1 million for fiscal 2000, or $2.25 per common share on a diluted basis. Common shares and equivalents used in the computation of fully diluted earnings per share in fiscal 2001 and fiscal 2000 were 30.4 million and 29.6 million, respectively. The increase reflects more common share equivalents due to higher average stock prices and option exercises in fiscal 2001.

LIQUIDITY AND CAPITAL RESOURCES

Cash provided by operating activities was $224.3 million for fiscal 2002, compared to $65.7 million for fiscal 2001. The improvement in cash provided by operations was primarily from increased profitability and improved working capital driven by a reduction in inventory of over $99 million in fiscal 2002 as compared to an increase of $68.5 million in fiscal 2001. The seasonal nature of our operations generally requires cash to fund significant increases in working capital (primarily inventory) during the first half of the year. Receivables and payables also build substantially in the second quarter in line with increasing sales as the season begins. These balances liquidate over the latter part of the second half of the year as the lawn and garden season winds down. As of the end of fiscal 2002, accounts receivable had not declined at the same pace as in the prior year because of the shift in sales to the third and fourth quarters from the second quarter in fiscal 2002. Net sales were $303.3 million in the fourth quarter of fiscal 2002 compared to $236.7 million in the fourth quarter of fiscal 2001. As a result, accounts receivable were $249.9 million at September 30, 2002 compared to $220.8 million at September 30, 2001. Other significant changes in balance sheet accounts affecting cash provided by operating activities were the payment in 2002 of $27.9 million of restructuring liabilities from the 2001 restructuring compared to a buildup of restructuring reserves in 2001 of $37.3 million and increases to other liabilities, primarily pension related obligations, added $33.6 million in fiscal 2002 compared to only $7.6 million in fiscal 2001. Deferred taxes added $21.2 million to cash flows from operating activities due to tax benefits from the payment of restructuring accruals from 2001 in fiscal 2002 and additional bonus depreciation recognized for tax purposes in fiscal 2002.

Our pension liabilities increased dramatically in fiscal 2002 due to the decline in investment performance and interest rates. The unfunded status of our curtailed defined benefit plans in the United States increased from a deficit of $12.2 million at September 30, 2001 to a deficit of $29.2 million at September 30, 2002. Our International plans went from a deficit of $24.3 million in fiscal 2001 to a deficit of $50.2 million in fiscal 2002. Employer contributions to the plans in fiscal 2003 are not expected to increase appreciably from fiscal 2002 contributions of $7.8 million.

In April 2002, our subsidiary in the United Kingdom, working in conjunction with Friends of the Earth (U.K.), reached agreement with English Nature on the cessation of peat extraction activities at three peat bogs leased by us. In late April 2002, we received payments totaling $18.1 million for the transfer of our interests in the properties and for the immediate cessation of all but a limited amount of peat extraction on one of the three sites. Approximately $13.0 million was recorded as deferred income and will be recognized in income over the 29 month period which began in May 2002 and coincides with the period we are allowed to complete extraction activities at the one site. An additional $2.8 million was received for peat inventory sold to English Nature which will be used for restoration activities to be conducted at the various sites. We will also receive compensation for services rendered from time to time in assisting

English Nature in restoration activities. Further amounts of approximately $3.0 million will be payable to us upon cessation of peat extraction on the remaining site before October 2004 and the final transfer of interests in the property. This agreement is not expected to have an impact on the Company's ability to source these raw materials in the near term. The deferred revenue recorded in this transaction is included in the change in accrued taxes and liabilities for the portion to be recognized in fiscal 2003 and in the increase in other liabilities for the portion recognizable after fiscal 2003 in the Consolidated Statements of Cash Flows.

Cash used in investing activities was $113.0 million for fiscal 2002, compared to $101.0 million in the prior year period. Payments on seller notes increased because of payments made on the Substral deferred purchase obligation in fiscal 2002. Cash payments on acquisitions completed by Scotts LawnService(R) increased to $30.5 million in fiscal 2002 from $13.0 million in fiscal 2001. The total value of acquisitions by Scotts LawnService(R), including property and equipment obtained in the acquisitions, in fiscal 2002 was $54.8 million, compared to nearly $18.0 million in fiscal 2001.

In March 2002, an arbitration with Rhone-Poulenc Jardin concerning the amount paid for businesses acquired in 1998 was settled for a cash payment of $10.4 million to us of which $0.8 million was interest. After payment of legal fees of $2.6 million, the net proceeds of $7.0 million were recorded as reductions in goodwill and other indefinite-lived intangible assets. The net proceeds are reflected in the Consolidated Statements of Cash Flows as other cash flows from investing activities.

Financing activities used cash of $41.8 million for fiscal 2002, compared to providing $21.4 million in the prior year. The decrease in cash from financing activities was primarily due to the repayment of borrowings under our credit facility in fiscal 2002 partially offset by the $70 million issuance of subordinated notes in January 2002. The net proceeds of this issuance were used to pay down borrowings on our revolving credit facility. Proceeds from the exercises of stock options increased to $19.7 million in fiscal 2002 from $17.0 million in fiscal 2001. In addition to option exercises in fiscal 2002, 1.2 million warrants were exercised in exchange for the issuance of 0.5 million treasury shares in a non-cash transaction.

Our primary sources of liquidity are funds generated by operations and borrowings under our credit agreement. The credit agreement provided for borrowings in the aggregate principal amount of $1.1 billion consisting of term loan facilities in the aggregate amount of $525 million and a revolving credit facility in the amount of $575 million. Due to paydowns on our term loans, the amount available under the term loan facilities has been reduced to approximately $375 million as of September 30, 2002. Also, as of September 30, 2002, approximately $14 million of the $575 million revolving credit facility is committed for letters of credit; the balance of approximately $561 million is available for use.

Total debt was $829.4 million as of September 30, 2002, a decrease of $58.4 million compared with total debt at September 30, 2001 of $887.8 million. The decrease in debt compared to the prior year was primarily due to scheduled debt repayments on our term loans during fiscal 2002 and the repayment of all borrowings on our revolver as of September 30, 2002 due to significantly improved cash flow from operations.

At September 30, 2002 we are in compliance with all debt covenants. The credit agreement contains covenants on interest coverage and leverage. The credit agreement and the Subordinated Note indenture agreement also contain numerous negative covenants which we are also in compliance with in fiscal 2002. We expect to be in compliance with all covenants in fiscal 2003. There are no rating triggers in our credit agreement or the Subordinated Note indenture agreement.

Total cash was $99.7 million at September 30, 2002, an increase of $81.0 million from September 30, 2001. Due to restrictions in our debt agreements on voluntary prepayments of indebtedness, we elected not to use the cash on hand at September 30, 2002 to paydown indebtedness because voluntary paydowns permanently reduce the total borrowing commitment available under the credit facility. A mandatory excess cash-flow prepayment of $24.4 million was paid in November 2002 based upon fiscal 2002's results of operations and cash flows.

We did not repurchase any treasury shares in fiscal 2001 or fiscal 2002. We have not paid dividends on the common shares in the past and do not presently plan to pay dividends on the common shares. It is presently anticipated that earnings will be retained and reinvested to support the growth of our business or to pay down indebtedness. The payment of future dividends, if any, on common shares will be determined by the Board of Directors of Scotts in light of conditions then existing, including our earnings, financial condition and capital requirements, restrictions in financing agreements, business conditions and other factors.

All of our off balance sheet financing is in the form of operating leases which are disclosed in the notes to consolidated financial statements included in Item 8 herein. We have no financial guarantees or other arrangements with any related parties other than our subsidiaries. All material intercompany transactions are eliminated in our consolidated financial statements. Certain transactions with executive officers are fully described and disclosed in our proxy statement. Such transactions pertain primarily to office space provided to and administrative services provided by Hagedorn Partnership, L.P. and do not exceed $150,000 per annum.

In late April 2002, a jury awarded us payment of $22.5 million for amounts owed to us by Central Garden & Pet, a former distributor. At the same time, we were ordered to pay Central Garden & Pet $12.1 million for fees and credits owed to them. The verdict is subject to further revision by post trial motions and is also appealable. The final outcome cannot be determined until the final judgment is entered by the court and all appeals, if any, are concluded. We are unable to predict at this time when the determination of a final amount will occur or when, or if, we will receive final payment.

In July 2002, the Company's Board of Directors approved a plan designed to significantly improve the profitability of the International consumer and professional businesses. The plan includes implementation of an SAP platform throughout Europe, as well as efforts to optimize operations in the United Kingdom, France and Germany, including the creation of a global supply chain. We estimate that there will be a cash outlay of $50-$60 million, of which approximately 25% will be capital expenditures, to implement this plan fully over by the end of fiscal 2005. A restructuring and other charge of $4.0 million was recorded in the fourth quarter of fiscal 2002 related to one of the projects in the plan, the announced closure of a manufacturing plant in Bramford, England.

During the first quarter of fiscal 2003, a fork lift accident occurred at Scotts' plant in Chino, California. The accident resulted in the death of a Scotts' associate. Scotts believes that workers' compensation insurance coverage is the family's exclusive remedy against Scotts and therefore does not currently anticipate any action by the family against Scotts. There is some risk, however, that claims will be made by the employee's family against third parties, in which case Scotts may become involved in the litigation. Scotts believes it has defenses to any attempt to add Scotts as a defendant, but there can be no guarantees at this point that the defense would be successful. As of December 10, 2002, we are not aware of any complaint that has been filed relating to the accident or any other action by the employee's family.

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

The following table summarizes our future cash outflows for contractual obligations as of September 30, 2002 (in millions):

	Payments Due by Period				
Contractual Cash Obligations	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Debt	$ 845.7	$105.8	$ 89.4	$181.3	$469.2
Operating leases	88.1	21.2	30.7	12.6	23.6
Unconditional purchase obligations	238.1	84.9	82.6	40.6	30.0
Fixed interest payments	6.8	3.7	3.1		
Annual contribution payment under 10 year term of marketing agreement	150.0	25.0	50.0	50.0	25.0
Total contractual cash obligations	$1,328.7	$240.6	$255.8	$284.5	$547.8

In our opinion, cash flows from operations and capital resources will be sufficient to meet debt service and working capital needs during fiscal 2003, and thereafter for the foreseeable future. However, we cannot ensure that our business groups will generate sufficient cash flow from operations or that future borrowings will be available under our credit facilities in amounts sufficient to pay indebtedness or fund other liquidity needs. Actual results of operations will depend on numerous factors, many of which are beyond our control.

ENVIRONMENTAL MATTERS

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

MANAGEMENT'S OUTLOOK

We are very pleased with the Company's performance in fiscal 2002. We entered the year having just completed a significant restructuring and reduction in force in the fourth quarter of fiscal 2001. We set challenging goals for 2002 such as aggressive growth in sales and profitability, improved customer service from our order processing and supply chain organizations, improved cash flows from better management of working capital and significant cost savings from the restructuring and from new supply chain initiatives to cut costs. We also faced unforeseen problems during the year such as retailer initiatives to reduce inventory levels and improve their inventory turns, and the bankruptcy of a major customer in the United States.

We were successful in 2002 because we executed well on all fronts. Scotts LawnService(R) increased revenues over 80%, while closing on more than $50 million of acquisitions, and our supply chain organization met its cost reduction targets while reducing inventories in North America by over $90 million and improving customer service. Increased profitability and working capital management brought free cash flow of $161 million. We also saw improvement in our International businesses and improved our return on invested capital.

Our success in fiscal 2002 sets the stage for fiscal 2003. We are committed to the continued improvement of our International businesses. We have embarked upon a three year plan to invest in systems and reorganize our International operations to drive profitable growth. We have aggressive growth and acquisition goals for Scotts LawnService(R). We expect continued excellence from our supply chain organization in efficient operations, customer service and cost cutting. We will invest in advertising and explore new distribution channels and products to leverage our strong brands and drive profitable growth in our North American businesses.

We believe fiscal 2003 will be a year of profitable growth, with continued improvement in return on invested capital and strong cash flow.

FORWARD-LOOKING STATEMENTS

We have made and will make "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 in our 2002 Summary Annual Report, our 2002 Financial Statements and Other Information booklet, in this Form 10-K and in other contexts relating to future growth and profitability targets and strategies designed to increase total shareholder value. Forward-looking statements also include, but are not limited to, information regarding our future economic and financial condition, the plans and objectives of our management and our assumptions regarding our performance and these plans and objectives.

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

Some forward-looking statements that we make in our 2002 Summary Annual Report, in our 2002 Financial Statements and Other Information booklet, in this Form 10-K and in other contexts represent challenging goals for our company, and the achievement of these goals is subject to a variety of risks and assumptions and numerous factors beyond our control. Important factors that could cause actual results to differ materially from the forward-looking statements we make are described below. All forward-looking statements attributable to us or persons working on our behalf are expressly qualified in their entirety by the following cautionary statements.

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

  We have a significant amount of debt. Our substantial indebtedness could have important consequences. For example, it could:

  - make it more difficult for us to satisfy our obligations under outstanding indebtedness and otherwise;

  - increase our vulnerability to general adverse economic and industry conditions;

  - require us to dedicate a substantial portion of cash flows from operations to payments on our indebtedness, which would reduce the cash flows available to fund working capital, capital expenditures, advertising, research and development efforts and other general corporate requirements;

  - limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;

  - place us at a competitive disadvantage compared to our competitors that have less debt;

  - limit our ability to borrow additional funds; and

  - expose us to risks inherent in interest rate fluctuations because some of our borrowings are at variable rates of interest, which could result in higher interest expense in the event of increases in interest rates.

  Our ability to make payments on and to refinance our indebtedness and to fund planned capital expenditures and research and development efforts will depend on our ability to generate cash in the future. This, to some extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

We cannot assure you that our business will generate sufficient cash flow from operations or that currently anticipated cost savings and operating improvements will be realized on schedule or at all. We also cannot assure you that future borrowings will be available to us under our credit facility in amounts sufficient to enable us to pay our indebtedness or to fund our other liquidity needs. We may need to refinance all or a portion of our indebtedness, on or before maturity. We cannot assure you that we will be able to refinance any of our indebtedness on commercially reasonable terms or at all.

- RESTRICTIVE COVENANTS MAY ADVERSELY AFFECT US.

Our credit facility and the indenture governing our outstanding senior subordinated notes contain restrictive covenants that require us to maintain specified financial ratios and satisfy other financial condition tests. Our ability to meet those financial ratios and tests can be affected by events beyond our control, and we cannot assure you that we will meet those tests. A breach of any of these covenants could result in a default under our credit facility and/or our outstanding senior subordinated notes. Upon the occurrence of an event of default under our credit facility and/or the senior subordinated notes, the lenders and/or noteholders could elect to declare the applicable outstanding indebtedness to be immediately due and payable and terminate all commitments to extend further credit. We cannot be sure that our lenders or the noteholders would waive a default or that we could pay the indebtedness in full if it were accelerated.

- ADVERSE WEATHER CONDITIONS COULD ADVERSELY IMPACT FINANCIAL RESULTS.

Weather conditions in North America and Europe have a significant impact on the timing of sales in the spring selling season and overall annual sales. An abnormally cold spring throughout North America and/or Europe could adversely affect both fertilizer and pesticide sales and therefore our financial results.

- OUR HISTORICAL SEASONALITY COULD IMPAIR OUR ABILITY TO PAY OBLIGATIONS AS THEY COME DUE IN ADDITION TO OUR OPERATING EXPENSES.

Because our products are used primarily in the spring and summer, our business is highly seasonal. For the past two fiscal years, more than 70% of our net sales have occurred in the second and third fiscal quarters combined. Our working capital needs and our borrowings peak near the middle of our second fiscal quarter because we are generating fewer revenues while incurring expenditures in preparation for the spring selling season. If cash on hand is insufficient to pay our obligations as they come due, including interest payments on our indebtedness, or our operating expenses, at a time when we are unable to draw on our credit facility, this seasonality could have a material adverse effect on our ability to conduct our business. Adverse weather conditions could heighten this risk.

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

We manufacture and market a number of complex chemical products, such as fertilizers, growing media, herbicides and pesticides, bearing one of our brand names. On occasion, allegations are made that some of our products have failed to perform up to expectations or have caused damage or injury to individuals or property. Based on reports of contamination at a third party supplier's vermiculite mine, the public may perceive that some of our products manufactured in the past using vermiculite are or may also be contaminated. Public perception that our products are not safe, whether justified or not, could impair reputation, involve us in litigation, damage our brand names and have a material adverse affect our business.

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

North American Consumer net sales represent approximately 70% of our worldwide net sales. Our top four North American retail customers together accounted for over 75% of our North American Consumer fiscal 2002 net sales and 42% of our outstanding accounts receivable as of September 30, 2002. Home Depot, Wal-Mart, Lowe's and Kmart represented approximately 37%, 18%, 11% and 10%, respectively, of our fiscal 2002 North American Consumer net sales. The loss of, or reduction in orders from, Home Depot, Wal-Mart, Lowe's, Kmart or any other significant customer could have a material adverse effect on our business and our financial results, as could customer disputes regarding shipments, fees, merchandise condition or related matters. Our inability to collect accounts receivable from any of these customers could also have a material adverse affect.

We do not have long-term sales agreements or other contractual assurances as to future sales to any of our major retail customers. In addition, continued consolidation in the retail industry has resulted in an increasingly concentrated retail base. To the extent such concentration continues to occur, our net sales and operating income may be increasingly sensitive to a deterioration in the financial condition of, or other adverse developments involving our relationship with, one or more customers.

Kmart, one of our top customers, filed for bankruptcy relief under Chapter 11 of the bankruptcy code on January 22, 2002. Following such filing, and their successful obtaining of debtor-in-possession financing, we recommenced shipping products to Kmart, and we intend to continue shipping products to Kmart for the foreseeable future. If Kmart does not successfully emerge from its bankruptcy reorganization, our business could be adversely affected.

- THE HIGHLY COMPETITIVE NATURE OF THE COMPANY'S MARKETS COULD ADVERSELY AFFECT THE ABILITY OF THE COMPANY TO GROW OR MAINTAIN REVENUES.

Each of our segments participates in markets that are highly competitive. Many of our competitors sell their products at prices lower than ours, and we compete primarily on the basis of product quality, product performance, value, brand strength, supply chain competency and advertising. Some of our competitors have significant financial resources and research departments. The strong competition that we face in all of our markets may prevent us from achieving our revenue goals, which may have a material adverse affect on our financial condition and results of operations.

- IF MONSANTO WERE TO TERMINATE THE MARKETING AGREEMENT FOR CONSUMER ROUNDUP(R) PRODUCTS WITHOUT BEING REQUIRED TO PAY ANY TERMINATION FEE, WE WOULD LOSE A SUBSTANTIAL SOURCE OF FUTURE EARNINGS.

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

  - over a cumulative three fiscal year period; or

  - by more than 5% for each of two consecutive fiscal years.

- THE HAGEDORN PARTNERSHIP L.P. BENEFICIALLY OWNS APPROXIMATELY 37% OF OUR OUTSTANDING COMMON SHARES ON A FULLY DILUTED BASIS.

The Hagedorn Partnership L.P. beneficially owns approximately 37% of our outstanding common shares on a fully diluted basis and has sufficient voting power to significantly influence the election of directors and the approval of other actions requiring the approval of our shareholders.

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

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

The Food Quality Protection Act, enacted by the U.S. Congress in August 1996, establishes a standard for food-use pesticides: that a reasonable certainty of no harm will result from the cumulative effect of pesticide exposures. Under this act, the U.S. EPA is evaluating the cumulative risks from dietary and non-dietary exposures to pesticides. The pesticides in our products, certain of which may be used on crops processed into various food products, continue to be evaluated by the U.S. EPA as part of this exposure risk assessment. It is possible that the U.S. EPA or a third party active ingredient registrant may decide that a pesticide we use in our products will be limited or made unavailable to us. For example, in June 2000, DowAgroSciences, an active ingredient registrant, voluntarily agreed to a gradual phase-out of residential uses of chlorpyrifos, an active ingredient used in our lawn and garden products. In December 2000, the U.S. EPA reached agreement with various parties, including manufacturers of the active ingredient diazinon, regarding a phased withdrawal from retailers by December 2004 of residential uses of products containing diazinon, used also in our lawn and garden products. We cannot predict the outcome or the severity of the effect of the U.S. EPA's continuing evaluations of active ingredients used in our products.

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

The harvesting of peat for our growing media business has come under increasing regulatory and environmental scrutiny. In the United States, state regulations frequently require us to limit our harvesting and to restore the property to an agreed-upon condition. In some locations, we have been required to create water retention ponds to control the sediment content of discharged water. In the United Kingdom, our peat extraction efforts are also the subject of legislation.

In addition to the regulations already described, local, state, federal and foreign agencies regulate the disposal, handling and storage of waste, air and water discharges from our facilities. In June 1997, the Ohio Environmental Protection Agency ("Ohio EPA") initiated an enforcement action against us with respect to alleged surface water violations and inadequate treatment capabilities at our Marysville facility and is seeking corrective action under the Resource Conservation Recovery Act. We have met with the Ohio EPA and the Ohio Attorney General's office to negotiate an amicable resolution of these issues. On December 3, 2001, an agreed judicial Consent Order was submitted to the Union County Common Pleas Court and was entered by the court on January 25, 2002.

In fiscal 2002, we made $0.3 in environmental capital expenditures and incurred approximately $5.4 million in other environmental expenses, compared with approximately $0.6 million in environmental capital expenditures and $2.1 million in other environmental expenses in fiscal 2001.

The adequacy of these estimated future expenditures is based on our operating in substantial compliance with applicable environmental and public health laws and regulations and several significant assumptions:

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

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

If there is a significant change in the facts and circumstances surrounding these assumptions or if we are found not to be in substantial compliance with applicable environmental and public health laws and regulations, it could have a material impact on future environmental capital expenditures and other environmental expenses and our results of operations, financial position and cash flows.

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

We currently operate manufacturing, sales and service facilities outside of North America, particularly in the United Kingdom, Germany, France and the Netherlands. In fiscal 2002, international sales accounted for approximately 24% of our total sales. Accordingly, we are subject to risks associated with operations in foreign countries, including:

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

In addition, our operations outside the United States are subject to the risk of new and different legal and regulatory requirements in local jurisdictions, potential difficulties in staffing and managing local operations and potentially adverse tax consequences. The costs related to our international operations could adversely affect our operations and financial results in the future.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As part of our ongoing business, we are exposed to certain market risks, including fluctuations in interest rates, foreign currency exchange rates and commodity prices. We use derivative financial and other instruments, where appropriate, to manage these risks. We do not enter into transactions designed to mitigate our market risks for trading or speculative purposes.

INTEREST RATE RISK

We have various debt instruments outstanding at September 30, 2002 and 2001 that are impacted by changes in interest rates. As a means of managing our interest rate risk on these debt instruments, we entered into the following interest rate swap agreements to effectively convert certain variable rate debt obligations to fixed rates:

- In fiscal 2001, we had a 20 million British Pounds Sterling notional amount swap to convert variable rate debt obligations denominated in British Pounds Sterling to a fixed rate. The exchange rate used to convert British Pounds Sterling to U.S. dollars at September 30, 2001 was $1.47:1 GBP.

- At September 30, 2002 and 2001, six and four interest rate swaps with a total notional amount of $95.0 million and $105.0 million, respectively, were used to hedge a portion of the term loan variable-rate obligations under our credit facility.

The following table summarizes information about our derivative financial instruments and debt instruments that are sensitive to changes in interest rates as of September 30, 2002 and 2001. For debt instruments, the table presents principal cash flows and related weighted-average interest rates by expected maturity dates. For interest rate swaps, the table presents expected cash flows based on notional amounts and weighted-average interest rates by contractual maturity dates. Weighted-average variable

rates are based on implied forward rates in the yield curve at September 30,
2002 and 2001. The information is presented in U.S. dollars (in millions):

Expected
Maturity
Date ------

--- Fair
2002 2003
2004 2005
2006 2007
after Total
Value - ---

---- Long-
term debt:
Fixed rate
debt $400.0
$400.0
$391.8
Average
rate 8.625%
8.625%
Variable
rate debt
$59.1 $34.2
$43.6 $ 0.9
$178.3 $
59.4 $375.5
$375.5
Average
rate 5.95%
6.32% 6.33%
5.03% 5.03%
5.03% 5.52%
Interest
rate
derivatives:
Interest
rate swaps
on US$
LIBOR
$(2.0)
$(1.6) $
(3.6) $
(3.6)
Average
rate 4.45%
4.29% 4.38%

Expected
Maturity
Date ------

---- Fair
2001 2002
2003 2004
2005 2006
after Total
Value - ---

---- Long-
term debt:
Fixed rate
debt $330.0
$330.0
$320.5
Average
rate 8.625%
8.625%
Variable
rate debt
$31.3 $34.2
$34.2
$138.1 $
0.9 $254.6
$493.3
$493.3
Average
rate 6.30%
6.30% 6.30%
6.40% 6.10%
6.10% 6.23%
Interest
rate
derivatives:
Interest
rate swaps
on GBP
LIBOR
$(0.5) $
(0.5) $
(0.5)
Average
rate 7.62%
7.62%
Interest
rate swaps
on US$
LIBOR
$(1.6)
$(0.6)
$(0.1) $
(2.3) $
(2.2)
Average
rate 5.13%
5.15% 5.18%
5.14%

OTHER MARKET RISKS

Our market risk associated with foreign currency rates is not considered to be material. Through fiscal 2002, we had only minor amounts of transactions that were denominated in currencies other than the currency of the country of origin. We are subject to market risk from fluctuating market prices of certain raw materials, including urea and other chemicals and paper and plastic products. Our objectives surrounding the procurement of these materials are to ensure continuous supply and to minimize costs. We seek to achieve these objectives through negotiation of contracts with favorable terms directly with vendors. We do not enter into forward contracts or other market instruments as a means of achieving our objectives or minimizing our risk exposures on these materials.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and other information required by this Item are contained in the financial statements, footnotes thereto and schedules listed in the "Index to Consolidated Financial Statements and Financial Statement Schedules" on page 47 herein.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

In accordance with General Instruction G(3), the information contained under the captions "BENEFICIAL OWNERSHIP OF SECURITIES OF THE COMPANY -- Section 16(a) Beneficial Ownership Reporting Compliance" and "PROPOSAL NUMBER 1 -- ELECTION OF DIRECTORS" in the Registrant's definitive Proxy Statement for the 2003 Annual Meeting of Shareholders to be held on January 30, 2003 filed with the Securities and Exchange Commission pursuant to Regulation 14A promulgated under the Securities Exchange Act of 1934 (the "Proxy Statement"), is incorporated herein by reference. The information regarding executive officers of the Registrant required by Item 401 of Regulation S-K is included in Part I hereof under the caption "SUPPLEMENTAL ITEM. EXECUTIVE OFFICERS OF REGISTRANT."

ITEM 11. EXECUTIVE COMPENSATION

In accordance with General Instruction G(3), the information contained under the captions "EXECUTIVE COMPENSATION -- Summary of Cash and Other Compensation, -- Option Grants in 2002 Fiscal Year, -- Option Exercises in 2002 Fiscal Year and 2002 Fiscal Year -- End Option Values, -- Equity Compensation Plan Information, -- Executive Retirement Plan, -- Pension Plans, and -- Employment Agreements and Termination of Employment and Change-in-Control Arrangements" and "PROPOSAL NUMBER 1 -- ELECTION OF DIRECTORS -- Compensation of Directors" in the Registrant's Proxy Statement is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

In accordance with General Instruction G(3), the information contained under the caption "BENEFICIAL OWNERSHIP OF SECURITIES OF THE COMPANY" and "EXECUTIVE COMPENSATION -- Equity Compensation Plan Information" in the Registrant's Proxy Statement is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

In accordance with General Instruction G(3), the information contained under the captions "BENEFICIAL OWNERSHIP OF SECURITIES OF THE COMPANY", "PROPOSAL NUMBER 1 -- ELECTION OF DIRECTORS" and "CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS" in the Registrant's Proxy Statement is incorporated herein by reference.

PART IV

ITEM 14. CONTROLS AND PROCEDURES

Within 90 days of the date of the filing of this Annual Report on Form 10-K, an evaluation ("Evaluation") was performed under the supervision of, and with the participation of, the Registrant's principal executive officer and principal financial officer of the Registrant's disclosure controls and procedures. Based upon the Evaluation, the principal executive officer and principal financial officer concluded that:

(A) information required to be disclosed by the Registrant in this Annual Report on Form 10-K would be accumulated and communicated to the Registrant's management, including its principal executive and financial officers, as appropriate, to allow timely decisions regarding required disclosure; and

(B) information required to be disclosed by the Registrant in this Annual Report on Form 10-K would be recorded, processed and summarized, and would be reported within the time period specified in the SEC's rules and forms.

No significant changes were made to the Registrant's internal controls or in other factors that could significantly affect these internal controls subsequent to the date of the Evaluation.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) LIST OF DOCUMENTS FILED AS PART OF THIS REPORT

1 and 2. Financial Statements and Financial Statement Schedules:

The response to this portion of Item 15 is submitted as a separate section of this Annual Report on Form 10-K. Reference is made to the "Index to Consolidated Financial Statements and Financial Statement Schedules" on page 47 herein.

3. Exhibits:

Exhibits filed with this Annual Report on Form 10-K are attached hereto or incorporated herein by reference. For a list of such exhibits, see "Index to Exhibits" beginning at page 97. The following table provides certain information concerning executive compensation plans and arrangements required to be filed as exhibits to this Annual Report on Form 10-K.

EXECUTIVE COMPENSATORY PLANS AND ARRANGEMENTS

Exhibit No. Description Location -
----------- ----------- ----------- ----------- ----------- ----------- ----------- ----------- ----------- ---- 10(a)(1) The O.M. Scott & Sons Company Excess Benefit Plan, Incorporated herein by reference to effective October 1, 1993 the Annual Report on Form 10-K for the fiscal year ended September 30, 1993, of The Scotts Company, a Delaware corporation (File No. 0-19768) [Exhibit 10(h)] 10(a)(2) First Amendment to The O.M. Scott & Sons Company Incorporated herein by reference to Excess Benefit Plan, effective as of January 1, 1998 the Annual Report on Form 10-K for the fiscal year ended September 30, 2001 (File No. 1-13292) [Exhibit 10(a)(2)] 10(a)(3) Second Amendment to The O.M. Scott &

Sons Company Incorporated herein by reference to Excess Benefit Plan, effective as of January 1, 1999 the Annual Report on Form 10-K for the fiscal year ended September 30, 2001 (File No. 1-13292) [Exhibit 10(a)(3)]

10(b) The Scotts Company 1992 Long Term Incentive Plan (as Incorporated herein by reference to amended through May 15, 2000) the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended April 1, 2000 (File No. 1-13292) [Exhibit 10(b)]

10(c) The Scotts Company Executive Annual Incentive Plan Incorporated herein by reference to the Annual Report on Form 10-K for the fiscal year ended September 30, 2001 (File No. 1-13292) [Exhibit 10(c)]

10(d) The Scotts Company 1996 Stock Option Plan (as amended Incorporated herein by reference

to through
May 15,
2000) the
Registrant's
Quarterly
Report on
Form 10-Q
for the
fiscal
quarter
ended April
1, 2000
(File No.
1-13292)
[Exhibit
10(d)]
10(e)
Specimen
form of
Stock
Option
Agreement
(as amended
Incorporated
herein by
reference
to through
October 23,
2001) for
Non-
Qualified
Stock the
Annual
Report on
Form 10-K
for Options
granted to
employees
under The
Scotts
Company the
fiscal year
ended
September
30, 1996
Stock
Option
Plan, U.S.
specimen
2001 (File
No. 1-
13292)
[Exhibit
10(e)]
10(f)
Specimen
form of
Stock
Option
Agreement
(as amended
Incorporated
herein by
reference
to through
October 23,
2001) for
Non-
Qualified
Stock the
Annual
Report on
Form 10-K
for Options
granted to
employees
under The
Scotts
Company the
fiscal year
ended
September
30, 1996

Stock Option Plan, French specimen 2001 (File No. 1-13292) [Exhibit 10(f)]

10(g)(1) The Scotts Company Executive Retirement Plan Incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 1998 (File No. 1-11593) [Exhibit 10(j)]

Exhibit No. Description Location -
----------- ----------- ----------- ----------- ----------- ----------- ----------- ----------- -----------
---- 10(g)(2) First Amendment to The Scotts Company Executive Incorporated herein by reference to Retirement Plan, effective as of January 1, 1999 the Annual Report on Form 10-K for the fiscal year ended September 30, 2001 (File No. 1-13292) [Exhibit 10(g)(2)]
10(g)(3) Second Amendment to The Scotts Company Executive Incorporated herein by reference to Retirement Plan, effective as of January 1, 2000 the Annual Report on Form 10-K for the fiscal year ended September 30, 2001 (File No. 1-13292) [Exhibit 10(g)(3)]
10(h)(1) The Scotts Company Retirement Savings Plan *
10(h)(2) First Amendment to The

Scotts
Company
Retirement
* Savings
Plan,
effective
as of
January 1,
2002 10(i)
Employment
Agreement,
dated as of
August 7,
1998,
Incorporated
herein by
reference
to between
the
Registrant
and Charles
M. Berger,
and the
Registrant's
Annual
Report on
three
attached
Stock
Option
Agreements
with the
Form 10-K
for the
fiscal year
ended
following
effective
dates:
September
23, 1998,
October
September
30, 1998
(File No.
1-11593)
21, 1998
and
September
24, 1999
[Exhibit
10(n)]
10(j) Stock
Option
Agreement,
dated as of
August 7,
1996,
Incorporated
herein by
reference
to between
the
Registrant
and Charles
M. Berger
the
Registrant's
Annual
Report on
Form 10-K
for the
fiscal year
ended
September
30, 1996
(File No.
1-11593)
[Exhibit
10(m)]
10(k)
Letter
agreement,

dated March
21, 2001,
pertaining
to
Incorporated
herein by
reference
to
amendment
of
Employment
Agreement,
dated as of
August the
Registrant's
Quarterly
Report on
7, 1998,
between the
Registrant
and Charles
M. Berger;
Form 10-Q
for the
fiscal
quarter and
employment
of Mr.
Berger
through
January 16,
2003 ended
March 31,
2001 (File
No. 1-
13292)
[Exhibit
10(w)]
10(l)
Letter
agreement,
dated
September
25, 2001,
replacing
Incorporated
herein by
reference
to and
superceding
the letter
agreement,
dated March
21, the
Annual
Report on
Form 10-K
for 2001,
pertaining
to
amendment
of
Employment
Agreement,
the fiscal
year ended
September
30, dated
as of
August 7,
1998,
between the
Registrant
and 2001
(File No.
1-13292)
[Exhibit
Charles M.
Berger
10(k)]
10(m)
Employment
Agreement,

dated as of
May 19,
1995,
Incorporated
herein by
reference
to between
the
Registrant
and James
Hagedorn
the
Registrant's
Annual
Report on
Form 10-K
for the
fiscal year
ended
September
30, 1995
(File No.
1-11593)
[Exhibit
10(p)]
10(n)
Letter
agreement,
dated March
16, 1999,
between the
Incorporated
herein by
reference
to
Registrant
and Hadia
Lefavre the
Registrant's
Annual
Report on
Form 10-K
for the
fiscal year
ended
September
30, 1999
(File No.
1-11593)
[Exhibit
10(p)]
10(o)
Letter
agreement,
dated
October 14,
2001,
between the
Incorporated
herein by
reference
to
Registrant
and Hadia
Lefavre,
pertaining
to terms of
the Annual
Report on
Form 10-K
for
employment
of Ms.
Lefavre
through
September
30, 2002,
the fiscal
year ended
September
30, and
superseding
certain

provisions
of the
letter 2001
(File No.
1-13292)
[Exhibit
agreement,
dated March
16, 1999,
between the
10(p)]
Registrant
and Ms.
Lefavre

Exhibit No. Description Location - ----------- ----------- ----------- ----------- ----------- ----------- ----------- ----------- ----------- ---- 10(p) Letter agreement, dated June 8, 2000, between the Incorporated herein by reference to Registrant and Patrick J. Norton the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 2000 (File No. 1-13292) [Exhibit 10(q)] 10(q) Letter agreement, dated November 5, 2002, pertaining * to the terms of employment of Mr. Norton through December 31, 2005, and superseding certain provisions of the letter agreement, dated June 8, 2000, between the Registrant and Mr. Norton. 10(r) Written description of employment agreement between Incorporated herein by reference to the Registrant and Michael

P. Kelty,
Ph.D. the
Annual
Report on
Form 10-K
for the
fiscal year
ended
September
30, 2001
(File No.
1-13292)
[Exhibit
10(u)]
10(s)
Letter
agreement,
dated as of
December
20, 2001,
Incorporated
herein by
reference
to between
the
Registrant
and L.
Robert
Stohler the
Registrant's
Quarterly
Report on
Form 10-Q
for the
fiscal
quarter
ended
December
29, 2001
(File No.
1-13292)
[Exhibit
10(y)]
10(t)
Letter
agreement,
dated
November
21, 2002,
replacing *
and
superseding
the letter
agreement
dated
December
20, 2001,
between the
Registrant
and L.
Robert
Stohler

- ---------------

* Filed herewith.

