FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

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

For the quarterly period ended July 2, 1994

OR

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

For the transition period from ____________ to ____________

Commission file number 0-19768

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

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

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

(513) 644-0011
(Registrant's telephone number, including area code)

(No change)
(Former name, former address and former fiscal year, if changed since last report.)

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

Yes X No

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

Class A	Outstanding at August 12, 1994
Common Stock, voting, $.01 par value	18,667,064

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THE SCOTTS COMPANY AND SUBSIDIARIES

INDEX

PART I - FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

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

ASSETS

	July 3 1993	July 2 1994	September 30 1993
Current Assets:			
Cash and cash equivalents	$ 1,963	$ 8,812	$ 2,323
Accounts receivable, less allowances of $3,154, $3,442 and $2,511, respectively	53,819	90,468	60,848
Inventories:			
Raw materials	26,567	35,332	31,905
Finished products	45,157	71,112	44,749
Total inventories	71,724	106,444	76,654
Other current assets	4,320	6,742	3,917
Total current assets	131,826	212,466	143,742
Property, plant and equipment, at cost:			
Land and land improvements	19,409	21,773	19,817
Buildings	36,014	40,925	36,300
Machinery and equipment	81,418	113,372	87,250
Furniture and fixtures	6,274	6,472	5,952
Construction in progress	4,691	15,022	4,687
	147,806	197,564	154,006
Less accumulated depreciation	52,978	65,752	55,215
Net property, plant and equipment	94,828	131,812	98,791
Intangible assets, net of accumulated amortization of $20,572, $24,137, and $21,053, respectively	20,881	23,938	19,972
Deferred costs and other assets, net of accumulated amortization of $7,553, $8,829, and $7,770, respectively	19,596	21,743	17,745
Excess of costs over underlying value of net assets acquired (goodwill), net of accumulated amortization of $4,957, $6,843, and $5,123, respectively	41,019	106,453	41,340
Total Assets	$ 308,150	$ 496,412	$ 321,590

The accompanying notes to consolidated financial statements are an integral part of these statements.

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

LIABILITIES AND SHAREHOLDERS' EQUITY

	July 3 1993	July 2 1994	September 30 1993
Current Liabilities:			
Revolving credit and bank line of credit	$ -	$ 913	$ 705
Current portion of term debt	5,581	20,403	5,444
Accounts payable	24,856	34,543	28,279
Accrued liabilities	16,158	21,932	9,135
Accrued payroll and fringe benefits	11,123	13,471	12,035
Accrued taxes	11,806	8,687	9,253
Total current liabilities	69,524	99,949	64,851
Long-term debt, less current portion	72,482	203,979	87,080
Postretirement benefits other than pensions	26,111	26,742	26,646
Total Liabilities	168,117	330,670	178,577
Shareholders' Equity:			
Preferred Stock, $.01 par value, authorized 10,000 shares; none issued	-	-	-
Class A Common Stock, voting, par value $.01 per share; authorized 35,000,000 shares; issued 21,073,430, 21,081,959, and 21,073,430 shares, respectively	211	211	211
Class B Common Stock, non-voting, par value $.01 per share; authorized 35,000,000 shares; none issued	-	-	-
Capital in excess of par value	192,982	193,724	193,263
Retained earnings (deficit)	(11,693)	11,853	(9,008)
Cumulative foreign currency translation adjustment	(26)	1,395	(12)
Treasury stock, 2,414,895 shares at cost	(41,441)	(41,441)	(41,441)
Total Shareholders' Equity	140,033	165,742	143,013
Total Liabilities and Shareholders' Equity	308,150	$ 496,412	$ 321,590

The accompanying notes to consolidated financial statements are an integral part of these statements.

