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

FORM 10-K

(Mark One)

☑ ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended September 30, 2007

OR

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

For the transition period from _____ to _____

Commission file number 1-13292

The Scotts Miracle-Gro Company
(Exact name of registrant as specified in its charter)

Ohio	**31-1414921**
(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)

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 if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No ☑

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) 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. o

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

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

The aggregate market value of Common Shares (the only common equity of the registrant) 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 30, 2007) was approximately $1,755,904,160.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: The number of Common Shares of the registrant outstanding as of November 23, 2007 was 64,238,715.

DOCUMENT INCORPORATED BY REFERENCE:

Portions of the definitive Proxy Statement for Registrant's 2008 Annual Meeting of Shareholders to be held January 31, 2008, are incorporated by reference into Part III hereof.

PART I

ITEM 1. BUSINESS

Company Description

The Scotts Miracle-Gro Company, an Ohio corporation ("Scotts Miracle-Gro" and, together with its subsidiaries, the "Company"), traces its roots to two businesses launched by entrepreneurs. In 1868, Civil War veteran O.M. Scott launched a seed business in Marysville, Ohio, based on the conviction that "farmers shall have clean, weed-free fields." Beginning in 1907, the Company expanded its reach by selling grass seed to consumers and eventually exited the agricultural market. By 1988 — both through innovation and acquisition — the Company had become a leading marketer of lawn fertilizer, grass seed and growing media products within the United States.

Separately, Horace Hagedorn and his partner Otto Stern launched Stern's Miracle-Gro Products, Inc. in 1951 in New York. Their easy-to-use plant food quickly revolutionized the gardening category. Through aggressive and innovative marketing, Miracle-Gro® eventually became the leading plant food product in the gardening industry. In 1995, The Scotts Company and Stern's Miracle-Gro Products, Inc. merged, marking the start of a significant evolution for the Company.

In the late 1990's, the Company launched a geographic and category expansion. It acquired companies with industry-leading brands in France, Germany and the United Kingdom. In fiscal 1999, the Company acquired the Ortho® brand in the United States and exclusive rights for the marketing and distribution of consumer Roundup®* brand products within the United States and other specified countries, thereby adding industry-leading controls to its portfolio. The Company has rapidly expanded into the lawn care service industry with the launch of Scotts LawnService® in 1998. Since fiscal 2001, the Company has invested nearly $125 million in the acquisitions of local and regional lawn care businesses to provide a platform for our rapid expansion throughout the U.S. In October 2004, the Company entered the fast growing outdoor living category with the acquisition of Smith & Hawken, Ltd. The Company entered the North America wild bird food category in fiscal 2006 with the acquisition of Gutwein & Co., Inc. and its Morning Song® brand of wild bird food.

As the Company celebrates more than 100 years of selling products to consumers, we own the leading brands in nearly every category of the lawn and garden industry. A list of some of our North America leading consumer brands is as follows:

Category	Brands
Lawns	Scotts®; Turf Builder®
Gardens	Miracle-Gro®; Osmocote®; LiquaFeed®
Growing Media	Miracle-Gro®; Scotts®; Hyponex®; Earthgro®; SuperSoil®
Grass Seed	Scotts®; Turf Builder®
Controls	Ortho®; Bug-B-Gon®; Weed-B-Gon®; Roundup®
Outdoor Living	Smith & Hawken®
Wild Bird Food	Morning Song®; Scotts®

In addition, we have the following significant brands in Europe: Miracle-Gro® plant fertilizers, Weedol® and Pathclear® herbicides, EverGreen® lawn fertilizers and Levington® growing media in the United Kingdom; KB® and Fertiligène® in France; Celaflor®, Nexa-Lotte® and Substral® in Germany and Austria; and ASEF®, KB® and Substral® in Belgium, the Netherlands and Luxembourg (the "Benelux countries"). Roundup® is also a significant brand in the United Kingdom, France, Germany and other European markets.

Business Segments

For fiscal 2007, we continued to report our business in the following segments:

- North America;

* Roundup® is a registered trademark of Monsanto Technology LLC, a company affiliated with Monsanto Company.

- Scotts LawnService®;
- International; and
- Corporate & Other.

These reportable segments are consistent with the Company's structure and the management of these units. Financial information about these segments for the three years ended September 30, 2007 is presented in Note 20 to the Consolidated Financial Statements included in this Annual Report on Form 10-K.

North America

In our North America segment, the Company manufactures and markets products that provide easy, reliable and effective assistance to homeowners who seek to nurture beautiful, weed- and pest-free lawns, gardens and indoor plants. These products incorporate many of the best technologies available. In addition, we manufacture and market a broad line of professional products designed to meet the specific needs of commercial nurseries, greenhouses and specialty crop growers in North America. The North America segment sells products in the following categories:

Lawns: A complete line of granular lawn fertilizer and combination products, including fertilizer and crabgrass control, weed control or pest control, is sold under the Scotts® Turf Builder® brand name. The Turf Builder® 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.

Gardens: A complete line of plant foods is marketed under the Miracle-Gro® brand name. In fiscal 2006, we introduced Miracle-Gro® LiquaFeed®, an innovative product that allows consumers to easily feed and water their outdoor plants simultaneously. In addition to our high-quality water-soluble plant foods, we have liquid plant foods, and a continuous-release line of plant foods, Osmocote®, for extended feeding and convenience.

Growing Media: A complete line of growing media products for indoor and outdoor uses is marketed under the Miracle-Gro®, Scotts®, Hyponex®, Earthgro®, Nature Scapes®, and SuperSoil® 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® brand name and fertilizer to higher quality potting mix and garden soils has turned previously low-margin commodity products into value-added category leaders.

Grass Seed: We offer a broad line of grass seed products for both the consumer and the professional user. The fiscal 2006 acquisitions of certain brands and assets from Turf-Seed, Inc. and Landmark Seed Company allowed for the integration of these companies' extensive professional grass seed sales and distribution networks with the Company's existing professional presence and industry-leading brands in the consumer grass seed market. Our leading grass seed products are sold under the Scotts® Pure Premium®, Classic®, Turf Builder® and PatchMaster® brand names in the consumer market and the Scotts® Turf-Seed™ and the Scotts® Landmark™ brand names in the professional market.

Controls: A broad line of weed control, indoor and outdoor pest control and plant disease control products is marketed under the Ortho® brand name. Ortho® products are available in aerosol, ready-to-use liquids, concentrated, granular and dust forms. Ortho® control products include Weed-B-Gon MAX®, Bug-B-Gon MAX®, Home Defense MAX®, Ortho MAX®, Brush-B-Gon®, RosePride®, Ortho-Klor® and Orthene® Fire Ant Killer.

In fiscal 1999, the Company entered into a long-term marketing agreement with Monsanto Company ("Monsanto") and became Monsanto's exclusive agent for the marketing and distribution of consumer Roundup® non-selective herbicide products in the consumer lawn and garden market within the United States and other specified countries, including Australia, Austria, Belgium, Canada, France, Germany, Holland and the United Kingdom. (See the "Roundup® Marketing Agreement" discussion later in this Item 1 for a more detailed explanation of the Company's agreement with Monsanto.)

Wild Bird Food: In November 2005, the Company acquired Gutwein & Co., Inc. ("Gutwein"). Through its Morning Song® brand, Gutwein is a leader in the growing North America wild bird food category, generating approximately $80.0 million in annual revenues. Morning Song® products are sold at leading mass retailers, grocery, pet and general merchandise stores. The Company launched a Scotts® branded line of wild bird food in fiscal 2007, with higher quality content and innovative packaging.

Other Consumer Products: The Company also manufactures and markets several lines of high-quality lawn spreaders under the Scotts® brand name - Deluxe EdgeGuard® spreaders, SpeedyGreen® rotary spreaders, AccuGreen® drop spreaders and Handy Green®II handheld spreaders. We sell a line of hose-end applicators for water-soluble plant foods such as Miracle-Gro® products, and lines of applicators under the Ortho®, Dial 'N Spray®, and Pull 'N Spray® trademarks for the diluted application of control products sold in the concentrated form.

The North America segment also includes our North American Professional, Canadian consumer and Australia consumer and professional business operations. The North American Professional business sells professional products to commercial nurseries, greenhouses and specialty crop growers in North America, the Caribbean and throughout Latin America, the Far East, New Zealand and Japan. Our professional products include a broad line of sophisticated controlled-release fertilizers, water-soluble fertilizers, pesticide products and wetting agents that are sold under brand names that include Banrot®, Miracle-Gro®, Osmocote®, Peters®, Poly-S®, Rout®, ScottKote®, Sierrablen®, Shamrock® and Sierra®. In Canada, we believe we are the leading marketer of branded consumer lawn and garden products. We sell a full range of lawn and garden fertilizer, control products, grass seed, spreaders, and value-added growing media products under the Scotts®, Turf Builder®, Miracle-Gro®, Killex®, and Roundup® brands.

Scotts LawnService®

The Scotts LawnService® segment provides residential lawn care, lawn aeration, tree and shrub care and external pest control services in the United States. These services consist primarily of fertilizer, weed control, pest control and disease control applications. As of September 30, 2007, Scotts LawnService® had 80 company-operated locations serving 46 metropolitan markets and 78 independent franchises primarily operating in secondary markets.

International

The International segment sells consumer lawn and garden products in more than 25 countries outside of North America. We also sell a broad line of professional products throughout Europe to commercial nurseries, greenhouses and specialty retailers.

International products and brand names vary from country to country depending upon the brand name strength and the nature of our strategic relationships in a given country. For example, in the United Kingdom, we sell Miracle-Gro® plant fertilizers and growing media, Weedol® and Pathclear® herbicides, EverGreen® lawn fertilizers and Levington® growing media. Our other International brands include KB® and Fertiligène® in France; Celaflor®, Nexa-Lotte® and Substral® in Germany and Austria; and ASEF®, KB® and Substral® in the Benelux countries. As noted earlier, Roundup® is also a significant brand in Europe.

For information concerning risks attendant to our foreign operations, please see "ITEM 1A. RISK FACTORS — Cautionary Statement on Forward-Looking Statements — Foreign Operations and Currency Exposures."

Corporate and Other

The Corporate and Other segment includes Smith & Hawken®, a leading brand in the fast growing outdoor living and gardening lifestyle category. Smith & Hawken® products, which include high-end outdoor furniture, pottery, garden tools, gardening containers and live goods, are sold in the United States through its 61 retail stores, catalog and Internet sales, and other trade and wholesale relationships.

Competitive Marketplace

Our major customers include home improvement centers, mass merchandisers, warehouse clubs, large hardware chains, independent hardware stores, nurseries, garden centers, food and drug stores, commercial nurseries and greenhouses, and specialty crop growers. Each of our segments participates in markets that are highly competitive and many of our competitors sell their products at prices lower than ours. The Company attributes its market leadership and continued success in the lawn and garden category to our industry-leading brands, innovative products, award-winning advertising, supply chain excellence, highly effective field sales and merchandising organization, and the strength of our relationships with major retailers in our product categories.

In the North American consumer do-it-yourself lawn and garden markets and pest control markets, we compete primarily 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® products sold at Home Depot, and Sta-Green® products sold at Lowe’s. Our competitors in branded lawn and garden products and the consumer pest control markets include Spectrum Brands, Bayer AG, Central Garden & Pet Company, Garden Tech, Enforcer Products, Inc., Green Light Company and Lebanon Chemical Corp.

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

In the North American professional horticulture markets, we face a broad range of competition from numerous companies such as Agrium, Haifa Chemicals Ltd., Chisso Asahi Fertilizer Co. Ltd., Syngenta, and Bayer AG. Some of these competitors have significant financial resources and research departments.

We have the second largest market share position in the U.S. do-it-for-me lawn care service market. We compete against TruGreen-ChemLawn®, a division of ServiceMaster, which has the leading market share in the U.S. lawn care service market and has a substantially larger share of this market than Scotts LawnService®, as well as numerous regional and local lawn care services operations.

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 (which owns the Compo, Algoflash brands), Westland and a variety of local companies.

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., Compo GmbH, a subsidiary of Kali & Salz, Norsk Hydro ASA, Haifa Chemicals Ltd. and Kemira Oyj.

Significant Customers

Approximately 70% of our worldwide net sales in fiscal 2007 were made by our North America segment. Within the North America segment, approximately 29% of our net sales in fiscal 2007 were made to Home Depot, 16% to Lowe’s and 15% to Wal*Mart. 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.

Competitive Strengths

Strong Brands

By far, the Company considers its industry-leading brands to be its single largest competitive advantage, though hardly its only advantage. The Company believes it has the leading market share in every major U.S. category in which its North American business competes. The Company also owns many of the leading brands in the European marketplace.

The Company has helped to build the awareness of its brands through a continuous increase in its investment in advertising. As a result, consumer awareness of the Company’s key brands — especially in the United States - rivals that of nearly any other consumer products company. The strength of the Scotts® brand, in particular, has been a critical aspect of the success of Scotts LawnService®. The Company believes it has successfully grown its service business because of the high level of consumer confidence associated with the Scotts® brand.

Trademarks, Patents and Licenses

The Company considers its brands, patents and licenses all to be key competitive advantages. We pursue a vigorous brand protection strategy consisting of registration and maintenance of key trademarks and proactive monitoring and enforcement activities to protect against infringement. The Scotts®, Miracle-Gro®, Ortho®, Smith & Hawken®, Osmocote®, Hyponex® and Earthgro® brand names and logos, as well as a number of product trademarks, including Turf Builder®, Organic Choice®, Home Defense and Weed-B-Gon®, are federally and/or internationally registered and are considered material to our business.

As of September 30, 2007, we held 93 issued patents in the United States covering fertilizer, chemical and growing media compositions and processes; grass varieties; and mechanical dispensing devices such as applicators, spreaders and sprayers. Many of these have similar patents which have also been issued or are pending internationally, bringing our total worldwide patent portfolio to 461 United States and International patents and applications. The issued patents provide protection generally extending to 20 years from the date of filing, subject to the payment of applicable governmental maintenance and annuity fees. Accordingly, many of our patents will extend well into the next decade.

In addition, we continue to file new patent applications each year covering new, commercially significant developments conceived by our R&D associates. Currently, we have 89 pending patent applications worldwide, including 14 pending U.S. applications, some of which have been allowed for issuance of patents. We also hold exclusive and non-exclusive patent licenses and supply arrangements with various active ingredient and raw material suppliers, permitting the use and sale of additional patented fertilizers, pesticides and mechanical devices.

During fiscal 2007, we were granted 2 U.S. and 22 foreign national patents. Representative of the patent coverage provided by these new patents are coated fertilizers including granular water soluble fertilizers and fertilizers that are specifically formulated to provide delayed-release or triggered-start action when applied to turf; improved spraying devices and the design of such spraying devices; new broadcast spreader devices and coconut coir pith containing growth media products and processes. We continue to extend patent coverage of our core technologies to provide protection of our developments nationally and in additional countries within our Canadian, European, Asia/Pacific and South American markets.

Four U.S. patents expired in fiscal 2007. These expired patents covered fertilizer gel compositions; Kentucky Bluegrass plant varieties; and spreader devices. The loss of these patents is not expected to materially affect our business.

Supply Chain and Sales Force

Because the Company sells a substantial majority of its products to a small number of retail accounts, it is critical to maintain strong relationships with these partners. We believe our supply chain and sales force have become major competitive advantages that have allowed us to build relationships with our key retail partners that are unrivaled in the industry.

Major investments in technology have allowed the Company's supply chain to be a more efficient supplier to its key retail accounts. The Company considers its order fill rate — which measures the accuracy of shipments — to be an important measure of customer service. In fiscal 2007, the Company achieved a customer service rate of 98.9 percent in its core North American business, its highest ever. Additionally, the supply chain has helped the Company to improve its inventory turns over the past several years, as well as those of its retail partners.

The Company's nationwide sales force is another major competitive advantage. By increasing the size of the sales force over several years, the Company has taken a more proactive role in helping our retail partners merchandise the lawn and garden department and maximize the productivity of this space. In addition to working closely with our retail partners, our sales force works directly with consumers. By serving as "in-store counselors" on weekends, our associates help consumers answer their lawn and garden questions, which, we believe, drives higher sales of our products.

Innovation

The Company views its commitment to innovation as a competitive advantage. Consequently, we continually invest in research and development and consumer research to improve existing products and develop new products, manufacturing processes, and packaging and delivery systems. Spending on research and development was $38.8 million, $35.1 million and $38.0 million in fiscal 2007, fiscal 2006, and fiscal 2005, including registrations of $9.3 million, $8.2 million and $7.5 million, respectively. The Company's long-standing commitment to innovation is evidenced by a portfolio of patents worldwide that supports many of our fertilizers, 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 worldwide headquarters is located at the Dwight G. Scott Research Center in Marysville, Ohio. We also have research and development facilities in the United Kingdom, France, the Netherlands and Sydney, Australia, as well as several research field stations located throughout the United States.

The Company's biotechnology program is evidence of its commitment to responsible research in search of more effective and easier-to-use products that are preferred by consumers and are better for the environment. By employing technology already proven in agriculture, the Company is working to develop turf varieties that could one day require less maintenance, less water and fewer chemical inputs to resist insects, weeds and disease.

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 (the "USDA"), Animal and Plant Health Inspection Service, the United States Environmental Protection Agency (the "U.S. EPA") and/or the Food and Drug Administration (the "FDA"). 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 poses no additional toxicological or ecological risk than products of the same species that have not been enhanced with biotechnology. We are also required to satisfy other agencies, such as the U.S. 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. Therefore, any enhanced product for which we seek commercialization through submission of a petition for deregulation will be subjected to rigorous and thorough governmental regulatory review.

We submitted a petition for deregulation of a non-residential turfgrass product enhanced with biotechnology to the USDA on April 14, 2003. This turfgrass has been shown, through our research trials, to provide simple, more flexible and better weed control for golf courses in a manner we believe is more environmentally friendly. The USDA has a variety of options in adjudicating a petition to "deregulate" a biotechnology-derived plant product. The USDA has decided to employ the formal Environmental Impact Statement ("EIS") process to judge the acceptability of our petition for deregulation. We welcome this process as the most thorough evaluative step available to the USDA. However, there can be no assurance our petition for deregulation of this product will be approved, or if approved and commercially introduced, this product will generate any revenues or contribute to our earnings.

Roundup® Marketing Agreement

The Company is Monsanto's exclusive agent for the marketing and distribution of consumer Roundup® products (with additional rights to new products containing glyphosate or other similar non-selective herbicides) in the consumer lawn and garden market within the United States and other specified countries, including Australia, Austria, Belgium, Canada, France, Germany, Holland and the United Kingdom. Under the Marketing Agreement, we and Monsanto are jointly responsible for developing global consumer and trade marketing programs for consumer Roundup®. We have assumed responsibility for sales support, merchandising, distribution and logistics for consumer Roundup®. Monsanto continues to own the consumer Roundup® business and provides significant oversight of its brand. In addition, Monsanto continues to own and operate the agricultural Roundup® business.

We are compensated under the Marketing Agreement based on the success of the consumer Roundup® business in the markets covered by the agreement. We receive a graduated commission to the extent that the earnings before interest and taxes of the consumer Roundup® 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 consumer Roundup® business. The minimum annual contribution payment is $20 million until 2018 or the earlier termination of the agreement.

The gross commission earned under the Marketing Agreement, the contribution payments to Monsanto and the amortization of the initial marketing fee paid to Monsanto are included in net sales in the Company's Consolidated Statements of Operations. For fiscal 2007 and fiscal 2006, the net amount earned under the Marketing Agreement was income of $41.9 million and $39.9 million, respectively. For fiscal 2005, an expense of $5.3 million (including a $45.7 million charge for contribution payments previously deferred) was recognized. For further details, see Note 4 to the Consolidated Financial Statements included in this Annual Report on Form 10-K.

The Marketing Agreement has no definite term, except as it relates to the European Union countries where the term extends through September 30, 2008. The parties may agree to renew the agreement with respect to the European Union countries for two successive terms ending on September 30, 2015 and 2018, with a separate determination being made by the parties at least six months prior to the expiration of each such term as to whether to commence a subsequent renewal term. However, if Monsanto does not agree to either of the remaining renewal terms with respect to the European Union countries, the commission structure will be renegotiated within the terms of the Marketing Agreement.

Monsanto has the right to terminate the Marketing Agreement upon certain specified events of default by us, including an uncured material breach, material fraud, material misconduct or egregious injury to the Roundup® brand. Monsanto also has the right to terminate the Marketing Agreement upon a change of control of Monsanto or the sale of the consumer Roundup® business. In addition, Monsanto may terminate the Marketing Agreement within specified regions, including North America, for specified declines in the consumer Roundup® business.

The Company has 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 Marketing Agreement upon Monsanto's sale of the consumer Roundup® 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® business prior to September 30, 2008, we will be entitled to a termination fee in excess of $100 million. If we terminate the Marketing Agreement upon an uncured material breach, material fraud or material willful misconduct by Monsanto, we will be entitled to receive a termination fee in excess of $100 million if the termination occurs prior to September 30, 2008. The termination fee declines over time from in excess of $100 million to a minimum of $16 million for terminations between September 30, 2008 and September 30, 2018.

Monsanto has agreed to provide us with notice of any proposed sale of the consumer Roundup® business, allow us to participate in the sale process and negotiate in good faith with us with respect to a sale. In the event we acquire the consumer Roundup® 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® 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 Marketing Agreement on behalf of the purchaser, unless and until the purchaser terminates our services and pays any applicable termination fee.

Strategic Initiatives

The Company has developed a strategic plan that focuses its efforts and capitalizes on its strengths to further own the relationship with its consumers and distance itself from the competition. The execution of this strategy will sustain future growth and further secure the Company's franchise. The critical elements of this strategy are as follows.

Leveraging our core strengths and competitive advantages in the United States

As stated previously, the Company has succeeded, in large degree, due to our ability to leverage our competitive advantages, including our world-class supply chain, industry-leading brands and our commitment to innovation. The opportunity to further build upon these strengths is a major focus of the Company and will be key to driving continued growth and financial improvement.

Specifically, the Company is investing behind a key initiative to further improve upon its technologies and processes with the goals of enabling increased supply chain synergies and creating global shared services that result in lower selling, general, and administrative costs. In addition to this effort, the Company is currently exploring other supply chain initiatives designed to lower our cost structure without compromising our commitment to quality. For example, the Company will launch a pilot program in fiscal 2008 to explore the economic viability of regional manufacturing and distribution of lawn fertilizer.

In addition, the Company intends to increase its investment in its sales force, an area that is also considered to be a key competitive advantage. The Company's interaction with its major retail partners is a key reason for its success. In fact, several of the Company's largest retail partners have awarded us with "vendor of the year" or similar honors over the past several years. In addition to working closely with retailers, the sales force also provides the Company an opportunity to interact with consumers on a 1-to-1 basis in stores. Our in-store counseling program, which is utilized during the peak of the lawn and garden season, provides the Company with a critical advantage by helping consumers. Of course, the Company also uses other means to build upon its relationships with consumers. To that end, in fiscal 2008, the Company intends to launch a state-of-the-art website that will improve our ability to communicate with consumers while also creating an online experience that allows them to speak with each other in public chat rooms, message boards and blogs. In addition to the website, the Company plans to increase its investment in promotions, cross-branding and other key marketing initiatives in fiscal 2008.

Research and development initiatives also will be increasingly focused on helping to create a more positive experience for consumers who use our products. Over the years, we have a proven track record of growing our business by providing consumers with value-added products that make success in the lawn or garden easier to attain. Looking ahead, we are focused on developing even more products that are easier to buy, easier to use and easier to store. Our commitment to environmental stewardship also will become increasingly evident in products currently under development or being considered.

Strengthening our International Business

We continue to believe in the long-term growth potential of our International business. In order to maximize shareholder value in this business, we have sharpened our focus by: (i) reducing costs in the business to improve profitability and to allow for marketing investments; (ii) aligning the organization by category rather than by geography to better leverage our knowledge of the marketplace and the consumer; and (iii) better leveraging the Company's innovation competencies. We plan to achieve these goals through a variety of initiatives, including reducing the complexity of the business and the product portfolio, improving supply chain efficiency and effectiveness, and aggressively pursuing new business opportunities. As part of a broader corporate initiative, we will invest to improve our technology platform in the International business, which we believe will continue to reduce costs while allowing us to continue improving our customer service levels.

Expanding Scotts LawnService®

The number of lawn owners who want to maintain their lawns and gardens but do not want to do it themselves represents a significant portion of the total market. We recognize that our portfolio of well-known brands provides us with a unique ability to extend our business into lawn and garden services and the strength of our brands provides us with a competitive advantage in acquiring new customers. We have spent the past several years developing our Scotts LawnService® business model. The business has grown significantly from revenues of $41.2 million in fiscal 2001 to revenues of $230.5 million in fiscal 2007. This growth has come from geographic expansion, acquisitions and organic growth fueled by our direct marketing programs. We invested $22.5 million in lawn service acquisitions in fiscal 2007. We anticipate continuing to make selective acquisitions in fiscal 2008 and beyond. Ongoing investments will continue to be made in the Scotts LawnService® business infrastructure in order to continually improve our customer service throughout the organization and leverage scale economies as we continue to grow.

Seasonality and Backlog

Our business is highly seasonal with 70% to 75% of our annual net sales occurring in our combined second and third fiscal quarters.

Consistent with prior years, we anticipate significant orders for the upcoming spring season will start to be received late in the winter 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, resins, grass seed, and wild bird food components. 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. When appropriate, we will procure a certain percentage of our needs in advance of the season to secure pre-determined prices. Occasionally, we hedge certain commodities to improve predictability and control costs.

Manufacturing and Distribution

We manufacture products for our North American consumer business at our facilities in Marysville, Ohio, Ft. Madison, Iowa and Temecula, California, as well as at a number of third party contract packers in the United States and Canada. In addition, the Company manufactures growing media products in 27 regional facilities located throughout North America. The primary distribution centers for our North American consumer business are managed by the Company and strategically placed across the United States.

We also manufacture horticultural products for our North America and International professional businesses at a leased fertilizer manufacturing facility in Charleston, South Carolina and a Company-owned site in Heerlen, the Netherlands. The remaining products for our professional businesses are produced at other Company-owned facilities and subcontractors in the United States and Europe. The majority of shipments to customers are made via common carriers or through distributors in the United States and a network of public warehouses and distributors in Europe. We are subject to market risk from fluctuating market prices of diesel, which our common carriers pass on to the Company in the form of fuel surcharges. When appropriate, the Company will hedge a portion of these indirect fuel costs to improve predictability and control costs.

We manufacture the non-growing media products for our International business at our facilities in Howden, the United Kingdom and Bourth, France. We also utilize a number of third party contract packers. The primary distribution centers for our International businesses are located in the United Kingdom, France and Germany and are managed by a logistics provider.

The growing media products for our International segment are produced at our facilities in Hatfield, the United Kingdom and Hautmont, France and at a number of third party contract packers. Growing media products are generally shipped direct without passing through a distribution center.

Employees

As of September 30, 2007, we employed 5,081 full-time employees in the United States and an additional 1,039 full-time employees located outside the United States. During peak sales and production periods, we utilize seasonal and temporary labor.

None of our U.S. employees are members of a union. Approximately 45 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 office in Ecully, France are members of the 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. In the Waardenburg office and in the Heerlen Plant in the Netherlands, approximately 120 employees are members of a workers union, but we are not responsible for collective bargaining negotiations with this union. In the Netherlands, we are governed by the Works Councils Act with respect to the union. Works councils represent employees on labor and employment matters and manage social benefits.

We believe we have good relationships with our employees in the United States, and both unionized and non-unionized International employees.

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 U.S. EPA (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. 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 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.

Regulatory Actions

In 1997, the Ohio Environmental Protection Agency (the “Ohio EPA”) initiated an enforcement action against us with respect to alleged surface water violations and inadequate wastewater treatment capabilities at our Marysville, Ohio facility and seeking corrective action under the federal Resource Conservation and Recovery Act. The action related to discharges from on-site waste water treatment and 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. We are remediating the Marysville site under the terms of a judicial consent order under the oversight of the Ohio EPA.

We completed negotiations 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. A final consent decree was entered into on October 18, 2004 that required us to perform five years of wetland monitoring, and the completion of additional actions if after five years, the monitoring indicates the wetlands have not developed satisfactorily.

At September 30, 2007, $4.6 million was accrued for the environmental and regulatory matters described herein, the majority of which is for site remediation. Most of the costs accrued as of September 30, 2007 are expected to be paid in fiscal 2008; however, payments could be made for a period thereafter.

We believe the amounts accrued as of September 30, 2007 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, including the following:

- 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, the 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 2007, fiscal 2006 and fiscal 2005, we expensed approximately $1.5 million, $2.4 million, and $3.7 million for environmental matters. There were no material capital expenditures during the last three fiscal years related to environmental or regulatory matters.

General Information

The Company maintains a website at http://investor.scotts.com (this uniform resource locator, or URL, is an inactive textual reference only and is not intended to incorporate our website into this Form 10-K). We file reports with the Securities and Exchange Commission (the “SEC”) and make available, free of charge, on or through our website, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as well as our proxy and information statements, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

On March 18, 2005, we consummated the restructuring of our corporate structure into a holding company structure by merging The Scotts Company (“Scotts”) which had been the public company, into a newly-created, wholly-owned, second-tier Ohio limited liability company, The Scotts Company LLC (“Scotts LLC”), pursuant to the Agreement and Plan of Merger, dated as of December 13, 2004 (the “Merger Agreement”), among Scotts, Scotts LLC and Scotts Miracle-Gro. As a result of this restructuring merger, each of Scotts’ common shares issued and outstanding immediately prior to the consummation of the restructuring merger was automatically converted into one fully paid and nonassessable common share of Scotts Miracle-Gro. Scotts Miracle-Gro became the public company successor to Scotts and Scotts LLC a direct, wholly-owned subsidiary of Scotts Miracle-Gro. The restructuring merger did not affect the new parent holding company’s management, corporate governance or capital stock structure. In addition, the consolidated assets and liabilities of Scotts Miracle-Gro and its subsidiaries (including Scotts LLC) immediately after the restructuring merger were the same as the consolidated assets and liabilities of Scotts and its subsidiaries immediately before the restructuring merger.

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 20 to the Consolidated Financial Statements included in this Annual Report on Form 10-K.

ITEM 1A. RISK FACTORS

Cautionary Statement on Forward-Looking Statements

We have made and will make “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 in our 2007 Annual Report, in this Annual Report on 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 2007 Annual Report, in this Annual Report on 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.

Commodity Cost Pressures

Our ability to manage our cost structure can be adversely affected by movements in commodity and other raw material prices, such as those experienced in fiscal 2007. Market conditions may limit the Company’s ability to raise selling prices to offset increases in our input and distribution costs. The uniqueness of our technologies can limit our ability to locate or utilize alternative inputs for certain products. For certain inputs, new sources of supply may have to be qualified under regulatory standards, which can require additional investment and delay bringing a product to market.

Competition

Each of our segments participates in markets that are highly competitive. Many of our competitors sell their products at prices lower than ours. The most price sensitive segment of our category may be more likely to trade down to lower price point products in a more challenging economic environment. We compete primarily on the basis of product innovation, product quality, product performance, value, brand strength, supply chain competency, field sales support and advertising. Some of our competitors have significant financial resources. 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.

Environmental/Socio-Political

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 U.S. EPA (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.

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. For example, 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, also used in our lawn and garden products. We cannot predict the outcome or the severity of the effect of their 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, 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. 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.

Perceptions that the products we produce and market are not safe could adversely affect us and contribute to the risk we will be subjected to legal action. We manufacture and market a number of complex chemical products, such as fertilizers, growing media, herbicides and pesticides. 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 be contaminated. Public perception that our products are not safe, whether justified or not, could impair our reputation, involve us in litigation, damage our brand names and have a material adverse affect on our business.

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.

The adequacy of our current environmental reserves and future provisions 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 relating to the remediation of the Marysville site, the 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.

Manufacturing

We use a combination of internal and outsourced facilities to manufacture our products. We are subject to the inherent risks in such activities, including product quality, safety, licensing requirements and other regulatory issues, environmental events, loss or impairment of key manufacturing sites, disruptions in logistics, labor disputes and industrial accidents. Furthermore, we are subject to natural disasters and other factors over which the Company has no control.

Customer Concentration

In the North America segment, net sales represented approximately 70% of our worldwide net sales in fiscal 2007. Our top three North American retail customers together accounted for 60% of our North America segment fiscal 2007 net sales and 60% of our outstanding accounts receivable as of September 30, 2007. Home Depot, Lowe's and Wal*Mart represented approximately 29%, 16% and 15%, respectively, of our fiscal 2007 North America net sales. The loss of, or reduction in orders from, Home Depot, Lowe's, Wal*Mart 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 on our financial condition and results of operations.

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 income from operations may be increasingly sensitive to deterioration in the financial condition of, or other adverse developments involving our relationship with, one or more customers.

Weather and Seasonality

Weather conditions in North America and Europe can have a significant impact on the timing of sales in the spring selling season and overall annual sales. An abnormally wet and/or cold spring throughout North America or Europe could adversely affect both fertilizer and pesticide sales and, therefore, our financial results. Because our products are used primarily in the spring and summer, our business is highly seasonal. For the past three fiscal years, 70% to 75% of our annual net sales have occurred in the second and third fiscal quarters combined. Our working capital needs and borrowings typically peak during the initial weeks of our third fiscal quarter because we are incurring expenditures in preparation for the spring selling season while the majority of our revenue collections occur later in our third fiscal quarter. If cash on hand is insufficient to pay our obligations as they come due, including interest payments or operating expenses, at a time when we are unable to draw on our credit facilities, this seasonality could have a material adverse effect on our ability to conduct our business. Adverse weather conditions could heighten this risk.

Debt

We have a significant amount of debt that could adversely affect our financial health and prevent us from fulfilling our obligations. Our substantial indebtedness could have important consequences. For example, it could:

- make it more difficult for us to satisfy our obligations under outstanding indebtedness;
- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of cash flows from operating activities 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 and to refinance our indebtedness, to fund planned capital expenditures and acquisitions, and to pay dividends 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 provide assurance that our business will generate sufficient cash flow from operating activities or that future borrowings will be available to us under our credit facilities 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 would be able to refinance any of our indebtedness on commercially reasonable terms or at all.

Our credit facilities contain restrictive covenants and cross default provisions that require us to maintain specified financial ratios. Our ability to satisfy those financial ratios can be affected by events beyond our control, and we cannot be assured we will satisfy those ratios. A breach of any of these financial ratio covenants or other covenants could result in a default. Upon the occurrence of an event of default, the lenders could elect to declare the applicable outstanding indebtedness due immediately and payable and terminate all commitments to extend further credit. We cannot be sure that our lenders would waive a default or that we could pay the indebtedness in full if it were accelerated.

Foreign Operations and Currency Exposures

We currently operate manufacturing, sales and service facilities outside of the United States, particularly in Canada, France, the United Kingdom, Germany and the Netherlands. In fiscal 2007, International net sales, including Canada, accounted for approximately 21% of our total net sales. Accordingly, we are subject to risks associated with operations in foreign countries, including:

- fluctuations in currency exchange rates;
- limitations on the remittance of dividends and other payments by foreign subsidiaries;
- additional costs of compliance with local regulations; and
- historically, in certain countries, 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 and Canadian operations could adversely affect our operations and financial results in the future.

Acquisitions

From time to time we make strategic acquisitions, including the October 2004 acquisition of Smith & Hawken®, the October 2005 acquisition of Rod McLellan Company (RMC), the November 2005 acquisition of Gutwein (Morning Song®), the May 2006 acquisition of certain assets of Turf-Seed, Inc. and the June 2006 acquisition of certain assets of Landmark Seed Company. Acquisitions have inherent risks, such as obtaining necessary regulatory approvals, retaining key personnel, integration of the acquired business, and achievement of planned synergies and projections. We have approximately $880 million of goodwill and intangible assets as of September 30, 2007, primarily related to prior acquisitions. Uncertainty regarding the future performance of the acquired businesses also results in the risk of future impairment charges related to the associated goodwill and intangible assets, such as the impairment charge recorded in fiscal 2007 relating to our investment in Smith & Hawken®.

Significant Agreement

If we were to commit a serious default under the Marketing Agreement with Monsanto for consumer Roundup® products, Monsanto may have the right to terminate the Marketing 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 the 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: (1) over a cumulative three fiscal year period; or (2) by more than 5% for each of two consecutive years.

Equity Ownership Concentration

Hagedorn Partnership, L.P. beneficially owned approximately 32% of our outstanding common shares as of November 23, 2007, and has sufficient voting power to significantly influence the election of directors and the approval of other actions requiring the approval of our shareholders.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

We lease land from the Union County Community Improvement Corporation in Marysville, Ohio for our headquarters and for our research and development facilities. We own property in Marysville, Ohio for our manufacturing and distribution facilities. Combined, these facilities are situated on approximately 750 acres of land.

The North America segment owns two additional research facilities located in Apopka, Florida; and Gervais, Oregon. We 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 also lease a controlled-release fertilizer manufacturing facility in Charleston, South Carolina. We operate 27 growing media facilities in North America — 22 of which are owned by us and 5 of which are leased. Most of our growing media facilities include production lines, warehouses, offices and field processing areas. We lease sales offices in Atlanta, Georgia; Mooresville, North Carolina; Rolling Meadows, Illinois; and Bentonville, Arkansas. We also lease a facility in Mississauga, Ontario that serves as the headquarters for our Canadian subsidiary. We own 6 seed production facilities; one for grass seed in Albany, Oregon and 5 for wild bird food in Indiana, South Dakota, South Carolina and Texas.

Scotts LawnService® conducts its company-owned operations from 78 leased facilities, primarily office/warehouse units in industrial/office parks, across the United States serving 46 metropolitan markets.

Smith & Hawken® operates 61 retail stores, which are all leased facilities primarily in shopping centers across the United States. It leases its main headquarters in Novato, California.

The International segment leases its U.K. office, located in Godalming (Surrey); its French headquarters and local operations office, located in Ecully (Lyon); a German office, located in Ingelheim; an Austrian office, located in Salzburg; an Australian office, located in Baulkan Hills (New South Wales); a Belgium sales office, located in Sint Niklaas; and a Netherlands office for its professional business, located in Waardenburg. We own manufacturing facilities in Howden, Hatfield (East Yorkshire) and Sutton Bridge, in the United Kingdom. We also own a blending and bagging facility for growing media in Hautmont, France; and a plant in Bourth, France, that we use for formulating, blending and packaging control products for the consumer market. Our site in Heerlen, the Netherlands includes a research facility, a distribution center and a manufacturing site for coated fertilizers for the consumer and professional markets. We own the land and the building for the manufacturing facility, but lease the distribution center building. We lease a research and development facility in Chazay, France. In the United Kingdom, we own a research and development facility in Levington and we lease a research and development facility in Bramford.

We lease warehouse space throughout North America 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 significant legal proceedings are as follows:

U.S. Horticultural Supply, Inc. (F/K/A E.C. Geiger, Inc.)

On November 5, 2004, U.S. Horticultural Supply, Inc. (“Geiger”) filed suit against the Company in the U.S. District Court for the Eastern District of Pennsylvania. This complaint alleges that the Company conspired with another distributor, Griffin Greenhouse Supplies, Inc., to restrain trade in the horticultural products market, in violation of Section 1 of the Sherman Antitrust Act. On June 2, 2006, the Court denied the Company’s motion to dismiss the complaint. Fact discovery ended on March 8, 2007. The Company is currently engaged in expert discovery, the deadline for completion of which is December 7, 2007. Geiger’s damages expert quantifies Geiger’s alleged damages at approximately $3.3 million, which could be trebled under the antitrust laws. The deadline for dispositive motions is January 17, 2008.

The Company continues to vigorously defend against Geiger’s claims. The Company believes that Geiger’s claims are without merit and that the likelihood of an unfavorable outcome is remote. Therefore, no accrual has been established related to this matter. However, the Company cannot predict the ultimate outcome with certainty. If the above action is determined adversely to the Company, the result could have a material adverse effect on the Company’s results of operations, financial position and cash flows. The Company had previously sued and obtained a judgment against Geiger on April 25, 2005, based on Geiger's default on obligations to the Company, and the Company is proceeding to collect that judgment.

The Scotts Company LLC v. Liberty Mutual Insurance Company

On October 25, 2006, Scotts LLC (as sucessor to Scotts) sued Liberty Mutual Insurance Company ("Liberty Mutual") in the U.S. District Court for the Southern District of Ohio. In the suit, Scotts LLC seeks damages and the rescission of a 2000 agreement between Scotts and Liberty Mutual that purports to be a complete buyout by Scotts of any insurance policies that Liberty Mutual might have issued to Scotts (the "2000 Agreement").

As alleged in Scotts LLC's complaint, in 1998, Scotts tendered certain claims to Liberty Mutual, one of its primary-layer insurers, in connection with costs incurred by Scotts for environmental liabilities. Scotts believed that it had coverage from Liberty Mutual for at least 10 years beginning in 1958 but could only locate a single policy from 1967. Liberty Mutual responded to Scotts' tender by stating that, after conducting an internal search, Liberty Mutual did not have sufficient evidence to establish that it had ever insured Scotts before 1967. Based on Liberty Mutual's representations and Scotts' inability to locate any additional Liberty Mutual policies in Scotts' own files, Scotts eventually entered into the 2000 Agreement. According to Scotts LLC's complaint, in Fall 2006, Scotts LLC discovered evidence confirming that, contrary to Scotts' representations during the negotiations leading to the 2000 Agreement, Liberty Mutual provided liability insurance to Scotts beginning in at least 1958 and, in fact, paid claims to third parties on Scotts' behalf during that period.

The complaint seeks rescission of the 2000 Agreement and seeks damages based on Liberty Mutual's breach of fiduciary duty, fraud, breach of the implied covenant of good faith and fair dealing, and bad faith denial of coverage. Scotts LLC intends to prosecute these claims vigorously. Liberty Mutual has filed an answer that denies the complaint's allegations. Discovery recently began in the case and the Court has not set a trial date.

Other

The Company has been named a defendant in a number of cases alleging injuries that the lawsuits claim resulted from exposure to asbestos-containing products, apparently based on the Company's historic use of vermiculite in certain of its products. The complaints in these cases are not specific about the plaintiffs' contacts with the Company or its products. The Company in each case is one of numerous defendants and none of the claims seeks damages from the Company alone. The Company believes that the claims against it are without merit and is vigorously defending them. It is not currently possible to reasonably estimate a probable loss, if any, associated with the cases and, accordingly, no accrual or reserves have been recorded in the Company's consolidated financial statements. There can be no assurance that these cases, whether as a result of adverse outcomes or as a result of significant defense costs, will not have a material adverse effect on the Company's financial condition, results of operations or cash flows.

The Company is reviewing agreements and policies that may provide insurance coverage or indemnity as to these claims and is pursuing coverage under some of these agreements and policies, although there can be no assurance of the results of these efforts.

On April 27, 2007, the Company received a proposed Order On Consent from the New York State Department of Environmental Conservation (the "Proposed Order") alleging that during the calendar year 2003, the Company and James Hagedorn, individually and as Chairman of the Board and the Chief Executive Officer of the Company, unlawfully donated to a Port Washington, New York youth sports organization forty bags of Scotts® LawnPro Annual Program Step 3 Insect Control Plus Fertilizer which, while federally registered, was allegedly not registered in the state of New York. The Proposed Order requests penalties totaling $695,000. The Company has made its position clear to the New York State Department of Environmental Conservation and is awaiting a response.

On November 26, 2007, the United States Department of Agriculture issued an administrative complaint alleging that Scotts LLC had violated the Plant Protection Act and the regulations promulgated thereunder, related to the testing of genetically-modified Glyphosate-tolerant creeping bentgrass. Without admitting or denying that it violated the law, on November 26, 2007, Scotts LLC entered into a Consent Decision and Order with the USDA resolving this matter. The Company has agreed to pay a civil penalty of $500,000, which had previously been accrued, and conduct three public workshops.

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 of The Scotts Miracle-Gro Company during the fourth quarter of fiscal 2007.

SUPPLEMENTAL ITEM. EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers of The Scotts Miracle-Gro Company, their positions and, as of November 23, 2007 their ages and years with The Scotts Miracle-Gro Company (and its predecessors) are set forth below.

Name	Age	Position(s) Held	Years with Company
James Hagedorn	52	President, Chief Executive Officer and Chairman of the Board	20
David C. Evans	44	Executive Vice President and Chief Financial Officer	14
Denise S. Stump	53	Executive Vice President, Global Human Resources	7
Barry W. Sanders	43	Executive Vice President, North America	6
Claude Lopez	46	Executive Vice President, International and Chief Marketing Officer	6

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

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

Mr. Hagedorn has been serving as the Chairman of the Board of the Company since January 2003; as Chief Executive Officer of the Company since May 2001 and as President of the Company since November 2006 and from May 2001 until December 2005. The Scotts Miracle-Gro Company became the public company successor to The Scotts Company which was merged into The Scotts Company LLC in March 2005. He also serves as a director for Farms For City Kids Foundation, Inc., Nurse Family Partnership, The CDC Foundation, Embry Riddle/Aeronautical University, Northshore University Hospital (New York), Scotts Miracle-Gro Foundation and the Intrepid Sea-Air-Space Museum, all charitable organizations. Mr. Hagedorn is the brother of Katherine Hagedorn Littlefield, a director of The Scotts Miracle-Gro Company.

Mr. Evans was named Executive Vice President and Chief Financial Officer of The Scotts Miracle-Gro Company on September 14, 2006. From October 2005 to September 2006, he served as Senior Vice President, Finance and Global Shared Services of The Scotts Company LLC. From October 2003 to March 2005, he served as Senior Vice President, North America of The Scotts Company and from March 2005 to September 2005, he served in the same capacity for The Scotts Company LLC following the merger of The Scotts Company into The Scotts Company LLC. From June 2001 to September 2003, he served as Vice President, Finance, North America Sales of The Scotts Company.

Ms. Stump was named Executive Vice President, Global Human Resources of The Scotts Miracle-Gro Company in March 2005. Ms. Stump was named Executive Vice President, Global Human Resources of The Scotts Company in February 2003, which was merged into The Scotts Company LLC in March 2005. She was named Senior Vice President, Global Human Resources of The Scotts Company in October 2002. From July 2001 until October 2002, Ms. Stump served as Vice President, Human Resources North America, of The Scotts Company. From September 2000 until July 2001, Ms. Stump served as Vice President, Human Resources Technology and Operations, of The Scotts Company.

Mr. Sanders was named Executive Vice President, North America of The Scotts Miracle-Gro Company in September 2007. From January 25, 2005 until September 2007, he served as Executive Vice President of Global Technologies and Operations of the Scotts Miracle-Gro Company, responsible for the Company's supply chain, information systems as well as research and development efforts. He previously led the North American and global supply chain organizations as well as the North American sales force. In 2005, he ran the Smith & Hawken® business on an interim basis. Prior to joining the Company in 2001, he was a partner with CapGemini/Ernst & Young.

Mr. Lopez was named Executive Vice President, International and Chief Marketing Officer of The Scotts Miracle-Gro Company in October 2007. Mr. Lopez leads marketing for all global consumer-facing business. He also has leadership responsibility for the Company's Global Professional and Pro Seed businesses. In September 2007, he was named Senior Vice President, International and Chief Marketing Officer of The Scotts Miracle-Gro Company. From December 2004 until September 2007, Mr. Lopez served as Senior Vice President, International of The Scotts Miracle-Gro Company. From the time Mr. Lopez joined the Company in 2001 until December 2004, he served as general manager of the Company's French business.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The common shares of The Scotts Miracle-Gro Company ("Scotts Miracle-Gro") trade on the New York Stock Exchange under the symbol "SMG." The quarterly high and low closing prices, which have not been adjusted for the special one-time cash dividend of $8.00 per share described below, for the fiscal years ended September 30, 2007 and 2006 were as follows:

	Sale Prices	
	High	Low
FISCAL 2007		
First quarter	$ 54.72	$ 44.02
Second quarter	$ 57.45	$ 40.57
Third quarter	$ 47.30	$ 42.80
Fourth quarter	$ 49.69	$ 40.60
FISCAL 2006		
First quarter	$ 48.11	$ 41.37
Second quarter	$ 50.47	$ 44.94
Third quarter	$ 47.50	$ 39.40
Fourth quarter	$ 44.98	$ 37.22

On June 22, 2005, Scotts Miracle-Gro announced that its Board of Directors had approved the establishment of a quarterly cash dividend. The $0.50 per share (adjusted for the 2-for-1 stock split distributed November 9, 2005) annual dividend has been paid in quarterly increments since the fourth quarter of fiscal 2005. In addition, the Company paid a special one-time cash dividend of $8.00 per share on March 5, 2007. The payment of future dividends, if any, on the common shares will be determined by the Board of Directors of Scotts Miracle-Gro in light of conditions then existing, including the Company's earnings, financial condition and capital requirements, restrictions in financing agreements, business conditions and other factors. Future dividend payments are currently restricted to $55 million annually under our existing credit facilities. See discussion regarding the recapitalization plan executed in the second quarter of fiscal 2007 in "ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS." Note 10 to the Consolidated Financial Statements included in this Annual Report on 10-K provides further discussion regarding the restrictions on dividend payments.

As of November 19, 2007, there were approximately 37,000 shareholders including holders of record and our estimate of beneficial holders.

There were no purchases of common shares of Scotts Miracle-Gro made by or on behalf of Scotts Miracle-Gro or any "affiliated purchaser" of Scotts Miracle-Gro as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934 for each of the three months in the quarter ended September 30, 2007.

Scotts Miracle-Gro has recently determined that during a period between October, 2006 and November 14, 2007, the trustee of the Smith & Hawken 401(k) Plan purchased for the Smith & Hawken 401(k) Plan 649 common shares of Scotts Miracle-Gro which were not registered in accordance with the Securities Act of 1933, as amended (the "Securities Act"). Although all purchases made by the trustee of the Smith & Hawken 401(k) Plan for the Smith & Hawken 401(k) Plan were made in the open market and in a manner consistent with the Smith & Hawken 401(k) Plan and the investment elections of the Smith & Hawken 401(k) Plan participants, because the common shares of Scotts Miracle-Gro purchased by the Smith & Hawken 401(k) Plan trustee for the Smith & Hawken 401(k) Plan were not registered, the Smith & Hawken 401(k) Plan participants may have a right to rescind their purchases made through the Smith & Hawken 401(k) Plan. Scotts Miracle-Gro believes that damages resulting from successful claims against Scotts Miracle-Gro for its failure to register the Scotts Miracle-Gro common shares that were purchased through the Smith & Hawken 401(k) Plan would have a negligible effect on Scotts Miracle-Gro. At this time, Scotts Miracle-Gro does not intend to make a rescission offer to participants in the Smith & Hawken 401(k) Plan.

ITEM 6. SELECTED FINANCIAL DATA

Five-Year Summary(1)
For the fiscal year ended September 30,
(in millions, except per share amounts)

	2007	2006(2)	2005(2)	2004	2003
OPERATING RESULTS(3):					
Net sales	$2,871.8	$2,697.1	$2,369.3	$2,106.5	$1,941.6
Gross profit	1,004.5	955.9	860.4	792.4	701.7
Income from operations	277.1	252.5	200.9	252.8	231.6
Income from continuing operations (net of tax)	113.4	132.7	100.4	100.5	103.2
Net income	113.4	132.7	100.6	100.9	103.8
Depreciation and amortization	67.5	67.0	67.2	57.7	52.2
FINANCIAL POSITION:					
Working capital	412.7	445.8	301.6	396.7	364.4
Current ratio	1.7	1.9	1.6	1.9	1.8
Property, plant and equipment, net	365.9	367.6	337.0	328.0	338.2
Total assets	2,277.2	2,217.6	2,018.9	2,047.8	2,030.3
Total debt to total book capitalization(4)	70.0%	30.8%	27.7%	41.9%	51.0%
Total debt	1,117.8	481.2	393.5	630.6	757.6
Total shareholders' equity	479.3	1,081.7	1,026.2	874.6	728.2
CASH FLOWS:					
Cash flows from operating activities	246.6	182.4	226.7	214.2	216.1
Investments in property, plant and equipment	54.0	57.0	40.4	35.1	51.8
Investments in acquisitions, including seller note payments	21.4	122.9	84.6	20.5	57.1
PER SHARE DATA:					
Basic earnings per common share	$ 1.74	$ 1.97	$ 1.51	$ 1.56	$ 1.68
Diluted earnings per common share	1.69	1.91	1.47	1.52	1.62
Total cash dividends paid	543.6	33.5	8.6	—	—
Regular cash dividends per share(5)	$ 0.50	$ 0.50	$ 0.125	—	—
Special cash dividend per share(6)	8.00	—	—	—	—
Stock price at year-end(6)	42.75	44.49	43.97	32.08	27.35
Stock price range — High(6)	57.45	50.47	43.97	34.28	28.85
Stock price range — Low(6)	40.57	37.22	30.95	27.63	21.77
OTHER:					
Adjusted EBITDA(7)	382.6	385.9	291.5	310.5	283.8
Interest coverage (Adjusted EBITDA/interest expense)(7)	5.4	9.7	7.0	6.4	4.1
Weighted average common shares outstanding	65.2	67.5	66.8	64.7	61.8
Common shares and dilutive potential common shares used in diluted EPS calculation	67.0	69.4	68.6	66.6	64.3

(1) All common share and per share information presented in the above five-year summary have been adjusted to reflect the 2-for-1 stock split of the common shares which was distributed on November 9, 2005 to shareholders of record on November 2, 2005.