(b) REPORTS ON FORM 8-K

The Registrant filed the following reports on Form 8-K during the last quarter of the period covered by this Report:

(1) The Registrant filed a Current Report on Form 8-K dated August 8, 2002 reporting under "Item 9. Regulation FD Disclosure" sworn statements submitted by the Principal Executive Officer, James Hagedorn, and Principal Financial Officer, Patrick J. Norton, of The Scotts Company pursuant to Securities and Exchange Commission Order No. 4-460.

(2) The Registrant filed a Current Report on Form 8-K dated August 21, 2002 reporting under "Item 9. Regulation FD Disclosure" that the Registrant issued a press release announcing that Hagedorn Partnership, L.P. exercised warrants for 1,140,750 common shares of the Registrant on

a cashless basis. Hagedorn Partnership, L.P. received 467,092 common shares of the Registrant on a net basis and had remaining warrants for 1,792,608 common shares of the Registrant, which remain exercisable on, or prior to, November 19, 2003.

(3) The Registrant filed a Current Report on Form 8-K dated September 12, 2002 reporting under "Item 9. Regulation FD Disclosure" that the Registrant issued a press release announcing its recently approved international growth plan.

(4) The Registrant filed a Current Report on Form 8-K/A dated September 13, 2002 (the "September 13th 8-K/A") amending the Registrant's Current Report on Form 8-K dated June 24, 2002 (the "June 24th 8-K"). The June 24th 8-K contained the Items from the Registrant's Form 10-K for the year ended September 30, 2001 that were being revised to reflect retroactive income statement classification and disclosure changes required upon the adoption of EITF 00-25, Vendor Income Statement Characterization of Consideration Paid to a Reseller of the Vendor's Products, in the quarter ended December 29, 2001 and certain other matters. The September 13th 8-K/A amends the June 24th 8-K to reflect additional cooperative advertising costs as

reductions to net sales and additional reclassifications of internal marketing costs previously reported as advertising and promotion to selling, general and administrative to achieve the Registrant's objective of reporting only external media costs as advertising expenses. The September 13th 8-K/A includes consolidated financial statements as of and for the year ended September 30, 2001, 2000, and 1999 to reflect the new basis of segment reporting. The September 13th 8-K/A also reflects the adoption of Statement of Accounting Standard No. 142 ("SFAS No. 142") effective October 1, 2001 and the addition of Note 24 of the consolidated financial statements as of and for the years ended September 30, 2001, 2000, and 1999 to reconcile the income available to common shareholders as previously reported in the Registrant's Form 10-K to the adjusted income available to common shareholders and related earnings per share as if the provisions of SFAS No. 142 had been adopted as of the earliest period presented.

(5) The Registrant filed a Current Report on Form 8-K dated September 26, 2002 reporting under "Item 9. Regulation FD Disclosure" that the Registrant issued a press release announcing that it increased its net income outlook for the fiscal year ending September 30, 2002.

(6) The Registrant filed a Current Report on Form 8-K dated September 27, 2002 to file the Consent of Independent Accountants in respect of a Registration Statement on Form S-4 (File No. 333-92186).

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

Dated: December 10, 2002

By: /s/ JAMES HAGEDORN

James Hagedorn, President/
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signatures
Title Date - --
-------- -----
---- /s/
CHARLES M.
BERGER Chairman
of the Board
December 10,
2002 - --------

Charles M.
Berger /s/
ARNOLD W.
DONALD Director
December 10,
2002 - --------

Arnold W.
Donald /s/
JOSEPH P.
FLANNERY
Director
December 10,
2002 - --------

Joseph P.
Flannery /s/
JAMES HAGEDORN
President/Chief
Executive
Officer/
December 10,
2002 - --------

Director
(Principal
Executive James
Hagedorn
Officer) /s/
ALBERT E.
HARRIS Director
December 10,
2002 - --------

Albert E.
Harris /s/ JOHN
KENLON Director
December 10,
2002 - --------

---------- John
Kenlon /s/
KATHERINE
HAGEDORN
LITTLEFIELD
Director
December 10,
2002 - --------

Katherine
Hagedorn
Littlefield /s/
KAREN G. MILLS
Director
December 10,
2002 - --------

Karen G. Mills
/s/ CHRISTOPHER
L. NAGEL Senior
Vice President
-- Finance
December 10,
2002 - --------

(Principal
Accounting
Officer)
Christopher L.
Nagel /s/
PATRICK J.
NORTON
Executive Vice
President/Chief
December 10,
2002 - --------

Financial
Officer/Director
Patrick J.
Norton /s/ JOHN
M. SULLIVAN
Director
December 10,
2002 - --------

---------- John
M. Sullivan /s/
L. JACK VAN
FOSSEN Director
December 10,
2002 - --------

---------- L.
Jack Van Fossen
/s/ JOHN
WALKER, PH.D.
Director
December 10,
2002 - --------

---------- John
Walker, Ph.D.

CHIEF EXECUTIVE OFFICER CERTIFICATION

I, James Hagedorn, certify that:

1. I have reviewed this annual report on Form 10-K of The Scotts Company;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

   a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing of this annual report (the "Evaluation Date"); and

   c. presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: December 10, 2002

/s/ JAMES HAGEDORN

By: James Hagedorn, President/
Chief Executive Officer

CHIEF FINANCIAL OFFICER CERTIFICATION

I, Patrick J. Norton, certify that:

1. I have reviewed this annual report on Form 10-K of The Scotts Company;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

   a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing of this annual report (the "Evaluation Date"); and

   c. presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: December 10, 2002

/s/ PATRICK J. NORTON

By: Patrick J. Norton,Executive Vice President and Chief Financial Officer

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
AND FINANCIAL STATEMENT SCHEDULES

Schedules other than those listed above are omitted since they are not required or are not applicable, or the required information is shown in the Consolidated Financial Statements or Notes thereto.

REPORT OF MANAGEMENT

Management of The Scotts Company is responsible for the preparation, integrity and objectivity of the financial information presented in this Form 10-K. The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America appropriate in the circumstances and, accordingly, include some amounts that are based on management's best judgments and estimates.

Management is responsible for maintaining a system of accounting and internal controls which it believes is adequate to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and that the financial records are reliable for preparing financial statements. The selection and training of qualified personnel, the establishment and communication of accounting and administrative policies and procedures and a program of internal audits are important elements of these control systems.

The financial statements have been audited by PricewaterhouseCoopers LLP, independent accountants selected by the Board of Directors. The independent accountants conduct a review of internal accounting controls to the extent required by generally accepted auditing standards and perform such tests and related procedures as they deem necessary to arrive at an opinion on the fairness of the financial statements in accordance with generally accepted accounting principles in the United States of America.

The Board of Directors, through its Audit Committee consisting solely of non-management directors, meets periodically with management, internal audit personnel and the independent accountants to discuss internal accounting controls and auditing and financial reporting matters. The Audit Committee reviews with the independent accountants the scope and results of the audit effort. Both internal audit personnel and the independent accountants have access to the Audit Committee with or without the presence of management.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of
The Scotts Company:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, shareholders' equity and comprehensive income and cash flows present fairly, in all material respects, the financial position of The Scotts Company and its subsidiaries at September 30, 2002, and September 30, 2001, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2002, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 6 to the financial statements, effective October 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets".

/s/ PRICEWATERHOUSECOOPERS LLP
Columbus, Ohio

October 30, 2002

THE SCOTTS COMPANY
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2002, 2001 AND 2000
(IN MILLIONS, EXCEPT PER SHARE DATA)

	2002	2001	2000
Net sales	$1,760.6	$1,695.8	$1,656.2
Cost of sales	1,124.0	1,092.1	1,052.4
Restructuring and other charges	1.7	7.3	
Gross profit	634.9	596.4	603.8
Gross commission earned from marketing agreement	39.6	39.1	39.2
Contribution expenses under marketing agreement	23.4	18.3	9.9
Net commission earned from marketing agreement	16.2	20.8	29.3
Operating expenses:			
Advertising	82.2	89.1	89.0
Selling, general and administrative	329.6	324.1	312.8
Restructuring and other charges	6.4	68.4	
Amortization of goodwill and other intangibles	5.7	27.7	27.1
Other income, net	(12.0)	(8.5)	(6.0)
Income from operations	239.2	116.4	210.2
Interest			

expense 76.3
87.7 93.9 ---
----- -------
- --------
Income before
income taxes
162.9 28.7
116.3 Income
taxes 61.9
13.2 43.2 ---
----- -------
- --------
Income before
cumulative
effect of
accounting
change 101.0
15.5 73.1
Cumulative
effect of
change in
accounting
for
intangible
assets, net
of tax (18.5)
-------- ----
---- --------
Net income
82.5 15.5
73.1
Dividends on
Class A
Convertible
Preferred
Stock 6.4 ---
----- -------
- --------
Income
applicable to
common
shareholders
$ 82.5 $ 15.5
$ 66.7
========
========
========
Basic
earnings per
share:
Weighted-
average
common shares
outstanding
during the
period 29.3
28.4 27.9
Basic
earnings per
common share:
Before
cumulative
effect of
accounting
change $ 3.44
$ 0.55 $ 2.39
Cumulative
effect of
change in
accounting
for
intangible
assets, net
of tax (0.63)
-------- ----
---- --------
After
cumulative
effect of
accounting
change $ 2.81
$ 0.55 $ 2.39
========

Diluted earnings per share:			
Weighted-average common shares outstanding during the period	31.7	30.4	29.6
Diluted earnings per common share:			
Before cumulative effect of accounting change	$ 3.19	$ 0.51	$ 2.25
Cumulative effect of change in accounting for intangible assets, net of tax	(0.58)		
After cumulative effect of accounting change	$ 2.61	$ 0.51	$ 2.25

See Notes to Consolidated Financial Statements.

THE SCOTTS COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2002, 2001 AND 2000
(IN MILLIONS)

2002 2001 2000 - ----- ------------ ------------ ------------ ------------ ------------ ------------ ------------ ------------ ------ CASH FLOWS FROM OPERATING ACTIVITIES Net income $ 82.5 $ 15.5 $ 73.1 Adjustments to reconcile net income to net cash provided by operating activities: Cumulative effect of change in accounting for intangible assets, pre-tax 29.8 Depreciation 34.4 32.6 29.0 Amortization 9.1 31.0 32.0 Deferred taxes 21.2 (19.9) 7.5 Restructuring and other charges 27.7 Loss on sale of property 4.4 Gain on sale of business (4.6) Changes in assets and liabilities, net of acquired businesses: Accounts receivable (29.0) (14.2) 6.4 Inventories 99.4 (68.5) 5.8 Prepaid and other current assets (2.7) 31.4 (9.2) Accounts payable (17.0) (2.8) 19.4 Accrued taxes and liabilities 11.7 (22.7) 22.5

Restructuring
reserves
(27.9) 37.3
Other assets
(4.5) 6.1
(4.7) Other
liabilities
33.6 7.6
(6.4) Other,
net (16.3)
4.6 (3.7) --
----- ------
- ------ Net
cash
provided by
operating
activities
224.3 65.7
171.5 ------
- ------- --
---- CASH
FLOWS FROM
INVESTING
ACTIVITIES
Investment
in property,
plant and
equipment
(57.0)
(63.4)
(72.5)
Proceeds
from sale of
equipment
1.8
Investments
in acquired
businesses,
net of cash
acquired
(31.0)
(26.5)
(18.3)
Payments on
sellers
notes (32.0)
(11.1) (1.0)
Other, net
7.0 0.5 ----
--- -------
------ Net
cash used in
investing
activities
(113.0)
(101.0)
(89.5) -----
-- ------- -
----- CASH
FLOWS FROM
FINANCING
ACTIVITIES
Net
borrowings
(repayments)
under
revolving
and bank
lines of
credit
(97.6) 61.7
(26.0) Gross
borrowings
under term
loans 260.0
Gross
repayments
under term
loans (31.9)
(315.7)
(23.7)
Issuance of
8 5/8%

senior subordinated notes, net of issuance fees 70.2 Financing and issuance fees (2.2) (1.6) (1.0) Dividends on Class A Convertible Preferred Stock (6.4) Repurchase of treasury shares (23.9) Cash received from exercise of stock options 19.7 17.0 2.8 ------- ------- ------ Net cash provided by (used in) financing activities (41.8) 21.4 (78.2) Effect of exchange rate changes on cash 11.5 (0.4) (1.1) ------- ------- ------ Net increase (decrease) in cash 81.0 (14.3) 2.7 Cash and cash equivalents, beginning of period 18.7 33.0 30.3 ------- ------- ------ Cash and cash equivalents, end of period $ 99.7 $ 18.7 $ 33.0 ======= ======= ======

See Notes to Consolidated Financial Statements.

THE SCOTTS COMPANY
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2002 AND 2001
(IN MILLIONS EXCEPT PER SHARE DATA)

	2002	2001
ASSETS		
Current assets:		
Cash and cash equivalents	$ 99.7	$ 18.7
Accounts receivable, less allowance for uncollectible accounts of $33.2 in 2002 and $27.4 in 2001	249.9	220.8
Inventories, net	269.1	368.4
Current deferred tax asset	74.6	52.2
Prepaid and other assets	36.8	34.1
Total current assets	730.1	694.2
Property, plant and equipment, net	329.2	310.7
Goodwill and intangible assets, net	791.7	771.1
Other assets	50.4	67.0
Total assets	$1,901.4	$1,843.0
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of debt	$ 98.2	$ 71.3
Accounts payable	134.0	150.9

Accrued liabilities 206.4 208.0 Accrued taxes 13.2 14.9 -------- -------- Total current liabilities 451.8 445.1 Long-term debt 731.2 816.5 Other liabilities 124.5 75.2 -------- -------- Total liabilities 1,307.5 1,336.8 -------- -------- Commitments and contingencies (Notes 15 and 16) Shareholders' equity: Preferred shares, no par value, none issued Common shares, no par value per share, $.01 stated value per share, 31.3 shares issued in 2002 and 2001 0.3 0.3 Capital in excess of stated value 398.6 398.3 Retained earnings 294.8 212.3 Treasury stock at cost, 1.2 shares in 2002 and 2.6 shares in 2001 (41.8) (70.0) Accumulated other comprehensive income (58.0) (34.7) -------- -------- Total shareholders' equity 593.9 506.2 -------- -------- Total liabilities and shareholders' equity $1,901.4 $1,843.0 ======== ========

See Notes to Consolidated Financial Statements.

THE SCOTTS COMPANY
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2002, 2001 AND 2000
(IN MILLIONS)

Preferred
Shares
Common
Shares
Capital in
Treasury
Stock ------
---------- -

-- Excess of
Retained ---

Shares
Amount
Shares
Amount
Stated Value
Earnings
Shares
Amount - ---

Balance,
September
30, 1999 0.0
173.9 21.3
0.2 213.9
130.1 (2.9)
(61.9) Net
income 73.1
Foreign
currency
translation
Minimum
pension
liability
Comprehensive
income
Issuance of
common
shares held
in treasury
0.1 1.5 0.1
2.3 Purchase
of common
shares (0.6)
(23.9)
Dividends on
Class A
Convertible
Preferred
Stock (6.4)
Conversion
of Class A
Convertible
Preferred
Stock
(173.9) 10.0
173.9 ---- -
------ ----
---- ------
------ ----

Balance,
September
30, 2000 0.0
0.0 31.3 0.3

389.3 196.8
(3.4) (83.5)
Net income
15.5 Foreign
currency
translation
Unrecognized
loss on
derivatives
Minimum
pension
liability
Comprehensive
income
Issuance of
common
shares held
in treasury
9.0 0.8 13.5
---- -------
---- ---- --
---- ------
---- ------
Balance,
September
30, 2001 0.0
0.0 31.3 0.3
398.3 212.3
(2.6) (70.0)
Net income
82.5 Foreign
currency
translation
Unrecognized
loss on
derivatives
Minimum
pension
liability
Comprehensive
income
Issuance of
common
shares held
in treasury
0.3 1.4 28.2
---- -------
---- ---- --
---- ------
---- ------
Balance,
September
30, 2002 0.0
$ 0.0 31.3
$0.3 $398.6
$294.8 (1.2)
$(41.8) ====
======= ====
==== ======
====== ====
======

The Scotts Company
Consolidated Statements of Changes in Shareholders' Equity and Comprehensive Income (continued)
for the fiscal years ended September 30, 2002, 2001 and 2000
(in millions)

Accumulated
Other
Comprehensive
Income -----

-- Minimum
Pension
Foreign
Liability
Currency
Derivatives
Adjustment
Translation
Total - ----

Balance,
September
30, 1999 $ $
(4.2) $
(8.7) $443.3
----- ------
------ -----
- Net income
73.1 Foreign
currency
translation
(11.2)
(11.2)
Minimum
pension
liability
(0.9)(a)
(0.9) ------
Comprehensive
income 61.0
Issuance of
common
shares held
in treasury
3.9 Purchase
of common
shares
(23.9)
Dividends on
Class A
Convertible
Preferred
Stock (6.4)
Conversion
of Class A
Convertible
Preferred
Stock -----
------ -----
- ------
Balance
September
30, 2000 $ $
(5.1)
$(19.9)
$477.9 -----
------ -----
- ------ Net
income 15.5
Foreign
currency

translation
Unrecognized
loss on
derivatives
(1.5)(b)
(1.5)
Minimum
pension
liability
(8.2)(a)
(8.2) ------
Comprehensive
income 5.8
Issuance of
common
shares held
in treasury
22.5 ----- -
----- ------

Balance
September
30, 2001
$(1.5)
$(13.3)
$(19.9)
$506.2 -----
------ -----
- ------ Net
income 82.5
Foreign
currency
translation
1.7 1.7
Unrecognized
loss on
derivatives
(0.6)(b)
(0.6)
Minimum
pension
liability
(24.4)(a)
(24.4) -----
------ -----
- ------
Comprehensive
income 59.2
Issuance of
common share
held in
treasury
28.5 ----- -
----- ------

Balance
September
30, 2002
$(2.1)
$(37.7)
$(18.2)
$593.9 =====
======
======
======

- ---------------
(a) Net of tax benefits of $14.8, $5.5, and $0.5 for fiscal 2002, 2001 and 2000, respectively.

(b) Net of tax benefits of $0.3 and $1.1 for fiscal 2002 and 2001.

See Notes to Consolidated Financial Statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

The Scotts Company and its subsidiaries (collectively "Scotts" or the "Company") are engaged in the manufacture, marketing and sale of lawn care and garden products. The Company's major customers include home improvement centers, mass merchandisers, large hardware chains, independent hardware stores, nurseries, garden centers, food and drug stores, lawn and landscape service companies, commercial nurseries and greenhouses, and specialty crop growers. The Company's products are sold primarily in North America and, the European Union. We also operate the Scotts LawnService(R) business which provides lawn, tree and shrub fertilization, insect control and other related services in the United States.

ORGANIZATION AND BASIS OF PRESENTATION

The consolidated financial statements include the accounts of The Scotts Company and its subsidiaries. All material intercompany transactions have been eliminated.

REVENUE RECOGNITION

Revenue is recognized when products are shipped and when title and risk of loss transfer to the customer. Provisions for estimated returns and allowances are recorded at the time of shipment based on historical rates of returns as a percentage of sales. Scotts LawnService(R) revenues are recognized at the time service is provided to the customer.

PROMOTIONAL ALLOWANCES

The Company promotes its branded products through cooperative advertising programs with retailers. Retailers are also offered in-store promotional allowances and rebates based on sales volumes. Certain products are also promoted with direct consumer rebate programs. Promotion costs (including allowances and rebates) incurred during the year are expensed to interim periods in relation to revenues. All amounts paid or payable to customers or consumers in connection with the purchase of our products are recorded as a reduction of net sales.

ADVERTISING

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

Scotts LawnService(R) promotes its service offerings through direct response mail campaigns. The external costs associated with these campaigns are deferred and recognized ratably in proportion to revenues as advertising costs over a period not in excess of one year.

FRANCHISE OPERATIONS

The Company's Scotts LawnService(R) segment consists of 60 company-owned locations in 42 markets, with an additional 45 franchised locations at September 30, 2002. In fiscal 2001, there were 33 company-owned and 36 franchised locations. Franchise fee income and royalties are immaterial to total net sales.

RESEARCH AND DEVELOPMENT

All costs associated with research and development are charged to expense as incurred. Expense for fiscal 2002, 2001 and 2000 was $26.2 million, $24.7 million and $24.1 million, respectively.

ENVIRONMENTAL COSTS

The Company recognizes environmental liabilities when conditions requiring remediation are identified. The Company determines its liability on a site by site basis and records a liability at the time when it is probable and can be reasonably estimated. Expenditures which extend the life of the related property or mitigate or prevent future environmental contamination are capitalized. Environmental liabilities are not discounted or reduced for possible recoveries from insurance carriers.

INTERNAL USE SOFTWARE

The Company accounts for the costs of internal use software in accordance with Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use". Accordingly, costs other than reengineering costs are expensed or capitalized depending on whether they are incurred in the preliminary project stage, application development stage or the post-implementation/operation stage. As of September 30, 2002 and 2001, the Company had $35.8 million and $36.7 million, respectively, in unamortized capitalized internal use computer software costs. Amortization of these costs was $5.8 million, $4.3 million and $0.9 million during fiscal 2002, 2001 and 2000, respectively.

EARNINGS PER COMMON SHARE

Basic earnings per common share is based on the weighted-average number of common shares outstanding each period. Diluted earnings per common share is based on the weighted-average number of common shares and dilutive potential common shares (stock options, convertible preferred stock and warrants) outstanding each period.

INVENTORIES

Inventories are stated at the lower of cost or market, principally determined by the FIFO method; however, certain growing media inventories are accounted for by the LIFO method. At September 30, 2002 and 2001, approximately 7% and 9% of inventories, respectively, are valued at the lower of LIFO cost or market. Inventories include the cost of raw materials, labor and manufacturing overhead. The Company makes provisions for obsolete or slow-moving inventories as necessary to properly reflect inventory value. Reserves for excess and obsolete inventories were $25.9 million and $22.3 million at September 30, 2002 and 2001, respectively.

LONG-LIVED ASSETS

Property, plant and equipment, including significant improvements, are stated at cost. Expenditures for maintenance and repairs are charged to expense as incurred. When properties are retired or otherwise disposed of, the cost of the asset and the related accumulated depreciation are removed from the accounts with the resulting gain or loss being reflected in results of operations.

Depreciation of other property, plant and equipment is provided on the straight-line method and is based on the estimated useful economic lives of the assets as follows:

Land improvements	10 - 25 years
Buildings	10 - 40 years
Machinery and equipment	3 - 15 years
Furniture and fixtures	6 - 10 years
Software	3 - 8 years

Interest is capitalized on all significant capital projects. The Company capitalized $1.1 million, $3.1 million and $2.4 million of interest costs during fiscal 2002, 2001 and 2000, respectively.

Management assesses the recoverability of property and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable from its future undiscounted cash flows. If it is determined that an impairment has occurred, an impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its estimated fair value.

CASH AND CASH EQUIVALENTS

The Company considers all highly liquid financial instruments with original maturities of three months or less to be cash equivalents.

FOREIGN EXCHANGE INSTRUMENTS

Gains and losses on foreign currency transaction hedges are recognized in income and offset the foreign exchange gains and losses on the underlying transactions. Gains and losses on foreign currency firm commitment hedges are deferred and included in the basis of the transactions underlying the commitments.

All assets and liabilities in the balance sheets of foreign subsidiaries whose functional currency is other than the U.S. dollar are translated into U.S. dollar equivalents at year-end exchange rates. Translation gains and losses are accumulated as a separate component of other comprehensive income and included in shareholders' equity. Income and expense items are translated at average monthly exchange rates. Foreign currency transaction gains and losses are included in the determination of net income.

DERIVATIVE INSTRUMENTS

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

To manage certain of its cash flow exposures, the Company has entered into forward exchange contracts and interest rate swap agreements. The forward exchange contracts are designated as hedges of the Company's foreign currency exposure associated with future cash flows. Amounts payable or receivable under forward exchange contracts are recorded as adjustments to selling, general and administrative expense. The interest rate swap agreements are designated as hedges of the Company's interest rate risk associated with certain variable rate debt. Amounts payable or receivable under the swap agreements are recorded as adjustments to interest expense.

Unrealized gains or losses resulting from valuing these swaps at fair value are recorded in other comprehensive income.

The Company adopted Statement of Financial Accounting Standards No. 133 as of October 2000. Since adoption, there have been no gains or losses recognized in earnings for hedge ineffectiveness or due to excluding a portion of the value from measuring effectiveness.

STOCK OPTIONS

In July 2002, the Company announced that it would begin expensing employee stock options prospectively beginning in fiscal 2003 in accordance with Statement of Financial Accounting Standards No. 123 "Accounting for Stock-Based Compensation". The fair value of future stock option grants will be expensed over the option vesting period, which has historically been three years. Based on historical option grant levels, compensation expense is expected to increase by approximately $4 million in fiscal 2003. Since expensing occurs ratably over the three-year vesting period of the options, the full effect of expensing option grants, assuming similar levels of option grants in each of fiscal 2003, 2004 and 2005 and a constant option value for each of the awards, will be approximately $12 million per year beginning in fiscal 2005.

The Company currently accounts for stock options under APB 25 "Accounting for Stock Issued to Employees" and, as allowable, adopted only the disclosure provisions of SFAS No. 123.

USE OF ESTIMATES

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

RECLASSIFICATIONS

Certain reclassifications have been made to the prior years' financial statements to conform to fiscal 2002 classifications. The most significant of these reclassifications is the adoption of EITF 00-25 "Accounting for Consideration from a Vendor to a Retailer in Connection with the Purchase or Promotion of the Vendor's Products" which requires that certain consideration from a vendor to a retailer be classified as a reduction in sales. Like many other companies, we have historically classified these as advertising and promotion costs. The information for all periods presented reflects this new method of presentation. Also, certain expenses previously recorded as advertising were reclassified to marketing within selling, general and administrative expenses. The amounts reclassified as a result of adopting this new accounting policy are as follows:

	For the years ended September 30,	
	2001	2000
($ millions)		
Net sales	$(51.1)	$(53.6)
Gross profit	(54.2)	(55.5)
Advertising	(61.1)	(64.8)
Selling, general and administrative	6.9	9.3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. DETAIL OF CERTAIN FINANCIAL STATEMENT ACCOUNTS

($ millions)	2002	2001
INVENTORIES, NET:		
Finished goods	$196.6	$295.8
Raw materials	72.5	72.6
Total	$269.1	$368.4

($ millions)	2002	2001
PROPERTY, PLANT AND EQUIPMENT, NET:		
Land and improvements	$ 38.0	$ 38.9
Buildings	120.9	119.5
Machinery and equipment	289.9	203.4
Furniture and fixtures	33.1	31.9
Software	47.6	42.0
Construction in progress	45.7	79.6
Less: accumulated depreciation	(246.0)	(204.6)
Total	$ 329.2	$ 310.7

	2002	2001

($ millions)

ACCRUED LIABILITIES:		
Payroll and other compensation accruals	$ 53.2	$ 35.2
Advertising and promotional accruals	63.0	63.5
Restructuring accruals	11.2	30.1
Other	79.0	79.2
Total	$206.4	$208.0

($ millions)

	2002	2001
OTHER NON-CURRENT LIABILITIES:		
Accrued pension and postretirement liabilities	$101.6	$62.0
Legal and environmental reserves	8.2	7.0
Restructuring accruals	0.8	4.2
Other	11.5	2.0
Total	$122.1	$75.2

NOTE 3. MARKETING AGREEMENT

Effective September 30, 1998, the Company entered into an agreement with Monsanto Company ("Monsanto") for exclusive domestic and international marketing and agency rights to Monsanto's consumer Roundup(R) herbicide products. Under the terms of the agreement, the Company is entitled to receive an annual commission from Monsanto in consideration for the performance of its duties as agent. The annual commission is calculated as a percentage of the actual earnings before interest and income taxes (EBIT), as defined in the agreement, of the Roundup(R) business. Each year's percentage varies in accordance with the terms of the agreement based on the achievement of two earnings thresholds and on commission rates that vary by threshold and program year.

The agreement also requires the Company to make fixed annual payments to Monsanto as a contribution against the overall expenses of the Roundup(R) business. The annual fixed payment is defined as $20 million. However, portions of the annual payments for the first three years of the agreement are deferred. No payment was required for the first year (fiscal 1999), a payment of $5 million was required for the second year and a payment of $15 million was required for the third year so that a total of $40 million of the contribution payments were deferred. Beginning in the fifth year of the agreement, the annual payments to Monsanto increase to at least $25 million, which include per annum interest charges at 8%. The annual payments may be increased above $25 million if certain significant earnings targets are exceeded. If all of the deferred contribution amounts are paid prior to 2018, the annual contribution payments revert to $20 million. Regardless of whether the deferred contribution amounts are paid, all contribution payments cease entirely in 2018.

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

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

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

The Company's conclusion is not free from challenge and, in fact, would likely be challenged if the Company were to terminate the agreement. If it were determined that, upon termination, the Company must pay any remaining deferred contribution amounts and related per annum charges, the resulting charge to earnings could have a material impact on the Company's results of operations and financial position. At September 30, 2002, contribution payments and related per annum charges of approximately $50.2 million had been deferred under the agreement. This amount is considered a contingent obligation and has not been reflected in the financial statements as of and for the year then ended.

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

The agreement has a term of seven years for all countries within the European Union (at the option of both parties, the agreement can be renewed for up to 20 years for the European Union countries). For countries outside of the European Union, the agreement continues indefinitely unless terminated by either party. The agreement provides Monsanto with the right to terminate the agreement for an event of default (as defined in the agreement) by the Company or a change in control of Monsanto or the sale of the Roundup(R) business. The agreement provides the Company with the right to terminate the agreement in certain circumstances including an event of default by Monsanto or the sale of the Roundup(R) business.

Unless Monsanto terminates the agreement for an event of default by the Company, Monsanto is required to pay a termination fee to the Company that varies by program year. The termination fee is $150 million for each of the first five program years, gradually declines to $100 million by year ten of the program and then declines to a minimum of $16 million if the program continues for years 11 through 20.

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

NOTE 4. RESTRUCTURING AND OTHER CHARGES

2002 CHARGES

During fiscal 2002, the Company recorded $8.1 million of restructuring and other charges.

During the fourth quarter of fiscal 2002, the Company recorded $4.0 million of restructuring and other charges associated with reductions of headcount from the closure of a manufacturing facility in Bramford, England. The $4.0 million charge is included in selling, general and administrative costs in the Statement of Operations and consists of severance and pension related costs. All fiscal 2002 restructuring related activities and costs are expected to be completed by the end of fiscal 2003.

Under accounting principles generally accepted in the United States of America, certain restructuring costs related to relocation of personnel, equipment and inventory are to be expensed in the period the costs are actually incurred. During fiscal 2002, inventory relocation costs of approximately $1.7 million were incurred and paid and were recorded as restructuring and other charges in cost of sales. Approximately $2.4 million of employee relocation and related costs were also incurred and paid in fiscal 2002 and were recorded as restructuring and other charges in operating expenses. These relocation charges related to a plan to optimize the North American supply chain that was initiated in the third and fourth quarters of fiscal 2001.

2001 CHARGES

During the third and fourth quarters of fiscal 2001, the Company recorded $75.7 million of restructuring and other charges, primarily associated with reductions in headcount and the closure or relocation of certain manufacturing and administrative facilities. The $75.7 million in charges is segregated in the Statements of Operations in two components: (i) $7.3 million included in cost of sales for the write-off of inventory that was rendered unusable as a result of the restructuring activities and (ii) $68.4 million included in selling, general and administrative costs. Included in the $68.4 million charge in selling, general and administrative costs is $20.4 million to write-down to fair value certain property and equipment and other assets; $5.8 million of facility exit costs; $27.0 million of severance costs; and $15.2 million in other restructuring and other costs. The severance costs related to the reduction in force initiatives and facility closures and consolidations in North America and Europe covered approximately 340 administrative, production, selling and other employees. Most severance costs were paid in fiscal 2002 with some payments extending into 2003. All other fiscal 2001 restructuring related activities and costs were completed by the end of fiscal 2002.

The following is a rollforward of the cash portion of the restructuring and other charges accrued in fiscal 2002 and 2001. The balance of the accrued charges at September 30, 2002 are included in accrued liabilities and other long-term liabilities on the consolidated balance sheets. The portion classified as other long-term liabilities is future lease obligations that extend beyond one year.

Description	Type	Classification	September, 2001 Balance	Payment	Accrual	September, 2002 Balance
			($ millions)			
Severance	Cash	SG&A	$25.1	$20.8	$2.5	$ 6.8
Facility exit costs	Cash	SG&A	5.2	1.7		3.5
Other related costs	Cash	SG&A	7.0	6.8	1.5	1.7
Total cash			$37.3	$29.3	$4.0	$12.0

NOTE 5. ACQUISITIONS AND DIVESTITURES

During fiscal 2002, the Company's Scotts LawnService(R) segment acquired 17 individual lawn service entities for a total cost of $54.8 million. Of the total cost, $33.9 million was paid in cash, with notes being issued for the remaining $20.9 million. Three of the entities acquired were responsible for approximately $44 million of the total acquisition costs.

Goodwill recognized in the fiscal 2002 acquisitions amounted to $42.7 million all of which is deductible for tax purposes. Other intangible assets, primarily customer accounts and non-compete agreements, of $8.7 million and working capital and property, plant and equipment of $3.4 million were also recorded. These acquired assets are all within the Scotts LawnService(R) segment.

On January 1, 2001, the Company acquired the Substral(R) brand and consumer plant care business from Henkel KGaA. Substral(R) is a leading consumer fertilizer brand in many European countries including Germany, Austria, Belgium, France and the Nordics. Under the terms of the asset purchase agreement, the Company acquired specified working capital and intangible assets associated with the Substral(R) business. The final purchase price, determined based on the value of the working capital assets acquired and the performance of the business for the period from June 15, 2000 to December 31, 2000, was $34.0 million.

The Substral(R) acquisition was made in exchange for cash and notes due to seller and was accounted for under the purchase method of accounting. Accordingly, Substral's results have been included from the date of its acquisition and the purchase price has been allocated to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. Intangible assets associated with the purchase were $34.0 million.

The following unaudited pro forma results of operations give effect to the Scotts LawnService(R) acquisitions and Substral(R) brand acquisition as if they had occurred on October 1, 2000.