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

	Three Months Ended July 3 1993	Three Months Ended July 2 1994	Nine Months Ended July 3 1993	Nine Months Ended July 2 1994
Net sales	$156,327	$200,915	$385,186	$476,665
Cost of sales	81,513	104,539	201,048	251,003
Gross profit	78,814	96,376	184,138	225,662
Operating expenses:				
Marketing	24,882	32,765	62,228	78,676
Distribution	24,411	30,730	55,491	66,594
General and administrative	7,498	7,781	21,991	22,122
Research and development	1,691	2,814	5,295	7,752
Total operating expenses	58,482	74,090	145,005	175,144
Income from operations	16,332	22,286	39,133	50,518
Interest expense	2,365	4,749	6,808	12,306
Other expenses, net	220	950	690	1,754
Income before income tax provision and cumulative effect of accounting changes	13,747	16,587	31,635	36,458

Income tax provision	5,761	7,182	13,273	15,597
Income before cumulative effect of accounting changes (1)	7,986	9,405	18,362	20,861
Cumulative effect of changes in accounting for postretirement benefits, net of tax and income taxes (2)	-	-	(13,157)	-
Net income	$ 7,986	$ 9,405	$ 5,205	$ 20,861
Net income (loss) per common share (1) (2):				
ncome before cumulative effect of accounting changes	$ .43	$ .50	$ .92	$ 1.11
Cumulative effect of changes in accounting for postretirement benefits, net of tax and income taxes	-	-	(.66)	-
Net income	$ .43	$ .50	$ .26	$ 1.11
Weighted average number of common shares outstanding	18,743,752	18,810,783	20,029,917	18,840,229

Income before cumulative effect of accounting changes for the three and nine month periods ended July 3, 1993 has been restated to reflect an ongoing net of tax charge of $325 or $.02 per share and $1,112 or $.06 per share, respectively, resulting from the adoption of SFAS No. 106 effective October 1, 1992.

The net income for the nine month period ended July 3, 1993 has been restated to reflect the cumulative effect of changes in accounting for postretirement benefits (a net of tax change of $14,932 or $.71 per share) and income taxes (a benefit of $1,775 of $.08 per share).

The accompanying notes to consolidated financial statements are an integral part of these statements.

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

	Nine Months Ended July 3 1993	July 2 1994
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 5,205	$ 20,861
Adjustment to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	13,372	16,424
Cumulative effect of change in accounting for postretirement benefits	24,280	-
Postretirement benefits	1,831	96
Deferred income taxes	(11,842)	-
Net increase in certain components of working capital	(649)	(13,388)
Net decrease (increase) in other assets and liabilities and other adjustments	1,056	(4,465)
Net cash provided by operating activities	33,253	19,528
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in plant and equipment, net	(8,415)	(21,655)
Acquisition of Sierra, net of cash acquired		(118,986)
Acquisition of Republic, net of cash acquired	(16,366)	-
Net cash used in investing activities	(24,781)	(140,641)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings under term debt	70,000	125,000
Payments on term and other debt	(515)	(5,691)
Revolving credit and bank line of credit, net	(34,811)	7,208
Issuance of Class A Common Stock	-	160
Deferred financing costs incurred	(622)	-
Purchase of Class A Common Stock	(41,441)	-
Net cash (used in) provided by financing activities	(7,389)	126,677
Effect of exchange rate changes on cash	-	925
Net increase in cash	1,083	6,489
Cash at beginning of period	880	2,323

Cash at end of period	$ 1,963	$ 8,812

SUPPLEMENTAL CASH FLOW INFORMATION

Interest paid, net of amount capitalized	$ 4,835	$ 7,430
Income taxes paid	9,196	14,229
Detail of entities acquired:		
Fair value of assets acquired	23,799	144,501
Liabilities assumed	(7,433)	(25,515)
Net cash paid for acquisition	16,366	118,986

The accompanying notes to consolidated financial statements are an integral part of these statements.

THE SCOTTS COMPANY AND SUBSIDIARIES
Notes to Consolidated Financial Statements

1. Organization and Basis of Presentation

The Scotts Company ("Scotts") through its wholly-owned subsidiaries, The O. M. Scott & Sons Company ("OMS"), Hyponex Corporation ("Hyponex"), Republic Tool and Manufacturing Corp. ("Republic") and Scott-Sierra Horticultural Products Company (collectively, the Company"), is engaged in the manufacture and sale of lawn care and garden products. The Company's business is highly seasonal with approximately 70% of sales occurring in the second and third fiscal quarters. Substantially, all of the assets currently held by Scotts consist of the capital stock of OMS and advances to OMS. The consolidated financial statements include the financial statements of Scotts and OMS. All material intercompany transactions have been eliminated.