(2) Fiscal 2006 includes Rod McLellan Company, Gutwein & Co., Inc. and certain brands and assets acquired from Turf-Seed, Inc. and Landmark Seed Company from the dates of acquisition. Fiscal 2005 includes Smith & Hawken® from the October 2, 2004 date of acquisition. See further

discussion of acquisitions in Note 7 to the Consolidated Financial Statements included in this Annual Report on Form 10-K.

(3) Operating results includes the following items segregated by accounts impacted on the Consolidated Statements of Operations included with the Consolidated Financial Statements included in this Annual Report on Form 10-K.

	For the Fiscal Year Ended September 30,				
	2007	2006	2005	2004	2003
Net sales includes the following relating to the Roundup® Marketing Agreement:					
Net commission income (expense)	$41.9	$ 39.9	$ (5.3)	$28.5	$17.6
Reimbursements associated with the Roundup® Marketing Agreement	47.7	37.6	40.7	40.1	36.3
Deferred contribution charge (see Note 4 to the Consolidated Financial Statements included in this Annual Report on Form 10-K)	—	—	(45.7)	—	—
Cost of sales includes:					
Costs associated with the Roundup® Marketing Agreement	47.7	37.6	40.7	40.1	36.3
Restructuring and other charges (income)	—	0.1	(0.3)	0.6	9.1
Selling, general and administrative includes:					
Restructuring and other charges	2.7	9.3	9.8	9.1	8.0
Impairment charges	35.3	66.4	23.4	—	—
Interest expense includes:					
Costs related to refinancings	18.3	—	1.3	45.5	—

(4) The total debt to total book capitalization percentage is calculated by dividing total debt by total debt and shareholders' equity.

(5) The Company began paying a quarterly dividend of 12.5 cents per share in the fourth quarter of fiscal 2005.

(6) The Company paid a special one-time cash dividend of $8.00 per share on March 5, 2007. Stock prices have not been adjusted for this special one-time cash dividend.

(7) Given our significant borrowings, we view our credit facilities as material to our ability to fund operations, particularly in light of our seasonality. Reference should be made to "ITEM 1A. RISK FACTORS," in this Annual Report on Form 10-K for a more complete discussion of risks associated with the Company's debt and our credit facilities and related covenants. Our ability to generate cash flows sufficient to cover our debt service costs is essential to our ability to maintain our borrowing capacity. We believe that Adjusted EBITDA provides additional information for determining our ability to meet debt service requirements. The presentation of Adjusted EBITDA herein is intended to be consistent with the calculation of that measure as required by our borrowing arrangements, and used to calculate a leverage ratio (maximum of 4.75 at September 30, 2007) and an interest coverage ratio (minimum of 2.75 for the year ended September 30, 2007). The Company's leverage ratio was 3.56 at September 30, 2007 and our interest coverage ratio was 5.4 for the year ended September 30, 2007.

In accordance with the terms of our credit facilities, Adjusted EBITDA is defined as net income before interest, taxes, depreciation and amortization, as well as certain other items such as the impact of discontinued operations, the cumulative effect of changes in accounting, costs associated with debt refinancings, and other non-recurring, non-cash items effecting net income. Adjusted EBITDA does not represent and should not be considered as an alternative to net income or cash flow from operations as determined by accounting principles generally accepted in the United States of America, and Adjusted EBITDA does not necessarily indicate whether cash flow will be sufficient to meet cash requirements. Interest coverage is calculated as Adjusted EBITDA divided by interest expense excluding costs related to refinancings.

A numeric reconciliation of net income to Adjusted EBITDA is as follows:

	2007	2006	2005	2004	2003
Net income	$ 113.4	$ 132.7	$ 100.6	$ 100.9	$ 103.8
Interest	70.7	39.6	41.5	48.8	69.2
Income taxes	74.7	80.2	57.7	58.0	59.2
Deprecation and amortization	67.5	67.0	67.2	57.7	52.2
Impairment, restructuring and other charges	38.0	66.4	23.4	—	—
Discontinued operations	—	—	(0.2)	(0.4)	(0.6)
Costs related to refinancings	18.3	—	1.3	45.5	—
Adjusted EBITDA	$ 382.6	$ 385.9	$ 291.5	$ 310.5	$ 283.8

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

The purpose of this discussion is to provide an understanding of the financial results and condition of The Scotts Miracle-Gro Company ("Scotts Miracle-Gro") and its subsidiaries (collectively, the ''Company") by focusing on changes in certain key measures from year to year. Management's Discussion and Analysis ("MD&A") is organized in the following sections:

- Executive summary
- Results of operations
- Management's outlook
- Liquidity and capital resources
- Critical accounting policies and estimates

Executive Summary

We are dedicated to delivering strong, consistent financial results and outstanding shareholder returns by providing consumers with products of superior quality and value to enhance their outdoor living environments. We are a leading manufacturer and marketer of consumer branded products for lawn and garden care and professional horticulture in North America and Europe. We are Monsanto's exclusive agent for the marketing and distribution of consumer Roundup® non-selective herbicide products within the United States and other contractually specified countries. We entered the North America wild bird food category with the acquisition of Gutwein & Co., Inc. ("Gutwein") in November 2005, and the outdoor living category with the acquisition of Smith & Hawken® in October 2004. We 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®. In fiscal 2007, our operations continued to be divided into the following reportable segments: North America, Scotts LawnService®, International, and Corporate & Other. The Corporate & Other segment consists of the Smith & Hawken® business and unallocated corporate general and administrative expenses.

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 net sales annually on media advertising to support and promote our products and brands. We have applied this consumer marketing focus for a number of years, and believe that we receive a significant return on these marketing expenditures. We expect continued focus on consumer oriented marketing with additional targeted investments in consumer marketing expenditures to continue driving market share and sales growth.

Weather conditions can have an impact on our sales. For instance, periods of wet weather can adversely impact sales of certain products, while increasing demand for other products. During fiscal 2007, our sales were adversely impacted by cold weather during the critical April selling period in North America and by an abnormally dry summer in the southeast United States. We believe that our past acquisitions have somewhat diversified both our product line risk and geographic risk to weather conditions.

	Percent of Net Sales by Quarter		
	2007	2006	2005
First Quarter	9.5%	9.3%	10.4%
Second Quarter	34.6%	33.6%	34.3%
Third Quarter	38.2%	38.9%	38.0%
Fourth Quarter	17.7%	18.2%	17.3%

Due to the nature of our lawn and garden business, significant portions of our shipments occur in the second and third fiscal quarters. Retailers continue to place reliance on our ability to deliver products “in season” when consumer demand is the highest in order to help mitigate the need to carry large seasonal inventories.

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

Our consumer International business was a strength during fiscal 2007 with improved performance in every major market. Over the past several years, we have reorganized and rationalized our European supply chain and increased sales force productivity. Current efforts are focused on improving our competitive position, continuing to reduce supply chain and SG&A costs within this segment, and realigning the organization to better leverage our knowledge of the marketplace and the consumer. We are working towards pan-European category management of our consumer product portfolio. Now that we have shown we can succeed in Europe, we intend to make necessary investments to continue to win with consumers and our retail partners.

We view strategic acquisitions as a means to enhance our strong core businesses, and were successful in completing several such acquisitions during fiscal 2006. Rod McLellan Company (“RMC”), a leading branded producer and marketer of soil and landscape products in the western U.S., was acquired and integrated into our existing Growing Media business. Gutwein, a leader in the growing North America wild bird food category, also was acquired. Gutwein’s Morning Song® products are sold at leading mass retailers, grocery, pet and general merchandise stores. This acquisition marked our entry into the wild bird food category that we believe has exciting growth opportunities. Lastly, two additional acquisitions were consummated that have strengthened the Company’s overall global position in the turfgrass seed category. First, we acquired certain assets, including brands, turfgrass varieties and intellectual property, from Oregon-based Turf-Seed, Inc. (“Turf-Seed”), a leading producer of quality commercial turfgrasses for the professional seed business. The transaction included a 49% equity interest in Turf-Seed Europe, which distributes Turf-Seed’s grass varieties throughout the European Union and other countries in the region. We also acquired certain assets of Oregon-based Landmark Seed Company, a leading producer and distributor of quality professional seed and turfgrasses, including its brands, turfgrass varieties and intellectual property.

Given Scotts Miracle-Gro’s strong performance and consistent cash flows, our Board of Directors undertook several actions over the past two years to return cash to our shareholders. We began paying a quarterly cash dividend of 12.5 cents per share in the fourth quarter of fiscal 2005. In fiscal 2006, our Board launched a five-year $500 million share repurchase program pursuant to which we repurchased 2.0 million common shares for $87.9 million during fiscal 2006. Most recently, on December 12, 2006, we launched a recapitalization plan to return $750 million to the Company’s shareholders. This plan expanded and accelerated the previously announced five-year $500 million share repurchase program (which was canceled). Pursuant to the recapitalization plan, on February 14, 2007, we completed a modified “Dutch auction” tender offer, resulting in the repurchase of 4.5 million of our common shares for an aggregate purchase price of $245.5 million ($54.50 per share). On February 16, 2007, our Board of Directors declared a special one-time cash dividend of $8.00 per share ($508 million in the aggregate) which was paid on March 5, 2007, to shareholders of record on February 26, 2007.

In order to fund the recapitalization, we entered into new credit facilities effective February 2007, aggregating $2.15 billion and terminated our prior credit facility. As part of this debt restructuring, we also conducted a cash tender offer for all of our outstanding $6^5/_8$% senior subordinated notes in an aggregate principal amount of $200 million. Reference should be made to Note 10 to the Consolidated Financial Statements included in this Annual Report on Form 10-K for further information as to the new credit facilities and the repayment and termination of the prior credit facility and the $6^5/_8$% senior subordinated notes.

The actions described above reflect management's confidence in the continued growth of the Company. Strong and consistent cash flows can support the higher levels of debt necessary to finance these actions, as discussed in the Liquidity and Capital Resources section of this MD&A. Even with an increase in borrowings as a result of the fiscal 2007 recapitalization transactions, we believe we will maintain the capacity to pursue targeted, strategic acquisitions that leverage our core competencies.

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, 2007:

	2007	2006	2005
Net sales	100.0%	100.0%	100.0%
Cost of sales	65.0	64.6	63.7
Gross profit	35.0	35.4	36.3
Operating expenses:			
Selling, general and administrative	24.4	23.6	26.7
Impairment, restructuring and other charges	1.4	2.8	1.4
Other income, net	(0.4)	(0.4)	(0.3)
Income from operations	9.6	9.4	8.5
Costs related to refinancings	0.6	—	0.1
Interest expense	2.5	1.5	1.8
Income before income taxes	6.5	7.9	6.6
Income taxes	2.6	3.0	2.4
Income from continuing operations	3.9	4.9	4.2
Income from discontinued operations	—	—	—
Net income	3.9%	4.9%	4.2%

Net Sales

Consolidated net sales for fiscal 2007 increased 6.3% to $2.87 billion from $2.70 billion in fiscal 2006, while for fiscal 2006, net sales increased 13.8% to $2.70 billion from $2.37 billion in fiscal 2005. Significantly impacting the rate of sales growth in both years were the following items:

	2007	2006
Net sales growth	6.3%	13.8%
Acquisitions	(1.3)	(5.0)
Impact of $45.7 million charge in fiscal 2005 associated with deferred contribution liability under Roundup® Marketing Agreement	—	(1.9)
Foreign exchange rates	(1.6)	0.4
Adjusted net sales growth	3.4%	7.3%

The adjusted net sales increase of 3.4% is reflective of the weather-related challenges we experienced this year in the largest part of our business, the North America segment. Extreme cold and wet weather in April discouraged consumer usage during this key period, and these lost opportunities were not recovered as the weather improved later in the spring. As we moved into the summer, heat and drought for large portions of the country created difficult lawn care conditions discouraging many of our do-it-yourself consumers from investing in their lawns. While we saw strong growth in the gardening category, in our Scotts LawnService® business, and our International segment, the adverse impact of weather on the important North American lawns business overshadowed these successes.

The adjusted net sales growth of 7.3% in fiscal 2006 was driven by strong growth in our North American consumer business and the Scotts LawnService® business. In contrast, a difficult lawn and garden market in Europe during fiscal 2006 contributed to a net sales decline after adjusting for the effect of exchange rates.

Gross Profit

As a percentage of net sales, gross profit was 35.0% of net sales for fiscal 2007 compared to 35.4% for fiscal 2006. This decline in gross profit percent was due to a 90 basis point decline for the North America segment, due almost entirely to unfavorable product mix. Strong net sales growth in the lower margin wild bird food and growing media businesses, coupled with a net sales decline in our higher margin lawns business, were the drivers behind this decrease. Offsetting this decline in North America were gross profit improvements from Scotts LawnService®, Smith & Hawken® and our International segment.

As a percentage of net sales, gross profit was 35.4% of net sales for fiscal 2006 compared to 36.3% for fiscal 2005. Adjusting for the effect of the $45.7 million Roundup® contribution charge recorded in fiscal 2005 (see Note 4 to the Consolidated Financial Statements included in this Annual Report on Form 10-K), the fiscal 2005 gross profit rate was 37.5%, 210 basis points higher than fiscal 2006. Acquisitions accounted for 70 basis points of the decline, as the margins of these businesses are below our historical average. Product mix adversely affected margins by 80 basis points, due in part to significant increases in sales of lower margin grass seed and garden soils. Increased costs for fuel and commodities exceeded price increases, resulting in 90 basis point decline in gross margin as a percentage of net sales. The offsetting 30 basis point differential is comprised of miscellaneous other items.

Selling, General and Administrative Expenses (in millions)

	2007	2006	2005
Advertising	$150.9	$137.3	$122.5
Advertising as a percentage of net sales	5.3%	5.1%	5.2%
Selling, general and administrative (other SG&A)	$519.2	$468.7	$486.6
Stock-based compensation	15.5	15.7	9.9
Amortization of intangibles	15.3	15.2	14.8
	$700.9	$636.9	$633.8

Advertising expenses in fiscal 2007 were $150.9 million, an increase of $13.6 million or 9.9% from fiscal 2006. Fiscal 2006 advertising expenses were $137.3 million, an increase of $14.8 million or 12.1% from fiscal 2005. On a percentage of net sales basis, advertising expenses were 5.3% of net sales in fiscal 2007, 5.1% in fiscal 2006, and 5.2% in fiscal 2005. The fiscal 2007 increase as a percent of net sales was due to an effort to drive consumer interest and reinvigorate the lawns category following weak net sales performance in April. This strategy continued on into the fourth quarter of fiscal 2007. The percentage of net sales decline in fiscal 2006 versus fiscal 2005 was due to the shift of some planned increases in traditional media advertising to consumer directed promotions funded via programs with our retail partners, which are accounted for as a reduction to net sales. The combination of higher advertising spending and consumer promotions led to an 18% increase in spending for the North American consumer business in fiscal 2006.

In fiscal 2007, other SG&A spending increased $50.5 million or 10.8% from fiscal 2006. A sizable increase in Scotts LawnService® infrastructure ($20.4 million), the adverse effect of foreign exchange rates on spending outside the United States ($11.3 million), and a nonrecurring benefit in fiscal 2006 ($10.1 million) for an insurance recovery relating to past legal costs incurred in our defense of lawsuits regarding our use of vermiculite were the primarily drivers behind the increase. Spending on incentives was at less than target in both fiscal 2007 and fiscal 2006, with the benefit to fiscal 2007 approximating $10 million. In fiscal 2006, other SG&A spending decreased $17.9 million or 3.7% from fiscal 2005. This decrease reflects savings from our fiscal 2005 Project Excellence initiative coupled with the $10.1 million insurance recovery benefit. Partially offsetting these decreases in other SG&A spending were increased spending in support of our rapidly expanding Scotts LawnService® business and $4.2 million attributable to our wild bird food acquisition early in fiscal 2006.

We began expensing share-based awards commencing with grants issued in fiscal 2003. The majority of our share-based awards vest over three years, with the associated expense recognized ratably over the vesting period. Prior to the fiscal 2006 adoption of Statement of Financial Accounting Standards ("SFAS") No. 123(R), "Share-Based Payment," forfeitures were recognized as incurred. Our stock-based compensation expense now reflects an estimate of forfeitures. The increase in stock-based compensation in fiscal 2006 as compared to fiscal 2005 was primarily attributable to an increase in the number of fiscal 2006 awards to key employees coupled with a higher unit grant value due to our relatively higher stock price, and a forfeiture adjustment in fiscal 2005 that reduced expense in that year by approximately $2.2 million.

Amortization expense of $15.3 million in fiscal 2007 is comparable to $15.2 million in fiscal 2006 and $14.8 million in fiscal 2005. Strengthening foreign currencies relative to the dollar over the past two years has served to increase amortization expense slightly along with the addition of new amortizing intangibles from acquisitions.

Impairment, Restructuring and Other Charges, net (in millions)

	2007	2006	2005
Goodwill and intangible asset impairment	$35.3	$66.4	$ 23.4
Restructuring — severance and related	—	9.3	26.3
Litigation related income	—	—	(16.8)
Other	2.7	—	0.3
	$38.0	$75.7	$ 33.2

Since its adoption of SFAS 142, "Goodwill and Other Intangible Assets", the Company has conducted its annual impairment review of indefinite-lived tradenames and goodwill during its first fiscal quarter. The impairment analysis for the first quarter of fiscal 2007 indicated that no impairment charges were required. During the third quarter of fiscal 2007, the Company changed the timing of its annual goodwill impairment testing from the last day of our fiscal first quarter to the first day of our fiscal fourth quarter. Therefore, we performed our annual impairment test again as of July 1, 2007. Moving the timing of our annual goodwill impairment testing better aligns with the seasonal nature of our business and the timing of our annual strategic planning process. In addition, the Company also changed the date of its annual indefinite life intangible impairment testing to the first day of our fiscal fourth quarter. Management engages an independent valuation firm to assist in its impairment assessment reviews.

Our fourth quarter fiscal 2007 impairment review resulted in a non-cash goodwill and intangible asset impairment charge of $35.3 million. In part as a result of the disappointing 2007 lawn and garden season, management undertook a comprehensive strategic update of its business initiatives in the fourth quarter of fiscal 2007. One outcome of this update was a decision to increase the focus of Company resources on our core consumer lawn and garden do-it-yourself businesses. This process also involved a re-evaluation of the strategy and cash flow projections surrounding our Smith & Hawken® business, which has consistently performed below expectations since it was acquired in early fiscal 2005. While management remains committed to the outdoor living category and intends to more vigorously leverage the Smith & Hawken® brand in other lawn and garden categories, we revised our Smith & Hawken® strategy to reflect a scaled back retail expansion plan, with an increased focus on aggressively expanding our wholesale aspect of this business. This resulted in a decrease in our prior cash flow projections for this business, resulting in a $24.6 million goodwill impairment charge and a $4.6 million impairment charge for an indefinite-lived tradename. The goodwill impairment charge is an estimate, as appraisals necessary to complete the required SFAS 142 evaluation of the Smith & Hawken® goodwill remain in process as of the date of this report. We will finalize this evaluation in the first quarter of fiscal 2008 and, if necessary, update the impairment charge for Smith & Hawken® goodwill in that reporting period.

Our fiscal 2007 fourth quarter strategic update also encompassed other areas. We remain strongly committed to the development of turfgrass varieties that could one day require less mowing, less water and fewer treatments to resist insects, weeds and disease. Our efforts to develop such turfgrass varieties include conventional breeding programs, as well as research and development involving biotechnology. Our efforts to develop turfgrass varieties involving biotechnology have yielded positive results; however, the required regulatory approval process is taking longer than anticipated, impacting our ability to commercialize our innovations. As result of our fiscal 2007 fourth quarter strategic update, we recorded a $2.2 million goodwill impairment charge related to our turfgrass biotechnology program. Similarly, a strategic update of certain information technology initiatives in our Scotts LawnService® segment resulted in a $3.9 million impairment charge.

Our annual impairment review in the first quarter of fiscal 2006 resulted in an impairment charge of $1.0 million associated with a tradename no longer in use in our U.K. consumer business. Category declines in the European consumer markets during the 2006 season resulted in a decline in the profitability of the consumer component of our International business segment in fiscal 2006. As such, we undertook an interim impairment test for this business in the fourth quarter of fiscal 2006. After an evaluation, management reached the conclusion that the projections supporting fiscal 2006 first quarter impairment testing for the consumer component of our International business segment were unlikely to be met. As a result of this evaluation, we recorded a $65.4 million non-cash impairment charge, $62.3 million of which was associated with indefinite-lived tradenames that continue to be employed in the consumer portion of our International segment. The balance of the fiscal 2006 fourth quarter impairment charge was in our North America segment and consisted of $1.3 million for a Canadian tradename being phased out and $1.8 million related to goodwill of a pottery business we exited.

Other charges in fiscal 2007 relate to certain assets and ongoing monitoring and remediation costs associated with our turfgrass biotechnology program. Restructuring activities in fiscal 2006 and fiscal 2005 related primarily to organizational reductions associated with Project Excellence initiated in the third quarter of fiscal 2005. As a result of this program, approximately 110 associates accepted early retirement or were severed during the last four months of fiscal 2005. Approximately 110 additional associates exited in fiscal 2006.

Other Income, net

Other income, net was $11.5 million for fiscal 2007, $9.2 million for fiscal 2006, and $7.5 million for fiscal 2005. Royalty income amounted to $9.9 million in fiscal 2007 and $6.8 million in fiscal 2006. Other income in fiscal 2005 included a $4.1 million gain from a legal judgment.

Income from Operations

Income from operations in fiscal 2007 was $277.1 million compared to $252.5 million in fiscal 2006, an increase of $24.6 million. Both years were negatively impacted by impairment, restructuring and other charges that, if excluded, results in a decline of $13.1 million of income from operations in fiscal 2007 as compared to fiscal 2006. The adverse effects of weather on net sales growth coupled with a 40 basis point decline in gross profit and SG&A spending increases were the drivers behind this decline.

Income from operations in fiscal 2006 increased $51.6 million from fiscal 2005. Income from operations in fiscal 2006 was negatively impacted by $66.4 million from impairment charges and an additional $9.4 million of restructuring charges. Income from operations in fiscal 2005 was negatively impacted by the following charges: (1) $45.7 million related to the Roundup® deferred contribution charge; (2) a $22.0 million charge for impairment of U.K. intangibles; and (3) $26.3 million in restructuring charges. These were partially offset by $16.8 million of litigation related income. If these unusual factors were excluded from the year-over-year comparison, fiscal 2006 would show an 18% improvement over fiscal 2005. Higher net sales and Project Excellence savings, offset by a gross margin rate decline and growth in advertising spending, were the major contributors to the adjusted 18% growth in income from operations.

Interest Expense and Refinancing Activities

Interest expense in fiscal 2007 was $70.7 million compared to $39.6 in fiscal 2006. This increase in interest expense was attributable to an increase in borrowings resulting from the recapitalization transactions that were consummated during the second quarter of fiscal 2007, coupled with an increase in our weighted average interest rate resulting from our increased leverage and higher LIBOR rates in general. Average borrowings increased $422.5 million, and weighted average interest rates increased by 70 basis points, in fiscal 2007 as compared to the prior fiscal year. We also recorded $18.3 million in costs related to the refinancing undertaken to facilitate the recapitalization transactions.

Income Taxes

The effective tax rate for fiscal 2007 was 39.7% compared to 37.7% in fiscal 2006 and 36.5% in fiscal 2005. The increase in the effective tax rate for fiscal 2007 was due to the goodwill impairment charge which is not deductible for tax purposes. The effective tax rate in fiscal 2006 was higher than fiscal 2005 due to favorable settlements in fiscal 2005 related to prior year foreign tax audits. We anticipate the effective tax rate will be in the range of 36% to 37% for fiscal 2008.

Net Income and Earnings per Share

While income from operations increased $24.6 million over fiscal 2006, net income decreased from $132.7 million or $1.91 per diluted share in fiscal 2006 to $113.4 million or $1.69 per diluted share in fiscal 2007. Adverse weather conditions in North America negatively impacted net sales, particularly during the important month of April. Costs related to the refinancing, increased levels of debt, and a higher weighted average interest rate resulting from the recapitalization transactions coupled with a higher effective tax rate caused the decline. Average diluted shares outstanding decreased from 69.4 million in fiscal 2006 to 67.0 million in fiscal 2007, due to the modified “Dutch auction” tender offer that resulted in the repurchase of 4.5 million of our common shares, weighted for the period outstanding, as part of the recapitalization transactions consummated in the second quarter of fiscal 2007.

Net income increased from $100.6 million or $1.47 per diluted share in fiscal 2005 to $132.7 million or $1.91 per diluted share in fiscal 2006. As described in the “Income from Operations” discussion, the benefit from net sales growth and Project Excellence savings was offset by impairment and restructuring charges in fiscal 2006, while similar factors impacted fiscal 2005 along with the Roundup® deferred contribution charge. Average diluted shares outstanding increased from 68.6 million in fiscal 2005 to 69.4 million in fiscal 2006, due to option exercises and the impact on common share equivalents of a higher average share price, partially offset by the repurchase of our common shares under a share repurchase program approved by our Board of Directors in November 2005.

Segment Results

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

Net Sales by Segment (in millions)

	2007	2006	2005
North America	$1,988.3	$1,914.5	$1,668.1
Scotts LawnService®	230.5	205.7	159.8
International	469.8	408.5	430.3
Corporate & Other	184.0	169.2	159.6
Segment total	2,872.6	2,697.9	2,417.8
Roundup® deferred contribution charge	—	—	(45.7)
Roundup® amortization	(0.8)	(0.8)	(2.8)
	$2,871.8	$2,697.1	$2,369.3

Income from Operations by Segment (in millions)

	2007	2006	2005
North America	$375.4	$391.2	$ 355.4
Scotts LawnService®	11.3	15.6	13.1
International	35.0	28.5	34.3
Corporate & Other	(90.5)	(91.0)	(105.7)
Segment total	331.2	344.3	297.1
Roundup® deferred contribution charge	—	—	(45.7)
Roundup® amortization	(0.8)	(0.8)	(2.8)
Amortization	(15.3)	(15.2)	(14.8)
Impairment of intangibles and goodwill	(35.3)	(66.4)	(23.4)
Restructuring and other charges	(2.7)	(9.4)	(9.5)
	$277.1	$252.5	$ 200.9

North America

Segment net sales were $1.99 billion in fiscal 2007, an increase of 3.9% from fiscal 2006. Excluding the impact of acquisitions, net sales improved 2.5%, approximately 1.9% of which was a result of pricing. Adverse weather conditions for much of the core selling season disproportionately impacted the lawns business, which includes both fertilizers and grass seed, resulting in a 5.6% decline in net sales. The other core businesses were less impacted by the weather, with net sales in the gardening category (growing media and plant food) up 7.4% and Ortho® up 2.9%. Net sales in our wild bird food business improved 13.5% as we began to see success from the launch of Scotts® branded bird food at Wal*Mart, combined with significant pricing increases in the latter portion of fiscal 2007. The increase in net sales did not generate the gross margin improvement needed to offset the growth in advertising and other SG&A spending, with the result being a decline in segment operating income of $15.8 million or 4.0%.

For fiscal 2006, segment net sales were $1.91 billion, an increase of 14.8% from fiscal 2005. Excluding the impact of acquisitions, sales improved 7.9%, approximately 1.9% of which was a result of pricing. Each of the core businesses performed well, with lawns business up 10.5%, gardening up 16.0% benefiting from the very successful launch of Miracle-Gro® LiquaFeed®, and Ortho® net sales down 1.5% due to an unfavorable season for weed control products. The overall net sales growth and Project Excellence savings, offset by a gross margin rate decline and growth in advertising spending, led to an increase in segment operating income of $35.8 million or 10.1%.

Scotts LawnService®

Segment net sales increased 12.1% to $230.5 million for fiscal 2007. This revenue growth was primarily attributable to an 11.9% increase in average customer count. Approximately 3.6% of the revenue increase came from acquisitions completed in fiscal 2006 and fiscal 2007. The increase in sales and customer count in fiscal 2007 were lower than we expected. We believe the extended cold weather from mid-February through mid-April had a significant impact on the realized rate of growth. We further believe that relative to our core business, our service segment was more sensitive to the impact of broader economic factors on consumer spending.

Operating income for this segment decreased to $11.3 million from $15.6 million for fiscal 2006. The decrease in operating income was primarily attributable to higher planned SG&A spending to support higher volume and continued service improvements. Improved labor productivity helped to offset higher fertilizer and fuel costs, but revenue growth was not adequate to cover the higher levels of SG&A spending due to adverse weather conditions during the important late winter / early spring period.

For fiscal 2006, segment net sales increased $45.9 million or 28.7%. This growth in net sales came from increased customer counts and revenue per customer, strong customer retention, pricing to cover increased input costs, modest geographic expansion and the full year impact of acquisitions. Operating income for the segment increased $2.5 million or 19.1% in fiscal 2006. This increase was the result of revenue growth offset by investments in personnel and infrastructure to support future growth and service levels.

We continue to expand our Scotts LawnService® business through internal growth and, to a lesser extent, acquisitions. We invested $22.5 million of capital in lawn care acquisitions in fiscal 2007, and $4.4 million in fiscal 2006. Acquisitions had been a major factor in the growth of the lawn care business prior to fiscal 2004. While we expect to continue making selective acquisitions in future years, we anticipate the majority of the future growth in our lawn care business will be organic.

International

Net sales for the International segment in fiscal 2007 increased by 15.0% or $61.3 million compared to fiscal 2006. Excluding the effects of currency fluctuations, net sales increased 5.5%. This segment saw improvement in every major market, with our two largest markets, France and the United Kingdom, up 11% and 2% for the fiscal year, respectively, as measured in local currencies. Our international professional business also delivered consistent growth with a 9% increase in net sales from the prior year.

Net sales for the International segment in fiscal 2006 declined by 5.1% or $21.8 million compared to fiscal 2005. Excluding the effects of currency fluctuations, net sales declined 1.7%. The retail environment in Europe was challenging with category sales down in both the United Kingdom and France, our two largest European markets. We believe listing improvements had resulted in market share gains; however, these gains did not result in top line growth due to the category declines.

In fiscal 2007, International operating income increased $6.5 million or 22.8% as compared to fiscal 2006. A steady gross margin on higher net sales and tight control over growth in SG&A spending contributed to the increase. Operating income decreased $5.8 million or 16.9% in fiscal 2006, compared to fiscal 2005. Lower sales and gross margins were partially offset by reduced SG&A spending, resulting in the year-over-year decline.

Corporate & Other

The loss from operations in Corporate & Other was $90.5 million in fiscal 2007, $91.0 million in fiscal 2006, and $105.7 million in fiscal 2005. Spending at the Corporate level declined more than the numbers indicate for fiscal 2007, as fiscal 2006 benefited from the $10.1 million insurance recovery. Significant reductions in legal and Sarbanes-Oxley compliance costs in fiscal 2006 served to reduce the loss as compared to fiscal 2005, although a loss in our Smith & Hawken® business mitigated the impact of these cost reductions.

Management's Outlook

We were satisfied with our financial performance in fiscal 2007 in light of the challenges caused by weather and macroeconomic pressures that affected our major retail partners. Despite these issues, we reported record net sales and improvement in consumer purchases of our products as measured by point-of-sale data provided by our major retail partners. In addition, net cash provided by operating activities less capital investments amounted to an impressive $192.6 million.

As we look to fiscal 2008, we expect that net income and earnings per share are likely to be in line with the results we reported in fiscal 2007. While we anticipate organic sales growth in our core North America segment, a moderating retail environment could result in lower growth rates in fiscal 2008 than we have reported in recent years. Additionally, the Company expects to make certain incremental strategic investments as well as report higher interest expense throughout fiscal 2008. Some of the increased spending in fiscal 2008 will be specifically focused on initiatives outlined in the "Strategic Initiatives" section of "ITEM 1. BUSINESS," all of which are expected to increase operating profits over the long-term.

From a financial perspective, the Company remains focused on continuing to improve its Free Cash Flow and Return on Invested Capital (ROIC), both of which the Company believes are important drivers of shareholder value. Our regular quarterly dividend will allow us to continue to return funds to shareholders while maintaining our targeted capital structure and flexibility to pursue strategic acquisition opportunities.

For certain information concerning our risk factors, see "ITEM 1A. RISK FACTORS."

Liquidity and Capital Resources

Operating Activities

Although net income plus noncash impairment charges, stock-based compensation expense, depreciation and amortization declined by $49.6 million from $281.8 in fiscal 2006 to $232.2 million in fiscal 2007, net cash provided from operating activities for fiscal 2007 increased by $64.2 million over fiscal 2006. Factors that negatively impacted operating cash flow in fiscal 2006 were the utilization of $63.9 million in cash plus $34.3 million in accounts payable to fund an increase of $98.2 million of accounts receivable and inventories. We undertook an inventory build in North America in the fourth quarter of fiscal 2006 to take advantage of a historical trough in urea costs and to increase the predictability of fiscal 2007 costs. Smith & Hawken® inventories also increased in fiscal 2006 as a result of a conscious early season effort to improve customer service; however, sales subsequently did not meet expectations. By comparison, there were only modest changes in outstanding amounts of accounts receivable, inventories, and accounts payable at the end of fiscal 2007 versus 2006. Fiscal 2006 also used $43.0 million of operating cash flows to fund the Roundup® deferred contribution payment in October 2005. Lastly, fiscal 2007 operating cash flow includes the add back of $18.3 million of financing costs related to the recapitalization that are reflected as a financing cost.

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 of the year in line with the timing of sales to support our retailers spring selling season. These balances liquidate during the June through September period as the lawn and garden season unwinds. Unlike our core retail business, Scotts LawnService® typically has its highest receivables balances in the fourth quarter because of the seasonal timing of customer applications and extra service revenues.

Investing Activities

Cash used in investing activities was $72.2 million and $174.1 million for fiscal 2007 and fiscal 2006, respectively. Our acquisitions of Gutwein, RMC, and certain brands and assets of Landmark Seed Company and Turf-Seed in fiscal 2006 were the primary drivers behind the spending for investing activities. No such acquisitions were undertaken in fiscal 2007, with acquisition activity restricted to our Scotts LawnService® business. Capital spending was consistent at $54.0 million in fiscal 2007 versus $57.0 million in fiscal 2006.

Financing Activities

Financing activities used cash of $158.8 million and $46.9 million in fiscal 2007 and fiscal 2006, respectively. Our recapitalization plan that was consummated during the second quarter of fiscal 2007 returned $750 million to shareholders. In addition, we repurchased all of our $6^5/_8$% senior subordinated notes in an aggregate principal amount of $200 million. These actions were financed by replacing, effective February 7, 2007, our prior revolving credit facility with new senior secured $2.15 billion multicurrency credit facilities that provide for revolving credit and term loans through February 7, 2012.

As noted earlier, in fiscal 2006, we began a program to return cash to our shareholders. We paid dividends of $33.5 million and repurchased $87.9 million of our common shares financed in part by a net increase in borrowings under our prior revolving credit facility of $55.2 million. Prior to fiscal 2006, our focus was on aggressively paying down debt and managing our borrowings to maximize the benefit of our improving capital structure and debt facilities. Proceeds from the exercise of employee stock options were $29.2 million in fiscal 2007 compared to $17.6 million in fiscal 2006.

Credit Agreements

Our primary sources of liquidity are cash generated by operations and borrowings under our credit agreements. In connection with the recapitalization transactions discussed in Note 2 to the Consolidated Financial Statements included in this Annual Report on Form 10-K, Scotts Miracle-Gro and certain of its subsidiaries entered into the following loan facilities totaling up to $2.15 billion in the aggregate: (a) a senior secured five-year term loan in the principal amount of $560 million and (b) a senior secured five-year revolving loan facility in the aggregate principal amount of up to $1.59 billion. Borrowings may be made in various currencies including U.S. dollars, Euros, British pounds sterling, Australian dollars and Canadian dollars. The new $2.15 billion senior secured credit facilities replaced the Company's former

$1.05 billion senior credit facility. In addition, we used proceeds from the new senior secured credit facilities to repurchase all of our then outstanding 6 5/8% senior subordinated notes in an aggregate principal amount of $200 million. Under our current structure, we may request an additional $200 million in revolving credit and/or term credit commitments, subject to approval from our lenders. As of September 30, 2007, there was $1,098.1 million of availability under our new senior secured credit facilities. Note 10 to the Consolidated Financial Statements included in this Annual Report on Form 10-K provides additional information pertaining to our borrowing arrangements. We were in compliance with all of our debt covenants throughout fiscal 2007.

In April of fiscal 2007, we entered into a Master Accounts Receivable Purchase Agreement (the "MARP Agreement") with a stated termination date of April 10, 2008, as permitted under our senior secured credit facilities. The MARP Agreement was entered into as it provides an interest rate savings as compared to borrowing under our new senior secured credit facilities. The MARP Agreement provides for the discounted sale, on a revolving basis, of accounts receivable generated by specified account debtors, with seasonally adjusted monthly aggregate limits ranging from $55 million to $300 million. The MARP Agreement also provides for specified account debtor sublimit amounts, which provide limits on the amount of receivables owed by individual account debtors that can be sold. The Company accounts for the sale of receivables under the MARP Agreement as short-term debt and continues to carry the receivables on its Consolidated Balance Sheet, in accordance with SFAS 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." Sales under the MARP Agreement at September 30, 2007 were $64.4 million.

At September 30, 2007, the Company had outstanding interest rate swaps with major financial institutions that effectively converted a portion of our variable-rate debt denominated in the Euro, British pound and U.S. dollar to a fixed rate. The swap agreements have a total U.S. dollar equivalent notional amount of $720.0 million. The terms, expiration dates and rates of these swaps are shown in the table below.

Currency	Notional Amount in USD	Term	Expiration Date	Fixed Rate
British pound	$ 59.0	3 years	11/17/2008	4.76%
Euro	61.0	3 years	11/17/2008	2.98%
U.S. dollar	200.0	2 years	3/31/2009	4.90%
U.S. dollar	200.0	3 years	3/31/2010	4.87%
U.S. dollar	200.0	5 years	2/14/2012	5.20%

Our primary sources of liquidity are cash generated by operations and borrowings under our credit facilities. We believe our credit facilities will continue to provide the Company with the capacity to pursue targeted, strategic acquisitions that leverage our core competencies.

Judicial and Administrative Proceedings

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, reviewed the 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; however, there can be no assurance that future quarterly or annual operating results will not be materially affected by final resolution of these matters.

Contractual Obligations and off-Balance Sheet Arrangements

The following table summarizes our future cash outflows for contractual obligations as of September 30, 2007 (in millions):

		Payments Due by Period			
Contractual Cash Obligations	Total	Less than 1 year	1-3 years	4-5 years	More than 5 years
Long-term debt obligations	$1,117.8	$ 86.4	$ 244.4	$ 783.0	$ 4.0
Operating lease obligations	194.2	37.5	58.3	43.0	55.4
Purchase obligations	569.2	292.0	211.6	58.1	7.5
Other, primarily retirement plan obligations	50.7	16.8	7.5	7.8	18.6
Total contractual cash obligations	$1,931.9	$ 432.7	$ 521.8	$ 891.9	$ 85.5

Purchase obligations primarily represent outstanding purchase orders for materials used in the Company's manufacturing processes. Purchase obligations also include commitments for warehouse services, seed, and out-sourced information services which comprise the unconditional purchase obligations disclosed in Note 16 to the Consolidated Financial Statements included in this Annual Report on Form 10-K.

Other includes actuarially determined retiree benefit payments and pension funding to comply with local funding requirements. Pension funding requirements beyond fiscal 2008 are not currently determinable. The above table excludes interest payments, and insurance accruals as the Company is unable to estimate the timing of the payment for these items.

The Company has no off-balance sheet financing arrangements.

In our opinion, cash flows from operations and capital resources will be sufficient to meet debt service and working capital needs during fiscal 2008, and thereafter for the foreseeable future. However, we cannot ensure that our business will generate sufficient cash flow from operations or that future borrowings will be available under our credit facilities in amounts sufficient to pay indebtedness or fund other liquidity needs. Actual results of operations will depend on numerous factors, many of which are beyond our control.

Environmental Matters

We are subject to local, state, federal and foreign environmental protection laws and regulations with respect to our business operations and believe we are operating in substantial compliance with, or taking 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, results of operations or cash flows. However, there can be no assurance that the resolution of these matters will not materially affect our future quarterly or annual results of operations, financial condition or cash flows. 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" of this Annual Report on Form 10-K.

Critical Accounting Policies and Estimates

Our discussion and analysis of financial condition and results of operations is based upon the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Certain accounting policies are particularly significant, including those related to revenue recognition, goodwill and intangibles, certain employee benefits, and income taxes. We believe these accounting policies, and others set forth in Note 1 to the Consolidated Financial Statements included in this Annual Report on Form 10-K, should be reviewed as they are integral to understanding our results of operations and financial position. Our critical accounting policies are reviewed periodically with the Audit Committee of our Board of Directors.

The preparation of financial statements requires management to use judgment and make estimates 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. Although actual results historically have not deviated significantly from those determined using our estimates, our results of operations or financial position could differ, perhaps materially, from these estimates under different assumptions or conditions.

Revenue Recognition and Promotional Allowances

Most of our revenue is derived from the sale of inventory, and we recognize revenue when title and risk of loss transfer, generally when products are received by the customer. Provisions for payment discounts, product returns and allowances are recorded as a reduction of sales at the time revenue is recognized based on historical trends and adjusted periodically as circumstances warrant. Similarly, reserves for uncollectible receivables due from customers are established based on management's judgment as to the ultimate collectibility of these balances. We offer sales incentives through various programs, consisting principally of volume rebates, cooperative advertising, consumer coupons and other trade programs. The cost of these programs is recorded as a reduction of sales. The recognition of revenues, receivables and trade programs requires the use of estimates. While we believe these estimates to be reasonable based on the then current facts and circumstances, there can be no assurance that actual amounts realized will not differ materially from estimated amounts recorded.

Long-lived Assets, including Property, Plant and Equipment

Property, plant, and equipment are stated at cost. Depreciation of property, plant, and equipment is provided on the straight-line method and is based on the estimated useful economic lives of the assets. Intangible assets with finite lives, and therefore subject to amortization, include technology (e.g. patents), customer relationships and certain tradenames. These intangible assets are being amortized on the straight-line method over periods typically ranging from 10 to 25 years. The Company reviews long-lived assets whenever circumstances change such that the indicated recorded value of an asset may not be recoverable.

Goodwill and Indefinite-lived Intangible Assets

We have significant investments in intangible assets and goodwill. Whenever changing conditions warrant, we review the assets that may be affected for realization. At least annually, we review goodwill and indefinite-lived intangible assets for impairment. As discussed in the *Results of Operations* section of this MD&A, during the third quarter of fiscal 2007, the Company changed the timing of its annual goodwill impairment testing from the last day of our fiscal first quarter to the first day of our fiscal fourth quarter. The review for impairment of intangibles and goodwill is primarily based on our estimates of discounted future cash flows, which are based upon budgets and longer-range strategic plans. These budgets and plans are used for internal purposes and are also the basis for communication with outside parties 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. An asset's value is deemed impaired if the discounted cash flows or earnings projections generated do not substantiate the carrying value of the asset. The estimation of such amounts requires management judgment with respect to revenue and expense growth rates, changes in working capital and selection of an appropriate discount rate, as applicable. The use of different assumptions would increase or decrease discounted future operating cash flows or earnings projections and could, therefore, change impairment determinations.

Related to our annual impairment review of indefinite-lived trade names and goodwill, fair values were determined using discounted cash flow models involving several assumptions. Changes in our assumptions could materially impact our fair value estimates. Assumptions critical to our fair value estimates were: (i) present value factors used in determining the fair value of the reporting units and trade names; (ii) royalty rates used in our trade name valuations; (iii) projected average revenue growth rates used in the reporting unit and trade name models; and (iv) projected long-term growth rates used in the derivation of terminal year values. These and other assumptions are impacted by economic conditions and expectations of management and will change in the future based on period specific facts and circumstances.

Inventories

Inventories are stated at the lower of cost or market, the majority of which are based on the first-in, first-out method of accounting. 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 regulatory actions.

Contingencies

As described more fully in Note 17 to the Consolidated Financial Statements included in this Annual Report on Form 10-K, 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 their resolution. 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 are known at any point in time.

Income Taxes

Our annual effective tax rate is established based on our income, statutory tax rates and the tax impacts of items treated differently for tax purposes than for financial reporting purposes. 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 consolidated statement of operations reflect 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. We use an estimate of our 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.

Associate Benefits

We sponsor various post-employment benefit plans. These include pension plans, both defined contribution plans and defined benefit plans, and other post-employment benefit (OPEB) plans, consisting primarily of health care for retirees. For accounting purposes, the defined benefit pension and OPEB plans are dependent on a variety of assumptions to estimate the projected and accumulated benefit obligations determined by actuarial valuations. These assumptions include the following: discount rate; expected salary increases; certain employee-related factors, such as turnover, retirement age and mortality; expected return on plan assets; and health care cost trend rates. These and other assumptions affect the annual expense recognized for these plans.

Assumptions are reviewed annually for appropriateness and updated as necessary. We base the discount rate assumption on investment yields available at year-end on corporate long-term bonds rated AA or the equivalent. The salary growth assumption reflects our long-term actual experience, the near-term outlook and assumed inflation. The expected return on plan assets assumption reflects asset allocation, investment strategy and the views of investment managers regarding the market. Retirement and mortality rates are based primarily on actual and expected plan experience. The effects of actual results differing from our assumptions are accumulated and amortized over future periods.

Changes in the discount rate and investment returns can have a significant effect on the funded status of our pension plans and shareholders' equity. We cannot predict these discount rates or investment returns with certainty and, therefore, cannot determine whether adjustments to our shareholders' equity for minimum pension liability in subsequent years will be significant.

Accruals for Self-Insurance

We maintain insurance for certain risks, including workers' compensation, general liability and vehicle liability, and are self-insured for employee-related health care benefits. We establish reserves for losses based on our claims experience and industry actuarial estimates of the ultimate loss amount inherent in the claims, including losses for claims incurred but not reported. Our estimate of self-insured liabilities is subject to change as new events or circumstances develop which might materially impact the ultimate cost to settle these losses.

Other Significant Accounting Policies

Other significant accounting policies, primarily those with lower levels of uncertainty than those discussed above, are also critical to understanding the consolidated financial statements. The Notes to the Consolidated Financial Statements included in this Annual Report on Form 10-K contain additional information related to our accounting policies, including recent accounting pronouncements, and should be read in conjunction with this discussion.

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. Financial derivative and other instruments are used to manage these risks. These instruments are not used for speculative purposes.

Interest Rate Risk

The Company had variable-rate debt instruments outstanding at September 30, 2007 and 2006 that are impacted by changes in interest rates. As a means of managing our interest rate risk on these debt instruments, the Company enters into interest rate swap agreements to effectively convert certain variable-rate debt obligations to fixed rates.

At September 30, 2007, the Company had outstanding interest rate swaps with major financial institutions that effectively convert a portion of our variable-rate debt to a fixed rate. The swap agreements had a total U.S. dollar equivalent notional amount of $720.0 million. At September 30, 2006, the Company had outstanding interest rate swaps with major financial institutions that effectively converted a portion of our British pound (GBP) and Euro denominated variable-rate debt to a fixed rate. The swap agreements have a total U.S. dollar equivalent notional amount of $120.0 million with three-year terms expiring November 2008. Under the terms of these swaps, we paid fixed rates of 2.98% on Euro denominated swaps and 4.76% on GBP denominated swaps.

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, 2007 and 2006. 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, 2007 and 2006. A change in our variable interest rate of 1% would have a $4.3 million impact on interest expense assuming the $434.0 million of our variable-rate debt that had not been hedged via an interest rate swap at September 30, 2007 was outstanding for the entire fiscal year. The information is presented in U.S. dollars (in millions):

	Expected Maturity Date						Fair
2007	2008	2009	2010	2011	After	Total	Value
Long-term debt:							
Variable rate debt	$82.6	$84.0	$154.0	$193.2	$578.4	$1,092.2	$1,092.2
Average rate	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	—
Interest rate derivatives:							
Interest rate swaps based on U.S. Dollar, Euro and GBP LIBOR	$ 1.9	$ (0.9)	$ (1.4)	$ —	$ (3.7)	$ (4.1)	$ (4.1)
Average rate	3.87%	4.90%	4.87%	—	5.20%	4.71%	—

2006	Expected Maturity Date 2008	2010	After	Total	Fair Value
Long-term debt:					
Fixed rate debt		$ —	$200.0	$200.0	$194.0
Average rate		—	6.625%	6.625%	—
Variable rate debt		$253.8	$ —	$253.8	$253.8
Average rate		4.4%	—	4.4%	—
Interest rate derivatives:					
Interest rate swaps based on Euro and GBP LIBOR	$ 1.3	$ —	$ —	$ 1.3	$ 1.3
Average rate	3.87%	—	—	3.87%	—

Excluded from the information provided above are $25.6 million and $27.4 million at September 30, 2007 and 2006, respectively, of miscellaneous debt instruments.

Other Market Risks

Our market risk associated with foreign currency rates is not considered to be material. Through fiscal 2007, we had only minor amounts of transactions that were denominated in currencies other than the currency of the country of origin. We use foreign currency swap contracts to manage the exchange rate risk associated with intercompany loans with foreign subsidiaries that are denominated in U.S. dollars. At September 30, 2007, the notional amount of outstanding contracts was $101.5 million with a fair value of $(1.3) million. At September 30, 2006, the notional amount of outstanding contracts was $66.7 million with a fair value of $0.4 million. We are subject to market risk from fluctuating market prices of certain raw materials, including urea, resins, grass seed, and wild bird food components. 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. In addition, we have entered into arrangements to partially mitigate the effect of fluctuating direct and indirect fuel costs on our North America and Scotts LawnService® businesses and hedged a portion of our urea needs for fiscal 2008. We had outstanding a strip of collars for approximately 0.5 million and 3.2 million gallons of fuel with fair values of $0 and $0.2 million at September 30, 2007 and 2006, respectively. We also had hedging arrangements for 45,000 and 69,000 aggregate tons of urea at September 30, 2007 and 2006, respectively. The fair value of the 45,000 aggregate tons at September 30, 2007 was $1.0 million, while the fair value of the 69,000 aggregate tons at September 30, 2006 was $o.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and other information required by this Item are contained in the consolidated financial statements, notes thereto and schedule listed in the “Index to Consolidated Financial Statements and Financial Statement Schedule” on page 53 of this Annual Report on Form 10-K herein.

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

None

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

With the participation of the principal executive officer and the principal financial officer of The Scotts Miracle-Gro Company (the “Registrant”), the Registrant’s management has evaluated the effectiveness of the Registrant’s disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”), as of the end of the fiscal year covered by this

Annual Report on Form 10-K. Based upon that evaluation, the Registrant's principal executive officer and principal financial officer have concluded that:

- information required to be disclosed by the Registrant in this Annual Report on Form 10-K and the other reports that the Registrant files or submits under the Exchange Act would be accumulated and communicated to the Registrant's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure;
- information required to be disclosed by the Registrant in this Annual Report on Form 10-K and the other reports that the Registrant files or submits under the Exchange Act would be recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms; and
- the Registrant's disclosure controls and procedures were effective as of the end of the fiscal year covered by this Annual Report on Form 10-K.

Management's Annual Report on Internal Control Over Financial Reporting

The "Annual Report of Management on Internal Control Over Financial Reporting" required by Item 308(a) of SEC Regulation S-K is included on page 54 of this Annual Report on Form 10-K.

Attestation Report of Independent Registered Public Accounting Firm

The "Report of Independent Registered Public Accounting Firm" required by Item 308(b) of SEC Regulation S-K is included on page 56 of this Annual Report on Form 10-K.

Changes in Internal Control Over Financial Reporting

There were no changes in the Registrant's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the Registrant's fiscal quarter ended September 30, 2007, that have materially affected, or are reasonably likely to materially affect, the Registrant's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Directors, Executive Officers and Persons Nominated or Chosen to Become Directors or Executive Officers

The information required by Item 401 of SEC Regulation S-K concerning the directors of The Scotts Miracle-Gro Company ("Scotts Miracle-Gro" or the "Registrant") and the nominees for re-election as directors of Scotts Miracle-Gro at the Annual Meeting of Shareholders to be held on January 31, 2008 (the "2008 Annual Meeting") is incorporated herein by reference from the disclosure which will be included under the caption "ELECTION OF DIRECTORS" in Scotts Miracle-Gro's definitive Proxy Statement relating to the 2008 Annual Meeting ("Scotts Miracle-Gro's Definitive Proxy Statement"), which will be filed pursuant to SEC Regulation 14A not later than 120 days after the end of Scotts Miracle-Gro's fiscal year ended September 30, 2007.

The information required by Item 401 of SEC Regulation S-K concerning the executive officers of Scotts Miracle-Gro is incorporated herein by reference from the disclosure included under the caption "SUPPLEMENTAL ITEM. EXECUTIVE OFFICERS OF THE REGISTRANT" in Part I of the Annual Report on Form 10-K.

Compliance with Section 16(a) of the Securities Exchange Act of 1934

The information required by Item 405 of SEC Regulation S-K is incorporated herein by reference from the disclosure which will be included under the caption "SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE" in Scotts Miracle-Gro's Definitive Proxy Statement.

Procedures for Recommending Director Nominees

The information required by Item 407(c)(3) of SEC Regulation S-K is incorporated herein by reference from the disclosure to be included under the captions "CORPORATE GOVERNANCE — Nominations of Directors" and "MEETINGS AND COMMITTEES OF THE BOARD — Committees of the Board — Governance and Nominating Committee" in Scotts Miracle-Gro's Definitive Proxy Statement.

Audit Committee

The information required by Items 407(d)(4) and 407(d)(5) of SEC Regulation S-K is incorporated herein by reference from the disclosure to be included under the caption "MEETINGS AND COMMITTEES OF THE BOARD — Committees of the Board — Audit Committee" in Scotts Miracle-Gro's Definitive Proxy Statement.