($ millions, except per share data)	Fiscal Year Ended September 30, 2002	2001
Net sales	$1,779.6	$1,726.5
Income before cumulative effect of accounting change	93.8	15.2
Net income	75.3	15.2
Basic earnings per share:		
Before cumulative effect of accounting change	$ 3.20	$ .54
After cumulative effect of accounting change	2.57	.54
Diluted earnings per share:		
Before cumulative effect of accounting change	$ 2.96	$ .50
After cumulative effect of accounting change	2.38	.50

In May 2000, the Company sold its ProTurf(R) business to two buyers. The terms of the agreement included the sale of certain inventory for approximately $16.3 million and an arrangement for the use and eventual purchase of related trademarks by the buyers. A gain of approximately $4.6 million for the sale of this business is reflected in the Company's fiscal 2000 results of operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6. GOODWILL AND OTHER INTANGIBLE ASSETS, NET

Effective October 1, 2001, Scotts adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets". In accordance with this standard, goodwill and certain other intangible assets, primarily tradenames, have been classified as indefinite-lived assets no longer subject to amortization. Indefinite-lived assets are subject to impairment testing upon adoption of SFAS No. 142 and at least annually thereafter. The initial impairment analysis was completed in the second quarter of fiscal 2002, taking into account additional guidance provided by EITF 02-07, "Unit of Measure for Testing Impairment of Indefinite-Lived Intangible Assets". The value of all indefinite-lived tradenames as of October 1, 2001 was determined using a "royalty savings" methodology that was employed when the businesses associated with these tradenames were acquired but using updated estimates of sales and profitability. As a result, a pre-tax impairment loss of $29.8 million was recorded for the writedown of the value of the tradenames in our International Consumer businesses in Germany, France and the United Kingdom. This transitional impairment charge was recorded as a cumulative effect of accounting change, net of tax, as of October 1, 2001. After completing this initial valuation and impairment of tradenames, an initial assessment for goodwill impairment was performed. It was determined that a goodwill impairment charge was not required.

Intangible assets include patents, tradenames and other intangible assets which are valued at acquisition through independent appraisals where material, or through other valuation techniques. Patents, trademarks and other intangible assets are being amortized on a straight-line basis over periods varying from 7 to 40 years. The useful lives of intangible assets still subject to amortization were not revised as a result of the adoption of SFAS No. 142.

Management assesses the recoverability of goodwill, tradenames and other intangible assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable from its discounted future cash flows. Goodwill and unamortizable intangible assets are reviewed for impairment at least annually. If it is determined that an impairment has occurred, an impairment loss is recognized for the amount by which the carrying of the asset exceeds its estimated fair value.