The consolidated balance sheets as of July 3, 1993 and July 2, 1994, the related consolidated statements of income for the three and nine month periods ended July 3, 1993 and July 2, 1994 and the consolidated statements of cash flows for the nine month periods ended July 3, 1993 and July 2, 1994 are unaudited; however, in the opinion of management, such financial statements contain all adjustments necessary for the fair presentation of the Company's financial position and results of operations. Interim results reflect all normal recurring adjustments and are not necessarily indicative of results for a full year. The interim financial statements and notes are presented as specified by Regulation S-X of the Securities and Exchange Commission, and should be read in conjunction with statements and accompanying notes in the Company's fiscal 1993 Annual Report on Form 10-K.

Income before cumulative effect of accounting changes for the three and nine month periods ended July 3, 1993 has been restated to reflect an ongoing charge of $325,000 or $.02 per share and $1,112,000 or $.06 per share, respectively, resulting from the adoption of Statement of Financial Accounting Standards ("SFAS") No. 106, "Employers Accounting for Postretirement Benefits Other Than Pensions." Similarly, the net income for the nine months ended July 3, 1993 has been restated to reflect the cumulative effect of the adoption of SFAS No. 106 (a net of tax charge of $14,932,000 or $.71 per share) and SFAS No. 109, "Accounting for Income Taxes" (a benefit of $1,775,000 or $.08 per share). The consolidated balance sheet as of July 3, 1993 and the related statement of cash flows for the nine months then ended have also been restated to reflect these accounting changes.

2. Acquisitions

Effective December 16, 1993, the Company completed the acquisition of Grace-Sierra Horticultural Products Company (all further references to Grace-Sierra, now known as Scott-Sierra Horticultural Products Company, will be made as "Sierra") for an aggregate purchase price of approximately $123,100,000, including estimated transaction costs of $3,100,000. Sierra is a leading international manufacturer and marketer of specialty fertilizers and related products for the nursery, greenhouse, golf course and consumer markets. Sierra manufactures controlled-release fertilizers in the United States and the Netherlands, as well as water-soluble fertilizers and specialty organics in the United States. Approximately one-quarter of Sierra's net sales are derived from European and other international markets; approximately one-quarter of Sierra's assets are internationally based. The purchase price was financed under an amendment to the Company's Credit Agreement, whereby term debt commitments available thereunder were increased to $195,000,000.

The acquisition was accounted for using the purchase method. Accordingly, the purchase price has been allocated to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The excess of purchase price over the estimated fair value of the net assets acquired ("goodwill") of approximately $66,834,000 is being amortized on a straight line basis over 40 years. Sierra results of operations have been included in the Consolidated Statements of Income from the respective acquisition dates.

The following represents pro forma results of operations assuming the Sierra acquisition had occurred effective October 1, 1992 after giving effect to certain related adjustments, including depreciation and amortization on tangible and intangible assets, and interest on acquisition debt.

	Nine Months Ended (in thousands, except per share amounts)	
	July 3 1993	July 2 1994
Net sales	$ 477,131	$ 497,491
Income before cumulative effect of accounting changes	$ 18,731	$ 20,754
Net income	$ 5,574	$ 20,754
Income per common share before cumulative effect of accounting changes	$ .93	$ 1.10
Net income per common share	$ .28	$ 1.10

The pro forma information provided does not purport to be indicative of actual results of operations if the Sierra acquisition had occurred as of October 1, 1992, and is not intended to be indicative of future results or trends.