Committee Charters; Code of Business Conduct and Ethics; Corporate Governance Guidelines

The Board of Directors of the Registrant has adopted charters for each of the Audit Committee, the Governance and Nominating Committee, the Compensation and Organization Committee, the Finance Committee and the Innovation & Technology Committee.

In accordance with the requirements of Section 303A.10 of the New York Stock Exchange's Listed Company Manual, the Board of Directors of the Registrant has adopted a Code of Business Conduct and Ethics covering the members of the Registrant's Board of Directors and associates (employees) of the Registrant and its subsidiaries, including, without limitation, the Registrant's principal executive officer, principal financial officer and principal accounting officer. The Registrant intends to disclose the following events, if they occur, on its Internet website located at http://investor.scotts.com within four business days following their occurrence: (A) the date and nature of any amendment to a provision of Scotts Miracle-Gro's Code of Business Conduct and Ethics that (i) applies to the Registrant's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, (ii) relates to any element of the code of ethics definition enumerated in Item 406(b) of SEC Regulation S-K, and (iii) is not a technical, administrative or other non-substantive amendment; and (B) a description (including the nature of the waiver, the name of the person to whom the waiver was granted and the date of the waiver) of any waiver, including an implicit waiver, from a provision of the Code of Business Conduct and Ethics to the Registrant's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, that relates to one or more of the elements of the code of ethics definition set forth in Item 406(b) of SEC Regulation S-K.

The text of the Code of Business Conduct and Ethics, the Registrant's Corporate Governance Guidelines, the Audit Committee charter, the Governance and Nominating Committee charter, the Compensation and Organization Committee charter, the Finance Committee charter and the Innovation & Technology Committee charter are posted under the "governance" link on the Registrant's Internet website located at http://investor.scotts.com. Interested persons may also obtain copies of each of these documents without charge by writing to The Scotts Miracle-Gro Company, Attention: Corporate Secretary, 14111 Scottslawn Road, Marysville, Ohio 43041. In addition, a copy of the Code of Business Conduct and Ethics, as amended on November 2, 2006, is incorporated by reference in Exhibit 14 to this Annual Report on Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 402 of SEC Regulation S-K is incorporated herein by reference from the disclosure which will be included under the captions "EXECUTIVE COMPENSATION" and "NON-EMPLOYEE DIRECTOR COMPENSATION" in Scotts Miracle-Gro's Definitive Proxy Statement.

The information required by Item 407(e)(4) of SEC Regulation S-K is incorporated herein by reference from the disclosure which will be included under the caption "MEETINGS AND COMMITTEES OF THE BOARD — Committees of the Board — Compensation and Organization Committee Interlocks and Insider Participation" in Scotts Miracle-Gro's Definitive Proxy Statement.

The information required by Item 407(e)(5) of SEC Regulation S-K is incorporated herein by reference from the disclosure which will be included under the caption "COMPENSATION AND ORGANIZATION COMMITTEE REPORT" in Scotts Miracle-Gro's Definitive Proxy Statement.

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

Ownership of Common Shares of Scotts Miracle-Gro

The information required by Item 403 of SEC Regulation S-K is incorporated herein by reference from the disclosure which will be included under the caption "BENEFICIAL OWNERSHIP OF SECURITIES OF THE COMPANY" in Scotts Miracle-Gro's Definitive Proxy Statement.

Equity Compensation Plan Information

The information required by Item 201(d) of SEC Regulation S-K is incorporated herein by reference from the disclosure which will be included under the caption "EQUITY COMPENSATION PLAN INFORMATION" in Scotts Miracle-Gro's Definitive Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Certain Relationships and Related Person Transactions

The information required by Item 404 of SEC Regulation S-K is incorporated herein by reference from the disclosure which will be included under the captions "ELECTION OF DIRECTORS," "BENEFICIAL OWNERSHIP OF SECURITIES OF THE COMPANY" and "CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS" in Scotts Miracle-Gro's Definitive Proxy Statement.

Director Independence

The information required by Item 407(a) of SEC Regulation S-K is incorporated herein by reference from the disclosure which will be included under the captions "CORPORATE GOVERNANCE — Director Independence" and "CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS" in Scotts Miracle-Gro's Definitive Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item 14 is incorporated herein by reference from the disclosure which will be included under the captions "AUDIT COMMITTEE MATTERS — Fees of the Independent

Registered Public Accounting Firm" and "AUDIT COMMITTEE MATTERS — Pre-Approval of Services Performed by the Independent Registered Public Accounting Firm" in Scotts Miracle-Gro's Definitive Proxy Statement.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

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

1 and 2. Financial Statements and Financial Statement Schedule:

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 Schedule" on page 53 herein.

3. Exhibits:

The exhibits listed on the "Index to Exhibits" beginning on page 102 of this Annual Report on Form 10-K are filed with this Annual Report on Form 10-K or incorporated herein by reference as noted in the "Index to Exhibits." The following table provides certain information concerning each management contract or compensatory plan or arrangement required to be filed as an exhibit to this Annual Report on Form 10-K or incorporated herein by reference.

MANAGEMENT CONTRACTS AND COMPENSATORY PLANS AND ARRANGEMENTS

Exhibit No.	Description	Location
10(a)(1)	The O.M. Scott & Sons Company Excess Benefit Plan, effective October 1, 1993	Incorporated herein by reference to 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 Excess Benefit Plan, effective as of January 1, 1998	Incorporated herein by reference to the Annual Report on Form 10-K for the fiscal year ended September 30, 2001 of The Scotts Company, an Ohio corporation ("Scotts") (File No. 1-13292) [Exhibit 10(a)(2)]
10(a)(3)	Second Amendment to The O.M. Scott & Sons Company Excess Benefit Plan, effective as of January 1, 1999	Incorporated herein by reference to Scotts' Annual Report on Form 10-K for the fiscal year ended September 30, 2001 (File No. 1-13292) [Exhibit 10(a)(3)]
10(a)(4)	Third Amendment to The O.M. Scott & Sons Company Excess Benefit Plan, effective as of March 18, 2005 (amended title of plan to be The Scotts Company LLC Excess Benefit Plan)	Incorporated herein by reference to the Quarterly Report on Form 10-Q for the quarterly period ended April 2, 2005 of The Scotts Miracle-Gro Company (the "Registrant") (File No. 1-13292) [Exhibit 10(CC)]
10(b)(1)	The Scotts Company LLC Executive/Management Incentive Plan (as approved by the shareholders of The Scotts Miracle-Gro Company on January 26, 2006)	Incorporated herein by reference to the Registrant's Current Report on Form 8-K filed February 2, 2006 (File No. 1-13292) [Exhibit 10.4]
10(b)(2)	The Scotts Company LLC Amended and Restated Executive/Management Incentive Plan (effective as of November 7, 2007)	*
10(c)(1)	Specimen form of Employee Confidentiality, Noncompetition, Nonsolicitation Agreement for employees participating in The Scotts Company LLC Executive/Management Incentive Plan (now known as The Scotts Company LLC Amended and Restated Executive/Management Incentive Plan)	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended July 1, 2006 (File No. 1-13292) [Exhibit 10.1]
10(c)(2)	Executive Officers of The Scotts Miracle-Gro Company who are parties to form of Employee Confidentiality, Noncompetition, Nonsolicitation Agreement for employees participating in The Scotts Company LLC Executive/Management Incentive Plan (now known as The Scotts Company LLC Amended and Restated Executive/Management Incentive Plan)	*

Exhibit No.	Description	Location
10(d)(1)	The Scotts Company 1996 Stock Option Plan (as amended through May 15, 2000)	Incorporated herein by reference to Scotts' Quarterly Report on Form 10-Q for the quarterly period ended April 1, 2000 (File No. 1-13292) [Exhibit 10(d)]
10(d)(2)	The Scotts Company 1996 Stock Option Plan (2002 Amendment)	Incorporated herein by reference to Scotts' Quarterly Report on Form 10-Q for the quarterly period ended December 28, 2002 (File No. 1-13292) [Exhibit 10(d)(i)]
10(d)(3)	Amendment to The Scotts Company 1996 Stock Option Plan — 2005 Amendment, effective as of March 18, 2005 (amended title of plan to be The Scotts Miracle-Gro Company 1996 Stock Option Plan)	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended April 2, 2005 (File No. 1-13292) [Exhibit 10(z)]
10(d)(4)	The Scotts Miracle-Gro Company Amended and Restated 1996 Stock Option Plan (effective as of October 30, 2007)	*
10(e)	Form of 1996 Stock Option Plan Stock Option Agreement — Non-Qualified Stock Option	Incorporated herein by reference to Scotts' Current Report on Form 8-K filed November 19, 2004 (File No. 1-13292) [Exhibit 10.7]
10(f)	Specimen form of Stock Option Agreement (as amended through October 23, 2001) for Non-Qualified Stock Options granted to employees under The Scotts Company 1996 Stock Option Plan (now known as The Scotts Miracle-Gro Company Amended and Restated 1996 Stock Option Plan), French specimen	Incorporated herein by reference to Scotts' Annual Report on Form 10-K for the fiscal year ended September 30, 2001 (File No. 1-13292) [Exhibit 10(f)]
10(g)(1)	The Scotts Company Executive Retirement Plan	Incorporated herein by reference to Scotts' 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 Retirement Plan, effective as of January 1, 1999	Incorporated herein by reference to Scotts' 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 Retirement Plan, effective as of January 1, 2000	Incorporated herein by reference to Scotts' Annual Report on Form 10-K for the fiscal year ended September 30, 2001 (File No. 1-13292) [Exhibit 10(g)(3)]
10(g)(4)	Third Amendment to The Scotts Company Executive Retirement Plan, effective as of January 1, 2003	Incorporated herein by reference to Scotts' Annual Report on Form 10-K for the fiscal year ended September 30, 2003 (File No. 1-13292) [Exhibit 10(g)(4)]

Exhibit No.	Description	Location
10(g)(5)	Fourth Amendment to The Scotts Company Executive Retirement Plan, effective as of January 1, 2004	Incorporated herein by reference to Scotts' Annual Report on Form 10-K for the fiscal year ended September 30, 2004 (File No. 1-13292) [Exhibit 10(g)(5)]
10(g)(6)	Fifth Amendment to The Scotts Company Executive Retirement Plan, effective as of March 18, 2005 (amended title of plan to be The Scotts Company LLC Executive Retirement Plan)	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended April 2, 2005 (File No. 1-13292) [Exhibit 10(DD)]
10(h)	Employment Agreement, dated as of May 19, 1995, between The Scotts Company and James Hagedorn	Incorporated herein by reference to Scotts' Annual Report on Form 10-K for the fiscal year ended September 30, 1995 (File No. 1-11593) [Exhibit 10(p)]
10(i)(1)	Letter agreement, dated June 8, 2000, between The Scotts Company and Patrick J. Norton	Incorporated herein by reference to Scotts' Annual Report on Form 10-K for the fiscal year ended September 30, 2000 (File No. 1-13292) [Exhibit 10(q)]
10(i)(2)	Letter agreement, dated November 5, 2002, and accepted by Mr. Norton on November 22, 2002, pertaining to the terms of employment of Patrick J. Norton through December 31, 2005, and superseding certain provisions of the letter agreement, dated June 8, 2000, between The Scotts Company and Mr. Norton	Incorporated herein by reference to Scotts' Annual Report on Form 10-K for the fiscal year ended September 30, 2002 (File No. 1-13292) [Exhibit 10(q)]
10(i)(3)	Letter of Extension, dated October 25, 2005, between The Scotts Miracle-Gro Company and Patrick J. Norton	Incorporated herein by reference to the Registrant's Current Report on Form 8-K filed December 14, 2005 (File No. 1-13292) [Exhibit 10.3]
10(j)(1)	The Scotts Company 2003 Stock Option and Incentive Equity Plan (as approved by shareholders of The Scotts Company on January 30, 2003)	Incorporated herein by reference to Scotts' Quarterly Report on Form 10-Q for the quarterly period ended December 28, 2002 (File No. 1-13292) [Exhibit 10(w)]
10(j)(2)	First Amendment to The Scotts Company 2003 Stock Option and Incentive Equity Plan, effective as of March 18, 2005 (amended title of plan to be The Scotts Miracle-Gro Company 2003 Stock Option and Incentive Equity Plan)	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended April 2, 2005 (File No. 1-13292) [Exhibit 10(AA)]
10(j)(3)	The Scotts Miracle-Gro Company Amended and Restated 2003 Stock Option and Incentive Equity Plan (effective as of October 30, 2007)	*

Exhibit No.	Description	Location
10(k)(1)	Specimen form of Award Agreement for Nondirectors used to evidence Incentive Stock Options, Nonqualified Stock Options, Stock Appreciation Rights, Restricted Stock and Performance Shares which may be granted under The Scotts-Miracle Gro Company 2003 Stock Option and Incentive Equity Plan (now known as The Scotts Miracle-Gro Company Amended and Restated 2003 Stock Option and Incentive Equity Plan)	Incorporated herein by reference to the Registrant’s Annual Report on Form 10-K for the fiscal year ended September 30, 2005 (File No. 1-13292) [Exhibit 10(u)]
10(k)(2)	Form of letter agreement amending Restricted Stock awards granted under The Scotts Miracle-Gro Company 2003 Stock Option and Incentive Equity Plan, as amended (effective as of October 30, 2007)	*
10(l)	Specimen form of Award Agreement for Directors used to evidence Nonqualified Stock Options granted under The Scotts Miracle-Gro Company 2003 Stock Option and Incentive Equity Plan (now known as The Scotts Miracle-Gro Company Amended and Restated 2003 Stock Option and Incentive Equity Plan)	Incorporated herein by reference to the Registrant’s Annual Report on Form 10-K for the fiscal year ended September 30, 2005 (File No. 1-13292) [Exhibit 10(v)]
10(m)	Employment Agreement effective as of October 1, 2007, between The Scotts Company LLC and Barry W. Sanders	*
10(n)	Employment Agreement effective as of July 1, 2001, between The Scotts Company LLC and Claude Lopez [English Translation — Original in French]	*
10(o)	Employment Agreement for Christopher Nagel, entered into effective as of October 1, 2006, by and between Christopher Nagel and The Scotts Miracle-Gro Company (voluntarily terminated effective July 18, 2007)	Incorporated herein by reference to the Registrant’s Current Report on Form 8-K filed December 7, 2006 (File No. 1-13292) [Exhibit 10.1]
10(p)	The Scotts Miracle-Gro Company 2006 Long-Term Incentive Plan Award Agreement for Employees, evidencing Restricted Stock Award of 38,000 Restricted Stock Awarded to Christopher Nagel on October 1, 2006 by The Scotts Miracle-Gro Company (forfeited as a result of voluntary termination effective July 18, 2007)	Incorporated herein by reference to the Registrant’s Current Report on Form 8-K filed December 7, 2006 (File No. 1-13292) [Exhibit 10.2]
10(q)	Separation Agreement and General Release, entered into and effective as of July 18, 2007, by and between The Scotts Miracle-Gro Company and Christopher L. Nagel	Incorporated herein by reference to the Registrant’s Current Report on Form 8-K filed July 18, 2007 (File No. 1-13292) [Exhibit 10.1]
10(r)(1)	The Scotts Miracle-Gro Company 2006 Long-Term Incentive Plan (as approved by the shareholders of The Scotts Miracle-Gro Company on January 26, 2006)	Incorporated herein by reference to the Registrant’s Current Report on Form 8-K filed February 2, 2006 (File No. 1-13292) [Exhibit 10.2]
10(r)(2)	The Scotts Miracle-Gro Company Amended and Restated 2006 Long-Term Incentive Plan (effective as of October 30, 2007)	*

Exhibit No.	Description	Location
10(s)	Specimen form of Award Agreement used to evidence Time-Based Nonqualified Stock Options for Non-Employee Directors under The Scotts Miracle-Gro Company 2006 Long-Term Incentive Plan (now known as The Scotts Miracle-Gro Company Amended and Restated 2006 Long-Term Incentive Plan)	Incorporated herein by reference to the Registrant's Current Report on Form 8-K filed February 2, 2006 (File No. 1-13292) [Exhibit 10.3]
10(t)(1)	Specimen form of Award Agreement used to evidence awards of Restricted Stock Units, Performance Shares, Nonqualified Stock Options, Incentive Stock Options, Restricted Stock and Stock Appreciation Rights which may be granted under The Scotts Miracle-Gro Company 2006 Long-Term Incentive Plan (now known as The Scotts Miracle-Gro Company Amended and Restated 2006 Long-Term Incentive Plan), used prior to October 30, 2007	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2005 (File No. 1-13292) [Exhibit 10(b)]
10(t)(2)	Form of letter agreement amending Restricted Stock awards granted under The Scotts Miracle-Gro Company 2006 Long-Term Incentive Plan, as amended (effective as of October 30, 2007)	*
10(t)(3)	Specimen form of Nonqualified Stock Option Award Agreement for Employees to evidence grants of Nonqualified Stock Options which may be made under The Scotts Miracle-Gro Company [Amended and Restated] 2006 Long-Term Incentive Plan (used after October 30, 2007)	*
10(t)(4)	Specimen form of Restricted Stock Award Agreement for Employees to evidence grants of Restricted Stock which may be made under The Scotts Miracle-Gro Company [Amended and Restated] 2006 Long-Term Incentive Plan (used after October 30, 2007)	*
10(t)(5)	Specimen form of Performance Share Award Agreement for Employees (with Related Dividend Equivalents) to evidence grants of Performance Shares which may be made under The Scotts Miracle-Gro Company [Amended and Restated] 2006 Long-Term Incentive Plan (used after October 30, 2007)	*
10(u)	Specimen form of Award Agreement for Third Party Service Providers used to evidence awards which may be granted under The Scotts Miracle-Gro Company 2006 Long-Term Incentive Plan (now known as The Scotts Miracle-Gro Company Amended and Restated 2006 Long-Term Incentive Plan) to third party service providers	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended July 1, 2006 (File No. 1-13292) [Exhibit 10.3]
10(v)	Specimen form of Award Agreement for Employees used to evidence Nonqualified Stock Options, Restricted Stock and Restricted Stock Units which may be granted under The Scotts Miracle-Gro Company 2006 Long-Term Incentive Plan (now known as The Scotts Miracle-Gro Company Amended and Restated 2006 Long-Term Incentive Plan) (Standard International Specimen covering Australian, Canadian and The Netherlands)	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended December 30, 2006 (File No. 1-13292) [Exhibit 10.1]

Exhibit No.	Description	Location
10(w)	Specimen form of Award Agreement for Employees used to evidence Stock Options, Restricted Stock and Restricted Stock Units which may be granted under The Scotts Miracle-Gro Company 2006 Long-Term Incentive Plan (now known as The Scotts Miracle-Gro Company Amended and Restated 2006 Long-Term Incentive Plan) (Austrian Specimen)	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended December 30, 2006 (File No. 1-13292) [Exhibit 10.2]
10(x)	Specimen form of Award Agreement for Employees used to evidence Nonqualified Stock Options which may be granted under The Scotts Miracle-Gro Company 2006 Long-Term Incentive Plan (now known as The Scotts Miracle-Gro Company Amended and Restated 2006 Long-Term Incentive Plan) (Belgian Specimen)	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended December 30, 2006 (File No. 1-13292) [Exhibit 10.3]
10(y)	Specimen form of Award Agreement for Employees used to evidence Nonqualified Stock Options, Restricted Stock, Restricted Stock Units and Performance Shares which may be granted under The Scotts Miracle-Gro Company 2006 Long-Term Incentive Plan (now known as The Scotts Miracle-Gro Company Amended and Restated 2006 Long-Term Incentive Plan) (French Specimen)	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended December 30, 2006 (File No. 1-13292) [Exhibit 10.4]
10(z)	Specimen form of Award Agreement for Employees used to evidence Nonqualified Stock Options which may be granted under The Scotts Miracle-Gro Company 2006 Long-Term Incentive Plan (now known as The Scotts Miracle-Gro Company Amended and Restated 2006 Long-Term Incentive Plan) (German Specimen)	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended December 30, 2006 (File No. 1-13292) [Exhibit 10.5]
10(aa)	Specimen form of Award Agreement for Employees used to evidence Nonqualified Stock Options which may be granted under The Scotts Miracle-Gro Company 2006 Long-Term Incentive Plan (now known as The Scotts Miracle-Gro Company Amended and Restated 2006 Long-Term Incentive Plan) (Polish Specimen)	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended December 30, 2006 (File No. 1-13292) [Exhibit 10.6]
10(bb)	Specimen form of Award Agreement for United Kingdom Employees used to evidence Nonqualified Stock Options, Restricted Stock and Restricted Stock Units which may be granted under The Scotts Miracle-Gro Company 2006 Long-Term Incentive Plan (now known as The Scotts Miracle-Gro Company Amended and Restated 2006 Long-Term Incentive Plan) (United Kingdom Specimen)	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended December 30, 2006 (File No. 1-13292) [Exhibit 10.7]
10(cc)	The Scotts Miracle-Gro Company Discounted Stock Purchase Plan (As Amended and Restated as of January 26, 2006; Reflects 2-for-1 Stock Split Distributed on November 9, 2005)	Incorporated herein by reference to the Registrant's Current Report on Form 8-K filed February 2, 2006 (File No. 1-13292) [Exhibit 10.1]
10(dd)	Summary of Compensation for Directors of The Scotts Miracle-Gro Company	*
10(ee)	Separation Agreement and General Release, entered into and effective as of July 17, 2007 by and between The Scotts Miracle-Gro Company and David M. Aronowitz	Incorporated herein by reference to the Registrant's Current Report on Form 8-K filed July 17, 2007 (File No. 1-13292) [Exhibit 10.1]

* Filed herewith.

(b) EXHIBITS

The exhibits listed on the “Index to Exhibits” beginning on page 102 of this Annual Report on Form 10-K are filed with this Annual Report on Form 10-K or incorporated herein by reference as noted in the “Index to Exhibits”.

(c) FINANCIAL STATEMENT SCHEDULE

The financial statement schedule filed with this Annual Report on Form 10-K is submitted in a separate section hereof. For a description of such financial statement schedule, see “Index to Consolidated Financial Statements and Financial Statement Schedule” on page 53 of this Annual Report on Form 10-K.

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.

Dated: November 29, 2007	THE SCOTTS MIRACLE-GRO COMPANY By: /s/ JAMES HAGEDORN James Hagedorn, President, Chief Executive Officer and Chairman of the Board

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.

Signature	Title	Date
/s/ MARK R. BAKER* Mark R. Baker	Director	November 29, 2007
/s/ GORDON F. BRUNNER* Gordon F. Brunner	Director	November 29, 2007
/s/ ARNOLD W. DONALD* Arnold W. Donald	Director	November 29, 2007
/s/ DAVID C. EVANS David C. Evans	Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	November 29, 2007
/s/ JOSEPH P. FLANNERY* Joseph P. Flannery	Director	November 29, 2007
/s/ JAMES HAGEDORN James Hagedorn	President, Chief Executive Officer, Chairman of the Board and Director (Principal Executive Officer)	November 29, 2007
/s/ THOMAS N. KELLY JR.* Thomas N. Kelly Jr.	Director	November 29, 2007
/s/ KATHERINE HAGEDORN LITTLEFIELD* Katherine Hagedorn Littlefield	Director	November 29, 2007
/s/ KAREN G. MILLS* Karen G. Mills	Director	November 29, 2007
/s/ NANCY G. MISTRETTA* Nancy G. Mistretta	Director	November 29, 2007
/s/ PATRICK J. NORTON* Patrick J. Norton	Director	November 29, 2007

Signature	Title	Date
/s/ STEPHANIE M. SHERN* Stephanie M. Shern	Director	November 29, 2007
/s/ JOHN S. SHIELY* John S. Shiely	Director	November 29, 2007

* The undersigned, by signing his name hereto, does hereby sign this Report on behalf of each of the directors of the Registrant identified above pursuant to Powers of Attorney executed by the directors identified above, which Powers of Attorney are filed with this Report as exhibits.

By: /s/ DAVID C. EVANS
David C. Evans, Attorney-in-Fact

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE

Schedules other than the schedule 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.

ANNUAL REPORT OF MANAGEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. Internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of The Scotts Miracle-Gro Company and our consolidated subsidiaries; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of The Scotts Miracle-Gro Company and our consolidated subsidiaries are being made only in accordance with authorizations of management and directors of The Scotts Miracle-Gro Company and our consolidated subsidiaries, as appropriate; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the assets of The Scotts Miracle-Gro Company and our consolidated subsidiaries that could have a material effect on the consolidated financial statements.

Management, with the participation of our principal executive officer and principal financial officer, assessed the effectiveness of our internal control over financial reporting as of September 30, 2007, the end of our fiscal year. Management based its assessment on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management's assessment included evaluation of such elements as the design and operating effectiveness of key financial reporting controls, process documentation, accounting policies and our overall control environment. This assessment is supported by testing and monitoring performed under the direction of management.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Accordingly, even an effective system of internal control over financial reporting will provide only reasonable assurance with respect to financial statement preparation.

Based on our assessment, management has concluded that our internal control over financial reporting was effective as of September 30, 2007, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America. We reviewed the results of management's assessment with the Audit Committee of The Scotts Miracle-Gro Company.

Our independent registered public accounting firm, Deloitte & Touche LLP, independently audited our internal control over financial reporting and has issued their report which appears herein.

/s/ JAMES HAGEDORN
James Hagedorn
President, Chief Executive Officer
and Chairman of the Board
Dated: November 29, 2007

/s/ DAVID C. EVANS
David C. Evans
Executive Vice President
and Chief Financial Officer
Dated: November 29, 2007

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
The Scotts Miracle-Gro Company
Marysville, Ohio

We have audited the accompanying consolidated balance sheets of The Scotts Miracle-Gro Company and Subsidiaries (the "Company") as of September 30, 2007 and 2006, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended September 30, 2007. 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 in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2007 and 2006, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 2007, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements on September 30, 2007 the Company adopted Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of September 30, 2007, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated November 29, 2007 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Columbus, Ohio
November 29, 2007

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
The Scotts Miracle-Gro Company
Marysville, Ohio

We have audited the internal control over financial reporting of The Scotts Miracle-Gro Company and Subsidiaries (the "Company") as of September 30, 2007, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Annual Report of Management on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2007, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended September 30, 2007 of the Company and our report dated November 29, 2007 expressed an unqualified opinion on those financial statements, and included an explanatory paragraph relating to the Company's adoption of Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* on September 30, 2007.

/s/ Deloitte & Touche LLP

Columbus, Ohio
November 29, 2007

The Scotts Miracle-Gro Company
Consolidated Statements of Operations
for the fiscal years ended September 30, 2007, 2006 and 2005
(in millions, except per share data)

	2007	2006	2005
Net sales	$2,871.8	$2,697.1	$2,369.3
Cost of sales	1,867.3	1,741.1	1,509.2
Restructuring and other charges	—	0.1	(0.3)
Gross profit	1,004.5	955.9	860.4
Operating expenses:			
Selling, general and administrative	700.9	636.9	633.8
Impairment, restructuring and other charges	38.0	75.7	33.2
Other income, net	(11.5)	(9.2)	(7.5)
Income from operations	277.1	252.5	200.9
Costs related to refinancings	18.3	—	1.3
Interest expense	70.7	39.6	41.5
Income before income taxes	188.1	212.9	158.1
Income taxes	74.7	80.2	57.7
Income from continuing operations	113.4	132.7	100.4
Income from discontinued operations	—	—	0.2
Net income	$ 113.4	$ 132.7	$ 100.6
Basic earnings per common share:			
Income from continuing operations	$ 1.74	$ 1.97	$ 1.51
Income from discontinued operations	—	—	—
Net income	$ 1.74	$ 1.97	$ 1.51
Diluted earnings per common share:			
Income from continuing operations	$ 1.69	$ 1.91	$ 1.47
Income from discontinued operations	—	—	—
Net income	$ 1.69	$ 1.91	$ 1.47

See Notes to Consolidated Financial Statements.

The Scotts Miracle-Gro Company
Consolidated Statements of Cash Flows
for the fiscal years ended September 30, 2007, 2006 and 2005
(in millions)

	2007	2006	2005
OPERATING ACTIVITIES			
Net income	$ 113.4	$ 132.7	$ 100.6
Adjustments to reconcile net income to net cash provided by operating activities:			
Impairment and other charges	38.0	66.4	23.4
Costs related to refinancings	18.3	—	1.3
Stock-based compensation expense	13.3	15.7	10.7
Depreciation	51.4	51.0	49.6
Amortization	16.1	16.0	17.6
Deferred taxes	6.3	(0.4)	(13.6)
Gain on sale of property, plant and equipment	(0.4)	(0.5)	—
Changes in assets and liabilities, net of acquired businesses:			
Accounts receivable	(4.2)	(37.6)	(37.9)
Inventories	13.2	(60.6)	(15.8)
Prepaid and other current assets	(6.9)	(3.6)	8.1
Accounts payable	(3.5)	34.3	10.3
Accrued taxes and liabilities	(2.0)	(33.4)	27.9
Restructuring reserves	(5.0)	(9.2)	10.3
Other non-current items	6.8	2.0	6.6
Other, net	(8.2)	9.6	27.6
Net cash provided by operating activities	246.6	182.4	226.7
INVESTING ACTIVITIES			
Redemption of available for sale securities	—	—	57.2
Proceeds from sale of property, plant and equipment	0.5	1.3	—
Investment in property, plant and equipment	(54.0)	(57.0)	(40.4)
Investments in acquired businesses, net of cash acquired	(18.7)	(118.4)	(77.7)
Net cash used in investing activities	(72.2)	(174.1)	(60.9)
FINANCING ACTIVITIES			
Borrowings under revolving and bank lines of credit and term loans	2,519.2	746.9	924.2
Repayments under revolving and bank lines of credit and term loans	(1,710.5)	(691.7)	(736.4)
Repayment of term loans	—	—	(399.0)
Repayment of 6 5/8% senior subordinated notes	(209.6)	—	—
Financing and issuance fees	(13.0)	—	(3.6)
Dividends paid	(543.6)	(33.5)	(8.6)
Payments on sellers notes	(2.7)	(4.5)	(6.9)
Purchase of common shares	(246.8)	(87.9)	—
Excess tax benefits from share-based payment arrangements	19.0	6.2	—
Cash received from exercise of stock options	29.2	17.6	32.2
Proceeds from termination of interest rate swaps	—	—	2.9
Net cash used in financing activities	(158.8)	(46.9)	(195.2)
Effect of exchange rate changes	4.2	6.5	(6.0)
Net increase (decrease) in cash	19.8	(32.1)	(35.4)
Cash and cash equivalents, beginning of year	48.1	80.2	115.6
Cash and cash equivalents, end of year	$ 67.9	$ 48.1	$ 80.2
SUPPLEMENTAL CASH FLOW INFORMATION			
Interest paid, net of interest capitalized	(75.9)	(38.2)	(39.9)
Income taxes paid	(65.2)	(60.3)	(64.0)

See Notes to Consolidated Financial Statements.

The Scotts Miracle-Gro Company

Consolidated Balance Sheets
September 30, 2007 and 2006
(in millions except per share data)

	2007	2006
ASSETS		
Current assets:		
Cash and cash equivalents	$ 67.9	$ 48.1
Accounts receivable, less allowances of $11.4 in 2007 and $11.3 in 2006	248.3	380.4
Accounts receivable pledged	149.5	—
Inventories, net	405.9	409.2
Prepaid and other assets	127.7	104.3
Total current assets	999.3	942.0
Property, plant and equipment, net	365.9	367.6
Goodwill	462.9	458.1
Intangible assets, net	418.8	424.7
Other assets	30.3	25.2
Total assets	$2,277.2	$2,217.6
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of debt	$ 86.4	$ 6.0
Accounts payable	202.5	200.4
Accrued liabilities	286.8	269.1
Accrued taxes	10.9	20.7
Total current liabilities	586.6	496.2
Long-term debt	1,031.4	475.2
Other liabilities	179.9	164.5
Total liabilities	1,797.9	1,135.9
Commitments and contingencies (Notes 15, 16 and 17)		
Shareholders' equity:		
Common shares and capital in excess of $.01 stated value per share; shares issued and outstanding of 64.1 in 2007 and 66.6 in 2006	480.3	509.1
Retained earnings	260.5	690.7
Treasury shares, at cost; 4.0 shares in 2007 and 1.5 shares in 2006	(219.5)	(66.5)
Accumulated other comprehensive loss	(42.0)	(51.6)
Total shareholders' equity	479.3	1,081.7
Total liabilities and shareholders' equity	$2,277.2	$2,217.6

See Notes to Consolidated Financial Statements.

The Scotts Miracle-Gro Company
Consolidated Statements of Shareholders' Equity
for the fiscal years ended September 30, 2007, 2006 and 2005
(in millions)

	Common Stock		Capital in Excess of Stated Value	Deferred Compensation	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Income/(loss)	Total
	Shares	Amount				Shares	Amount		
Balance, September 30, 2004	65.7	$ 0.3	$ 443.0	$ (10.4)	$ 499.5	—	$ —	$ (57.8)	$ 874.6
Net income					100.6				100.6
Foreign currency translation								4.1	4.1
Unrecognized gain on derivatives, net of tax								2.1	2.1
Minimum pension liability, net of tax								(5.0)	(5.0)
Comprehensive income									101.8
Stock-based compensation awarded			15.1	(15.1)					—
Stock-based compensation forfeitures			(2.6)	2.6					—
Stock-based compensation expense				10.7					10.7
Cash dividends paid ($0.125 per share)					(8.6)				(8.6)
Issuance of common shares	2.1		47.7						47.7
Balance, September 30, 2005	67.8	0.3	503.2	(12.2)	591.5	—	—	(56.6)	1,026.2
Net income					132.7				132.7
Foreign currency translation								(1.5)	(1.5)
FAS 123(R) reclassification			(12.2)	12.2					—
Minimum pension liability, net of tax								6.5	6.5
Comprehensive income									137.7
Stock-based compensation expense			15.7						15.7
Cash dividends paid ($0.50 per share)					(33.5)				(33.5)
Treasury stock purchases						2.0	(87.9)		(87.9)
Treasury stock issuances			(21.4)			(0.5)	21.4		—
Issuance of common shares	0.3		23.5						23.5
Balance, September 30, 2006	68.1	0.3	508.8	—	690.7	1.5	(66.5)	(51.6)	1,081.7
Net income					113.4				113.4
Foreign currency translation								4.9	4.9
Unrecognized gain (loss) on derivatives, net of tax								(2.4)	(2.4)
Minimum pension liability, net of tax								20.4	20.4
Comprehensive income									136.3
Adjustment to initially apply SFAS 158, net of tax								(13.3)	(13.3)
Stock-based compensation expense (non cash)			13.3						13.3
Cash dividends paid ($8.50 per share)					(543.6)				(543.6)
Treasury stock purchases						4.5	(246.8)		(246.8)
Treasury stock issuances			(42.1)			(2.0)	93.8		51.7
Balance, September 30, 2007	68.1	$ 0.3	$ 480.0	$ —	$ 260.5	4.0	$ (219.5)	$ (42.0)	$ 479.3

See Notes to Consolidated Financial Statements.

The Scotts Miracle-Gro Company
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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

Due to the nature of the lawn and garden business, the majority of shipments to retailers occur in the Company's second and third fiscal quarters. On a combined basis, net sales for the second and third fiscal quarters generally represent 70% to 75% of annual net sales.

Organization and Basis of Presentation

The Company's consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America. The consolidated financial statements include the accounts of Scotts Miracle-Gro and all wholly-owned and majority-owned subsidiaries. All intercompany transactions and accounts are eliminated in consolidation. The Company's criteria for consolidating entities is based on majority ownership (as evidenced by a majority voting interest in the entity) and an objective evaluation and determination of effective management control.

Revenue Recognition

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

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

Promotional Allowances

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

Advertising

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

Scotts LawnService® promotes its service offerings primarily through direct mail campaigns. External costs associated with these campaigns that qualify as direct response advertising costs are deferred and recognized as advertising expense in proportion to revenues over a period not beyond the end of the subsequent calendar year. Costs that are not direct advertising costs are expensed within the fiscal year incurred on a monthly basis in proportion of net sales. The costs deferred at September 30, 2007 and 2006 were $5.7 million and $5.6 million, respectively.

Advertising expenses were $150.9 million in fiscal 2007, $137.3 million in fiscal 2006 and $122.5 million in fiscal 2005.

Research and Development

All costs associated with research and development are charged to expense as incurred. Expense for fiscal 2007, 2006 and 2005 was $38.8 million, $35.1 million and $38.0 million including registrations of $9.3 million, $8.2 million and $7.5 million, respectively.

Environmental Costs

The Company recognizes environmental liabilities when conditions requiring remediation are probable and the amounts 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.

Stock-Based Compensation Awards

In fiscal 2003, the Company began expensing prospective grants of employee stock-based compensation awards in accordance with SFAS 123, “Accounting for Stock-Based Compensation.” The Company adopted SFAS 123(R), “Share-Based Payment” effective October 1, 2005, following the modified prospective application approach. The Company was already in substantial compliance with SFAS 123(R) at the adoption date as SFAS 123(R) closely parallels SFAS 123. The fair value of awards is expensed ratably over the vesting period, generally three years, except for grants to members of the Board of Directors of Scotts Miracle-Gro that have a shorter vesting period. The Company uses a binomial model to fair value its option grants.

Earnings per Common Share

Basic earnings per common share is computed based on the weighted-average number of common shares outstanding each period. Diluted earnings per common share is computed based on the weighted-average number of common shares and dilutive potential common shares (stock options, restricted stock, performance shares and stock appreciation rights) outstanding each period.

Cash and Cash Equivalents

The Company considers all highly liquid financial instruments with original maturities of three months or less to be cash equivalents. The Company maintains cash deposits in banks which from time to time exceed the amount of deposit insurance available. Management periodically assesses the financial condition of the institutions and believes that any potential credit loss is minimal.

Accounts Receivable and Allowances

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. Allowances reflect our best estimate of amounts in our existing accounts receivable that may not be collected due to customer claims, the return of goods, or customer inability or unwillingness to pay. We determine the allowance based on customer risk assessment and historical experience. We review our allowances monthly. Past due balances over 90 days and in excess of a specified amount are reviewed individually for collectibility. All other balances are reviewed on a pooled basis by type of receivable. Account balances are charged off against the allowance when we feel it is probable the receivable will not be recovered. We do not have any off-balance-sheet credit exposure related to our customers.

Inventories

Inventories are stated at the lower of cost or market, principally determined by the FIFO method. Certain growing media inventories are accounted for by the LIFO method. Approximately 5% of inventories were valued at the lower of LIFO cost or market at September 30, 2007 and 2006. Inventories include the cost of raw materials, labor, manufacturing overhead, and freight and in-bound handling costs incurred to pre-position goods in the Company's warehouse network. The Company makes provisions for obsolete or slow-moving inventories as necessary to properly reflect inventory at the lower of cost or market value. Reserves for excess and obsolete inventories were $15.6 million and $15.1 million at September 30, 2007 and 2006, respectively.

Goodwill and Indefinite-lived Intangible Assets

In accordance with SFAS 142, "Goodwill and Other Intangible Assets," goodwill and intangible assets determined to have indefinite lives are not subject to amortization. Goodwill and indefinite-lived intangible assets are reviewed for impairment by applying a fair-value based test on an annual basis or more frequently if circumstances indicate a potential impairment. 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 and classified as "Impairment, restructuring and other charges" in the Consolidated Statement of Operations.

During the third quarter of fiscal 2007, the Company changed the timing of its annual goodwill impairment testing from the last day of the fiscal first quarter to the first day of the fiscal fourth quarter. As such, the annual impairment test was performed as of December 30, 2006 and was performed again as of July 1, 2007. This accounting is preferable in the circumstances as moving the timing of our annual goodwill impairment testing better aligns with the seasonal nature of the business and the timing of the annual strategic planning process. The Company believes that this change in accounting principle will not delay, accelerate, or avoid an impairment charge. In addition, the Company also changed the date of its annual indefinite life intangible impairment testing to the first day of the fiscal fourth quarter for the current year. The Company determined that the change in accounting principle related to the annual testing date does not result in adjustments to the financial statements applied retrospectively.

Long-lived Assets

Property, plant and equipment are stated at cost. Interest capitalized on capital projects amounted to $0.4 million, $0.5 million and $0.3 million during fiscal 2007, fiscal 2006 and fiscal 2005, respectively. 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 income from operations.

Depreciation of 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

Intangible assets with finite lives, and therefore subject to amortization, include technology (e.g., patents), customer accounts, and certain tradenames. These intangible assets are being amortized on the straight-line method over periods typically ranging from 10 to 25 years. The Company's fixed assets and intangible assets subject to amortization are required to be tested for recoverability under SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

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 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, 2007 and 2006, the Company had $31.1 million and $29.4 million, respectively, in unamortized capitalized internal use computer software costs. Amortization of these costs was $12.1 million, $10.7 million and $9.6 million during fiscal 2007, 2006 and 2005, respectively.

Accruals for Self-Insured Losses

The Company maintains insurance for certain risks, including workers’ compensation, general liability and vehicle liability, and is self-insured for employee related health care benefits. The Company accrues for the expected costs associated with these risks by considering historical claims experience, demographic factors, severity factors, and other relevant information. Costs are recognized in the period the claim is incurred, and the financial statement accruals include an actuarially determined estimate of claims incurred but not yet reported.

Translation of Foreign Currencies

For all foreign operations, the functional currency is the local currency. Assets and liabilities of these operations are translated at the exchange rate in effect at each year-end. Income and expense accounts are translated at the average rate of exchange prevailing during the year. Translation gains and losses arising from the use of differing exchange rates from period to period are included in other comprehensive income, a component of shareholders’ equity. Foreign currency transaction gains and losses are included in the determination of net income and amounted to a loss of $0.2 million, a loss of $0.7 million and a gain of $2.1 million in fiscal years 2007, 2006 and 2005, respectively.

Derivative Instruments

In the normal course of business, the Company is exposed to fluctuations in interest rates, the value of foreign currencies, and the cost of commodities. A variety of financial instruments, including forward and swap contracts, are used to manage these exposures. The Company’s objective in managing these exposures is to better control these elements of cost and mitigate the earnings and cash flow volatility associated with changes in the applicable rates and prices.

The Company has established policies and procedures that encompass risk-management philosophy and objectives, guidelines for derivative-instrument usage, counterparty credit approval, and the monitoring and reporting of derivative activity. The Company does not enter into derivative instruments for the purpose of speculation.

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.

Variable Interest Entities

Financial Accounting Standards Board (FASB) Interpretation 46(R), “Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51” (FIN 46(R)) provides a framework for identifying variable interest entities (VIEs) and determining when a company should include the assets, liabilities, noncontrolling interests, and results of operations of a VIE in its consolidated financial statements. In general, a VIE is a corporation, partnership, limited liability company, trust, or any other legal structure used to conduct activities or hold assets that either (1) has an insufficient amount of equity to carry out its principal activities without additional subordinated financial support, (2) has a group of equity owners that are unable to make significant decisions about its activities, or (3) has a group of equity owners that do not have the obligation to absorb losses or the right to receive returns generated by its operations.

FIN 46(R) requires a VIE to be consolidated if a party with an ownership, contractual or other financial interest in the VIE (a variable interest holder) is obligated to absorb a majority of the risk of loss from the VIE's activities, is entitled to receive a majority of the VIE's residual returns (if no party absorbs a majority of the VIE's losses), or both. A variable interest holder that consolidates the VIE is called the primary beneficiary. Upon consolidation, the primary beneficiary generally must initially record all of the VIE's assets, liabilities and noncontrolling interests at fair value and subsequently account for the VIE as if it were consolidated based on majority voting interest. FIN 46(R) also requires disclosures about VIEs that the variable interest holder is not required to consolidate but in which it has a significant variable interest.

The Company's Scotts LawnService® business sells new franchise territories, primarily in small to mid-size markets, under arrangements where a portion of the franchise fee is paid in cash with the balance due under a promissory note. The Company believes that it may be the primary beneficiary for certain of its franchisees initially, but ceases to be the primary beneficiary as the franchisees develop their businesses and the promissory notes are repaid. At September 30, 2007, the Company had approximately $2.3 million in notes receivable from such franchisees. The effect of consolidating the entities where the Company may be the primary beneficiary for a limited period of time is not material to either the Consolidated Statements of Operations or the Consolidated Balance Sheets.

New Accounting Pronouncements

Statement of Financial Accounting Standards No. 158 — Employers' Accounting For Defined Benefit Pension And Other Postretirement Plans

In September 2006, the Financial Accounting Standards Board issued SFAS 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)." The Company adopted the recognition and disclosure provisions of SFAS 158 as required on September 30, 2007. SFAS 158 requires the Company to record non-cash adjustments to recognize the funded status of each of its defined pension and postretirement benefit plans, measured as the difference between the plan assets and the benefit obligation, as a net asset or liability in its statement of financial position with an offsetting amount in accumulated other comprehensive income or loss, and to recognize changes in that funded status in the year in which changes occur through comprehensive income or loss. The Company was already in compliance with the SFAS 158 requirement to measure plan assets and liabilities as of the Company's fiscal year end. The adoption of SFAS 158 had no effect on the Company's Consolidated Statement of Operations for any period presented, and it will not affect the Company's operating results in future periods. SFAS 158 does not change the way the Company measures plan assets and benefit obligations or the determination of net periodic benefit cost. The following table reflects the effects of the adoption of SFAS 158 on the Company's Consolidated Balance Sheet as of September 30, 2007. See the related footnote disclosures in Note 8, Retirement Plans and Note 9, Associate Medical Benefits.

	Prior to Adopting SFAS 158	Effect of Adopting SFAS 158	As Reported under SFAS 158
		(In millions)	
Prepaid and other assets	$ 136.8	$ (9.1)	$ 127.7
Accrued liabilities	283.1	3.7	286.8
Other liabilities	179.4	0.5	179.9
Total liabilities	1,793.7	4.2	1,797.9
Accumulated other comprehensive gain (loss)	(28.7)	(13.3)	(42.0)

Statement of Financial Accounting Standards No. 157 — Fair Value Measurements

In September 2006, the Financial Accounting Standards Board issued SFAS 157, "Fair Value Measurements". SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The Company will be required to adopt SFAS 157 no later than October 1, 2008, the beginning of its 2009 fiscal year. The provisions of SFAS 157 should be applied prospectively to the beginning of the fiscal year in which SFAS 157 is initially applied, except with respect to certain financial instruments as defined by SFAS 157. The Company has not yet determined the effect, if any, that the adoption of SFAS 157 will have on its consolidated financial statements.

Statement of Financial Accounting Standards No. 159 -The Fair Value Option for Financial Assets and Financial Liabilities

In February 2007, the Financial Accounting Standards Board issued SFAS 159, "The Fair Value Option for Financial Assets and Financial Liabilities," which allows an entity the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on a contract-by-contract basis. Subsequent changes in fair value of these financial assets and liabilities would be recognized in earnings when they occur. SFAS 159 further establishes certain additional disclosure requirements. SFAS 159 is effective for the Company's financial statements for the fiscal year beginning on October 1, 2008, with earlier adoption permitted. No entity is permitted to apply SFAS 159 retrospectively to fiscal years preceding the effective date unless the entity chooses early adoption. Management is currently evaluating the impact and timing of the adoption of SFAS 159 on the Company's consolidated financial statements.

FIN 48 — Accounting For Uncertainty In Income Taxes — An Interpretation of FASB Statement No. 109

In July 2006, the Financial Accounting Standards Board has issued Interpretation (FIN) 48, "Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109." This Interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS 109, "Accounting for Income Taxes." FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This Interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

The evaluation of a tax position in accordance with FIN 48 is a two-step process. The first step is recognition. The enterprise determines whether it is more-likely-than-not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. In evaluating whether a tax position has met the more-likely-than-not recognition threshold, the enterprise should presume that the position will be examined by the appropriate taxing authority that would have full knowledge of all relevant information. The second step is measurement. A tax position that meets the more-likely-than-not recognition threshold is measured to determine the amount of benefit to recognize in the financial statements. The tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement.

Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold should be derecognized in the first subsequent financial reporting period in which that threshold is no longer met.

The Company is required to adopt the provisions of FIN 48 in respect of all the Company's tax positions as of October 1, 2007, the beginning of fiscal 2008. The cumulative effect of applying the provisions of the Interpretation will be reported as an adjustment to the opening balance of retained earnings for fiscal 2008. The Company is completing its evaluation of FIN 48 and does not expect its adoption in the first quarter of fiscal 2008 to have a material impact on its financial position or results of operations.

NOTE 2. RECAPITALIZATION

On December 12, 2006, the Company announced a recapitalization plan to return $750 million to the Company's shareholders. This plan expanded and accelerated the previously announced five-year $500 million share repurchase program (which was canceled) under which the Company repurchased $87.9 million of its common shares during fiscal 2006. Pursuant to the recapitalization plan, on February 14, 2007, the Company completed a modified "Dutch auction" tender offer, resulting in the repurchase of 4.5 million of the Company's common shares for an aggregate purchase price of $245.5 million ($54.50 per share). On February 16, 2007, the Company's Board of Directors declared a special one-time cash dividend of $8.00 per share ($508 million in the aggregate), which was paid on March 5, 2007, to shareholders of record on February 26, 2007.

In order to fund these transactions, the Company entered into new credit facilities aggregating $2.15 billion and terminated its prior credit facility. As part of this debt restructuring, the Company also conducted a cash tender offer for any and all of its outstanding $6^5/_8$% senior subordinated notes in an aggregate principal amount of $200 million. Reference should be made to Note 10, "Debt" for further information as to the new credit facilities and the repayment and termination of the prior credit facility and the $6^5/_8$% senior subordinated notes.

The payment of the special one-time cash dividend required the Company to adjust the number of common shares subject to stock options and stock appreciation rights outstanding under the Company's share-based awards programs, as well as the price at which the awards may be exercised. Reference should be made to Note 11, Shareholders' Equity for further information. The Company's interest expense will be significantly higher for periods subsequent to the recapitalization transactions as a result of the borrowings incurred to fund the cash returned to shareholders. The following pro forma financial information has been compiled as if the Company had completed the recapitalization transactions as of October 1, 2005 for fiscal 2006 and as of October 1, 2006 for fiscal 2007. Borrowing rates in effect as of March 30, 2007 were used to compute pro forma interest expense. As the recapitalization involved a share repurchase, pro forma diluted common shares are also provided.

	Pro Forma Financial Information (Unaudited)	
	Year Ended September 30,	
	2007	2006
	(In millions, except per share data)	
Income before income taxes, as reported	$188.1	$ 212.9
Add back reported interest expense	70.7	39.6
Add back costs related to refinancing	18.3	—
Deduct pro forma interest expense	(94.3)	(100.8)
Pro forma income before income taxes	$182.8	$ 151.7
Pro forma income taxes	72.5	57.3
Pro forma net income	$110.3	$ 94.4
Pro forma basic net income per common share	$ 1.74	$ 1.50
Pro forma diluted net income per common share	$ 1.68	$ 1.45
Reported interest expense	$ 70.7	$ 39.6
Incremental interest on recapitalization borrowings	21.8	53.0
New credit facilities interest rate differential	1.5	7.4
Incremental amortization of new credit facilities fees	0.3	0.8
Pro forma interest expense	$ 94.3	$ 100.8
Pro forma effective tax rates	39.7%	37.8%

	Pro Forma Shares	
	Year Ended September 30,	
	2007	2006
	(In millions)	
Weighted-average common shares outstanding during the period	65.2	67.5
Incremental full period impact of repurchased common shares	(1.8)	(4.5)
Pro forma basic common shares	63.4	63.0
Weighted-average common shares outstanding during the period plus dilutive potential common shares	67.0	69.4
Incremental full period impact of repurchased common shares	(1.8)	(4.5)
Impact on dilutive potential common shares	0.3	0.3
Pro forma diluted common shares	65.5	65.2

NOTE 3. DETAIL OF CERTAIN FINANCIAL STATEMENT ACCOUNTS

	September 30, 2007	September 30, 2006
	(In millions)	
INVENTORIES, NET:		
Finished goods	$ 289.9	$ 267.4
Work-in-progress	28.3	36.0
Raw materials	87.7	105.8
	$ 405.9	$ 409.2
PROPERTY, PLANT AND EQUIPMENT, NET:		
Land and improvements	$ 58.9	$ 49.8
Buildings	162.8	144.6
Machinery and equipment	417.4	401.8
Furniture and fixtures	39.2	39.2
Software	88.6	79.7
Construction in progress	17.8	22.5
	784.7	737.6
Less: accumulated depreciation	(418.8)	(370.0)
	$ 365.9	$ 367.6
ACCRUED LIABILITIES:		
Payroll and other compensation accruals	$ 44.0	$ 53.7
Advertising and promotional accruals	138.8	126.8
Restructuring accruals	2.5	6.4
Other	101.5	82.2
	$ 286.8	$ 269.1
OTHER NON-CURRENT LIABILITIES:		
Accrued pension and postretirement liabilities	$ 79.8	$ 93.8
Legal and environmental reserves	4.2	4.2
Deferred tax liability	67.9	49.2
Other	28.0	17.3
	$ 179.9	$ 164.5

	September 30, 2007	2006	2005
	(In millions)		
ACCUMULATED OTHER COMPREHENSIVE LOSS:			
Unrecognized gain (loss) on derivatives, net of tax of $0.4, $(0.9) and $(1.2)	$ (0.6)	$ 1.8	$ 1.8
Minimum pension liability, net of tax of $0, $19.5 and $23.7	—	(34.1)	(40.6)
Pension liability under FAS 158, net of tax of $15.9	(27.0)	—	—
Foreign currency translation adjustment	(14.4)	(19.3)	(17.8)
	$(42.0)	$(51.6)	$(56.6)

NOTE 4. MARKETING AGREEMENT

The Company is Monsanto's exclusive agent for the domestic and international marketing and distribution of consumer Roundup® herbicide products. Under the terms of the Marketing Agreement with Monsanto, the Company is entitled to receive an annual commission from Monsanto in consideration for the performance of the Company's duties as agent. The annual gross commission under the Marketing Agreement is calculated as a percentage of the actual earnings before interest and income taxes (EBIT) of the consumer Roundup® business, as defined in the Marketing Agreement. Each year's percentage varies in accordance with the terms of the Marketing Agreement based on the achievement of two earnings thresholds and on commission rates that vary by threshold and program year.