The following table presents goodwill and intangible assets as of the end of each period presented. The September 30, 2002 balances reflect the impairment charge recorded as of October 1, 2001.

```
September
30, 2002
September
30, 2001 --
-----------
-----------
-----------
--- -------
-----------
-----------
---------
Weighted
Gross Net
Gross Net
Average
Carrying
Accumulated
Carrying
Carrying
Accumulated
Carrying
Life Amount
Amortization
Amount
Amount
Amortization
Amount - --
-----------
-----------
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-----------
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```

($ millions)

Amortized intangible assets:							
Technology	21	$61.9	$(18.8)	$ 43.1	$61.9	$(15.8)	$ 46.1
Customer accounts	7	33.2	(3.5)	29.7	24.1	(2.5)	21.6
Tradenames	16	11.3	(2.3)	9.0	11.3	(1.6)	9.7
Other	36	50.6	(34.0)	16.6	47.2	(32.6)	14.6
Total amortized intangible assets, net				98.4			92.0
Unamortized intangible assets:							
Tradenames				312.7			336.8
Other				3.1			3.2
Total intangible assets, net				414.2			432.0
Goodwill				377.5			339.1
Total goodwill and intangible assets, net				$791.7			$771.1

The changes to the net carrying value of goodwill by segment for the fiscal year ended September 30, 2002 are as follows (in millions):

	N.A. Consumer	Scotts LawnService(R)	Global Professional	International Consumer	Total
Balance as of September 30, 2001	$181.0	$25.8	$50.4	$81.9	$339.1
Increases due to acquisitions		42.7			42.7
Decreases	(3.6)			(5.5)	(9.1)
Other (reclassifications and cumulative translation)	0.9		2.1	1.8	4.8
Balance as of September 30, 2002	$178.3	$68.5	$52.5	$78.2	$377.5

The North American Consumer segment goodwill reduction of $3.6 million is a result of adjustments made to purchase accounting reserves in fiscal 2002. The $5.5 million reduction in International Consumer goodwill is due to proceeds received in fiscal 2002 for a legal settlement related to a previous acquisition.

The following table represents a reconciliation of recorded net income to adjusted net income and related earnings per share data as if the provision of SFAS No. 142 relating to non-amortization of indefinite-lived intangible assets had been adopted as of the beginning of the earliest period presented. This presentation does not take into account the impairment charge, if any, that may have been recorded if Statement 142 had been adopted in the earlier periods presented. Basic and diluted earnings per share would have been $3.44 and $3.19, respectively in fiscal 2002 excluding the impairment charge.

For the years ended September 30,	2001	2000
($ millions, except per share data)		
Net income		
Reported net income	$ 15.5	$ 73.1

Dividends
on Class A
Convertible
Preferred
Stock (6.4)
------ ----
-- Income
applicable
to common
shareholders
15.5 66.7
Goodwill
amortization
11.2 11.2
Tradename
amortization
10.1 9.6
Taxes (4.7)
(4.1) -----
- ------
Net income
as adjusted
$ 32.1 $
83.4 ======
======
Basic EPS
Reported
net income
$ 0.55 $
2.39
Goodwill
amortization
0.39 0.40
Tradename
amortization
0.36 0.34
Taxes
(0.17)
(0.15) ----
-- ------
Net income
as adjusted
$ 1.13 $
2.98 ======
======
Diluted EPS
Reported
net income
$ 0.51 $
2.25
Goodwill
amortization
0.37 0.38
Tradename
amortization
0.33 0.32
Taxes
(0.16)
(0.14) ----
-- ------
Net income
as adjusted
$ 1.05 $
2.81 ======
======

The total amortization expense for the years ended September 30, 2002, 2001 and 2000 was $5.7 million, $27.7 million and $27.1 million, respectively.

Estimated amortization expense for the existing amortizable intangible assets for the years ended September 30, is as follows:

	($ millions)
2003	$7.5
2004	7.5
2005	7.4
2006	7.4
2007	7.4

NOTE 7. RETIREMENT PLANS

The Company offers a defined contribution profit sharing and 401(k) plan for substantially all U.S. employees. Full-time employees may participate in the plan on the first day of the month after being hired. Part-time employees may participate after working at least 1,000 hours in their first twelve months of employment and after reaching the age of 21. The plan allows participants to contribute up to 15% of their compensation in the form of pre-tax or post-tax contributions. The Company provides a matching contribution equivalent to 100% of participants' initial 3% contribution and 50% of the participants' remaining contribution up to 5%. Participants are immediately vested in employee contributions, the Company's matching contributions and the investment return on those monies. The Company also provides a base contribution to employees' accounts regardless of whether employees are active in the plan. The base contribution is 2% of compensation up to 50% of the Social Security taxable wage base plus 4% of compensation in excess of 50% of the Social Security taxable wage base. Participants become vested in the Company's base contribution after three years of service. The Company recorded charges of $7.3 million, $10.3 million and $7.4 million under the plan in fiscal 2002, 2001 and 2000, respectively.

In conjunction with the decision to offer the expanded defined contribution profit sharing and 401(k) plan to domestic Company associates, management decided to freeze benefits under certain defined benefit pension plans as of December 31, 1997. These pension plans covered substantially all full-time U.S. associates who had completed one year of eligible service and reached the age of 21. The benefits under these plans are based on years of service and the associates' average final compensation or stated amounts. The Company's funding policy, consistent with statutory requirements and tax considerations, is based on actuarial computations using the Projected Unit Credit method. The Company also curtailed its non-qualified supplemental pension plan which provides for incremental pension payments from the Company so that total pension payments equal amounts that would have been payable from the Company's pension plans if it were not for limitations imposed by income tax regulations.

The Company also sponsors the following pension plans associated with the international businesses it has acquired: Scotts International BV, ASEF BV (Netherlands), The Scotts Company (UK) Ltd., Miracle Garden Care, Scotts France SAS, Scotts Celaflor GmbH (Germany) and Scotts Celaflor HG (Austria). These plans generally cover all associates of the respective businesses and retirement benefits are generally based on years of service and compensation levels. The pension plans for Scotts International BV, ASEF BV (Netherlands), The Scotts Company (UK) Ltd., and Miracle Garden Care are funded plans. The remaining international pension plans are not funded by separately held plan assets.

In connection with reduction in force initiatives implemented in fiscal 2001, curtailment (gains) or losses of ($0.2) million and $2.7 million were recorded as components of restructuring expense for the international and domestic defined benefit pension plans, respectively. In connection with the announced closure of a manufacturing plant in Bramford, England to occur in mid-2003, special termination benefits of $1.5 million were recorded as a component of restructuring expense in September 2002.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following tables present information about benefit obligations, plan assets, annual expense and other assumptions about the Company's defined benefit pension plans (in millions):

Curtailed
Defined
International
Curtailed
Benefit
Plans
Benefit
Plans Excess
Plan -------
---------- -

----- ------

2002 2001
2002 2001
2002 2001 -

---- CHANGE
IN BENEFIT
OBLIGATION
Benefit
obligation
at beginning
of year $
67.2 $ 59.5
$ 76.1 $
72.1 $ 1.9 $
1.9 Service
cost 3.1 3.6
Interest
cost 5.1 4.6
4.5 4.0 0.1
0.1 Plan
participants'
contributions
0.7 0.7
Curtailment
loss (gain)
2.7 1.5
(0.2)
Actuarial
(gain) loss
9.6 4.3 12.0
(2.7) 0.2
Benefits
paid (4.9)
(3.9) (3.1)
(1.7) (0.2)
(0.1)
Foreign
currency
translation
6.4 0.3 ----
-- ------ --
----- ------
----- -----
Benefit
obligation
at end of
year $ 77.0
$ 67.2 $
101.2 $ 76.1
$ 2.0 $ 1.9
======
======
=======
====== =====
===== CHANGE

IN PLAN ASSETS Fair value of plan assets at beginning of year 56.9 56.2 51.8 64.3 Actual return on plan assets (6.2) 4.5 (5.2) (13.7) Employer contribution 4.0 0.1 3.7 2.8 0.1 0.1 Plan participants' contributions 0.7 0.7 Benefits paid (4.9) (3.9) (3.1) (1.7) (0.1) (0.1) Foreign currency translation 3.1 (0.6) -- ---- ------ ------- ---- -- ----- --- -- Fair value of plan assets at end of year $ 49.8 $ 56.9 $ 51.0 $ 51.8 ====== ====== ======= ====== ===== ===== AMOUNTS RECOGNIZED IN THE STATEMENT OF FINANCIAL POSITION CONSIST OF: Funded status (27.2) (10.3) (50.2) (24.3) (2.0) (1.9) Unrecognized losses 31.7 12.1 39.9 15.8 0.5 0.3 ------ ----- - ------- -- ---- ----- - ---- Net amount recognized $ 4.5 $ 1.8 $ (10.3) $ (8.5) $(1.5) $(1.6) ====== ====== ======= ====== ===== =====

2002 2001 2000 2002 2001 2000 2002 2001

2000 - ----

COMPONENTS
OF NET
PERIODIC
BENEFIT
COST
Service
cost $ $ $
$ 3.1 $ 3.6
$ 3.5 $ $ $
Interest
cost 5.1
4.6 4.1 4.5
4.0 4.0 0.1
0.1 0.1
Expected
return on
plan assets
(4.4) (4.3)
(4.4) (4.0)
(4.8) (5.5)
Net
amortization
and
deferral
0.7 0.3 0.7
0.6
Curtailment
loss (gain)
2.7 (0.2) -
---- -----
----- -----
----- -----
----- ----
---- Net
periodic
benefit
cost
(income) $
1.4 $ 3.3
$(0.3) $
4.3 $ 2.6 $
2.6 $ 0.1
$0.1 $0.1
===== =====
===== =====
===== =====
===== ====
====

2002 2001
2002 2001
2002 2001 -

- Weighted
average
assumptions:
Discount
rate 6.75%
7.5% 5.5%
5.5-6.5%
6.75% 7.5%
Expected
return on
plan assets
8.00% 8.0%
7.0-8.0%
4.0-8.0%
n/a n/a
Rate of
compensation
increase
n/a n/a
3.0-4.0%
2.5-4.0%
n/a n/a

At September 30, 2002, the status of the international plans was as follows (in millions):

2002 2001 -

----- Plans
with
benefit
obligations
in excess
of plan
assets:
Aggregate
projected
benefit
obligations
$101.2
$73.9
Aggregate
fair value
of plan
assets 51.0
49.7 Plans
with plan
assets in
excess of
benefit
obligations:
Aggregate
projected
benefit
obligations
2.1
Aggregate
fair value

of plan assets 2.1

NOTE 8. ASSOCIATE BENEFITS

The Company provides comprehensive major medical benefits to certain of its retired associates and their dependents. Substantially all of the Company's domestic associates who were hired before January 1, 1998 become eligible for these benefits if they retire at age 55 or older with more than ten years of service. The plan requires certain minimum contributions from retired associates and includes provisions to limit the overall cost increases the Company is required to cover. The Company funds its portion of retiree medical benefits on a pay-as-you-go basis.

Prior to October 1, 1993, the Company effected several changes in plan provisions, primarily related to current and ultimate levels of retiree and dependent contributions. Retirees as of October 1, 1993 are entitled to benefits existing prior to these plan changes. These plan changes resulted in a reduction in unrecognized prior service cost, which is being amortized over future years.

In connection with the reduction in force in fiscal 2001, the plan incurred a curtailment expense of $3.7 million which was included in restructuring expense.

The following table set for the information about the retiree medical plan:

($ millions)	2002	2001
CHANGE IN BENEFIT OBLIGATION		
Benefit obligation at beginning of year	$ 22.5	$ 18.0
Service cost	0.3	0.3
Interest cost	1.4	1.4
Plan participants' contributions	0.3	0.3
Curtailment loss		3.7
Actuarial loss	(2.2)	
Benefits paid	(1.5)	(1.2)
Benefit obligation at end of year	$ 20.8	$ 22.5
CHANGE IN PLAN ASSETS		
Fair value of plan assets at beginning of year	$	$
Employer contribution	1.2	0.9
Plan participants' contributions	0.3	0.3
Benefits paid	(1.5)	

(1.2) ------
------ Fair
value of
plan assets
at end of
year $ $
======
======

	2002	2001
	($ millions)	
AMOUNTS RECOGNIZED IN THE STATEMENT OF FINANCIAL POSITION CONSIST OF:		
Funded status	$(20.8)	$(22.5)
Unrecognized prior service costs	(1.1)	(1.7)
Unrecognized prior gain	(2.3)	(0.3)
Net amount recognized	$(24.2)	$(24.5)

The discount rates used in determining the accumulated postretirement benefit obligation were 6.75% and 7.5% in fiscal 2002 and 2001, respectively. For measurement purposes, annual rate of increase in per capita cost of covered retiree medical benefits assumed for fiscal 2002 and 2001 was 9.50%. The rate was assumed to decrease gradually to 5.5% through the year 2011 and remain at that level thereafter. A 1% increase in health cost trend rate assumptions would increase the accumulated postretirement benefit obligation (APBO) as of September 30, 2002 and 2001 by $1.6 million and $0.5 million, respectively. A 1% decrease in health cost trend rate assumptions would decrease the APBO as of September 30, 2002 and 2001 by $1.4 million and $0.5 million, respectively. A 1% increase or decrease in the same rate would not have a material effect on service or interest costs.

The Company is self-insured for certain health benefits up to $0.2 million per occurrence per individual. The cost of such benefits is recognized as expense in the period the claim is incurred. This cost was $15.8, $14.7 million, and $9.9 million in fiscal 2002, 2001 and 2000, respectively.

NOTE 9. DEBT

	September 30,	
	2002	2001
	($ millions)	
Revolving loans under credit		

agreement $
$ 94.7 Term
loans under
credit
agreement
375.5 398.6
Senior
subordinated
notes 391.8
320.5 Notes
due to
sellers
43.4 52.1
Foreign
bank
borrowings
and term
loans 7.0
9.4 Capital
lease
obligations
and other
11.7 12.5 -
----- -----
- 829.4
887.8 Less
current
portions
98.2 71.3 -
----- -----
- $731.2
$816.5
======
======

Maturities of short- and long-term debt, including capital leases for the next five fiscal years and thereafter are as follows:

	Capital Leases	Other and Other Debt
	($ millions)	
2003	$ 3.3	$102.5
2004	1.8	38.9
2005	1.8	46.9
2006	1.1	1.0
2007	0.8	178.4
Thereafter	9.4	459.8
	$18.2	$827.5
Less: amounts representing future interest	(6.5)	(9.8)
	$11.7	$817.7

The term loan facilities under the Credit Agreement (the "Credit Agreement") consist of two tranches. The Tranche A Term Loan Facility consists of three sub-tranches of Euros and British Pounds Sterling in an aggregate principal amount of $265 million which are to be repaid quarterly over a 6 1/2 year period ending June 30, 2005 as follows: quarterly installments of $8.3 million until September 30, 2004, quarterly installments of $9.8 million beginning December 31, 2004 through March 31, 2005 and a final payment of $23.2 million on June 30, 2005 after a $7.3 million required mandatory pre-payment in fiscal 2003. The Tranche B Term Loan Facility has an aggregate principal amount of $260 million and is repayable in installments as follows: quarterly installments of $0.25 million beginning June 30, 2001 through December 31, 2006 and installments of $59.4 million beginning March 31, 2007 through December 31, 2007 after a $17.1 million required mandatory pre-payment in fiscal 2003. These future payments are presented at September 30, 2002 foreign exchange rates. The term loan facilities have a variable interest rate, which was 5.43% at September 30, 2002.

The revolving credit facility under the Credit Agreement ("Credit Agreement") provides for borrowings of up to $575 million, which are available on a revolving basis over a term of 6 1/2 years ending June 30, 2005. A portion of the revolving credit facility not to exceed $100 million is available for the issuance of letters of credit. A portion of the facility not to exceed $360 million is available for borrowings in optional currencies, provided that the outstanding revolving loans in other currencies do not exceed $200 million except for British Pounds Sterling, which cannot exceed $360 million. The outstanding principal amount of all revolving credit loans may not exceed $150 million for at least 30 consecutive days during any calendar year.

Interest rates and commitment fees under the Credit Agreement vary according to the Company's leverage ratios and interest rates also vary within tranches. The weighted-average cost of debt on the Company's borrowings for the years ended September 30, 2002 and 2001 was 7.65% and 8.47% respectively. Financial covenants include interest coverage and net leverage ratios. Other covenants include limitations on indebtedness, liens, mergers, consolidations, liquidations and dissolutions, sale of assets, leases, dividends, capital expenditures, and investments. The Scotts Company and all of its domestic subsidiaries pledged substantially all of their personal, real and intellectual property assets as collateral for the borrowings under the Amended Credit Agreement. The Scotts Company and its subsidiaries also pledged the stock in foreign subsidiaries that borrow under the Credit Agreement.

Approximately $17.0 million of financing costs associated with the credit agreement have been deferred as of September 30, 2002 and are being amortized over a period which ends June 30, 2005. Through September 30, 2002 approximately $8.7 million of the total had been amortized to expense.

In January 2002, The Scotts Company completed an offering of $70 million of 8 5/8% Senior Subordinated Notes due 2009. The net proceeds from the offering were used to pay down borrowings on our revolving credit facility. The effective interest rate for the notes is 8 3/8%. The notes were issued at a premium of $1.8 million. The issuance costs associated with the offering totaled $1.6 million. Both the premium and the issuance costs are being amortized over the life of the notes.

In January 1999, the Company completed an offering of $330 million of 8 5/8% Senior Subordinated Notes due 2009. Scotts entered into two interest rate locks in fiscal 1998 to hedge its anticipated interest rate exposure on the 8 5/8% Notes offering. The total amount paid under the interest rate locks of $12.9 million has been recorded as a reduction of the 8 5/8% Notes' carrying value and is being amortized over the life of the 8 5/8% Notes as interest expense. Approximately $11.8 million of issuance costs associated with the 8 5/8% Notes were deferred and are being amortized over the term of the Notes. The effective interest rate for the notes including the cost of the interest rate locks is 9.24%.

In conjunction with previous acquisitions, notes were issued for certain portions of the total purchase price that are to be paid in future periods. The present value of the remaining note payments is $43.4 million. The Company is imputing interest on the notes using the stated interest rate or an interest rate prevalent for similar instruments at the time of acquisition on the non-interest bearing notes.

Foreign notes of $6.0 million issued on December 12, 1997, have an 8-year term and bear interest at 1% below LIBOR. The present value of these loans at September 30, 2002 and 2001 was $2.6 million and $2.8 million, respectively. The loans are denominated in British Pounds Sterling and can be redeemed, on demand, by the note holder. The foreign bank borrowings of $4.4 million at September 30, 2002 and $6.6 million at September 30, 2001 represent lines of credit for foreign operations and are primarily denominated in Euros.

NOTE 10. SHAREHOLDERS' EQUITY

	2002	2001
	(in millions)	
STOCK		
Preferred shares, no par value:		
Authorized	0.2 shares	0.2 shares
Issued	0.0 shares	0.0 shares
Common shares, no par value		
Authorized	100.0 shares	100.0 shares
Issued	31.3 shares	31.3 shares

Class A Convertible Preferred Stock ("Preferred Shares") with a liquidation preference of $195.0 million was issued in conjunction with the 1995 Miracle-Gro merger transactions. These Preferred Shares had a 5% dividend yield and were convertible upon shareholder demand into common shares at any time and at The Scotts Company's option after May 2000 at $19.00 per common share. The conversion feature associated with the Preferred Shares issued in connection with the Miracle-Gro merger transactions was negotiated as an integral part of the overall transaction. The conversion price exceeded the fair market value of The Scotts Company's common shares on the date the two companies reached agreement and, therefore, the Preferred Shares did not provide for a beneficial conversion feature. Additionally, warrants to purchase 3.0 million common shares of The Scotts Company were issued as part of the purchase price. In August 2002, 1.0 million warrants with an exercise price of $29 per share and 0.2 million warrants with an exercise price of $25 per share were exercised by the issuance of 499,310 common shares from treasury shares in a non-cash transaction. The remaining warrants to purchase 1.8 million common shares of The Scotts Company are exercisable upon shareholder demand for 1.0 million common shares at $21.00 per share and 0.8 million common shares at $25.00 per share. The exercise term for the warrants expires November 2003. The fair value of the warrants at issuance has been included in capital in excess of par value in the Company's Consolidated Balance Sheets.

In fiscal 1999, certain of the Preferred Shares were converted into 0.2 million common shares at the holder's option. In October 1999, all of the then outstanding Preferred Shares were converted into 10.0 million common shares. In exchange for the early conversion, The Scotts Company paid the holders of the Preferred Shares $6.4 million. That amount represents the dividends on the Preferred Shares that otherwise would have been payable from the conversion date through May 2000, the month during which the Preferred Shares could first be redeemed by The Scotts Company. In addition, The Scotts Company agreed to accelerate the termination of many of the standstill provisions in the Miracle-Gro merger agreement that would otherwise have terminated in May 2000. These standstill provisions include the provisions related to the Board of Directors and voting restrictions, as well as restrictions on transfer. Therefore, the former shareholders of Stern's Miracle-Gro Products, Inc., including Hagedorn Partnership, L.P., may vote their common shares freely in the election of directors and generally on all matters brought before The Scotts Company's shareholders. Following the conversion and the termination of the standstill provisions described above, the former shareholders of Miracle-Gro own approximately 40% of The Scotts Company's outstanding common shares and have the ability to significantly influence the election of directors and approval of other actions requiring the approval of The Scotts Company's shareholders.

In January 2001, the Amended Articles of Incorporation of The Scotts Company were amended to change the authorized preferred stock from 195,000 shares of Class A Convertible Preferred Stock to 195,000 preferred shares, each without par value.

The limitations on the ability of the former shareholders of Miracle-Gro to acquire additional voting securities of The Scotts Company contained in the merger agreement terminated as of October 1, 1999, except for the restriction under which the former shareholders of Miracle-Gro may not acquire, directly or indirectly, beneficial ownership of Voting Stock (as that term is defined in the Miracle-Gro merger agreement) representing more than 49% of the total voting power of the outstanding Voting Stock, except pursuant to a tender offer for 100% of that total voting power, which tender offer is made at a price per share which is not less than the market price per share on the last trading day before the announcement of the tender offer and is conditioned upon the receipt of at least 50% of the Voting Stock beneficially owned by shareholders of The Scotts Company other than the former shareholders of Miracle-Gro and their affiliates and associates.

Under The Scotts Company 1992 Long Term Incentive Plan (the "1992 Plan"), stock options and performance share awards were granted to officers and other key employees of the Company. The 1992 Plan also provided for the grant of stock options to non-employee directors of Scotts. The maximum number of common shares that may be issued under the 1992 Plan is 1.7 million, plus the number of common shares surrendered to exercise options (other than non-employee director options) granted under the 1992 Plan, up to a maximum of 1.0 million surrendered common shares. Vesting periods under the 1992 Plan vary and were determined by the Compensation and Organization Committee of the Board of Directors.

Under The Scotts Company 1996 Stock Option Plan (the "1996 Plan"), stock options may be granted to officers and other key employees of the Company and non-employee directors of The Scotts Company. The maximum number of common shares that may be issued under the 1996 Plan is 5.5 million. Vesting periods under the 1996 Plan vary. Generally, a 3-year cliff vesting schedule is used unless decided otherwise by the Compensation and Organization Committee of the Board of Directors. The Company also has a phantom option plan for certain management employees which is payable in cash based on the increase in the Company's share price over a three-year vesting period. None of the phantom options awarded in fiscal 2001 or fiscal 2002 are vested as of September 30, 2002.

Aggregate stock option activity consists of the following (shares in millions):

	Fiscal Year ended September 30,					
	2002		2001		2000	
	Number of Common Shares	Weighted Avg. Exercise Price	Number of Common Shares	Weighted Avg. Price	Number of Common Shares	Weighted Avg. Price
Beginning balance	4.6	$27.94	4.9	$26.67	4.9	$26.33
Options granted	0.6	40.69	0.9	30.88	0.3	37.39
Options exercised	(0.9)	21.45	(0.8)	21.24	(0.1)	19.46
Options canceled	(0.1)	28.78	(0.4)	27.96	(0.2)	36.87
Ending balance						

	4.2	31.25	4.6	27.94	4.9	26.67
Exercisable at September 30	2.8	$29.01	3.0	$24.96	2.7	$21.45

The following summarizes certain information pertaining to stock options outstanding and exercisable at September 30, 2002 (shares in millions):

	Options Outstanding			Options Exercisable	
Range of Exercise Price	No. of Options	WTD. Avg. Remaining Life	WTD. Avg. Exercise Price	No. of Options	WTD. Avg. Exercise Price
$15.00 - $20.00	0.6	3.53	$18.11	0.6	$18.11
$20.00 - $25.00	0.1	3.42	21.53	0.1	21.53
$25.00 - $30.00	0.5	5.25	27.32	0.5	27.32
$30.00 - $35.00	1.3	7.06	30.98	0.7	31.28
$35.00 - $40.00	1.5	7.87	37.80	0.8	36.20
$40.00 - $47.13	0.2	8.07	43.35	0.1	45.82
	4.2		$31.25	2.8	$29.01

In October 1995, the Financial Accounting Standards Board issued SFAS No. 123, "Accounting for Stock-Based Compensation," which changes the measurement, recognition and disclosure standards for stock-based compensation. The Company, as allowable, has adopted SFAS No. 123 for disclosure purposes only. However, effective October 1, 2002 the Company will expense options granted after that date in accordance with the SFAS No. 123 recognition and measurement provisions.

The fair value of each option granted has been estimated on the grant date using the Black-Scholes option-pricing model based on the following assumptions for those granted in fiscal 2002, 2001 and 2000: (1) expected market-price volatility of 29.7%, 29.5% and 27.05%, respectively; (2) risk-free interest rates of 3.35%, 4.4% and 6.0%, respectively; and (3) expected life of options of 7 years for fiscal 2002 and 6 for fiscal 2001 and 2000. Options are generally granted with a ten-year term. The estimated weighted-average fair value per share of options granted during fiscal 2002, 2001 and 2000 was $15.83, $11.74 and $14.94, respectively.

Had compensation expense been recognized for fiscal 2002, 2001 and 2000 in accordance with provisions of SFAS No. 123, the Company would have recorded net income and earnings per share as follows:

($ millions, except per share data)	2002	2001	2000
Net income used in basic earnings per share calculation	$77.6	$ 8.8	$ 59.4
Net income used in diluted earnings per share calculation	$77.6	$ 8.8	$ 59.4
Earnings per share:			
Basic	$2.65	$ 0.31	$ 2.12
Diluted	$2.45	$ 0.29	$ 2.00

The pro forma amounts shown above are not necessarily representative of the impact on net income in future years as additional option grants may be made each year.

NOTE 11. EARNINGS PER COMMON SHARE

The following table presents information necessary to calculate basic and diluted earnings per common share. Basic earnings per common share are computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding. Options to purchase 0.1, 0.2 and 0.3 million shares of common stock for the years ended September 30, 2002, 2001 and 2000, respectively, were not included in the computation of diluted earnings per common share. These options were excluded from the calculation because the exercise price of these options was greater than the average market price of the common shares in the respective periods, and therefore, they were antidilutive.

	Year ended September 30,		
	2002	2001	2000

----- (in
millions,
except per
share data)
BASIC
EARNINGS
PER COMMON
SHARE: Net
income
before
cumulative
effect of
accounting
change
$101.0
$15.5 $73.1
Cumulative
effect of
change in
accounting
for
intangible
assets, net
of tax
(18.5) ----
-- ----- --
--- Net
income 82.5
15.5 73.1
Class A
Convertible
Preferred
Stock
dividend
(6.4) -----
- ----- ---
-- Income
available
to common
shareholders
82.5 15.5
66.7
Weighted-
average
common
shares
outstanding
during the
period 29.3
28.4 27.9
Basic
earnings
per common
share
Before
cumulative
effect of
accounting
change $
3.44 $0.55
$2.39
Cumulative
effect of
change in
accounting
for
intangible
assets, net
of tax
(0.63) ----
-- ----- --
--- After
cumulative
effect of
accounting
change $
2.81 $0.55
$2.39
======
===== =====

	Year ended September 30,		
	2002	2001	2000
	(in millions, except per share data)		
DILUTED EARNINGS PER COMMON SHARE:			
Net income used in diluted earnings per common share calculation	$ 82.5	$15.5	$66.7
Weighted-average common shares outstanding during the period	29.3	28.4	27.9
Potential common shares:			
Assuming exercise of options	1.1	0.9	0.8
Assuming exercise of warrants	1.3	1.1	0.9
Weighted-average number of common shares outstanding and dilutive potential common shares	31.7	30.4	29.6
Diluted earnings per common			

share
Before
cumulative
effect of
accounting
change $
3.19 $0.51
$2.25
Cumulative
effect of
change in
accounting
for
intangible
assets,
net of tax
(0.58) ---
--- -----

After
cumulative
effect of
accounting
change $
2.61 $0.51
$2.25
======
=====
=====

NOTE 12. INCOME TAXES

The provision for income taxes consists of the following:

Year
ended
September
30, ----

2002
2001
2000 - -

($
millions)
Currently
payable:
Federal
$35.1 $
29.9
$27.8
State
3.7 2.9
3.6
Foreign
1.9 0.3
4.3
Deferred:
Federal
19.4
(18.1)
6.9
State
1.8
(1.8)
0.6 ----
- ------

Income tax expense	$61.9	$ 13.2	$43.2

The domestic and foreign components of income before taxes are as follows:

	Year ended September 30,		
	2002	2001	2000
	($ millions)		
Domestic	$160.8	$30.3	$107.1
Foreign	2.1	(1.6)	9.2
Income before taxes	$162.9	$28.7	$116.3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A reconciliation of the federal corporate income tax rate and the effective tax rate on income before income taxes is summarized below:

	Year ended September 30, 2002	2001	2000
Statutory income tax rate	35.0%	35.0%	35.0%
Effect of foreign operations	0.2	2.6	(0.3)
Goodwill amortization and other effects resulting from purchase accounting		7.5	2.7
State taxes, net of federal benefit	2.2	2.5	2.4
Resolution of previous contingencies			(2.8)
Other	0.6	(1.6)	0.1
Effective income tax rate	38.0%	46.0%	37.1%

The net current and non-current components of deferred income taxes recognized in the Consolidated Balance Sheets at September 30 are:

($ millions, except per share data)	September 30, 2002	2001
Net		

current assets	$74.6	$52.2
Net non-current assets (liability)	(2.4)	15.4
Net assets	$72.2	$67.6

The components of the net deferred tax asset are as follows:

	September 30, 2002	September 30, 2001
	($ millions)	
ASSETS		
Inventories	$ 18.2	$ 14.7
Accrued liabilities	44.7	56.1
Postretirement benefits	34.7	20.5
Foreign net operating losses	0.2	1.6
Accounts receivable	11.7	6.1
Other	11.0	5.7
Gross deferred tax assets	120.5	104.7
Valuation allowance		(1.0)
Deferred tax assets	120.5	103.7
LIABILITIES		
Property, plant and equipment	(29.7)	(21.8)
Other	(18.6)	(14.3)
Deferred tax liability	(48.3)	(36.1)
Net deferred tax asset	$ 72.2	$ 67.6

Net operating loss carryforwards in foreign jurisdictions were $0.6 million and $5.2 million at September 30, 2002 and 2001, respectively. The use of these acquired carryforwards is subject to limitations imposed by the tax laws of each applicable country.

The valuation allowance of $1.0 million at September 30, 2001 was to provide for operating losses for which the benefits were not expected to be realized. However, due to U.K. capital gains generated during the year from a disposition of peat bogs, the loss carryforward previously subjected to a valuation allowance and the valuation allowance eliminated. Foreign net operating losses of $0.6 million can be carried forward indefinitely.

Deferred taxes have not been provided on unremitted earnings of certain foreign subsidiaries and foreign corporate joint ventures that arose in fiscal years beginning on or before September 2002 in accordance with APB 23 since such earnings have been permanently reinvested.

NOTE 13. FINANCIAL INSTRUMENTS

A description of the Company's financial instruments and the methods and assumptions used to estimate their fair values is as follows:

LONG-TERM DEBT

At September 30, 2002 and 2001, Scotts had $400 million and $330 million outstanding, respectively, of 8 5/8% Senior Subordinated Notes due 2009. The fair value of these notes was estimated based on recent trading information. Variable rate debt outstanding at September 30, 2002 and 2001 consisted of revolving borrowings and term loans under the Company's credit agreement and local bank borrowings for certain of the Company's foreign operations. The carrying amounts of these borrowings are considered to approximate their fair values.

INTEREST RATE SWAP AGREEMENTS

At September 30, 2002 and 2001, Scotts had outstanding six and five, respective interest rate swaps with major financial institutions that effectively convert variable-rate debt to a fixed rate. The swaps have notional amounts between $10 million and $25 million ($95 million in total) with three, four or five year terms commencing in January 1999. Under the terms of these swaps, the Company pays rates ranging from 3.75% to 5.18% and receives three-month LIBOR.

Scotts enters into interest rate swap agreements as a means to hedge its interest rate exposure on debt instruments. Since the interest rate swaps have been designated as hedging instruments, their fair values are reflected in the Company's Consolidated Balance Sheets. Net amounts to be received or paid under the swap agreements are reflected as adjustments to interest expense. Unrealized gains or losses resulting from valuing these swaps at fair value are recorded in other comprehensive income. The fair value of the swap agreements was determined based on the present value of the estimated future net cash flows using implied rates in the applicable yield curve as of the valuation date.

INTEREST RATE LOCKS

In fiscal 1998, Scotts entered into two contracts, each with notional amounts of $100.0 million, to lock the treasury rate component of Scotts' anticipated offering of debt securities in the first quarter of fiscal 1999. One of the interest rate locks expired in October 1998 and was rolled over into a new rate lock that expired in February 1999. The other rate lock expired in February 1999.

Scotts entered into the interest rate locks to hedge its interest rate exposure on the offering of the 8 5/8% Senior Subordinated Notes due 2009. The net amount paid under the interest rate locks is reflected as an adjustment to the carrying amount of the 8 5/8% Senior Subordinated Notes.

The estimated fair values of the Company's financial instruments are as follows for the fiscal years ended September 30:

2002 2001 -

------ ----

Carrying
Fair
Carrying
Fair Amount
Value
Amount
Value - ---

----- ($

millions)

Revolving and term loans under credit agreement	$375.5	$375.5	$493.3	$493.3
Senior subordinated notes	400.0	391.8	330.0	320.5
Foreign bank borrowings and term loans	7.0	7.0	9.4	9.4
Interest rate swap agreements	(3.6)	(3.6)	(2.7)	(2.7)

Excluded from the fair value table above are the following items that are included in the Company's total debt balances at September 30, 2002 and 2001:

($ millions)	2002	2001
Amounts paid to settle treasury locks	$(8.2)	$(9.5)
Non-interest bearing notes	43.4	52.1
Capital lease obligations and other	11.7	12.5

The fair value of the non-interest bearing notes is not considered determinable since there is no established market for notes with similar characteristics and since they represent notes that were negotiated between the Company and the seller as part of transactions to acquire businesses

NOTE 14. OPERATING LEASES

The Company leases buildings, land and equipment under various noncancellable lease agreements for periods of two to six years. The lease agreements generally provide that the Company pay taxes, insurance and maintenance expenses related to the leased assets. Certain lease agreements contain purchase options. At September 30, 2002, future minimum lease payments were as follows:

	($ millions)
2003	$21.2
2004	17.4
2005	13.3
2006	8.0
2007	4.6
Thereafter	23.6
Total minimum lease payments	$88.1

The Company also leases transportation and production equipment under various one-year operating leases, which provide for the extension of the initial term on a monthly or annual basis. Total rental expenses for operating leases were $33.6 million, $22.0 million and $17.8 million for fiscal 2002, 2001 and 2000, respectively. The total to be received from sublease rentals in place at September 30, 2002 is $0.8 million.

NOTE 15. COMMITMENTS

The Company has entered into the following purchase commitments:

SEED: The Company is obligated to make future purchases based on estimated yields and other market purchase commitments. At September 30, 2002, estimated annual seed purchase commitments were as follows:

	($ millions)
2003	$48.8
2004	37.5
2005	21.9
2006	9.4
2007	7.2

The Company made purchases of $51.6 million, $53.9 million and $31.2 million under this obligation in fiscal 2002, 2001 and 2000, respectively.

PEAT: In March 2000, the Company entered in a contract to purchase peat over the next ten years. There is an option to extend the term of this agreement for a further period of ten years, on or before the eighth anniversary of this agreement. The minimum volume purchase obligations under the March 2000 contract are as follows:

	Approximate Cubic Meters	Value Based on Average Prices ($ millions)
2003	1,067,000	$11.3
2004	1,088,000	11.5
2005	1,110,000	11.7
2006	1,132,000	12.0
2007	1,132,000	12.0
Thereafter	2,830,000	30.0

In the event that in any one contract year, the Company does not purchase the minimum required volume, the Company will be required to pay a cash penalty based upon the marginal contribution to the supplier of all those products which the Company has failed to purchase.

In the event that the volume purchases in a contract year are less than 97% of the contract requirements, the Company shall pay 80% of the supplier's marginal contribution multiplied by the number of cubic meters by which the volume equivalent to 97% of the contract requirements was not reached. An amount of 50% of the supplier's marginal contribution multiplied by the number of cubic meters would also be paid based on the remaining 3% contract purchase obligation shortfall. A reverse approach applies for purchases made by the Company that are in excess of the minimum volume purchase obligation in any contract year. The Company purchased 965,000 cubic meters of peat under this arrangement in fiscal 2002.

MEDIA ADVERTISING. As of September 30, 2002 the Company has committed to purchase $3.0 million of airtime for both national and regional television advertising in fiscal 2003. An additional $21.8 million for advertising in fiscal 2003 was committed to on October 1, 2002.

NOTE 16. CONTINGENCIES

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

ENVIRONMENTAL MATTERS

In June 1997, the Ohio Environmental Protection Agency ("Ohio EPA") initiated an enforcement action against us with respect to alleged surface water violations and inadequate treatment capabilities at our Marysville facility and sought corrective action under the federal Resource Conservation Recovery Act. The action relates to several discontinued on-site disposal areas which date back to the early operations of the Marysville facility that we had already been assessing voluntarily. Since initiation of the action, we met with the Ohio

Attorney General and the Ohio EPA, and we were ultimately able to negotiate an amicable resolution of these issues. On December 3, 2001, an agreed judicial Consent Order was submitted to the Union County Common Pleas Court and was entered by the court on January 25, 2002.

Now that the Consent Order has been entered, we have paid a $275,000 fine and must satisfactorily remediate the Marysville site. We have continued our remediation activities with the knowledge and oversight of the Ohio EPA. We completed an updated evaluation of our expected liability related to this matter based on the fine paid and remediation actions that we have taken and that we expect to take in the future and, based on the latest estimates, we recorded a charge of $3 million in the third quarter of fiscal 2002 to increase our reserve accordingly.

In addition to the dispute with the Ohio EPA, we are negotiating with the Philadelphia District of the U.S. Army Corps of Engineers ("Corps") regarding the terms of site remediation and the resolution of the Corps' civil penalty demand in connection with our prior peat harvesting operations at our Lafayette, New Jersey facility. We are also addressing remediation concerns raised by the Environment Agency of the United Kingdom with respect to emissions to air and groundwater at our Bramford (Suffolk), United Kingdom facility. We have reserved for our estimates of probable losses to be incurred in connection with each of these matters.

Regulations and environmental concerns also exist surrounding peat extraction in the United Kingdom and the European Union. In August 2000, English Nature, the nature conservation advisory body to the U.K. government, notified us that three of our peat harvesting sites in the United Kingdom were under consideration as possible "Special Areas of Conservation" under European Union Law. In April 2002, working in conjunction with Friends of the Earth (U.K.), we reached agreement with English Nature to transfer our interests in the properties and for the immediate cessation of all but a limited amount of peat extraction on one of the three sites in exchange for $18.1 million received in April 2002 and an additional approximately $3 million which will be received when we cease extraction at the third site. A gain of approximately $5 million is included in "Other Income". Proceeds of approximately $13 million have been recorded as deferred income and will be recognized into income over the 29 month period beginning May, 2002 which coincides with the expected peat extraction period at the third site. As a result of this transaction we have withdrawn our objection to the proposed European designations as Special Areas of Conservation and will undertake restoration work on the sites for which we will receive additional compensation from English Nature. We consider that we have sufficient raw material supplies available to replace the peat extracted from such sites.

The Company has determined that cement containing asbestos material at certain manufacturing facilities in the United Kingdom may require removal in the future.

At September 30, 2002, $8.2 million is accrued for the environmental matters described herein. The significant components of the accrual are costs for site remediation of $5.9 million and costs for asbestos abatement and other environmental exposures in the United Kingdom of $1.8 million. The significant portion of the costs accrued as of September 30, 2002 are expected to be paid in fiscal 2003; however, payments could be made for a period thereafter.

We believe that the amounts accrued as of September 30, 2002 are adequate to cover known environmental exposures based on current facts and estimates of likely outcome. However, the adequacy of these accruals is based on several significant assumptions:

(i) that we have identified all of the significant sites that must be remediated;

(ii) that there are no significant conditions of potential contamination that are unknown to the Company; and

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

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

For year ended September 30, 2002, we made approximately $0.3 million in environmental capital expenditures and $5.4 million in environmental expenditures, compared with approximately $0.6 million in environmental capital expenditures and $2.1 million in other environmental expenses for fiscal year 2001.

AGREVO ENVIRONMENTAL HEALTH, INC.

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

AgrEvo is requesting unspecified damages, as well as affirmative injunctive relief, and seeking to have the courts invalidate the Roundup(R) marketing agreement as violative of the federal antitrust laws. Under the indemnification provisions of the Roundup(R) marketing agreement, Monsanto and Scotts each have requested that the other indemnify against any losses arising from this lawsuit. On September 5, 2001, the magistrate judge, over the objections of Scotts and Monsanto, allowed AgrEvo to file another amended complaint to add claims transferred to it by its German parent, AgrEvo GmbH, and its 100 percent commonly owned affiliate, AgrEvo USA Company. Scotts and Monsanto have objected to the magistrate judge's order allowing the new claims. The district court will resolve these objections; if sustained, the newly-added claims will be stricken.

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