3. Long-term Debt

On December 16, 1993, the Company entered into an amendment to its Credit Agreement to finance the Sierra acquisition. The amendment increased the term debt commitments available under the Credit Agreement to $195,000,000. The Credit Agreement continues to provide a revolving credit commitment of $150,000,000 through the scheduled maturity date of March 31, 1996. The Company's long-term debt at July 2, 1994 consists of the following:

Revolving credit loan and bank line of credit	$ 28,913,000
Term loan	190,000,000
Capital lease obligations and other	6,382,000
	225,295,000
Less current portions	21,316,000
	$ 203,979,000

Scheduled maturities of term debt are as follows:

Fiscal Year	
1995	$ 25,000,000
1996	27,500,000
1997	32,500,000
1998	30,000,000
1999 and thereafter	75,000,000

All other aspects of the Company's Credit Agreement remain substantially the same.

4. Income Taxes

The effective income tax rates used for the three and nine month periods ended July 2, 1994 differ from the statutory federal rate principally due to state and local income tax expense, amortization of goodwill and amortization of prepaid pension costs.

5. Contingencies

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

The Company has been involved in studying a landfill to which it is believed some of the Company's solid waste had been hauled in the 1970's. In September 1991, the Company was named by the Ohio Environmental Protection Agency ("Ohio EPA") as a Potentially Responsible Party ("PRP") with respect to this landfill. Pursuant to a consent order with the

Ohio EPA, the Company, together with four other PRP's identified to date, is investigating the extent of contamination at the landfill and developing a remediation program.

In July 1990, the Company was directed by the Army Corps of Engineers (the "Corps") to cease peat harvesting operations at its New Jersey facility. The Corps has alleged that the peat harvesting operations were in violation of the Clean Water Act "CWA"). The United States Department of Justice has commenced a legal action to seek a permanent injunction against peat harvesting at this facility and to recover civil penalties under the CWA. This action had been suspended while the parties engaged in discussion to resolve the dispute. Those discussions did not result in a settlement and accordingly the action has been reinstated. The Company intends to defend the action vigorously but if the Corps' position is upheld the Company could be prohibited from further harvesting of peat at this location and penalties could be assessed against the Company. In the opinion of management, the outcome of this action will not have a material effect on the Company's financial position or results of operations. Furthermore, management believes the Company has sufficient raw material supplies available such that service to customers will not be adversely affected by continued closure of this peat harvesting operation.

Sierra is a potentially responsible party in connection with the Lorentz Barrel and Drum Superfund Site in California, as a result of its predecessor having shipped barrels to Lorentz for reconditioning or sale between 1967 and 1972. Although many other companies are participating in the remediation of this site, issues relating to the allocation of the costs have not yet been resolved. Management estimates that the Company's share of remediation costs for this site will be less than $200,000. In addition, Sierra is a defendant in a private cost-recovery action relating to the Novak Sanitary Landfill, located near Allentown, Pennsylvania. By agreement with W. R. Grace-Conn., Sierra's liability is limited to a maximum of $200,000 with respect to this site and such amounts have been provided for in the accompanying financial statements.

The Company's management does not believe that the outcome of these proceedings will in the aggregate have a material adverse effect on its financial condition or results of operations. In addition to being named as a PRP in the above noted situations, the Company is subject to potential fines in connection with certain EPA labeling violations under the Federal Insecticide, Fungicide and Rodenticide Act (FIFRA). The fines for such violations are based upon formulas as stated in FIFRA. As determined by these formulas the Company's maximum exposure for the violations is approximately $810,000. The formulas allow for certain reductions of the fines based upon achievable levels of compliance. Based upon management's assessment of anticipated levels of compliance, the Company's ultimate liability is estimated to be $200,000, which has been accrued in the financial statements.

6. Accounting Issues

In November 1992, the Financial Accounting Standards Board issued SFAS No. 112, "Employers Accounting for Postemployment Benefits," which changes the prevalent method of accounting for benefits provided after employment but before retirement. The Company is required to adopt SFAS No. 112 no later than the first quarter of fiscal 1995. Management is currently evaluating the provisions of SFAS No. 112 and, at this time, the effect of adopting SFAS No. 112 has not been determined.