The Marketing Agreement also requires the Company to make annual payments to Monsanto as a contribution against the overall expenses of the consumer Roundup® business. The annual contribution payment is defined in the Marketing Agreement as $20 million; however, portions of the annual contribution payments for the first three years of the Marketing Agreement were deferred with no expense recorded as payment of the deferred amount was considered to be contingent. During fiscal 2005, the Company updated its assessment of this contingent obligation and concluded that it was probable that the deferred amount totaling $45.7 million as of July 2, 2005 would be paid. Since the recognition of this contingent obligation was for previously deferred contribution payments, the Company recorded this liability with a charge to net sales in the quarter ended July 2, 2005. This amount bore interest at 8% until it was paid in October 2005.

Under the terms of the Marketing Agreement, the Company performs certain functions, primarily manufacturing conversion, selling and marketing support, on behalf of Monsanto in the conduct of the consumer Roundup® business. The actual costs incurred for these activities are charged to and reimbursed by Monsanto, for which the Company recognizes no gross profit or net income. The Company records costs incurred under the Marketing Agreement for which the Company is the primary obligor on a gross basis, recognizing such costs in "Cost of sales" and the reimbursement of these costs in "Net sales," with no effect on gross profit or net income. The related net sales and cost of sales were $47.7 million, $37.6 million and $40.7 million for fiscal 2007, 2006 and 2005, respectively.

The elements of the net commission earned under Marketing Agreement and included in "Net sales" for each of the three years in the period ended September 30, 2007 are as follows:

	2007	2006	2005
Gross commission	$ 62.7	$ 60.7	$ 67.0
Contribution expenses	(20.0)	(20.0)	(23.8)
Deferred contribution charge	—	—	(45.7)
Amortization of marketing fee	(0.8)	(0.8)	(2.8)
Net commission income (expense)	41.9	39.9	(5.3)
Reimbursements associated with Marketing Agreement	47.7	37.6	40.7
Total net sales associated with Marketing Agreement	$ 89.6	$ 77.5	$ 35.4

In consideration for the rights granted to the Company under the Marketing Agreement for North America, the Company was required to pay a marketing fee of $33 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 Marketing Agreement. Based on management's current assessment of the likely term of the Marketing Agreement, the useful life over which the marketing fee is being amortized is 20 years.

The Marketing Agreement has no definite term except as it relates to the European Union countries. With respect to the European Union countries, the term of the Marketing Agreement has been extended through September 30, 2008 and may be renewed at the option of both parties for two additional successive terms ending on September 30, 2015 and 2018, with a separate determination being made by the parties at least six months prior to the expiration of each such term as to whether to commence a subsequent renewal term. If Monsanto does not agree to the renewal term with respect to the European Union countries, the commission structure will be renegotiated within the terms of the

Marketing Agreement. For countries outside of the European Union, the Marketing Agreement continues indefinitely unless terminated by either party.

The Marketing Agreement provides Monsanto with the right to terminate the Marketing Agreement for an event of default (as defined in the Marketing Agreement) by the Company or a change in control of Monsanto or the sale of the consumer Roundup® business. The Marketing Agreement provides the Company with the right to terminate the Marketing Agreement in certain circumstances including an event of default by Monsanto or the sale of the consumer Roundup® business. Unless Monsanto terminates the Marketing 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. If Monsanto terminates the Marketing Agreement upon a change of control of Monsanto or the sale of the consumer Roundup® business prior to September 30, 2008, the Company will be entitled to a termination fee in excess of $100 million. If the Company terminates the Marketing Agreement upon an uncured material breach, material fraud or material willful misconduct by Monsanto, the Company will be entitled to receive a termination fee in excess of $100 million if the termination occurs prior to September 30, 2008. The termination fee declines over time from $100 million to a minimum of $16 million for terminations between September 30, 2008 and September 30, 2018. If Monsanto was to terminate the Marketing Agreement for cause, the Company would not be entitled to any termination fee, and would lose all, or a significant portion, of the 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 the Company a termination fee if sales to consumers in that region decline: (1) over a cumulative three fiscal year period; or (2) by more than 5% for each of two consecutive years.

NOTE 5. IMPAIRMENT, RESTRUCTURING AND OTHER CHARGES

The Company recorded net restructuring and other charges of $2.7 million, $9.4 million and $9.5 million in fiscal 2007, fiscal 2006 and fiscal 2005, respectively. Other charges in fiscal 2007 relate to certain assets and ongoing monitoring and remediation costs associated with the Company’s turfgrass biotechnology program. Substantially all costs in fiscal 2006 and $26.3 million in fiscal 2005 were for severance and related costs, including curtailment charges relating to a pension plan and the retiree medical plan, related primarily to a strategic improvement plan designed to reduce general and administrative costs. Offsetting the fiscal 2005 charges was a reserve reversal of $7.9 million related to the collection of outstanding accounts receivable due from Central Garden & Pet Company (Central Garden), and a net settlement gain of $8.9 million related to the lawsuit against Aventis.

Goodwill and intangible asset impairment charges of $35.3 million, $66.4 million and $23.4 million were recorded in fiscal 2007, fiscal 2006 and fiscal 2005, respectively. The nature of the impairment charges are discussed further in Note 6, Goodwill and Intangible Assets, Net.

The following table details impairment, restructuring and other charges and rolls forward the cash portion of the restructuring and other charges accrued in fiscal 2007, 2006 and 2005 (in millions):

	2007	2006	2005
Restructuring and other charges:			
Severance	$ —	$ 8.5	$15.9
Facility exit costs	—	—	0.1
Curtailment of pension and retiree medical plans	—	—	4.9
Other related costs	2.7	0.9	5.4
Central Garden litigation	—	—	(7.9)
Aventis litigation	—	—	(8.9)
Net restructuring and other charges	2.7	9.4	9.5
Goodwill and intangible asset impairment	35.3	66.4	23.4
Total impairment, restructuring and other charges	$38.0	$ 75.8	$32.9
Amounts reserved for restructuring and other charges at beginning of year	$ 6.4	$ 15.6	$ 5.3
Restructuring and other charges	2.7	9.4	9.5
Receipts, payments and other	(6.6)	(18.6)	0.8
Amounts reserved for restructuring and other charges at end of year	$ 2.5	$ 6.4	$15.6

The activities to which these costs apply are expected to be largely completed in fiscal 2008. The balance of the accrued charges at September 30, 2007 and 2006, are included in “Accrued liabilities” on the Consolidated Balance Sheets.

NOTE 6. GOODWILL AND INTANGIBLE ASSETS, NET

In accordance with SFAS 142, goodwill and indefinite-lived intangible assets are not subject to amortization. Goodwill and indefinite-lived intangible assets are reviewed for impairment by applying a fair-value based test on an annual basis or more frequently if circumstances indicate a potential impairment. As discussed in Note 1, Summary of Significant Accounting Policies, during the third quarter of fiscal 2007, the Company changed the timing of its annual goodwill impairment testing from the last day of the fiscal first quarter to the first day of the fiscal fourth quarter. As such, annual impairment testing for fiscal 2007 was performed as of December 30, 2006 and again as of July 1, 2007.

Management engages an independent valuation firm to assist in its impairment assessment reviews. The value of all indefinite-lived tradenames was determined using a royalty savings methodology similar to that employed when the associated businesses were acquired but using updated estimates of sales, cash flow and profitability. The fair value of the Company’s reporting units for purposes of goodwill testing was determined primarily by employing a discounted cash flow methodology.

At December 30, 2006, the Company completed its impairment analysis and determined that a charge for impairment was not required.

The Company’s fourth quarter fiscal 2007 impairment review resulted in a non-cash goodwill and intangible asset impairment charge of $35.3 million. In part as a result of the disappointing 2007 lawn and garden season, management undertook a comprehensive strategic update of the Company’s business initiatives in the fourth quarter of fiscal 2007. One outcome of this update was a decision to increase the focus of resources on the Company’s core consumer lawn and garden do-it-yourself businesses. This process also involved a re-evaluation of the strategy and cash flow projections surrounding the Company’s Smith & Hawken® business, which has consistently performed below expectations since it was acquired in early fiscal 2005. While the Company remains committed to the outdoor living category and intends to more vigorously leverage the Smith & Hawken® brand in other lawn and garden categories, management revised its Smith & Hawken® strategy to reflect a scaled back retail expansion plan, with an increased focus on aggressively expanding the wholesale aspect of this business. This resulted in a decrease in the prior cash flow projections for this business, resulting in a $24.6 million goodwill impairment charge and a $4.6 million impairment charge for an indefinite-lived tradename. The goodwill impairment charge is an estimate, as the appraisals necessary to complete the required SFAS 142 evaluation of the Smith & Hawken® goodwill remain in process as of the date of this report. The Company will finalize this evaluation in the first quarter of fiscal 2008 and, if necessary, update the impairment charge for Smith & Hawken® goodwill in that reporting period.

Management's fiscal 2007 fourth quarter strategic update also encompassed other areas. The Company remains strongly committed to the development of turfgrass varieties that could one day require less mowing, less water and fewer treatments to resist insects, weeds and disease. The Company's efforts to develop such turfgrass varieties include conventional breeding programs, as well as research and development involving biotechnology. Efforts to develop turfgrass varieties involving biotechnology have yielded positive results; however, the required regulatory approval process is taking longer than anticipated, impacting the Company's ability to commercialize such innovations. As a result of management's fiscal 2007 fourth quarter strategic update, the Company recorded a $2.2 million goodwill impairment charge related to its turfgrass biotechnology program. Similarly, a strategic update of certain information technology initiatives in the Company's Scotts LawnService® segment resulted in a $3.9 million impairment charge.

The Company's fiscal 2006 annual impairment analysis resulted in an impairment charge of $1.0 million associated with a tradename no longer in use in the European consumer business. Subsequent to the fiscal 2006 first quarter impairment analysis, the European consumer business of the International reporting segment and Smith & Hawken® experienced significant off plan performance. Management believes the off plan performance of the European consumer business was driven largely by category declines in the European consumer markets. The off plan performance of these two businesses was an indication that, more-likely-than-not, the fair values of the related reporting units and indefinite-lived intangibles have declined below their carrying amount. Accordingly, an interim impairment test was performed for the goodwill and indefinite-lived tradenames of these reporting units during the fourth quarter of fiscal 2006. As a result of the interim impairment test, the Company recorded a $65.4 million non-cash impairment charge, $62.3 million of which was associated with indefinite-lived tradenames that continue to be employed in the consumer portion of the International reporting segment. The balance of the fiscal 2006 fourth quarter impairment charge was in the North America segment and consisted of $1.3 million for a Canadian tradename being phased out and $1.8 million related to goodwill of a pottery business being exited. The interim impairment testing of the Smith & Hawken® goodwill and indefinite-lived tradename did not indicate impairment.

The following table presents goodwill and intangible assets as of September 30, 2007 and 2006 (dollars in millions).

		September 30, 2007			September 30, 2006		
	Weighted Average Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizable intangible assets:							
Technology	14	$ 56.7	$ (37.1)	$ 19.6	$ 54.3	$ (34.3)	$ 20.0
Customer relationships	16	89.0	(29.6)	59.4	80.5	(17.9)	62.6
Tradenames	17	11.3	(5.6)	5.7	11.3	(4.9)	6.4
Other	15	117.7	(82.0)	35.7	111.2	(75.6)	35.6
Total amortizable intangible assets, net				120.4			124.6
Unamortizable intangible assets:							
Tradenames				298.4			300.1
Total intangible assets, net				418.8			424.7
Goodwill				462.9			458.1
Total goodwill and intangible assets, net				$ 881.7			$ 882.8

The changes to the net carrying value of goodwill by segment for the fiscal years ended September 30, 2007 and 2006, are as follows (in millions):

	North America	Scotts LawnService®	International	Other/ Corporate	Total
Balance as of September 30, 2005	$ 190.9	$ 105.0	$ 112.4	$ 24.6	$ 432.9
Increases due to acquisitions	16.6	3.6	—	—	20.2
Impairment	(1.8)	—	—	—	(1.8)
Other, primarily cumulative translation	—	—	6.8	—	6.8
Balance as of September 30, 2006	$ 205.7	$ 108.6	$ 119.2	$ 24.6	$ 458.1
Increases due to acquisitions	4.3	14.9	—	—	19.2
Impairment	(2.2)	—	—	(24.6)	(26.8)
Other, primarily cumulative translation	(0.1)	—	12.5	—	12.4
Balance as of September 30, 2007	$ 207.7	$ 123.5	$ 131.7	$ —	$ 462.9

The total amortization expense for the years ended September 30, 2007, 2006 and 2005 was $16.1 million, $16.0 million and $17.6 million, respectively. Amortization expense is estimated to be as follows for the years ending September 30 (in millions):

2008	$16.6
2009	15.0
2010	13.6
2011	12.9
2012	11.9

NOTE 7. ACQUISITIONS

The Company continues to view strategic acquisitions as a means to enhance our strong core businesses. The following recaps key acquisitions made during fiscal 2006:

Date of Acquisition	Assets Acquired	Consideration	Reasons for the Acquisition
June 2006	Certain brands and assets of Landmark Seed Company, a leading producer and distributor of quality professional seed and turfgrasses.	Cash of $6.2 million with an additional $1 million deferred to future periods.	Transaction enhances the Company's position in the global turfgrass seed industry and compliments the acquisition from Turf-Seed, Inc.
May 2006	Certain brands and assets of Turf-Seed, Inc., a leading producer of quality commercial turfgrasses, including 49% equity interest in Turf-Seed Europe, which distributes Turf-Seed's grass varieties throughout the European Union and other countries in the region.	Cash of $10.0 million plus assumed liabilities of $4.5 million. Contingent consideration based on future performance of the business due in 2012 that may approximate $15 million which would be recorded as additional purchase price.	Integration of Turf-Seed's extensive professional seed sales and distribution network with the Company's existing presence and industry leading brands in the consumer seed market will strengthen the Company's overall global position in the seed category.
November 2005	All the outstanding shares of Gutwein & Co., Inc. ("Gutwein"), a leader in the growing North America wild bird food category.	$78.3 million in cash plus assumed liabilities of $4.7 million.	Gutwein's Morning Song® branded products are sold at leading mass retailers, grocery, pet and general merchandise stores. This acquisition gives the Company its entry into the North America wild bird food category, a large, growing, fragmented category with tremendous opportunity for branding and innovation.
October 2005	All the outstanding shares of Rod McLellan Company ("RMC"), a leading branded producer and marketer of soil and landscape products in the western U.S.	$20.5 million in cash plus assumed liabilities of $6.8 million.	RMC compliments our existing line of growing media products and has been integrated into that business.

On a pro forma basis, net sales for the year ended September 30, 2005 would have been $2.48 billion (an increase of $114.5 million) had the acquisitions of RMC and Gutwein, and the brands and assets from Turf-Seed and Landmark Seed occurred as of October 1, 2004. The pro forma reported net income for the year ended September 30, 2005 would have increased by approximately $6.5 million or 0.09 cents per diluted common share. Due to the timing of these acquisitions in fiscal 2006, pro forma results would not be materially different from actual results for the year ended September 30, 2006.

Scotts LawnService®

From fiscal 2005 through 2007, the Company's Scotts LawnService® segment acquired 19 individual lawn service entities for a total cost of approximately $33.3 million. The following table summarizes the details of these transactions by fiscal year (dollar amounts in millions):

	Fiscal Year		
	2007	2006	2005
Number of individual acquisitions	11	5	3
Total cost	$22.5	$ 4.4	$ 6.4
Portion of cost paid in cash	18.7	3.4	4.1
Notes issued and liabilities assumed	3.8	1.0	2.3
Goodwill	14.9	3.5	4.7
Other intangible assets	6.3	0.7	0.9
Working capital and property, plant and equipment	1.3	0.2	0.8

Pro forma results would not be materially different from actual results for the year ended September 30, 2007.

NOTE 8. RETIREMENT PLANS

The Company sponsors a defined contribution profit sharing and 401(k) plan for substantially all U.S. associates. The Company provides a base contribution equal to 2% of compensation up to 50% of the Social Security taxable wage base plus 4% of remaining compensation. Associates also may make pretax contributions from compensation that are matched by the Company at 100% of the associates' initial 3% contribution and 50% of their remaining contribution up to 5%. The Company recorded charges of $10.7 million, $10.3 million and $10.8 million under the plan in fiscal 2007, 2006 and 2005, respectively.

The Company sponsors two defined benefit plans for certain U.S. associates. Benefits under these plans have been frozen and closed to new associates since 1997. The benefits under the primary plan 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 second frozen plan is a non-qualified supplemental pension plan. This plan provides for incremental pension payments so that total pension payments equal amounts that would have been payable from the Company's pension plan if it were not for limitations imposed by the income tax regulations.

The Company sponsors defined benefit pension plans associated with its International businesses in the United Kingdom, the Netherlands, Germany, and France. These plans generally cover all associates of the respective businesses with retirement benefits primarily based on years of service and compensation levels. During fiscal 2004, the U.K. plans were closed to new participants, but existing participants continue to accrue benefits. All newly hired associates of the U.K. business now participate in a new defined contribution plan in lieu of the defined benefit plans.

The following tables present information about benefit obligations, plan assets, annual expense, assumptions and other information about the Company's defined benefit pension plans (in millions), including the disclosures required by SFAS 158 which was adopted by the Company on September 30, 2007. The incremental effect of applying SFAS 158 on individual line items in the Consolidated Balance Sheet at September 30, 2007 is discussed in Note 1, Summary of Significant Accounting Policies. The defined benefit plans are valued using a September 30 measurement date.

	Curtailed Defined Benefit Plans		International Benefit Plans	
	2007	2006	2007	2006
Change in projected benefit obligation				
Benefit obligation at beginning of year	$ 93.4	$96.1	$178.7	$158.2
Service cost	—	—	3.9	4.2
Interest cost	5.3	5.2	9.2	7.7
Plan participants' contributions	—	—	0.9	0.9
Plan amendments	—	—	(0.8)	—
Curtailment /settlement gain	—	—	(0.6)	(1.1)
Actuarial loss (gain)	(1.5)	(1.7)	(23.8)	3.4
Benefits paid	(6.4)	(6.2)	(6.0)	(4.7)
Other	—	—	0.2	—
Special termination benefits	—	—	0.5	—
Foreign currency translation	—	—	17.3	10.1
Projected benefit obligation at end of year	$ 90.8	$93.4	$179.5	$178.7
Accumulated benefit obligation at end of year	$ 90.8	$93.4	$158.6	$154.5
Change in plan assets				
Fair value of plan assets at beginning of year	$ 70.9	$72.5	$116.1	$ 96.4
Actual return on plan assets	9.3	4.4	10.4	9.8
Employer contribution	4.1	0.2	9.6	7.2
Plan participants' contributions	—	—	0.9	0.9
Benefits paid	(6.4)	(6.2)	(6.0)	(4.7)
Foreign currency translation	—	—	11.9	6.5
Other	—	—	(0.2)	—
Fair value of plan assets at end of year	$ 77.9	$70.9	$142.7	$116.1
Funded status at end of year	$ 12.9	$22.5	$ 36.8	$ 62.6
Information for pension plans with an accumulated benefit obligation in excess of plan assets				
Projected benefit obligation	$ 90.8	$93.4	$ 28.1	$178.7
Accumulated benefit obligation	90.8	93.4	26.5	154.5
Fair value of plan assets	77.9	70.9	7.0	116.1
Amounts recognized in the Consolidated Balance Sheets consist of:				
Current liabilities	$ 0.2	$ —	$ 1.0	$ —
Noncurrent liabilities	12.7	22.5	35.8	40.1
Total amount accrued	$ 12.9	$22.5	$ 36.8	$ 40.1

	Curtailed Defined Benefit Plans		International Benefit Plans	
	2007	2006	2007	2006
Amounts recognized in accumulated other comprehensive loss consist of:				
Actuarial loss	$ 22.0		$ 21.7	
Prior service cost	—		(1.1)	
Net amount recognized	$ 22.0		$ 20.6	
Amounts in accumulated other comprehensive loss expected to be recognized as components of net periodic benefit cost in fiscal 2008 are as follows:				
Actuarial loss	$ 1.3		$ 0.6	
Prior service cost	—		(0.1)	
Amount to be amortized into net periodic benefit cost	$ 1.3		$ 0.5	
Weighted average assumptions used in development of projected benefit obligation:				
Discount rate	6.11%	5.93%	5.67%	4.86%
Rate of compensation increase	n/a	n/a	3.5%	3.5%

	Curtailed Defined Benefit Plan			International Benefit Plans		
	2007	2006	2005	2007	2006	2005
Components of net periodic benefit cost						
Service cost	$ —	$ —	$ —	$ 3.9	$ 4.2	$ 3.3
Interest cost	5.3	5.2	5.2	9.2	7.7	7.1
Expected return on plan assets	(5.6)	(5.5)	(5.4)	(8.2)	(7.0)	(6.3)
Net amortization	2.1	2.2	2.6	2.1	2.0	1.4
Net periodic benefit cost	1.8	1.9	2.4	7.0	6.9	5.5
Curtailment /settlement loss (gain)	—	—	2.3	0.6	(1.1)	—
Total benefit cost	$ 1.8	$ 1.9	$ 4.7	$ 7.6	$ 5.8	$ 5.5

	Curtailed Defined Benefit Plan			International Benefit Plans		
	2007	2006	2005	2007	2006	2005
Weighted average assumptions used in development of net periodic benefit cost:						
Discount rate	5.93%	5.63%	5.75%	4.86%	4.68%	5.35%
Expected return on plan assets	8.0%	8.0%	8.0%	6.6%	6.9%	7.5%
Rate of compensation increase	n/a	n/a	n/a	3.5%	3.5%	3.7%

Other Information:

	Curtailed Defined Benefit Plans	International Benefit Plans
Plan asset allocations:		
Target for September 30, 2008:		
Equity securities	60%	50%
Debt securities	40%	50%
September 30, 2007:		
Equity securities	61%	50%
Debt securities	38%	49%
Other	1%	1%
September 30, 2006:		
Equity securities	66%	56%
Debt securities	34%	43%
Other	—	1%
Expected contributions in fiscal 2008:		
Company	4.9	9.4
Employee	—	0.9
Expected future benefit payments:		
2008	6.5	5.1
2009	6.5	5.2
2010	6.6	5.7
2011	6.6	5.8
2012	6.7	6.4
Total 2013 to 2017	33.9	37.2

Investment Strategy:

Target allocation percentages among various asset classes are maintained based on an individual investment policy established for each of the various pension plans. Asset allocations are designed to achieve long term objectives of return, while mitigating against downside risk and considering expected cash requirements to fund benefit payments.

Basis for Long-Term Rate of Return on Asset Assumptions:

The Company's expected long-term rate of return on asset assumptions are derived from studies conducted by third parties. The studies include a review of anticipated future long-term performance of individual asset classes and consideration of the appropriate asset allocation strategy given the anticipated requirements of the plan to determine the average rate of earnings expected. While the studies give appropriate consideration to recent fund performance and historical returns, the assumptions primarily represent expectations about future rates of return over the long term.

NOTE 9. ASSOCIATE MEDICAL 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.

The following table sets forth the information about the retiree medical plan for domestic associates (in millions) including the disclosures required by SFAS 158 which was adopted by the Company on September 30, 2007. The incremental effect of applying SFAS 158 on individual line items in the Consolidated Balance Sheet at September 30, 2007 is discussed in Note 1, Summary of Significant Accounting Policies. The retiree medical plan is valued using a September 30 measurement date.

	2007	2006
Change in Accumulated Plan Benefit Obligation (APBO)		
Benefit obligation at beginning of year	$ 33.2	$ 34.7
Service cost	0.6	0.7
Interest cost	1.8	1.9
Plan participants' contributions	0.9	0.7
Actuarial gain	(3.4)	(2.3)
Benefits paid (net of federal subsidy of $0.3 and $0.2)	(2.7)	(2.5)
Benefit obligation at end of year	$ 30.4	$ 33.2
Change in plan assets		
Fair value of plan assets at beginning of year	$ —	$ —
Employer contribution	2.1	2.0
Plan participants' contributions	0.9	0.7
Gross benefits paid	(3.0)	(2.7)
Fair value of plan assets at end of year	—	—
Funded status at end of year	$(30.4)	$(33.2)
Amounts recognized in the Consolidated Balance Sheets consist of:		
Current liabilities	$ (2.5)	$ —
Noncurrent liabilities	(27.9)	(29.5)
Total amount accrued	$(30.4)	$(29.5)
Reconciliation of funded status and accrued amounts:		
Funded status as of September 30 measurement date	$(30.4)	$(33.2)
Unrecognized prior loss	—	3.7
Accrued benefit cost	$(30.4)	$(29.5)
Amounts recognized in accumulated other comprehensive loss consist of:		
Actuarial loss	$ 0.3	
The estimated actuarial loss that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year is $0.		
Discount rate used in development of APBO	6.22%	5.86%

	2007	2006	2005
Components of net periodic benefit cost			
Service cost	$ 0.6	$ 0.7	$ 0.7
Interest cost	1.8	1.9	2.0
Amortization of actuarial loss	—	0.1	0.6
Net periodic postretirement benefit cost	2.4	2.7	3.3
Curtailment charge	—	—	2.5
Total postretirement benefit cost	$ 2.4	$ 2.7	$ 5.8
Discount rate used in development of net periodic benefit cost	5.86%	5.51%	5.75%

On December 8, 2003, the Medicare Prescription Drug, Improvement and Modernization Act (the "Act") became law. The Act provides for a federal subsidy to sponsors of retiree health care benefit plans that provide a prescription drug benefit that is at least actuarially equivalent to the benefit established by the Act. On May 19, 2004, the FASB issued Staff Position No. 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003" (the "FSP"). The FSP provides guidance on accounting for the effects of the Act, which the Company adopted at the beginning of its fourth quarter of fiscal 2004. The APBO at September 30, 2007, has been reduced by a deferred actuarial gain in the amount of $5.6 million to reflect the effect of the subsidy related to benefits attributed to past service. The amortization of the actuarial gain and reduction of service and interest costs served to reduce net periodic post retirement benefit cost for fiscal years 2007, 2006 and 2005 by $0.7 million, $0.9 million and $0.2 million, respectively.

For measurement as of September 30, 2007, management has assumed that health care costs will increase at an annual rate of 7.5% in fiscal 2008, decreasing 0.50% per year to an ultimate trend of 5.00% in 2013. A 1% increase in health cost trend rate assumptions would increase the APBO as of September 30, 2007 and 2006 by $0 and $0.1 million, respectively. A 1% decrease in health cost trend rate assumptions would decrease the APBO as of September 30, 2007 and 2006 by $0.1 million and $0.2 million, respectively. A 1% increase or decrease in the same rate would not have a material effect on service or interest costs.

Estimated Future Benefit Payments

The following benefit payments under the plan are expected to be paid by the Company and the retirees for the fiscal years indicated (in millions):

	Gross Benefit Payments	Retiree Contributions	Medicare Part D Subsidy	Net Company Payments
2008	$ 3.7	$ (0.9)	$ (0.3)	$ 2.5
2009	3.9	(1.1)	(0.3)	2.5
2010	4.1	(1.2)	(0.4)	2.5
2011	4.3	(1.4)	(0.4)	2.5
2012	4.6	(1.6)	(0.5)	2.5
2013-2017	26.9	(11.6)	(2.9)	12.4

The Company also provides comprehensive major medical benefits to its associates. The Company is self-insured for certain health benefits up to $0.3 million per occurrence per individual. The cost of such benefits is recognized as expense in the period the claim is incurred. This cost was $21.4 million, $21.8 million and $17.9 million in fiscal 2007, 2006 and 2005, respectively.

NOTE 10. DEBT

	September 30, 2007	September 30, 2006
	(In millions)	
Credit Facilities:		
Revolving loans	$ 469.2	$ 253.8
Term loans	558.6	—
Master Accounts Receivable Purchase Agreement	64.4	—
$6^5/_8$% Senior Subordinated Notes	—	200.0
Notes due to sellers	15.1	15.4
Foreign bank borrowings and term loans	—	2.8
Other	10.5	9.2
	1,117.8	481.2
Less current portions	86.4	6.0
	$1,031.4	$ 475.2

The Company's debt matures as follows for each of the next five fiscal years and thereafter (in millions):

2008	$ 86.4
2009	87.4
2010	157.0
2011	193.6
2012	589.4
Thereafter	4.0
	$1,117.8

In connection with the recapitalization transactions discussed in Note 2, Scotts Miracle-Gro and certain of its subsidiaries have entered into the following loan facilities totaling up to $2.15 billion in the aggregate: (a) a senior secured five-year term loan in the principal amount of $560 million and (b) a senior secured five-year revolving loan facility in the aggregate principal amount of up to $1.59 billion. Under the terms of the loan facilities, the Company may request an additional $200 million in revolving credit and/or term credit commitments, subject to approval from the lenders. Borrowings may be made in various currencies including U.S. dollars, Euros, British pounds sterling, Australian dollars and Canadian dollars. The new $2.15 billion senior secured credit facilities replaced the Company's former $1.05 billion senior credit facility.

The terms of the new senior secured credit facilities provide for customary representations and warranties and affirmative covenants similar to the prior senior credit facility. The new senior secured credit facilities also contain customary negative covenants providing limitations, subject to negotiated carve-outs, on liens; contingent obligations; fundamental changes; acquisitions, investments, loans and advances; indebtedness; restrictions on subsidiary distributions; transactions with affiliates and officers; sales of assets; sale and leaseback transactions; changing the Company's fiscal year end; modifications of certain debt instruments; negative pledge clauses; entering into new lines of business; and restricted payments (including dividend payments restricted to $55 million annually based on the current Leverage Ratio (as defined) of the Company). The new senior secured credit facilities are secured by collateral that includes the capital stock of specified subsidiaries of Scotts Miracle-Gro, substantially all domestic accounts receivable (exclusive of any "sold" receivables), inventory, and equipment. The new senior secured credit facilities also require the maintenance of a specified Leverage Ratio and Interest Coverage Ratio (both as defined), and are guaranteed by substantially all of Scotts Miracle-Gro's domestic subsidiaries.

The new senior secured credit facilities have several borrowing options, including interest rates that are based on (i) a LIBOR rate plus a margin based on a Leverage Ratio (as defined) or (ii) the greater of the prime rate or the Federal Funds Effective Rate (as defined) plus $^1/_2$ of 1% plus a margin based on a Leverage Ratio (as defined). Commitment fees are paid quarterly and are calculated as an amount equal to the product of a rate based on a Leverage Ratio (as defined) and the average daily unused portion of both the revolving and term credit facilities. Amounts outstanding under the new senior secured credit facilities at September 30, 2007 were at interest rates based on LIBOR applicable to the borrowed currencies plus 125 basis points. The weighted average interest rates on amounts outstanding under the credit facilities were 6.5% and 4.4% at September 30, 2007 and 2006, respectively. As of September 30, 2007, there was $1,098.1 million of availability under the new senior secured credit facilities. Under the new senior secured credit facilities, the Company has the ability to issue letter of credit commitments up to $65.0 million. At September 30, 2007, the Company had letters of credit in the amount of $22.2 million outstanding.

On January 10, 2007, the Company also launched a cash tender offer for any and all of its outstanding $6^5/_8$% senior subordinated notes due 2013 in an aggregate principal amount of $200 million. Substantially all of the $6^5/_8$% senior subordinated notes were repurchased under the terms of the tender offer on February 14, 2007. The remaining senior subordinated notes not tendered were subsequently called and repurchased on March 26, 2007. Proceeds from the new senior secured credit facilities were used to fund the repurchase of the $6^5/_8$% senior subordinated notes, at an aggregate cost of $209.6 million including an early redemption premium.

At September 30, 2007, the Company had outstanding interest rate swaps with major financial institutions that effectively converted a portion of variable-rate debt denominated in the Euro, British pound and U.S. dollar to a fixed rate. The swap agreements have a total U.S. dollar equivalent notional amount of $720.0 million. The term, expiration date and rates of these swaps are as follows:

Currency	Notional Amount in USD	Term	Expiration Date	Fixed Rate
	(In millions)			
British pound	$ 59.0	3 years	11/17/2008	4.76%
Euro	61.0	3 years	11/17/2008	2.98%
U.S. dollar	200.0	2 years	3/31/2009	4.90%
U.S. dollar	200.0	3 years	3/31/2010	4.87%
U.S. dollar	200.0	5 years	2/14/2012	5.20%

The Company has recorded a charge of $18.3 million (including approximately $8.0 million of noncash charges associated with the write-off of deferred financing costs) during fiscal 2007 relating to the refinancing of the former $1.05 billion senior credit facility and the repurchase of the $6^5/_8$% senior subordinated notes.

Master Accounts Receivable Purchase Agreement

On April 11, 2007, the Company entered into a Master Accounts Receivable Purchase Agreement (the “MARP Agreement”). The facility terminates on April 10, 2008, or such later date as may be extended by mutual consent of the Company and lenders. The Company currently intends to request an extension. The MARP Agreement provides for the discounted sale, on a revolving basis, of accounts receivable generated by specified account debtors, with seasonally adjusted monthly aggregate limits ranging from $55 million to $300 million. The MARP Agreement also provides for specified account debtor sublimit amounts, which provide limits on the amount of receivables owed by individual account debtors that can be sold.

The MARP Agreement provides that although the specified receivables are sold, the purchaser has the right to require the Company to repurchase uncollected receivables if certain events occur, including the breach of certain covenants, warranties or representations made by the Company with respect to such receivables. However, the purchaser does not have the right to require the Company to repurchase any uncollected receivables if nonpayment is due to the account debtor’s financial inability to pay. Under certain specified conditions, the Company has the right to repurchase receivables which have been sold pursuant to the MARP Agreement. The purchase price paid by the purchaser reflects a discount on the adjusted amount (primarily reflecting historical dilution and potential trade credits) of the receivables purchased, which effectively is equal to the 30-day LIBOR rate plus a margin of .65% per annum. The Company continues to be responsible for the servicing and administration of the receivables purchased.

The Company accounts for the sale of receivables under the MARP Agreement as short-term debt and continues to carry the receivables on its Consolidated Balance Sheet, in accordance with SFAS 140, “Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities,” primarily as a result of the Company’s right to repurchase receivables sold. The caption “Accounts receivable pledged under MARP Agreement” in the amount of $149.5 on the accompanying Consolidated Balance Sheet as of September 30, 2007, represents the pool of receivables that have been designated as “sold” and serve as collateral for short-term debt in the amount of $64.4 million as of that date.

The Company was in compliance with the terms of all borrowing agreements at September 30, 2007.

NOTE 11. SHAREHOLDERS’ EQUITY

	2007	2006
	(In millions)	
Preferred shares, no par value:		
Authorized	0.2 shares	0.2 shares
Issued	0.0 shares	0.0 shares
Common shares, no par value, $.01 stated value per share		
Authorized	100.0 shares	100.0 shares
Issued	68.1 shares	68.1 shares

In fiscal 1995, The Scotts Company merged with Stern’s Miracle-Gro Products, Inc. (Miracle-Gro). At September 30, 2007, the former shareholders of Miracle-Gro, including Hagedorn Partnership, L.P., owned approximately 33% of Scotts Miracle-Gro’s outstanding common shares and, thus, have the ability to significantly influence the election of directors and approval of other actions requiring the approval of Scotts Miracle-Gro’s shareholders.

Under the terms of the Miracle-Gro merger agreement, the former shareholders of Miracle-Gro may not collectively 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 Scotts Miracle-Gro other than the former shareholders of Miracle-Gro and their affiliates and associates.

Scotts Miracle-Gro reacquired 4.5 million and 2.0 million common shares during fiscal 2007 and fiscal 2006, respectively, to be held in treasury. Common shares held in treasury totaling 2.0 million and 0.5 million have been reissued in support of share-based compensation awards and employee purchases under the employee stock purchase plan during fiscal 2007 and fiscal 2006, respectively. See Note 2 for a discussion of the Company’s fiscal 2007 recapitalization transactions.

Share-Based Awards

Scotts Miracle-Gro grants share-based awards annually to officers and other key employees of the Company and non-employee directors. The Company’s share-based awards typically consist of stock options and restricted stock, although performance share awards have been made. Stock appreciation rights (“SARs”) also have been granted, though not in recent years. SARs result in less dilution than stock options as the SAR holder receives a net share settlement upon exercise. These share-based awards have been made under plans approved by the shareholders. Generally, employee share-based awards provide for three-year cliff vesting, while awards to non-employee directors typically vest in one year or less. Share-based awards are forfeited if a holder terminates employment or service with the Company prior to the vesting date. The Company estimates that 10% of its share-based awards will be forfeited based on an analysis of historical trends. This assumption is re-evaluated on an annual basis by grant and adjusted as appropriate. Stock options and SAR awards have exercise prices equal to the market price of the underlying common shares on the date of grant with a term of 10 years. If available, the Company will typically use treasury shares, or if not available, newly issued common shares in satisfaction of its share-based awards.

A maximum of 18 million common shares are available for issuance under share-based award plans. At September 30, 2007, approximately 3.3 million common shares were not subject to outstanding awards and were available to underlie the grant of new share-based awards. Subsequent to September 30, 2007, awards covering 1.0 million common shares were granted to key employees with an estimated fair value of $17.6 million on the date of grant.

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

	Year Ended September 30,		
	2007	2006	2005
Key employees			
Options	821,200	835,640	965,600
Restricted stock	193,550	184,595	101,000
Performance shares	—	30,000	—
Board of Directors			
Options	127,000	126,000	147,000
	1,141,750	1,176,235	1,213,600
Options and SARs due to recapitalization	1,074,796	—	—
Total share-based awards	2,216,546	1,176,235	1,213,600
Aggregate fair value at grant dates (in millions), excluding additional options and SARs issued due to the recapitalization	$ 22.3	$ 20.9	$ 15.1

As discussed in Note 2, the Company consummated a series of transactions as part of a recapitalization plan in the quarter ended March 31, 2007. The payment of a special dividend is a recapitalization or adjustment event under the Company's share-based award programs. As such, it was necessary to adjust the number of common shares subject to stock options and SARs outstanding at the time of the dividend, as well as the price at which such awards may be exercised. The adjustments to the outstanding awards resulted in an increase in the number of common shares subject to outstanding stock options and SAR awards in an aggregate amount of 1.1 million common shares. The methodology used to adjust the awards was consistent with Internal Revenue Code (IRC) Section 409A and the then proposed regulations promulgated thereunder and IRC Section 424 and the regulations promulgated thereunder, compliance with which was necessary to avoid adverse tax consequences for the holder of an award. Such methodology also resulted in a fair value for the adjusted awards post-dividend equal to that of the unadjusted awards pre-dividend, with the result that there was no additional compensation expense in accordance with the accounting for modifications to awards under SFAS 123(R).

Total share-based compensation and the deferred tax benefit recognized were as follows for the periods indicated (in millions):

	Year Ended September 30,		
	2007	2006	2005
Share-based compensation	$15.5	$15.7	$10.7
Tax benefit recognized	6.2	5.9	3.9

Stock Options/SARs

Aggregate stock option and SARs activity consisted of the following for the year ended September 30, 2007 (options/SARs in millions):

	No. of Options/SARs	WTD. Avg. Exercise Price
Beginning balance	6.2	$ 26.09
Granted	2.0	$ 32.33
Exercised	(2.1)	$ 19.17
Forfeited	(0.3)	$ 35.26
Ending balance	5.8	$ 26.63
Exercisable	3.4	$ 20.25

The following summarizes certain information pertaining to stock option and SAR awards outstanding and exercisable at September 30, 2007 (options/SARs in millions):

	Awards Outstanding			Awards Exercisable		
Range of Exercise Price	No. of Options/ SARs	WTD. Avg. Remaining Life	WTD. Avg. Exercise Price	No. of Options/ SARS	Exercise Price	WTD Avg Remaining Life
$11.14 – $14.95	0.8	1.95	$ 13.66	0.8	$ 13.66	1.95
$15.03 – $19.82	0.9	3.55	16.84	0.9	16.84	3.55
$20.12 – $28.97	1.6	5.90	23.55	1.6	23.51	5.89
$29.01 – $31.62	0.7	7.20	29.07	—	—	—
$33.25 – $37.48	0.7	8.13	35.77	—	—	—
$38.00 – $39.95	0.8	8.99	38.60	—	—	—
$40.53 – $46.70	0.3	8.92	43.38	0.1	41.66	8.33
	5.8	6.06	$ 26.63	3.4	$ 20.25	4.48

The intrinsic value of the stock option and SAR awards outstanding and exercisable at September 30, were as follows (in millions):

	2007
Outstanding	$93.5
Exercisable	76.5

The grant date fair value of stock option awards are estimated using a binomial model and the assumptions in the following table. Expected market price volatility is based on implied volatilities from traded options on Scotts Miracle-Gro's common shares and historical volatility specific to the common shares. Historical data, including demographic factors impacting historical exercise behavior, is used to estimate option exercise and employee termination within the valuation model. The risk-free rate for periods within the contractual life (normally ten years) of the option is based on the U.S. Treasury yield curve in effect at the time of grant. The expected life of stock options is based on historical experience and expectations for grants outstanding. The weighted average assumptions for awards granted are as follows for the periods indicated:

	Year Ended September 30,		
	2007	2006	2005
Expected market price volatility	26.3%	23.0%	23.9%
Risk-free interest rates	4.8%	4.4%	3.7%
Expected dividend yield	1.1%	1.2%	0.0%
Expected life of stock options in years	5.83	6.19	6.15
Estimated weighted-average fair value per stock option	$11.42	$12.04	$10.57

Restricted Stock

Restricted stock award activity was as follows:

	No. of Shares	WTD Avg. Grant Date Fair Value per Share
Awards outstanding at September 30, 2006	302,795	$ 39.26
Granted	193,550	45.69
Vested	(114,665)	35.67
Forfeited	(104,600)	43.23
Awards outstanding at September 30, 2007	277,080	$ 43.74

As of September 30, 2007, total unrecognized compensation cost related to non-vested share-based awards amounted to $15.4 million. This cost is expected to be recognized over a weighted-average period of 1.8 years. Unearned compensation cost is amortized by grant on the straight-line method over the vesting period with the amortization expense classified as a component of “Selling, general and administrative” expense within the Consolidated Statements of Operations.

The total intrinsic value of stock options exercised was $65.5 million, $23.2 million and $41.7 million during fiscal 2007, fiscal 2006 and fiscal 2005, respectively. The total fair value of restricted stock vested was $5.5 million, $0.4 million and $0.1 million during fiscal 2007, fiscal 2006 and fiscal 2005, respectively.

Cash received from the exercise of stock options for fiscal 2007 was $29.2 million. The tax benefit realized from the tax deductions from the exercise of share-based awards and the vesting of restricted stock totaled $25.2 million for fiscal 2007.

NOTE 12. EARNINGS PER COMMON SHARE

The following table (in millions, except per share data) presents information necessary to calculate basic and diluted earnings per common share. Basic earnings per common share are computed by dividing net income by the weighted average number of common shares outstanding. Diluted earnings per common share are computed by dividing net income by the weighted average number of common shares outstanding plus all potentially dilutive securities. Options to purchase 0.17 million, 0.15 million and 0.4 million common shares for the years ended September 30, 2007, 2006 and 2005, 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 anti-dilutive.

	Year Ended September 30,		
	2007	2006	2005
Income from continuing operations	$113.4	$132.7	$100.4
Income from discontinued operations	—	—	0.2
Net income	$113.4	$132.7	$100.6
BASIC EARNINGS PER COMMON SHARE:			
Weighted-average common shares outstanding during the period	65.2	67.5	66.8
Income from continuing operations	$ 1.74	$ 1.97	$ 1.51
Income from discontinued operations	—	—	—
Net income	$ 1.74	$ 1.97	$ 1.51
DILUTED EARNINGS PER COMMON SHARE:			
Weighted-average common shares outstanding during the period	65.2	67.5	66.8
Potential common shares	1.8	1.9	1.8
Weighted-average number of common shares outstanding and dilutive potential common shares	67.0	69.4	68.6
Income from continuing operations	$ 1.69	$ 1.91	$ 1.47
Income from discontinued operations	—	—	—
Net income	$ 1.69	$ 1.91	$ 1.47

NOTE 13. INCOME TAXES

The provision for income taxes consists of the following (in millions):

	Year Ended September 30, 2007	2006	2005
Currently payable:			
Federal	$54.5	$ 68.3	$ 55.9
State	5.4	6.0	7.0
Foreign	8.5	6.3	8.4
Deferred:			
Federal	6.5	(0.5)	(11.8)
State	(0.6)	1.6	(1.8)
Foreign	0.4	(1.5)	—
	$74.7	$ 80.2	$ 57.7

The domestic and foreign components of income before taxes are as follows (in millions):

	Year Ended September 30, 2007	2006	2005
Domestic	$175.3	$ 253.6	$ 170.0
Foreign	12.8	(40.7)	(11.9)
Income before taxes	$188.1	$ 212.9	$ 158.1

A reconciliation of the federal corporate income tax rate and the effective tax rate on income before income taxes from continuing operations is summarized below (in millions):

	Year Ended September 30, 2007	2006	2005
Statutory income tax rate	35.0%	35.0%	35.0%
Effect of goodwill and other permanent differences	4.8	—	—
Effect of foreign operations	(0.5)	(0.5)	0.2
State taxes, net of federal benefit	1.6	2.3	1.8
Change in state NOL and credit carryforwards	(0.2)	0.1	1.9
Other	(1.0)	0.8	(2.4)
Effective income tax rate	39.7%	37.7%	36.5%

The net current and non-current components of deferred income taxes recognized in the Consolidated Balance Sheets are (in millions):

	September 30, 2007	2006
Net current deferred tax asset (classified with prepaid and other assets)	$ 69.6	$ 52.6
Net non-current deferred tax liability (classified with other liabilities)	(67.9)	(49.2)
Net deferred tax asset	$ 1.7	$ 3.4

The components of the net deferred tax asset/(liability) are as follows (in millions):

	September 30, 2007	September 30, 2006
DEFERRED TAX ASSETS		
Inventories	$ 12.0	$ 13.0
Accrued liabilities	56.0	39.0
Postretirement benefits	26.5	33.9
Accounts receivable	3.4	3.3
Federal NOL carryovers	0.1	0.1
State NOL carryovers	5.4	4.5
Foreign NOL carryovers	38.6	33.2
Other	19.1	16.4
Gross deferred tax assets	161.1	143.4
Valuation allowance	(41.0)	(35.4)
Deferred tax assets	120.1	108.0
DEFERRED TAX LIABILITIES		
Property, plant and equipment	(38.4)	(44.5)
Intangible assets	(72.5)	(52.1)
Other	(7.5)	(8.0)
Deferred tax liability	(118.4)	(104.6)
Net deferred tax asset	$ 1.7	$ 3.4

Tax benefits relating to state net operating loss carryforwards were $5.4 million and $4.5 million at September 30, 2007 and 2006, respectively. State net operating loss carryforward periods range from 5 to 20 years. Any losses not utilized within a specific state's carryforward period will expire. State net operating loss carryforwards include $2.4 million of tax benefits relating to Smith & Hawken®. As these losses may only be used against income of Smith & Hawken®, and cannot be used to offset income of the consolidated group, a full valuation allowance has been recorded against this tax asset. Tax benefits associated with state tax credits will expire if not utilized and amounted to $0.1 million and $0.3 million at September 30, 2007 and 2006, respectively.

In accordance with APB 23, deferred taxes have not been provided on unremitted earnings approximating $93 million of certain foreign subsidiaries and foreign corporate joint ventures as such earnings have been permanently reinvested. The Company has also elected to treat certain foreign entities as disregarded entities for U.S. tax purposes, which results in their net income or loss being recognized currently in the Company's U.S. tax return. As such, the tax benefit of net operating losses available for foreign statutory tax purposes has already been recognized for U.S. purposes. Accordingly, a full valuation allowance is required on the tax benefit of these net operating losses on global consolidation. Statutory tax benefit of these net operating loss carryovers amounted to $38.6 million and $33.2 million for the fiscal years ended September 30, 2007, and September 30, 2006, respectively. A full valuation allowance has been placed on these assets for worldwide tax purposes.

The American Jobs Creation Act (the "AJCA") provides for a domestic production activities deduction (IRC § 199) calculated as a percentage of qualified income from manufacturing in the United States. The percentage deduction increases from 3% to 9% over a 6-year period that began with the Company's 2006 fiscal year. A FASB staff position provides that this deduction be treated as a special deduction, as opposed to a tax rate reduction, in accordance with SFAS 109. The benefit of this deduction did not have a material impact on the Company's effective tax rate in fiscal 2007 or fiscal 2006.

Management judgment is required in determining tax provisions and evaluating tax positions. Management believes its tax positions and related provisions reflected in the consolidated financial statements are fully supportable and appropriate. We establish reserves for additional income taxes that may become due if our tax positions are challenged and not sustained. Our tax provision includes the impact of recording reserves and changes thereto. The reserves for additional income taxes are based on management's best estimate of the ultimate resolution of the tax matter. Based on currently available information, we believe that the ultimate outcomes of any challenges to our tax positions will not have a material adverse effect on our financial position, results of operations or cash flows. Our tax provision includes the impact of recording reserves and adjusting existing reserves.

NOTE 14. 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

The carrying amounts of borrowings under the revolving credit and term loan facilities are considered to approximate their fair values.

Accounts Receivable Pledged

The carrying amounts of short-term debt associated with accounts receivable pledged under the MARP Agreement are considered to approximately their fair values.

Derivatives and Hedging

The Company is exposed to market risks, such as changes in interest rates, currency exchange rates and commodity prices. To manage the volatility related to these exposures, the Company enters into various financial transactions, which are accounted for under SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," as amended and interpreted. The utilization of these financial transactions is governed by policies covering acceptable counterpart exposure, instrument types and other hedging practices. The Company does not hold or issue derivative financial instruments for speculative trading purposes.

The Company formally designates and documents qualifying instruments as hedges of underlying exposures at inception. The Company formally assesses, both at inception and at least quarterly on an ongoing basis, whether the financial instruments used in hedging transactions are effective at offsetting changes in either the fair value or cash flows of the related underlying exposure. Fluctuations in the value of these instruments generally are offset by changes in the fair value or cash flows of the underlying exposures being hedged. This offset is driven by the high degree of effectiveness between the exposure being hedged and the hedging instrument. Any ineffective portion of a change in the fair value of a qualifying instrument is immediately recognized in earnings. There were no amounts excluded from the assessment of effectiveness for derivatives designated as either fair value or cash flow hedges for the years ended September 30, 2007 and 2006.

Foreign Currency Swap Agreements

The Company uses foreign currency swap contracts to manage the exchange rate risk associated with intercompany loans with foreign subsidiaries that are denominated in U.S. dollars. At September 30, 2007, the notional amount of outstanding contracts was $101.5 million with a fair value of $(1.3) million. The unrealized loss on the contracts approximates the unrealized gain on the intercompany loans recognized by our foreign subsidiaries.

Interest Rate Swap Agreements

At September 30, 2007 and 2006, the Company had outstanding interest rate swaps with major financial institutions that effectively convert a portion of our variable-rate debt to a fixed rate. The objective of the interest rates swaps was to eliminate the variability of cash flows attributable to fluctuations in interest rates. The swap agreements had a total U.S. dollar equivalent notional amount of $720.0 million and $108.2 million at September 30, 2007 and 2006, respectively. Reference should be made to Note 10, Debt for the terms, expiration dates, and rates of the swaps outstanding at

September 30, 2007. The Euro and British pound denominated swaps included in the table in Note 10 in the notional amount of $120.0 million were also outstanding at September 30, 2006. The change in notional amounts for the Euro and British pounds denominated swaps is due to foreign exchange movement. During the next 12 months, $1.1 million of the September 30, 2007 other comprehensive income balance will be reclassified to earnings consistent with the timing of the underlying hedged transactions.

The Company enters into interest rate swap agreements as a means to hedge its variable 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 adjusting these swaps to fair value are recorded as elements of accumulated other comprehensive income or loss within the Consolidated Balance Sheets. 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.

Commodity Hedges

The Company has outstanding a strip of collars for approximately 546,000 gallons of fuel at September 30, 2007. The collars are designed to partially mitigate the effect of fluctuating fuel costs on the operating results of the Scotts LawnService® business through December 31, 2007. The collars do not qualify for hedge accounting treatment under SFAS 133, and are being marked-to-market with unrealized gains and losses on open contracts and realized gains or losses on settled contracts recorded as an element of cost of sales. Amounts included in cost of sales relating to these collars at September 30, 2007 and 2006 were not significant.

The Company also has hedging arrangements designed to fix the price of a portion of its urea needs through March 31, 2008. The contracts are designated as hedges of the Company's exposure to future cash flows associated with the cost of urea. The objective of the hedge is to eliminate the variability of cash flows attributable to the risk of change. Unrealized gains or losses in the fair value of these contracts are recorded to the accumulated other comprehensive loss component of shareholders' equity. Gains or losses upon realization remain as a component of accumulated other comprehensive loss until the related inventory is sold. Upon sale of the underlying inventory, the gain or loss is reclassified to cost of sales. The fair value of the 45,000 aggregate tons hedged at September 30, 2007 was $1.0 million. During the next 12 months, $1.0 million of the September 30, 2007 other comprehensive income balance will be reclassified to earnings consistent with the timing of the underlying hedged transactions.