On May 15, 2002, AgrEvo filed an additional, duplicative complaint that makes the same claims that are made in the amended complaint in the New York Action, described above. On June 6, 2002, Scotts moved to dismiss this duplicative complaint as procedurally improper. There has been no ruling by the court on Scotts' motion.

The Company believes that AgrEvo's claims in this matter are without merit and intends to vigorously defend against them. If the above actions are determined adversely to the Company, the result could have a material adverse effect on Scotts' results of operations, financial position and cash flows. Any potential exposure that Scotts may face cannot be reasonably estimated. Therefore, no accrual has been established related to these matters.

CENTRAL GARDEN & PET COMPANY

SCOTTS V. CENTRAL GARDEN, SOUTHERN DISTRICT OF OHIO.

On June 30, 2000, the Company filed suit against Central Garden & Pet Company in the U.S. District Court for the Southern District of Ohio (the "Ohio Action") to recover approximately $24 million in accounts receivable and additional damages for other breaches of duty.

Central Garden filed counterclaims including allegations that Scotts and Central Garden had entered into an oral agreement in April 1998 whereby Scotts would allegedly share with Central Garden the benefits and liabilities of any future business integration between Scotts and Pharmacia Corporation (formerly Monsanto). The court dismissed a number of Central Garden's counterclaims as well as Scotts' claims that Central Garden breached other duties owed to Scotts. On April 22, 2002, a jury returned a verdict in favor of Scotts of $22.5 million and for Central Garden on its remaining counterclaims in an amount of approximately $12.1 million. Various post-trial motions have been filed in the Ohio Action, but so far Central Garden has not challenged the propriety of the $22.5 million award to Scotts and Scotts has challenged only $750,000 of the $12.1 million awarded to Central Garden on its counterclaim. Central Garden has challenged, however, the dismissal during trial of several other counterclaims.

Two counterclaims that the court permitted Central Garden to add on the eve of trial also remain pending. In these counterclaims, Central Garden seeks damages in an unspecified amount for Scotts' alleged breach of contract and conversion with respect to certain inventory held by Central Garden's subagents and subdistributors. A trial date of October 6, 2003 has been set on these remaining claims, and discovery has recently commenced.

CENTRAL GARDEN V. SCOTTS & PHARMACIA, NORTHERN DISTRICT OF CALIFORNIA.

On July 7, 2000, Central Garden filed suit against the Company and Pharmacia in the U.S. District Court for the Northern District of California (San Francisco Division) alleging various claims, including breach of contract and violations of federal antitrust laws, and seeking an unspecified amount of damages and injunctive relief. On October 26, 2000, the District Court granted the Company's motion to dismiss Central Garden's breach of contract claims for lack of subject matter jurisdiction. On November 17, 2000, Central Garden filed an amended complaint in the District Court, re-alleging various claims for violations of federal antitrust laws and also alleging state antitrust claims. As described above, Central Garden and Pharmacia have settled some or all of their claims relating to this action.

On April 15, 2002, the Company and Central Garden each filed summary judgment motions in this action. On June 26, 2002, the court granted summary judgment in favor of the Company and dismissed all of Central Garden's claims. On July 28, 2002, Central Garden filed a notice of appeal. The case is now pending an appeal in the Ninth Circuit Court of Appeals.

CENTRAL GARDEN V. SCOTTS & PHARMACIA, CONTRA COSTA SUPERIOR COURT.

On October 31, 2000, Central Garden filed an additional complaint against the Company and Pharmacia in the California Superior Court for Contra Costa County. That complaint seeks to assert the breach of contract claims previously dismissed by the District Court in the California federal action described above, and additional claims under Section 17200 of the California Business and Professions Code. On December 4, 2000, the Company and Pharmacia jointly filed a motion to stay this action based on the pendency of prior lawsuits (including the three actions described above) that involve the same subject matter. By order dated February 23, 2001, the Superior Court stayed the action pending before it.

All claims in the Contra Costa action currently remain stayed. A further status conference is set for May 29, 2003. Central Garden and Pharmacia have settled their claims relating to this action.

Scotts believes that Central Garden's remaining claims are without merit and intends to vigorously defend against them. Although Scotts has prevailed consistently and extensively in the litigation with Central Garden, the decisions in Scotts' favor are subject to appeal. If, upon appeal or otherwise, the above actions are determined adversely to Scotts, the result could have a material adverse effect on Scotts' results of operations, financial position and cash flows. Scotts believes that it will continue to prevail in the Central Garden matters and that any potential exposure that Scotts may face cannot be reasonably estimated. Therefore, no accrual has been established related to claims brought against Scotts by Central Garden, except for amounts ordered paid to Central Garden in the Ohio Action for which the Company believes it has adequate reserves recorded for the amounts it may ultimately be required to pay.

NOTE 17. CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject the Company to concentration of credit risk consist principally of trade accounts receivable. The Company sells its consumer products to a wide variety of retailers, including mass merchandisers, home centers, independent hardware stores, nurseries, garden outlets, warehouse clubs and local and regional chains. Professional products are sold to commercial nurseries, greenhouses, landscape services, and growers of specialty agriculture crops.

At September 30, 2002, 67% of the Company's accounts receivable was due from customers in North America. Approximately 94% of these receivables were generated from the Company's North American Consumer segment. The most significant concentration of receivables within this segment was from home centers, which accounted for 32%, followed by mass merchandisers at 7% of the Company's receivables balance at September 30, 2002. No other retail concentrations (e.g., independent hardware stores, nurseries, etc. in similar markets) accounted for more than 5% of the Company's accounts receivable balance at September 30, 2002. The Company's two largest customers accounted for 33% of the North American Consumer accounts receivable balance at September 30, 2002.

The remaining 6% of North American accounts receivable was generated from customers of the Scotts LawnService(R) and Global Professional segments located in North America. As a result of the changes in distribution methods made in fiscal 2000 for the Global Professional segment customers in North America, nearly all products are sold through distributors. Accordingly, nearly all of the Global Professional segment's North American accounts receivable at September 30, 2002 is due from distributors.

The 33% of accounts receivable generated outside of North America is due from retailers, distributors, nurseries and growers. No concentrations of customers or individual customers within this group account for more than 10% of the Company's accounts receivable balance at September 30, 2002.

At September 30, 2002, the Company's concentrations of credit risk were similar to those existing at September 30, 2001.

The Company's two largest customers accounted for the following percentage of net sales in each respective period:

	Largest Customer	2nd Largest Customer
2002	25.8%	13.2%
2001	24.3%	12.5%
2000	20.0%	7.6%

Sales to the Company's two largest customers are reported within Scotts' North American Consumer segment. No other customers accounted for more than 10% of fiscal 2002, 2001 or 2000 net sales.

NOTE 18. OTHER EXPENSE (INCOME)

Other expense (income) consisted of the following for the fiscal years ended September 30:

($ millions)	2002	2001	2000
Royalty income	$(3.1)	$(4.9)	$(5.1)
Legal and insurance settlements	(3.6)		
Gain on sale of assets	(4.6)		
Gain from peat transaction	(6.3)		
Asset valuation and write-off charges	0.1	1.8	
Foreign currency losses	0.2	0.5	0.9

Other, net	(2.8)	(0.6)	1.0
Total	$(12.0)	$(8.5)	$(6.0)

NOTE 19. NEW ACCOUNTING STANDARDS

In July 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 146 "Accounting for Costs Associated with Exit or Disposal Activities". This statement modifies and amends the accounting for restructuring activities that are currently accounted for in accordance with EITF Issue 94-3 "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)". SFAS No. 146 requires most charges to be recorded when they are incurred, rather than when it is identified that a cost resulting from a restructuring activity is likely to be incurred. This Statement applies to restructuring activities occurring after December 31, 2002. The adoption of this standard will not have an impact on the Company's restructuring costs incurred prior to the adoption of SFAS No. 146. However the adoption of SFAS No. 146

can be expected to impact the timing of liability recognition associated with future restructuring and exit activities.

NOTE 20. SUPPLEMENTAL CASH FLOW INFORMATION

	2002	2001	2000
	($ millions)		
Interest paid (net of amount capitalized)	$68.1	$86.5	$88.3
Income taxes paid	33.4	47.2	10.0
Businesses acquired:			
Fair value of assets acquired, net of cash	51.9	53.5	4.8
Cash paid	(31.0)	(26.5)	(2.7)
Notes issued to sellers	20.9	27.0	2.1

NOTE 21. SEGMENT INFORMATION

For fiscal 2002, the Company was divided into four reportable segments--North American Consumer, Scotts LawnService(R), Global Professional and International Consumer. The North American Consumer segment consists of the Lawns, Gardens, Growing Media, Ortho and Canada businesses. These segments differ from those used in the prior year due to segregating of the Scotts LawnService(R) business from the North American Consumer business because of a change in reporting structure whereby Scotts LawnService(R) no longer reports to senior management of the North American Consumer segment.

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

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

The Global Professional segment is focused on a full line of horticulture products including controlled-release and water-soluble fertilizers and plant protection products, grass seed, spreaders, customer application services and growing media. Products are sold to lawn and landscape service companies, commercial nurseries and greenhouses and specialty crop growers. Our Branded Plants business and biotechnology operations are also part of the Global Professional segment. Prior to June 2000, this segment also included the Company's ProTurf(R) business, which was sold in May 2000.

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

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

	N.A. Consumer	Scotts LawnService(R)	Global Professional	International Consumer	Corporate	Total
($ millions)						
Net Sales:						
2002	$1,254.8	$75.6	$181.2	$249.0	$	$1,760.6
2001	1,216.8	41.2	185.7	252.1		1,695.8
2000	1,189.5	21.4	180.5	264.8		1,656.2
Income (loss) from Operations:						
2002	$ 273.7	$ 8.8	$ 13.1	$ 16.6	$ (67.3)	$ 244.9
2001	250.7	4.7	12.7	(4.0)	(120.0)	144.1
2000	243.3	0.9	26.4	21.0	(54.2)	237.4
Operating Margin:						
2002	21.8%	11.6%	7.2%	6.7%	nm	13.9%
2001	20.6%	11.4%	6.8%	(1.6)%	nm	8.5%
2000	20.5%	4.2%	14.6%	7.9%	nm	14.3%
Depreciation and Amortization:						
2002	$ 27.7	$ 2.1	$ 0.4	$ 8.5	$ 4.8	$ 43.5
2001	38.0	1.9	5.1	14.0	4.6	63.6
2000	34.8	1.2	4.9	12.7	7.4	61.0
Capital Expenditures:						
2002	$ 39.0	$ 2.4	$ 2.4	$ 4.2	$ 9.0	$ 57.0
2001	31.7	1.1	1.9	5.1	23.6	63.4
2000	31.3	0.8	9.8	9.5	21.1	72.5

Long-

Lived Assets:
2002 $ 676.4
$80.8 $ 70.6
$227.5 $ 65.6
$1,120.9 2001
666.2 29.2
65.4 264.3
56.6 1,081.7
Total Assets:
2002 $1,069.3
$97.2 $134.3
$401.2 $
199.4
$1,901.4 2001
1,115.5 28.0
141.0 397.9
160.6 1,843.0

- ---------------
nm -- Not meaningful

Income (loss) from operations reported for Scotts' four operating segments represents earnings before amortization of intangible assets, interest and taxes, since this is the measure of profitability used by management. Accordingly, the Corporate operating loss for the fiscal years ended September 30, 2002, 2001 and 2000 includes amortization of certain intangible assets, unallocated corporate general and administrative expenses, certain other income/expense not allocated to the business segments and North America restructuring charges in fiscal 2002 and 2001. International restructuring charges of approximately $4.5 million and $10.4 million are included in International Consumer's operating loss in fiscal 2002 and 2001, respectively. Global Professional operating income in fiscal 2001 is net of restructuring charges of $2.9 million.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 22. QUARTERLY CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

The following is a summary of the unaudited quarterly results of operations for fiscal 2002 and 2001.

	Amended 1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Full Year
	(in millions, except per share data)				
FISCAL 2002					
Net sales	$ 163.0	$ 602.1	$ 692.2	$ 303.3	$1,760.6
Gross profit	31.1	239.9	270.6	93.3	634.9
Net income (loss) before cumulative effect of accounting change	(47.0)	64.9	95.8	(12.7)	101.0
Cumulative effect of change in accounting for intangible assets, net of tax	(18.5)	--	--	--	(18.5)
Net income (loss)	(65.5)	64.9	95.8	(12.7)	82.5
Basic earnings (loss) per common share before effect of					

accounting
change $
(1.63) $
2.23 $
3.25 $
(0.43) $
3.44
Cumulative
effect of
change in
accounting
for
intangible
assets,
net of tax
(0.64) --
-- --
(0.63) ---
---- -----
-- -------
------- --

Basic
earnings
(loss) per
common
share
(2.27)
2.23 3.25
(0.43)
2.81
Common
shares
used in
basic EPS
calculation
28.8 29.1
29.5 29.8
29.3
Diluted
earnings
(loss) per
common
share
before
cumulative
effect of
accounting
change $
(1.63) $
2.06 $
3.02 $
(0.43) $
3.19
Cumulative
effect of
change in
accounting
for
intangible
assets,
net of tax
(0.64) --
-- --
(0.58) ---
---- -----
-- -------
------- --

Diluted
earnings
(loss) per
common
share
(2.27)
2.06 3.02
(0.43)
2.61
Common
shares and
dilutive
potential
common

shares
used in
diluted
EPS
calculation
28.8 31.5
31.8 29.8
31.7

1st Qtr
2nd Qtr
3rd Qtr
4th Qtr
Full Year
- --------

(in
millions,
except per
share
data)
FISCAL
2001 Net
sales $
147.0 $
713.5 $
598.6 $
236.7
$1,695.8
Gross
profit
31.3 292.0
218.3 54.8
596.4 Net
income
(loss)
(51.2)
84.8 45.4
(63.5)
15.5 Basic
earnings
(loss) per
common
share $
(1.83) $
3.01 $
1.60 $
(2.24) $
0.55
Common
shares
used in
basic EPS
calculation
28.0 28.2
28.3 28.4
28.4
Diluted
earnings
(loss) per
common
share $
(1.83) $
2.80 $
1.49 $
(2.24) $
0.51
Common
shares and
dilutive
potential
common

shares used in diluted EPS calculation 28.0 30.3 30.6 28.4 30.4

Certain reclassifications have been made within interim periods.

Common stock equivalents, such as stock options and warrants, are excluded from the diluted loss per share calculation in periods where there is a net loss because their effect is anti-dilutive.

Scotts' business is highly seasonal with over 70% of sales occurring in the second and third fiscal quarters combined.

NOTE 23. FINANCIAL INFORMATION FOR SUBSIDIARY GUARANTORS AND NON-GUARANTORS

In January 1999, The Scotts Company issued $330 million of 8 5/8% Senior Subordinated Notes due 2009 to qualified institutional buyers under the provisions of Rule 144A of the Securities Act of 1933. These Notes were subsequently registered in December 2000. In January 2002, the Company issued an additional $70 million of 8 5/8% Senior Subordinated Notes due 2009 and a Form S-4 registration has been filed to register the Notes.

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

The following information presents consolidating Statements of Operations and Statements of Cash Flows for the three years ended September 30, 2002 and consolidated Balance Sheets as of September 30, 2002 and 2001. Separate audited financial statements of the individual guarantor subsidiaries have not been provided because management does not believe they would be meaningful to investors.

THE SCOTTS COMPANY
STATEMENT OF OPERATIONS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002
(IN MILLIONS)

Subsidiary
Non- Parent
Guarantors
Guarantors
Eliminations
Consolidated
- -----------

Net sales
$911.3 $418.0
$431.3 $
$1,760.6 Cost
of sales
622.9 234.7
266.4 1,124.0
Restructuring
and other
charges 1.5
0.2 1.7 -----
- ------ ----
-- ------ ---
----- Gross
profit 286.9
183.3 164.7
634.9 Gross
commission
earned from
marketing
agreement
37.2 2.4 39.6
Costs
associated
with
marketing
agreement
23.4 23.4 ---
--- ------ --
---- ------ -
------- Net
commission
earned from
marketing
agreement
13.8 2.4 16.2
Advertising
47.1 11.4
23.7 82.2
Selling,
general and
administrative
198.9 16.7
114.0 329.6
Restructuring
and other
charges 1.9
0.6 3.9 6.4
Amortization
of intangible
assets 0.4
0.6 4.7 5.7
Equity
(income) loss
in non-
guarantors
(67.8) 67.8
Intercompany
allocations
(24.9) 13.7
11.2 Other

(income)
expense, net
(1.2) (2.7)
(8.1) (12.0)
------ ------
------ ------

Income (loss)
from
operations
146.3 143.0
17.7 (67.8)
239.2
Interest
(income)
expense 73.0
(14.6) 17.9
76.3 ------ -
----- ------
------ ------
-- Income
(loss) before
income taxes
73.3 157.6
(0.2) (67.8)
162.9 Income
taxes
(benefit) 2.1
59.8 61.9 ---
--- ------ --
---- ------ -

Income (loss)
before
cumulative
effect of
accounting
change 71.2
97.8 (0.2)
(67.8) 101.0
Cumulative
effect of
change in
accounting
for
intangible
assets, net
of tax 11.3
(3.3) (26.5)
(18.5) ------
------ ------
------ ------
-- Net income
(loss) $ 82.5
$ 94.5
$(26.7)
$(67.8) $
82.5 ======
====== ======
======
========

THE SCOTTS COMPANY
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002
(IN MILLIONS)

Subsidiary
Non- Parent
Guarantors
Guarantors
Eliminations
Consolidated
- ----------

CASH FLOWS
FROM
OPERATING
ACTIVITIES
Net income
(loss) $
82.5 $ 94.5
$(26.7)
$(67.8) $
82.5
Adjustments
to reconcile
net income
(loss) to
net cash
provided by
operating
activities:
Cumulative
effect of
change in
accounting
for
intangible
assets, pre-
tax 3.3 26.5
29.8
Depreciation
18.3 9.7 6.4
34.4
Amortization
3.8 0.6 4.7
9.1 Deferred
taxes 21.2
21.2 Equity
income in
non-
guarantors
(67.8) 67.8
Restructuring
and other
charges Loss
on sale of
property
Changes in
assets and
liabilities,
net of
acquired
businesses:
Accounts
receivable
(3.9) (21.9)
(3.2) (29.0)
Inventories
92.8 5.1 1.5
99.4 Prepaid
and other
current
assets (0.3)

0.7 (3.1) (2.7) Accounts payable (15.3) (3.1) 1.4 (17.0) Accrued taxes and liabilities 1.3 9.5 0.9 11.7 Restructuring reserves (20.5) 0.7 (8.1) (27.9) Other assets (14.9) 4.1 6.3 (4.5) Other liabilities 32.4 0.2 1.0 33.6 Other, net (10.6) (0.4) (5.3) (16.3) ------- ------ ------ ------- Net cash provided by operating activities 119.0 103.0 2.3 224.3 ------- ------ ------ ------- CASH FLOWS FROM INVESTING ACTIVITIES Investment in property, plant and equipment (34.1) (16.3) (6.6) (57.0) Proceeds from sale of equipment Investments in acquired businesses, net of cash acquired (0.5) (30.5) (31.0) Repayment of seller notes (2.1) (13.5) (16.4) (32.0) Other, net 7.0 7.0 ------- ------ ------ ------- Net cash used in investing activities (36.2) (30.3) (46.5) (113.0) ------- ------ ------ ------- CASH FLOWS FROM FINANCING ACTIVITIES Net repayments under revolving and bank lines of credit (1.8) (95.8) (97.6) Net borrowings under term loans (1.0) (30.9) (31.9) Issuance of 8 5/8% senior subordinated notes, net of issuance fees 70.2 70.2 Financing and issuance fees (2.2) (2.2) Cash received from exercise of stock options 19.7 19.7 Intercompany financing (116.4) (73.1) 189.5 ------- ------ ------ ------ ------- Net cash provided by (used in) financing activities (31.5) (73.1) 62.8 (41.8) Effect of exchange rate changes on cash 11.5 11.5 ------- ------ ------ ------ ------- Net increase (decrease) in cash 51.3 (0.4) 30.1 81.0 Cash and cash equivalents, beginning of period 3.4 0.6 14.7 18.7 ------- ------ ------ ------ ------- Cash and cash equivalents, end of period $ 54.7 $ 0.2 $ 44.8 $ $ 99.7 ======= ====== ====== ====== =======

THE SCOTTS COMPANY
BALANCE SHEET
AS OF SEPTEMBER 30, 2002
(IN MILLIONS)

Subsidiary
Non- Parent
Guarantors
Guarantors
Eliminations
Consolidated
- ----------

ASSETS
Current
Assets: Cash
$ 54.7 $ 0.2
$ 44.8 $ $
99.7
Accounts
receivable,
net 97.3
75.0 77.6
249.9
Inventories,
net 144.1
48.9 76.1
269.1
Current
deferred tax
asset 74.6
0.4 (0.4)
74.6 Prepaid
and other
assets 17.0
1.9 17.9
36.8 -------
- ------ ---
--- --------
- --------
Total
current
assets 387.7
126.4 216.0
730.1
Property,
plant and
equipment,
net 212.7
80.4 36.1
329.2
Intangible
assets, net
26.4 474.7
290.6 791.7
Other assets
43.6 2.1 4.7
50.4
Investment
in
affiliates
941.6
(941.6)
Intracompany
assets 182.1
273.9
(456.0) ----
---- ------
------ -----
---- -------
- Total
assets
1,794.1

957.5 547.4
(1,397.6)
1,901.4
========
======
======
=========
========
LIABILITIES
AND
SHAREHOLDERS'
EQUITY
Current
Liabilities:
Short-term
debt 65.1
3.7 29.4
98.2
Accounts
payable 59.9
17.4 56.7
134.0
Accrued
liabilities
111.7 21.2
73.5 206.4
Accrued
taxes 14.2
1.9 (2.9)
13.2 -------
- ------ ---
--- --------
- --------
Total
current
liabilities
250.9 44.2
156.7 451.8
Long-term
debt 606.0
3.4 121.8
731.2 Other
liabilities
97.9 1.7
24.9 124.5
Intracompany
liabilities
245.4 --
210.6
(456.0) ----
---- ------
------ -----
---- -------
- Total
liabilities
1,200.2 49.3
514.0
(456.0)
1,307.5
Commitments
and
Contingencies
Shareholders'
Equity:
Preferred
shares, no
par value,
none issued
Investment
from parent
486.8 61.6
(548.4)
Common
shares, no
par value
per share,
$.01 stated
value per
share,
issued 31.3
shares in
2002 0.3 0.3
Capital in

excess of
stated value
398.6 398.6
Retained
earnings
294.8 423.8
(6.3)
(417.5)
294.8
Treasury
stock at
cost, 1.2
shares in
2002 (41.8)
(41.8)
Accumulated
other
comprehensive
income
(58.0) (2.4)
(21.9) 24.3
(58.0) -----
--- ------ -
----- ------
--- --------
Total
shareholders'
equity 593.9
908.2 33.4
(941.6)
593.9 ------
-- ------ --
---- -------
-- --------
Total
liabilities
and
shareholders'
equity
$1,794.1
$957.5
$547.4
$(1,397.6)
$1,901.4
========
======
======
=========
========

THE SCOTTS COMPANY
STATEMENT OF OPERATIONS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2001
(IN MILLIONS)

Subsidiary
Non- Parent
Guarantors
Guarantors
Eliminations
Consolidated
- -----------

-------- Net
sales $919.6
$380.2 $396.0
$ $1,695.8
Cost of sales
633.8 216.4
241.9 1,092.1
Restructuring
and other
charges 2.5
1.4 3.4 7.3 -
----- ------
------ ------

Gross profit
283.3 162.4
150.7 596.4
Gross
commission
earned from
marketing
agreement
34.6 4.5 39.1
Costs
associated
with
marketing
agreement
16.9 1.4 18.3
------ ------
------ ------
-------- Net
commission
earned from
marketing
agreement
17.7 3.1 20.8
Advertising
59.9 0.3 28.9
89.1 Selling,
general and
administrative
194.5 21.6
108.0 324.1
Restructuring
and other
charges 47.5
11.0 9.9 68.4
Amortization
of intangible
assets 1.7
15.8 10.2
27.7 Equity
(income) loss
in non-
guarantors
(61.7) 61.7
Intercompany
allocations
1.0 (9.1) 8.1
Other
(income)

expense, net
(3.5) (5.4)
0.4 (8.5) ---
--- ------ --
---- ------ -

Income (loss)
from
operations
61.6 128.2
(11.7) (61.7)
116.4
Interest
(income)
expense 78.4
(14.3) 23.6
87.7 ------ -
----- ------
------ ------
-- Income
(loss) before
income taxes
(16.8) 142.5
(35.3) (61.7)
28.7 Income
taxes
(benefit)
(32.3) 60.5
(15.0) 13.2 -
----- ------
------ ------

Income (loss)
before
cumulative
effect of
accounting
change 15.5
82.0 (20.3)
(61.7) 15.5
Cumulative
effect of
change in
accounting
for
intangible
assets, net
of tax ------
------ ------
------ ------
-- Net income
(loss) $ 15.5
$ 82.0
$(20.3)
$(61.7) $
15.5 ======
====== ======
======
========

THE SCOTTS COMPANY
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2001
(IN MILLIONS)

Subsidiary
Non- Parent
Guarantors
Guarantors
Eliminations
Consolidated
- ----------

CASH FLOWS
FROM
OPERATING
ACTIVITIES
Net income
(loss) $15.5
$ 82.0
$(20.3)
$(61.7) $
15.5
Adjustments
to reconcile
net income
(loss) to
net cash
(used in)
provided by
operating
activities:
Cumulative
effect of
change in
accounting
for
intangible
assets, pre-
tax
Depreciation
15.5 10.2
6.9 32.6
Amortization
1.9 15.7
13.4 31.0
Deferred
taxes (19.9)
(19.9)
Equity
income in
non-
guarantors
(61.7) 61.7
Restructuring
and other
charges 13.2
14.5 27.7
Loss on sale
of property
Changes in
assets and
liabilities,
net of
acquired
businesses:
Accounts
receivable
0.4 (10.3)
(4.3) (14.2)
Inventories
(48.9) (5.2)
(14.4)

(68.5)
Prepaid and
other
current
assets 28.7
(1.5) 4.2
31.4
Accounts
payable
(6.5) (2.9)
6.6 (2.8)
Accrued
taxes and
liabilities
32.6 (72.1)
16.8 (22.7)
Restructuring
reserves
13.3 11.4
12.6 37.3
Other assets
(3.9) 13.3
(3.3) 6.1
Other
liabilities
1.6 (10.8)
16.8 7.6
Other, net
10.4 0.4
(6.2) 4.6 --
---- ------
------ -----
- ------ Net
cash (used
in) provided
by operating
activities
(7.8) 44.7
28.8 65.7 --
---- ------
------ -----
- ------
CASH FLOWS
FROM
INVESTING
ACTIVITIES
Investment
in property,
plant and
equipment
(41.8)
(13.9) (7.7)
(63.4)
Proceeds
from sale of
equipment
Investments
in acquired
businesses,
net of cash
acquired
(13.5)
(13.0)
(26.5)
Repayment of
seller notes
(1.2) (9.9)
(11.1) -----
- ------ ---
--- ------ -
----- Net
cash used in
investing
activities
(41.8)
(28.6)
(30.6)
(101.0) ----
-- ------ --
---- ------
------ CASH
FLOWS FROM
FINANCING

ACTIVITIES
Net borrowings under revolving and bank lines of credit 59.5 2.2 61.7 Net borrowings under term loans (55.7) (55.7) Issuance of 8 5/8% senior subordinated notes, net of issuance fees Financing and issuance fees (1.6) (1.6) Cash received from exercise of stock options 17.0 17.0 Intercompany financing 17.8 (14.9) (2.9) ------ ------ ------ ------ ------ Net cash provided by (used in) financing activities 37.0 (14.9) (0.7) 21.4 Effect of exchange rate changes on cash (0.4) (0.4) ------ ------ ------ ------ ------ Net increase (decrease) in cash (12.6) 1.2 (2.9) (14.3) Cash and cash equivalents, beginning of period 16.0 (0.6) 17.6 33.0 ------ ------ ------ ------ ------ Cash and cash equivalents, end of period $ 3.4 $ 0.6 $ 14.7 $ $ 18.7
====== ====== ====== ====== ======

THE SCOTTS COMPANY
BALANCE SHEET
AS OF SEPTEMBER 30, 2001
(IN MILLIONS)

Subsidiary
Non- Parent
Guarantors
Guarantors
Eliminations
Consolidated
- ----------

ASSETS
Current
Assets: Cash
$ 3.4 $ 0.6
$ 14.7 $ $
18.7
Accounts
receivable,
net 93.3
53.1 74.4
220.8
Inventories,
net 236.8
54.0 77.6
368.4
Current
deferred tax
asset 52.2
0.5 (0.5)
52.2 Prepaid
and other
assets 16.7
2.6 14.8
34.1 -------
- ------ ---
--- --------
- --------
Total
current
assets 402.4
110.8 181.0
694.2
Property,
plant and
equipment,
net 196.5
75.0 39.2
310.7
Intangible
assets, net
28.8 478.6
263.7 771.1
Other assets
49.7 6.1
11.2 67.0
Investment
in
affiliates
872.0
(872.0)
Intracompany
assets 215.6
(215.6) ----
---- ------
------ -----
---- -------
- Total
assets
1,549.4
886.1 495.1

(1,087.6)
1,843.0
========
======
======
=========
========
LIABILITIES
AND
SHAREHOLDERS'
EQUITY
Current
Liabilities:
Short-term
debt 31.5
15.0 24.8
71.3
Accounts
payable 75.1
20.5 55.3
150.9
Accrued
liabilities
124.0 26.6
57.4 208.0
Accrued
taxes 16.4
2.8 (4.3)
14.9 -------
- ------ ---
--- --------
- --------
Total
current
liabilities
247.0 64.9
133.2 445.1
Long-term
debt 559.1
5.8 251.6
816.5 Other
liabilities
48.8 0.4
26.0 75.2
Intracompany
liabilities
188.3 27.3
(215.6) ----
---- ------
------ -----
---- -------
- Total
liabilities
1,043.2 71.1
438.1
(215.6)
1,336.8
Commitments
and
Contingencies
Shareholders'
Equity:
Preferred
shares, no
par value,
none issued
Investment
from parent
488.1 60.4
(548.5)
Common
shares, no
par value
per share,
$.01 stated
value per
share,
issued 31.3
shares in
2001 0.3 0.3
Capital in
excess of
stated value

398.3 398.3
Retained
earnings
212.3 329.3
20.4 (349.7)
212.3
Treasury
stock at
cost, 2.6
shares in
2001 (70.0)
(70.0)
Accumulated
other
comprehensive
income
(34.7) (2.4)
(23.8) 26.2
(34.7) -----
--- ------ -
----- ------
--- --------
Total
shareholders'
equity 506.2
815.0 57.0
(872.0)
506.2 ------
-- ------ --
---- -------
-- --------
Total
liabilities
and
shareholders'
equity
$1,549.4
$886.1
$495.1
$(1,087.6)
$1,843.0
========
======
======
=========
========

THE SCOTTS COMPANY
STATEMENT OF OPERATIONS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2000
(IN MILLIONS)

Subsidiary
Non- Parent
Guarantors
Guarantors
Eliminations
Consolidated
- -----------

Net sales
$862.7 $398.8
$394.7 $
$1,656.2 Cost
of sales
559.2 260.2
233.0 1,052.4
------ ------
------ ------

Gross profit
303.5 138.6
161.7 603.8
Gross
commission
earned from
marketing
agreement
34.9 4.3 39.2
Costs
associated
with
marketing
agreement 9.2
0.7 9.9 -----
- ------ ----
-- ------ ---
----- Net
commission
earned from
marketing
agreement
25.7 3.6 29.3
Advertising
47.7 18.5
22.8 89.0
Selling,
general and
administrative
184.3 25.9
102.6 312.8
Amortization
of goodwill
and other
intangibles
2.0 15.5 9.6
27.1 Equity
(income) loss
in non-
guarantors
(52.4) 52.4
Intercompany
allocations
(19.7) 9.8
9.9 Other
(income)
expenses, net
1.8 (8.7) 0.9
(6.0) ------
------ ------
------ ------

-- Income (loss) from operations 165.5 77.6 19.5 (52.4) 210.2 Interest (income) expense 81.5 (11.3) 23.7 93.9 ------ ------ ------ ------ ------ -- Income (loss) before income taxes 84.0 88.9 (4.2) (52.4) 116.3 Income taxes (benefit) 10.9 33.9 (1.6) 43.2 ------ ------ ------ ------ -------- Income (loss) before cumulative effect of accounting change 73.1 55.0 (2.6) (52.4) 73.1 Cumulative effect of change in accounting for intangible assets, net of tax ------ ------ ------ ------ ------ -- Net income (loss) $ 73.1 $ 55.0 $ (2.6) $(52.4) $ 73.1 ====== ====== ====== ====== ========

THE SCOTTS COMPANY
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2000
(IN MILLIONS)

Subsidiary
Non- Parent
Guarantors
Guarantors
Eliminations
Consolidated
- ---------

CASH FLOWS
FROM
OPERATING
ACTIVITIES
Net income
(loss) $
73.1 $ 55.0
$ (2.6)
$(52.4) $
73.1
Adjustments
to
reconcile
net income
(loss) to
net cash
provided by
operating
activities:
Cumulative
effect of
change in
accounting
for
intangible
assets,
pre-tax
Depreciation
16.0 8.0
5.0 29.0
Amortization
5.6 16.5
9.9 32.0
Deferred
taxes 7.5
7.5 Equity
income in
non-
guarantors
(52.4) 52.4
Loss on
sale of
fixed
assets 0.6
1.8 2.0 4.4
Gain on
sale of
business
(4.6) (4.6)
Changes in
assets and
liabilities,
net of
acquired
businesses:
Accounts
receivable
48.3 (43.5)
1.6 6.4

Inventories
(18.2) 12.5
11.5 5.8
Prepaid and
other
current
assets
(13.0) 1.2
2.6 (9.2)
Accounts
payable
(5.0) 17.9
6.5 19.4
Accrued
taxes and
other
liabilities
51.5 (12.7)
(16.3) 22.5
Other
assets
(1.8) (6.5)
3.6 (4.7)
Other
liabilities
3.1 (1.0)
(8.5) (6.4)
Other, net
(4.9) 1.5
(0.3) (3.7)
------ ----
-- ------ -
----- -----
-- Net cash
provided by
operating
activities
105.8 50.7
15.0 171.5
------ ----
-- ------ -
----- -----
-- CASH
FLOWS FROM
INVESTING
ACTIVITIES
Investment
in
property,
plant and
equipment
(53.2)
(9.0)
(10.3)
(72.5)
Proceeds
from sale
of
equipment
1.8 1.8
Investments
in non-
guarantors
(11.8)
(4.1) (2.4)
(18.3)
Repayments
of seller
notes 7.0
(8.0) (1.0)
Other net
0.5 0.5 ---
--- ------
------ ----
-- -------
Net cash
used in
investing
activities
(57.5)
(13.1)
(18.9)
(89.5) ----

-- ------ -
----- -----
- -------
CASH FLOWS
FROM
FINANCING
ACTIVITIES
Net
(repayments)
borrowings
under
revolving
and bank
lines of
credit
(23.5) 4.5
(7.0)
(26.0) Net
borrowings
under term
loans
(23.7)
(23.7)
Issuance of
8 5/8%
senior
subordinated
notes, net
of issuance
fees
Financing
and
issuance
fees (1.0)
(1.0)
Dividends
on Class A
Convertible
Preferred
Stock (6.4)
(6.4)
Repurchase
of treasury
shares
(23.9)
(23.9) Cash
received
from
exercise of
stock
options 2.8
2.8
Intercompany
financing
34.9 (45.8)
10.9 ------
------ ----
-- ------ -
------ Net
cash used
in
financing
activities
(40.8)
(41.3) 3.9
(78.2)
Effect of
exchange
rate
changes on
cash (1.1)
(1.1) -----
- ------ --
---- ------
------- Net
increase
(decrease)
in cash 7.5
(3.7) (1.1)
2.7 Cash
and cash
equivalents,
beginning

of period
8.5 3.1
18.7 30.3 -
----- -----
- ------ --
---- ------
- Cash and
cash
equivalents,
end of
period $
16.0 $
(0.6) $
17.6 $ $
33.0 ======
======
======
======
=======

REPORT OF INDEPENDENT ACCOUNTANTS ON FINANCIAL STATEMENT SCHEDULES

To the Board of Directors and Shareholders of The Scotts Company

Our audits of the consolidated financial statements referred to in our report dated October 30, 2002 appearing in Item 15(a)(1) of this Annual Report on Form 10-K, also included an audit of the financial statement schedules listed in Item 15(a)(2) of this Form 10-K. In our opinion, these financial statement schedules present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PRICEWATERHOUSECOOPERS LLP
Columbus, Ohio

October 30, 2002

THE SCOTTS COMPANY
SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002
(IN MILLIONS)

Column A	Column B	Column C	Column D	Column E	Column F
Classification	Balance at Beginning of Period	Reserves Acquired	Additions Charged to Expense	Deductions Credited and Write-Offs	Balance at End of Period
Valuation and qualifying accounts deducted from the assets to which they apply:					
Inventory reserve	$22.3	$--	$17.4	$(13.8)	$25.9
Allowance for doubtful accounts	27.4		12.0	(6.2)	33.2

SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2001
(IN MILLIONS)

Column A	Column B	Column C	Column D	Column E	Column F
Classification	Balance at Beginning	Reserves	Additions Charged to	Deductions Credited and	Balance at End

of Period Acquired Expense Write-Offs of Period - ---- ------------- ------------- ------------- ------------- ------------- ------------- ------------- --- Valuation and qualifying accounts deducted from the assets to which they apply: Inventory reserve $20.1 $ -- $10.5 $ (8.3) $22.3 Allowance for doubtful accounts 11.7 0.2 24.4 (8.9) 27.4

SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2000
(IN MILLIONS)

Column A Column B Column C Column D Column E Column F - -- ------ ------ --- -------- --------- --- ------- ----- ---- Balance Additions Deductions at Charged Credited Balance Beginning Reserves to and at End Classification of Period Acquired Expense Write-Offs of Period - ---- ------------- ------------- ------------- ------------- ------------- ------------- ------------- --- Valuation and qualifying accounts deducted from the assets to which they apply: Inventory reserve $30.5 $0.0 $ 9.7 $(20.1) $20.1 Allowance for doubtful accounts 16.4

0.0 4.8 (9.5)
11.7

THE SCOTTS COMPANY

INDEX TO EXHIBITS

Exhibit No.
Description Location -

---------------- 2(a)
Amended and Restated
Agreement and Plan of
Merger, Incorporated
herein by reference to
the dated as of May
19, 1995, among
Stern's Miracle-Gro
Registrant's Current
Report on Form 8-K
Products, Inc.,
Stern's Nurseries,
Inc., dated May 31,
1995 (File No. 0-
19768) Miracle-Gro
Lawn Products Inc.,
Miracle-Gro [Exhibit
2(b)] Products
Limited, Hagedorn
Partnership, L.P., the
general partners of
Hagedorn Partnership,
L.P., Horace Hagedorn,
Community Funds, Inc.,
and John Kenlon, The
Scotts Company (the
"Registrant"), and ZYX
Corporation 2(b) First
Amendment to Amended
and Restated Agreement
Incorporated herein by
reference to the and
Plan of Merger, made
and entered into as of
Registrant's Current
Report on Form 8-K
October 1, 1999, among
the Registrant, Scotts
dated October 4, 1999
(File No. 1-11593)
Miracle-Gro Products,
Inc. (as successor to
ZYX [Exhibit 2]
Corporation and
Stern's Miracle-Gro
Products, Inc.),
Miracle-Gro Lawn
Products Inc.,
Miracle-Gro Products
Limited, Hagedorn
Partnership, L.P.,
Community Funds, Inc.,
Horace Hagedorn and
John Kenlon, and James
Hagedorn, Katherine
Hagedorn Littlefield,
Paul Hagedorn, Peter
Hagedorn, Robert
Hagedorn and Susan
Hagedorn 2(c) Master
Contract, dated
September 30, 1998, by
and Incorporated
herein by reference to
the between Rhone-
Poulenc Agro; the
Registrant; Scotts
Registrant's Current
Report on Form 8-K
Celaflor GmbH & Co.

K.G.; "David" dated October 22, 1998 (File No. 1-11593) Sechsundfunfzigste Beteiligungs und [Exhibit 2] Verwaltungsgesellschaft GmbH; Rhone-Poulenc Agro Europe GmbH; Scotts France Holdings S.A.R.L.; Scotts France S.A.R.L.; and Scotts Belgium 2 B.V.B.A. 2(d)(1) U.S. Asset Purchase Agreement, dated as of March Incorporated herein by reference to the 29, 2000, by and among The Andersons, Inc. and The Registrant's Quarterly Report on Form 10-Q Andersons Agriservices, Inc., as buyers, and the for the fiscal quarter ended July 1, 2000 Registrant and OMS Investments, Inc., as sellers (File No. 1-13292) [Exhibit 2(e)(i)] 2(d)(2) Canadian Asset Purchase Agreement, dated as of Incorporated herein by reference to the March 29, 2000, by and among The Nu-Gro Registrant's Quarterly Report on Form 10-Q Corporation, as buyer, and the Registrant and OMS for the fiscal quarter ended July 1, 2000 Investments, (File No. 1-13292) [Exhibit 2(e)(ii)] Inc., as sellers 3(a)(1) Certificate of Amendment by Shareholders to Incorporated herein by reference to the Articles of The Scotts Company reflecting adoption Registrant's Quarterly Report on Form 10-Q of amendment to Article FOURTH of Amended Articles for the fiscal quarter ended December 30, of Incorporation by the shareholders of The Scotts 2000 (File No. 1-13292) [Exhibit 3(a)(1)] Company on January 18, 2001, as filed with Ohio Secretary of State on January 18, 2001 3(a)(2) Certificate of Amendment by Directors of The Scotts Incorporated herein by reference to the Company reflecting adoption of Restated Articles of Registrant's Quarterly Report on Form 10-Q Incorporation attached thereto, by the Board of for the fiscal quarter ended December 30, Directors of The Scotts Company on January 18, 2000 (File No. 1-13292) [Exhibit 3(a)(2)] 2001, as filed with Ohio Secretary of State on January 29, 2001

Exhibit No. Description Location - -- -- 3(b)(1) Certificate regarding Adoption of Amendments to the Incorporated herein by reference to the Code of Regulations of The Scotts Company by the Registrant's Quarterly Report on Form 10-Q Shareholders on January 18, 2001 for the fiscal quarter ended December 30, 2000 (File No. 1-13292) [Exhibit 3(b)(1)] 3(b)(2) Code of Regulations of The Scotts Company Incorporated herein by reference to the (reflecting amendments through January 18, 2001) Registrant's Quarterly Report on Form 10-Q [for SEC reporting compliance purposes only] for the fiscal quarter ended December 30, 2000 (File No. 1-13292) [Exhibit 3(b)(2)] 4(a) Form of Series A Warrant Included in Exhibit 2(a) above 4(b) Form of Series B Warrant Included in Exhibit 2(a) above 4(c)

Form of
Series C
Warrant
Included in
Exhibit 2(a)
above 4(d)
Credit
Agreement,
dated as of
December 4,
1998, by
Incorporated
herein by
reference to
the and among
the
Registrant;
OM Scott
International
Registrant's
Current
Report on
Form 8-K
Investments
Ltd., Miracle
Garden Care
Limited,
dated
December 11,
1998 (File
No. 1-11593)
Scotts
Holdings
Limited,
Hyponex
Corporation,
[Exhibit 4]
Scotts
Miracle-Gro
Products,
Inc., Scotts-
Sierra
Horticultural
Products
Company,
Republic Tool
&
Manufacturing
Corp.,
Scotts-Sierra
Investments,
Inc., Scotts
France
Holdings
SARL, Scotts
Holding GmbH,
Scotts
Celaflor GmbH
& Co. KG,
Scotts France
SARL, Scotts
Belgium 2
BVBA and The
Scotts
Company (UK)
Ltd. and
other
subsidiaries
of the
Registrant
who are also
borrowers
from time to
time; the
lenders party
thereto; The
Chase
Manhattan
Bank as
Administrative
Agent;
Salomon Smith
Barney, Inc.

as
Syndication
Agent; Credit
Lyonnais
Chicago
Branch and
NBD Bank as
Co-
Documentation
Agents; and
Chase
Securities
Inc. as Lead
Arranger and
as Book
Manager 4(e)
Waiver, dated
as of January
19, 1999, to
the Credit
Incorporated
herein by
reference to
the
Agreement,
dated as of
December 4,
1998, among
the
Registrant's
Annual Report
on Form 10-K
Registrant;
OM Scott
International
Investments
for the
fiscal year
ended
September 30,
Ltd., Miracle
Garden Care
Limited,
Scotts
Holdings 1999
(File No. 1-
11593)
[Exhibit
4(e)]
Limited,
Hyponex
Corporation,
Scotts
Miracle-Gro
Products,
Inc., Scotts-
Sierra
Horticultural
Products
Company,
Republic Tool
&
Manufacturing
Corp.,
Scotts-Sierra
Investments,
Inc., Scotts
France
Holdings
SARL, Scotts
Holding GmbH,
Scotts
Celaflor GmbH
& Co. KG,
Scotts France
SARL, Scotts
Belgium 2
BVBA, The
Scotts
Company (UK)
Ltd. and
other
subsidiaries

of the Registrant who are also borrowers from time to time; the lenders party thereto; The Chase Manhattan Bank as Administrative Agent; Salomon Smith Barney, Inc. as Syndication Agent; Credit Lyonnais Chicago Branch and NBD Bank as Co-Documentation Agents; and Chase Securities Inc., as Lead Arranger and Book Manager

Exhibit No. Description Location - -- -- -----------

4(f) Amendment No. 1 and Consent dated as of October 13, Incorporated herein by reference to the 1999 to the Credit Agreement, dated as of December Registrant's Annual Report on Form 10-K 4, 1998, as amended by the Waiver, dated as of for the fiscal year ended September 30, January 19, 1999, among the Registrant; OM Scott 1999 (File No. 1-11593) [Exhibit 4(f)] International Investments Ltd., Miracle Garden Care Limited, Scotts Holdings Limited, Hyponex Corporation, Scotts Miracle-Gro Products, Inc., Scotts-Sierra Horticultural Products Company, Republic Tool & Manufacturing Corp., Scotts-Sierra Investments, Inc., Scotts France Holdings SARL, Scotts Holding GmbH, Scotts Celaflor GmbH & Co. KG, Scotts France SARL, Scotts Belgium 2 BVBA, The

Scotts
Company (UK)
Ltd., Scotts
Canada Ltd.,
Scotts Europe
B.V., ASEF
B.V. and
other
subsidiaries
of the
Registrant
who are also
borrowers
from time to
time; the
lenders party
thereto; The
Chase
Manhattan
Bank as
Administrative
Agent;
Salomon Smith
Barney, Inc.
as
Syndication
Agent; Credit
Lyonnais
Chicago and
NBD Bank as
Co-
Documentation
Agents; and
Chase
Securities
Inc. as Lead
Arranger and
Book Manager
4(g) Waiver
No. 2, dated
as of
February 14,
2000, to the
Incorporated
herein by
reference to
the Credit
Agreement,
dated as of
December 4,
1998, as
Registrant's
Quarterly
Report on
Form 10-Q
amended by
the Waiver,
dated as of
January 19,
for the
fiscal
quarter ended
April 1, 2000
1999, and the
Amendment No.
1 and
Consent,
dated as
(File No. 1-
13292)
[Exhibit
4(h)] of
October 13,
1999, among
the
Registrant;
OM Scott
International
Investments
Ltd., Miracle
Garden Care
Limited,
Scotts

Holdings Limited, Hyponex Corporation, Scotts Miracle-Gro Products, Inc., Scotts-Sierra Horticultural Products Company, Republic Tool & Manufacturing Corp., Scotts-Sierra Investments, Inc., Scotts France Holdings SARL, Scotts Holding GmbH, Scotts Celaflor GmbH & Co. KG, Scotts France SARL, Scotts ASEF BVBA (fka Scotts Belgium 2 BVBA), The Scotts Company (UK) Ltd., Scotts Canada Ltd., Scotts Europe B.V., ASEF B.V., Scotts Australia PTY Ltd., and other subsidiaries of the Registrant who are also borrowers from time to time; the lenders party thereto; The Chase Manhattan Bank as Administrative Agent; Salomon Smith Barney, Inc. as Syndication Agent; Credit Lyonnais Chicago Branch and Bank One, Michigan, as successor to NBD Bank, as Co-Documentation Agents; and Chase Securities Inc., as Lead Arranger and Book Manager

Exhibit No.
Description
Location - --

4(h)
Amendment No.
2, dated as
of June 9,
2000, to the
Incorporated
herein by
reference to
the Credit
Agreement,
dated as of
December 4,
1998, as
Registrant's
Quarterly
Report on
Form 10-Q
amended by
the Waiver,
dated as of
January 19,
for the
fiscal
quarter ended
July 1, 2000
1999, the
Amendment No.
1 and
Consent,
dated as of
(File No. 1-
13292)
[Exhibit
4(i)] October
13, 1999, and
the Waiver
No. 2, dated
as of
February 14,
2000, among
the
Registrant;
OM Scott
International
Investments
Ltd., Miracle
Garden Care
Limited,
Scotts
Holdings
Limited,
Hyponex
Corporation,
Scotts
Miracle-Gro
Products,
Inc., Scotts-
Sierra
Horticultural
Products
Company,
Republic Tool
&
Manufacturing
Corp.,
Scotts-Sierra
Investments,
Inc., Scotts
France

Holdings SARL, Scotts Holding GmbH, Scotts Celaflor GmbH & Co. KG, Scotts France SARL, Scotts ASEF BVBA (fka Scotts Belgium 2 BVBA), The Scotts Company (UK) Ltd., Scotts Canada Ltd., Scotts Europe B.V., ASEF B.V., Scotts Australia PTY Ltd., and other subsidiaries of the Registrant who are also borrowers from time to time; the lenders party thereto; The Chase Manhattan Bank as Administrative Agent; Salomon Smith Barney, Inc. as Syndication Agent; Credit Lyonnais New York Branch and Bank One, Michigan, as successor to NBD Bank, as Co-Documentation Agents; and Chase Securities Inc., as Lead Arranger and Book Manager
4(i) Amended and Restated Credit Agreement, dated as of Incorporated herein by reference to the December 5, 2000, among the Registrant, as Registrant's Annual Report on Form 10-K Borrower; OM Scott International Investments Ltd., for the fiscal year ended September 30, Miracle Garden Care Limited, Scotts

Holdings 2000 (File No. 1-13292) [Exhibit 4(i)] Limited, Hyponex Corporation, Scotts Manufacturing Company, Scotts-Sierra Horticultural Products Company, Republic Tool & Manufacturing Corp., Scotts-Sierra Investments, Inc., Scotts France Holdings SARL, Scotts Holding GmbH, Scotts Celaflor GmbH & Co. KG, Scotts France SARL, Scotts Belgium BVBA, The Scotts Company (UK) Ltd., Scotts Canada Ltd., Scotts International B.V., ASEF B.V., Scotts Australia PTY Ltd., and other subsidiaries of the Registrant who are also borrowers from time to time; the lenders party thereto; Salomon Smith Barney Inc., as Syndication Agent; Credit Lyonnais New York Branch, as Co-Documentation Agent; Bank One, Michigan, as successor to NBD Bank, as Co-Documentation Agent; The Chase Manhattan Bank as Administrative Agent; and Chase Securities Inc., as Lead Arranger and Book Manager

Exhibit No.
Description
Location - --

4(j) Waiver
No. 3, dated
as of October
19, 2001, to
the
Incorporated
herein by