7. On July 19, 1994, the Company issued $100,000,000 of Senior Subordinated Notes at 9 7/8% due August 1, 2004. The net proceeds of the notes of approximately $96,400,000 were used to reduce term loans.

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

Results of Operations

Three Months Ended July 2, 1994 versus Three Months Ended July 3, 1993.

Net sales of $200,915,000 increased by $44,588,000 or approximately 28.5%, primarily due to increased volume. The increase included $32,570,000 of sales from Scott-Sierra Horticultural Products Company ("Sierra") which was acquired by the Company on December 16, 1993. On a proforma basis that includes Sierra sales on a historical basis and assuming the acquisition had occurred on October 1, 1992, sales increased by 8% for the quarter. Net sales for the Consumer Business Group increased 6.1% to $144,200,000. Net sales for the Professional Business Group increased 14.7% to $22,641,000, led by a strong increase in sales to golf courses. Composting revenues of $1,504,000 more than doubled from $734,000 for the comparable period last year. The Company now has composting operations in 17 sites, almost twice last years number of sites.

Cost of sales represented 52.0% of net sales reflecting a slight improvement over 52.1% for the comparable period last year.

Operating expenses of $74,090,000 increased by $15,608,000 or approximately 26.7%. The increase was caused in significant part by the inclusion of Sierra operating expenses this year. The increase was also caused, to a lesser degree by increased freight costs due to higher sales and by higher marketing expenses which reflected the Company's increased spending for national advertising and promotion programs. The increase was partly offset by reduced general and administrative expenses, exclusive of Sierra expenses, for the quarter.

Interest expense of $4,749,000 increased by $2,384,000 or approximately 100.8%, principally due an increase in borrowing levels resulting from the acquisition of Sierra in December, 1993.

Net income of $9,405,000 increased by $1,419,000 or approximately 17.8%. The increase was primarily attributable to increased operating income this year which was partly offset by higher interest expense and income taxes.

Nine Months Ended July 2, 1994 versus Nine Months Ended July 3, 1993.

Net sales of $476,665,000 increased by $91,479,000 or approximately 23.7% primarily due to increased volume. The increase included $76,594,000 of sales from Sierra. On a proforma basis that includes Sierra sales on a historical basis and assuming the acquisition had occurred on October 1, 1992, sales for the nine months increased by 4.3%. Consumer Business Group sales increased by 4.1% to $339,875,000. Sales continued to be particularly strong through mass merchandisers, with sales for the nine months up 15.2% in the three largest national accounts and 9.6% in the ten largest national accounts. Professional Business Group sales of $56,662,000 were down just slightly from $57,024,000 for the comparable period last year due to a steady increase in sales over the second and third fiscal quarters offsetting lower than expected sales in the first quarter. Composting revenues of $3,534,000 increased by $1,951,000, a 123.2% increase from last year, reflecting the increase in composting sites which are now in operation.

Cost of sales represented 52.7% of net sales compared with 52.2% last year. The increase was principally caused by a delay in the start-up of a new line of spreaders which affected margins in the first two fiscal quarters. These initial start-up problems have been resolved and production of the new line of spreaders is proceeding according to plan. The increase was also caused, in part, by lower than expected margins due to unfavorable price and mix of organics products sold earlier in the year.

Operating expenses of $175,144,000 increased by $30,139,000 or approximately 20.8%. The increase was caused in significant part by the inclusion of Sierra operating expenses this year. The increase was also caused to a lesser degree by increased freight costs due to higher sales for the period and by increased spending for national advertising programs and was offset in part by decreased general and administrative expenses, exclusive of Sierra expenses, which were managed at a lower level this year.

Interest expense of $12,306,000 increased by $5,498,000 or approximately 80.8%. The increase was principally due to increased borrowing levels for the Sierra acquisition and also caused, in part, by purchase of a block of Scotts' Class A Common Stock in February 1993 (as discussed in the Company's annual report for the year ended September 30, 1993).