Estimated Fair Values

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

	2007		2006	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Revolving loans	$ 469.2	$469.2	$ 253.8	$253.8
Senior Subordinated Notes	—	—	200.0	194.0
Foreign bank borrowings and term loans	—	—	2.8	2.8
Term loans	558.6	558.6	—	—
Master Accounts Receivable Purchase Agreement	64.4	64.4	—	—
Unrealized gain (loss) on foreign currency swap agreements	(1.3)	(1.3)	0.4	0.4
Unrealized gain (loss) on interest rate swap agreements	(4.1)	(4.1)	1.3	1.3
Unrealized gain (loss) on commodity hedging instruments	1.0	1.0	(0.2)	(0.2)

Certain miscellaneous instruments included in the Company's total debt balances for which fair value determinations are not ascertainable have been excluded from the fair value table above. The excluded items at September 30, 2007 and 2006 (in millions) are as follows:

	2007	2006
Notes due to sellers	$15.1	$15.4
Other	10.5	9.2

NOTE 15. OPERATING LEASES

The Company leases certain property and equipment from third parties under various non-cancelable operating lease agreements. Certain lease agreements contain renewal and purchase options. The lease agreements generally provide that the Company pay taxes, insurance and maintenance expenses related to the leased assets. Future minimum lease payments for non-cancelable operating leases at September 30, 2007, are as follows (in millions):

2008	$ 37.5
2009	32.7
2010	25.6
2011	22.6
2012	20.4
Thereafter	55.4
Total future minimum lease payments	$194.2

The Company also leases certain vehicles (primarily cars and light trucks) under agreements that are cancelable after the first year, but typically continue on a month-to-month basis until canceled by the Company. The vehicle leases and certain other non-cancelable operating leases contain residual value guarantees that create a contingent obligation on the part of the Company to compensate the lessor if the leased asset cannot be sold for an amount in excess of a specified minimum value at the conclusion of the lease term. If all such vehicle leases had been canceled as of September 30, 2007, the Company's residual value guarantee would have approximated $8.4 million. Other residual value guarantee amounts that apply at the conclusion of the non-cancelable lease term are as follows:

	Amount of Guarantee	Lease Termination Date
Scotts LawnService® vehicles	$15.9 million	2011
Corporate aircraft	15.7 million	2010 and 2012

Rent expense for fiscal 2007, fiscal 2006 and fiscal 2005 totaled $74.9 million, $63.3 million, and $57.9 million, respectively.

NOTE 16. COMMITMENTS

The Company has the following unconditional purchase obligations due during each of the next five fiscal years that have not been recognized on the Consolidated Balance Sheet at September 30, 2007 (in millions):

2008	$ 292.0
2009	144.8
2010	66.8
2011	45.9
2012	12.2
Thereafter	7.5
	$ 569.2

Purchase obligations primarily represent outstanding purchase orders for materials used in the Company's manufacturing processes. Purchase obligations also include commitments for warehouse services, grass seed, and out-sourced information services.

NOTE 17. CONTINGENCIES

Management continually evaluates the Company's contingencies, including various lawsuits and claims which arise in the normal course of business, product and general liabilities, worker's compensation, property losses and other fiduciary liabilities for which the Company is self-insured or retains a high exposure limit. Self-insurance reserves are established based on loss estimates for specific individual claims plus actuarial estimated amounts for incurred but not reported claims and adverse development factors for existing claims. Legal costs incurred in connection with the resolution of claims, lawsuits and other contingencies generally are expensed as incurred. In the opinion of management, its assessment of contingencies is reasonable and related reserves, in the aggregate, are adequate; however, there can be no assurance that future quarterly or annual operating results will not be materially affected by the final resolution of these matters. The following are the more significant of the Company's identified contingencies.

Environmental Matters

In 1997, the Ohio Environmental Protection Agency (the "Ohio EPA") initiated an enforcement action against the Company with respect to alleged surface water violations and inadequate treatment capabilities at the Marysville, Ohio facility and seeking corrective action under the federal Resource Conservation and Recovery Act. The action related to discharges from on-site waste water treatment and several discontinued on-site disposal areas.

Pursuant to a Consent Order entered by the Union County Common Pleas Court in 2002, the Company is actively engaged in restoring the site to eliminate exposure to waste materials from the discontinued on-site disposal areas.

At September 30, 2007, $4.6 million was accrued for environmental and regulatory matters, primarily related to the Marysville facility. Most of the accrued costs are expected to be paid in fiscal 2008; however, payments could be made for a period thereafter. While the amounts accrued are believed to be adequate to cover known environmental exposures based on current facts and estimates of likely outcome, the adequacy of these accruals is based on several significant assumptions:

- that all significant sites that must be remediated have been identified;
- that there are no significant conditions of contamination that are unknown to us; and
- that with respect to the agreed judicial Consent Order in Ohio, the 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 2007, fiscal 2006, and fiscal 2005, we expensed approximately $1.5 million, $2.4 million, and $3.7 million, respectively, for environmental matters.

U.S. Horticultural Supply, Inc. (F/K/A E.C. Geiger, Inc.)

On November 5, 2004, U.S. Horticultural Supply, Inc. ("Geiger") filed suit against the Company in the U.S. District Court for the Eastern District of Pennsylvania. This complaint alleges that the Company conspired with another distributor, Griffin Greenhouse Supplies, Inc., to restrain trade in the horticultural products market, in violation of Section 1 of the Sherman Antitrust Act. On June 2, 2006, the Court denied the Company's motion to dismiss the complaint. Fact discovery ended on March 8, 2007. The Company is currently engaged in expert discovery, the deadline for completion of which is December 7, 2007. Geiger's damages expert quantifies Geiger's alleged damages at approximately $3.3 million, which could be trebled under the antitrust laws. The deadline for dispositive motions is January 17, 2008.

The Company continues to vigorously defend against Geiger's claims. The Company believes that Geiger's claims are without merit and that the likelihood of an unfavorable outcome is remote. Therefore, no accrual has been established related to this matter. However, the Company cannot predict the ultimate outcome with certainty. If the above action is determined adversely to the Company, the result could have a material adverse effect on the Company's results of operations, financial position and cash flows. The Company had previously sued and obtained a judgment against Geiger on April 25, 2005, based on Geiger's default on obligations to the Company, and the Company is proceeding to collect that judgment.

Other

The Company has been named a defendant in a number of cases alleging injuries that the lawsuits claim resulted from exposure to asbestos-containing products, apparently based on the Company's historic use of vermiculite in certain of its products. The complaints in these cases are not specific about the plaintiffs' contacts with the Company or its products. The Company in each case is one of numerous defendants and none of the claims seeks damages from the Company alone. The Company believes that the claims against it are without merit and is vigorously defending them. It is not currently possible to reasonably estimate a probable loss, if any, associated with the cases and, accordingly, no accrual or reserves have been recorded in the Company's consolidated financial statements. There can be no assurance that these cases, whether as a result of adverse outcomes or as a result of significant defense costs, will not have a material adverse effect on the Company's financial condition, results of operations or cash flows.

The Company is reviewing agreements and policies that may provide insurance coverage or indemnity as to these claims and is pursuing coverage under some of these agreements and policies, although there can be no assurance of the results of these efforts.

On April 27, 2007, the Company received a proposed Order On Consent from the New York State Department of Environmental Conservation (the "Proposed Order") alleging that during the calendar year 2003, the Company and James Hagedorn, individually and as Chairman of the Board and the Chief Executive Officer of the Company, unlawfully donated to a Port Washington, New York youth sports organization forty bags of Scotts® LawnPro Annual Program Step 3 Insect Control Plus Fertilizer which, while federally registered, was allegedly not registered in the state of New York. The Proposed Order requests penalties totaling $695,000. The Company has made its position clear to the New York State Department of Environmental Conservation and is awaiting a response.

On November 26, 2007, the United States Department of Agriculture issued an administrative complaint alleging that Scotts LLC had violated the Plant Protection Act and the regulations promulgated thereunder, related to the testing of genetically-modified Glyphosate-tolerant creeping bentgrass. Without admitting or denying that it violated the law, on November 26, 2007, Scotts LLC entered into a Consent Decision and Order with the USDA resolving this matter. The Company has agreed to pay a civil penalty of $500,000, which had previously been accrued, and conduct three public workshops.

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.

Former Litigation Impacting Financial Results for Fiscal 2005

AgrEvo Environmental Health, Inc. v. The Scotts Company (Southern District of New York)

The Scotts Company v. Aventis S.A. and Starlink Logistics, Inc. (Southern District of Ohio)

On September 30, 2005, all litigation among the aforementioned companies had been concluded with the Company receiving a payment of approximately $10 million, of which amount $8.9 million is recorded in "Impairment, restructuring and other charges" within the Consolidated Statements of Operations (see Note 5).

Central Garden & Pet Company

The Scotts Company v. Central Garden, Southern District of Ohio

Central Garden v. Scotts & Pharmacia, Northern District of California

All litigation with Central Garden & Pet Company ("Central Garden") has been concluded. On July 15, 2005, the Company received approximately $15 million in satisfaction of the judgment against Central Garden. The Company has recognized the satisfaction of this judgment in its financial results for fiscal 2005 as follows (in millions):

Reversal of reserve against outstanding receivables due from Central Garden. The reserve was initially established through a charge to restructuring and other charges within selling, general and administrative expenses; therefore, the reversal of the reserve has been classified in a like manner. (See Note 5)	$ 7.9
Portion of judgment classified with other income, net	4.1
Total amount included in income from operations	12.0
Portion of judgment applied to unreserved accounts receivable due from Central Garden	3.0
Total judgment	$15.0

All pending litigation brought by Central Garden against the Company has been concluded including the previously pending antitrust case in the Northern District of California in which the Company prevailed.

NOTE 18. 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. Concentrations of accounts receivable at September 30, net of accounts receivable pledged under the terms of the MARP Agreement whereby the purchaser has assumed the risk associated with the debtor's financial inability to pay ($149.5 million and $0 for 2007 and 2006, respectively), were as follows:

	2007	2006
Due from customers geographically located in North America	52%	76%
Applicable to the consumer business	54%	79%
Applicable to Scotts LawnService®, the professional businesses (primarily distributors), Smith & Hawken®, and Morning Song®	46%	21%
Top 3 customers within consumer business as a percent of total consumer accounts receivable	0%	53%

The remainder of the Company's accounts receivable at September 30, 2007 and 2006, were generated from customers located outside of North America, primarily retailers, distributors, nurseries and growers in Europe. No concentrations of customers or individual customers within this group account for more than 10% of the Company's accounts receivable at either balance sheet date.

The Company's three largest customers are reported within the North America segment, and are the only customers that individually represent more than 10% of reported consolidated net sales for each of the last three fiscal years. These three customers accounted for the following percentages of consolidated net sales for the fiscal years ended September 30:

	Largest Customer	2nd Largest Customer	3rd Largest Customer
2007	20.2%	10.9%	10.2%
2006	21.5%	11.2%	10.5%
2005	23.5%	11.9%	9.7%

NOTE 19. OTHER (INCOME) EXPENSE

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

	2007	2006	2005
Royalty income	$ (9.9)	$(6.8)	$(6.5)
Gain from peat transaction	(1.0)	(0.9)	(0.8)
Franchise fees	(0.2)	(0.2)	(0.3)
Foreign currency (gains) losses	(0.2)	(0.7)	2.1
Legal settlement	—	—	(4.0)
Other, net	(0.2)	(0.6)	2.0
Total	$(11.5)	$(9.2)	$(7.5)

NOTE 20. SEGMENT INFORMATION

The Company is divided into the following segments — North America, International, Scotts LawnService®, and Corporate & Other. This division of reportable segments is consistent with how the segments report to and are managed by senior management of the Company. Certain reclassifications were made to prior period amounts to reflect the inclusion of biotech costs and certain other items in the Corporate & Other segment instead of the North America segment to be consistent with fiscal 2007 reporting.

The North America segment primarily consists of the Lawns, Gardens, Growing Media, Ortho® (Controls), Canada and North American Professional business groups as well as the North American portion of the Roundup® commission. This segment manufactures, markets and sells dry, granular slow-release lawn fertilizers, combination lawn fertilizer and control products, grass seed, spreaders, water-soluble, liquid and continuous-release garden and indoor plant foods, plant care products, potting, garden and lawn soils, mulches and other growing media products, pesticide products, wild bird food, and a full line of horticulture products.

Products are marketed to mass merchandisers, home improvement centers, large hardware chains, warehouse clubs, distributors, nurseries, garden centers and specialty crop growers in the United States, Canada, Latin America, South America, Australia, and Asia/Pacific.

The International segment provides products similar to those described above for the North America segment to retail consumers and professional customers primarily in Europe. The Scotts LawnService® segment provides lawn fertilization, disease and insect control and other related services such as core aeration and tree and shrub fertilization primarily to residential consumers through company-owned branches and franchises. In our larger branches, an exterior barrier pest control service also is offered. The Corporate & Other segment consists of the Smith & Hawken® business and corporate general and administrative expenses.

The following table (dollars in millions) presents segment financial information in accordance with SFAS 131, “Disclosures about Segments of an Enterprise and Related Information”. Pursuant to SFAS 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).

	2007	2006	2005
Net sales:			
North America	$1,988.3	$1,914.5	$1,668.1
International	469.8	408.5	430.3
Scotts LawnService®	230.5	205.7	159.8
Corporate & Other	184.0	169.2	159.6
Segment total	2,872.6	2,697.9	2,417.8
Roundup® deferred contribution charge	—	—	(45.7)
Roundup® amortization	(0.8)	(0.8)	(2.8)
	$2,871.8	$2,697.1	$2,369.3
Operating income (loss):			
North America	$ 375.4	$ 391.2	$ 355.4
International	35.0	28.5	34.3
Scotts LawnService®	11.3	15.6	13.1
Corporate & Other	(90.5)	(91.0)	(105.7)
Segment total	331.2	344.3	297.1
Roundup® deferred contribution charge	—	—	(45.7)
Roundup® amortization	(0.8)	(0.8)	(2.8)
Amortization	(15.3)	(15.2)	(14.8)
Impairment of intangibles and goodwill	(35.3)	(66.4)	(23.4)
Restructuring and other charges	(2.7)	(9.4)	(9.5)
	$ 277.1	$ 252.5	$ 200.9
Depreciation & amortization			
North America	$ 30.7	$ 30.7	$ 30.9
International	12.0	13.1	11.5
Scotts LawnService®	4.1	3.8	3.9
Corporate & Other	20.7	19.4	20.9
	$ 67.5	$ 67.0	$ 67.2
Capital expenditures:			
North America	$ 26.3	$ 24.8	$ 22.6
International	12.7	11.4	3.5
Scotts LawnService®	3.8	3.0	2.1
Corporate & Other	11.2	17.8	12.2
	$ 54.0	$ 57.0	$ 40.4
Long-lived assets:			
North America	$ 752.2	$ 760.3	
International	259.6	235.0	
Scotts LawnService®	141.1	120.3	
Corporate & Other	94.7	134.8	
	$1,247.6	$1,250.4	
Total assets:			
North America	$1,328.3	$1,331.7	
International	531.6	450.9	
Scotts LawnService®	189.2	161.6	
Corporate & Other	228.1	273.4	
	$2,277.2	$2,217.6	

Segment operating income (loss) represents earnings before amortization of intangible assets, interest and taxes, since this is the measure of profitability used by management. Accordingly, the

Corporate & Other operating loss includes unallocated corporate general and administrative expenses and certain other income/expense not allocated to the business segments.

Long-lived assets reported for the Company's operating segments include goodwill and intangible assets as well as property, plant and equipment within each segment. Total assets reported for the Company's operating segments include the intangible assets for the acquired businesses within those segments. Corporate & Other assets primarily include deferred financing and debt issuance costs, corporate intangible assets as well as deferred tax assets and Smith & Hawken® assets.

NOTE 21. QUARTERLY CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

The following is a summary of the unaudited quarterly results of operations for fiscal 2007 and fiscal 2006 (in millions, except per share data).

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
FISCAL 2007					
Net sales	$ 271.2	$ 993.3	$1,098.4	$ 508.9	$2,871.8
Gross profit	55.3	368.4	422.7	158.1	1,004.5
Net income (loss)	(59.4)	83.4	129.7	(40.3)	113.4
Basic earnings (loss) per common share	$ (0.88)	$ 1.26	$ 2.04	$ (0.63)	$ 1.74
Common shares used in basic EPS calculation	67.2	66.1	63.6	63.9	65.2
Diluted earnings (loss) per common share	$ (0.88)	$ 1.23	$ 1.98	$ (0.63)	$ 1.69
Common shares and dilutive potential common shares used in diluted EPS calculation	67.2	67.8	65.4	63.9	67.0

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
FISCAL 2006					
Net sales	$ 249.5	$ 907.5	$1,048.0	$ 492.1	$2,697.1
Gross profit	53.5	346.4	406.0	150.0	955.9
Net income (loss)	(52.7)	94.8	133.3	(42.7)	132.7
Basic earnings (loss) per common share	$ (0.78)	$ 1.40	$ 1.97	$ (0.64)	$ 1.97
Common shares used in basic EPS calculation	68.0	67.5	67.5	66.8	67.5
Diluted earnings (loss) per common share	$ (0.78)	$ 1.36	$ 1.92	$ (0.64)	$ 1.91
Common shares and dilutive potential common shares used in diluted EPS calculation	68.0	69.6	69.4	66.8	69.4

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

The Company's business is highly seasonal with 70% to 75% of net sales occurring in the second and third fiscal quarters combined.

Unusual items during fiscal 2007 consisted of impairment, restructuring and other charges and charges incurred to execute the Company's recapitalization plan. These items are reflected in the quarterly financial information as follows: second quarter refinancing expense due to the recapitalization plan of $18.3 million, fourth quarter impairment of intangible assets and goodwill of $35.3 million and restructuring and other charges of $2.7 million.

Unusual items during fiscal 2006 consisted of impairment charges, restructuring and other costs, and an insurance recovery. These items are reflected in the quarterly financial information as follows: first quarter restructuring and other charges of $4.7 million and impairment of intangible assets of $1.0 million; second quarter restructuring and other charges of $1.1 million; third quarter restructuring and other charges of $1.1 million; and fourth quarter restructuring and other charges of $2.5 million and impairment of intangible assets of $65.4 million. Also included in the first and second quarters are a $1.0 million and $9.1 million benefit, respectively, from an insurance recovery.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of The Scotts Miracle-Gro Company
Marysville, OH

We have audited the consolidated financial statements of The Scotts Miracle-Gro Company and Subsidiaries (the "Company") as of September 30, 2007 and 2006, and for each of the three years in the period ended September 30, 2007, and the Company's internal control over financial reporting as of September 30, 2007, and have issued our reports thereon dated November 29, 2007 (which report expressed an unqualified opinion and includes an explanatory paragraph relating to the Company's adoption of Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* on September 30, 2007); such consolidated financial statements and reports are included elsewhere in this Form 10-K. Our audits also included the consolidated financial statement schedules of the Company listed in the Index to Consolidated Financial Statements and Financial Statement Schedules. These consolidated financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such consolidated financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

/s/ DELOITTE & TOUCHE LLP

Columbus, Ohio
November 29, 2007

The Scotts Miracle-Gro Company
Schedule II — Valuation and Qualifying Accounts
for the fiscal year ended September 30, 2007
(in millions)

Column A Classification	Column B Balance at Beginning of Period	Column C Reserves Acquired	Column D Additions Charged to Expense	Column E Deductions Credited and Write-Offs	Column F Balance at End of Period
Valuation and qualifying accounts deducted from the assets to which they apply:					
Inventory reserve	$ 15.1	$ —	$ 9.6	$ (9.1)	$ 15.6
Allowance for doubtful accounts	11.3	4.1	1.3	(5.3)	11.4
Income tax valuation allowance	35.4	—	8.5	(2.9)	41.0

Schedule II — Valuation and Qualifying Accounts
for the fiscal year ended September 30, 2006
(in millions)

Column A Classification	Column B Balance at Beginning of Period	Column C Reserves Acquired	Column D Additions Charged to Expense	Column E Deductions Credited and Write-Offs	Column F Balance at End of Period
Valuation and qualifying accounts deducted from the assets to which they apply:					
Inventory reserve	$ 16.3	$ 0.3	$ 9.4	$ (10.9)	$ 15.1
Allowance for doubtful accounts	11.4	0.5	3.5	(4.1)	11.3
Income tax valuation allowance	33.0	—	5.1	(2.7)	35.4

Schedule II — Valuation and Qualifying Accounts
for the fiscal year ended September 30, 2005
(in millions)

Column A Classification	Column B Balance at Beginning of Period	Column C Reserves Acquired	Column D Additions Charged to Expense	Column E Deductions Credited and Write-Offs	Column F Balance at End of Period
Valuation and qualifying accounts deducted from the assets to which they apply:					
Inventory reserve	$ 21.3	$ —	$ 11.4	$ (16.4)	$ 16.3
Allowance for doubtful accounts	29.0	—	1.9	(19.5)	11.4
Income tax valuation allowance	28.8	2.4	1.8	—	33.0

The Scotts Miracle-Gro Company

Index to Exhibits

Exhibit No.	Description	Location
2(a)	Amended and Restated Agreement and Plan of Merger, dated as of May 19, 1995, among Stern's Miracle-Gro Products, Inc., Stern's Nurseries, Inc., Miracle-Gro Lawn Products Inc., Miracle-Gro 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 and ZYX Corporation	Incorporated herein by reference to the Current Report on Form 8-K of The Scotts Company, a Delaware corporation, filed June 2, 1995 (File No. 0-19768) [Exhibit 2(b)]
2(b)	First Amendment to Amended and Restated Agreement and Plan of Merger, made and entered into as of October 1, 1999, among The Scotts Company, Scotts Miracle-Gro Products, Inc. (as successor to ZYX 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	Incorporated herein by reference to the Current Report on Form 8-K of The Scotts Company, an Ohio corporation ("Scotts") filed October 5, 1999 (File No. 1-11593) [Exhibit 2]
2(c)	Agreement and Plan of Merger, dated as of December 13, 2004, by and among The Scotts Company, The Scotts Company LLC and The Scotts Miracle-Gro Company	Incorporated herein by reference to Scotts' Current Report on Form 8-K filed February 2, 2005 (File No. 1-13292)) [Exhibit 2.1]
3(a)	Initial Articles of Incorporation of The Scotts Miracle-Gro Company as filed with Ohio Secretary of State on November 22, 2004	Incorporated herein by reference to the Current Report on Form 8-K of The Scotts Miracle-Gro Company (the "Registrant") filed March 24, 2005 (File No. 1-13292) [Exhibit 3.1]
3(b)	Certificate of Amendment by Shareholders to Articles of Incorporation of The Scotts Miracle-Gro Company as filed with Ohio Secretary of State on March 18, 2005	Incorporated herein by reference to the Registrant's Current Report on Form 8-K filed March 24, 2005 (File No. 1-13292) [Exhibit 3.2]
3(c)	Code of Regulations of The Scotts Miracle-Gro Company	Incorporated herein by reference to the Registrant's Current Report on Form 8-K filed March 24, 2005 (File No. 1-13292) [Exhibit 3.3]
4(a)	Amended and Restated Credit Agreement, dated as of February 7, 2007, by and among The Scotts Miracle-Gro Company as the "Borrower"; the Subsidiary Borrowers (as defined in the Amended and Restated Credit Agreement); the several banks and other financial institutions from time to time parties to the Amended and Restated Credit Agreement; Bank of America, N.A., as Syndication Agent; The Bank of Tokyo-Mitsubushi UFJ, Ltd, BNP Paribas, CoBank, ACB, BMO Capital Markets Financing, Inc., LaSalle Bank N.A., Cooperatieve Centrale Raiffeisen Boerenleenbank, B.A. "Rabobank Nederland", New York Branch, Citicorp North America, Inc. and The Bank of Nova Scotia, as Documentation Agents; and JPMorgan Chase Bank, N.A., as Administrative Agent	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2007 (File No. 1-13292) [Exhibit 4(a)]

Exhibit No.	Description	Location
4(b)	First Amendment, dated as of April 10, 2007, to the Amended and Restated Credit Agreement, dated as of February 7, 2007, by and among The Scotts Miracle-Gro Company as the "Borrower"; the Subsidiary Borrowers (as defined in the Amended and Restated Credit Agreement); the several banks and other financial institutions from time to time parties to the Amended and Restated Credit Agreement; the Syndication Agent and the Documentation Agents named in the Amended and Restated Credit Agreement and JPMorgan Chase Bank, N.A., as Administrative Agent	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2007 (File No. 1-13292) [Exhibit 4(b)]
4(c)	Amended and Restated Guarantee and Collateral Agreement, dated as of February 7, 2007, made by The Scotts Miracle-Gro Company and each Subsidiary Borrower (and certain of the Subsidiary Borrowers' domestic subsidiaries) under the Amended and Restated Credit Agreement in favor of JPMorgan Chase Bank, N.A., as Administrative Agent	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2007 (File No. 1-13292) [Exhibit 4(c)]
4(d)	Foreign Pledge Agreement Acknowledgement and Confirmation, dated as of March 30, 2007, entered into by Scotts Sierra Investments, Inc. and OMS Investments, Inc. in favor of JPMorgan Chase Bank, N.A., as Administrative Agent	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2007 (File No. 1-13292) [Exhibit 4(d)]
4(e)	Agreement to furnish copies of instruments and agreements defining rights of holders of long-term debt	*
10(a)(1)	The O.M. Scott & Sons Company Excess Benefit Plan, effective October 1, 1993	Incorporated herein by reference to 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 Excess Benefit Plan, effective as of January 1, 1998	Incorporated herein by reference to the Annual Report on Form 10-K for the fiscal year ended September 30, 2001 of The Scotts Company, an Ohio corporation ("Scotts") (File No. 1-13292) [Exhibit 10(a)(2)]
10(a)(3)	Second Amendment to The O.M. Scott & Sons Company Excess Benefit Plan, effective as of January 1, 1999	Incorporated herein by reference to Scotts' Annual Report on Form 10-K for the fiscal year ended September 30, 2001 (File No. 1-13292) [Exhibit 10(a)(3)]
10(a)(4)	Third Amendment to The O.M. Scott & Sons Company Excess Benefit Plan, effective as of March 18, 2005 (amended title of plan to be The Scotts Company LLC Excess Benefit Plan)	Incorporated herein by reference to the Quarterly Report on Form 10-Q for the quarterly period ended April 2, 2005 of The Scotts Miracle-Gro Company (the "Registrant") (File No. 1-13292) [Exhibit 10(CC)]
10(b)(1)	The Scotts Company LLC Executive/Management Incentive Plan (as approved by the shareholders of The Scotts Miracle-Gro Company on January 26, 2006)	Incorporated herein by reference to the Registrant's Current Report on Form 8-K filed February 2, 2006 (File No. 1-13292) [Exhibit 10.4]

Exhibit No.	Description	Location
10(b)(2)	The Scotts Company LLC Amended and Restated Executive/Management Incentive Plan (effective as of November 7, 2007)	*
10(c)(1)	Specimen form of Employee Confidentiality, Noncompetition, Nonsolicitation Agreement for employees participating in The Scotts Company LLC Executive/Management Incentive Plan (now known as The Scotts Company LLC Amended and Restated Executive/Management Incentive Plan)	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended July 1, 2006 (File No. 1-13292) [Exhibit 10.1]
10(c)(2)	Executive Officers of The Scotts Miracle-Gro Company who are parties to form of Employee Confidentiality, Noncompetition, Nonsolicitation Agreement for employees participating in The Scotts Company LLC Executive/Management Incentive Plan (now known as The Scotts Company LLC Amended and Restated Executive/Management Incentive Plan)	*
10(d)(1)	The Scotts Company 1996 Stock Option Plan (as amended through May 15, 2000)	Incorporated herein by reference to Scotts' Quarterly Report on Form 10-Q for the quarterly period ended April 1, 2000 (File No. 1-13292) [Exhibit 10(d)]
10(d)(2)	The Scotts Company 1996 Stock Option Plan (2002 Amendment)	Incorporated herein by reference to Scotts' Quarterly Report on Form 10-Q for the quarterly period ended December 28, 2002 (File No. 1-13292) [Exhibit 10(d)(i)]
10(d)(3)	Amendment to The Scotts Company 1996 Stock Option Plan — 2005 Amendment, effective as of March 18, 2005 (amended title of plan to be The Scotts Miracle-Gro Company 1996 Stock Option Plan)	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended April 2, 2005 (File No. 1-13292) [Exhibit 10(z)]
10(d)(4)	The Scotts Miracle-Gro Company Amended and Restated 1996 Stock Option Plan (effective as of October 30, 2007)	*
10(e)	Form of 1996 Stock Option Plan Stock Option Agreement — Non-Qualified Stock Option	Incorporated herein by reference to Scotts' Current Report on Form 8-K filed November 19, 2004 (File No. 1-13292) [Exhibit 10.7]
10(f)	Specimen form of Stock Option Agreement (as amended through October 23, 2001) for Non-Qualified Stock Options granted to employees under The Scotts Company 1996 Stock Option Plan (now known as The Scotts Miracle-Gro Company Amended and Restated 1996 Stock Option Plan), French specimen	Incorporated herein by reference to Scotts' Annual Report on Form 10-K for the fiscal year ended September 30, 2001 (File No. 1-13292) [Exhibit 10(f)]
10(g)(1)	The Scotts Company Executive Retirement Plan	Incorporated herein by reference to Scotts' 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 Retirement Plan, effective as of January 1, 1999	Incorporated herein by reference to Scotts' Annual Report on Form 10-K for the fiscal year ended September 30, 2001 (File No. 1-13292) [Exhibit 10(g)(2)]

Exhibit No.	Description	Location
10(g)(3)	Second Amendment to The Scotts Company Executive Retirement Plan, effective as of January 1, 2000	Incorporated herein by reference to Scotts' Annual Report on Form 10-K for the fiscal year ended September 30, 2001 (File No. 1-13292) [Exhibit 10(g)(3)]
10(g)(4)	Third Amendment to The Scotts Company Executive Retirement Plan, effective as of January 1, 2003	Incorporated herein by reference to Scotts' Annual Report on Form 10-K for the fiscal year ended September 30, 2003 (File No. 1-13292) [Exhibit 10(g)(4)]
10(g)(5)	Fourth Amendment to The Scotts Company Executive Retirement Plan, effective as of January 1, 2004	Incorporated herein by reference to Scotts' Annual Report on Form 10-K for the fiscal year ended September 30, 2004 (File No. 1-13292) [Exhibit 10(g)(5)]
10(g)(6)	Fifth Amendment to The Scotts Company Executive Retirement Plan, effective as of March 18, 2005 (amended title of plan to be The Scotts Company LLC Executive Retirement Plan)	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended April 2, 2005 (File No. 1-13292) [Exhibit 10(DD)]
10(h)	Employment Agreement, dated as of May 19, 1995, between The Scotts Company and James Hagedorn	Incorporated herein by reference to Scotts' Annual Report on Form 10-K for the fiscal year ended September 30, 1995 (File No. 1-11593) [Exhibit 10(p)]
10(i)(1)	Letter agreement, dated June 8, 2000, between The Scotts Company and Patrick J. Norton	Incorporated herein by reference to Scotts' Annual Report on Form 10-K for the fiscal year ended September 30, 2000 (File No. 1-13292) [Exhibit 10(q)]
10(i)(2)	Letter agreement, dated November 5, 2002, and accepted by Mr. Norton on November 22, 2002, pertaining to the terms of employment of Patrick J. Norton through December 31, 2005, and superseding certain provisions of the letter agreement, dated June 8, 2000, between The Scotts Company and Mr. Norton	Incorporated herein by reference to Scotts' Annual Report on Form 10-K for the fiscal year ended September 30, 2002 (File No. 1-13292) [Exhibit 10(q)]
10(i)(3)	Letter of Extension, dated October 25, 2005, between The Scotts Miracle-Gro Company and Patrick J. Norton	Incorporated herein by reference to the Registrant's Current Report on Form 8-K filed December 14, 2005 (File No. 1-13292) [Exhibit 10.3]
10(j)(1)	The Scotts Company 2003 Stock Option and Incentive Equity Plan (as approved by shareholders of The Scotts Company on January 30, 2003)	Incorporated herein by reference to Scotts' Quarterly Report on Form 10-Q for the quarterly period ended December 28, 2002 (File No. 1-13292) [Exhibit 10(w)]
10(j)(2)	First Amendment to The Scotts Company 2003 Stock Option and Incentive Equity Plan, effective as of March 18, 2005 (amended title of plan to be The Scotts Miracle-Gro Company 2003 Stock Option and Incentive Equity Plan)	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended April 2, 2005 (File No. 1-13292) [Exhibit 10(AA)]
10(j)(3)	The Scotts Miracle-Gro Company Amended and Restated 2003 Stock Option and Incentive Equity Plan (effective as of October 30, 2007)	*

Exhibit No.	Description	Location
10(k)(1)	Specimen form of Award Agreement for Nondirectors used to evidence Incentive Stock Options, Nonqualified Stock Options, Stock Appreciation Rights, Restricted Stock and Performance Shares which may be granted under The Scotts-Miracle Gro Company 2003 Stock Option and Incentive Equity Plan (now known as The Scotts Miracle-Gro Company Amended and Restated 2003 Stock Option and Incentive Equity Plan)	Incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 2005 (File No. 1-13292) [Exhibit 10(u)]
10(k)(2)	Form of letter agreement amending Restricted Stock awards granted under The Scotts Miracle-Gro Company 2003 Stock Option and Incentive Equity Plan, as amended (effective as of October 30, 2007)	*
10(l)	Specimen form of Award Agreement for Directors used to evidence Nonqualified Stock Options granted under The Scotts Miracle-Gro Company 2003 Stock Option and Incentive Equity Plan (now known as The Scotts Miracle-Gro Company Amended and Restated 2003 Stock Option and Incentive Equity Plan)	Incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 2005 (File No. 1-13292) [Exhibit 10(v)]
10(m)	Employment Agreement effective as of October 1, 2007, between The Scotts Company LLC and Barry W. Sanders	*
10(n)	Employment Agreement effective as of July 1, 2001, between The Scotts Company LLC and Claude Lopez [English Translation — Original in French]	*
10(o)	Employment Agreement for Christopher Nagel, entered into effective as of October 1, 2006, by and between Christopher Nagel and The Scotts Miracle-Gro Company (voluntarily terminated effective July 18, 2007)	Incorporated herein by reference to the Registrant's Current Report on Form 8-K filed December 7, 2006 (File No. 1-13292) [Exhibit 10.1]
10(p)	The Scotts Miracle-Gro Company 2006 Long-Term Incentive Plan Award Agreement for Employees, evidencing Restricted Stock Award of 38,000 Restricted Stock Awarded to Christopher Nagel on October 1, 2006 by The Scotts Miracle-Gro Company (forfeited as a result of voluntary termination effective July 18, 2007)	Incorporated herein by reference to the Registrant's Current Report on Form 8-K filed December 7, 2006 (File No. 1-13292) [Exhibit 10.2]
10(q)	Separation Agreement and General Release, entered into and effective as of July 18, 2007, by and between The Scotts Miracle-Gro Company and Christopher L. Nagel	Incorporated herein by reference to the Registrant's Current Report on Form 8-K filed July 18, 2007 (File No. 1-13292) [Exhibit 10.1]
10(r)(1)	The Scotts Miracle-Gro Company 2006 Long-Term Incentive Plan (as approved by the shareholders of The Scotts Miracle-Gro Company on January 26, 2006)	Incorporated herein by reference to the Registrant's Current Report on Form 8-K filed February 2, 2006 (File No. 1-13292) [Exhibit 10.2]
10(r)(2)	The Scotts Miracle-Gro Company Amended and Restated 2006 Long-Term Incentive Plan (effective as of October 30, 2007)	*
10(s)	Specimen form of Award Agreement used to evidence Time-Based Nonqualified Stock Options for Non-Employee Directors under The Scotts Miracle-Gro Company 2006 Long-Term Incentive Plan (now known as The Scotts Miracle-Gro Company Amended and Restated 2006 Long-Term Incentive Plan)	Incorporated herein by reference to the Registrant's Current Report on Form 8-K filed February 2, 2006 (File No. 1-13292) [Exhibit 10.3]

Exhibit No.	Description	Location
10(t)(1)	Specimen form of Award Agreement used to evidence awards of Restricted Stock Units, Performance Shares, Nonqualified Stock Options, Incentive Stock Options, Restricted Stock and Stock Appreciation Rights which may be granted under The Scotts Miracle-Gro Company 2006 Long-Term Incentive Plan (now known as The Scotts Miracle-Gro Company Amended and Restated 2006 Long-Term Incentive Plan), used prior to October 30, 2007	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2005 (File No. 1-13292) [Exhibit 10(b)]
10(t)(2)	Form of letter agreement amending Restricted Stock awards granted under The Scotts Miracle-Gro Company 2006 Long-Term Incentive Plan, as amended (effective as of October 30, 2007)	*
10(t)(3)	Specimen form of Nonqualified Stock Option Award Agreement for Employees to evidence grants of Nonqualified Stock Options which may be made under The Scotts Miracle-Gro Company [Amended and Restated] 2006 Long-Term Incentive Plan (used after October 30, 2007)	*
10(t)(4)	Specimen form of Restricted Stock Award Agreement for Employees to evidence grants of Restricted Stock which may be made under The Scotts Miracle-Gro Company [Amended and Restated] 2006 Long-Term Incentive Plan (used after October 30, 2007)	*
10(t)(5)	Specimen form of Performance Share Award Agreement for Employees (with Related Dividend Equivalents) to evidence grants of Performance Shares which may be made under The Scotts Miracle-Gro Company [Amended and Restated] 2006 Long-Term Incentive Plan (used after October 30, 2007)	*
10(u)	Specimen form of Award Agreement for Third Party Service Providers used to evidence awards which may be granted under The Scotts Miracle-Gro Company 2006 Long-Term Incentive Plan (now known as The Scotts Miracle-Gro Company Amended and Restated 2006 Long-Term Incentive Plan) to third party service providers	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended July 1, 2006 (File No. 1-13292) [Exhibit 10.3]
10(v)	Specimen form of Award Agreement for Employees used to evidence Nonqualified Stock Options, Restricted Stock and Restricted Stock Units which may be granted under The Scotts Miracle-Gro Company 2006 Long-Term Incentive Plan (now known as The Scotts Miracle-Gro Company Amended and Restated 2006 Long-Term Incentive Plan) (Standard International Specimen covering Australian, Canadian and The Netherlands)	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended December 30, 2006 (File No. 1-13292) [Exhibit 10.1]
10(w)	Specimen form of Award Agreement for Employees used to evidence Stock Options, Restricted Stock and Restricted Stock Units which may be granted under The Scotts Miracle-Gro Company 2006 Long-Term Incentive Plan (now known as The Scotts Miracle-Gro Company Amended and Restated 2006 Long-Term Incentive Plan) (Austrian Specimen)	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended December 30, 2006 (File No. 1-13292) [Exhibit 10.2]

Exhibit No.	Description	Location
10(x)	Specimen form of Award Agreement for Employees used to evidence Nonqualified Stock Options which may be granted under The Scotts Miracle-Gro Company 2006 Long-Term Incentive Plan (now known as The Scotts Miracle-Gro Company Amended and Restated 2006 Long-Term Incentive Plan) (Belgian Specimen)	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended December 30, 2006 (File No. 1-13292) [Exhibit 10.3]
10(y)	Specimen form of Award Agreement for Employees used to evidence Nonqualified Stock Options, Restricted Stock, Restricted Stock Units and Performance Shares which may be granted under The Scotts Miracle-Gro Company 2006 Long-Term Incentive Plan (now known as The Scotts Miracle-Gro Company Amended and Restated 2006 Long-Term Incentive Plan) (French Specimen)	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended December 30, 2006 (File No. 1-13292) [Exhibit 10.4]
10(z)	Specimen form of Award Agreement for Employees used to evidence Nonqualified Stock Options which may be granted under The Scotts Miracle-Gro Company 2006 Long-Term Incentive Plan (now known as The Scotts Miracle-Gro Company Amended and Restated 2006 Long-Term Incentive Plan) (German Specimen)	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended December 30, 2006 (File No. 1-13292) [Exhibit 10.5]
10(aa)	Specimen form of Award Agreement for Employees used to evidence Nonqualified Stock Options which may be granted under The Scotts Miracle-Gro Company 2006 Long-Term Incentive Plan (now known as The Scotts Miracle-Gro Company Amended and Restated 2006 Long-Term Incentive Plan) (Polish Specimen)	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended December 30, 2006 (File No. 1-13292) [Exhibit 10.6]
10(bb)	Specimen form of Award Agreement for United Kingdom Employees used to evidence Nonqualified Stock Options, Restricted Stock and Restricted Stock Units which may be granted under The Scotts Miracle-Gro Company 2006 Long-Term Incentive Plan (now known as The Scotts Miracle-Gro Company Amended and Restated 2006 Long-Term Incentive Plan) (United Kingdom Specimen)	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended December 30, 2006 (File No. 1-13292) [Exhibit 10.7]
10(cc)	The Scotts Miracle-Gro Company Discounted Stock Purchase Plan (As Amended and Restated as of January 26, 2006; Reflects 2-for-1 Stock Split Distributed on November 9, 2005)	Incorporated herein by reference to the Registrant's Current Report on Form 8-K filed February 2, 2006 (File No. 1-13292) [Exhibit 10.1]
10(dd)	Summary of Compensation for Directors of The Scotts Miracle-Gro Company	*
10(ee)	Separation Agreement and General Release, entered into and effective as of July 17, 2007 by and between The Scotts Miracle-Gro Company and David M. Aronowitz	Incorporated herein by reference to the Registrant's Current Report on Form 8-K filed July 17, 2007 (File No. 1-13292) [Exhibit 10.1]
10(ff)	Exclusive Distributor Agreement — Horticulture, effective as of June 22, 1998, between The Scotts Company and AgrEvo USA Company	Incorporated herein by reference to Scotts' Annual Report on Form 10-K for the fiscal year ended September 30, 1998 (File No. 1-11593) [Exhibit 10(v)]

Exhibit No.	Description	Location
10(gg)	Amended and Restated Exclusive Agency and Marketing Agreement, dated as of September 30, 1998, between Monsanto Company and The Scotts Company LLC (as successor to The Scotts Company)	Incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 2005 (File No. 1-13292) [Exhibit 10(x)]
10(hh)	Master Accounts Receivable Purchase Agreement, dated as of April 11, 2007, by and among The Scotts Company LLC as seller, The Scotts Miracle-Gro Company as guarantor and LaSalle Bank National Association as purchaser	Incorporated herein by reference to the Registrant's Current Report on Form 8-K filed April 17, 2007 (File No. 1-13292) [Exhibit 10.1]
14	Code of Business Conduct and Ethics of The Scotts Miracle-Gro Company, as amended on November 2, 2006	Incorporated herein by reference to the Registrant's Current Report on Form 8-K filed November 8, 2006 (File No. 1-13292)) [Exhibit 14]
21	Subsidiaries of The Scotts Miracle-Gro Company	*
23	Consent of Independent Registered Public Accounting Firm — Deloitte & Touche LLP	*
24	Powers of Attorney of Executive Officers and Directors of The Scotts Miracle-Gro Company	*
31(a)	Rule 13a-14(a)/15d-14(a) Certification (Principal Executive Officer)	*
31(b)	Rule 13a-14(a)/15d-14(a) Certification (Principal Financial Officer)	*
32	Section 1350 Certification (Principal Executive Officer and Principal Financial Officer)	*

* Filed herewith.

Exhibit 4(e)

November 29, 2007

Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Re: The Scotts Miracle-Gro Company — Annual Report on Form 10-K for the fiscal year ended September 30, 2007

Ladies and Gentlemen:

The Scotts Miracle-Gro Company, an Ohio corporation ("Scotts Miracle-Gro"), is today filing its Annual Report on Form 10-K for the fiscal year ended September 30, 2007 (the "Form 10-K").

Neither Scotts Miracle-Gro nor any of its consolidated subsidiaries has outstanding any instrument or agreement with respect to its long-term debt, other than those filed or incorporated by reference as an exhibit to the Form 10-K, under which the total amount of long-term debt authorized exceeds ten percent (10%) of the total assets of Scotts Miracle-Gro and its subsidiaries on a consolidated basis. In accordance with the provisions of Item 601(b)(4)(iii) of SEC Regulation S-K, Scotts Miracle-Gro hereby agrees to furnish to the SEC, upon request, a copy of each such instrument or agreement defining the rights of holders of long-term debt of Scotts Miracle-Gro or the rights of holders of long-term debt of one of Scotts Miracle-Gro's consolidated subsidiaries, in each case which is not being filed or incorporated by reference as an exhibit to the Form 10-K.

Very truly yours,

THE SCOTTS MIRACLE-GRO COMPANY

/s/ David C. Evans

David C. Evans
Executive Vice President and Chief Financial Officer

14111 Scottslawn Road Marysville, OH 43041 937-644-0011
www.scotts.com

EXHIBIT 10(b)(2)

THE SCOTTS COMPANY LLC

AMENDED AND RESTATED
EXECUTIVE/MANAGEMENT INCENTIVE PLAN (THE "PLAN" or "EMIP")
TERMS AND CONDITIONS

1. Objectives

1.1 Provide meaningful financial incentives consistent with and supportive of corporate strategies and objectives.

1.2 Encourage team effort toward achievement of corporate financial and strategic goals aligned with shareholders of The Scotts Miracle-Gro Company and our customers.

1.3 Contribute toward a competitive compensation program for all associates participating in the Plan ("Participants").

2. Participation

2.1 All managers and more senior level associates of The Scotts Company LLC (the "Company") and all "Affiliates" and "Subsidiaries" (as defined below) are eligible to participate upon recommendation by management and in the case of covered employees (as defined in Code §162(m)) approval by the Compensation and Organization Committee of The Scotts Miracle-Gro Company (the "Committee"). For purposes of this Plan:

(a) "Code" means the Internal Revenue Code of 1986, as amended.

(b) "Affiliates" and "Subsidiaries" mean all persons with whom the Company would be considered a single employer under Code §§414(b) and (c).

2.2 Except as otherwise provided by the Committee and, in the case of covered employees, permitted under Code §162(m), Participants must be actively employed in an eligible job/position for at least 13 consecutive weeks during the Plan Year (the Company's fiscal year).

2.3 Participant eligibility is based on active status during the Plan Year. Periods of inactive status such as short-term disability and other leaves will be reflected in the eligible earnings and payout calculation.

2.4 Except as otherwise provided by the Committee and, in the case of covered employees, permitted under Code §162(m), Participants must be employed on the last day of the Plan Year to be eligible for an incentive payment.

2.5 Except as otherwise provided by the Committee and, in the case of covered employees, permitted under Code §162(m), participants whose employment terminates during the Plan Year, except in cases of retirement, will not be eligible for an incentive payment, prorated or otherwise.

2.6 Participants who retire during the Plan Year will be eligible for a prorated incentive payment.

2.7 Participants who hold an eligible position on a part-time basis are eligible for the EMIP. All other terms and conditions apply.

2.8 Participants who move to a different EMIP eligible position or otherwise become eligible for a different target percentage during the Plan Year will be pro-rated based on new metrics/target (if applicable) only if the move is for an eligible period of at least 13 weeks in the Plan Year.

2.9 Participants who move to a non-EMIP eligible position during the Plan Year will be eligible for a pro-rated incentive payment (based on Plan Year earnings) provided other eligibility requirements are met.

2.10 Participants shall not have any right with respect to any award until an award shall, in fact, be paid to them.

2.11 The Plan confers no rights upon any associate to participate in the Plan or remain in the employ of the Company or any Affiliate or Subsidiary. Neither the adoption of the Plan nor its operation shall in any way affect the right of the associate or the Company or any Affiliate or Subsidiary to terminate the employment relationship at any time.

3. Plan Design, Performance Measures, and Payouts

3.1 The Plan is designed to recognize and reward performance against established financial targets. The Plan is comprised of:

(a) A corporate net income "funding trigger" below which no incentives will be paid to any Participant;

(b) Up to five standard Performance Measures from the list of available Performance Measures, below;

(c) An earnings "multiplier" that will reinforce the importance of earnings by modifying the performance results against all of the other goals; and

(d) The ability to tailor incentive measure weights to each particular group or unit reflecting the relative contribution that group or unit can make to those results.

3.2 Available Performance Measures under the Plan shall be measured over the period established by the Committee and be limited to the following:

(a) Net earnings or net income (before or after taxes);

(b) Earnings per share (basic or diluted);

(c) Net sales or revenue growth;

(d) Net operating profit;

(e) Return measures (including, but not limited to, return on assets, capital, invested capital, equity, sales, or revenue);

(f) Cash flow (including, but not limited to, operating cash flow, free cash flow, cash flow return on equity, and cash flow return on investment);

(g) Earnings before or after taxes, interest, depreciation, and/or amortization;

(h) Gross or operating margins;

(i) Productivity ratios;

(j) Share price (including, but not limited to, growth measures and total shareholder return);

(k) Expense targets;

(1) Margins;

(m) Operating efficiency;

(n) Market share;

(o) Customer satisfaction/service;

(p) Product Fill Rate percent (% of orders filled on first delivery) or All-In Fill Rate percent (% calculated dollar fill based on potential) times Inventory Turns;

(q) Working capital targets;

(r) Economic value added or EVA(R)(net operating profit after tax minus the sum of capital multiplied by the cost of capital);

(s) Developing new products and lines of revenue;

(t) Reducing operating expenses;

(u) Developing new markets;

(v) Meeting completion schedules;

(w) Developing and managing relationships with regulatory and other governmental agencies;

(x) Managing cash;

(y) Managing claims against the Company, including litigation; and

(z) Identifying and completing strategic acquisitions.

(aa) Any Performance Measure(s) may be used to measure the performance of the Company, Subsidiary, and/or Affiliate as a whole or any business unit of the Company, Subsidiary, and/or Affiliate or any combination thereof, as the Committee may deem appropriate, or any of the above Performance Measures as compared to the performance of a group of comparator companies, or published or special index that the Committee, in its sole discretion, deems appropriate.

3.3 Performance above and below target performance goals will be incrementally calculated so Participants will receive a payout calculated on a straight-line basis; provided, however, that the Committee may determine, in its sole discretion, that no payouts will be made for performance below target performance goals. Notwithstanding the foregoing or any other provision in the Plan to the contrary, the Committee shall have the right, in its sole discretion, to reduce the amount otherwise payable to a Participant based on the Participant’s individual performance or any other factors that the Committee deems appropriate.

3.4 The maximum amount of compensation that could be paid to any Participant in any Plan Year from this Plan is $2.5 million.

3.5 Unless a Participant has made a valid election under a deferred compensation plan maintained by the Company, an Affiliate or a Subsidiary no later than the date permitted under such plan, all awards under the Plan, including any prorated amounts described in Section 2.6, will be paid by the 15th day of the third month following the close of the applicable Plan Year.

4. Employee Agreement and Forfeiture of Payment

4.1 Regardless of any other provision of this section and unless the Incentive Review Committee (as defined in Section 5.2) specifies otherwise, in order to participate in the Plan, a Participant must execute an Employee Confidentiality, Noncompetition, Nonsolicitation Agreement.

4.2 Furthermore, regardless of any other provision of this section and unless the Incentive Review Committee specifies otherwise, a Participant who breaches any part of that Employee Confidentiality, Noncompetition, Nonsolicitation Agreement will forfeit any future payment under the Plan and will also return to the Company or any Affiliate or Subsidiary any monies paid out to Participant under this Plan within the three years prior to said breach.

4.3 By participating in this Plan, a Participant hereby consents to a deduction from any amount the Company or any Affiliate or Subsidiary may owe the Participant (including amounts owed to the Participant as wages or other compensation, fringe benefits, or vacation pay as well as any other amounts owed to the Participant by the Company or any Affiliate or Subsidiary), to the extent of the amounts owed the Company, Affiliate or Subsidiary under this Section 4, whether or not it elects to make any set-off in whole or in part. If the Company or any Affiliate or Subsidiary does not recover the full amount the Participant owes it by means of set-off, calculated as set forth above in Section 4.2, the Participant agrees to pay immediately the unpaid balance to the Company, Affiliate or Subsidiary, as applicable.

5. Administration

5.1 The Plan is to be administered by the Vice President, Global Total Rewards or the Committee designee, who will be responsible for:

(a) Recommending changes in the Plan as appropriate;

(b) Recommending payout targets; and

(c) Recommending additions or deletions to the list of eligible associates.

5.2 The Incentive Review Committee (comprised of the Chief Executive Officer, Executive Vice President, Human Resources and the Chief Financial Officer) is responsible for:

(a) Approving the percentages by which financial measurements vary from approved budgets and business unit financial performance results;

(b) Adjudicating changes and adjustments; and

(c) Recommending Plan payouts.

5.3 The Committee approves:

(a) Changes in the Plan design;

(b) The payout percentage;

(c) Additions or deletions of eligible associates; and

(e) Payouts to all Participants after written certification that Performance Measures have been met.

5.4 The Committee shall approve the Performance Measures within 90 days of the beginning of the performance period but no later than 25% of the performance period. Material terms of the Plan, including the Plan measures, were approved by shareholders on January 26, 2006. The foregoing qualifies payments under the Plan as "qualified performance-based compensation" under Treasury Regulation §1.162-27(e). The Plan is amended and restated effective October 30, 2007 for purposes of Code §409A and to make certain other changes.