reference to
the Credit
Agreement,
dated as of
December 4,
1998, as
Registrant's
Annual Report
on Form 10-K
amended by
the Waiver,
dated as of
January 19,
for the
fiscal year
ended
September 30,
1999, the
Amendment No.
1 and
Consent,
dated as of
2001 (File
No. 1-13292)
[Exhibit
4(j)] October
13, 1999,
Waiver No. 2,
dated as of
February 14,
2000,
Amendment No.
2, dated as
of June 9,
2000, and as
amended and
restated by
the Amended
and Restated
Credit
Agreement,
dated as of
December 5,
2000, among
the
Registrant;
the
subsidiaries
of the
Registrant
who are also
borrowers
from time to
time; the
lenders party
thereto; The
Chase
Manhattan
Bank as
Administrative
Agent;
Salomon Smith

Barney, Inc. as Syndication Agent; Credit Lyonnais New York Branch as Co-Documentation Agent; Bank One, Michigan, as successor to NBD Bank, as Co-Documentation Agent; and J. P. Morgan Securities Inc., as successor to Chase Securities Inc., as Lead Arranger and Book Manager

4(k) Amendment No. 3, dated as of December 12, 2001, to Incorporated herein by reference to the the Credit Agreement, dated as of December 4, 1998, Registrant's Annual Report on Form 10-K as amended by the Waiver, dated as of January 19, for the fiscal year ended and September 1999, the Amendment No. 1 Consent, dated as of 30, 2001 (File No. 1-13292) [Exhibit 4(k)] October 13, 1999, Waiver No. 2, dated as of February 14, 2000, Amendment No. 2, dated as of June 9, 2000, and as amended and restated by the Amended and Restated Credit Agreement, dated as of December 5, 2000, as amended by Waiver No. 3, dated as of October 19, 2001, among the

Registrant; the subsidiaries of the Registrant who are also borrowers from time to time; the lenders party thereto; JP Morgan Chase Bank (The Chase Manhattan Bank), as Administrative Agent; Salomon Smith Barney, Inc., as Syndication Agent; Credit Lyonnais New York Branch, as Co-Documentation Agent; Bank One, Michigan, as successor to NBD Bank, as Co-Documentation Agent; and J.P. Morgan Securities Inc., as successor to Chase Securities Inc., as Lead Arranger and Book Manager

4(l) Indenture dated as of January 21, 1999 between The Incorporated herein by reference to the Scotts Company and State Street Bank and Trust Registrant's Registration Statement on Company, as Trustee Form S-4 filed on April 21, 1999 (Registration No. 333-76739) [Exhibit 4]

10(a)(1) The O.M. Scott & Sons Company Excess Benefit Plan, Incorporated herein by reference to the effective October 1, 1993 Annual Report on Form 10-K for the fiscal year ended September 30, 1993, of The Scotts Company, a Delaware corporation (File No. 0-19768) [Exhibit 10(h)] 10(a)(2) First Amendment to The O.M. Scott & Sons Company Incorporated herein by reference to the Excess Benefit Plan, effective as of January 1, Annual Report on Form 10-K for the fiscal 1998 year ended September 30, 2001 (File No. 1-13292) [Exhibit 10(a)(2)]

Exhibit No. Description Location -
-- 10(a)(3) Second Amendment to The O.M. Scott & Sons Company Incorporated herein by reference to the Excess Benefit Plan, effective as of January 1, Annual Report on Form 10-K for the fiscal 1999 year ended September 30, 2001 (File No. 1-13292) [Exhibit 10(a)(3)]
10(b) The Scotts Company 1992 Long Term Incentive Plan Incorporated herein by reference to the (as amended through May 15, 2000) Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended April 1, 2000 (File No. 1-13292) [Exhibit 10(b)]
10(c) The Scotts Company Executive Annual Incentive Plan Incorporated herein by reference to the Annual

Report on
Form 10-K
for the
fiscal year
ended
September
30, 2001
(File No.
1-13292)
[Exhibit
10(c)]
10(d) The
Scotts
Company
1996 Stock
Option Plan
(as
Incorporated
herein by
reference
to the
amended
through May
15, 2000)
Registrant's
Quarterly
Report on
Form 10-Q
for the
fiscal
quarter
ended April
1, 2000
(File No.
1-13292)
[Exhibit
10(d)]
10(e)
Specimen
form of
Stock
Option
Agreement
(as amended
Incorporated
herein by
reference
to the
through
October 23,
2001) for
Non-
Qualified
Stock
Annual
Report on
Form 10-K
for the
fiscal
Options
granted to
employees
under The
Scotts year
ended
September
30, 2001
(File No.
Company
1996 Stock
Option
Plan, U.S.
specimen 1-
13292)
[Exhibit
10(e)]
10(f)
Specimen
form of
Stock
Option
Agreement
(as amended

Incorporated
herein by
reference
to the
through
October 23,
2001) for
Non-
Qualified
Stock
Annual
Report on
Form 10-K
for the
fiscal
Options
granted to
employees
under The
Scotts year
ended
September
30, 2001
(File No.
Company
1996 Stock
Option
Plan,
French
specimen 1-
13292)
[Exhibit
10(f)]
10(g)(1)
The Scotts
Company
Executive
Retirement
Plan
Incorporated
herein by
reference
to the
Registrant's
Annual
Report on
Form 10-K
for the
fiscal year
ended
September
30, 1998
(File No.
1-11593)
[Exhibit
10(j)]
10(g)(2)
First
Amendment
to The
Scotts
Company
Executive
Incorporated
herein by
reference
to the
Retirement
Plan,
effective
as of
January 1,
1999 Annual
Report on
Form 10-K
for the
fiscal year
ended
September
30, 2001
(File No.
1-13292)
[Exhibit

10(g)(2)]
10(g)(3)
Second
Amendment
to The
Scotts
Company
Executive
Incorporated
herein by
reference
to the
Retirement
Plan,
effective
as of
January 1,
2000 Annual
Report on
Form 10-K
for the
fiscal year
ended
September
30, 2001
(File No.
1-13292)
[Exhibit
10(g)(3)]
10(h)(1)
The Scotts
Company
Retirement
Savings
Plan *
10(h)(2)
First
Amendment
to The
Scotts
Company
Retirement
* Savings
Plan,
effective
as of
January 1,
2002 10(i)
Employment
Agreement,
dated as of
August 7,
1998,
Incorporated
herein by
reference
to the
between the
Registrant
and Charles
M. Berger,
and
Registrant's
Annual
Report on
Form 10-K
three
attached
Stock
Option
Agreements
with the
for the
fiscal year
ended
September
30,
following
effective
dates:
September
23, 1998,
1998 (File

No. 1-
11593)
[Exhibit
10(n)]
October 21,
1998 and
September
24, 1999

102

Exhibit No.
Description
Location -

----- 10(j)
Stock
Option
Agreement,
dated as of
August 7,
1996,
Incorporated
herein by
reference
to the
between the
Registrant
and Charles
M. Berger
Registrant's
Annual
Report on
Form 10-K
for the
fiscal year
ended
September
30, 1996
(File No.
1-11593)
[Exhibit
10(m)]
10(k)
Letter
agreement,
dated March
21, 2001,
pertaining
Incorporated
herein by
reference
to the to
amendment
of
Employment
Agreement,
dated as of
Registrant's
Quarterly
Report on
Form 10-Q
August 7,
1998,
between the
Registrant
and Charles
for the
fiscal
quarter
ended March
31, M.
Berger; and
employment
of Mr.
Berger
through
2001 (File
No. 1-
13292)
[Exhibit
10(w)]
January 16,

2003 10(l)
Letter
agreement,
dated
September
25, 2001,
Incorporated
herein by
reference
to the
replacing
and
superceding
the letter
agreement,
Annual
Report on
Form 10-K
for the
fiscal
dated March
21, 2001,
pertaining
to
amendment
of year
ended
September
30, 2001
(File No.
Employment
Agreement,
dated as of
August 7,
1998, 1-
13292)
[Exhibit
10(k)]
between the
Registrant
and Charles
M. Berger
10(m)
Employment
Agreement,
dated as of
May 19,
1995,
Incorporated
herein by
reference
to the
between the
Registrant
and James
Hagedorn
Registrant's
Annual
Report on
Form 10-K
for the
fiscal year
ended
September
30, 1995
(File No.
1-11593)
[Exhibit
10(p)]
10(n)
Letter
agreement,
dated March
16, 1999,
between the
Incorporated
herein by
reference
to the
Registrant
and Hadia
Lefavre
Registrant's

Annual
Report on
Form 10-K
for the
fiscal year
ended
September
30, 1999
(File No.
1-11593)
[Exhibit
10(p)]
10(o)
Letter
agreement,
dated
October 14,
2001,
between
Incorporated
herein by
reference
to the the
Registrant
and Hadia
Lefavre,
pertaining
to Annual
Report on
Form 10-K
for the
fiscal
terms of
employment
of Ms.
Lefavre
through
year ended
September
30, 2001
(File No.
September
30, 2002,
and
superseding
certain 1-
13292)
[Exhibit
10(p)]
provisions
of the
letter
agreement,
dated March
16, 1999,
between the
Registrant
and Ms.
Lefavre
10(p)
Letter
agreement,
dated June
8, 2000,
between the
Incorporated
herein by
reference
to the
Registrant
and Patrick
J. Norton
Registrant's
Annual
Report on
Form 10-K
for the
fiscal year
ended
September
30, 2000
(File No.
1-13292)

[Exhibit 10(q)]
10(q) Letter agreement, dated November 5, 2002, * pertaining to the terms of employment of Mr. Norton through December 31, 2005, and superseding certain provisions of the letter agreement, dated June 8, 2000, between the Registrant and Mr. Norton.
10(r) Written description of employment agreement between Incorporated herein by reference to the the Registrant and Michael P. Kelty, Ph.D. Annual Report on Form 10-K for the fiscal year ended September 30, 2001 (File No. 1-13292) [Exhibit 10(u)]

Exhibit No. Description Location - - --- 10(s) Letter agreement, dated as of December 20, 2001, Incorporated herein by reference to the between the Registrant and L. Robert Stohler Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended December 29, 2001 (File No. 1-13292) [Exhibit 10(y)] 10(t) Letter agreement, dated November 21, 2002, * replacing and superseding the letter agreement dated December 20, 2001, between the Registrant and L. Robert Stohler 10(u) Exclusive Distributor Agreement -- Horticulture, Incorporated herein by reference to the effective as of June 22, 1998, between the Registrant's Annual Report on Form 10-K Registrant and AgrEvo USA for the fiscal year ended September

30, 1998
(File No. 1-
11593)
[Exhibit
10(v)] 10(v)
Amended and
Restated
Exclusive
Agency and
Marketing
Incorporated
herein by
reference to
the
Agreement,
dated as of
September
30, 1998,
between
Registrant's
Annual
Report on
Form 10-K
Monsanto
Company (now
Pharmacia
Corporation)
and for the
fiscal year
ended
September
30, the
Registrant**
1999 (File
No. 1-11593)
[Exhibit
10(v)] 21
Subsidiaries
of the
Registrant *
23 Consent
of
Independent
Accountants
* 99.1
Certification
pursuant to
18 U.S.C.
Section 1350
as * adopted
pursuant to
Section 906
of the
Sarbanes-
Oxley Act of
2002

- ---------------

* Filed herewith.

** Certain portions of this Exhibit have been omitted based upon an Order Granting Confidential Treatment from the Securities and Exchange Commission ("SEC"), dated August 23, 2002, extending through September 30, 2005.

Exhibit 10(h)(1)

The Scotts Company

Retirement Savings Plan

THE SCOTTS COMPANY

RETIREMENT SAVINGS PLAN

THE SCOTTS COMPANY
RETIREMENT SAVINGS PLAN

TABLE OF CONTENTS

SECTION - ------- PAGE ----

THE SCOTTS COMPANY
RETIREMENT SAVINGS PLAN

WHEREAS, The Scotts Company (the "Company") sponsors The Scotts Company Retirement Savings Plan (the "Plan"); and

WHEREAS, the Plan is being amended and restated to incorporate amendments adopted since December 31, 1997 and to comply with the General Agreement on Tariffs and Trade (PL 103-465), the Uniformed Services Employment and Reemployment Rights Act of 1994 (PL 103-353), the Small Business Job Protection Act of 1996 (PL 104-188), the Taxpayer Relief Act of 1997 (PL 105-34), the Internal Revenue Service Restructuring and Reform Act of 1998 (PL 105-206), and the Community Renewal Tax Relief Act of 2000 (PL 106-554);

NOW, THEREFORE, the Company hereby amends the Plan in its entirety and restates the Plan as of the Effective Amendment Date to provide as follows:

SECTION 1
DEFINITIONS

"ACCOUNT" means the account maintained for a Participant, which shall be the entire interest of the Participant in the Trust Fund. A Participant's Account shall consist of the Participant's Retirement Account, Section 401(k) Account, After-Tax Account, Matching Account, Rollover Account, Transitional Account, Profit Sharing Account, and Hyponex Profit Sharing Account.

"ADMINISTRATIVE COMMITTEE" means the committee appointed as such by the Board of Directors under the provisions of the Plan or, in the absence of such appointment, the Company. The Administrative Committee is the administrator of the Plan within the meaning of Section 3(16) of ERISA.

"AFFILIATE" means any entity which, with the Company, constitutes either (a) a controlled group of corporations (within the meaning of Section 414(b) of the Code); (b) a group of trades or businesses under common control (within the meaning of Section 414(c) of the Code); (c) an affiliated service group (within the meaning of Section 414(m) of the Code); or (d) a group of entities required to be aggregated pursuant to Section 414(o) of the Code and the regulations thereunder.

"AFTER-TAX ACCOUNT" means the portion of a Participant's Account consisting of After-Tax Contributions, as adjusted under the Plan. A Participant's after-tax account under the Hyponex Corporation Profit Sharing Plan or the Scotts-Sierra Horticultural Products Company Salaried Employees Savings and Investment Plan as of December 31, 1997 shall be included in the Participant's After-Tax Account under this Plan.

"AFTER-TAX CONTRIBUTIONS" means the amount contributed to the Plan by a Participant on an after-tax basis.

"AGGREGATION GROUP" means (a) the Plan; (b) any plan of the Employer or any Affiliate in which a Key Employee or any of a Key Employee's beneficiaries is a participant; (c) any plan which enables any plan described in (a) or (b) to meet the requirements of Sections 401(a)(4) or 410 of the Code; (d) any plan maintained by the Employer or an Affiliate within the last five years ending on the last day of the immediately preceding Plan Year and would, but for the fact it was terminated, be part of the Aggregation Group; and (e) any plan of the Employer or any Affiliate designated by the Employer, the inclusion of which in the Aggregation Group would not cause the Aggregation Group to fail to meet the requirements of Sections 401(a)(4) and 410 of the Code.

"BENEFICIARY" means the beneficiary under the Plan of a deceased Participant.

"BOARD OF DIRECTORS" means the board of directors of the Company.

"BREAK IN SERVICE" means, for a Regular Employee, the period described in Section 7.4. For a Temporary Employee, "Break in Service" means the failure by an Employee to complete more than 500 Hours of Service during any Plan Year. Any Break in Service shall be deemed to have commenced on the first day of the Plan Year in which it occurs. In the case of an absence from work which begins in any Plan Year beginning after December 31, 1984, if a Temporary Employee is absent from work for any period by reason of pregnancy, the birth or placement for adoption of a child, or for caring for a child for a period immediately following the birth or placement, then, for purposes of determining whether a Break in Service has occurred (and not for purposes of determining Years of Eligibility Service and Years of Vesting Service), such Employee shall be credited with the Hours of Service which otherwise normally would have been credited to such Employee or, if the Administrative Committee is unable to determine the number of such Hours of Service, 8 Hours of Service for each day of absence, in any case not to exceed 501 Hours of Service. The Hours of Service credited to a Temporary Employee under this definition shall be treated as Hours of Service in the Plan Year in which the absence from work begins if the Employee would be prevented from incurring a Break in Service in such year solely because of such Hours of Service or, in any other case, in the immediately following year. The Administrative Committee may require that the Employee certify and/or supply documentation that his or her absence is for one of the permitted reasons and the number of days for which there was such an absence.

"CODE" means the Internal Revenue Code of 1986, as now or hereafter amended, construed, interpreted and applied by regulations, rulings or cases.

"COMPANY" means The Scotts Company, an Ohio corporation, and any successor thereto.

"COMPANY STOCK FUND" means the Investment Fund consisting of Employer Securities and cash or cash equivalents needed to meet the obligations of such fund or for the purchase of Employer Securities.

"COMPENSATION" means wages for the Plan Year paid to the Participant by the Employer, as defined in Code Section 3401(a), for the purposes of income tax withholding at the source. Compensation will be determined without regard to (a) any reduction in compensation resulting from participation in a Section 401(k) cash or deferred arrangement or any arrangement pursuant to Section 125, Section 402(h), Section 403(b), Section 414(h)(2), or Section 457 of the Code, or for Plan Years beginning on and after January 1, 2001, Section 132(f) of the Code; (b) taxable fringe benefits; and (c) any rules that limit remuneration included in wages based on the nature or location of employment or services performed. Notwithstanding the foregoing, Compensation paid by the Employer during any Plan Year in excess of $150,000, adjusted under Code Section 401(a)(17), shall be excluded. For purposes of a Participant's first Plan Year of eligibility, only Compensation paid to such Participant after the Entry Date on which he or she begins to participate in the Plan shall be considered for purposes of determining contributions to the Plan.

"EARLY RETIREMENT DATE" means the date as of which a Participant has both attained age 55 and completed five Years of Vesting Service.

"EFFECTIVE AMENDMENT DATE" means: (a) in the case of any change in the Plan required by a change in the Code or ERISA, January 1, 1997 or such other date which such change in the Plan is required to be effective; (b) in the case of any change in the Plan for which an effective date is specifically stated elsewhere in the Plan, such date; and (c) in the case of any other change in the Plan, January 1, 1998.

"ELIGIBILITY COMPUTATION PERIOD" means (a) the initial Eligibility Computation Period of 12 consecutive months commencing on an Employee's most recent date of employment commencement; and (b) each and every full Plan Year, commencing with the Plan Year in which falls the last day of an Employee's initial Eligibility Computation Period, during which the Employee is in the service of the Employer.

"ELIGIBLE ROLLOVER DISTRIBUTION" means any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include: (a) any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated beneficiary, or for a specified period of ten years or more; (b) any distribution to the extent such distribution is required under Section 401(a)(9) of the Code; and (c) the portion of any distribution that is not includable in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to Employer Securities).

"EMPLOYEE" means any person working with a product line, division or entity listed as eligible on Appendix D or in corporate management and administration. Notwithstanding the foregoing, the term "Employee" shall exclude any person: (a) working primarily with any product line, division or entity listed as ineligible, or not listed as eligible, on Appendix D; (b) working in a job classification listed as ineligible on Appendix D; (c) who is a student intern; (d) whose terms and conditions of employment are determined by collective bargaining with a third party, with respect to whom inclusion in this Plan has not been provided for in the collective bargaining agreement setting forth those terms and conditions of employment; (e) who is a nonresident alien described in Section 410(b)(3)(C) of the Code; (f) who is a Leased Employee; (g) who provides services to the Employer as a consultant pursuant to the terms of a written agreement between the Employer and such individual; (h) who is employed by an entity other than the Employer who, pursuant to a written agreement between such employing entity and the Employer, provides services to the Employer; or (i) who provides services to the Employer and is treated, for all employment purposes, as an independent contractor by the Employer. To the extent that any regulatory authority, including, but not limited to, the Internal Revenue Service, determines that any individual described in (f) through (i) of the preceding sentence is a common law employee of the Employer, such individual shall nevertheless be excluded from the definition of the term "Employee" under this Plan.

"EMPLOYER" means the Company and its Affiliates.

"EMPLOYER SECURITIES" means stock or other securities of the Employer permitted to be held by the Plan under ERISA and the Code.

"ERISA" means the Employee Retirement Income Security Act of 1974 (P.L. No. 93-406), as now existing or hereafter amended, and as now or hereafter construed, interpreted and applied by regulations, rulings or cases.

"HIGHLY-COMPENSATED EMPLOYEE" means any employee of the Employer who: (a) was a 5% owner of the Employer during the current Plan Year or the preceding Plan Year; or (b) had Compensation from the Employer in the preceding Plan Year in excess of $80,000 (as adjusted by the Secretary of Treasury).

"HOUR OF SERVICE" means (a) each hour for which an Employee is paid or entitled to payment for the performance of duties for the Employer or an Affiliate during the applicable computation period; (b) each hour for which an Employee is paid or entitled to payment by the Employer or an Affiliate on account of a period of time during which no duties are performed (irrespective of whether the employment relationship has terminated) due to vacation, holiday, illness, incapacity (including disability), layoff, jury or military duty, or leave of absence; and (c) each hour for which back pay, irrespective of mitigation of damages, is either awarded or agreed to by the Employer or an Affiliate. In computing Hours of Service on a weekly or monthly basis when a record of hours of employment is not available, the Employee shall be assumed to have worked 40 hours for each full week of employment and 8 hours for each day in less than a full week of employment, regardless of whether the Employee has actually worked fewer hours. Notwithstanding the foregoing, (i) not more than 501 Hours of Service shall be credited to an Employee on account of any single continuous period during which the Employee performs no duties; (ii) no credit shall be granted for any period with respect to which an Employee receives payment or is entitled to payment under a plan maintained solely for the purpose of complying with applicable workers' compensation or disability insurance laws; and (iii) no credit shall be granted for a payment which solely reimburses an Employee for medical or medically related expenses incurred by the Employee. In the case of a person who was a Leased Employee and who subsequently becomes an Employee, hours of service as a Leased Employee shall count as Hours of Service as an Employee. Determination and crediting of Hours of Service shall be made under Department of Labor Regulations Sections 2530.200b-2 and 3.

"HYPONEX PROFIT SHARING ACCOUNT" means the portion of a Participant's Account consisting of profit sharing contributions under the Hyponex Corporation Profit Sharing Plan for periods before January 1, 1998, as adjusted under the Plan.

"INVESTMENT FUNDS" means the funds described in Section 5.2.

"KEY EMPLOYEE" has the meaning set forth in Section 416(i) of the Code and the regulations thereunder.

"LEASED EMPLOYEE" means, effective January 1, 1997, any person (other than an Employee) who, pursuant to an agreement between the Employer and any other person ("leasing organization"), has performed services for the Employer (or for the Employer and related persons determined in accordance with Section 414(n)(6) of the Code) on a substantially full-time basis for a period of at least one year and such services are performed under the primary direction or control of the Employer. Contributions or benefits provided a Leased Employee by the leasing organization which are attributable to services performed for the Employer shall be treated as provided by the Employer. A person who would otherwise be considered a Leased Employee shall not be considered a Leased Employee if (a) such person is covered by a money purchase pension plan providing (i) a nonintegrated employer contribution rate of at least 10% of compensation, as defined in Section 415(c)(3) of the Code, but including amounts contributed pursuant to a salary reduction agreement which are excludable from the person's gross income under Section 125, Section 402(a)(8), Section 402(h), or Section 403(b) of the Code; (ii) immediate participation; and (iii) full and immediate vesting; and (b) Leased Employees do not constitute more than 20 percent of the Employer's Non-Highly-Compensated Employees.

"MATCHING ACCOUNT" means the portion of a Participant's Account consisting of Matching Contributions, as adjusted under the Plan. A Participant's matching account under the Stern's Miracle-Gro Products, Inc. Employees 401(k) Plan as of December 31, 1995, or the Scotts-Sierra Horticultural Products Company Salaried Employees Savings and Investment Plan as of December 31, 1997 shall be included in the Participant's Matching Account under this Plan.

"MATCHING CONTRIBUTION" means an Employer matching contribution under Section 3.3.

"NON-HIGHLY-COMPENSATED EMPLOYEE" means any Employee other than a Highly-Compensated Employee.

"NON-KEY EMPLOYEE" means any Employee other than a Key Employee.

"PARTICIPANT" means any person who is currently eligible to make Section 401(k) Contributions or who has a vested Account balance.

"PLAN" means The Scotts Company Retirement Savings Plan (formerly known as The Scotts Company Profit Sharing and Savings Plan) as set forth herein and as from time to time amended. The Plan is a profit sharing and stock bonus plan.

"PLAN YEAR" means the calendar year.

"PROFIT SHARING ACCOUNT" means the portion of a Participant's Account consisting of discretionary Employer contributions for periods before January 1, 1998, as adjusted under the Plan.

"REGULAR EMPLOYEE" means any Employee other than a Temporary Employee.

"RETIREMENT ACCOUNT" means the portion of a Participant's Account consisting of Retirement Contributions, as adjusted under the Plan.

"RETIREMENT CONTRIBUTION" means an Employer contribution under Section 3.1.

"ROLLOVER ACCOUNT" means the portion of a Participant's Account consisting of Rollover Contributions, as adjusted under the Plan. A Participant's rollover account under the Stern's Miracle-Gro Products, Inc. Employees 401(k) Plan as of December 31, 1995, a Participant's rollover account under the Scotts-Sierra Horticultural Products Company Salaried Employees Savings and Investment Plan as of December 31, 1997, or a Participant's rollover account and/or deductible contributions account under the Hyponex Corporation Profit Sharing Plan as of December 31, 1997, shall be included in the Participant's Rollover Account under this Plan.

"ROLLOVER CONTRIBUTION" means the amount contributed by an Employee as a rollover contribution in accordance with Section 402 of the Code.

"SECTION 401(K) CONTRIBUTION" means an Employer contribution to the Plan in an amount equal to the reduction in the Participant's Compensation pursuant to the Participant's election under the Plan.

"SECTION 401(K) ACCOUNT" means the portion of a Participant's Account consisting of Section 401(k) Contributions, as adjusted under the Plan. A Participant's Section 401(k) account under the Stern's Miracle-Gro Products, Inc. Employees 401(k) Plan as of December 31, 1995 or the Scotts-Sierra Horticultural Products Company Salaried Employees Savings and Investment Plan as of December 31, 1997 shall be included in the Participant's Section 401(k) Account under this Plan.

"TEMPORARY EMPLOYEE" means an Employee who is classified by the Employer under its policies and practices as a temporary or seasonal employee, in that the Employer expects the Employee's employment to be of limited duration.

"TERMINATION DATE" means the date on which an Employee quits, is discharged, retires, dies, or otherwise terminates employment. For purposes of this Plan, a Participant who has ceased to perform services for the Employer shall be deemed to incur a Termination Date on the date he or she is found by the Company to be permanently and totally disabled under The Scotts Company Long Term Disability Plan.

"TOP-HEAVY PLAN" has the meaning set forth in Section 416 of the Code and the regulations thereunder. For purposes of determining whether the Plan is a Top-Heavy Plan, the determination date is, for the first Plan Year, the last day of the Plan Year and for each succeeding Plan Year, the last day of the preceding Plan Year.

"TRANSITIONAL CONTRIBUTION" means an Employer contribution under Section 3.5.

"TRANSITIONAL ACCOUNT" means the portion of a Participant's Account consisting of Transitional Contributions, as adjusted under the Plan.

"TRUST" means the trust created by the Trust Agreement.

"TRUST AGREEMENT" means the Trust Agreement between the Company and the Trustee as the same presently exists and as it may from time to time hereafter be amended.

"TRUST FUND" means all of the assets of the Plan held by the Trustee under the Trust Agreement.

"TRUSTEE" means Fidelity Management Trust Company or any successor trustee acting as such under the Trust Agreement.

"YEAR OF ELIGIBILITY SERVICE" means an Eligibility Computation Period in which a Temporary Employee has 1,000 or more Hours of Service. For a person working with a product line, division or entity listed on Appendix D, no service shall be credited for periods prior to the date the product line, division or entity was acquired by the Employer, except that: (a) if the acquired product line, division or entity sponsored a qualified plan which is merged into this Plan, service under such plan shall be credited under this Plan; and (b) service prior to the acquisition date shall be recognized to the extent specified on Appendix D.

"YEAR OF VESTING SERVICE" means, effective January 1, 2000, a full 365 days in an Employee's period of service, as defined in Section 7.4. For a person working with a product line, division or entity listed on Appendix D, no service shall be credited for periods prior to the date the product line, division or entity was acquired by the Employer, except that: (a) if the acquired product line, division or entity sponsored a qualified plan which is merged into this Plan, service under such plan shall be credited under this Plan; and (b) service prior to the acquisition date shall be recognized to the extent specified on Appendix D.

SECTION 2
PARTICIPATION

2.1. ELIGIBILITY.

(a) A Regular Employee (including an Employee of Scotts Lawn Service located at corporate headquarters in Marysville, Ohio and a regional manager reporting directly to corporate headquarters but excluding any other Employee of Scotts Lawn Service) shall become a Participant for all purposes under the Plan on the first day of the month starting after the date on which he or she begins employment as a Regular Employee.

(b) Effective January 1, 2000, a Regular Employee of Scotts Lawn Service (other than an Employee of Scotts Lawn Service located at corporate headquarters in Marysville, Ohio or a regional manager reporting directly to corporate headquarters) shall become a Participant:

(i) for purposes of eligibility to receive Retirement Contributions, on the first day of the month starting after he or she completes one Year of Eligibility Service; and

(ii) for purposes of eligibility to make Section 401(k) Contributions, After-Tax Contributions and Rollover Contributions and for purposes of eligibility to receive Matching Contributions, on the first day of the month starting after he or she completes 90 days of service. Effective January 1, 2001, the service requirement in the preceding sentence shall be reduced to 60 days.

(c) A Temporary Employee shall become a Participant for all purposes under the Plan on the January 1 or July 1 after: (i) completing one Year of Eligibility Service; and (ii) attaining age 21.

Each Employee who becomes eligible for admission to participation in this Plan shall complete such forms and provide such data as are reasonably required by the Administrative Committee. Participation shall cease on a Participant's Termination Date.

2.2. BREAKS IN SERVICE.

If a Temporary Employee had no vested Account balance before any period of consecutive Breaks in Service, and if the number of consecutive Breaks in Service within such period equals or exceeds five, the Employee shall upon reemployment be required to satisfy the requirements for participation in the Plan as though such Employee had not previously been an Employee. If any Years of Eligibility Service are not required to be taken into account because of a period of Breaks in Service to which this Section applies, such Years of Eligibility Service shall not be taken into account in applying this Section to any subsequent Breaks in Service. If a former Participant is reemployed and his or her prior service cannot be disregarded under this Section, he or she shall become a Participant upon reemployment.

2.3. CHANGE IN STATUS.

If a person who has been in the employ of the Employer in a category of employment not eligible for participation in this Plan subsequently becomes an Employee by reason of a change in status to a category of employment eligible for participation, such person shall become a Participant as of the first day of the month following the date on which the change in status occurs if, on such date, such person has otherwise satisfied the requirements for participation in the Plan.

2.4. ERRONEOUS OMISSION OR INCLUSION OF EMPLOYEE.

If, in any Plan Year, any Employee who should have been included as a Participant in the Plan is erroneously omitted and discovery of such omission is not made until after a Retirement Contribution for the Plan Year has been made and allocated, the Employer shall make a Retirement Contribution with respect to the omitted Employee equal to the amount which the Employee would have received as an allocation had the Participant not been omitted. If, in any Plan Year, any person who should not have been included as a Participant in the Plan is erroneously included and discovery of such incorrect inclusion is not made until after a contribution for the Plan Year has been made and allocated, the Employer shall not be entitled to recover the contribution made with respect to the ineligible person, and any earnings thereon, unless no deduction is allowable with respect to such contribution. The amount contributed with respect to the ineligible person, together with any earnings thereon, shall be applied to reduce Retirement Contributions for the Plan Year in which the discovery is made.

SECTION 3
CONTRIBUTIONS

3.1. RETIREMENT CONTRIBUTIONS.

Retirement Contributions made by the Employer for a Plan Year shall be allocated as follows:

(a) First, each Participant shall receive an allocation equal to 2% of monthly Compensation.

(b) Second, each Participant with year-to-date Compensation in excess of 50% of the Social Security taxable wage base shall receive an additional allocation of 2% of monthly Compensation (a combined total under (a) and (b) of 4%) for any Compensation paid after the Participant's year-to-date Compensation reaches 50% of the Social Security taxable wage base.

3.2. SECTION 401(K) CONTRIBUTIONS AND AFTER-TAX CONTRIBUTIONS.

(a) Each Participant shall be entitled to make an enrollment election (in the form or manner prescribed by the Administrative Committee) to provide for:

(i) a reduction of up to 15% of the Participant's regular Compensation and a corresponding Section 401(k) Contribution to the Participant's Section 401(k) Account; and

(ii) a deduction of up to 15% (combined with the percentage reduction for Section 401(k) Contributions) from the Participant's regular Compensation and a corresponding After-Tax Contribution to the Participant's After-Tax Account.

(b) A Participant may enter into or modify an enrollment election, with the new election to be made in accordance with procedures established by the Administrative Committee and implemented as of the next administratively practicable pay period. The Administrative Committee may establish a reasonable charge to defray the expense of processing elections.

(c) The Administrative Committee may establish rules whereby: (i) Participants' enrollment elections shall not apply to the sale of vacation pay and/or other irregular Compensation; and (ii) Participants may make separate elections to withhold and/or deduct up to 100% of the Compensation attributable to the sale of vacation pay or other irregular Compensation for contribution to the Plan.

3.3. MATCHING CONTRIBUTIONS.

The Employer shall make Matching Contributions, in cash or in Employer Securities, to the Matching Account of each Participant for whom Section 401(k) Contributions are made. The amount of such Matching Contribution will be, for each payroll period, 100% of the first 3% of Compensation and 50% of the next 2% of Compensation contributed as Section 401(k) Contributions. Notwithstanding the foregoing, no Matching Contributions shall be made on account of: (a) elective profit sharing contributions for 1997, paid to the Plan in 1998; and (b) Section 401(k) Contributions attributable to the sale of vacation pay.

3.4. ROLLOVER CONTRIBUTIONS.

A Participant may roll over a cash distribution from a qualified plan or conduit individual retirement account to this Plan, provided that: (a) the distribution is: (i) received from a qualified plan as an Eligible Rollover Distribution; and (ii) rolled over directly from the qualified plan or within the 60 days following the date the Participant received the distribution; or (b) the distribution is: (i) received from a conduit individual retirement account which has no assets other than assets attributable to an Eligible Rollover Distribution or a "qualified total distribution" within the meaning of Section 402 of the Code as in effect prior to January 1, 1993, which was deposited in the conduit individual retirement account within 60 days of the date the Participant received the distribution, plus earnings; (ii) eligible for tax free rollover to a qualified plan; and (iii) rolled over within the 60 days following the date the Participant received the distribution. The Administrative Committee may require documentation from the distributing plan and/or the Participant's certification that the amount rolled over meets the requirements of this Section. The foregoing contributions, which shall be Rollover Contributions, shall be accounted for separately and shall be credited to a Participant's Rollover Account.

3.5. TRANSITIONAL CONTRIBUTIONS.

(a) The Employer shall make Transitional Contributions in 1998, 1999, 2000, 2001, and 2002 to the Transitional Accounts of Participants who meet the requirements of paragraph (b), in the amount provided in paragraph (c).

(b) A Participant shall be eligible for Transitional Contributions if, as of December 31, 1997, he or she: (i) was accruing benefits under The Scotts Company Associates' Pension Plan or the Scotts-Sierra Horticultural Products Company Retirement Plan for Salaried Employees; (ii) had at least ten (10) years of vesting service (as determined under The Scotts Company Associates' Pension Plan); and (iii) had at least 60 points, crediting one point for each year of age and one point for each year of vesting service (as determined under The Scotts Company Associates' Pension Plan). Eligibility for Transitional Contributions ends when a Participant terminates employment.

(c) An eligible Participant shall receive a monthly Transitional Contribution of one and one-half percent (1.5%) of Compensation plus one-fifteenth of one percent (.15%) for each point in excess of 60 but not in excess of 90.

SECTION 4
LIMITATIONS ON ALLOCATIONS

4.1. DOLLAR LIMIT ON SECTION 401(K) CONTRIBUTIONS.

A Participant's Section 401(k) Contributions for a calendar year shall not exceed $7,000 (as adjusted in accordance with Section 402(g) of the Code). If a Participant's Section 401(k) Contributions, combined with elective deferrals to other plans, exceed such limit, the Participant may assign to the Plan any portion of the excess (the "excess deferrals") by notifying the Administrative Committee in writing of such excess deferrals by March 31 of the following year. No notice is required for any excess deferrals which arise solely from Section 401(k) Contributions to this Plan and elective deferrals to other plans sponsored by the Employer. Any excess deferrals, and income allocable to such excess deferrals, shall be distributed to the Participant no later than the April 15 of the following year. For this purpose, income allocable to the excess deferrals shall be income for the year during which the excess deferrals were made.

4.2. PERCENTAGE LIMIT ON SECTION 401(K) CONTRIBUTIONS.

(a) Starting in 1999, Section 401(k) Contributions and Matching Contributions will satisfy the nondiscrimination requirements of the Code due to safe harbor Matching Contributions under Code Section 401(k)(12). The deferral percentage for eligible Highly-Compensated Employees under this Plan for Plan Years before 1999 shall not exceed the greater of (i) 125% of such percentage for eligible Non-Highly-Compensated Employees for the preceding Plan Year; or (ii) the lesser of (A) 200% of such percentage for eligible Non-Highly-Compensated Employees for the preceding Plan Year; or (B) such percentage for eligible Non-Highly-Compensated Employees for the preceding Plan Year plus two percentage points. The Employer may elect to substitute the current Plan Year for the preceding Plan Year for 1997 and/or any later Plan Year, except that if the Employer so elects for a year after 1997, the election cannot be changed except as permitted by the Internal Revenue Service.

(b) For purposes of this Section, the deferral percentage for a specified group of Participants for a Plan Year shall be the average of the ratios (calculated separately for each Participant in such group) of (i) the Section 401(k) Contributions paid under the Plan on behalf of each such Participant for such Plan Year to (ii) the Participant's Compensation for the period during the Plan Year that the Participant was eligible for the Plan.

(c) If the deferral percentage for eligible Highly-Compensated Employees does not meet the requirements of this Section, the following procedure shall be used:

(i) Calculate the dollar amount of excess Section 401(k) Contributions for each affected Highly-Compensated Employee. This total amount (total excess Section 401(k) Contributions) should be distributed (along with earnings for the Plan Year) in accordance with steps (ii) and (iii) below.

(ii) The Section 401(k) Contributions of the Highly-Compensated Employee with the highest dollar amount of Section 401(k) Contributions are reduced by the amount required to cause that Highly-Compensated Employee's Section 401(k) Contributions to equal the dollar amount of the Section 401(k) Contributions of the Highly-Compensated Employee with the next highest dollar amount of Section 401(k) Contributions. This amount is then distributed to the Highly-Compensated Employee with the highest dollar amount. However, if a lesser reduction, when added to the total dollar amount already distributed under this step, would equal the total excess Section 401(k) Contributions, the lesser reduction amount is distributed.

(iii) If the total amount distributed is less than the total excess Section 401(k) Contributions, step (ii) is repeated.

If these distributions are made before the close of the following Plan Year (and, if practical to avoid certain excise taxes, within 2-1/2 months after the end of the Plan Year), Section 401(k) Contributions are treated as meeting the average deferral test regardless of whether the test, if recalculated after distributions, would satisfy Code Section 401(k)(3).

4.3. PERCENTAGE LIMIT ON MATCHING CONTRIBUTIONS AND AFTER-TAX CONTRIBUTIONS.

(a) The contribution percentage for eligible Highly-Compensated Employees under this Plan shall not exceed the greater of (i) 125% of such percentage for all other eligible Employees for the preceding Plan Year; or (ii) the lesser of (A) 200% of such percentage for all other eligible Employees for the preceding Plan Year; or (B) such percentage for all other eligible Employees for the preceding Plan Year plus two percentage points. The Employer may elect to substitute the current Plan Year for the preceding Plan Year for 1997 and/or any later Plan Year, except that if the Employer so elects for a year after 1997, the election cannot be changed except as permitted by the Internal Revenue Service.

(b) Starting in 1999, Section 401(k) Contributions and Matching Contributions will satisfy the nondiscrimination requirements of the Code due to safe harbor Matching Contributions under Code Section 401(k)(12). For Plan Years before 1999, the contribution percentage for a specified group of Participants for a Plan Year shall be the average of the ratios (calculated separately for each Participant in such group) of (i) the Matching Contributions and After-Tax Contributions paid under the Plan on behalf of each such Participant for such Plan Year to (ii) the Participant's Compensation for the period during the Plan Year that the Participant was eligible for the Plan.

(c) For any Plan Year after 1998, the contribution percentage for a specified group of Participants for a Plan Year shall be the average of the ratios (calculated separately for each Participant in such group) of (i) the After-Tax Contributions paid under the Plan on behalf of each such Participant for such Plan Year to (ii) the Participant's Compensation for the period during the Plan Year that the Participant was eligible for the Plan.

(d) If the contribution percentage for eligible Highly-Compensated Employees does not meet the requirements of this Section, the following procedure shall be used:

(i) Calculate the dollar amount of excess contributions for each affected Highly-Compensated Employee. This total amount (total excess contributions) should be distributed (along with earnings for the Plan Year) in accordance with steps (ii) and (iii) below.

(ii) The After-Tax Contributions (and if Code Section 401(k)(12) does not apply, Matching Contributions) of the Highly-Compensated Employee with the highest dollar amount of such contributions are reduced by the amount required to cause that Highly-Compensated Employee's contributions to equal the dollar amount of the contributions of the Highly-Compensated Employee with the next highest dollar amount of such contributions. This amount is then distributed to the Highly-Compensated Employee with the highest dollar amount. However, if a lesser reduction, when added to the total dollar amount already distributed under this step, would equal the total excess contributions, the lesser reduction amount is distributed.