Income before the cumulative effect of accounting changes increased by $2,499,000 to $20,861,000. The increase was principally attributable to increased operating income which was partly offset by higher interest expense and income taxes.

Net income of $20,861,000 increased by $15,656,000 from net income of $5,205,000 last year. The increase was primarily attributable to a prior period non-recurring charge of $13,157,000 for the cumulative effect of changes in accounting for postretirement benefits. net of tax and income taxes as well as increased operating income partly offset by higher interest expense and income taxes.

Financial Position as at July 2, 1994.

Capital expenditures for the fiscal year ending September 30, 1994 are expected to be approximately $31,500,000 including capital expenditures of Sierra. The key capital project is a $13,000,000 investment in a new production facility to increase capacity to meet demand for the Company's Poly-S (R) controlled-release fertilizers. Capital expenditures will be financed with cash provided by operations and utilization of existing credit facilities.

Current assets of $212,466,000 increased by $68,724,000 compared with current assets at September 30, 1993 and by $80,640,000 compared with current assets at July 3, 1993. The increases were partly attributable to the inclusion of Sierra's current assets this year which amounted to $32,038,000. The increases were also caused, in part, by higher inventory levels this year, which were principally due to the inclusion of planned inventories of spreaders which the Company now produces and organic products prepacked in anticipation of seasonal sales and by a higher level of accounts receivable this year due to increased sales.

Total assets of $496,412,000 increased by $174,822,000 compared with September 30, 1993 and by $188,262,000 compared with July 3, 1993. The increases are principally due to the inclusion of Sierra's total assets which amounted to $131,270,000 including goodwill of $65,987,000. The increases are also caused, in part, by increases in accounts receivable and inventory levels which are mentioned above.

Total liabilities of $330,670,000 increased by $152,093,000 compared with total liabilities at September 30, 1993 and by $162,553,000 compared with July 3, 1993. The increases were principally caused by $125,000,000 of term debt incurred in December 1993 to facilitate the acquisition of Sierra and by inclusion of Sierra's total liabilities which amounted to $22,272,000.

Shareholders' equity of $165,742,000 increased by $22,729,000 compared with September 30, 1993, primarily due to $20,861,000 of net income for the nine months ended July 2, 1994. The increase was also caused, in part, by a cumulative foreign currency translation adjustment of $1,395,000 related to translating the assets and liabilities of Sierra's foreign subsidiaries to U.S. dollars. Shareholders' equity increased by $25,709,000 compared with July 3, 1993 principally due to net income of $23,546,000 for the twelve months ended July 2, 1994 and partly by the foreign currency translation adjustment mentioned above.

The primary sources of liquidity for the Company's operations are funds generated by operations and borrowings under the Company's Third Amended and Restated Credit Agreement ("Credit Agreement"). The Credit Agreement was amended in December 1993 to provide financing for and permit the acquisition of Sierra. As amended, the Credit Agreement provides a revolving credit commitment of $150,000,000 through March 31, 1996 and provided $195,000,000 of term debt with scheduled maturities extending through September 30, 2000. On July 2, 1994 there was $190,000,000 outstanding under the Credit Agreement. In July 1994, $96,402,000 of the term debt was prepaid with the net proceeds of a Senior Subordinated Note offering which is described below. As of the date of this report, the Credit Agreement provides $93,598,000 of term debt. The Credit Agreement contains financial covenants which, among other things, limit capital expenditures, require maintenance of Adjusted Operating Profit, Consolidated Net Worth and Interest Coverage (each as defined therein) and require the Company to reduce revolving credit borrowings to no more than $30,000,000 for 30 consecutive days each year. The covenant to reduce borrowings for 30 consecutive days was satisfied for fiscal 1994 during

July.