5.5 The Committee shall review the operation of the Plan and (subject to restrictions imposed in Code §162(m)), if at any time the continuation of the Plan or any of its provisions becomes inappropriate or inadvisable, the Committee shall revise or modify Plan provisions or recommend to the Board of Directors of The Scotts Miracle-Gro Company (the "Board") that the Plan be suspended or withdrawn. In addition, the Committee reserves the right to modify incentive formulas to reflect unusual circumstances.

5.6 The Board reserves to itself the right to suspend the Plan, to withdraw the Plan, and, to the extent allowed without shareholder approval, make alterations in Plan concept.

5.7 It is intended that this Plan comply with the short-term deferral requirements under Treasury Regulation §1.409A-1(a)(4), and this Plan will be interpreted, administered and operated in good faith accordingly. Nothing herein shall be construed as an entitlement to or guarantee of any particular tax treatment to a Participant.

Exhibit 10(c) (2)

Executive Officers of
The Scotts Miracle-Gro Company
who are parties to form of
Employee Confidentiality, Noncompetition,
Nonsolicitation Agreement for employees
participating in The Scotts Company LLC
Executive/Management Incentive Plan

Name and Principal Position with The Scotts Miracle-Gro Company	Date of Employee Confidentiality, Noncompetition, Nonsolicitation Agreement
Denise S. Stump, Executive Vice President, Global Human Resources	August 8, 2006
David C. Evans, Executive Vice President, Chief Financial Officer	May 20, 2006
Barry W. Sanders, Executive Vice President, North America	April 22, 2005

Exhibit 10(d)(4)

THE SCOTTS MIRACLE-GRO COMPANY
AMENDED AND RESTATED
1996 STOCK OPTION PLAN
(EFFECTIVE AS OF OCTOBER 30, 2007)
(Does Not Reflect Any Stock Splits or Stock Dividends)

THE SCOTTS MIRACLE-GRO COMPANY
AMENDED AND RESTATED
1996 STOCK OPTION PLAN
(EFFECTIVE AS OF OCTOBER 30, 2007)
(Does Not Reflect Any Stock Splits or Stock Dividends)

SECTION 1.

PURPOSE AND EFFECTIVE DATE

1.1 Purpose. The purpose of the Plan is to foster and promote the long-term financial success of the Company and materially increase shareholder value by (a) encouraging and providing for the acquisition of an ownership interest in the Company by Employees and Eligible Directors, and (b) enabling the Company to attract and retain the services of an outstanding management team upon whose judgment, interest, and special effort the successful conduct of its operations is largely dependent.

1.2. Effective Date. The Plan was originally adopted by the Board on February 12, 1996 and is hereby amended and restated effective as of October 30, 2007.

SECTION 2.

DEFINITIONS

2.1 Definitions. Whenever used herein, the following terms shall have the respective meanings set forth below:

(a) “Act” means the Securities Exchange Act of 1934, as amended.

(b) “Annual Meeting” means the annual meeting of the shareholders of the Company.

(c) “Annual Retainer” means the annual retainer fee, established by the Board, paid to an Eligible Director for services on the Board.

(d) “Award” means any Option or Stock Unit.

(e) “Board” means the Board of Directors of the Company.

(f) “Cause” means (i) the willful failure by a Participant to perform substantially the Participant’s duties as an Employee of the Company (other than due to physical or mental illness) after reasonable notice to the Participant of such failure, (ii) the Participant’s engaging in serious misconduct that is injurious to the Company or any Subsidiary, (iii) the Participant’s having been convicted of, or entered a plea of nolo contendere to, a crime that constitutes a felony or (iv) the breach by the Participant of any written covenant or agreement with the Company or any Subsidiary not to disclose any information pertaining to the Company or any Subsidiary or not to compete or interfere with the Company or any Subsidiary.

(g) “Change in Control” means the occurrence of any of the following events:

(i) the members of the Board (“Incumbent Directors”) cease for any reason other than death to constitute at least a majority of the members of the Board, provided that any director whose election, or nomination for election by the Company’s shareholders, was approved by a vote of at least a majority of the then Incumbent Directors also will be treated as an Incumbent Director; or

(ii) any “person,” including a “group” [as such terms are used in Sections 13(d) and 14(d)(2) of the Act, but excluding the Company, any of its Subsidiaries, any employee benefit plan of the Company or any of its Subsidiaries or Hagedorn Partnership, L.P. or any party related to Hagedorn Partnership, L.P. as determined by the Committee] becomes the “beneficial owner” [as defined in Rule 13d-3 under the Act], directly or indirectly, of securities of the Company representing more than 30 percent of the combined voting power of the Company’s then outstanding securities; or

(iii) the adoption or authorization by the shareholders of the Company of a definitive agreement or a series of related agreements (1) for the merger or other business combination of the Company with or into another entity in which the shareholders of the Company immediately before the effective date of such merger or other business combination own less than 50 percent of the voting power in such entity or (2) for the sale or other disposition of all or substantially all of the assets of the Company;

(iv) the adoption by the shareholders of the Company of a plan relating to the liquidation or dissolution of the Company; or

(v) for any reason, Hagedorn Partnership, L.P. or any party related to Hagedorn Partnership, L.P. as determined by the Committee, becomes the “beneficial owner” [as defined in Rule 13d-3 under the Act], directly or indirectly, of securities of the Company representing more than 49 percent of the combined voting power of the Company’s then outstanding securities.

(h) “Change in Control Price” means the price per share of Stock paid in conjunction with any transaction resulting in a Change in Control (as determined in good faith by the Committee if any part of the price offered is payable other than in cash) or, in the case of a Change in Control occurring solely by reason of events not related to a transfer of Stock, the highest Fair Market Value of a share of Stock on any of the 30 consecutive trading days ending on the last trading day before the Change in Control occurs.

(i) “Code” means the Internal Revenue Code of 1986, as amended.

(j) “Committee” means the Compensation and Organization Committee of the Board which shall have the meaning ascribed to a “compensation committee” in Section 1.162-27(c)(4) of the final regulations promulgated under Section 162(m) of the Code and which shall consist of three or more members, each of whom shall be (i) a person from time to time permitted by the rules promulgated under Section 16 of the Act in order for grants of Awards to be exempt transactions under said Section 16 and (ii) receiving remuneration in no other capacity than as a director, except as permitted under Section 1.162-27(e)(3) of the final regulations promulgated under Section 162(m) of the Code and the rulings thereunder.

(k) “Company” means The Scotts Miracle-Gro Company, an Ohio corporation, and any successor thereto.

(l) “Director Option” means a “nonstatutory stock option” (“NSO”) granted to each Eligible Director pursuant to Section 6.6 without any action by the Board or the Committee.

(m) “Disability” means the inability of the Participant to perform the Participant’s duties for a period of at least six months due to a physical or medical infirmity. Notwithstanding the foregoing, with respect to Incentive Stock Options, the term “Disability” shall be defined as such term is defined in Section 22(e)(3) of the Code.

(n) “Eligible Director” means, on any date, a person who is serving as a member of the Board and who is not an Employee.

(o) “Employee” means any officer or other key executive and management employee of the Company or of any of its Subsidiaries.

(p) “Fair Market Value” means, on any date, the closing price of the Stock as reported on the New York Stock Exchange (or on such other recognized market or quotation system on which the trading prices of the Stock are traded or quoted at the relevant time) on such date. In the event that there are no Stock transactions reported on the New York Stock Exchange (or such other market or system) on such date, Fair Market Value shall mean the closing price on the immediately preceding date on which Stock transactions were so reported.

(q) “Non-Grandfathered Option” means an NSO that was not earned and vested (within the meaning of Treasury Regulation §1.409A-6) as of December 31, 2004.

(r) “Option” means the right to purchase Stock at a stated price for a specified period of time. For purposes of the Plan, an Option may be either (i) an “Incentive Stock Option” (ISO) within the meaning of Section 422 of the Code or (ii) an NSO which does not qualify for treatment as an “Incentive Stock Option.”

(s) “Participant” means any Employee designated by the Committee to participate in the Plan.

(t) “Plan” means The Scotts Miracle-Gro Company Amended and Restated 1996 Stock Option Plan, as in effect from time to time.

(u) “Retirement” means, unless the Committee specifies otherwise, the date:

(i) a Participant terminates employment on or after the earlier of (1) reaching age 62 or, (2) with the Committee’s approval, reaching age 55 and completing at least 10 years of service as an Employee; or

(ii) an Eligible Director terminates service as a Board member after having been a Board member for at least one full term.

(v) “Stock” means the Common Shares, without par value, of the Company.

(w) “Stock Unit” means a right to receive payment, in accordance with the provisions hereof, of the Fair Market Value of a share of Stock.

(x) “Subsidiary” means any corporation or partnership in which the Company owns, directly or indirectly, 50% or more of the total combined voting power of all classes of stock of such corporation or of the capital interest or profits interest of such partnership.

2.2 Gender and Number. Except when otherwise indicated by the context, words in the masculine gender used in the Plan shall include the feminine gender, the singular shall include the plural, and the plural shall include the singular.

SECTION 3.

ELIGIBILITY AND PARTICIPATION

Except as otherwise provided in Sections 6.6 and 6.7, the only persons eligible to participate in the Plan shall be those Employees selected by the Committee as Participants.

SECTION 4.

POWERS OF THE COMMITTEE

4.1 Power to Grant. The Committee shall determine the Participants to whom Options shall be granted, the type or types of Options to be granted and the terms and conditions of any and all such Options. The Committee may establish different terms and conditions for different types of Options, for different Participants receiving the same type of Option and for the same Participant for each Option such Participant may receive, whether or not granted at different times.

4.2 Administration. The Committee shall be responsible for the administration of the Plan. The Committee, by majority action thereof, is authorized to prescribe, amend, and rescind rules and regulations relating to the Plan, to provide for conditions deemed necessary or advisable to protect the interests of the Company, and to make all other determinations (including, without limitation, whether a Participant has incurred a Disability) necessary or advisable for the administration and interpretation of the Plan in order to carry out its provisions and purposes. Determinations, interpretations, or other actions made or taken by the Committee pursuant to the provisions of the Plan shall be final, binding, and conclusive for all purposes and upon all persons.

SECTION 5.

STOCK SUBJECT TO PLAN

5.1 Number. Subject to the provisions of Section 5.3, the number of shares of Stock subject to Awards under the Plan may not exceed 5,500,000 shares of Stock. Subject to the provisions of Section 5.3, no Participant shall receive Options for more than 150,000 shares of Stock over any one-year period. For this purpose, to the extent that any Option is canceled (as described in Section 1.162-27(e)(2)(vi)(B) of the final regulations promulgated under Section 162(m) of the Code), such canceled Option shall continue to be counted against the maximum number of shares of Stock for which Options may be granted to a Participant under the Plan. The shares of Stock to be delivered under the Plan may consist, in whole or in part, of treasury Stock or authorized but unissued Stock, not reserved for any other purpose.

5.2 Canceled, Terminated, or Forfeited Awards. Except as provided in Section 5.1, any shares of Stock subject to an Award which for any reason is canceled, terminated or otherwise settled without the issuance of any Stock shall again be available for Awards under the Plan.

5.3 Adjustment in Capitalization. In the event of any Stock dividend or Stock split, recapitalization (including, without limitation, the payment of an extraordinary dividend), merger, consolidation, combination, spin-off, distribution of assets to shareholders, exchange of shares, or other similar corporate change, the aggregate number of shares of Stock available for Awards under Section 5.1 or subject to outstanding Awards and the respective prices and/or limitations applicable to outstanding Awards shall be appropriately adjusted by the Committee, whose determination shall be conclusive. A corresponding adjustment shall be made to the number of shares subject to outstanding Director Options and Stock Units, and a corresponding adjustment shall also be made to the number of shares subject to each Director Option and each Stock Unit thereafter granted pursuant to Section 6.6 or Section 6.7. Notwithstanding anything to the contrary in this Section 5.3, an adjustment to a Non-Grandfathered Option shall be made only to the extent such adjustment complies with the requirements of Section 409A of the Code.

SECTION 6.

OPTIONS AND STOCK UNITS

6.1 Grant of Options. Options may be granted to Participants at such time or times as shall be determined by the Committee. Options granted under the Plan may be of two types: (i) Incentive Stock Options and (ii) NSOs. The Committee shall have complete discretion in determining the number of Options, if any, to be granted to a Participant. Without limiting the foregoing, the Committee may grant Options containing provisions for the issuance to the Participant, upon exercise of such Option and payment of the exercise price therefor with previously owned shares of Stock, of an additional Option for the number of shares so delivered, having such other terms and conditions not inconsistent with the Plan as the Committee shall determine. Each Option shall be evidenced by an Option agreement that shall specify the type of Option granted, the exercise price, the duration of the Option, the number of shares of Stock to which the Option pertains, and such other terms and conditions not inconsistent with the Plan as the Committee shall determine.

6.2 Option Price. NSOs and Incentive Stock Options granted pursuant to the Plan shall have an exercise price which is not less than the Fair Market Value of the Stock on the date the Option is granted. To the extent that an Incentive Stock Option is granted to a Participant who owns (actually or constructively under the provisions of Section 424(d) of the Code) Stock possessing more than 10% of the total combined voting power of all classes of Stock of the Company or of any Subsidiary, such Incentive Stock Option shall have an exercise price which is not less than 110% of the Fair Market Value on the date the Option is granted.

6.3 Exercise of Options. Options granted to a Participant under the Plan shall be exercisable at such times and shall be subject to such restrictions and conditions including the performance of a minimum period of service, as the Committee may impose, either at or after the time of grant of such Options; provided, however, that if the Committee does not specify another exercise schedule at the time of grant, each Option shall become exercisable on the third anniversary of the date of grant, subject to the Committee's right to accelerate the exercisability of such Option in its discretion. Notwithstanding the foregoing, no Option shall be exercisable for more than ten years after the date on which it is granted; provided, however, in the case of an Incentive Stock Option granted to a Participant who owns (actually or constructively under the provisions of Section 424(d) of the Code) Stock possessing more than 10% of total combined voting power of all classes of Stock of the Company or any Subsidiary, such Incentive Stock Option shall not be exercisable for more than five years after the date on which it is granted.

6.4 Payment. The Committee shall establish procedures governing the exercise of Options, which shall require that written notice of exercise be given and that the Option price be paid in full in cash or equivalents, including by personal check, at the time of exercise or pursuant to any arrangement that the Committee shall approve. The Committee may, in its discretion, permit a Participant or an Eligible Director to tender Stock already owned by the Participant or the Eligible Director, either by actual delivery of the shares of Stock or by attestation, valued at its Fair Market Value on the date of exercise, as partial or full payment of the exercise price. As soon as practicable after receipt of a written exercise notice and full payment of the exercise price, the Company shall deliver to the Participant or the Eligible Director a certificate or certificates representing the acquired shares of Stock.

6.5 Incentive Stock Options. Notwithstanding anything in the Plan to the contrary, no term of this Plan relating to Incentive Stock Options shall be interpreted, amended or altered, nor shall any discretion or authority granted under the Plan be so exercised, so as to disqualify the Plan under Section 422 of the Code, or, without the consent of any Participant affected thereby, to cause any Incentive Stock Option previously granted to fail to qualify for the Federal income tax treatment afforded under Section 421 of the Code. Further, the aggregate Fair Market Value (determined as of the time an Incentive Stock Option is granted) of the Stock with respect to which Incentive Stock Options are exercisable for the first time by any Participant during any calendar year (under all option plans of the Company and all Subsidiaries of the Company) shall not exceed $100,000.

6.6 Director Options. Notwithstanding anything else contained herein to the contrary, prior to January 29, 2002, on the first business day following the date of each annual meeting of shareholders during the term of the Plan, each Eligible Director shall receive a Director Option to purchase 5,000 shares of Stock at an exercise price per share equal to the Fair Market Value of the Stock on the date of grant. An Eligible Director who is a member of one or more Board committees, shall receive an additional grant covering 500 shares of Stock for each committee of which the Eligible Director is a member. An Eligible Director who chairs one or more Board committees shall receive (over and above that additional grant covering 500 shares for each committee membership) an additional grant covering 1,000 shares of Stock for each committee the Eligible Director chairs. Each Director Option shall be exercisable six months after the date of grant and shall remain exercisable until the earlier to occur of (a) the tenth anniversary of the date of grant or (b) the first anniversary of the date the Eligible Director ceases to be a member of the Board, except that (i) if the Eligible Director ceases to be a member of the Board after having been convicted of, or pled guilty or nolo contendere to, a felony, the Eligible Director's Director Options shall be canceled on the date the Eligible Director ceases to be a director, or (ii) if the Eligible Director ceases to be a member of the Board due to Retirement, any Director Options granted to such Eligible Director which are then outstanding (whether or not exercisable prior to the date of such Retirement), may be exercised at any time prior to the expiration of the term of the Director Options or within five years following the Retirement, whichever period is shorter. An Eligible Director may exercise a Director Option in the manner described in Section 6.3.

6.7 Stock Units. Effective beginning in the calendar year 2000 and ending in calendar year 2002, each Eligible Director shall be provided with the opportunity to elect to receive all or a portion, in 25% increments, of the Eligible Director's Annual Retainer: (a) in cash or (b) in Stock Units. An Eligible Director's first such election shall be made on a form provided by the Committee at least two weeks in advance of the 2000 Annual Meeting. Such election shall be effective until the next Annual Meeting. Elections for annual periods thereafter shall be made on an annual basis, at least two weeks in advance of the applicable Annual Meeting. In the event no election is received from an Eligible Director for an applicable period, the Eligible Director shall be deemed to have elected payment of the Eligible Director's Annual Retainer in cash. Any portion of an Eligible Director's Annual Retainer which is elected to be paid in cash shall be paid in accordance with the Company's regular practice for such payments. To the extent that the Eligible Director elects to receive Stock Units in lieu of all or a portion of the Eligible Director's Annual Retainer, the Eligible Director shall receive a number of Stock Units (including fractional Stock Units) determined by dividing the dollar amount of Annual Retainer elected by the Fair Market Value of a share of Stock on the next business day following the date of the Annual Meeting; provided that for the calendar year 2000, the Fair Market Value as of March 31, 2000 shall be the value used. All payments in respect of Stock Units shall be settled as soon as practicable after the earlier of (a) the occurrence of a Change in Control or (b) the Eligible Director's cessation of service on the Board; provided, however, that if the Eligible Director has elected on a form provided by the Committee at least one year prior to the commencement of payment of the value of the Eligible Director's Stock Units, payment thereof shall be made over a period of up to ten years, as elected by the Eligible Director. All such payments to the Eligible Director shall be made in cash or in Stock, as elected by the Eligible Director on the deferral form provided by the Committee. If distributions are made in cash pursuant to such Eligible Director's election, distribution shall be made at Fair Market Value determined as of the date immediately preceding the date of distribution. Upon the death of an Eligible Director, the value of any unpaid Stock Units shall be paid in a lump sum in cash in accordance with the provisions of Section 10.2.

6.8 Restriction on Repricing. Regardless of any other provision of this Plan, neither the Company nor the Committee may "reprice" (as defined under rules issued by the exchange on which the Stock then is traded) any Option without the prior approval of the shareholders.

SECTION 7.

TERMINATION OF EMPLOYMENT

7.1 Termination of Employment Due to Retirement. Unless otherwise determined by the Committee at the time of grant, in the event a Participant's employment terminates by reason of Retirement, any Options granted to such Participant which are then outstanding (whether or not exercisable prior to the date of such termination) may be exercised at any time prior to the expiration of the term of the Options or within five years (or such shorter period as the Committee shall determine at the time of grant) following the Participant's termination of employment, whichever period is shorter. Notwithstanding any provision contained herein, with respect to any Incentive Stock Option, a Participant who terminates the Participant's employment by reason of Retirement may exercise such Incentive Stock Option at any time prior to the expiration of the term of the Option or within three months following the Participant's termination of employment, whichever period is shorter.

7.2 Termination of Employment Due to Death or Disability. Unless otherwise determined by the Committee at the time of grant, in the event a Participant's employment terminates by reason of death or Disability, any Options granted to such Participant which are then outstanding (whether or not exercisable prior to the date of such termination) may be exercised by the Participant or the Participant's designated beneficiary, and if none is named, in accordance with Section 10.2, at any time prior to the expiration date of the term of the Options or within five years (or such shorter period as the Committee shall determine at the time of grant) following the Participant's termination of employment, whichever period is shorter. Notwithstanding any provision contained herein, with respect to any Incentive Stock Option, a Participant whose employment terminates by reason of death or Disability may exercise (or the Participant's designated beneficiary may exercise, in the case of death) such Incentive Stock Option at any time prior to the expiration of the term of the Option or within one year following the Participant's termination of employment, whichever period is shorter.

7.3 Termination of Employment For Cause. Unless otherwise determined by the Committee at the time of grant, in the event a Participant's employment is terminated for Cause, any Options granted to such Participant which are then outstanding (whether or not exercisable prior to the date of such termination) shall be forfeited.

7.4 Termination of Employment for Any Other Reason. Unless otherwise determined by the Committee at or after the time of grant, in the event the employment of the Participant shall terminate for any reason other than one described in Section 7.1, 7.2 or 7.3, any Options granted to such Participant which are exercisable at the date of the Participant's termination of employment, or on such accelerated basis as the Committee may have determined in its discretion, shall remain exercisable until the earlier to occur of (a) the expiration of the term of such Options or (b) the ninetieth day following the Participant's termination of employment, whichever period is shorter.

7.5 Limitations on Exercisability Following Termination of Employment. No Options shall be exercisable after termination of employment unless the Participant shall have, during the time period in which the Options are exercisable, (a) refrained from serving as an officer, director or employee of any individual, partnership or corporation, or the owner of a business, or a member of a partnership which conducts business in competition with the Company or renders any service (including, without limitation, advertising agencies and business consultants) to competitors with any portion of the business of the Company, (b) been available, if so requested by the Company, at reasonable times and upon a reasonable basis, to consult with, supply information to, and otherwise cooperate with, the Company, and (c) refrained from engaging in a deliberate action which has been determined by the Committee to cause substantial harm to the interests of the Company. If any of these conditions is not fulfilled, the Committee may require the Participant to forfeit all rights to any Options which have not been exercised prior to the date of the breach of the condition.

SECTION 8.

CHANGE IN CONTROL

8.1 Accelerated Vesting and Payment. Subject to the provisions of Section 8.2 below, in the event of a Change in Control, each Participant shall be permitted, in the Participant's discretion, to surrender any Option (excluding any Director Option) or portion thereof in exchange for (a) a payment in cash of an amount equal to the excess of the Change in Control Price over the exercise price of the Option or (b) at the Committee's discretion, whole shares of Stock with a Fair Market Value equal to the excess of the Change in Control Price over the exercise price of the Option and the Fair Market Value of any fractional share of Stock will be distributed in cash. However, the Committee, in its sole discretion, may offer the holders of the Options to be surrendered a reasonable opportunity (not longer than 15 days beginning on the date of the Change in Control) to exercise all their outstanding Options (whether or not otherwise then exercisable) by following the exercise procedures described in Section 6. Such right to surrender an Option in exchange for a payment in cash or, if appropriate, in shares of Stock (or to exercise an Option) as provided in the two preceding sentences shall remain in effect only during the fifteen-day period commencing with the day following the date of a Change in Control. Thereafter, the Option shall only be exercisable in accordance with the terms and conditions of the Stock Option Agreement and the provisions of the Plan.

8.2 Alternative Awards. Notwithstanding Section 8.1, no cancellation or cash settlement or other payment or exercise shall occur under the circumstances described in Section 8.1 with respect to any Option or any class of Options if the Committee reasonably determines in good faith prior to the occurrence of a Change in Control that such Option or Options shall be honored or assumed, or new rights substituted therefor (such honored, assumed or substituted award hereinafter called an "Alternative Award"), by a Participant's employer (or the parent or a subsidiary of such employer) immediately following the Change in Control, provided that any such Alternative Award must:

(a) be based on stock which is traded on an established securities market, or which will be so traded within 60 days of the Change in Control;

(b) provide such Participant (or each Participant in a class of Participants) with rights and entitlements substantially equivalent to or better than the rights, terms and conditions applicable under such Option, including, but not limited to, an identical or better exercise or vesting schedule and identical or better timing and methods of payment;

(c) have substantially equivalent economic value to such Option (determined at the time of the Change in Control); and

(d) have terms and conditions which provide that in the event that the Participant's employment is involuntarily terminated or constructively terminated, any conditions on a Participant's rights under, or any restrictions on transfer or exercisability applicable to, each such Alternative Award shall be waived or shall lapse, as the case may be.

For this purpose, a constructive termination shall mean a termination by a Participant following a material reduction in the Participant's compensation, a material reduction in the Participant's responsibilities or the relocation of the Participant's principal place of employment to another location, in each case without the Participant's written consent.

Notwithstanding anything herein to the contrary, no Alternative Award shall be made with respect to an Option if it would cause the Option to become "deferred compensation" subject to Section 409A of the Code or fail to comply with the requirements of Section 409A of the Code.

8.3 Director Options and Stock Units. Upon a Change in Control, each Director Option granted to an Eligible Director and all Stock Units credited to an Eligible Director shall be canceled in exchange for (a) a payment in cash or, (b) in the case of Director Options and at the Committee's discretion, whole shares of Stock with a Fair Market Value equal to the excess of the Change in Control Price over the exercise price associated with the cancelled Director Options and the Fair Market Value of any fractional share of Stock will be distributed in cash. Alternatively, the Committee, in its sole discretion, may offer the holders of the Director Options to be cancelled a reasonable opportunity (not longer than 15 days beginning on the date of the Change in Control) to exercise all their outstanding Director Options (whether or not otherwise then exercisable) by following the exercise procedures described in Section 6. The amount of cash (or the Fair Market Value of shares of Stock plus the cash distributed in lieu of a fractional share of Stock) exchanged for each Director Option shall be the excess of the Change in Control Price over the exercise price for such Director Option unless (a) the Stock remains traded on an established securities market following the Change in Control and (b) such Eligible Director remains on the Board following the Change in Control. The amount of cash exchanged for each Stock Unit shall be the Change in Control Price.

8.4 Options Granted Within Six Months of the Change in Control. If any Option (including a Director Option) granted within six months of the date on which a Change in Control occurs (a) is held by a person subject to the reporting requirements of Section 16(a) of the Act and (b) is to be cashed out pursuant to Section 8.1 or 8.3, such cash out shall not occur unless and until, in the opinion of the Company's counsel, such cash out could occur without such reporting person being potentially subject to liability under Section 16(b) of the Act by reason of such cash out.

SECTION 9.

AMENDMENT, MODIFICATION, AND TERMINATION OF PLAN

The Board or the Committee may at any time terminate or suspend the Plan, and from time to time may amend or modify the Plan. Any such amendment, termination or suspension may be made without the approval of the shareholders of the Company except as such shareholder approval may be required (a) to satisfy the requirements of Rule 16b-3 under the Act, or any successor rule or regulation, (b) to satisfy applicable requirements of the Code or (c) to satisfy applicable requirements of any securities exchange on which are listed any of the Company's equity securities. No amendment of the Plan shall result in any loss of a Committee member's status as a "non-employee director" as defined in Rule 16b-3 under the Act, or any successor rule or regulation, with respect to any employee benefit plan of the Company or result in the Plan losing its status as a plan satisfying the requirements of said Rule 16b-3. No amendment, modification, or termination of the Plan shall in any manner adversely affect any Award theretofore made under the Plan, without the consent of the Participant.

SECTION 10.

MISCELLANEOUS PROVISIONS

10.1. Assignability.

(a) With the permission of the Committee, a Participant or a specified group of Participants who has or have been granted an NSO under the Plan may transfer it to a revocable inter vivos trust as to which the Participant is the settlor or may transfer it to a "Permissible Transferee." A Permissible Transferee shall be defined as any member of the immediate family of the Participant; any trust, whether revocable or irrevocable, solely for the benefit of members of the Participant's immediate family; any partnership or limited liability company whose only partners or members are members of the Participant's immediate family; or an organization described in Section 501(c)(3) of the Code. Any such transferee shall remain subject to all of the terms and conditions applicable to such NSO and subject to the rules and regulations prescribed by the Committee. A Permissible Transferee [other than an organization described in Section 501(c)(3) of the Code] may not retransfer an NSO except by will or the laws of descent and distribution and then only to another Permissible Transferee. Other than as described above, an NSO granted under the Plan may not be transferred except by will or the laws of descent and distribution and, during the lifetime of the Participant to whom granted, may be exercised only by the Participant or the Participant's guardian or legal representative.

(b) With the permission of the Committee, an Eligible Director who has been granted a Director Option or has received a Stock Unit under the Plan may transfer such Director Option or Stock Unit to a revocable inter vivos trust as to which the Eligible Director is the settlor or may transfer such Director Option or Stock Unit to a "Permissible Transferee." A Permissible Transferee shall be defined as any member of the immediate family of the Eligible Director; any trust, whether revocable or irrevocable, solely for the benefit of members of the Eligible Director's immediate family; any partnership or limited liability company whose only partners or members are members of the Eligible Director's immediate family; or an organization described in Section 501(c)(3) of the Code. Any such transferee shall remain subject to all of the terms and conditions applicable to such Director Option or Stock Unit and subject to the rules and regulations prescribed by the Committee. A Permissible Transferee [other than an organization described in Section 501(c)(3) of the Code] may not retransfer a Director Option or Stock Unit except by will or the laws of descent and distribution and then only to another Permissible Transferee. Other than as described above, a Director Option granted or Stock Unit received under the Plan may not be transferred except by will or the laws of descent and distribution and, during the lifetime of the Eligible Director to whom granted or by whom received, may be exercised only by the Eligible Director or the Eligible Director's guardian or legal representative.

10.2 Beneficiary Designation. Each Participant and each Eligible Director may from time to time name a beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under the Plan is to be paid or by whom any right under the Plan is to be exercised in case of the Participant's or Eligible Director's death. Each designation shall revoke all prior designations by the same Participant or Eligible Director, shall be in a form prescribed by the Committee, and shall be effective only when filed in writing with the Committee. In the absence of any such designation, benefits remaining unpaid at the Participant's or Eligible Director's death shall be paid to the Participant or Eligible Director's surviving spouse, if any, or otherwise to the Participant's or Eligible Director's estate and Options outstanding at the Eligible Director's death shall be exercised by the Participant or Eligible Director's surviving spouse, if any, or otherwise by the Participant's or Eligible Director's estate.

10.3 No Guarantee of Employment or Participation. Nothing in the Plan shall interfere with or limit in any way the right of the Company or any Subsidiary to terminate any Participant's employment at any time, nor confer upon any Participant any right to continue in the employ of the Company or any Subsidiary. No Employee shall have a right to be selected as a Participant, or, having been so selected, to receive any future Awards. Nothing in the Plan shall confer upon an Eligible Director a right to continue to serve on the Board or to be nominated for reelection to the Board.

10.4 Tax Withholding. The Company shall have the power to withhold, or require a Participant or Eligible Director to remit to the Company, an amount sufficient to satisfy Federal, state, and local withholding tax requirements on any Award under the Plan, and the Company may defer payment of cash or issuance of Stock until such requirements are satisfied. The Committee may, in its discretion, permit a Participant or an Eligible Director to elect, subject to such conditions as the Committee shall impose, (a) to have shares of Stock otherwise issuable under the Plan withheld by the Company or (b) to deliver to the Company previously acquired shares of Stock having a Fair Market Value sufficient to satisfy all or part of the Participant's or the Eligible Director's estimated total Federal, state, and local tax obligation associated with the transaction.

10.5 Indemnification. Each person who is or shall have been a member of the Committee or of the Board shall be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by such person in connection with or resulting from any claim, action, suit, or proceeding to which such person may be made a party or in which such person may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by such person in settlement thereof, with the Company's approval, or paid by such person in satisfaction of any judgment in any such action, suit, or proceeding against such person provided such person shall give the Company an opportunity, at its own expense, to handle and defend the same before such person undertakes to handle and defend it on such person's own behalf. The foregoing right of indemnification shall not be exclusive and shall be independent of any other rights of indemnification to which such persons may be entitled under the Company's articles of incorporation or code of regulations, by contract, as a matter of law, or otherwise.

10.6 No Limitation on Compensation. Nothing in the Plan shall be construed to limit the right of the Company to establish other plans or to pay compensation to its Employees or directors, in cash or property, in a manner which is not expressly authorized under the Plan.

10.7 International Employees. It is the Company's desire to provide the same motivation to materially increase shareholder value and to enable the Company to attract and retain the services of outstanding managers in the international locations where the Company maintains facilities and employs people. To this end, the Company will adopt incentives in its foreign locations that provide as closely as possible the same motivational effect as Options provide to domestic Participants. The Committee may grant Options to employees who are subject to the tax laws of nations other than the United States, which Options may have terms and conditions that differ from other Options granted under the Plan for the purposes of complying with foreign tax laws.

10.8 Requirements of Law. The making of Awards and the issuance of shares of Stock shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required. Notwithstanding the foregoing, no Stock shall be issued under the Plan unless the Company is satisfied that such issuance will be in compliance with applicable federal and state securities laws. Certificates for Stock delivered under the Plan may be subject to such stock transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Stock is then listed or traded, The NASDAQ Stock Market or any applicable federal or state securities law. The Committee may cause a legend or legends to be placed on any such certificates to make appropriate reference to such restrictions.

10.9 Term of Plan. The Plan was effective upon its adoption by the Committee, subject to approval by the Board and approval by the affirmative vote of the holders of a majority of the shares of voting stock present in person or represented by proxy at the 1996 Annual Meeting. After January 26, 2006, no Award is permitted to be granted under the Plan, but all Awards outstanding as of such date may extend beyond such date in accordance with their respective terms.

10.10 Governing Law. The Plan, and all agreements hereunder, shall be construed in accordance with and governed by the laws of the State of Ohio.

10.11 No Impact On Benefits. Plan Awards are not compensation for purposes of calculating an Employee's rights under any employee benefit plan.

Exhibit 10(j)(3)

THE SCOTTS MIRACLE-GRO COMPANY

AMENDED AND RESTATED
2003 STOCK OPTION AND INCENTIVE EQUITY PLAN
(EFFECTIVE AS OF OCTOBER 30, 2007)
(Does Not Reflect Any Stock Splits or Stock Dividends)

1.00 PURPOSE

This Plan is intended to foster and promote the long-term financial success of the Company and to materially increase shareholder value by **[1]** providing Key Employees and Eligible Directors an opportunity to acquire an ownership interest in the Company, and **[2]** enabling the Company to attract and retain the services of outstanding Employees and Eligible Directors upon whose judgment, interest and special efforts the successful conduct of the Company's business is largely dependent.

2.00 DEFINITIONS

When used in this Plan, the following terms have the meanings given to them in this section unless another meaning is expressly provided elsewhere in this document or clearly required by the context. When applying these definitions, the form of any term or word will include any of its other forms.

2.01 Act. The Securities Exchange Act of 1934, as amended.

2.02 Annual Meeting. The annual meeting of the Company's shareholders.

2.03 Annual Retainer. The annual cash retainer and any other fees paid to each Eligible Director for service as a member of the Board and as a member of any Board committees.

2.04 Annual Retainer Deferral Form. The form each Eligible Director must complete to defer all or a portion of his or her Annual Retainer.

2.05 Award. Any Incentive Stock Option, Nonstatutory Stock Option, Performance Share, Performance Unit, Restricted Stock, Stock Appreciation Right and Stock Unit issued under the Plan. During any single Plan Year, no Participant may be granted SARs affecting more than 150,000 shares of Stock (adjusted as provided in Section 5.03) and Options affecting more than 150,000 shares of Stock (adjusted as provided in Section 5.03), including Options and SARs that are cancelled [or deemed to have been cancelled under Treas. Reg. §1.162-27(e)(2)(vi)(B)] during the Plan Year issued.

2.06 Award Agreement. The written agreement between the Company and each Participant that describes the terms and conditions of each Award.

2.07 Beneficiary. The person a Member designates to receive (or exercise) any Plan benefits (or rights) that are unpaid (or unexercised) when he or she dies. A Beneficiary may be designated only by following the procedures described in Section 14.02; neither the Company nor the Committee is required to infer a Beneficiary from any other source.

2.08 Board. The Company's Board of Directors.

2.09 Cause. Unless the Committee specifies otherwise in the Award Agreement, with respect to any Participant:

[1] Willful failure to substantially perform his or her duties as an Employee (for reasons other than physical or mental illness) or director after reasonable notice to the Participant of that failure;

[2] Misconduct that materially injures the Company or any Subsidiary;

[3] Conviction of, or entering into a plea of nolo contendere to, a felony; or

[4] Breach of any written covenant or agreement with the Company or any Subsidiary.

2.10 Change in Control.

The occurrence of any of the following events:

[1] The members of the Board on November 8, 2002 ("Incumbent Directors") cease for any reason other than death to constitute at least a majority of the members of the Board, provided that any director whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the then Incumbent Directors also will be treated as an Incumbent Director; or

[2] Any "person," including a "group" [as such terms are used in Act §§13(d) and 14(d)(2), but excluding the Company, any of its Subsidiaries, any employee benefit plan of the Company or any of its Subsidiaries or Hagedorn Partnership, L.P. or any party related to Hagedorn Partnership, L.P. as determined by the Committee] becomes the "beneficial owner" (as defined in Rule 13d-3 under the Act), directly or indirectly, of securities of the Company representing more than 30 percent of the combined voting power of the Company's then outstanding securities; or

[3] The adoption or authorization by the shareholders of the Company of a definitive agreement or a series of related agreements **[a]** for the merger or other business combination of the Company with or into another entity in which the shareholders of the Company immediately before the effective date of such merger or other business combination own less than 50 percent of the voting power in such entity; or **[b]** for the sale or other disposition of all or substantially all of the assets of the Company; or

[4] The adoption by the shareholders of the Company of a plan relating to the liquidation or dissolution of the Company; or

[5] For any reason, Hagedorn Partnership, L. P. or any party related to Hagedorn Partnership, L.P. as determined by the Committee becomes the "beneficial owner" (as defined in Rule 13d-3 under the Act), directly or indirectly, of securities of the Company representing more than 49 percent of the combined voting power of the Company's then outstanding securities.

2.11 Change in Control Price. The price per share of Stock paid in conjunction with any transaction resulting in a Change in Control (as determined in good faith by the Committee if any part of the offered price is payable other than in cash) or, in the case of a Change in Control occurring solely by reason of events not related to a transfer of Stock, the highest Fair Market Value of a share of Stock on any of the 30 consecutive trading days ending on the last trading day before the Change in Control occurs.

2.12 Code. The Internal Revenue Code of 1986, as amended, and any regulations issued under the Code (sometimes referred to as "Treas. Reg.") and any applicable rulings issued under the Code.

2.13 Committee. The Board's Compensation and Organization Committee which also constitutes a "compensation committee" within the meaning of Treas. Reg. §1.162-27(c)(4). The Committee will be comprised of at least three persons **[a]** each of whom is **[i]** an outside director, as defined in Treas. Reg. §1.162-27(e)(3)(i) and **[ii]** a "non-employee" director within the meaning of Rule 16b-3 under the Act and **[b]** none of whom may receive remuneration from the Company or any Subsidiary in any capacity other than as a director, except as permitted under Treas. Reg. §1.162-27(e)(3)(ii).

2.14 Company. The Scotts Miracle-Gro Company, an Ohio corporation, and any and all successors to it.

2.15 Director Option. A Nonstatutory Stock Option granted to an Eligible Director under Section 6.05.

2.16 Disability. Unless the Committee specifies otherwise in the Award Agreement:

[1] With respect to any Award other than an Incentive Stock Option, the Participant's inability to perform his or her normal duties for a period of at least six months due to a physical or mental infirmity; or

[2] With respect to an Incentive Stock Option, as defined in Code §22(e)(3).

2.17 Eligible Director. A person who, on an applicable Grant Date **[1]** is an elected member of the Board (or has been appointed to the Board to fill an unexpired term and will continue to serve at the expiration of that term only if elected by shareholders) and **[2]** is not an Employee. For purposes of applying this definition, an Eligible Director's status will be determined as of the Grant Date applicable to each affected Award.

2.18 Employee. Any person who, on an applicable Grant Date, is a common law employee of the Company or any Subsidiary. A worker who is classified as other than a common law employee but who is subsequently reclassified as a common law employee of the Company for any reason and on any basis will be treated as a common law employee only from the date of that determination and will not retroactively be reclassified as an Employee for any purpose of this Plan.

2.19 Exercise Price. The price at which a Member may exercise an Award.

2.20 Fair Market Value. The value of one share of Stock on any relevant date, determined under the following rules:

[1] If the Stock is traded on an exchange, the reported "closing price" on the relevant date, if it is a trading day, otherwise on the next trading day;

[2] If the Stock is traded over-the-counter with no reported closing price, the mean between the lowest bid and the highest asked prices on that quotation system on the relevant date if it is a trading day, otherwise on the next trading day; or

[3] If neither Section 2.20[1] nor Section 2.20[2] applies, the value as determined by the Committee through the reasonable application of a reasonable valuation method, taking into account all information material to the value of the Company, within the meaning of Code §409A and the Treasury Regulations promulgated thereunder.

2.21 Freestanding SAR. An SAR that is not associated with an Option and is granted under Section 10.00.

2.22 Grandfathered Stock Unit. A Stock Unit that was earned and vested (within the meaning of Treas. Reg. §1.409A-6) as of December 31, 2004.

2.23 Grant Date. The date an Award is granted to a Participant.

2.24 Key Employee. Any Employee who, on any applicable Grant Date, is performing services the Committee concludes are essential to the Company's business success and to whom the Committee has granted an Award.

2.25 Member. Each Participant and Terminated Participant to whom an Award has been granted and which has not expired under the terms of the Award Agreement or as provided in Section 11.00.

2.26 Non-Grandfathered NSO. A Nonstatutory Stock Option that (1) was not earned and vested (within the meaning of Treas. Reg. §1.409A-6) as of December 31, 2004 or (2) was granted on or after January 1, 2005.

2.27 Non-Grandfathered SAR. A Stock Appreciation Right that (1) was not earned and vested (within the meaning of Treas. Reg. § 1.409A-6) as of December 31, 2004 or (2) was granted on or after January 1, 2005.

2.28 Non-Grandfathered Stock Unit. A Stock Unit that is not a Grandfathered Stock Unit.

2.29 Nonstatutory Stock Option. Any Option granted under Section 6.00 that is not an Incentive Stock Option.

2.30 Option. The right granted under the Plan to purchase a share of Stock at a stated price for a specified period of time. An Option may be either **[1]** an Incentive Stock Option or **[2]** a Nonstatutory Stock Option.

2.31 Participant. Any Key Employee or Eligible Director who has not Terminated.

2.32 Performance Goal. The conditions that must be met before a Key Employee will earn a Performance Share or Performance Unit.

2.33 Performance Period. The period over which the Committee will determine if applicable Performance Goals have been met.

2.34 Performance Share. An Award granted under Section 9.00.

2.35 Performance Unit. An Award granted under Section 9.00.

2.36 Plan. The Scotts Miracle-Gro Company Amended and Restated 2003 Stock Option and Incentive Equity Plan.

2.37 Plan Year. The Company's fiscal year.

2.38 Restricted Stock. An Award granted under Section 8.00.

2.39 Restriction Period. The period over which the Committee will determine if a Key Employee has met conditions placed on Restricted Stock; provided such period will be at least three years.

2.40 Retirement. Unless, the Committee specifies otherwise in the Award Agreement, the date:

[1] A Key Employee Terminates on or after the earlier of **[a]** reaching age 62 or **[b]** with the Committee's approval, reaching age 55 and completing at least 10 years of service as an Employee; or

[2] An Eligible Director Terminates as a Board member after having been a Board member for at least one full term.

For purposes of applying this definition, a Participant’s status will be determined as of the Grant Date applicable to each affected Award.

2.41 Stock. A common share, without par value, issued by the Company.

2.42 Stock Appreciation Right (or “SAR”). An Award granted under Section 10.00 that is a Tandem SAR or a Freestanding SAR.

2.43 Stock Unit. A right to receive payment of the Fair Market Value of a share of Stock as provided in Section 7.00.

2.44 Subsidiary. Any corporation, partnership or other form of unincorporated entity of which the Company owns, directly or indirectly, 50 percent or more of the total combined voting power of all classes of stock, if the entity is a corporation; or of the capital or profits interest, if the entity is a partnership or another form of unincorporated entity.

2.45 Tandem SAR. An SAR that is associated with an Option and which expires when that Option expires or is exercised, as described in Section 10.00.

2.46 Termination or Terminated. Unless the Committee specifies otherwise in the Award Agreement, **[1]** cessation of the employee-employer relationship between a Key Employee and the Company and all Subsidiaries for any reason or **[2]** cessation of an Eligible Director’s service on the Board for any reason; provided, however, that, with respect to any Award subject to Code §409A, such cessation also must constitute a “separation from service” as defined under Treas. Reg. §1.409A-1(h).

3.00 PARTICIPATION

3.01 Key Employees.

[1] Consistent with the terms of the Plan and subject to Section 3.02, the Committee will:

[a] Decide which Key Employees may become Participants;

[b] Decide which Key Employees will be granted Awards; and

[c] Specify the type of Award to be granted and the terms upon which an Award will be granted.

[2] The Committee may establish different terms and conditions:

[a] For each type of Award;

[b] For each Key Employee receiving the same type of Award; and

[c] For the same Key Employees for each Award the Key Employee receives, whether or not those Awards are granted at different times.

3.02 Eligible Directors. Each Eligible Director will **[1]** become a Participant on the date he or she becomes an Eligible Director and **[2]** receive the Awards described in Sections 6.05 and 7.00 without any further action by the Committee. However, as of the date an Award is made, the Committee will complete and deliver an Award Agreement to each affected Eligible Director describing the terms of the Award.

3.03 Conditions of Participation. Each Participant receiving an Award agrees:

[1] To sign an Award Agreement;

[2] To be bound by the terms of the Award Agreement and the Plan; and

[3] To comply with other conditions imposed by the Committee.

4.00 ADMINISTRATION

4.01 Committee Duties. The Committee is responsible for administering the Plan and has all powers appropriate and necessary to that purpose. Consistent with the Plan's objectives, the Committee may adopt, amend and rescind rules and regulations relating to the Plan, to the extent appropriate to protect the Company's interests and has complete discretion to make all other decisions (including whether a Participant has incurred a Disability) necessary or advisable for the administration and interpretation of the Plan. Any action by the Committee will be final, binding and conclusive for all purposes and upon all persons.

4.02 Delegation of Ministerial Duties. In its sole discretion, the Committee may delegate any ministerial duties associated with the Plan to any person (including employees) that it deems appropriate.

4.03 Award Agreement. At the time any Award is made, the Committee will prepare and deliver an Award Agreement to each affected Participant. The Award Agreement:

[1] Will describe:

[a] The type of Award and when and how it may be exercised;

[b] The effect of exercising the Award; and

[c] Any Exercise Price associated with each Award.

[2] To the extent different from the terms of the Plan, will describe:

[a] Any conditions that must be met before the Award may be exercised;

[b] Any objective restrictions placed on Restricted Stock, Performance Shares and Performance Units and any performance related conditions and Performance Goals that must be met before those restrictions will be released;

[c] When and how an Award may be exercised; and

[d] Any other applicable terms and conditions affecting the Award.

4.04 Restriction on Repricing. Regardless of any other provision of this Plan, neither the Company nor the Committee may “reprice” (as defined under rules issued by the exchange on which the Stock then is traded) any Option without the prior approval of the shareholders.

5.00 STOCK SUBJECT TO PLAN

5.01 Number of Shares of Stock. Subject to Section 5.03, the number of shares of Stock subject to Awards under the Plan may not be larger than 1,800,000 of which up to 300,000 may be issued as Restricted Stock. The shares of Stock to be delivered under the Plan may consist, in whole or in part, of treasury Stock or authorized but unissued Stock not reserved for any other purpose.

5.02 Cancelled, Terminated or Forfeited Awards. Any Stock subject to an Award that, for any reason, is cancelled, terminated or otherwise settled without the issuance of any Stock or cash may again be granted under the Plan. Any Performance Share or share of Restricted Stock that has been issued to a Participant under the Plan and is subsequently forfeited pursuant to the terms of the Plan or the applicable Award Agreement will be forfeited to and acquired by the Company as treasury Stock and may again be granted under the terms of the Plan.

5.03 Adjustment in Capitalization. If there is a Stock dividend or Stock split, recapitalization (including payment of an extraordinary dividend), merger, consolidation, combination, spin-off, distribution of assets to shareholders, exchange of shares, or other similar corporate change affecting Stock, the Committee will appropriately adjust **[1]** the number of Awards that may or will be issued to Participants during a Plan Year, **[2]** the aggregate number of shares of Stock available for Awards under Section 5.01 or subject to outstanding Awards (as well as any share-based limits imposed under this Plan), **[3]** the respective Exercise Price, number of shares and other limitations applicable to outstanding or subsequently issued Awards and **[4]** any other factors, limits or terms affecting any outstanding or subsequently issued Awards. Notwithstanding anything to the contrary in this Section 5.03, an adjustment to a Non-Grandfathered NSO, a Non-Grandfathered SAR or a Non-Grandfathered Stock Unit shall be made only to the extent such adjustment complies with the requirements of Code §409A.

6.00 OPTIONS

6.01 Grant of Options. The Committee may grant Options to Key Employees at any time during the term of this Plan. Options may be either **[1]** Incentive Stock Options or **[2]** Nonstatutory Stock Options.

6.02 Option Price. Each Option will bear the Exercise Price the Committee specifies in the Award Agreement. However, **[1]** in the case of a Nonstatutory Stock Option, the Exercise Price will not be less than the Fair Market Value of a share of Stock on the Grant Date and **[2]** in the case of an Incentive Stock Option, the Exercise Price **[a]** will not be less than the Fair Market Value of a share of Stock on the Grant Date and **[b]** will be at least 110 percent of the Fair Market Value of a share of Stock on the Grant Date with respect to any Incentive Stock Options issued to a Key Employee who, on the Grant Date, owns [as defined in Code §424(d)] Stock possessing more than 10 percent of the total combined voting power of all classes of Stock.

6.03 Exercise of Options. Subject to Section 11.00 and any other restrictions and conditions specified in the Award Agreement and unless the Committee specifies otherwise in the Award Agreement, Options will be exercisable according to the following schedule:

Number of Full Years Beginning After Grant Date	Cumulative Percentage Vested
Less than 3	0 percent
3 or more	100 percent

However:

[1] Any fractional share of Stock will be rounded down.

[2] Unless the Committee specifies otherwise in the Award Agreement, no Key Employee may exercise Options for fewer than the smaller of:

[a] 100 shares of Stock; or

[b] The number of full shares of Stock for which Options are then exercisable.

[3] No Option may be exercised more than ten years after it is granted (five years in respect of an Incentive Stock Option, if the Key Employee owns [as defined in Code §424(d)] Stock possessing more than 10 percent of total combined voting power of all classes of Stock on the Grant Date).

6.04 Incentive Stock Options. Notwithstanding anything in the Plan to the contrary:

[1] No provision of this Plan relating to Incentive Stock Options will be interpreted, amended or altered, nor will any discretion or authority granted under the Plan be exercised, in a manner that is inconsistent with Code §422 or, without the consent of any affected Member, to cause any Incentive Stock Option to fail to qualify for the federal income tax treatment afforded under Code §421;

[2] The aggregate Fair Market Value of the Stock (determined as of the Grant Date) with respect to which Incentive Stock Options are exercisable for the first time by any Member during any calendar year (under all option plans of the Company and all Subsidiaries of the Company) will not exceed $100,000 [or other amount specified in Code §422(d)]; and

[3] No Incentive Stock Option will be granted to any person who is not a Key Employee on the Grant Date.

6.05 Director Options.

[1] Prior to the 2006 Annual Meeting, on the first business day after each Annual Meeting, each Eligible Director was issued Director Options to purchase **[a]** 5,000 shares of Stock plus **[b]** 500 shares of Stock, multiplied by the number of Board committees of which he or she was then a member, plus **[c]** 1,000 shares of Stock, multiplied by the number of Board committees of which he or she was then chairperson. The Director Options issued under this section were reduced (but not below zero) by any options issued for the same purpose under any other Company equity plan or program.

[2] Subject to Section 6.05[3], each Director Option may be exercised **[a]** no earlier than six months after the Grant Date and **[b]** no later than the earlier of **[i]** ten years after the Grant Date, or **[ii]** one year after the Eligible Director Terminates (five years if Termination is because of Retirement).

[3] However:

[a] Any fractional share of Stock will be rounded down; and

[b] Unless the Committee specifies otherwise in the Award Agreement, no Eligible Director may exercise Director Options for fewer than the smaller of:

[i] 100 shares of Stock; or

[ii] The number of full shares of Stock for which Director Options are then exercisable.

6.06 Payment for Options. Unless the Committee specifies otherwise in the Award Agreement, the Exercise Price associated with each Option must be paid in cash. However, the Committee may, in its discretion, develop, and extend to some or all Members, procedures through which Members may pay an Option's Exercise Price, including allowing a Member to tender Stock he or she already has owned for at least six months before the exercise date, either by actual delivery of the previously owned Stock or by attestation, valued at its Fair Market Value on the exercise date, as partial or full payment of the Exercise Price.

6.07 Transferability of Stock. Unless the Committee specifies otherwise in the Award Agreement, Stock acquired through an Option will be transferable, subject to applicable federal securities laws, the requirements of any national securities exchange or system on which shares of Stock are then listed or traded or any blue sky or state securities laws.