(iii) If the total amount distributed is less than the total excess contributions, step (ii) is repeated.

If these distributions are made before the close of the following Plan Year (and, if practical to avoid certain excise taxes, within 2-1/2 months after the end of the Plan Year), After-Tax Contributions (and, if applicable, Matching Contributions) are treated as meeting the average contribution test regardless of whether the test, if recalculated after distributions, would satisfy Code Section 401(m)(3).

(e) If the Section 401(k) Contributions, After-Tax Contributions and Matching Contributions for a Plan Year would result in the multiple use of the alternative limitation (as defined in Section 401(m) of the Code and the regulations thereunder which are hereby incorporated by reference), the Section 401(k) Contributions, After-Tax Contributions and Matching Contributions of Highly-Compensated Employees will be distributed (or, if forfeitable under the Plan, forfeited) in accordance with Section 401(m) of the Code and the regulations thereunder as directed by the Plan Administrator, so that there is no multiple use of the alternative limitation.

4.4. TIMING OF CONTRIBUTIONS.

All Section 401(k) Contributions and After-Tax Contributions shall be made no later than the earlier of: (a) the earliest date on which the contributions can reasonably be segregated from the Employer's general assets; or (b) the 15th business day after the month in which the contributions would otherwise have been payable to the Participant. Effective July 1, 2000, Matching Contributions shall be made no later than of the last day of the calendar quarter after quarter in which the corresponding Section 401(k) Contributions were made. Retirement Contributions shall be made no later than the due date (including extensions) of the income tax return of the Employer for the fiscal year of the Employer including the last day of the Plan Year for which such contribution is made. All contributions shall be paid over to the Trustee and shall be invested by the Trustee in accordance with the Plan and the Trust Agreement.

4.5. EXCLUSIVE BENEFIT; REFUND OF CONTRIBUTIONS.

(a) All contributions made by the Employer are made for the exclusive benefit of the Participants and their Beneficiaries, and such contributions shall not be used for or diverted to purposes other than for the exclusive benefit of the Participants and their Beneficiaries, including the costs of maintaining and administering the Plan and Trust.

(b) Notwithstanding any other provision of this Section, amounts contributed to the Trust by the Employer may be refunded to the Employer, to the extent that such refunds do not, in themselves, deprive the Plan of its qualified status, under the following circumstances and subject to the following limitations: (i) to the extent that a federal income tax deduction is disallowed for any contribution made by the Employer, the Trustee shall refund to the Employer the amount so disallowed within one year of the date of such disallowance; (ii) if a contribution is made, in whole or in part, by reason of a mistake of fact, there shall be returned to the

Employer so much of such contribution as is attributable to the mistake of fact within one year after the payment of the contribution to which the mistake applies; and (iii) except as provided in the event of an erroneous allocation to an ineligible person, if the Plan initially fails to satisfy the qualification requirements of Section 401(a) of the Code, and if the Employer declines to amend the Plan to satisfy such qualification requirements, contributions made prior to the determination that the Plan has failed to qualify shall be returned to the Employer within one year of denial of qualification, provided the Employer filed an application for determination by the due date of the Employer's return for the taxable year in which the Plan was adopted.

(c) Notwithstanding any other provision of this Section, no refund shall be made to the Employer which is specifically chargeable to the Account of any Participant in excess of 100% of the amount in such Account nor shall a refund be made by the Trustee of any funds, otherwise subject to refund hereunder, which have been distributed to any Participant or Beneficiary. If any such distributions become refundable, the Employer shall have a claim directly against the distributees to the extent of the refund to which it is entitled.

(d) All refunds under this Section shall be limited in amount, circumstance, and timing by the provisions of Section 403 of ERISA, and no such refund shall be made if, solely because of such refund, the Plan would cease to be a qualified plan under Section 401(a) of the Code.

4.6. ANNUAL ADDITIONS AND LIMITATIONS.

(a) Notwithstanding any other provisions of this Plan, in no event shall the annual addition to a Participant's Account for any Plan Year exceed the lesser of $30,000 or 25% of such Participant's Compensation. All amounts contributed to any defined contribution plan maintained by the Employer or any Affiliate, and all amounts described in Section 415(l)(1) and Section 419A(d)(2), shall be aggregated with contributions under this Plan in computing any Employee's annual additions limitation. In no event shall the amount allocated to the Account of any Participant be greater than the maximum amount allowed under Section 415 of the Code with respect to any combination of plans without disqualification of any such plan. Any adjustment to the dollar limitation set forth in this Section shall be effective only for the Plan Years ending on or after January 1 of the year for which the adjustment is made. For purposes of this Section, the term "annual addition" shall mean the sum of Retirement Contributions, Section 401(k) Contributions, After-Tax Contributions, and Matching Contributions allocable to the Participant's Account for the Plan Year.

(b) In the event a Participant is a participant in any other defined contribution plan and/or defined benefit plan sponsored by the Employer, the following limits on the sum of the "defined benefit plan fraction" and the "defined contribution plan fraction" apply to Plan Years prior to January 1, 2000 in accordance with this paragraph. If in a Plan Year prior to January 1 2000, the sum of the "defined benefit plan fraction" and the "defined contribution plan fraction" would exceed 1.0 but for the operation of this Section, the "defined contribution fraction" shall be reduced so that the sum of the fractions shall not exceed 1.0. For purposes of this subsection, the "defined benefit plan fraction" is the ratio that (i) the Participant's projected annual retirement benefit as of the end of the Plan Year under the defined benefit plans bears to (ii) the lesser of (A) the product of 1.25 multiplied by the dollar limitation in effect under Section 415(b)(1)(A) of the Code for such Plan Year; or (B) the product of 1.4 multiplied by the maximum amount permitted under Section 415(b)(1)(B) of the Code for such Plan Year. The "defined contribution plan fraction" is the ratio of (i) the Participant's annual additions for the Plan Year to the defined contribution plans bears to (ii) the lesser of the following amounts determined for such Plan Year and for each prior Year of Service with the Employer: (A) the product of 1.25 multiplied by the dollar limitation in effect under Section 415(c)(1)(A) of the Code for such year; or (B) the product of 1.4 multiplied by the maximum amount permitted under Section 415(c)(1)(B) of the Code for such year.

(c) If the annual addition to a Participant's Account exceeds the amount permitted under this Section due to a reasonable error in estimating a Participant's Compensation or in determining the amount of Section 401(k) Contributions which may be made under the limits of Section 415 of the Code, such excess shall be disposed of as follows:

(i) After-Tax Contributions, if any, will be returned to the Participant to the extent necessary;

(ii) at the discretion of the Administrative Committee, Section 401(k) Contributions may be returned to the Participant;

(iii) if the Participant is a Participant on the last day of the Plan Year, such excess shall be applied to reduce Retirement Contributions for such Participant in subsequent Plan Years, and no Retirement Contribution shall be made to such Participant's Account until such excess annual addition is eliminated;

(iv) if at any time while an excess annual addition is being applied or would be applied to reduce future Retirement Contributions for a Participant, such Participant ceases to be a Participant, then such excess annual addition shall be held unallocated in a suspense account for the Plan Year and shall be allocated in the next Plan Year as an Employer contribution, and no contribution which would constitute an annual addition shall be made until any such suspense account is completely allocated; and

(v) no suspense account maintained under this Section shall participate in allocations of gains and losses of the Investment Funds unless otherwise directed by the Administrative Committee.

4.7. MILITARY SERVICE.

Notwithstanding any provision of the Plan to the contrary, contributions, benefits, and service credit with respect to qualified military service will be provided in accordance with Section 414(u) of the Code.

SECTION 5
INVESTMENT

5.1. INVESTMENT DIRECTIONS.

Each Participant has the right to direct that future contributions to and the existing balance in the Participant's Account be invested in one or more Investment Funds. A Participant may change his or her investment direction as of any business day (subject to restrictions under the Investment Funds) by providing instructions in such manner as may be prescribed by the Administrative Committee. The Administrative Committee may establish a minimum percentage for investment directions and/or a reasonable charge to defray the administrative expense of processing the investment directions.

5.2. INVESTMENT FUNDS.

One of the Investment Funds shall be the Company Stock Fund, consisting of Employer Securities and cash or cash equivalents needed to meet obligations of such fund or for the purchase of Employer Securities. The Administrative Committee shall direct the Trustee to create and maintain three or more additional Investment Funds according to investment criteria established by the Administrative Committee. The Administrative Committee shall have the right to direct the Trustee to change any of the Investment Funds, other than the Company Stock Fund.

5.3. INVESTMENT IN EMPLOYER SECURITIES.

One of the purposes of the Plan is to provide Participants with ownership interests in the Employer; and, to the extent practicable, all available assets of the Company Stock Fund shall be used to purchase Employer Securities, which shall be held by the Trustee until distribution or sale for distribution of cash to Participants or Beneficiaries or until disposition is required to implement changes in investment directions.

5.4. INVESTMENT MANAGERS.

The Administrative Committee may appoint one or more investment managers to manage all or any portion of all or any of the Investment Funds, and one or more custodians for all or any portion of any Investment Fund. The Administrative Committee may also establish investment guidelines for the Trustee or any one or more investment managers and may direct that all or any portion of the assets in an Investment Fund be invested in one or more guaranteed investment contracts having such terms and conditions as the Administrative Committee deems appropriate. The Administrative Committee or the Trustee, at the direction of the Administrative Committee, may enter into such agreements as the Administrative Committee deems advisable to carry out the purposes of this Section.

SECTION 6
VALUATIONS AND CREDITING

6.1. VALUATIONS.

The Trust Fund shall be valued by the Trustee at fair market value on each business day. The amount to the credit of each Participant's Account shall be adjusted as of each business day as follows:

(a) Distributions will be debited from the Participant's Account.

(b) Earnings and losses of the Trust Fund will be allocated to the Participant's Account according to the Participant's adjusted Account, based upon the portion of the Participant's Account invested in each Investment Fund.

(c) Contributions will be credited to the Participant's Account

6.2. EXPENSES.

All brokerage fees, transfer taxes, and other expenses incurred in connection with the investment of the Trust Fund shall be added to the cost of such investments or deducted from the proceeds thereof, as the case may be. At the option of the Administrative Committee, administrative expenses relating to the maintenance of Accounts of former Employees shall be charged against such Accounts. All other costs and expenses of administering the Plan shall be paid from the Trust Fund unless the Employer elects to pay such costs and expenses.

SECTION 7
VESTING

7.1. DETERMINATION OF VESTED BENEFITS.

(a) All amounts credited to a Participant's Section 401(k) Account, After-Tax Account, Matching Account, Rollover Account, Transitional Account, and Profit Sharing Account shall be 100% vested and nonforfeitable at all times.

(b) All amounts credited to a Participant's Retirement Account and Hyponex Profit Sharing Account shall become vested and nonforfeitable, based upon his or her Years of Vesting Service, in accordance with the following schedule:

Years of Vesting Service	Vested Percentage
Less than 3	0
3 or more	100%

7.2. FULL VESTING AT NORMAL RETIREMENT AGE.

Notwithstanding any provision in this Plan to the contrary, all amounts credited to a Participant's Account shall be fully vested and nonforfeitable if the Participant attains age 65 prior to terminating employment.

7.3. FORFEITURES.

The non-vested portion of a Participant's Account will be forfeitable and may be used to reduce Employer contributions to the Plan upon or after the earlier of: (a) distribution of the terminated Participant's vested Account balance; or (b) on the first day of the month coincident with or following the date on which the terminated Participant incurs five consecutive Breaks in Service. For purposes of this Section, if the value of the Participant's vested Account balance is zero at termination of employment, the Participant shall be deemed to have received a distribution of his or her vested Account balance. In the event that a Participant who received a distribution of his or her vested Account balance returns to the employment of the Employer before he or she incurs five consecutive Breaks in Service and the Participant repays to the Plan the full amount of his or her distribution within five years after the date he or she resumes employment, the amount of the forfeiture will be restored to the Participant's Account first from forfeitures available in that year and then from additional Employer contributions, if necessary.

7.4. YEARS OF VESTING SERVICE. Effective January 1, 2000:

(a) "Year of Vesting Service" means a full 365 days in an Employee's period of service.

(b) "Break in Service" means each 12 consecutive months in the period: (i) commencing on an Employee's severance from service date; and (ii) ending on the date the Employee is again credited with an Hour of Service for the performance of duties for an Affiliate. If an Employee is absent from work for any period by reason of a pregnancy, the birth or placement for adoption of a child, or caring for a child for a period immediately following the birth or placement, and the absence continues beyond the first anniversary of the absence, the Employee's Break in Service will commence no earlier than the second anniversary of the absence. The period between the first and second anniversaries of the first date of the absence is not part of either a period of service or a Break in Service. The Administrative Committee may require the Employee to certify and/or supply documentation that his or her absence is for one of the permitted reasons and the number of days for which there was such an absence.

(c) For purposes of this Section, "period of service" means the period: (i) commencing on the date an Employee is first credited with an Hour of Service for the performance of duties for an Affiliate; and (ii) ending on the Employee's severance from service date. A period of service will include any period after an Employee's severance from service date if within 12 months of the Employee's severance from service date, the Employee has an Hour of Service for an Affiliate.

(d) For purposes of this Section, "severance from service date" is the earlier of: (i) the date on which an Employee quits, is discharged, retires or dies; or (ii) the first anniversary of the first date of any other absence.

7.5. EFFECT OF BREAKS IN VESTING SERVICE.

If an Employee had no vested Account balance attributable to Retirement Contributions before any period of consecutive Break in Service (and the number of consecutive Breaks in Service exceed five), Years of Vesting Service before such break will not be taken into account. If an Employee's Years of Vesting Service may not be disregarded pursuant to this Section, such Years of Vesting Service shall be taken into account.

7.6. CHANGE FROM TEMPORARY TO REGULAR EMPLOYEE.

If a Temporary Employee becomes a Regular Employee, the Employee shall receive credit for a period of service consisting of: (a) the number of Years of Vesting Service credited to the Employee before the computation period during which the change occurs; and (b) the greater of (i) the period of service that would be credited to the Employee under the elapsed time method for his or her service during the entire computation period in which the change occurs, or (ii) the service taken into account under as a Temporary Employee as of the date of the change.

SECTION 8
DISTRIBUTIONS

8.1. FORMS OF DISTRIBUTION.

A Participant or Beneficiary shall receive any benefit to which he or she is entitled in the form of a lump sum or installments over a period of less than ten (10) years. A lump sum distribution shall consist of cash for amounts not invested in the Company Stock Fund and, for amounts invested in the Company Stock Fund: (a) the greatest number of whole shares of Employer Securities which can be distributed on the basis of the portion of his or her Account balance invested in the Company Stock Fund plus cash for any fractional share, if the number of whole shares is 20 or more and the Participant or Beneficiary elects to receive shares; or (b) cash if the number of whole shares is less than 20 or if the Participant or Beneficiary elects to receive cash.

8.2. TIME OF DISTRIBUTION.

A Participant who has incurred a Termination Date shall receive a distribution of his or her vested Account balance:

(a) if the Participant's benefit is $5,000 or less, as soon as administratively practicable after the Participant's Termination Date; or

(b) if the Participant's benefit is more than $5,000 and the Participant elects to receive a distribution, as soon as administratively practicable after the Participant's election to receive a distribution; or

(c) if the Participant's benefit is more than $5,000 and the Participant does not elect an earlier distribution, as soon as administratively practicable after the later of the Participant's Termination Date or the date the Participant attains age 65.

The amount of the retirement benefit shall be equal to the vested balance of the Participant's Account determined as of the business day that the Trustee processes the distribution.

8.3. DEATH BENEFIT.

(a) If the distribution of the Participant's vested Account balance has begun and the Participant dies before his or her entire interest has been distributed to him or her, the remaining portion of the Participant's vested Account balance will be distributed to the Participant's Beneficiary at least as rapidly as under the method of distribution being used prior to the Participant's death. If a Participant dies before a distribution of his or her vested Account balance begins, the Participant's Beneficiary shall receive a distribution of the Participant's vested Account balance as soon as administratively practicable following the Participant's death. The amount of the death benefit shall be equal to the vested balance of the Participant's Account determined as of the business day that the Trustee processes the distribution.

(b) A married Participant may, with the consent of his or her spouse, designate and from time to time change the designation of one or more Beneficiaries or contingent Beneficiaries to receive any death benefit. The designation and consent shall be on a form supplied by the Administrative Committee, which form shall describe the effect of the designation on the Participant's spouse, and shall be signed by the Participant and the Participant's spouse. The spouse's signature shall be witnessed by a Plan representative or a notary public. Notwithstanding the foregoing, a Beneficiary designation made by a married Participant who has no Hours of Service and no paid leave of absence on or after August 23, 1984, shall be effective without the consent of such Participant's spouse. An unmarried Participant or a married Participant whose spouse has abandoned him or her or cannot be located may designate a Beneficiary or Beneficiaries without the consent of any other person, after having first established to the satisfaction of the Administrative Committee either that he or she has no spouse or that his or her spouse cannot be located. All records of Beneficiary designations shall be maintained by the Administrative Committee.

(c) In the event that the Participant fails to designate a Beneficiary to receive a benefit that becomes payable under the provisions of this Section, or in the event that the Participant is predeceased by all designated primary and contingent Beneficiaries: (i) if the Participant is survived by a spouse, the death benefit shall be payable to the Participant's surviving spouse who shall be deemed to be the Participant's designated Beneficiary for all purposes under this Plan; or (ii) if the Participant is not survived by a spouse, the death benefit shall be payable to the Participant's estate.

8.4. IN-SERVICE WITHDRAWAL AFTER AGE 59-1/2.

Any Participant who is 100% vested in his or her Retirement Account and has attained age 59-1/2 may withdraw from the Trust all or any portion of his or her Section 401(k) Account, Profit Sharing Account, Hyponex Profit Sharing Account, Matching Account, and Retirement Account. The Administrative Committee may establish a reasonable charge to defray the expense of processing such withdrawals.

8.5. IN-SERVICE WITHDRAWAL FROM AFTER-TAX ACCOUNT.

Any Participant may withdraw from the Trust all or any portion of his or her After-Tax Account. The Administrative Committee may establish a reasonable charge to defray the expense of processing such withdrawals.

8.6. IN-SERVICE WITHDRAWAL FROM ROLLOVER ACCOUNT.

Any Participant may withdraw from the Trust all or any portion of his or her Rollover Account. The Administrative Committee may establish a reasonable charge to defray the expense of processing such withdrawals.

8.7. HARDSHIP WITHDRAWAL.

(a) If a Participant has an immediate and heavy financial need and has taken all non-hardship withdrawals currently available under the Plan and any other plans maintained by the Employer or an Affiliate, he or she may make a hardship withdrawal from his or her Section 401(k) Contributions. The amount of the hardship withdrawal shall be the lesser of the Participant's Section 401(k) Contributions or the amount necessary to satisfy the immediate and heavy financial need (including amounts necessary to pay reasonably anticipated taxes and penalties on the hardship withdrawal). Hardship withdrawals of other amounts shall not be allowed.

(b) An amount shall not be treated as necessary to satisfy the immediate and heavy financial need if the need can be reasonably relieved by: (i) reimbursement or compensation from insurance or otherwise; (ii) reasonable liquidation of the Participant's assets; to the extent such liquidation would not itself cause an immediate and heavy financial need; (iii) cessation of Section 401(k) Contributions and After-Tax Contributions; (iv) other withdrawals from the Plan or any other plan; (v) loans from the Plan or any other plans; or (vi) loans from commercial sources on reasonable terms. A need cannot reasonably be relieved by one of the listed actions if the effect would be to increase the amount of the need. The Administrative Committee shall be entitled to rely on the Participant's certification of the foregoing except that the Administrative Committee may require further documentation as to the amount necessary to satisfy the immediate and heavy financial need, or deny the hardship withdrawal, if under the circumstances the Administrative Committee's reliance on the certification is not reasonable.

(c) For purposes of this Plan, an immediate and heavy financial need is the need for money for:

(i) expenses for or necessary to obtain medical care described in Section 213(d) of the Code for the Participant or the Participant's spouse or dependents;

(ii) costs directly related to the purchase (excluding mortgage payments) of a principal residence of the Participant;

(iii) the payment of tuition and related educational fees for the next 12 months of post secondary education for the Participant or the Participant's spouse, children, or dependents;

(iv) the prevention of the eviction of the Participant from his or her principal residence or the foreclosure on the mortgage of the Participant's principal residence; or

(v) any other reason added to the list of deemed immediate and heavy financial needs by the Commissioner of the Internal Revenue Service.

(d) A Participant who has made a hardship withdrawal shall not be eligible to make any Section 401(k) Contributions or any After-Tax Contributions for the 12 months after the hardship withdrawal.

8.8. DIRECT ROLLOVER OF DISTRIBUTION.

A Participant or Beneficiary who is the Participant's surviving or former spouse may direct that all or part of an Eligible Rollover Distribution be paid directly to an Eligible Retirement Plan specified by the Participant or Beneficiary.

8.9. MERGER OF AFFILIATES' PLANS.

A person whose account balance under an Affiliate's plan is transferred to this Plan may have additional distribution options with respect to the portion of his or her Account attributable to participation in the Affiliate's plan, as follows:

(a) Appendix A: Stern's Miracle-Gro Products, Inc. Employees 401(k) Savings Plan;

(b) Appendix B: Hyponex Corporation Profit Sharing Plan; and

(c) Appendix C: Scotts-Sierra Horticultural Products Company Salaried Employees Savings and Investment Plan.

8.10. LOANS TO PARTICIPANTS.

(a) A Participant may borrow from his or her Account, subject to such uniform and nondiscriminatory rules as may from time to time be adopted by the Administrative Committee.

(b) A Participant shall be permitted to borrow no more than the lesser of: (i) $50,000 reduced by the excess (if any) of (A) the highest outstanding balance of Plan loans during the previous 12 months over (B) the current outstanding balance of Plan loans; or (ii) 50% of the value of the Participant's vested Account.

(c) Loans shall be available to all Participants on a reasonably equivalent basis; provided, however, that the Trustee may make reasonable distinctions among prospective borrowers on the basis of creditworthiness and available security. Any amount withdrawn by or payable to a Participant from his or her Account while a loan is outstanding shall be immediately applied to reduce such loan.

(d) All loans to Participants made by the Trustee shall be secured by the pledge of the Participant's Account.

(e) Interest shall be charged at an interest rate which the Administrative Committee finds to be reasonable on the date of the loan.

(f) Loans shall be for a term of up to five years, with substantially level amortization (with payments not less frequently than quarterly) over the term of the loan.

(g) If not paid as and when due, any such outstanding loan or loans may be deducted from any benefit which is or becomes payable to such Participant or the Participant's Beneficiary. The Participant shall remain liable for any deficiency, and any surplus remaining shall be paid to the Participant.

(h) Any loan made to a Participant shall be: (i) treated as an investment of the Participant's Account with interest payments credited and expenses deducted from the Participant's Account; and (ii) excluded from the Participant's Account for purposes of implementing the Participant's investment directions and allocation of the investment results of the Investment Funds.

8.11. LATEST COMMENCEMENT OF BENEFITS.

Payment of benefits shall commence in accordance with this Section; provided, however, the payment of benefits to a Participant who is a 5% owner of the Employer shall commence no later than the April 1 of the calendar year following the calendar year in which the Participant attains age 70-1/2. Unless a Participant elects otherwise, the payment of benefits shall begin no later than 60 days after the latest of the close of the Plan Year in which (a) the Participant attains age 65; (b) occurs the 10th anniversary of the year in which the Participant commenced participation in the Plan; or (c) the Participant terminates service with the Employer.

8.12. POST-DISTRIBUTION CREDITS.

If, after the distribution of retirement or death benefits under this Plan, there remains in a Participant's Account any funds, or any funds shall be subsequently credited thereto, such funds shall be distributed to the Participant or his or her Beneficiary as promptly as practicable.

8.13. PREVENTION OF ESCHEAT.

If the Administrative Committee cannot ascertain the whereabouts of any person to whom a payment is due under the Plan, the Administrative Committee may place the amount of the payment in a segregated account. If a segregated account is an interest bearing account, the interest, which may be net of expenses, shall be credited to the segregated account. If a segregated account holds Employer Securities, any dividends may be treated as earnings of the Trust Fund or of the segregated account, at the option of the Administrative Committee. After two years from the date such payment is due, the Administrative Committee may mail a notice of the payment to the last known address of such person as shown on the records of the Plan, the Employer, and all Affiliates. If such person has not made claim for the payment within three months after the date of the mailing of the notice or if the notice is returned as undeliverable, then the payment and all remaining payments which would otherwise be due to such person shall be canceled and the amount thereof shall be applied to reduce Retirement Contributions. If any person subsequently has a claim allowed for such benefits, such person shall be treated as an omitted eligible Employee.

SECTION 9
TOP-HEAVY PLAN PROVISIONS

9.1. MINIMUM BENEFITS.

For any Plan Year that this Plan is a Top-Heavy Plan, the Employer shall contribute, for and on behalf of each Non-Key Employee who is a Participant on the last day of the Plan Year, an amount which is not less than the lesser of (a) 3% of such Participant's Compensation; or (b) such Participant's Compensation multiplied by a fraction, determined with respect to the Key Employee for whom the fraction is greatest, the numerator of which is the contributions (including Section 401(k) Contributions) allocated to such Key Employee's Account for the Plan Year and the denominator of which is the Key Employee's Compensation for the Plan Year. In determining the minimum benefit, all contributions (excluding Section 401(k) Contributions) for any Participant to any plan included in the Aggregation Group shall be taken into account. If a Participant participates in this Plan and a defined benefit plan in the Aggregation Group, the Participant shall receive minimum benefits under such defined benefit plan.

9.2. ADJUSTMENT IN BENEFIT LIMITATIONS.

In applying the limits of Section 415 of the Code where a Participant participates in one or more defined benefit plans and one or more defined contribution plans of the Employer, paragraphs (2)(B) and (3)(B) of Section 415(e) of the Code shall be applied by substituting "1.0" for "1.25," unless (a) the sum of the Account balances and the present value of the accrued benefits of Key Employees do not exceed 90% of the Account balances and the present value of the accrued benefits of all Participants and their Beneficiaries, as determined under Section 416(h) of the Code; and (b) the Employer elects to have the minimum benefit under Section 416 of the Code applied by substituting "4%" for "3%" therein.

SECTION 10
CLAIMS PROCEDURES

10.1. APPLICATION FOR BENEFITS.

Each Participant or Beneficiary believing himself or herself eligible for benefits under this Plan may apply for such benefits by completing and filing with the Administrative Committee an application for benefits on a form supplied by the Administrative Committee. Before the date on which benefit payments commence, each such application must be supported by such information and data as the Administrative Committee deems relevant and appropriate. Evidence of age, marital status (and, in the appropriate instances, death), and location of residence shall be required of all applicants for benefits.

10.2. APPEAL OF DENIAL OF CLAIM FOR BENEFITS.

In the event that any claim for benefits is denied in whole or in part, the Participant or Beneficiary whose claim has been so denied shall be notified of such denial in writing by the Administrative Committee within 90 days after the Administrative Committee receives the claim. The notice advising of the denial shall specify the reasons for denial, make specific reference to pertinent Plan provisions, describe any additional material or information necessary for the claimant to perfect the claim (explaining why such material or information is needed), and shall advise the Participant or Beneficiary, as the case may be, of the procedure for the appeal of such denial. If a claimant wishes to appeal the denial of the claim, the claimant shall submit a written appeal to the Administrative Committee within 60 days after the Administrative Committee notifies the claimant of the denial. The appeal shall set forth all of the facts upon which the appeal is based. Appeals which are not timely filed shall be barred. The Administrative Committee shall consider the merits of the claimant's appeal, the merits of any facts or evidence in support of the denial of benefits, and such other facts and circumstances as the Administrative Committee deems relevant. A decision shall be made promptly and not later than 60 days after the receipt of a request for review, unless special circumstances require an extension of the time for processing; in which case, a decision shall be rendered as soon as possible, but not later than 120 days after receipt of a request for review. The decision on review shall be in writing and shall include specific reasons for the decision, written in a manner calculated to be understood by the claimant, and specific references to the pertinent Plan / /provisions on which the decision is based.

10.3. EFFECT OF ADMINISTRATIVE COMMITTEE DECISION.

The Administrative Committee shall have wide discretion in rendering decisions on claims and appeals. Any decision or action of the Administrative Committee on appeal shall be final and binding on all persons absent fraud or arbitrary abuse of the wide discretion granted to the Administrative Committee. No appeal or contest of any decision or action may be brought other than after following the procedures for claims and appeals as set forth herein by a legal proceeding in a court of competent jurisdiction brought within one year after such decision or action.

SECTION 11
ALLOCATION OF AUTHORITY AND RESPONSIBILITY

11.1. AUTHORITY AND RESPONSIBILITIES OF THE ADMINISTRATIVE COMMITTEE.

(a) If the Board of Directors delegates discretionary authority with respect to Plan amendments to the Administrative Committee, the Administrative Committee may consider and approve amendments to the Plan.

(b) The Administrative Committee shall supervise the maintenance of such accounts and records as shall be necessary or desirable to show the contributions of the Employer, allocation to Participants' Accounts, payments from Participants' Accounts, valuations of the Trust Fund, and all other transactions pertinent to the Plan. The Administrative Committee is authorized to perform, in its discretion, all functions necessary to administer the Plan, including, without limitation, to determine the eligibility and qualification of Employees for benefits under the Plan; to determine the allocation and vesting of contributions, earnings, and profits of the Plan; to interpret and construe the terms of the Plan; to adopt rules, regulations, and procedures consistent therewith, and to decide all disputes with respect to the rights and obligations of Participants in the Plan. The Administrative Committee may employ one or more persons to render advice with regard to any responsibility it has under the Plan and may designate others to carry out any of its responsibilities. The Administrative Committee may appoint Employees to perform ministerial acts with respect to the administration of the Plan in their capacity as Employees of the Company.

(c) The construction and interpretation of the Plan provisions are vested with the Administrative Committee, in its absolute discretion, including, without limitation, the determination of benefits, eligibility and interpretation of Plan provisions. The Administrative Committee will endeavor to act, whether by general rules or by particular decisions, so as to treat all persons in similar circumstances without discrimination. All such decisions, determinations, and interpretations shall be final, conclusive, and binding upon all parties having an interest in the Plan.

(d) The Administrative Committee shall appoint the Trustee, provide direction to the Trustee (including direction of investment of all or part of the Trust Fund and the establishment of investment criteria and Investment Funds), monitor the performance of the Trustee, and terminate the appointment of the Trustee. The Administrative Committee may appoint investment advisors and investment managers, to monitor their performances, and terminate such appointments.

11.2. APPOINTMENT AND TENURE.

The Administrative Committee shall consist of a committee of one or more members who shall serve at the pleasure of the Board of Directors. A committee member may be dismissed at any time, with or without cause, upon notice from the Board of Directors. A committee member may resign by delivering his or her written resignation to the Board of Directors. Vacancies arising by the death, resignation, or removal of a committee member shall be filled by the Board of Directors. If the Board of Directors fails to act and, in any event, until the Board of Directors so acts, the remaining members of a committee may appoint an interim member to fill any vacancy occurring on the committee. If no person has been appointed to the Administrative Committee, or if no person remains on the committee, the Company shall be deemed to be the Administrative Committee.

11.3. MEETINGS; MAJORITY RULE.

Any and all acts of the Administrative Committee taken at a meeting shall be by a majority of all members of the committee. The committee may act by vote taken in a meeting (at which a majority of members shall constitute a quorum). The committee may also act by majority consent in writing without the formality of convening a meeting. The committee shall elect one of its members to serve as chairman. The chairman shall preside at all meetings of the committee or shall delegate such responsibility to another committee member.

11.4. COMPENSATION.

The Administrative Committee shall serve without compensation for services as such, but all expenses of such persons shall be paid or reimbursed by the Employer and, if not so paid or reimbursed, shall be paid from the Trust Fund.

11.5. INDEMNIFICATION.

Each member of the Administrative Committee and Employees carrying out the duties of the Administrative Committee shall be indemnified by the Employer against costs, expenses, and liabilities (other than amounts paid in settlement to which the Employer does not consent) reasonably incurred by the person in connection with any action to which the person may be a party by reason of his or her service as a member of the committee, except in relation to matters as to which he or she shall be adjudged in such action to be personally guilty of negligence or willful misconduct in the performance of his or her duties. The foregoing right to indemnification shall be in addition to such other rights as the person may enjoy as a matter of law or by reason of insurance coverage of any kind, but shall not extend to costs, expenses, and/or liabilities otherwise covered by insurance or that would be so covered by any insurance then in force if such insurance contained a waiver of subrogation. Rights granted hereunder shall be in addition to and not in lieu of any rights to indemnification to which the person may be entitled under the bylaws of the Company. Service on the Administrative Committee shall be deemed in partial fulfillment of the person's function as an Employee, officer, and/or director of the Employer, if the person serves in such capacity as well.

11.6. AUTHORITY AND RESPONSIBILITIES OF THE COMPANY.

The Company, as Plan sponsor, shall have the following (and only the following) authority and responsibilities: (a) to appoint the Administrative Committee and to monitor its performance; (b) to communicate such information to the Administrative Committee and the Trustee as each needs for the proper performance of its duties; (c) to provide channels and mechanisms through which the Administrative Committee and/or the Trustee can communicate with Participants and Beneficiaries; and (d) to perform such duties as are imposed by law or by regulation and to serve as Administrative Committee in the absence of an appointed committee. Any action which may be taken and any decision which may be made by the Company under the Plan (including authorization of Plan amendments or termination) may be made by: (i) the Board of Directors; or (ii) any committee (including the Administrative Committee) to which the Board of Directors delegates discretionary authority with respect to the Plan.

11.7. OBLIGATIONS OF NAMED FIDUCIARIES.

The Administrative Committee and the Trustee are named fiduciaries within the meaning of Section 402(a) of ERISA. A named fiduciary shall have only those particular powers, duties, responsibilities, and obligations specifically given to it under this Plan or the Trust Agreement. No named fiduciary shall have authority or responsibility to deal with matters other than as delegated to it under this Plan, under the Trust Agreement, or by operation of law. Notwithstanding the foregoing, named fiduciaries may perform in more than one fiduciary capacity if so appointed and may reallocate duties between themselves by mutual agreement. A named fiduciary shall not in any event be liable for breach of fiduciary responsibility or obligation by another fiduciary (including named fiduciaries) if the responsibility or authority of the act or omission deemed to be a breach was not within the scope of such named fiduciary's authority or responsibility.

SECTION 12
AMENDMENT, TERMINATION, MERGERS, AND CONSOLIDATIONS OF THE PLAN

12.1. AMENDMENT.

The Company (by its Board of Directors, an executive committee of its Board of Directors, or other committee to which the Board of Directors delegates discretionary authority with respect to the Plan) may amend the provisions of this Plan at any time and from time to time; provided, however, that:

(a) No amendment shall increase the duties or liabilities of the Trustee without the consent of such party.

(b) No amendment shall deprive any Participant or Beneficiary of a deceased Participant of any of the benefits to which such person is entitled under the Plan with respect to contributions previously made or decrease the balance in any Participant's Account, except as permitted by Section 412(c)(8) of the Code and Section 302(c)(8) of ERISA.

(c) No amendment changing the vesting schedule shall decrease the vested percentage of any Participant.

(d) No amendment shall eliminate an optional form of benefit in violation of Section 411(d)(6).

(e) No amendment shall provide for the use of funds or assets held to provide benefits under the Plan other than for the benefit of Employees and Beneficiaries, except as may be specifically authorized by statute or regulation.

(f) Any amendment necessary to maintain the qualification of the Plan under Section 401(a) of the Code may be made without the further approval of the Board of Directors or any committee if signed by an officer of the Company.

12.2. PLAN TERMINATION.

The Company reserves the right to terminate the Plan in whole or in part. Plan termination shall be effective as of the date specified by resolution of the Board of Directors. The Company shall instruct the Trustee to either (a) continue to manage and administer the assets of the Trust for the benefit of Participants and Beneficiaries under the terms and provisions of the Trust Agreement; or (b) pay over to each Participant the value of his or her interest, and thereupon dissolve the Trust.

12.3. PERMANENT DISCONTINUANCE OF RETIREMENT CONTRIBUTIONS.