On July 19, 1994 Scotts and OMS jointly issued $100,000,000 of 9 7/8% Senior Subordinated Notes due August 1, 2004 ("Notes") at 99.212% of face value. The net proceeds of the offering were $96,402,000 after underwriting discount and estimated expenses and this amount was used to prepay term debt outstanding under the Credit Agreement. Scheduled term debt maturities were adjusted to reflect the prepayment in accordance with the terms of the Credit Agreement. All of the Notes are subordinated to other outstanding debt, principally to banks. The Notes are subject to redemption, at the Company's option, in whole or in part, at any time after August 1, 1999 at redemption prices specified in the Notes indenture. In order to redeem the Notes, the Company must obtain approval of the banks party to the Credit Agreement as specified therein. The Notes require a limited number of financial covenants which are generally less restrictive than the financial covenants contained in the Credit Agreement. As a result of issuing the Notes, the Company will experience a one-time extraordinary non-cash charge of approximately $1.1 million net of tax for unamortized deferred financing costs related to the prepayment of the term debt. In addition, the Notes fixed interest rate of 9 7/8% is higher than the floating interest rate paid on the term debt which will cause an increase in interest expense, at least in the near term. Company management however, believed it was prudent to have obtained what they consider to be attractive fixed rate, ten year financing to replace part of the Company's floating rate borrowings.

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

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

Accounting Issues

In November 1992, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits" ("SFAS 112"), which changes the prevalent method of accounting for benefits provided after employment but before retirement. The Company must adopt SFAS 112 no later than the first quarter of fiscal 1995. Management is currently evaluating the provisions of SFAS 112 and, at this time, the effect of adopting SFAS 112 has not been determined.

Contingencies

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

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

In July 1990, the Company was directed by the Army Corps of Engineers (the "Corps") to cease peat harvesting operations at its New Jersey facility. The Corps has alleged that the peat harvesting operations were in violation of the Clean Water Act ("CWA"). The United States Department of Justice has commenced a legal action to seek a permanent injunction against peat harvesting at this facility and to recover civil penalties under the CWA. This action had been suspended while the parties engaged in discussion to resolve the dispute. Those discussions did not result in a settlement and accordingly the action has been reinstated. The Company intends to defend the action vigorously but if the Corps' position is upheld the Company could be prohibited from further harvesting of peat at this location and penalties could be assessed against the Company. In the opinion of management, the outcome of this action will not have a material effect on the Company's financial position or results of operations. Furthermore, management believes the Company has sufficient raw material supplies available such that service to customers will not be adversely affected by continued closure of this peat harvesting operation.

Sierra is a PRP in connection with the Lorentz Barrel and Drum Superfund Site in California, as a result of its predecessor having shipped barrels to Lorentz for reconditioning or sale between 1967 and 1972. Although many other companies are participating in the remediation of this site, issues relating to the allocation of the costs have not yet been resolved. Management estimates that the Company's share of remediation costs for this site will be less than $200,000. In addition, Sierra is a defendant in a private cost-recovery action relating to the Novak Sanitary Landfill, located near Allentown, Pennsylvania. By agreement with W. R. Grace-Conn., Sierra's liability is limited to a maximum of $200,000 with respect to this site and such amounts have been provided for in the accompanying financial statements. The Company's management does not believe that the outcome of these proceedings will in the aggregate have a material adverse effect on its financial condition or results of operations. In addition to being named as PRP's in the above noted situations, the Company is subject to potential fines in connection with certain EPA labeling violations under the Federal Insecticide, Fungicide and Rodenticide Act (FIFRA) relating to actions by Sierra prior to its acquisition by the Company. The fines for such violations are based upon formulas as stated in FIFRA. As determined by these formulas the Company's maximum exposure for the violations is approximately $810,000. The formulas allow for certain reductions of the fines based upon achievable levels of compliance. Management estimates the Company's ultimate liability to be $200,000, which has been accrued in the financial statements.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

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

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

In July 1990, the Company was directed by the Army Corps of Engineers (the "Corps") to cease peat harvesting operations at its New Jersey facility. The Corps has alleged that the peat harvesting operations were in violation of the Clean Water Act ("CWA"). The United States Department of Justice has commenced a legal action to seek a permanent injunction against peat harvesting at this facility and to recover civil penalties under the CWA. This action had been suspended while the parties engaged in discussion to resolve the dispute. Those discussions have not resulted in a settlement and accordingly the action has been reinstated. The Company intends to defend the action vigorously but if the Corps' position is upheld the Company could be prohibited from further harvesting of peat at this location and penalties could be assessed against the Company. In the opinion of management, the outcome of this action will not have a material effect on the Company's financial position or results of operations. Furthermore, management believes the Company has sufficient raw material supplies available such that service to customers will not be adversely affected by continued closure of this peat harvesting operation.