7.00 STOCK UNITS

7.01 Granting Stock Units. Each Eligible Director was permitted to elect, prior to January 1, 2005, to receive all or a portion of his or her Annual Retainer in cash or Stock Units under this Plan by returning to the Committee an Annual Retainer Deferral Form specifying:

[1] The portion (stated in 25 percent increments) of the Annual Retainer to be converted to Stock Units;

[2] The date Stock Units are to be settled;

[3] Whether Stock Units are to be settled in cash or Stock; and

[4] The period (which may not be longer than 10 years) over which the value of Stock Units is to be distributed.

If a completed Annual Retainer Deferral Form was not timely received, the Eligible Director's Annual Retainer was paid in cash through the Company's regular procedures for paying Annual Retainers. Each Eligible Director that effectively elected to receive Stock Units in lieu of all or a portion of his or her Annual Retainer received a number of Stock Units calculated by dividing the dollar amount of Annual Retainer to be received in Stock Units by the Fair Market Value of a share of Stock on the first trading day following the date of the Annual Meeting for which the deferred value of the Annual Retainer otherwise would have been paid and rounded to the next highest whole share of Stock.

7.02 Settling Stock Units.

[1] All Stock Units will be settled as of the earlier of:

[a] The date the Eligible Director Terminates; or

[b] The date the Eligible Director specifies on an Annual Retainer Deferral Form.

[2] If Stock Units are to be settled in cash, the amount distributed will be calculated by multiplying the number of Stock Units to be settled in cash by the Fair Market Value of a share of Stock on the date the Stock Units are settled.

[3] If Stock Units are to be settled in shares of Stock, the number of shares distributed will equal the whole number of Stock Units to be settled in Stock, with the Fair Market Value of any fractional share of Stock on the date the Stock Units are settled distributed in cash.

[4] If an Eligible Director dies before all of his or her Stock Units have been settled, the value of any unpaid Stock Units will be paid in a lump sum in cash to his or her Beneficiary.

7.03 Change to Election.

[1] Grandfathered Stock Units. Once filed, elections made on an Annual Retainer Deferral Form with respect to Grandfathered Stock Units will remain in effect until changed. Any change to an earlier election relating to Grandfathered Stock Units must be made by completing and returning another completed Annual Retainer Deferral Form to the Committee:

[a] If the change relates to the time Grandfathered Stock Units are to be settled, no later than 12 months before the previously established settlement date relating to the affected Grandfathered Stock Units; or

[b] If the change relates to the form in which Grandfathered Stock Units are to be settled, no later than 12 months before the settlement date relating to the affected Grandfathered Stock Units.

[2] Non-Grandfathered Stock Units.

[a] An Eligible Director may change the time and period over which the Non-Grandfathered Stock Units are to be settled (based on the choices available under Section 7.01[2] and [4]) by completing and returning a new Annual Retainer Deferral Form to the Committee; provided that such change is irrevocable and meets the following requirements: **[i]** the change may not take effect until at least 12 months after the date on which such election is made; **[ii]** the settlement date of the Non-Grandfathered Stock Units must be deferred (other than in respect of a distribution upon death) for a period of not less than five years from the date the Non-Grandfathered Stock Units were scheduled to be settled; and **[iii]** any change affecting a distribution at a specified time (or pursuant to a fixed schedule) may not be made less than 12 months before the date the Non-Grandfathered Stock Units were scheduled to be settled.

[b] Once payments relating to Non-Grandfathered Stock Units begin, no changes to the Eligible Director's distribution election shall be permitted.

[c] For purposes of this Section 7.03[2], the right to a series of installment payments shall be treated as the right to a series of separate payments.

8.00 RESTRICTED STOCK

8.01 Restricted Stock Grants. The Committee may grant Restricted Stock to Key Employees at any time during the term of this Plan.

8.02 Transferability. Shares of Restricted Stock may not be sold, transferred, pledged, assigned or otherwise alienated or hypothecated until the end of the applicable Restriction Period. Restricted Stock normally will be held by the Company as escrow agent during the Restriction Period and will be distributed as described in Section 8.03. However, at any time during the Restriction Period, the Committee may, in its sole discretion, issue the Restricted Stock to the Key Employee in the form of certificates containing a legend describing restrictions imposed on the Restricted Stock.

8.03 Removal of Restrictions. Shares of Restricted Stock will be:

[1] Forfeited, if all restrictions have not been met at the end of the Restriction Period, and again become available to be granted under the Plan; or

[2] Released from escrow and distributed to the affected Key Employee (or any restrictions imposed on the distributed certificate removed) as soon as practicable, but no later than 60 days, after the last day of the Restriction Period, if all restrictions have then been met.

8.04 Rights Associated with Restricted Stock. During the Restriction Period:

[1] Key Employees may exercise full voting rights associated with their Restricted Stock; and

[2] All dividends and other distributions paid with respect to any Restricted Stock will be held in escrow during the Restriction Period and subject to the same restrictions on transferability and forfeitability as the shares of Restricted Stock with respect to which they were paid. A reasonable rate of interest, as determined by the Committee in its sole discretion, will be credited to the Key Employee and held in escrow during the

Restriction Period with respect to any such cash dividends that were or are declared and paid during the period beginning on December 20, 2006 and ending on the last day of the Restriction Period. At the end of the Restriction Period, any such dividends and interest thereon will be distributed to the Key Employee or forfeited as provided in Section 8.03.

9.00. PERFORMANCE SHARES AND PERFORMANCE UNITS

9.01 Performance Shares and Performance Unit Grants. The Committee may grant Performance Shares or Performance Units to Key Employees at any time during the term of this Plan.

9.02 Performance Criteria.

[1] For each Performance Period, the Committee will establish the Performance Goal that will be applied to determine the Performance Shares or Performance Units that will be distributed at the end of the Performance Period.

[2] In establishing each Participant's Performance Goal, the Committee will consider the relevance of each Participant's assigned duties and responsibilities to factors that preserve and increase the Company's value. These factors will include:

[a] Increasing sales;

[b] Developing new products and lines of revenue;

[c] Reducing operating expenses;

[d] Increasing customer satisfaction;

[e] Developing new markets and increasing the Company's share of existing markets;

[f] Meeting completion schedules;

[g] Increasing standardized pricing;

[h] Developing and managing relationships with regulatory and other governmental agencies;

[i] Managing cash;

[j] Managing claims against the Company, including litigation;

[k] Identifying and completing strategic acquisitions; and

[l] Increasing the Company's book value.

[3] The Committee will make appropriate adjustments to reflect:

[a] The effect on any Performance Goal of any Stock dividend or Stock split, recapitalization (including, without limitation, the payment of an extraordinary dividend), merger, consolidation, combination, spin-off, distribution of assets to shareholders, exchange of shares or similar corporate change. This adjustment to the Performance Goal will be made **[i]** to the extent the Performance Goal is based on Stock, **[ii]** as of the effective date of the event and **[iii]** for the Performance Period in which the event occurs. Also, the Committee will make a similar adjustment to any portion of a Performance Goal that is not based on Stock but which is affected by an event having an effect similar to those just described.

[b] A substantive change in a Participant's job description or assigned duties and responsibilities.

[4] Performance Goals will be established and communicated to each affected Participant in an Award Agreement no later than the earlier of:

[a] 90 days after the beginning of the applicable Performance Period; or

[b] The expiration of 25 percent of the applicable Performance Period.

9.03 Earning Performance Shares and Performance Units. As of the end of each Performance Period, the Committee will certify to the Board the extent to which each Participant has or has not met his or her Performance Goal. Performance Shares or Performance Units will be:

[1] Forfeited, to the extent that Performance Goals have not been met at the end of the Performance Period, and again become available to be granted under the Plan; or

[2] Valued and distributed, in a single lump sum, to Key Employees, in the form of cash, Stock or a combination of both (as determined by the Committee) as soon as practicable, but no later than 60 days, after the last day of the Performance Period, to the extent that related Performance Goals have been met.

9.04 Rights Associated with Performance Shares and Performance Units. During the Performance Period, and unless the Award Agreement provides otherwise:

[1] Key Employees may exercise full voting rights associated with their Performance Shares or Performance Units; and

[2] All dividends and other distributions paid with respect to any Performance Shares or Performance Units will be held in escrow during the Performance Period. At the end of the Performance Period, these dividends will be distributed to the Key Employee or forfeited as provided in Section 9.03. No interest or other accretion will be credited with respect to any dividends held in escrow. If any dividends or other distributions are paid in shares of Stock, those shares will be subject to the same restrictions on transferability and forfeitability as the shares of Restricted Stock with respect to which they were paid.

10.00 STOCK APPRECIATION RIGHTS

10.01 SAR Grants. Subject to the terms of the Plan, the Committee may grant Freestanding SARs and Tandem SARs (or a combination of each) to Key Employees at any time during the term of this Plan.

10.02 Exercise Price. The Exercise Price of a SAR will not be less than 100 percent of the Fair Market Value of a share of Stock on the Grant Date.

10.03 Exercise of Freestanding SARs. Freestanding SARs will be exercisable subject to the terms specified in the Award Agreement.

10.04 Exercise of Tandem SARs. Tandem SARs may be exercised with respect to all or part of the shares of Stock subject to the related Option by surrendering the right to exercise the equivalent portion of the related Option. A Tandem SAR may be exercised only with respect to the shares of Stock for which its related Option is then exercisable. However:

[1] A Tandem SAR will expire no later than the date the related Option expires;

[2] The value of the payout with respect to the Tandem SAR will not be more than 100 percent of the difference between the Exercise Price of the SAR and the Fair Market Value of a share of Stock on the date the Tandem SAR is exercised; and

[3] A Tandem SAR may be exercised only if the Fair Market Value of a share of Stock subject to the Option is larger than the Exercise Price of the related Option.

10.05 Settling SARs. A Member exercising a Tandem SAR or a Freestanding SAR will receive an amount equal to:

[1] The difference between the Fair Market Value of a share of Stock on the exercise date and the Exercise Price; multiplied by

[2] The number of shares of Stock with respect to which the Tandem SAR or Freestanding SAR is exercised.

At the discretion of the Committee, the value of any Tandem SAR or Freestanding SAR being exercised will be settled in cash, shares of Stock or any combination of both.

11.00 TERMINATION/BUY OUT

11.01 Retirement. Unless otherwise specified in the Award Agreement, all Awards that are outstanding (whether or not then exercisable) when a Participant Retires may be exercised at any time before the earlier of **[1]** the expiration date specified in the Award Agreement or **[2]** 60 months (three months in the case of Incentive Stock Options) beginning on the Retirement date (or any shorter period specified in the Award Agreement).

11.02 Death or Disability. Unless otherwise specified in the Award Agreement, all Awards that are outstanding (whether or not then exercisable) when a Participant Terminates because of death or Disability may be exercised by the Participant or the Participant's Beneficiary at any time before the earlier of **[1]** the expiration date specified in the Award Agreement or **[2]** 60 months (12 months in the case of an Incentive Stock Option) beginning on the date of death or Termination because of Disability (or any shorter period specified in the Award Agreement).

11.03 Termination for Cause. Unless otherwise specified in the Award Agreement, all Awards that are outstanding (whether or not then exercisable) if a Participant Terminates for Cause will be forfeited.

11.04 Termination for any Other Reason. Unless otherwise specified in the Award Agreement or subsequently, any Awards that are outstanding when an Employee Participant Terminates for any reason not described in Sections 11.01 through 11.03 and which are then exercisable, or which the Committee has, in its sole discretion, decided to make exercisable, may be exercised at any time before the earlier of **[1]** the expiration date specified in the Award Agreement or **[2]** 90 days beginning on the date the Employee Participant Terminates.

11.05 Limits on Exercisability/Forfeiture of Exercised Awards. Regardless of any other provision of this section or the Plan and unless the Committee specifies otherwise in the Award Agreement, a Member who fails to comply with Sections 11.05[3] through [9] will:

[1] Forfeit all outstanding Awards; and

[2] Forfeit all shares of Stock or cash (including dividends held in escrow under Sections 8.04[2] and 9.04[2]) acquired or received by the exercise of any Award, lapse of any restrictions or attainment of any Performance Goals on the date of Termination or within 180 days before and 730 days after Terminating, including any amounts received under a "buy out" as described in Section 11.06 but excluding amounts received as a consequence of a Change in Control as described in Section 12.00.

The forfeiture described in Sections 11.05[1] and [2] will apply if the Member:

[3] Without the Committee's written consent, which may be withheld for any reason or for no reason, serves (or agrees to serve) as an officer, director, consultant or employee of any proprietorship, partnership or corporation or becomes the owner of a business or a member of a partnership that competes with any portion of the Company's (or a Subsidiary's) business with which the Member has been involved anytime within five years before Termination or renders any service (including, without limitation, advertising or business consulting) to entities that compete with any portion of the Company's (or a Subsidiary's) business with which the Member has been involved anytime within five years before Termination;

[4] Refuses or fails to consult with, supply information to or otherwise cooperate with the Company after having been requested to do so;

[5] Deliberately engages in any action that the Committee concludes has caused substantial harm to the interests of the Company or any Subsidiary;

[6] Without the Committee's written consent, which may be withheld for any reason or for no reason, on his or her own behalf or on behalf of any other person, partnership, association, corporation or other entity, solicits or in any manner attempts to influence or induce any employee of the Company or a Subsidiary to leave the Company's or Subsidiary's employment or uses or discloses to any person, partnership, association, corporation or other entity any information obtained while an employee or director of the Company or any Subsidiary concerning the names and addresses of the Company's and any Subsidiaries' employees;

[7] Without the Committee's written consent, which may be withheld for any reason or for no reason, discloses confidential and proprietary information relating to the Company's and its Subsidiaries' business affairs ("Trade Secrets"), including technical information, product information and formulae, processes, business and marketing plans, strategies, customer information and other information concerning the Company's and Subsidiaries' products, promotions, development, financing, expansion plans, business policies and practices, salaries and benefits and other forms of information considered by the Company to be proprietary and confidential and in the nature of Trade Secrets;

[8] Fails to return all property (other than personal property), including keys, notes, memoranda, writings, lists, files, reports, customer lists, correspondence, tapes, disks, cards, surveys, maps, logs, machines, technical data, formulae or any other tangible property or document and any and all copies, duplicates or reproductions that have been produced by, received by or otherwise been submitted to the Member in the course of his or her service with the Company or a Subsidiary; or

[9] Engaged in conduct that the Committee reasonably concludes would have given rise to a Termination for Cause had it been discovered before the Participant Terminated.

11.06 Buy Out of Awards. At any time before a Change in Control or the commencement of activity that may reasonably be expected to result in a Change in Control, to the extent permitted by applicable law, the Committee, in its sole discretion and without the consent of the affected Member, may cancel any or all outstanding Awards, other than an Award that is subject to Code §409A, held by that Member, whether or not exercisable, by providing to that Member written notice ("Buy Out Notice") of its intention to exercise the rights reserved in this section. If a Buy Out Notice is given, in the case of an Option or a SAR (other than an Option or a SAR that is subject to Code §409A), the Company also will pay to each affected Participant the difference between **[1]** the Fair Market Value of the Stock underlying each exercisable Option (or portion thereof) or SAR (or portion thereof) to be cancelled and **[2]** the Exercise Price associated with each exercisable Option or SAR to be cancelled. With respect to any Award other than an Option, a SAR or an Award that is subject to Code §409A, the Company will pay to each affected Participant the Fair Market Value of the Stock subject to the Award. However, unless otherwise specified in the Award Agreement, no payment will be made with respect to any Awards that are not exercisable when cancelled under this section. The Company will complete any buy out made under this section as soon as administratively possible after the date of the Buy Out Notice. At the Committee's option, payment of the buy out amount may be made in cash, in whole shares of Stock or partly in cash and partly in shares of Stock. The number of whole shares of Stock, if any, included in the buy out amount will be determined by dividing the amount of the payment to be made in shares of Stock by the Fair Market Value as of the date of the Buy Out Notice.

12.00 CHANGE IN CONTROL

12.01 Accelerated Vesting and Settlement. Subject to Section 12.02, on the date of any Change in Control:

[1] [a] Each Option (other than Directors' Options) outstanding on the date of a Change in Control (whether or not exercisable) will be cancelled in exchange **[i]** for cash equal to the excess of the Change in Control Price over the Exercise Price associated with the cancelled Option or, **[ii]** at the Committee's discretion, for whole shares of Stock with a Fair Market Value equal to the excess of the Change in Control Price over the Exercise Price associated with the cancelled Option and the Fair Market Value of any fractional share of Stock will be distributed in cash, and **[b]** all related Tandem SARs will be cancelled. However, the Committee, in its sole discretion, may offer the holders of the Options to be cancelled a reasonable opportunity (not longer than 15 days beginning on the date of the Change in Control) to exercise all their outstanding Options (whether or not otherwise then exercisable) by following the exercise procedures described in Section 6.00;

[2] All Performance Goals associated with Performance Shares or Performance Units will be deemed to have been met on the date of the Change in Control, all Performance Periods accelerated to the date of the Change in Control and all outstanding Performance Shares and Performance Units (including those subject to the acceleration described in this subsection) will be distributed in a single lump sum cash payment within 30 days following such Change in Control; and

[3] Each Freestanding SAR will be deemed to be exercisable and will be liquidated in a single lump sum cash payment equal to **[a]** the difference between the Change in Control Price and the Exercise Price; multiplied by **[b]** the number of shares of Stock with respect to which the Freestanding SAR is deemed exercised.

12.02 Alternative Awards. Section 12.01 will not apply to the extent that the Committee reasonably concludes in good faith before the Change in Control occurs that Awards will be honored or assumed or new rights substituted for the Award (collectively "Alternative Awards") by the Key Employee's employer (or the parent or a subsidiary of that employer) immediately after the Change in Control, provided that any Alternative Award must:

[1] Be based on stock that is (or, within 60 days of the Change in Control, will be) traded on an established securities market;

[2] Provide the Key Employee (or each Key Employee in a class of Key Employees) rights and entitlements substantially equivalent to or better than the rights, terms and conditions of each Award for which it is substituted, including an identical or better exercise or vesting schedule and identical or, in the case of an Award that is not subject to Code §409A, better timing and methods of payment;

[3] Have substantially equivalent economic value to the Award (determined at the time of the Change in Control) for which it is substituted; and

[4] Provide that, if the Key Employee's employment is involuntarily Terminated without Cause or constructively Terminated by the Key Employee, any conditions on the Key Employee's rights under, or any restrictions on transfer or exercisability applicable to, each Alternative Award will be waived or lapse.

For purposes of this section, a constructive Termination means a Termination by a Key Employee following a material reduction in the Key Employee's compensation or job responsibilities (when compared to the Key Employee's compensation and job responsibilities on the date of the Change in Control) or the relocation of the Key Employee's principal place of employment to a location at least 50 miles from his or her principal place of employment on the date of the Change in Control (or other location to which the Key Employee has been reassigned with his or her written consent), in each case without the Key Employee's written consent.

Notwithstanding anything herein to the contrary, no Alternative Award shall be made with respect to an Option or SAR if it would cause the Option or SAR to become "deferred compensation" subject to Code §409A or fail to comply with the requirements of Code §409A.

12.03 Directors' Options and Stock Units. Upon a Change in Control, outstanding:

[1] Director Options will be cancelled unless **[a]** the Stock continues to be traded on an established securities market after the Change in Control or **[b]** the Eligible Director continues to be a Board member after the Change in Control. In the situations just described, the Director Option will be unaffected by a Change in Control. Any Director Option to be cancelled under the first sentence of this Section 12.03[1] will be exchanged **[c]** for cash equal to the excess of the Change in Control Price over the Exercise Price associated with the cancelled Director Option or, **[d]** at the Committee's discretion, for whole shares of Stock with a Fair Market Value equal to the excess of the Change in Control Price over the Exercise Price associated with the cancelled Director Option and the Fair Market Value of any fractional share of Stock will be distributed in cash. However, the Committee, in its sole discretion, may offer the holders of the Director Options to be cancelled a reasonable opportunity (not longer than 15 days beginning on the date of the Change in Control) to exercise all their outstanding Director Options (whether or not otherwise then exercisable) by following the exercise procedures described in Section 6.00.

[2] Stock Units will be settled within 30 days following the Change in Control for a lump sum cash payment equal to **[a]** the Change in Control Price, multiplied by **[b]** the number of Stock Units to be settled. Notwithstanding the foregoing, Non-Grandfathered Stock Units will not be settled under this Section 12.03[2] unless the Change in Control also constitutes a "change in control event" under Code §409A and the Treasury Regulations promulgated thereunder. If the Change in Control does not constitute a "change in control event" under Code §409A, the Non-Grandfathered Stock Units will be settled as described in Section 7.02.

13.00 AMENDMENT, MODIFICATION AND TERMINATION OF PLAN

The Board or the Committee may terminate, suspend or amend the Plan at any time without shareholder approval except to the extent that shareholder approval is required to satisfy applicable requirements imposed by **[1]** Rule 16b-3 under the Act, or any successor rule or regulation, **[2]** applicable requirements of the Code or **[3]** any securities exchange, market or other quotation system on or through on which the Company's securities are listed or traded. Also, no Plan amendment may **[4]** result in the loss of a Committee member's status as a "non-employee director" as defined in Rule 16b-3 under the Act, or any successor rule or regulation, with respect to any employee benefit plan of the Company, **[5]** cause the Plan to fail to meet requirements imposed by Rule 16b-3 or **[6]** without the consent of the affected Member adversely affect any Award issued before the amendment, modification or termination. However, nothing in this section will restrict the Committee's right to exercise the discretion retained in Section 11.06.

14.00 MISCELLANEOUS

14.01 Assignability. Except as described in this Section 14.01, an Award may not be transferred except by will or the laws of descent and distribution and, during the Member's lifetime, may be exercised only by the Member, the Member's guardian or legal representative. However, with the permission of the Committee, a Member or a specified group of Members may transfer Awards (other than Incentive Stock Options) to a revocable inter vivos trust, of which the Member is the settlor, or may transfer Awards (other than an Incentive Stock Option) to any member of the Member's immediate family, any trust, whether revocable or irrevocable, established solely for the benefit of the Member's immediate family, any partnership or limited liability company whose only partners or members are members of the Member's immediate family or an organization described in Code §501(c)(3) ("Permissible Transferees"). Any Award transferred to a Permissible Transferee will continue to be subject to all of the terms and conditions that applied to the Award before the transfer and to any other rules prescribed by the Committee. A Permissible Transferee [other than an organization described in Code §501(c)(3)] may not retransfer an Award except by will or the laws of descent and distribution and then only to another Permissible Transferee.

14.02 Beneficiary Designation. Each Member may name a Beneficiary or Beneficiaries (who may be named contingently or successively) to receive or to exercise any vested Award that is unpaid or unexercised at the Member's death. Each designation made will revoke all prior designations made by the same Member, must be made on a form prescribed by the Committee and will be effective only when filed in writing with the Committee. If a Member has not made an effective Beneficiary designation, the deceased Member's Beneficiary will be his or her surviving spouse or, if none, the deceased Member's estate. The identity of a Member's designated Beneficiary will be based only on the information included in the latest beneficiary designation form completed by the Member and will not be inferred from any other evidence.

14.03 No Guarantee of Employment or Participation. Nothing in the Plan may be construed as:

[1] Interfering with or limiting the right of the Company or any Subsidiary to Terminate any Key Employee's employment at any time;

[2] Conferring on any Participant any right to continue as an Employee or director of the Company or any Subsidiary;

[3] Guaranteeing that any Employee will be selected to be a Key Employee; or

[4] Guaranteeing that any Member will receive any future Awards.

14.04 Tax Withholding.

[1] The Company will withhold from other amounts owed to the Member, or require a Member to remit to the Company, an amount sufficient to satisfy federal, state and local withholding tax requirements on any Award, exercise or cancellation of an Award or purchase of Stock. If these amounts are not to be withheld from other payments due to the Member (or if there are no other payments due to the Member), the Company will defer payment of cash or issuance of shares of Stock until the earlier of:

[a] Thirty days after the settlement date; or

[b] The date the Member remits the required amount.

[2] If the Member has not remitted the required amount within 30 days after the settlement date, the Company will permanently withhold from the value of the Awards to be distributed the minimum amount required to be withheld to comply with applicable federal, state and local income, wage and employment taxes and distribute the balance to the Member.

[3] In its sole discretion, which may be withheld for any reason or for no reason, the Committee may permit a Member to elect, subject to conditions the Committee establishes, to reimburse the Company for this tax withholding obligation through one or more of the following methods:

[a] By having shares of Stock otherwise issuable under the Plan withheld by the Company (but only to the extent of the minimum amount that must be withheld to comply with applicable state, federal and local income, employment and wage tax laws);

[b] By delivering to the Company previously acquired shares of Stock that the Member has owned for at least six months;

[c] By remitting cash to the Company; or

[d] By remitting a personal check immediately payable to the Company.

14.05 Indemnification. Each individual who is or was a member of the Committee or of the Board will be indemnified and held harmless by the Company against and from any loss, cost, liability or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit or proceeding to which he or she may be made a party or in which he or she may be involved by reason of any action taken or failure to take action under the Plan as a Committee member and against and from any and all amounts paid, with the Company's approval, by him or her in settlement of any matter related to or arising from the Plan as a Committee member or paid by him or her in satisfaction of any judgment in any action, suit or proceeding relating to or arising from the Plan against him or her as a Committee member, but only if he or she gives the Company an opportunity, at its own expense, to handle and defend the matter before he or she undertakes to handle and defend it in his or her own behalf. The right of indemnification described in this section is not exclusive and is independent of any other rights of indemnification to which the individual may be entitled under the Company's organizational documents, by contract, as a matter of law or otherwise. The foregoing right of indemnification is not exclusive and is independent of any other rights of indemnification to which the person may be entitled under the Company's organizational documents, by contract, as a matter of law or otherwise.

14.06 No Limitation on Compensation. Nothing in the Plan is to be construed to limit the right of the Company to establish other plans or to pay compensation to its employees or directors, in cash or property, in a manner not expressly authorized under the Plan.

14.07 International Employees. To provide the same motivation to materially increase shareholder value and to enable the Company to attract and retain the services of outstanding managers at its international locations, the Company will adopt incentives for its foreign locations that provide, as closely as possible, the same motivational effect as Awards provided to domestic Participants. Also, the Committee may grant Awards to Employees who are subject to the tax laws of nations other than the United States under terms and conditions that differ from other Awards granted under the Plan but which are required to comply with applicable foreign tax laws.

14.08 Requirements of Law. The grant of Awards and the issuance of shares of Stock will be subject to all applicable laws, rules and regulations and to all required approvals of any governmental agencies or national securities exchange, market or other quotation system. Also, no shares of Stock will be issued under the Plan unless the Company is satisfied that the issuance of those shares of Stock will comply with applicable federal and state securities laws. Certificates for shares of Stock delivered under the Plan may be subject to any stock transfer orders and other restrictions that the Committee believes to be advisable under the rules, regulations and other requirements of the Securities and Exchange Commission, any stock exchange or other recognized market or quotation system upon which the Stock is then listed or traded, or any other applicable federal or state securities law. The Committee may cause a legend or legends to be placed on any certificates issued under the Plan to make appropriate reference to restrictions within the scope of this section.

14.09 Term of Plan. The Plan was originally effective upon its adoption by the Board and approval by the affirmation vote of the holders of a majority of the shares of voting stock present in person or represented by proxy at the first Annual Meeting occurring after the Board approved the Plan and is hereby amended and restated effective as of October 30, 2007. Subject to Section 13.00, the Plan will continue until November 8, 2012. After January 26, 2006, no Award is permitted to be granted under this Plan, but all Awards outstanding as of such date may extend beyond such date in accordance with their respective terms.

14.10 Governing Law. The Plan, and all agreements hereunder, will be construed in accordance with and governed by the laws (other than laws governing conflicts of laws) of the State of Ohio.

14.11 No Impact on Benefits. Plan Awards are incentives designed to promote the objectives described in Section 1.00. Also, Awards are not compensation for purposes of calculating a Member’s rights under any employee benefit plan.

Exhibit 10(k)(2)

[Grantee]
[Address]
[Address]

Dear [Grantee]:

This letter agreement amends the Restricted Stock award granted to you on [Grant Date] pursuant to the terms of The Scotts Miracle-Gro Company 2003 Stock Option and Incentive Equity Plan, as amended from time to time (the "Plan"), and The Scotts Miracle-Gro Company 2003 Stock Option and Incentive Equity Plan Award Agreement for Nondirectors (the "Award Agreement"). This amendment shall be effective as of October 30, 2007 (the "Amendment Effective Date"). Unless otherwise defined in this letter agreement, capitalized terms used herein shall have the meanings provided to them in the Award Agreement.

As provided in your Award Agreement, your Restricted Stock will vest on [vesting date] (the "Vesting Date"), subject to the terms of the Plan and the Award Agreement, as amended by this letter agreement. This letter agreement clarifies that, if your employment terminates (as defined in the Plan) for any reason prior to the Vesting Date, any unvested shares of your Restricted Stock will be forfeited as of the date of your termination, and supersedes in its entirety Section 1.01[1] of your Award Agreement.

Additionally, the Committee has determined, and the Plan has been amended to provide, that a reasonable rate of interest will be calculated with respect to certain cash dividends held in escrow during the Restriction Period (as defined in the Plan) relating to your shares of Restricted Stock. Accordingly, the following paragraph is hereby added to the Award Agreement:

> "A reasonable rate of interest, as determined by the Committee in its sole discretion, will be credited to you and held by the Company in escrow during the Restriction Period (as defined in the Plan) with respect to any cash dividends that were or are declared and paid in respect of your shares of Restricted Stock during the period that began on December 20, 2006 and that ends on the Vesting Date. At the end of the Restriction Period, such interest will be distributed to you if all restrictions and conditions relating to your shares of Restricted Stock are met or will be forfeited if those restrictions and conditions have not been met."

THE SCOTTS MIRACLE-GRO COMPANY

By: ______________________________

Title: ______________________________

Acknowledged and agreed,
effective as of the Amendment
Effective Date:

____
Grantee's Signature

Exhibit 10(m)

Employment Agreement for
Barry Sanders

The Scotts Company LLC

October 1, 2007

Contents

The Scotts Company LLC
Employment Agreement for Barry Sanders

This EMPLOYMENT AGREEMENT is made, entered into, and is effective as of the first day of October, 2007 (herein referred to as the "Effective Date"), by and between The Scotts Company LLC ("Company"), an Ohio corporation and Barry Sanders ("Executive").

WHEREAS, the Company and the Executive intend that the Executive shall serve the Company as Executive Vice President – North America.

WHEREAS, the Executive possesses considerable experience and an intimate knowledge of the business, and, as such, the Executive has demonstrated unique qualifications to act in an executive capacity for the Company.

WHEREAS, the Company is desirous of assuring the employment of the Executive in the above stated capacity, and the Executive is desirous of such assurance.

WHEREAS, the Company and Executive desire to enter into an agreement embodying the terms of such employment.

NOW THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements of the parties set forth in this Agreement, and of other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

ARTICLE 1. TERM OF EMPLOYMENT

The Company hereby agrees to employ the Executive and the Executive agrees to serve the Company, in accordance with the terms and conditions set forth herein, for an initial period of three (3) years commencing as of the Effective Date; subject, however, to earlier termination as expressly provided herein.

The initial three (3) year period of employment shall be extended for one (1) additional year at the end of the initial three (3) year term and then again after each successive year thereafter. However, either party may terminate this Agreement at the end of the initial three (3) year term, or at the end of any successive one (1) year term thereafter, by delivering to the other party written notice of its intent not to renew at least sixty (60) days prior to the end of such initial three (3) year term or successive term.

In the event such notice of intent not to renew is properly delivered, this Agreement automatically shall expire at the end of the initial three (3) year term or successive term then in progress.

Notwithstanding the foregoing, if at any time during the initial three (3) year term of the Agreement or any successive term, a Change in Control occurs, then the term of this Agreement shall be the later of the remainder of the initial three (3) year term or two (2) years beyond the month in which the effective date of such Change in Control occurs.

ARTICLE 2. DEFINITIONS

2.1 **"Agreement"** means this Employment Agreement for Barry Sanders.

2.2 **"Annual Bonus Award"** means the annual bonus to be paid to the Executive in accordance with the Company's annual bonus program as described in Section 5.2 herein.

2.3 **"Award Period"** means the performance period applicable to Long-Term Incentive Awards granted under the relevant Company long-term incentive plan.

2.4 **"Base Salary"** means the salary of record paid to the Executive as annual salary, pursuant to Section 5.1, excluding all other amounts received including under incentive or other bonus plans, whether or not deferred.

2.5 **"Beneficiary"** means the individuals or entities designated or deemed designated by the Executive pursuant to Section 11.6 herein.

2.6 **"Board"** or **"Board of Directors"** means the Board of Directors of Scotts.

2.7 **"Cause"** means the Executive's:

(a) Continued failure to substantially perform his duties with the Company, Scotts or any of their affiliates after a written demand for substantial performance is delivered to the Executive that specifically identifies the manner in which the Company believes that the Executive has failed to substantially perform his duties, and after the Executive has failed to resume substantial performance of his duties on a continuous basis within thirty (30) calendar days of receiving such demand; or

(b) Conviction of a felony; or

(c) Engagement in illegal conduct, an act of dishonesty, violation of Scotts' policies or other similar conduct, that in the Company's sole discretion, which shall be exercised in good faith, is injurious to the Company, Scotts or any of their affiliates; or

(d) Material breach of any provision of this Agreement; provided, however, that the Executive's willful and material breach of Article 4 shall not constitute "Cause" unless the Executive has first been provided with written notice detailing such breach and a thirty (30) day period to cure such breach; or

(e) Breach of Scotts' code of business conduct or ethics as determined in good faith by the Company; or

(f) Violation of Scotts' insider-trading policies as determined in good faith by the Company; or

(g) Material breach of his fiduciary duties to the Company, Scotts or any of their affiliates as determined in good faith by the Company.

For purposes of determining Cause, no act or omission by the Executive shall be considered “willful” unless it is done or omitted in bad faith or without reasonable belief that the Executive’s action or omission was in the best interests of the Company. Any act or failure to act based upon: (i) authority given pursuant to a resolution duly adopted by the Board; or (ii) advice of counsel for the Company, shall be conclusively presumed to be done or omitted to be done by the Executive in good faith and in the best interests of the Company.

2.8 “Change in Control” means the occurrence of any of the following events after the Effective Date of this Agreement:

(a) Any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) other than Scotts, subsidiaries of Scotts, an employee benefit plan sponsored by Scotts, or Hagedorn Partnership, L.P. or its successor or any party related to Hagedorn Partnership, L.P. (as determined by the Board of Directors) becomes the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of more than thirty percent (30%) of the combined voting stock of Scotts;

(b) The shareholders of Scotts adopt or approve a definitive agreement or series of related agreements for the merger or other business consolidation with another person, the agreement(s) become effective and, immediately after giving effect to the merger or consolidation, (i) less than fifty percent (50%) of the total voting power of the outstanding voting stock of the surviving or resulting person is then “beneficially owned” (within the meaning of Rule l3d-3 under the Exchange Act) in the aggregate by (x) the shareholders of Scotts immediately prior to such merger or consolidation, or (y) if a record date has been set to determine the shareholders of Scotts entitled to vote with respect to such merger or consolidation, the shareholders of Scotts as of such record date and (ii) any “person” or “group” (as defined in Section 13(d)(3) and 14(d)(2) of the Exchange Act) has become the direct or indirect “beneficial owner” (as defined in Rule l3d-3 under the Exchange Act) of more than fifty percent (50%) of the voting power of the voting stock of the surviving or resulting person;

(c) Scotts, either individually or in conjunction with one or more of its subsidiaries, sells, assigns, conveys, transfers, leases or otherwise disposes of, or the subsidiaries sell, assign, convey, transfer, lease or otherwise dispose of, all or substantially all of the properties and assets of Scotts and the subsidiaries, taken as a whole (either in one transaction or a series of related transactions), to any person (other than Scotts or a wholly owned subsidiary);

(d) For any reason, Hagedorn Partnership, L.P. or its successor or any party related to Hagedorn Partnership, L.P. (as determined by the Board of Directors) becomes the beneficial owner, as defined above, directly or indirectly, of securities of Scotts representing more than forty-nine percent (49%) of the combined voting power of Scotts' then-outstanding voting securities; or

(e) The adoption or authorization by the shareholders of Scotts of a plan providing for the liquidation or dissolution of Scotts.

2.9 **"Code"** means the U.S. Internal Revenue Code of 1986, as amended from time to time. For purposes of this Agreement, references to sections of the Code shall be deemed to include references to any applicable regulations thereunder and any successor or similar provision.

2.10 **"Committee"** means the Compensation and Organization Committee of the Board or a subcommittee thereof, or any other committee designated by the Board to take any actions referenced in this Agreement. The members of the Committee shall be appointed from time to time by and shall serve at the discretion of the Board. If the Committee does not exist or cannot function for any reason, the Board may take any action under this Agreement that would otherwise be the responsibility of the Committee.

2.11 **"Company"** means The Scotts Company LLC, an Ohio corporation, or any successor company thereto as provided in Section 8.1 herein.

2.12 **"Director"** means any individual who is a member of the Board of Directors of Scotts.

2.13 **"Disability"** or **"Disabled"** means for all purposes of this Agreement, a consecutive period of ninety (90) calendar days during which the Executive is unable to perform his duties.

2.14 **"Effective Date"** means October1, 2007.

2.15 **"Effective Date of Termination"** means the date on which a termination of the Executive's employment occurs. For purposes of this Agreement, references to a "termination of employment" or any form thereof shall mean a "separation from service" as defined under Section 409A of the Code.

2.16 **"Executive"** means Barry Sanders.

2.17 **"Good Reason"** means, without the Executive's consent, the existence of one or more of the following conditions:

(a) A material diminution in the Executive's base compensation;

(b) A material diminution in the Executive's authority, duties, or responsibilities;

(c) A material diminution in the authority, duties, or responsibilities of the supervisor to whom the Executive is required to report;

(d) A material diminution in the budget over which the Executive retains authority;

(e) A material change in the geographic location at which the Executive must perform services; or

(f) Any other action or inaction that constitutes a material breach by the Company of this Agreement (including under Section 8.1).

Notwithstanding the foregoing, (i) an event described in this Section 2.17 shall constitute Good Reason only if the Company fails to cure such event within thirty (30) days after receipt from the Executive of written notice of the event which constitutes Good Reason and (ii) Good Reason shall cease to exist for an event on the ninetieth (90th) day following the later of its occurrence or the Executive's knowledge thereof, unless the Executive has given the Company written notice of such event prior to such date.

2.18 **"Long-Term Incentive Award"** means the Long-Term Incentive Award to be paid to the Executive in accordance with the Company's long-term incentive plan as described in Section 5.3 herein.

2.19 **"Notice of Termination"** means a written notice which shall indicate the specific termination provision in this Agreement relied upon, and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provisions so indicated.

2.20 **"Scotts"** means The Scotts Miracle-Gro Company, an Ohio corporation.

2.21 **"Specified Executive"** means a "specified employee" within the meaning of Treasury Regulation §1.409A-1(i) and as determined under the Company's policy for determining specified employees.

2.22 **"Target Annual Bonus Award"** means the amount of money determined by multiplying the Executive's bonus target percentage by the Executive's then Base Salary. For example, if the Executive's Base Salary is $100,000 and the Executive's bonus target percentage is 25%, then the Executive's Target Annual Bonus Award is $25,000.00.

ARTICLE 3. POSITION AND RESPONSIBILITIES

During the term of this Agreement, the Executive agrees to serve as Executive Vice President – North America. In his capacity as Executive Vice President – North America, the Executive shall report directly to the Chief Executive Officer of the Company or, at the Chief Executive Officer's election, the Chief Operating Officer of the Company, and shall perform duties and responsibilities of an Executive Vice President – North America and other duties and responsibilities as the Chief Executive Officer or, if applicable, the Chief Operating Officer may assign him during the term of this Agreement.

ARTICLE 4. STANDARD OF CARE

During the term of this Agreement, the Executive agrees to devote his full time, attention, and energies to the Company's business and shall not be engaged in any other business activity, whether or not such business activity is pursued for gain, profit, or other pecuniary advantage unless such business activity is approved in writing by the Board or Committee, provided, however, that board positions with nonprofit or philanthropic organizations which do not interfere with the Executive's performance of his duties and responsibilities shall not require Board or Committee approval. The Executive covenants, warrants, and represents that he shall:

(a) Devote his full and best efforts to the fulfillment of his employment obligations; and

(b) Adhere to Scotts' code of business conduct or ethics as determined by the Board, the Committee or the Company and exercise the highest standards of conduct in the performance of his duties.

ARTICLE 5. COMPENSATION

As remuneration for all services to be rendered by the Executive during the term of this Agreement, and as consideration for complying with the covenants herein, the Company shall pay and provide to the Executive the following.

5.1 Base Salary. The Company shall pay the Executive a Base Salary in the amount of four hundred thousand dollars ($400,000.00) per year. This Base Salary shall be paid to the Executive in equal installments throughout the year, consistent with the normal payroll practices of the Company. The Base Salary shall be reviewed at least annually following the Effective Date of this Agreement, while this Agreement is in force, to ascertain whether, in the judgment of the Committee, such Base Salary should be modified. If modified, the Base Salary as stated above shall, likewise, be modified for all purposes of this Agreement.

5.2 Annual Bonus. The Executive shall be eligible to receive in addition to his Base Salary an annual incentive compensation award ("Annual Bonus Award") for services rendered during such fiscal year. The amount of the Annual Bonus Award, if any, with respect to any fiscal year shall be based upon performance targets and award levels determined by the Committee in its sole discretion, in accordance with the Company's annual incentive compensation plan as in effect for executives from time to time.

5.3 Long-Term Incentives. The Executive shall be eligible to receive, in addition to his Base Salary and Annual Bonus Award, a Long-Term Incentive Award for services rendered during an Award Period established by the Committee. The amount of the Long-Term Incentive Award, if any, with respect to any Award Period shall be based upon performance targets and award levels determined by the Committee in its sole discretion, in accordance with the Company's long-term incentive compensation plan as in effect for executives from time to time.

5.4 Retirement Benefits. During the term of this Agreement, and as otherwise provided within the provisions of each of the respective plans, the Company shall provide to the Executive all retirement benefits to which other executives and employees of the Company are entitled to receive, subject to the eligibility requirements and other provisions of such arrangements as applicable to executives of the Company generally.

5.5 Employee Benefits. During the term of this Agreement, and as otherwise provided within the provisions of each of the respective plans, the Company shall provide to the Executive all benefits to which other executives and employees of the Company are entitled to receive, subject to the eligibility requirements and other provisions of such arrangements as applicable to executives of the Company generally. Such benefits shall include, but shall not be limited to, life insurance, comprehensive health and major medical insurance, dental insurance, prescription drug insurance, vision insurance, and short-term and long-term disability. The Executive shall likewise participate in any additional benefit as may be established during the term of this Agreement, by standard written policy of the Company.

5.6 Perquisites. The Company shall provide to the Executive on an annual basis an automobile allowance of twelve thousand dollars ($12,000.00). This allowance shall be paid to the Executive in equal installments throughout the year, consistent with the normal payroll practices of the Company. Additionally, the Company shall provide to the Executive on an annual basis either (a) a four thousand dollar ($4,000) amount to be used in lieu of the provision of personal financial planning, or (b) personal financial planning up to a cost or value of such amount. The value of such services or such amount will be added to the Executive’s taxable income. Some or all of such value or amount of the benefits described in this Section 5.6 may be tax deductible by the Executive, but the Company makes no tax representation relating thereto.

ARTICLE 6. EXPENSES

Upon presentation of appropriate documentation, the Company shall pay, or reimburse the Executive, for all ordinary and necessary expenses, in a reasonable amount, which the Executive incurs in performing his duties under this Agreement including, but not limited to, travel, entertainment, professional dues and subscriptions, and all dues, fees, and expenses associated with membership in various professional, business, and civic associations and societies in which the Executive’s participation is in the best interest of the Company, in accordance with Company policy.

ARTICLE 7. EMPLOYMENT TERMINATIONS

7.1 Termination Due to Death. In the event of the Executive’s death during the term of this Agreement, this Agreement shall terminate effective immediately and the Company’s obligations under this Agreement shall immediately expire.

Notwithstanding the foregoing, the Company shall be obligated to pay to the Executive the following:

(a) Base Salary through the Effective Date of Termination within thirty (30) days following such Effective Date of Termination;

(b) Subject to the Executive’s estate signing and not revoking a release of claims satisfactory to the Company (a “Release”) within sixty (60) days following the Effective Date of Termination, a prorated Target Annual Bonus Award based on the Executive's target bonus opportunity established for the year in which termination of employment occurs. The prorated amount shall be determined as a function of time within the year that has elapsed prior to the Executive's Effective Date of Termination and shall be paid no later than seventy (70) days following the Effective Date of Termination; and

(c) All other rights and benefits the Executive is vested in, pursuant to other plans and programs of the Company. Such rights and benefits shall be paid or provided, as applicable, in accordance with the terms of the applicable plan or program.

The Company and the Executive thereafter shall have no further obligations under this Agreement.

7.2 Termination Due to Disability. Subject to any applicable legal requirement, in the event that the Executive becomes Disabled during the term of this Agreement, the Company shall have the right to terminate the Executive's active employment by giving the Executive written notice of such termination. Upon the Effective Date of Termination, the Company's obligations under this Agreement shall immediately expire.

Notwithstanding the foregoing, the Company shall be obligated to pay to the Executive the following:

(a) Base Salary through the Effective Date of Termination (subject to an offset for any disability payments that the Executive receives during this period) within thirty (30) days following such Effective Date of Termination;

(b) Subject to the Executive signing and not revoking a Release within sixty (60) days following the Effective Date of Termination, a prorated Target Annual Bonus Award based on the Executive's target bonus opportunity established for the year in which termination of employment occurs. The prorated amount shall be determined as a function of time within the year that has elapsed prior to the Executive's Effective Date of Termination and shall be paid no later than seventy (70) days following the Effective Date of Termination; and

(c) All other rights and benefits the Executive is vested in, pursuant to other plans and programs of the Company. Such rights and benefits shall be paid or provided, as applicable, in accordance with the terms of the applicable plan or program.

With the exception of the covenants referenced in Article 10 (which survive the termination of the Executive's employment), after the payments and execution of the Release, the Company and the Executive shall have no further obligations under this Agreement.

7.3 Voluntary Termination by the Executive. The Executive may terminate this Agreement at any time by giving the Company written notice of his intent to terminate, delivered at least sixty (60) calendar days prior to the Effective Date of Termination; provided, however, that the Company may waive all or a portion of such sixty (60) day notice period.

Upon the Effective Date of Termination, the Company shall pay the Executive (a) his accrued and unpaid Base Salary at the rate then in effect, through the Effective Date of Termination within thirty (30) days following such Effective Date of Termination, plus (b) all other benefits to which the Executive has a vested right as of the Effective Date of Termination pursuant to the terms and conditions of the applicable plans and programs of the Company. With the exception of the covenants referenced in Article 10 (which survive the termination of the Executive's employment), the Company and the Executive shall have no further obligations under this Agreement.

7.4 Termination by the Company without Cause or by the Executive with Good Reason unrelated to a Change in Control. At all times during the term of this Agreement, the Company may terminate the Executive's employment for reasons other than death, Disability, or for Cause, by providing to the Executive a Notice of Termination, at least sixty (60) calendar days prior to the Effective Date of Termination. Such Notice of Termination shall be irrevocable absent express written, mutual consent of the parties. Additionally, the Executive may terminate employment with the Company for Good Reason by providing the Company with a Notice of Termination for Good Reason. The Notice of Termination must set forth in reasonable detail the facts and circumstances claimed to provide a basis for such Good Reason termination.

Upon the Effective Date of Termination, the Executive shall be entitled to:

(a) An amount equal to the Executive's accrued and unpaid Base Salary through the Effective Date of Termination within thirty (30) days following such Effective Date of Termination.

(b) Subject to the Executive signing and not revoking a Release within sixty (60) days following the Effective Date of Termination:

(i) A lump sum payment equal to two (2) times the Executive's Base Salary, at the rate in effect on the Effective Date of Termination.

(ii) A lump sum payment equal to one (1) times the Executive's Target Annual Bonus Award, at the targeted Annual Bonus Award in effect on the Effective Date of Termination.

(iii) A lump sum payment equal to the product of (1) the employer portion of the monthly cost of the Executive's medical and dental insurance benefits as of the Effective Date of Termination (assuming the same coverage level as in effect as of the Effective Date of Termination), multiplied by (2) twelve (12).

Except as otherwise required by Section 7.7, the lump sum payments described in this Section 7.4(b) shall be made by the Company no later than seventy (70) days following the Effective Date of Termination. The Company shall provide the Release to the

Executive on or shortly after the Effective Date of Termination, and the Executive shall execute the Release during the time period permitted by applicable law.

(c) All other benefits to which the Executive has a vested right as of the Effective Date of Termination, according to the provisions of the governing plan or program. Such rights and benefits shall be paid or provided, as applicable, in accordance with the terms of the applicable plan or program.

With the exception of the covenants referenced in Article 10 (which survive the termination of the Executive's employment), after the payments and execution of the Release, the Company and the Executive shall have no further obligations under this Agreement.

7.5 Termination for Cause. Nothing in this Agreement shall be construed to prevent the Company from terminating the Executive's employment under this Agreement for Cause.

In the event this Agreement is terminated by the Company for Cause, the Company shall pay the Executive his Base Salary through the Effective Date of Termination within thirty (30) days following such Effective Date of Termination, and the Executive shall immediately thereafter forfeit all rights and benefits (other than vested benefits) he would otherwise have been entitled to receive under this Agreement. With the exception of the covenants referenced in Article 10 (which survive the termination of the Executive's employment), the Company and the Executive shall have no further obligations under this Agreement.

7.6 Subsequent to a Change in Control, Termination by the Company without Cause or by the Executive with Good Reason. If within two (2) years following a Change in Control, the Company terminates the Executive's employment for any reason other than death, Disability, or Cause or the Executive terminates employment for Good Reason, the Company shall pay and provide to the Executive:

(a) An amount equal to the Executive's accrued and unpaid Base Salary through the Effective Date of Termination within thirty (30) days following such Effective Date of Termination.

(b) Subject to the Executive signing and not revoking a Release within sixty (60) days following the Effective Date of Termination:

(i) A lump sum payment equal to two (2) times the Executive's annual Base Salary, at the Base Salary amount in effect on the Effective Date of Termination;

(ii) A lump sum payment equal to two (2) times the Executive's Targeted Annual Bonus Award, at the targeted Annual Bonus Award in effect on the Effective Date of Termination;

(iii) A lump sum payment that is equal to a prorated Targeted Annual Bonus Award based on the Executive's target bonus opportunity established for the fiscal year in which termination of employment occurs. The prorated amount shall be determined as a function of time within the fiscal year that has elapsed prior to the Executive's Effective Date of Termination; and

(iv) A lump sum payment equal to the product of (1) the employer portion of the monthly cost of the Executive's medical and dental insurance benefits as of the Effective Date of Termination (assuming the same coverage level as in effect as of the Effective Date of Termination), multiplied by (2) twenty-four (24).

Except as otherwise required by Section 7.7, the lump sum payments described in this Section 7.6(b) shall be made by the Company within seventy (70) days following the Effective Date of Termination. The Company shall provide the Release to the Executive on or shortly after the Effective Date of Termination, and the Executive shall execute the Release during the time period permitted by applicable law.

(c) All other benefits to which the Executive has a vested right as of the Effective Date of Termination, according to the provisions of the governing plan or program. Such rights and benefits shall be paid or provided, as applicable, in accordance with the terms of the applicable plan or program.

With the exception of the covenants referenced in Article 10 (which survive the termination of the Executive's employment), after the payments and execution of the Release, the Company and the Executive shall have no further obligations under this Agreement.

7.7 **Required Postponement for Specified Executives.**

(a) If the Executive is considered a Specified Executive and payment of any amounts under this Agreement is required to be delayed for a period of six months after a separation from service pursuant to Section 409A of the Code, payment of such amounts shall be delayed as required by Section 409A of the Code, and the accumulated postponed amounts, with accrued interest as described in subsection (b) below, shall be paid in a lump sum payment within five (5) days after the end of the six (6) month period. If the Executive dies during the postponement period prior to the payment of such amounts, the amounts postponed on account of Section 409A of the Code, with accrued interest as described in subsection (b) below, shall be paid to the Executive's Beneficiary within sixty (60) days after the date of the Executive's death.

(b) If payment of any amounts under this Agreement is required to be delayed pursuant to Section 409A of the Code, the Company shall pay interest on the postponed payments from the date on which the amounts otherwise would have been paid to the date on which such amounts are paid at an annual rate equal to the prime rate as announced on the Executive's Effective Date of Termination by JPMorgan Chase Bank on such date.

ARTICLE 8. ASSIGNMENT

8.1 Assignment by the Company. This Agreement may and shall be assigned or transferred to, and shall be binding upon and shall inure to the benefit of any successor company. For the purposes of this Section 8.1, a “successor” shall include a purchaser of all of the equity of the Company or all or substantially all of the assets or business of the Company. Any such successor company shall be deemed substituted for all purposes of the “Company” under the terms of this Agreement.

Failure of the Company to obtain the agreement of any successor company to be bound by the terms of this Agreement prior to the effectiveness of any such succession shall be a breach of this Agreement, and an event constituting Good Reason (as described in Section 2.17). Except as herein provided, this Agreement may not otherwise be assigned by the Company.

8.2 Assignment by the Executive. This Agreement shall inure to the benefit of and be enforceable by the Executive’s personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees, and legatees. If the Executive dies during the term of this Agreement, the Company’s obligations to make payments or provide benefits are described entirely in Sections 7.1 and 7.7 and all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the Executive’s Beneficiary.