While it is the Company's intention to make substantial and recurring contributions to the Trust Fund under the provisions of the Plan, the right is, nevertheless, reserved to permanently discontinue Retirement Contributions at any time. Such permanent discontinuance shall have the effect of a termination of the Plan, except that the Trustee shall not have the authority to dissolve the Trust Fund except upon adoption of a further resolution by the Board of Directors to the effect that the Plan is terminated and upon receipt from the Company of instructions to dissolve the Trust Fund. Failure to make a contribution solely because of a lack of net income shall not be deemed to be a permanent discontinuance of Retirement Contributions.

12.4. SUSPENSION OF RETIREMENT CONTRIBUTIONS.

The Company shall have the right, at any time and from time to time, to suspend Retirement Contributions to the Trust Fund under the Plan. Such suspension shall have no effect on the operation of the Plan except as set forth below:

(a) If the Board of Directors determines by resolution that such suspension shall be permanent, a permanent discontinuance of contributions shall be deemed to have occurred as of the date of such resolution or such earlier date as is therein specified.

(b) If a temporary suspension becomes a permanent discontinuance or a Plan termination, the discontinuance or termination shall be deemed to have occurred on the earlier of: (i) the date specified by resolution of the Board of Directors; or (ii) the last day of the Plan Year next following the first Plan Year during the period of suspension in which there occurred a failure of the Employer to make contributions in a year in which there was net income out of which such contributions could have been made.

12.5. MERGERS AND CONSOLIDATIONS OF PLANS.

In the event of any merger or consolidation of the Plan with, or transfer of assets or liabilities to, any other plan, each Participant and Beneficiary shall have a benefit in the surviving or transferee plan (determined as if such plan were then terminated immediately after such merger, etc.) that is equal to or greater than the benefit he or she would have been entitled to receive immediately before such merger, etc., in this Plan (had this Plan been terminated at that time).

12.6. TRANSFERS OF ASSETS TO OR FROM THIS PLAN.

A transfer of all or any portion of the assets or liabilities of the Plan to any other plan, or the transfer of all or any portion of the assets or liabilities of another plan to this Plan, shall be in accordance with directions of the Company.

12.7. EFFECT OF AMENDMENT AND RESTATEMENT.

Notwithstanding anything herein to the contrary, the identities, Account balances, Hours of Service, Years of Eligibility Service, and Years of Vesting Service of Participants and Employees as of the Effective Amendment Date, and the rights of persons terminating their employment with the Employer and all Affiliates prior to the Effective Amendment Date, shall be determined under the Plan as in effect prior to the Effective Amendment Date.

SECTION 13
PARTICIPATING EMPLOYERS

13.1. ADOPTION BY AFFILIATES.

With the consent of the Company, any Affiliate may adopt the Plan as a participating Employer. Each participating Employer shall be required to use the same Trustee and Trust Agreement as provided in this Plan; and the Trustee shall commingle, hold, and invest as one Trust Fund all contributions made by participating Employers, as well as all increments thereof. With respect to all relations with the Trustee and the Administrative Committee, each participating Employer shall be deemed to have irrevocably designated the Company as its agent. The Company shall have authority to make any and all necessary rules or regulations binding upon all participating Employers and all Participants to effectuate the purposes of the Plan.

13.2. EMPLOYEE TRANSFERS.

If an Employee is transferred between Employers, the Employee involved shall carry with him or her the Employee's accumulated service and eligibility, no such transfer shall effect a termination of employment hereunder, and the participating Employer to which the Employee is transferred shall thereupon become obligated with respect to such Employee in the same manner as was the participating Employer from whom the Employee was transferred.

13.3. DISCONTINUANCE OF PARTICIPATION.

Any participating Employer may discontinue or revoke its participation in the Plan. At the time of any such discontinuance or revocation, satisfactory evidence thereof and of any applicable conditions imposed shall be delivered to the Trustee. The Trustee shall retain assets for the Employees of the participating Employer under the Plan.

SECTION 14
MISCELLANEOUS PROVISIONS

14.1. NONALIENATION OF BENEFITS.

(a) None of the payments, benefits, or rights of any Participant or Beneficiary shall be subject to any claim of any creditor, and, in particular, to the fullest extent permitted by law, all such payments, benefits, and rights shall be free from attachment, garnishment, trustee's process, or any other legal or equitable process available to any creditor of such Participant or Beneficiary. No Participant or Beneficiary shall have the right to alienate, anticipate, commute, pledge, encumber, or assign any of the benefits or payments which he or she may expect to receive, contingently or otherwise, under this Plan, except the right to designate a Beneficiary or Beneficiaries as hereinbefore provided. Notwithstanding the foregoing, assignments permitted under the Code shall be permitted under the Plan, including (i) assignments pursuant to a qualified domestic relations order; and (ii) any loans made by the Trustee to a Participant that are secured by a pledge of the borrower's Account, which shall give the Trustee a first lien on such interest to the extent of the entire outstanding amount of such loan, unpaid interest thereon, and all costs of collection.

(b) If a domestic relations order is received by the Administrative Committee, the Administrative Committee shall make a determination as to whether the domestic relations order is a qualified domestic relations order as defined in Section 414(p) of the Code, treating the domestic relations order as a claim for benefits under the Plan and all alternate payees and the Participant as claimants. Within 30 days after the Administrative Committee's receipt of the domestic relations order and at least 30 days prior to its determination, the Administrative Committee shall notify the Participant and any alternate payees, other than the one who is the subject of the domestic relations order, of the receipt of the domestic relations order and the procedures that the Administrative Committee will follow in determining the qualified status of the domestic relations order. During any period in which the issue of whether the domestic relations order is a qualified domestic relations order is pending, the Administrative Committee shall segregate in a separate account under the Plan the amounts which would have been payable to the alternate payee during such period if the domestic relations order had been determined to be a qualified domestic relations order. If, within 18 months, it is finally determined that the domestic relations order is a qualified domestic relations order, the Administrative Committee shall direct the Trustee to pay the segregated amount to the person entitled thereto. If, within 18 months, it is finally determined that the domestic relations order is not a qualified domestic relations order, or the issue has not yet been resolved, the Administrative Committee shall direct the Trustee to pay the segregated amount without regard to the terms of the domestic relations order. Any determination that a domestic relations order is a qualified domestic relations order which is made after the close of the 18-month period shall be applied prospectively only.

(c) The Trustee may make a lump sum distribution to an alternate payee pursuant to a qualified domestic relations order as soon as administratively practical after the earlier of the date a Participant attains age 50 or the date a Participant terminates employment. The Trustee may make a lump sum distribution pursuant to a qualified domestic relations order before such date provided no more than one distribution is made to each alternate payee.

14.2. NO CONTRACT OF EMPLOYMENT.

Neither the establishment of the Plan nor any modification thereof nor the creation of any fund, trust, or Account nor the payment of any benefits shall be construed as giving any Participant or Employee, or any person whomsoever, the right to be retained in the service of the Employer, and all Participants and other Employees shall remain subject to discharge to the same extent as if the Plan had never been adopted.

14.3. TITLE TO ASSETS.

No Participant or Beneficiary shall have any right to, or interest in, any assets of the Trust Fund upon termination of his or her employment or otherwise, except to the extent of the benefits payable under the Plan to such Participant or Beneficiary out of the assets of the Trust Fund. All payments of benefits as provided for in this Plan shall be made from the assets of the Trust Fund, and neither the Employer nor any other person shall be liable therefor in any manner.

14.4. EFFECT OF ADMISSION.

By becoming a Participant, each Employee shall be conclusively deemed to have assented to the provisions of the Plan and the corresponding Trust Agreement and to all amendments to such instruments.

14.5. PAYMENTS TO MINORS, ETC.

Any benefit payable to or for the benefit of a minor, an incompetent person, or other person incapable of receipting therefor shall be deemed paid when paid to such person's guardian or to the party providing, or reasonably appearing to provide, for the care of such person; and such payment shall fully discharge the Trustee, the Administrative Committee, the Employer, and all other parties with respect thereto.

14.6. APPROVAL OF RESTATEMENT BY INTERNAL REVENUE SERVICE.

Notwithstanding anything herein to the contrary, if the Commissioner of the Internal Revenue Service or his delegate should determine that the Plan, as amended and restated, does not qualify as a tax-exempt plan and trust under Sections 401 and 501 of the Code, and such determination is not contested, or if contested, is finally upheld, then the Plan shall operate as if it had not been amended and restated.

14.7. OTHER MISCELLANEOUS.

If any provision of this Plan is held invalid or unenforceable, such holding will not affect any other provisions hereof, and the Plan shall be construed and enforced as if such provisions were not included. The Plan shall be binding upon the heirs, executors, administrators, personal representatives, successors, and assigns of the parties, including each Participant and Beneficiary, present and future. The headings and captions herein are provided for convenience only, shall not be considered a part of the Plan, and shall not be employed in the construction of the Plan. Except where otherwise clearly indicated by context, the masculine and the neuter shall include the feminine and the neuter, the singular shall include the plural, and vice versa. The Plan shall be construed and enforced according to the laws of the State of Ohio to the extent not preempted by federal law, which shall otherwise control.

IN WITNESS WHEREOF, the Company has caused this Plan to be executed as of February 2, 2002.

THE SCOTTS COMPANY

By: /s/ George Murphy

Print Name: George Murphy

Title: Vice President, Global Benefits and Compensation

APPENDIX A
STERN'S MIRACLE-GRO PRODUCTS, INC. EMPLOYEES 401(K) SAVINGS PLAN

I. MERGER

Effective as of December 31, 1995, the Stern's Miracle-Gro Products, Inc. Employees 401(k) Savings Plan (the "Miracle-Gro 401(k) Plan") is merged into this Plan. On and after such date:

(a) Assets and liabilities of the Miracle-Gro 401(k) Plan shall be transferred to this Plan.

(b) Each person with an account balance under the Miracle-Gro 401(k) Plan shall have an Account under this Plan.

(c) Each participant in the Miracle-Gro 401(k) Plan who is employed on December 31, 1995 shall become a Participant in this Plan on December 31, 1995. Such persons are referred to herein as "Miracle-Gro Transferees."

Notwithstanding, assets may continue to be invested under the terms of the Miracle-Gro 401(k) Plan until it is administratively practicable to transfer assets to the Investment Funds.

II. ELIGIBILITY AND VESTING

All years of service under the Miracle-Gro 401(k) Plan shall count as Years of Eligibility Service under this Plan. The Account balance of a Miracle-Gro Transferee shall be fully vested and nonforfeitable. However, the vesting of a participant in the Miracle-Gro 401(k) Plan who terminated employment before December 31, 1995 shall be governed by the terms of the Miracle-Gro 401(k) Plan as in effect when he or she terminated employment.

III. ADDITIONAL FORMS OF DISTRIBUTION

Prior to the Elimination Date, a Participant may elect to have the portion of his or her Account which is attributable to participation in the Miracle-Gro 401(k) Plan distributed in any of the following forms:

(a) a lump sum, which shall be the normal form of benefit as provided above;

(b) periodic installments over a period of time to be elected by the Participant;

(c) an annuity for the life of the Participant;

(d) an immediate annuity for the life of the Participant with a survivor annuity for the life of the Participant's Beneficiary which is equal to 50% of the amount of the annuity which is payable during the joint lives of the Participant and his Beneficiary;

(e) any other annuity form of payment provided by an insurance company through the purchase of an annuity contract.

For purposes of this Appendix, the Elimination Date is the earlier of (1) the 90th day after the date a Participant is furnished a summary that reflects the elimination of annuity forms of distribution; and (2) January 1, 2004.

IV. SPOUSE'S RIGHTS IF ANNUITY ELECTED

(a) In the event that a married Participant elects any optional method of payment which provides an annuity and the Participant's benefit exceeds $5,000, the benefit of such married Participant shall be paid in the form of a Qualified Joint and Survivor Annuity, unless the spouse of the Participant consents, pursuant to a Qualified Election, to another method of payment.

(b) "Qualified Election" means a waiver of a Qualified Joint and Survivor Annuity. Any waiver of a Qualified Joint and Survivor Annuity shall not be effective unless (a) the Participant's spouse consents in writing to the election; (b) the spouse's consent acknowledges the effect of the election; (c) the spouse's consent is witnessed by a Plan representative or notary public; (d) the notice is given no more than 90 days before the Annuity Starting Date; and (e) the notice is given no less than 30 days (or, effective January 1, 1997, no less than seven days) before the Annuity Starting Date. Additionally, a Participant's waiver of the Qualified Joint and Survivor Annuity shall not be effective unless the election designates a form of benefit payment which may not be changed without consent of the spouse (or the spouse expressly permits designations by the Participant without any further consent of the spouse). If it is established to the satisfaction of a Plan representative that there is no spouse or that the spouse cannot be located, a waiver will be deemed a Qualified Election. Any consent by a spouse obtained under this provision (or establishment that the consent of a spouse may not be obtained) shall be effective only with respect to such spouse. A consent that permits designations by the Participant without any requirement of further consent by such spouse must acknowledge that the spouse has the right to limit consent to a specific Beneficiary, and a specific form of benefit where applicable, and that the spouse voluntarily elects to relinquish either or both of such rights. A revocation of a prior waiver may be made by a Participant without the consent of the spouse at any time before the commencement of benefits. The number of revocations shall not be limited. No consent obtained under this provision shall be valid unless the Participant has received notice as provided in this Appendix.

(c) Notwithstanding any other provisions in the Plan for the payment of death benefits, if a married Participant elects a distribution in the form of annuity and dies before the annuity becomes payable, the portion of the Participant's Account which is attributable to participation in the Miracle-Gro 401(k) Plan shall be used to purchase an annuity for the life of the Participant's surviving spouse.

(d) "Qualified Joint and Survivor Annuity" means an immediate annuity, purchased with the Participant's Account balance, for the life of the Participant with a survivor annuity for the life of the spouse which is equal to 50% of the amount of the annuity which is payable during the joint lives of the Participant and the spouse.

V. MAXIMUM PAYMENT PERIOD

If a Participant's Account is to be distributed in other than an immediate lump sum under Item III, minimum annual payments under the Plan must be paid over one of the following periods (or a combination thereof):

(a) the life of the Participant;

(b) the life of the Participant and a designated Beneficiary;

(c) a period certain not extending beyond the life expectancy of the Participant; or

(d) a period certain not extending beyond the joint and last survivor expectancy of the Participant and a designated Beneficiary.

VI. DISTRIBUTIONS AFTER DEATH

If the distribution of the Participant's interest has begun and the Participant dies before his or her entire interest has been distributed, the remaining portion of such interest will be distributed at least as rapidly as under the method of distribution being used prior to the Participant's death.

Subject to the succeeding paragraph, if the Participant dies before his or her distribution has begun, the Participant's entire interest shall be distributed within five years of his or her death unless: (a) a portion of his or her interest is payable to or on behalf of a designated Beneficiary; (b) such portion will be distributed over the life of such designated Beneficiary or over a period not extending beyond the life expectancy of such designated Beneficiary; and (c) such distribution begins not later than one year after the date of the Participant's death (or such date as prescribed by the Secretary of Treasury).

Notwithstanding the preceding paragraph, if the designated Beneficiary is the Participant's surviving spouse, the date by which distribution must commence under (c) in the preceding paragraph shall be the date the Participant would have attained age 70-1/2. If the surviving spouse dies before distribution to the spouse begins, this section shall apply as if the surviving spouse were the Participant. Life expectancy of a surviving spouse may be recalculated annually; however, in the case of any other designated Beneficiary, such life expectancy will be calculated at the time that payment first commences without further calculations. In addition, any amount paid to a child of the Participant will be treated as if it had been paid to the surviving spouse if the amount becomes payable to the surviving spouse when the child reaches the age of majority.

VII. DEFERRED DISTRIBUTION

A Participant may elect to defer payment of the portion of his or her Account attributable to participation in the Miracle-Gro 401(k) Plan. However, the entire interest of the Participant must be distributed, or begin to be distributed, no later that the Participant's required beginning date. The required beginning date of a retired Participant is the first day of April following the calendar year in which such individual attains age 70-1/2, except as otherwise elected in accordance with Appendix A of the Miracle-Gro 401(k) Plan (applicable to pre-TEFRA Section 242 elections).

APPENDIX B
HYPONEX CORPORATION PROFIT SHARING PLAN

I. MERGER

Effective as of December 31, 1997, the Hyponex Corporation Profit Sharing Plan (the "Hyponex Plan") is merged into this Plan. On and after such date:

(a) Assets and liabilities of the Hyponex Plan shall be transferred to this Plan.

(b) Each person with an account balance under the Hyponex Plan shall have an Account under this Plan.

(c) Each participant in the Hyponex Plan who is employed on December 31, 1997 shall become a Participant in this Plan on December 31, 1997.

Notwithstanding, assets may continue to be invested under the terms of the Hyponex Plan until it is administratively practicable to transfer assets to the Investment Funds.

II. ELIGIBILITY AND VESTING

All years of service under the Hyponex Plan shall count as Years of Eligibility Service and Years of Vesting Service under this Plan. The Hyponex Profit Sharing Account balance of a participant in the Hyponex Plan who becomes a Participant on December 31, 1997 shall vest as provided under this Plan. However, the Hyponex Profit Sharing Account balance of a participant in the Hyponex Plan who terminated employment before December 31, 1997 shall vest under the terms of the Hyponex Plan as in effect when he or she terminated employment.

III. ADDITIONAL FORMS OF DISTRIBUTION

Prior to the Elimination Date:

(a) At the time a Participant becomes entitled to receive any complete distribution of his or her vested Account balance (at or after retirement or other termination of employment), payment of the portion of the Participant's vested Account balance which is attributable to participation in the Hyponex Plan shall be made: (i) in the automatic form of payment described in paragraph (b) which is applicable to the Participant; or (ii) in one of the optional methods of payment elected by such Participant or Beneficiary pursuant to paragraph (c).

(b) Unless an optional form of payment is elected by a Participant under paragraph (c) pursuant to a Qualified Election within the 90-day period ending on the Annuity Starting Date, the portion of a married Participant's vested Account balance which is attributable to participation in the Hyponex Plan shall be paid in the form of a Qualified Joint and Survivor

Annuity. Unless an optional form of payment is elected by a Participant under paragraph (c) within the 90-day period ending on the Annuity Starting Date, the portion of an unmarried Participant's vested Account balance which is attributable to participation in the Hyponex Plan shall be paid in the form of an annuity for his life.

(c) A Participant may elect, subject to the provisions of paragraph (b), to receive of the portion of his or her vested Account balance which is attributable to participation in the Hyponex Plan in any one of the following methods of payment:

(i) any form permitted under Section 8.1;

(ii) for a Participant who does not have a spouse, an annuity for the life of the Participant; or

(iii) for a Participant who does have a spouse, an immediate annuity for the life of the Participant with a survivor annuity for the life of the Participant's spouse which is equal to 100% of the amount of the annuity which is payable during the joint lives of the Participant and his spouse.

IV. DISTRIBUTIONS AFTER DEATH

If a Participant dies with a surviving spouse before distribution of his or her vested Account balance has commenced (and before the Elimination Date), the portion of the Participant's vested Account balance attributable to participation in the Hyponex Plan shall be distributed to his or her surviving spouse in the form of a Qualified Preretirement Survivor Annuity. However, if during an Election Period the spouse consents to an alternate Beneficiary or form pursuant to a Qualified Election, such death benefit shall be distributed to the alternate Beneficiary or in the alternate form. Further, if the spouse elects to waive payment a Qualified Preretirement Survivor Annuity after the Participant's death, the death benefit shall be distributed to the spouse in another optional form as selected by the spouse.

V. DEFINITIONS

The following definitions shall apply for purposes of this Appendix:

"Annuity Starting Date" means the first day of the first period for which an amount is paid as an annuity or in any other form.

"Election Period" means the period which begins on the first day of the Plan Year in which the Participant attains age 35 and ends on the date of the Participant's death. If a Participant separates from service prior to the first day of the Plan Year in which age 35 is attained, the Election Period shall begin on the date of separation.

"Elimination Date" means the earlier of (1) the 90th day after the date a Participant is furnished a summary that reflects the elimination of annuity forms of distribution; and (2) January 1, 2004.

"Qualified Election" means a waiver of a Qualified Joint and Survivor Annuity or a Qualified Preretirement Survivor Annuity. Any waiver of a Qualified Joint and Survivor Annuity or a Qualified Preretirement Survivor Annuity shall not be effective unless: (a) the Participant's spouse consents in writing to the election; (b) the election designates a specific Beneficiary, including any class of beneficiaries or any contingent beneficiaries, which may not be changed without the consent of the spouse (or the spouse expressly permits designations by the Participant without any further consent of the spouse); (c) the spouse's consent acknowledges the effect of the election; and (d) the spouse's consent is witnessed by a Plan representative or notary public. Additionally, a Participant's waiver of the Qualified Joint and Survivor Annuity shall not be effective unless the election designates a form of benefit payment which may not be changed without consent of the spouse (or the spouse expressly permits designations by the Participant without any further consent of the spouse). If it is established to the satisfaction of a Plan representative that there is no spouse or that the spouse cannot be located, a waiver will be deemed a Qualified Election. Any consent by a spouse obtained under this provision (or establishment that the consent of a spouse may not be obtained) shall be effective only with respect to such spouse. A consent that permits designations by the Participant without any requirement of further consent by such spouse must acknowledge that the spouse has the right to limit consent to a specific Beneficiary, and a specific form of benefit where applicable, and that the spouse voluntarily elects to relinquish either or both of such rights. A revocation of a prior waiver may be made by a Participant without the consent of the spouse at any time before the commencement of benefits. The number of revocations shall not be limited.

"Qualified Joint and Survivor Annuity" means an immediate annuity for the life of a Participant with a survivor annuity for the life of the spouse which is equal to 50% of the amount of the annuity which is payable during the joint lives of the Participant and the spouse.

"Qualified Preretirement Survivor Annuity" means an annuity for the life of the surviving spouse of a Participant.

APPENDIX C
SCOTTS-SIERRA HORTICULTURAL PRODUCTS COMPANY
SALARIED EMPLOYEES SAVINGS AND INVESTMENT PLAN

I. MERGER

Effective as of December 31, 1997, the Scotts-Sierra Horticultural Products Company Salaried Employees Savings and Investment Plan (the "Sierra Plan") is merged into this Plan. On and after such date:

(a) Assets and liabilities of the Sierra Plan shall be transferred to this Plan.

(b) Each person with an account balance under the Sierra Plan shall have an Account under this Plan.

(c) Each participant in the Sierra Plan who is employed on December 31, 1997 shall become a Participant in this Plan on December 31, 1997.

Notwithstanding, assets may continue to be invested under the terms of the Sierra Plan until it is administratively practicable to transfer assets to the Investment Funds.

II. ELIGIBILITY AND VESTING

All years of service under the Sierra Plan shall count as Years of Eligibility Service and Years of Vesting Service under this Plan.

III. ADDITIONAL FORM OF DISTRIBUTION

Notwithstanding anything in the Plan to the contrary, if (and only if) a Participant withdraws 100% of his or her After-Tax Account and Rollover Account, the Participant may withdraw some or all of his or her Matching Contributions which:

(a) were made to the Participant's Account before December 31, 1997; and

(b) have been held in the Participant's Account for at least two years.

Other Matching Contributions (and earnings on Matching Contributions) cannot be withdrawn. The Administrative Committee may establish a reasonable charge to defray the expense of processing such withdrawals.

APPENDIX D
ELIGIBILITY
EFFECTIVE AS OF JANUARY 1, 2001

ELIGIBLE PRODUCT LINES, DIVISIONS AND ENTITIES	(A) INCLUSION DATE(1)	(B) PLAN MERGER	(C) SERVICE CREDIT PRIOR TO DATE ACQUIRED(2)	(D) DATE ACQUIRED(3)
Scotts	11/30/43	NA	NA	
Scotts-Miracle-Gro	12/31/95	Yes	Yes	
Scotts-Sierra	12/31/97	Yes	Yes	
Hyponex	12/31/97	Yes	Yes	
Republic	12/31/97	No	Yes	
Agrevo	5/1/98	Yes	Yes	
Earthgro	7/1/98	Yes	Yes	
Sanford Scientific, Inc.	8/1/98	No	Yes	
Solaris Group	1/21/99	No	Yes	
Scotts Lawn Service (a/k/a Emerald Green)	1/1/00	No	Yes	

INELIGIBLE PRODUCT LINES, DIVISIONS AND ENTITIES(4)

Fairfield (a/k/a Sierra Sun Pool Resins)
Any other product line, division or entity not specifically listed as eligible

INELIGIBLE JOB CLASSIFICATIONS(4)

Merchandisers/counselors (a/k/a flex associates) working with any and all product lines, divisions and/or entities

NOTES

(1) The inclusion date is the date as of which persons working with the listed product line, division or entity become "Employees" as defined in Section 1 of the Plan.

(2) If (b) Plan Merger is Yes, then (c) Service Credit Prior to Date Acquired must be Yes.

(3) (d) Date Acquired is needed only if (c) Service Credit Prior to Date Acquired is No.

(4) Notwithstanding anything in the Plan to the contrary, persons working with a product line, division or entity or in a job classification listed as ineligible shall not be "Employees" as defined in Section 1 of the Plan.

Exhibit 10(h)(2)

First Amendment to
The Scotts Company
Retirement Savings Plan,
effective as of January 1, 2002

FIRST AMENDMENT TO

THE SCOTTS COMPANY

RETIREMENT SAVINGS PLAN

WHEREAS, The Scotts Company (the "Company") sponsors The Scotts Company Retirement Savings Plan (the "Plan"); and

WHEREAS, the Company wants to amend the Plan to provide full vesting in the event a Participant becomes disabled while employed by the Company;

NOW, THEREFORE, effective as of January 1, 2002, Section 7.2 of the Plan shall be amended to provide as follows:

7.2. FULL VESTING AT NORMAL RETIREMENT AGE, DEATH, AND DISABILITY.

Notwithstanding any provision in this Plan to the contrary, all amounts credited to a Participant's Account shall be fully vested and nonforfeitable if the Participant attains age 65, dies, or becomes totally and permanently disabled prior to terminating employment. A Participant shall be considered to be totally and permanently disabled for purposes of this section only if the Participant qualifies for Social Security disability benefits.

IN WITNESS WHEREOF, the Company has caused this Amendment to be executed as of the 20th day of May, 2002.

THE SCOTTS COMPANY

By: /s/ George Murphy

Print Name: George Murphy

Title: Vice President, Global Benefits and Compensation

EXHIBIT 10(q)

Letter agreement, dated November 5, 2002, pertaining to the terms of employment of Mr. Norton through December 31, 2005, and superseding certain provisions of the letter agreement, dated June 8, 2000, between the Registrant and Mr. Norton.

EXHIBIT 10(p)

THE SCOTTS COMPANY [Scotts logo]

and subsidiaries

James Hagedorn
President and Chief Executive Officer

November 5, 2002

Dear Pat:

This letter is intended to memorialize the agreements we have reached regarding your continued employment with The Scotts Company (the "Company"). We have agreed as follows:

1. You agree to continue in your present position as Chief Financial Officer and Executive Vice President until December 31, 2002. Thereafter, you will remain an employee, but will have limited duties, primarily to act in an advisory capacity to me on our Scotts LawnService(R) business. The terms of your continued employment are as follows:

   (a) Term: January 1, 2003-December 31, 2005 (or such other date as you and the Company may hereafter mutually agree, the date the Company terminates your employment for Cause (as that term is defined in the Company's 1996 Stock Option Plan) or the date of your death or total disability).

   (b) Compensation: In compensation for your continued employment, you will be entitled to receive an annual payment of $11,000 payable monthly for each year in which the service was rendered. In addition, you will be granted 4,500 stock options each year during the normal grant cycle at the approval of The Compensation and Organization Committee of the Company's Board of Directors.

   (c) Termination for Cause: Should the Company terminate your employment for cause, the Company shall have no further obligations to continue your compensation. Termination not for Cause: Should the Company terminate your employment for reasons other than for Cause, you will be entitled to be paid the compensation of the options and benefits owed for the remainder of the Term of this agreement.

   (d) Benefits continuation: As of December 31, 2005, you will be entitled to continue to participate in the Company's group medical and dental plans under the prevailing annual COBRA rates until your 65th birthday at which time you will be eligible for Medicare which is the Company's primary medical plan (for individuals 65 years of age or older).

   (e) The agreement set forth in this letter will not apply should you voluntarily terminate your employment with the Company prior to December 31, 2005.

2. You and the Company both acknowledge that you are currently a member of the Company's Board of Directors. In that capacity, you serve as a member of the Finance Committee and a non-voting member of the Audit Committee. It is the

current intention of the parties that you will continue to serve in those capacities during the duration of your term as a director (and such other subsequent terms as you may be elected). Your compensation for such services will be $30,000 per year and an annual grant of 5,500 shares. This compensation is contingent on you being a member of the Company's Board of Directors and is applicable for the years 2003, 2004 and 2005. For the years after 2005, the Nominating and Governance Committee of the Board consistent with its policies and practices with regard to compensation and the requirements of applicable law or regulations will determine your compensation for such service.

3. In summary your compensation for your service will be paid as follows in accordance with the terms described above:

   (a) Your total pay will be $41,000 per year paid monthly.

   (b) You will receive and annual grant of stock of 10,000 during the normal grant cycle at the approval of Compensation and Organization Committee of the Company's Board of Directors. The grants will be made in 2002, 2003 and 2004. These grants will have a vesting period of 6-months. Your option grants will be subject to the retirement provisions provided to members of The Board of Directors of the Company.

   (c) You will be eligible for all of the Company benefits plans in accordance with the terms provided to all associates through December 31, 2005.

      1. On January 1st, 2006 you will be eligible to elect medical and dental at the prevailing COBRA rate in effect till you reach age 65.

      2. On November 19th, 2015, which is your 65th birthday you will become eligible for the Medicare which is the Company's primary retiree healthcare plan at that age.

Two copies of this letter are enclosed. Please indicate your agreement with the terms set forth herein by executing one copy of this letter and returning it to me. The second copy is for your records.

Pat, I am pleased that we could reach an agreement on the matters set forth above and I look forward to working with you.

Very truly yours,

The Scotts Company

By: /s/ Jim Hagedorn

James Hagedorn
President and Chief Executive Officer

Agreed and Acknowledged:

I agree that this letter sets forth the agreements you and I have reached regarding my continued employment with the Company.

/s/ Patrick J. Norton

Pat Norton

Dated: November 22, 2002

EXHIBIT 10(t)

Letter agreement,
dated November 21, 2002, replacing
and superseding the letter agreement
dated December 20, 2001,
between the Registrant and
L. Robert Stohler

EXHIBIT 10(t)

THE SCOTTS COMPANY [Scotts logo]

and subsidiaries

James Hagedorn
President and Chief Executive Officer

November 21, 2001

Dear Bob:

This letter is intended to memorialize the agreements we have reached regarding your continued employment with The Scotts Company (the "Company"). We have agreed as follows:

1. You agree to continue in your present position as Executive Vice President - North America until the earlier of:

   (a) September 30, 2003 (or such other date as you and the Company may hereafter mutually agree);

   (b) The date the Company terminates your employment without Cause (as that term is defined in the Company's 1996 Stock Option Plan);

   (c) The date of your death or total disability; or

   (d) The effective date of a Change in Control (as that term is defined in the Company's 1996 Stock Option Plan).

Each of the dates set forth above is hereinafter referred to as the "Termination Date."

2. On or before September 30, 2003, the Company will, at its sole discretion, offer you one of the following options:

   (a) Continued employment in your current position beyond September 30, 2003 (defined as an "Offer of Continued Employment"); or

   (b) Termination of your employment.

   In the event the Company makes an Offer of Continued Employment, you may elect to accept or decline such offer. If you accept such offer, your eligibility to receive the termination benefits set forth herein shall be extended to such date as you and the Company agree, or the date upon which the Company terminates your employment without Cause.

   In the event you decline the Offer of Continued Employment, you will be expected to retire on September 30, 2003, and you will be entitled to receive the termination benefits set forth herein. Assuming you retire on September 30, 2003, you will be eligible for a pay out under the 2003 Executive Annual Incentive Plan, but you will not be eligible for any further stock option grants.

3. On the Termination Date, you will be entitled to receive the following benefits:

   (a) A severance payment (payable in 12 equal monthly installments, beginning on the 25th day of the month following the Termination Date) equal to your current annual salary plus your target bonus in effect at the Termination Date (less required tax withholding).

   (b) Medical and dental coverage equal to that in effect at the Termination Date will be provided by the Company at no charge to you during the 12 months you are receiving the severance payments set forth in paragraph 3(a) above. Thereafter, you will be entitled to continue to participate in the Company's group medical and dental plans under COBRA until your 65th birthday. The Company shall make a lump sum payment to you on the date of the last monthly severance payment equal to the amount necessary to pay the premiums for group medical and dental coverage through your 65th birthday, grossed up for taxes. An example of the calculations used to determine the amount of this lump sum payment is attached to this letter as Exhibit A.

   After you reach your 65th birthday, you will be entitled to participate in the Scott's Retiree (Medical) Plan, which designates Medicare, as the primary medical program for post age 65.

   (c) You presently have 92,000 options to purchase common shares of the Company that have vested and 37,000 options that have not vested. In addition, 30,000 options, or their equivalents, will be awarded on or before January 31,2003. On the Termination Date, you shall be considered to have retired from the Company. As a result, all of your then outstanding options shall vest and may thereafter be exercised in accordance with the terms and conditions of the Company's 1996 and 2003 Stock Option Plans which state that you will have five years from the Termination Date (September 30, 2003), or the end of the Option term, which ever is the shorter period.

4. The agreements set forth in this letter do not apply should you voluntarily terminate your employment with the Company prior to September 30, 2003, or should the Company terminate your employment for Cause, unless by mutual consent.

5. Should you die or become totally disabled following the Termination Date but before the payments due you under paragraphs 3(a) and 3(b) above have been made to you, any remaining payments shall be made to you (or your beneficiary, as applicable) within 90 days of your death or total disability. In the event of death or disability, the Company will assume the unpaid liability on your Ohio apartment rent for the balance of the lease. Currently the rental rate is $1,020.00 per month and the lease terminates October 31, 2003.

Two copies of this letter are enclosed. Please indicate your agreement with the terms set forth herein by executing one copy of this letter and returning it to me. The second copy is for your records.

Bob, I am pleased that we could reach agreement on the matters set forth above and I look forward to working with you for the balance of the fiscal year.

Very truly yours,

The Scotts Company

By: /s/ James Hagedorn

James Hagedorn
President and Chief Executive Officer

Dear Jim:

I agree that this letter sets forth the agreements you and I have reached regarding my continued employment with the Company.

/s/ L. Robert Stohler

Dated: November 27, 2002 L. Robert Stohler

Exhibit A

Calculation of Lump Sum Payment

1. Assume retirement from the Company on September 30, 2003, at age 61.

2. Assume the Company pays for medical and dental coverage through September 30, 2004.

3. Assume eligibility for Scotts Retiree Medical Plan at age 65 beginning November 1, 2006.

Calculation of 25 months of COBRA payments, grossed up for tax purposes and payable to Mr. Stohler in a lump sum on September 25, 2004:

Mr. Stohler's applicable COBRA rate today:	$ 701.00
Times 25 months	$17,525.00
Gross up for taxes (times 1.65)	$11,391.00
Lump sum due	$28,916.00

EXHIBIT 21

Subsidiaries of the Registrant

SUBSIDIARIES OF THE SCOTTS COMPANY

- *EG Systems, Inc., dba Scotts Lawn Service, an Indiana corporation
- Hyponex Corporation, a Delaware corporation
- OMS Investments, Inc., a Delaware corporation
  - Scotts Temecula Operations, LLC, a Delaware corporation
- *Sanford Scientific, Inc., a New York corporation
- Scotts Manufacturing Company, a Delaware corporation
  - Miracle-Gro Lawn Products, Inc., a New York corporation
- Scotts Products Company, an Ohio corporation
- Scotts Professional Products Co., an Ohio corporation
- Scotts-Sierra Horticultural Products Company, a California corporation
  - Scotts-Sierra Crop Protection Company, a California corporation
  - Scotts-Sierra Investments, Inc., a Delaware corporation
    - ASEF BV (Netherlands)
    - Scotts Australia Pty Ltd. (Australia)
    - Scotts Benelux BVBA (Belgium)
    - Scotts Canada Ltd. (Canada)
    - Scotts Chile Limitada (Chile)
    - Scotts Czech s.r.o.(Czech Republic)
    - Scotts de Mexico SA de CV (Mexico)
    - The Scotts Company (Nordic) AS (Denmark)
    - Scotts Finland Oy (Finland)
    - Scotts France Holdings SARL (France)
      - Scotts France SARL (France)
      - **Scotts France SAS (France)
    - Scotts Holding GmbH (Germany)
      - Scotts Celaflor GmbH & Co. KG (Germany)
      - Scotts Celaflor HGmbH (Austria)
    - Scotts Holdings Limited (United Kingdom)
      - Levington Group Ltd. (United Kingdom)
        - Levington Trustees Ltd. (United Kingdom)
        - The Scotts Company (UK) Ltd. (United Kingdom)
          - The Scotts Company (Manufacturing) Ltd. (United Kingdom)
      - OM Scott International Investments Ltd. (United Kingdom)
        - Levington Horticulture Ltd. (United Kingdom)
        - Miracle Holdings Ltd. (United Kingdom)
          - Miracle Garden Care Limited (United Kingdom)
        - O.M. Scott & Sons Ltd. (United Kingdom)
        - Corwen Home and Garden Limited (United Kingdom)
        - Scotts International B.V. (Netherlands)
          - Scotts Deutschland GmbH (Germany)
          - Scotts O.M. Espana S.A. (Spain)
          - Scotts Profi HGmbH (Austria)
        - Scotts Italia S.r.l. (Italy)
      - Scotts Horticulture Ltd. (Ireland)
    - Scotts Hungary KFT (Hungary)
    - The Scotts Company Italia S.r.l. (Italy)
    - *Scotts Japan, Ltd. (Japan)
    - The Scotts Company Kenya Ltd. (Kenya)
    - Scotts PBG Malaysia Sdn. Bhd. (Malaysia)
    - Scotts Norway AS (Norway)
    - Scotts Poland Sp.z.o.o. (Poland)
    - Scotts Sweden AB (Sweden)
    - Scotts Switzerland SARL (Switzerland)
- Swiss Farms Products, Inc., a Delaware corporation

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*Not wholly-owned

**Scotts France SARL owns remaining .1% of Scotts France SAS

EXHIBIT 23

Consent of Independent Accountants

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-98239) and Form S-8 (File Nos. 333-35942, 033-47073, 033-60056, 333-06061, 333-27561, 333-72715, and 333-76697) of The Scotts Company of our report dated October 30, 2002, relating to the financial statements and financial statement schedules, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Columbus, Ohio
December 10, 2002

EXHIBIT 99.1

Certification Pursuant to 18 U.S.C. Section 1350
as adopted pursuant to Section 906 of the
Sarbanes-Oxley Act of 2002

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of The Scotts Company (the "Company") on Form 10-K for the period ended September 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned James Hagedorn, President and Chief Executive Officer of the Company, and Patrick J. Norton, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ James Hagedorn	/s/ Patrick J. Norton
James Hagedorn	Patrick J. Norton
President and Chief Executive Officer	Executive Vice President and Chief Financial Officer
December 10, 2002	December 10, 2002