Sierra is a potentially responsible party in connection with the Lorentz Barrel and Drum Superfund Site in California, as a result of its predecessor having shipped barrels to Lorentz for reconditioning or sale between 1967 and 1972. Although many other companies are participating in the remediation of this site, issues relating to the allocation of the costs have not yet been resolved. Management estimates that the Company's share of remediation costs for this site will be less than $200,000. In addition, Sierra is a defendant in a private cost-recovery action relating to the Novak Sanitary Landfill, located near Allentown, Pennsylvania. By agreement with W. R. Grace-Conn., Sierra's liability is limited to a maximum of $200,000 with respect to this site. The Company's management does not believe that the outcome of these proceedings will in the aggregate have a material adverse effect on its financial condition or results of operations. In addition to being named as PRP's in the above noted situations, the Company is subject to potential fines in connection with certain EPA labeling violations under the Federal Insecticide, Fungicide and Rodenticide Act (FIFRA). The fines for such violations are based upon formulas as stated in FIFRA. As determined by these formulas the Company's maximum exposure for the violations is approximately $810,000. The formulas allow for certain reductions of the fines based upon achievable levels of compliance. Based upon management's anticipated levels of compliance, they estimate the Company's ultimate liability to be $200,000, which has been accrued in the financial statements.

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

(a) Exhibits.

11(a) Computation of Net Income Per Common Share

(b) Reports on Form 8-K - None

SIGNATURES

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

THE SCOTTS COMPANY

Date August 16, 1994

/s/ Paul D. Yeager

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

THE SCOTTS COMPANY

QUARTERLY REPORT ON FORM 10-Q FOR
FISCAL QUARTER ENDED JULY 2, 1994

EXHIBIT INDEX

Exhibit Number	Description	Page Number
11(a)	Computation of Net Income Per Common Share	18

THE SCOTTS COMPANY
Computation of Net Income Per Common Share
(in thousands except share amounts)

	For the Three Months Ended July 3, 1993	July 2, 1994	For the Nine Months Ended July 3, 1993	July 2, 1994
Net income for computing net income per common share:				
Income before cumulative effect of accounting changes	$ 7,986	$ 9,405	$ 18,362	$ 20,861
Cumulative effect of changes in accounting for postretirement benefits, net of tax and income taxes	-	-	(13,157)	-
Net income	7,986	$ 9,405	$ 5,205	$ 20,861
Net income per common share:				
Income before cumulative effect of accounting changes	$ .43	$ .50	$ .92	$ 1.11
	-	-	(.66)	-
Net income	$ .43	$ .50	$ .26	$ 1.11

Computation of Weighted Average Number
of Common Shares Outstanding

	For the Three Months Ended July 3, 1993	July 2, 1994	For the Nine Months Ended July 3, 1993	July 2, 1994
Weighted average common shares outstanding during the period	18,658,535	18,667,064	19,935,979	18,661,667
Effect of options outstanding based upon the Treasury Stock Method:				
Performance shares	13,042	56,607	17,489	76,016
December 1992 - 300,000 at $ 18.00	-	-	-	5,722
November 1992 - 123,925 at $ 16.25	8,969	12,754	11,716	16,471
January 1992 - 136,364 at $ 9.90	63,206	68,801	64,733	70,715
June 1992 - 15,000 at $ 16.25	-	1,330	-	1,717
October 1993 - 129,950 at $ 17.25	-	4,227	-	7,790
March 1993 - 24,000 at $ 18.25	-	-	-	131
Weighted average common shares outstanding during the period for computing net income (loss) per common share	18,743,752	18,810,783	20,029,917	18,840,229

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