ARTICLE 9. NOTICE

Any notices, requests, demands, or other communications provided by this Agreement shall be sufficient if in writing and if sent by registered or certified mail to the Executive at the last address he has filed in writing with the Company or, in the case of the Company, at its principal offices.

ARTICLE 10. CONFIDENTIALITY, NONCOMPETITION, AND NONSOLICITATION

This Agreement shall not supersede or nullify in any way the Employee Confidentiality, Noncompetition, Nonsolicitation Agreement executed by the Executive on April 22, 2005 and again on subsequent dates. The Employee Confidentiality, Noncompetition, Nonsolicitation Agreement shall remain in full force and effect and any requirements of such agreement shall be incorporated by reference into this Agreement. The provisions of this Article 10 shall survive the termination of this Agreement and the termination of the Executive’s employment.

ARTICLE 11. MISCELLANEOUS

11.1 Entire Agreement. Unless otherwise specified herein, this Agreement supersedes any prior agreements or understandings, oral or written, between the parties hereto or between the Executive and the Company, with respect to the subject matter hereof, including the Employment Agreement between the parties effective October 1, 2005 through October 1, 2007 and the Employment Agreement between the parties dated September 4, 2007, and constitutes the entire agreement of the parties with respect thereto. Nothing in this Section 11.1 shall be construed, however, to supersede any prior award agreements between the parties under Scotts’ equity-based incentive compensation plans.

11.2 Amendment or Modification. This Agreement shall not be varied, altered, modified, canceled, changed, or in any way amended except by mutual agreement of the parties in a written instrument executed by the parties hereto or their legal representatives. Notwithstanding the foregoing, the Company may amend the Agreement, to take effect retroactively or otherwise, as deemed necessary or advisable for the purpose of conforming the Agreement to any present or future law relating to agreements of this or similar nature (including, but not limited to, Section 409A of the Code), and to the administrative regulations and rulings promulgated thereunder.

11.3 Severability. In the event that any provision or portion of this Agreement shall be determined to be invalid or unenforceable for any reason, the remaining provisions of this Agreement shall be unaffected thereby and shall remain in full force and effect.

11.4 Counterparts. This Agreement may be executed in one (1) or more counterparts, each of which shall be deemed to be an original, but all of which together will constitute one and the same Agreement.

11.5 Tax Withholding. The Company may withhold from any benefits payable under this Agreement all federal, state, city, or other taxes as may be required pursuant to any law or governmental regulation or ruling.

11.6 Beneficiaries. For the purposes of any payments or benefits due under Sections 7.1 and 7.7 of this Agreement, the Executive may designate one or more individuals or entities as the primary and/or contingent Beneficiaries of any amounts to be received. Such designation must be in the form of a signed writing acceptable to the Company. The Executive may make or change such designation at any time. An acceptable form is attached hereto as Exhibit A. If no Beneficiary is validly designated, then the benefits payable under this Agreement shall be paid to the Executive’s surviving spouse or, if there is no surviving spouse, the Executive’s estate.

11.7 Payment Obligation Absolute. All amounts payable by the Company hereunder shall be paid without notice or demand. Subject to the covenants set forth in Article 10 and the terms of any bonus, long-term incentive or other such plan or program, each and every payment made hereunder by the Company shall be final, and the Company shall not seek to recover all or any part of such payment from the Executive or from whomsoever may be entitled thereto, for any reasons whatsoever.

The restrictive covenants referenced in Article 10 are independent of any other contractual obligations in this Agreement or otherwise owed by the Company to the Executive. Except as provided in this Section 11.7, the existence of any claim or cause of action by the Executive against the Company, whether based on this Agreement or otherwise, shall not create a defense to the enforcement by the Company of any restrictive covenant contained herein.

11.8 Contractual Rights to Benefits. Subject to approval by the Company, this Agreement establishes and vests in the Executive a contractual right to the benefits to which he is entitled hereunder. However, nothing herein contained shall require or be deemed to require, or prohibit or be deemed to prohibit, the Company to segregate, earmark, or otherwise set aside any funds or other assets, in trust or otherwise, to provide for any payments to be made or required hereunder.

11.9 Specific Performance. The Executive acknowledges that the obligations undertaken by him pursuant to this Agreement are unique and that the Company will likely have no adequate remedy at law if the Executive shall fail to perform any of his obligations hereunder. The Executive therefore confirms that the Company's right to specific performance of the terms of this Agreement is essential to protect the rights and interests of the Company. Accordingly, in addition to any other remedies that the Company may have at law or in equity, the Company shall have the right to have all obligations, covenants, agreements, and other provisions of this Agreement specifically performed by the Executive and the Company shall have the right to obtain preliminary injunctive relief to secure specific performance and to prevent a breach or contemplated breach of this Agreement by the Executive.

11.10 Voiding of Agreement Provision. If any provision under this Agreement causes an amount to be considered deferred under Section 409A of the Code and as such become subject to income tax, excise tax, or penalties under the Code prior to the time such amount is paid to the Executive, such amount shall be deemed null and void with respect to such amount deferred and the Company may amend or modify this Agreement in order to accomplish the objectives of the Agreement without causing early taxation of such amounts and without the Company incurring additional cost or liability.

ARTICLE 12. GOVERNING LAW

To the extent not preempted by federal law, the provisions of this Agreement shall be construed and enforced in accordance with the laws of the state of Ohio, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of the Agreement to the substantive law of another jurisdiction.

ARTICLE 13. INDEMNIFICATION

The Company hereby covenants and agrees to indemnify and hold harmless the Executive against and in respect to any and all actions, suits, proceedings, claims, demands, judgments, costs, expenses, losses, and damages resulting from the Executive's performance of his duties and obligations under the terms of this Agreement; provided however, the Executive acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company or its shareholders, and with respect to a criminal action or proceeding, the Executive had no reasonable cause to believe his conduct was unlawful.

Executive

/s/ Barry W. Sanders
Barry Sanders

Date:11/16/07

The Scotts Company LLC

/s/ James Hagedorn
James Hagedorn, Chief Executive Officer

Date: 19 Nov 07

EXHIBIT A

THE SCOTTS COMPANY LLC

BENEFICIARY DESIGNATION FORM
RELATING TO CONTINGENT PAYMENTS UNDER THE EMPLOYMENT AGREEMENT
ENTERED INTO BETWEEN BY AND BETWEEN BARRY SANDERS
AND THE SCOTTS COMPANY LLC

1.00 INSTRUCTIONS FOR COMPLETING THIS BENEFICIARY DESIGNATION FORM

You may use this Beneficiary Designation Form to (1) name the person you want to receive any amount due under the Employment Agreement, effective October 1, 2007, by and between you and The Scotts Company LLC ("Agreement") after your death or (2) change the person who will receive these benefits.

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

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

SECOND, your election will not be effective (and will not be implemented) unless you complete all applicable portions of this Beneficiary Designation Form and return it with a signed copy of the Agreement to the legal department.

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

FOURTH, this beneficiary designation supersedes and revokes all other beneficiary designations with respect to payments under the Agreement.

2.00 DESIGNATION OF BENEFICIARY

2.01 PRIMARY BENEFICIARY:

I designate the following person as my Primary Beneficiary to receive any amount due after my death under the Agreement:

____

(Name) (Relationship)

Address: ____

2.02 CONTINGENT BENEFICIARY

If my Primary Beneficiary dies before I die, I direct that any amount due after my death under the terms of the Agreement be distributed to:

(Name) (Relationship)

Address:

Elections made on this Beneficiary Designation Form will be effective only after this Form is received by the legal department and only if it is fully and properly completed and signed.

Barry Sanders

Address:

Sign and attach this Beneficiary Designation Form to the Agreement.

Date Signature

To be Completed by the Company:

Received on:

By:

Exhibit 10(n)
[English Translation —
Original in French]

[The Scotts Company letterhead]

EMPLOYMENT CONTRACT FOR AN UNLIMITED TIME
FOR Mr. Claude LOPEZ – French Nationality

Note in margin:
Exact beginning date to be confirmed [initials]

Dear Sir:

We hereby confirm your hiring at the SCOTTS FRANCE SAS General Corporate Office, beginning on July 1, 2001 (to be confirmed), in the position of:

EXECUTIVE DIRECTOR OF SCOTTS FRANCE

Subject to the standard three-month trial period and the physical examination for employment purposes.

Accordingly, you will report to the Scotts International Director, General Public Division.

This Contract is subject to the provisions of the Chemical Industries National Collective Agreement, Amendment III, and to the following specific conditions:

1. This Contract is executed for an unlimited time. However, if it is continued to that point, your employment will be terminated when you have reached the standard retirement age currently in force in our company at such a time.

2. Your status in our company is subject to the following conditions, which shall remain in effect irrespective of any changes such as may eventually take place in your job assignments:

- You will be held to professional secrecy, during the time that you are with our Company, and after your departure therefrom, if such occurs, irrespective of the reason therefor.
- You also hereby agree not to work for a competing firm, even temporarily, or as a consultant, while occupying your position.
- Your job assignments may be subsequently changed, if such is required in the interests of the Group.

3. You are hereby attached to Group V, ENGINEERS & EXECUTIVE STAFF.

CL

3. You are hereby attached to Group V, ENGINEERS & EXECUTIVE STAFF.

4. Your Category: <u>880</u>

5. Your professional sector is the Commercial sector.

6. Your annual gross pay is 1,182,000 francs for thirteen months. Moreover, inasmuch as you will belong to the Scotts International Management staff and to Scotts geographical locations, you will receive an **expatriation bonus**, as defined in Article 81-A-III of the General Tax Code.
It will be paid monthly in advance, and is calculated at 10% of your base salary, i.e., **118,200 francs**. The details of this bonus are set forth in an amendment to this Contract.

7. You are eligible to **an annual incentive**, which may reach 40% of your annual pay (annual base salary + expatriation bonus), in case goals are 100% met, and even beyond this amount, up to 96% in case annual goals are exceeded, in accordance with the SCOTTS France Regulations on Variable Shares.

8. In October 2001, you will receive a one-time allotment of 5000 Scotts stock options, in addition to an annual allotment of 3000 stock options.

9. You will have a company vehicle at your disposal, in accordance with Scotts policy on company vehicles. This benefit will figure as payment in kind on your pay slip.

10. Upon commencement of your employment with Scotts France, you will receive a **one-time bonus of 400,000 francs**.

11. Scotts will pay the moving costs of your goods and your family to the Lyon area, based on 2 estimates from different providers. To facilitate your living arrangements, you will also receive **the assistance of a specialized "relocation" firm**. Should you choose to lease your lodgings, Scotts will also cover the **agency fees** as well as the **first six months of rent**, up to the limit of the amount deemed usual in the area.

12. In the case that, during the first two years of your tenure with Scotts, events lead to a breach of your employment contract for any reason other than fault or resignation, Scotts hereby agrees to pay you at the time of your departure a severance payment of **six months base salary**. No later than six months following your departure, Scotts will pay you a second severance payment corresponding to your theoretical bonus target based on the six months severance pay.

13. Actual work time is calculated yearly based on 1589 hours. **The number of days worked during the year totals 206 (with extra "bridge" days deducted).**
Owing to your status as an executive, you are not personally involved in confirming work time.

In case of breach of contract during the year, or an unfinished work year, rights to a reduction in working time shall be based on a prorated calculation.

Pursuant to Articles 3b and 4 of the Framework Agreement on Reduction of Work Time, "each year, an amount equal to 66% of profit share shall be deducted from the amount calculated for your bonus. However, the deduction may not exceed 15% of the initially calculated bonus."

14. You will be automatically enrolled in our plans:

• Pension	Caisse ARRCO [Association of Supplementary Pension Plans]: UIRIC [Pension Union for Industry and Commerce]	21 rue Roger Salengro 94128 FONTENAY S/BOIS CEDEX
	Caisse AGIRC [Executive Pension Association]: URC [Executive Pension Union]	21 rue Roger Salengro 94128 FONTENAY S/BOIS CEDEX
• Provident fund	MEDERIC	21 rue Laffitte 75317 PARIS CEDEX 09

15. You hereby agree to accept deductions for social security contributions (Lyon URSSAF [Social Security and Family Welfare Agency] — 69691 VENISSIEUX CEDEX, under employee number 691530000002405212), and for pension and provident funds, from the payments made to you pursuant to this contract.

16. You also hereby agree to accept a deduction for the Mutuelle APICIL/MICILS contribution, the documents for which you will find enclosed.

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17. Your recruiting will be addressed in a preliminary employment declaration to the Lyon-Vénissieux URSSAF on June 30, 2001 (to be confirmed).

Pursuant to Law no. 78-17 of January 6, 1978, you are hereby informed that your personal data have been entered on computer medium and provided to the Lyon-Vénissieux URSSAF, through which you can exercise your right of access and to make changes thereto.

Accordingly, having set forth the bases whereby you assure us of your acceptance of this offer, we ask that for proper processing you be so kind as to return a copy of this contract to us, **initialed on each page and having added the handwritten phrase "read and approved", the date, and your signature.**

Please accept our best wishes.

Made in Ecully, in two copies, on April 27, 2001.

[signature] Isabelle Proust-Cabrera	[signature] Michel Farkouh
Human Resources Director Scotts France & International	Chief Executive Scotts International, General Public

Annotations by Claude Lopez

[remainder of page handwritten]
Read and approved
Subject to my exact commencement date, currently being discussed with my present employer.

/s/ Claude Lopez

04/27/01

Exhibit 10 (r)(2)

The Scotts Miracle-Gro Company

Amended and Restated

2006 Long-Term Incentive Plan

Effective as of October 30, 2007

Contents

THE SCOTTS MIRACLE-GRO COMPANY
AMENDED AND RESTATED
2006 LONG-TERM INCENTIVE PLAN
(EFFECTIVE AS OF OCTOBER 30, 2007)

Article 1.

Establishment, Purpose, and Duration

1.1 *Establishment*. This Plan, an incentive compensation plan, was established by The Scotts Miracle-Gro Company. This Plan was originally effective on January 26, 2006 (the "Effective Date"), and is hereby amended and restated effective as of October 30, 2007, as set forth in this document. This Plan shall remain in effect as provided in Section 1.3 hereof.

This Plan permits the grant of Nonqualified Stock Options, Incentive Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Shares, Performance Units, Cash-Based Awards, and Other Stock-Based Awards.

1.2 *Purpose of this Plan*. The purpose of this Plan is to provide a means whereby Employees, Directors, and Third Party Service Providers develop a sense of proprietorship and personal involvement in the development and financial success of the Company, and to encourage them to devote their best efforts to the business of the Company, thereby advancing the interests of the Company and its shareholders. A further purpose of this Plan is to provide a means through which the Company may attract able individuals to become Employees or serve as Directors or Third Party Service Providers and to provide a means whereby those individuals upon whom the responsibilities of the successful administration and management of the Company are of importance, can acquire and maintain stock ownership, thereby strengthening their concern for the welfare of the Company.

1.3 *Duration of this Plan*. Unless sooner terminated as provided herein, this Plan shall terminate on January 25, 2016. After this Plan is terminated, no Awards may be granted but Awards previously granted shall remain outstanding in accordance with their applicable terms and conditions and this Plan's terms and conditions. Notwithstanding the foregoing, no Incentive Stock Options may be granted after November 1, 2015.

Article 2.

Definitions

Whenever used in this Plan, the following terms shall have the meanings set forth below, and when the meaning is intended, the initial letter of the word shall be capitalized.

2.1 *"Affiliate"* shall mean any corporation or other entity (including, but not limited to, a partnership or a limited liability company), that is affiliated with the Company through stock or equity ownership or otherwise, and is designated as an Affiliate for purposes of this Plan by the Committee.

2.2 *"Annual Award Limit"* or *"Annual Award Limits"* have the meaning set forth in Section 4.3.

2.3 *"Award"* means, individually or collectively, a grant under this Plan of Nonqualified Stock Options, Incentive Stock Options, SARs, Restricted Stock, Restricted Stock Units, Performance Shares, Performance Units, Cash-Based Awards, or Other Stock-Based Awards, in each case subject to the terms of this Plan.

2.4 *"Award Agreement"* means either (i) a written agreement entered into by the Company and a Participant setting forth the terms and provisions applicable to an Award granted under this Plan, or (ii) a written or electronic statement issued by the Company to a Participant describing the terms and provisions of such Award, including in each case any amendment or modification thereof. The Committee may provide for the use of electronic, internet or other non-paper Award Agreements, and the use of electronic, internet or other non-paper means for the acceptance thereof and actions thereunder by a Participant.

2.5 *"Beneficial Owner"* or *"Beneficial Ownership"* shall have the meaning ascribed to such term in Rule 13d-3 of the General Rules and Regulations under the Exchange Act.

2.6 *"Board"* or "*Board of Directors*" means the Board of Directors of the Company.

2.7 *"Cash-Based Award"* means an Award, denominated in cash, granted to a Participant as described in Article 10.

2.8 *"Cause"* means, unless otherwise specified in an Award Agreement or in an applicable employment agreement between the Company and a Participant, with respect to any Participant:

(a) Willful failure to substantially perform his or her duties as an Employee (for reasons other than physical or mental illness) or director after reasonable notice to the Participant of that failure;

(b) Misconduct that materially injures the Company or any Subsidiary or Affiliate;

(c) Conviction of, or entering into a plea of nolo contendere to, a felony; or

(d) Breach of any written covenant or agreement with the Company or any Subsidiary or Affiliate.

2.9 *"Change in Control"* means any of the following events:

(a) The members of the Board on the Effective Date ("Incumbent Directors") cease for any reason other than death to constitute at least a majority of the members of the Board, provided that any director whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the then Incumbent Directors also will be treated as an Incumbent Director; or

(b) Any "person," including a "group" [as such terms are used in Sections 13(d) and 14(d)(2) of the Exchange Act, but excluding the Company, any of its Subsidiaries, any employee benefit plan of the Company or any of its Subsidiaries or Hagedorn Partnership, L.P. or any party related to Hagedorn Partnership, L.P. as determined by the Committee] becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing more than thirty percent (30%) of the combined voting power of the Company's then outstanding securities; or

(c) The adoption or authorization by the shareholders of the Company of a definitive agreement or a series of related agreements (i) for the merger or other business combination of the Company with or into another entity in which the shareholders of the Company immediately before the effective date of such merger or other business combination own less than fifty percent (50%) of the voting power in such entity; or (ii) for the sale or other disposition of all or substantially all of the assets of the Company; or

(d) The adoption by the shareholders of the Company of a plan relating to the liquidation or dissolution of the Company; or

(e) For any reason, Hagedorn Partnership, L. P. or any party related to Hagedorn Partnership, L.P. as determined by the Committee becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing more than forty-nine percent (49%) of the combined voting power of the Company's then outstanding securities.

Notwithstanding the foregoing, an Award that is subject to Code Section 409A will not be paid or settled upon a Change in Control unless the Change in Control also constitutes a "change in control event" under Code Section 409A and Treasury Regulation Section 1.409A-3(i)(5).

2.10 *"Change in Control Price"* means the price per Share paid in conjunction with any transaction resulting in a Change in Control (as determined in good faith by the Committee if any part of the offered price is payable other than in cash) or, in the case of a Change in Control occurring solely by reason of events not related to a transfer of Shares, the highest Fair Market Value of a Share on any of the thirty (30) consecutive trading days ending on the last trading day before the Change in Control occurs.

2.11 “*Code*” means the U.S. Internal Revenue Code of 1986, as amended from time to time. For purposes of this Plan, references to sections of the Code shall be deemed to include references to any applicable regulations thereunder and any successor or similar provision, as well as any applicable interpretative guidance issued related thereto.

2.12 “*Committee*” means the Compensation and Organization Committee of the Board or a subcommittee thereof, or any other committee designated by the Board to administer this Plan. The members of the Committee shall be appointed from time to time by and shall serve at the discretion of the Board. If the Committee does not exist or cannot function for any reason, the Board may take any action under the Plan that would otherwise be the responsibility of the Committee.

2.13 “*Company*” means The Scotts Miracle-Gro Company, an Ohio corporation, and any successor thereto as provided in Article 20 herein.

2.14 “*Covered Employee*” means any key Employee who is or may become a “Covered Employee,” as defined in Code Section 162(m), and who is designated, either as an individual Employee or class of Employees, by the Committee within the shorter of (i) ninety (90) days after the beginning of the Performance Period, or (ii) twenty-five percent (25%) of the Performance Period having elapsed, as a “Covered Employee” under this Plan for such applicable Performance Period.

2.15 “*Director*” means any individual who is a member of the Board of Directors of the Company.

2.16 “*Effective Date*” has the meaning set forth in Section 1.1.

2.17 “*Employee*” means any individual who performs services for and is designated as an employee of the Company, its Affiliates, and/or its Subsidiaries on the payroll records thereof. An Employee shall not include any individual during any period he or she is classified or treated by the Company, Affiliate, and/or Subsidiary as an independent contractor, a consultant, or any employee of an employment, consulting, or temporary agency or any other entity other than the Company, Affiliate, and/or Subsidiary, without regard to whether such individual is subsequently determined to have been, or is subsequently retroactively reclassified as a common-law employee of the Company, Affiliate, and/or Subsidiary during such period.

2.18 “*Exchange Act*” means the Securities Exchange Act of 1934, as amended from time to time, or any successor act thereto.

2.19 *"Fair Market Value"* or *"FMV"* means a price that is based on the opening, closing, actual, high, low, or average selling prices of a Share reported on the New York Stock Exchange ("NYSE") or other established stock exchange (or exchanges) on the applicable date, the preceding trading day, the next succeeding trading day, or an average of trading days, as determined by the Committee in its discretion. Unless the Committee determines otherwise, Fair Market Value shall be deemed to be equal to the closing price of a Share on the relevant date if it is a trading day or, if such date is not a trading day, on the next trading day. In the event Shares are not publicly traded at the time a determination of their value is required to be made hereunder (a) with respect to NQSOs, SARs and Awards that are subject to Code Section 409A, "Fair Market Value" shall mean the value as determined by the Committee through the reasonable application of a reasonable valuation method, taking into account all information material to the value of the Company, within the meaning of Code Section 409A and (b) with respect to all other Awards, the determination of "Fair Market Value" shall be made by the Committee in such manner as it deems appropriate. Such definition(s) of FMV shall be specified in each Award Agreement and may differ depending on whether FMV is in reference to the grant, exercise, vesting, settlement, or payout of an Award.

2.20 *"Full Value Award"* means an Award other than in the form of an ISO, NQSO, or SAR, and which is settled by the issuance of Shares.

2.21 *"Grant Date"* means the date an Award is granted to a Participant pursuant to the Plan.

2.22 *"Grant Price"* means the price established at the time of grant of an SAR pursuant to Article 7, used to determine whether there is any payment due upon exercise of the SAR.

2.23 *"Incentive Stock Option"* or *"ISO"* means an Option to purchase Shares granted under Article 6 that is designated as an Incentive Stock Option and that is intended to meet the requirements of Code Section 422, or any successor provision.

2.24 *"Insider"* shall mean an individual who is, on the relevant date, an officer or Director of the Company, or a more than ten percent (10%) Beneficial Owner of any class of the Company's equity securities that is registered pursuant to Section 12 of the Exchange Act, as determined by the Board or Committee in accordance with Section 16 of the Exchange Act.

2.25 *"Nonemployee Director"* means a Director who is not an Employee on the Grant Date.

2.26 *"Nonemployee Director Award"* means any NQSO, SAR, or Full Value Award granted to a Participant who is a Nonemployee Director pursuant to such applicable terms, conditions, and limitations as the Board or Committee may establish in accordance with this Plan.

2.27 “*Nonqualified Stock Option*” or “*NQSO*” means an Option that is not intended to meet the requirements of Code Section 422, or that otherwise does not meet such requirements.

2.28 “*Option*” means an Incentive Stock Option or a Nonqualified Stock Option, as described in Article 6.

2.29 “*Option Price*” means the price at which a Share may be purchased by a Participant pursuant to the exercise of an Option.

2.30 “*Other Stock-Based Award*” means an equity-based or equity-related Award not otherwise described by the terms of this Plan, granted pursuant to Article 10.

2.31 “*Participant*” means any eligible individual as set forth in Article 5 to whom an Award is granted.

2.32 “*Performance-Based Compensation*” means compensation under an Award that is intended to satisfy the requirements of Code Section 162(m) for certain performance-based compensation paid to Covered Employees. Notwithstanding the foregoing, nothing in this Plan shall be construed to mean that an Award which does not satisfy the requirements for performance-based compensation under Code Section 162(m) does not constitute performance-based compensation for other purposes, including Code Section 409A.

2.33 “*Performance Measures*” means measures as described in Article 12 on which the performance goals are based and which are approved by the Company’s shareholders pursuant to this Plan in order to qualify Awards as Performance-Based Compensation.

2.34 “*Performance Period*” means the period of time during which the performance goals must be met in order to determine the degree of payout and/or vesting with respect to an Award.

2.35 “*Performance Share*” means an Award under Article 9 herein and subject to the terms of this Plan, denominated in Shares, the value of which at the time it is payable is determined as a function of the extent to which corresponding performance criteria or Performance Measure(s), as applicable, have been achieved.

2.36 “*Performance Unit*” means an Award under Article 9 herein and subject to the terms of this Plan, denominated in units, the value of which at the time it is payable is determined as a function of the extent to which corresponding performance criteria or Performance Measure(s), as applicable, have been achieved.

2.37 “*Period of Restriction*” means the period when Restricted Stock or Restricted Stock Units are subject to a substantial risk of forfeiture (based on the passage of time, the achievement of performance goals, or the occurrence of other events as determined by the Committee, in its discretion), as provided in Article 8.

2.38 *"Person"* shall have the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof, including a "group" as defined in Section 13(d) thereof.

2.39 *"Plan"* means The Scotts Miracle-Gro Company Amended and Restated 2006 Long-Term Incentive Plan.

2.40 *"Plan Year"* means the Company's fiscal year**.**

2.41 *"Prior Plans"* means The Scotts Miracle-Gro Company Amended and Restated 2003 Stock Option and Incentive Equity Plan, as amended, and The Scotts Miracle-Gro Company Amended and Restated 1996 Stock Option Plan, as amended.

2.42 *"Restricted Stock"* means an Award granted to a Participant pursuant to Article 8.

2.43 *"Restricted Stock Unit"* means an Award granted to a Participant pursuant to Article 8, except no Shares are actually awarded to the Participant on the Grant Date.

2.44 *"Share"* means a common share of the Company, without par value per share.

2.45 *"Stock Appreciation Right"* or *"SAR"* means an Award, designated as an SAR, pursuant to the terms of Article 7 herein.

2.46 *"Subsidiary"* means any corporation or other entity, whether domestic or foreign, in which the Company has or obtains, directly or indirectly, a proprietary interest of more than fifty percent (50%) by reason of stock ownership or otherwise.

2.47 *"Termination"* or *"Terminate"* means: (a) if a Participant is an Employee, cessation of the employee-employer relationship between a Participant and the Company and all Affiliates and Subsidiaries for any reason; (b) if a Participant is a Nonemployee Director, termination of the Nonemployee Director's service on the Board for any reason; and (c) if a Participant is a Third Party Service Provider, termination of the Third Party Service Provider's service relationship with the Company and all Affiliates and Subsidiaries for any reason. Notwithstanding the foregoing, with respect to any Award subject to Code Section 409A, any such cessation or termination also must constitute a "separation from service" as defined under Treasury Regulation Section 1.409A-1(h).

2.48 *"Third Party Service Provider"* means any consultant, agent, advisor, or independent contractor who renders services to the Company, a Subsidiary, or an Affiliate that (a) are not in connection with the offer or sale of the Company's securities in a capital raising transaction, and (b) do not directly or indirectly promote or maintain a market for the Company's securities.

Article 3.

Administration

3.1 *General*. The Committee shall be responsible for administering this Plan, subject to this Article 3 and the other provisions of this Plan. The Committee may employ attorneys, consultants, accountants, agents, and other individuals, any of whom may be an Employee, and the Committee, the Company, and its officers and Directors shall be entitled to rely upon the advice, opinions, or valuations of any such individuals. All actions taken and all interpretations and determinations made by the Committee shall be final and binding upon the Participants, the Company, and all other interested individuals.

3.2 *Authority of the Committee*. The Committee shall have full and exclusive discretionary power to interpret the terms and the intent of this Plan and any Award Agreement or other agreement or document ancillary to or in connection with this Plan, to determine eligibility for Awards and to adopt such rules, regulations, forms, instruments, and guidelines for administering this Plan as the Committee may deem necessary or proper. Such authority shall include, but not be limited to, selecting Award recipients, establishing all Award terms and conditions, including the terms and conditions set forth in Award Agreements, granting Awards as an alternative to or as the form of payment for grants or rights earned or due under compensation plans or arrangements of the Company, construing any provision of the Plan or any Award Agreement, and, subject to Article 18, adopting modifications and amendments to this Plan or any Award Agreement, including without limitation, any that are necessary to comply with the laws of the countries and other jurisdictions in which the Company, its Affiliates, and/or its Subsidiaries operate.

3.3 *Delegation*. The Committee may delegate to one or more of its members or to one or more officers of the Company, and/or its Subsidiaries and Affiliates or to one or more agents or advisors such administrative duties or powers as it may deem advisable, and the Committee or any individuals to whom it has delegated duties or powers as aforesaid may employ one or more individuals to render advice with respect to any responsibility the Committee or such individuals may have under this Plan. The Committee may, by resolution, authorize one or more officers of the Company to do one or both of the following on the same basis as can the Committee: (a) designate Employees to be recipients of Awards; (b) determine the size of any such Awards; provided, however, (i) the Committee shall not delegate such responsibilities to any such officer for Awards granted to an Employee who is considered an Insider; (ii) the resolution providing such authorization sets forth the total number of Awards such officer(s) may grant; and (iii) the officer(s) shall report periodically to the Committee regarding the nature and scope of the Awards granted pursuant to the authority delegated.

Article 4.

Shares Subject to this Plan and Maximum Awards

4.1 *Number of Shares Available for Awards.*

(a) Subject to adjustment as provided in Section 4.4 herein, the maximum number of Shares available for grant to Participants under this Plan (the "Share Authorization") shall be:

(i) Four million nine hundred twenty-seven thousand three hundred seventy-eight (4,927,378) newly authorized Shares, plus

(ii) (A) One million seventy-two thousand six hundred twenty-two (1,072,622) Shares not granted or subject to outstanding awards under the Company's Prior Plans as of September 30, 2005 (on a split-adjusted basis to reflect the 2-for-1 stock split on November 9, 2005) and (B) any Shares subject to the six million six hundred thirteen thousand nine hundred thirty-four (6,613,934) outstanding awards as of September 30, 2005 (on a split-adjusted basis to reflect the 2-for-1 stock split on November 9, 2005) under the Prior Plans that on or after September 30, 2005 cease for any reason to be subject to such awards (other than by reason of exercise or settlement of the awards to the extent they are exercised for or settled in vested and nonforfeitable Shares), up to an aggregate maximum of six million six hundred thirteen thousand nine hundred thirty-four (6,613,934) Shares.

(b) No more than three million (3,000,000) Shares of the Share Authorization may be granted as Full Value Awards.

(c) The maximum number of Shares of the Share Authorization that may be issued pursuant to ISOs under this Plan shall be six million (6,000,000) Shares.

(d) The maximum number of Shares of the Share Authorization that may be granted to Nonemployee Directors shall be one million (1,000,000) Shares.

4.2 *Share Usage*. Shares covered by an Award shall only be counted as used to the extent they are actually issued; however, the full number of Stock Appreciation Rights granted that are to be settled by the issuance of Shares shall be counted against the number of Shares available for award under the Plan, regardless of the number of Shares actually issued upon settlement of such Stock Appreciation Rights. Any Shares related to Awards which terminate by expiration, forfeiture, cancellation, or otherwise without the issuance of such Shares, are settled in cash in lieu of Shares, or are exchanged with the Committee's permission, prior to the issuance of Shares, for Awards not involving Shares, shall be available again for grant under this Plan. The Shares available for issuance under this Plan may be authorized and unissued Shares or treasury Shares.

4.3 *Annual Award Limits*. Unless and until the Committee determines that an Award to a Covered Employee shall not be designed to qualify as Performance-Based Compensation, the following limits (each an “Annual Award Limit” and, collectively, “Annual Award Limits”) shall apply to grants of such Awards under this Plan:

(a) *Options:* The maximum aggregate number of Shares subject to Options granted in any one Plan Year to any one Participant shall be two hundred thousand (200,000), as adjusted pursuant to Sections 4.4 and/or 18.2.

(b) *SARs:* The maximum aggregate number of Shares subject to Stock Appreciation Rights granted in any one Plan Year to any one Participant shall be two hundred thousand (200,000), as adjusted pursuant to Sections 4.4 and/or 18.2.

(c) *Restricted Stock or Restricted Stock Units:* The maximum aggregate Awards of Restricted Stock or Restricted Stock Units in any one Plan Year to any one Participant shall be one hundred thousand (100,000) Shares, as adjusted pursuant to Sections 4.4 and/or 18.2.

(d) *Performance Units or Performance Shares:* The maximum aggregate Awards of Performance Units or Performance Shares that a Participant may receive in any one Plan Year shall be one hundred thousand (100,000) Shares, as adjusted pursuant to Sections 4.4 and/or 18.2, or equal to the value of one hundred thousand (100,000) Shares, as adjusted pursuant to Sections 4.4 and/or 18.2, determined as of the date of vesting or payout, as applicable.

(e) *Cash-Based Awards:* The maximum aggregate amount awarded or credited with respect to Cash-Based Awards to any one Participant in any one Plan Year may not exceed the greater of the value of three million dollars ($3,000,000) or one hundred thousand (100,000) Shares, as adjusted pursuant to Sections 4.4 and/or 18.2, determined as of the date of vesting or payout, as applicable**.**

(f) *Other Stock-Based Awards***.** The maximum aggregate grants with respect to Other Stock-Based Awards pursuant to Section 10.2 in any one Plan Year to any one Participant shall be one hundred fifty thousand (150,000) Shares, as adjusted pursuant to Sections 4.4 and/or 18.2.

4.4 *Adjustments in Authorized Shares*. In the event of any corporate event or transaction (including, but not limited to, a change in the Shares of the Company or the capitalization of the Company) such as a merger, consolidation, reorganization, recapitalization, separation, partial or complete liquidation, stock dividend, stock split, reverse stock split, split up, spin-off, or other distribution of stock or property of the Company, combination of Shares, exchange of Shares, dividend in kind, or other like change in capital structure, number of outstanding Shares or distribution (other than normal cash dividends) to shareholders of the Company, or any similar corporate event or transaction, the Committee, in its sole discretion, in order to prevent dilution or enlargement of Participants’ rights under this Plan, shall substitute or adjust, as applicable, the number and kind of Shares that may be issued under this Plan or under particular forms of Awards, the number and kind of Shares subject to outstanding Awards, the Option Price or Grant Price applicable to outstanding Awards, the Annual Award Limits, and other value determinations applicable to outstanding Awards.

The Committee, in its sole discretion, may also make appropriate adjustments in the terms of any Awards under this Plan to reflect or related to such changes or distributions and to modify any other terms of outstanding Awards, including modifications of performance goals and changes in the length of Performance Periods. The determination of the Committee as to the foregoing adjustments, if any, shall be conclusive and binding on Participants under this Plan.

Notwithstanding anything to the contrary in this Section 4.4, an adjustment to an Option or SAR shall be made only to the extent such adjustment complies with the requirements of Code Section 409A.

Subject to the provisions of Article 18 and notwithstanding anything else herein to the contrary, without affecting the number of Shares reserved or available hereunder, the Committee may authorize the issuance or assumption of benefits under this Plan in connection with any merger, consolidation, acquisition of property or stock, or reorganization upon such terms and conditions as it may deem appropriate (including, but not limited to, a conversion of equity awards into Awards under this Plan in a manner consistent with paragraph 53 of FASB Interpretation No. 44), subject to compliance with the rules under Code Sections 409A, 422 and 424, as and where applicable.

Article 5.

Eligibility and Participation

5.1 *Eligibility*. Individuals eligible to participate in this Plan include all Employees, Directors, and Third Party Service Providers.

5.2 *Actual Participation*. Subject to the provisions of this Plan, the Committee may, from time to time, select from all eligible individuals, those individuals to whom Awards shall be granted and shall determine, in its sole discretion, the nature of, any and all terms permissible by law, and the amount of, each Award.

Article 6.

Stock Options

6.1 *Grant of Options.* Subject to the terms and provisions of this Plan, Options may be granted to Participants in such number, and upon such terms, and at any time and from time to time as shall be determined by the Committee, in its sole discretion; provided that ISOs may be granted only to eligible Employees of the Company or of any parent or subsidiary corporation (as permitted under Code Sections 422 and 424).

6.2 *Award Agreement.* Each Option grant shall be evidenced by an Award Agreement that shall specify the Option Price, the maximum duration of the Option, the number of Shares to which the Option pertains, the conditions upon which the Option shall become vested and exercisable, and such other provisions as the Committee shall determine which are not inconsistent with the terms of this Plan. The Award Agreement also shall specify whether the Option is intended to be an ISO or a NQSO.

6.3 *Option Price.* The Option Price for each grant of an Option under this Plan shall be determined by the Committee in its sole discretion and shall be specified in the Award Agreement; provided, however, the Option Price must be at least equal to one hundred percent (100%) of the FMV of the Shares as determined on the Grant Date; provided, further, however, that the Option Price must be at least equal to one hundred and ten percent (110%) of the FMV of a Share on the Grant Date with respect to any ISO issued to a Participant who, on the Grant Date, owns (as defined in Code §424(d)) stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or of its subsidiary corporation (as defined in Code §424(f)) (a “10% Shareholder”).

6.4 *Term of Options.* Each Option granted to a Participant shall expire at such time as the Committee shall determine at the time of grant; provided, however, no Option shall be exercisable later than the day before the tenth (10th) anniversary date of its grant; provided, further, however, that no ISO granted to a 10% Shareholder shall be exercisable later than the day before the fifth (5th) anniversary of its Grant Date. Notwithstanding the foregoing, for Nonqualified Stock Options granted to Participants outside the United States, the Committee has the authority to grant Nonqualified Stock Options that have a term greater than ten (10) years.

6.5 *Exercise of Options.* Options granted under this Article 6 shall be exercisable at such times and be subject to such restrictions and conditions as the Committee shall in each instance approve, which terms and restrictions need not be the same for each grant or for each Participant. Notwithstanding anything in this Plan to the contrary, to the extent that the aggregate FMV of the Shares (determined as of the Grant Date of the applicable ISO) with respect to which ISOs are exercisable for the first time by a Participant during any calendar year (under all plans of the Company and its subsidiary corporations (as defined in Code §424(f)) exceeds $100,000, such Options shall be treated as Nonqualified Stock Options.

6.6 *Payment.* Options granted under this Article 6 shall be exercised by the delivery of a notice of exercise to the Company or an agent designated by the Company in a form specified or accepted by the Committee, or by complying with any alternative procedures which may be authorized by the Committee, setting forth the number of Shares with respect to which the Option is to be exercised, accompanied by full payment for the Shares.

A condition of the issuance of the Shares as to which an Option shall be exercised shall be the payment of the Option Price. The Option Price of any Option shall be payable to the Company in full either: (a) in cash or its equivalent; (b) by tendering (either by actual delivery or attestation) previously acquired Shares having an aggregate Fair Market Value at the time of exercise equal to the Option Price (provided that except as otherwise determined by the Committee, the Shares that are tendered must have been held by the Participant for at least six (6) months (or such other period, if any, as the Committee may permit) prior to their tender to satisfy the Option Price if acquired under this Plan or any other compensation plan maintained by the Company or have been purchased on the open market); (c) by a cashless (broker-assisted) exercise; (d) by a combination of (a), (b) and/or (c); or (e) any other method approved or accepted by the Committee in its sole discretion.

Subject to any governing rules or regulations, as soon as practicable after receipt of written notification of exercise and full payment (including satisfaction of any applicable tax withholding), the Company shall deliver to the Participant evidence of book entry Shares, or upon the Participant’s request, Share certificates in an appropriate amount based upon the number of Shares purchased under the Option(s).

Unless otherwise determined by the Committee, all payments under all of the methods indicated above shall be paid in United States dollars.

6.7 *Restrictions on Share Transferability.* The Committee may impose such restrictions on any Shares acquired pursuant to the exercise of an Option granted under this Article 6 as it may deem advisable, including, without limitation, minimum holding period requirements, restrictions under applicable federal securities laws, under the requirements of any stock exchange or market upon which such Shares are then listed and/or traded, or under any blue sky or state securities laws applicable to such Shares.

6.8 *Termination of Employment or Service.* Each Participant’s Award Agreement shall set forth the extent to which the Participant shall have the right to exercise the Option following the Participant’s Termination. Such provisions shall be determined in the sole discretion of the Committee, shall be included in the Award Agreement entered into with each Participant, need not be uniform among all Options issued pursuant to this Article 6, and may reflect distinctions based on the reasons for Termination.

6.9 *Notification of Disqualifying Disposition.* If any Participant shall make any disposition of Shares issued pursuant to the exercise of an ISO under the circumstances described in Code Section 421(b) (relating to certain disqualifying dispositions), such Participant shall notify the Company of such disposition within ten (10) calendar days thereof.

Article 7.

Stock Appreciation Rights

7.1 *Grant of SARs.* Subject to the terms and conditions of this Plan, SARs may be granted to Participants at any time and from time to time as shall be determined by the Committee.

Subject to the terms and conditions of this Plan, the Committee shall have complete discretion in determining the number of SARs granted to each Participant and, consistent with the provisions of this Plan, in determining the terms and conditions pertaining to such SARs.

The Grant Price for each grant of an SAR shall be determined by the Committee and shall be specified in the Award Agreement; provided, however, the Grant Price on the Grant Date must be at least equal to one hundred percent (100%) of the FMV of the Shares as determined on the Grant Date.

7.2 *SAR Agreement.* Each SAR Award shall be evidenced by an Award Agreement that shall specify the Grant Price, the term of the SAR, and such other provisions as the Committee shall determine.

7.3 *Term of SAR.* The term of an SAR granted under this Plan shall be determined by the Committee, in its sole discretion, and except as determined otherwise by the Committee and specified in the SAR Award Agreement, no SAR shall be exercisable later than the tenth (10th) anniversary date of its grant. Notwithstanding the foregoing, for SARs granted to Participants outside the United States, the Committee has the authority to grant SARs that have a term greater than ten (10) years.

7.4 *Exercise of SARs.* SARs may be exercised upon whatever terms and conditions the Committee, in its sole discretion, imposes.

7.5 *Settlement of SARs.* Upon the exercise of an SAR, a Participant shall be entitled to receive payment from the Company in an amount determined by multiplying:

(a) The excess of the Fair Market Value of a Share on the date of exercise over the Grant Price; by

(b) The number of Shares with respect to which the SAR is exercised.

At the discretion of the Committee, the payment upon SAR exercise may be in cash, Shares, or any combination thereof, or in any other manner approved by the Committee in its sole discretion. The Committee's determination regarding the form of SAR payout shall be set forth in the Award Agreement pertaining to the grant of the SAR.

7.6 *Termination of Employment or Service.* Each Award Agreement shall set forth the extent to which the Participant shall have the right to exercise the SAR following the Participant's Termination. Such provisions shall be determined in the sole discretion of the Committee, shall be included in the Award Agreement entered into with Participants, need not be uniform among all SARs issued pursuant to this Plan, and may reflect distinctions based on the reasons for Termination.

7.7 *Other Restrictions.* The Committee shall impose such other conditions and/or restrictions on any Shares received upon exercise of an SAR granted pursuant to this Plan as it may deem advisable or desirable. These restrictions may include, but shall not be limited to, a requirement that the Participant hold the Shares received upon exercise of an SAR for a specified period of time.

Article 8.

Restricted Stock and Restricted Stock Units

8.1 *Grant of Restricted Stock or Restricted Stock Units.* Subject to the terms and provisions of this Plan or an Award Agreement, the Committee, at any time and from time to time, may grant Shares of Restricted Stock and/or Restricted Stock Units to Participants in such amounts as the Committee shall determine. Restricted Stock Units shall be similar to Restricted Stock except that no Shares are actually awarded to the Participant on the Grant Date.

8.2 *Restricted Stock or Restricted Stock Unit Agreement.* Each Restricted Stock and/or Restricted Stock Unit grant shall be evidenced by an Award Agreement that shall specify the Period(s) of Restriction, the number of Shares of Restricted Stock or the number of Restricted Stock Units granted, and such other provisions as the Committee shall determine.

8.3 *Other Restrictions.* The Committee shall impose such other conditions and/or restrictions on any Shares of Restricted Stock or Restricted Stock Units granted pursuant to this Plan as it may deem advisable including, without limitation, a requirement that Participants pay a stipulated purchase price for each Share of Restricted Stock or each Restricted Stock Unit, restrictions based upon the achievement of specific performance goals, time-based restrictions on vesting following the attainment of the performance goals, time-based restrictions, and/or restrictions under applicable laws or under the requirements of any stock exchange or market upon which such Shares are listed or traded, or holding requirements or sale restrictions placed on the Shares by the Company upon vesting of such Restricted Stock or Restricted Stock Units.

To the extent deemed appropriate by the Committee, the Company may retain the certificates representing Shares of Restricted Stock in the Company's possession until such time as all conditions and/or restrictions applicable to such Shares have been satisfied or lapse.

Except as otherwise provided in this Article 8, Shares of Restricted Stock covered by each Restricted Stock Award shall become freely transferable by the Participant after all conditions and restrictions applicable to such Shares have been satisfied or lapse (including satisfaction of any applicable tax withholding obligations), and Restricted Stock Units shall be paid in cash, Shares, or a combination of cash and Shares as the Committee, in its sole discretion shall determine.

8.4 *Certificate Legend.* In addition to any legends placed on certificates pursuant to Section 8.3, each certificate representing Shares of Restricted Stock granted pursuant to this Plan may bear a legend such as the following or as otherwise determined by the Committee in its sole discretion:

The sale or transfer of the common shares of The Scotts Miracle-Gro Company represented by this certificate, whether voluntary, involuntary, or by operation of law, is subject to certain restrictions on transfer as set forth in The Scotts Miracle-Gro Company Amended and Restated 2006 Long-Term Incentive Plan, and in the associated Award Agreement. A copy of this Plan and such Award Agreement will be provided by The Scotts Miracle-Gro Company, without charge, within five (5) days after receipt of a written request therefor.

8.5 *Voting Rights.* Unless otherwise determined by the Committee and set forth in a Participant's Award Agreement, to the extent permitted or required by law, as determined by the Committee, Participants holding Shares of Restricted Stock granted hereunder may be granted the right to exercise full voting rights with respect to those Shares during the Period of Restriction. A Participant shall have no voting rights with respect to any Restricted Stock Units granted hereunder.

8.6 *Termination of Employment or Service.* Each Award Agreement shall set forth the extent to which the Participant shall have the right to retain Restricted Stock and/or Restricted Stock Units following the Participant's Termination. Such provisions shall be determined in the sole discretion of the Committee, shall be included in the Award Agreement entered into with each Participant, need not be uniform among all Shares of Restricted Stock or Restricted Stock Units issued pursuant to this Plan, and may reflect distinctions based on the reasons for Termination.

8.7 *Section 83(b) Election.* The Committee may provide in an Award Agreement that the Award of Restricted Stock is conditioned upon the Participant making or refraining from making an election with respect to the Award under Code Section 83(b). If a Participant makes an election pursuant to Code Section 83(b) concerning a Restricted Stock Award, the Participant shall be required to file promptly a copy of such election with the Company.

Article 9.

Performance Units/Performance Shares

9.1 *Grant of Performance Units/Performance Shares.* Subject to the terms and provisions of this Plan, the Committee, at any time and from time to time, may grant Performance Units and/or Performance Shares to Participants in such amounts and upon such terms as the Committee shall determine.

9.2 *Value of Performance Units/Performance Shares.* Each Performance Unit shall have an initial value that is established by the Committee at the time of grant. Each Performance Share shall have an initial value equal to the Fair Market Value of a Share on the Grant Date. The Committee shall set performance goals in its discretion which, depending on the extent to which they are met, will determine the value and/or number of Performance Units/Performance Shares that will be paid out to the Participant.

9.3 *Earning of Performance Units/Performance Shares.* Subject to the terms of this Plan, after the applicable Performance Period has ended, the holder of Performance Units/Performance Shares shall be entitled to receive payout on the value and number of Performance Units/Performance Shares earned by the Participant over the Performance Period, to be determined as a function of the extent to which the corresponding performance goals have been achieved.

9.4 *Form and Timing of Payment of Performance Units/Performance Shares.* Payment of earned Performance Units/Performance Shares shall be as determined by the Committee and as evidenced in the Award Agreement. Subject to the terms of this Plan, the Committee, in its sole discretion, may pay earned Performance Units/Performance Shares in the form of cash or in Shares (or in a combination thereof) equal to the value of the earned Performance Units/Performance Shares at the close of the applicable Performance Period, or as soon as practicable after the end of the Performance Period. Any Shares may be granted subject to any restrictions deemed appropriate by the Committee. The determination of the Committee with respect to the form of payout of such Awards shall be set forth in the Award Agreement pertaining to the grant of the Award.

9.5 *Termination of Employment or Service.* Each Award Agreement shall set forth the extent to which the Participant shall have the right to retain Performance Units and/or Performance Shares following the Participant’s Termination. Such provisions shall be determined in the sole discretion of the Committee, shall be included in the Award Agreement entered into with each Participant, need not be uniform among all Awards of Performance Units or Performance Shares issued pursuant to this Plan, and may reflect distinctions based on the reasons for Termination.

Article 10.

Cash-Based Awards and Other Stock-Based Awards

10.1 *Grant of Cash-Based Awards.* Subject to the terms and provisions of the Plan, the Committee, at any time and from time to time, may grant Cash-Based Awards to Participants in such amounts and upon such terms as the Committee may determine.

10.2 *Other Stock-Based Awards.* The Committee may grant other types of equity-based or equity-related Awards not otherwise described by the terms of this Plan (including the grant or offer for sale of unrestricted Shares) in such amounts and subject to such terms and conditions, as the Committee shall determine. Such Awards may involve the transfer of actual Shares to Participants, or payment in cash or otherwise of amounts based on the value of Shares and may include, without limitation, Awards designed to comply with or take advantage of the applicable local laws of jurisdictions other than the United States.

10.3 *Value of Cash-Based and Other Stock-Based Awards.* Each Cash-Based Award shall specify a payment amount or payment range as determined by the Committee. Each Other Stock-Based Award shall be expressed in terms of Shares or units based on Shares, as determined by the Committee. The Committee may establish performance goals in its discretion. If the Committee exercises its discretion to establish performance goals, the number and/or value of Cash-Based Awards or Other Stock-Based Awards that will be paid out to the Participant will depend on the extent to which the performance goals are met.

10.4 *Payment of Cash-Based Awards and Other Stock-Based Awards.* Payment, if any, with respect to a Cash-Based Award or an Other Stock-Based Award shall be made in accordance with the terms of the Award, in cash or Shares as the Committee determines and as specified in the Award Agreement.

10.5 *Termination of Employment or Service.* The Committee shall determine the extent to which the Participant shall have the right to receive Cash-Based Awards or Other Stock-Based Awards following the Participant's Termination. Such provisions shall be determined in the sole discretion of the Committee, shall be included in an agreement entered into with each Participant, need not be uniform among all Awards of Cash-Based Awards or Other Stock-Based Awards issued pursuant to the Plan, and may reflect distinctions based on the reasons for Termination.

Article 11.

Transferability of Awards

11.1 *Transferability.* Except as provided in Section 11.2 below, during a Participant's lifetime, his or her Awards shall be exercisable only by the Participant or the Participant's legal representative. Awards shall not be transferable other than by will or the laws of descent and distribution; no Awards shall be subject, in whole or in part, to attachment, execution, or levy of any kind; and any purported transfer in violation hereof shall be null and void. The Committee may establish such procedures as it deems appropriate for a Participant to designate a beneficiary to whom any amounts payable or Shares deliverable in the event of, or following, the Participant's death, may be provided.

11.2 *Committee Action.* The Committee may, in its discretion, determine that notwithstanding Section 11.1, any or all Awards (other than ISOs) shall be transferable to and exercisable by such transferees, and subject to such terms and conditions, as the Committee may deem appropriate; provided, however, no Award may be transferred for value (as defined in the General Instructions to Form S-8).

Article 12.

Performance Measures

12.1 *Performance Measures.* The performance goals upon which the payment or vesting of an Award to a Covered Employee that is intended to qualify as Performance-Based Compensation shall be limited to the following Performance Measures:

(a) Net earnings or net income (before or after taxes);

(b) Earnings per share (basic or diluted);

(c) Net sales or revenue growth;

(d) Net operating profit;

(e) Return measures (including, but not limited to, return on assets, capital, invested capital, equity, sales, or revenue);

(f) Cash flow (including, but not limited to, operating cash flow, free cash flow, cash flow return on equity, and cash flow return on investment);

(g) Earnings before or after taxes, interest, depreciation, and/or amortization;

(h) Gross or operating margins;

(i) Productivity ratios;

(j) Share price (including, but not limited to, growth measures and total shareholder return);

(k) Expense targets;

(l) Margins;

(m) Operating efficiency;

(n) Market share;

(o) Customer satisfaction;

(p) Working capital targets;

(q) Economic value added or EVA(R) (net operating profit after tax minus the sum of capital multiplied by the cost of capital);

(r) Developing new products and lines of revenue;

(s) Reducing operating expenses;

(t) Developing new markets;

(u) Meeting completion schedules;

(v) Developing and managing relationships with regulatory and other governmental agencies;

(w) Managing cash;

(x) Managing claims against the Company, including litigation; and

(y) Identifying and completing strategic acquisitions.

Any Performance Measure(s) may be used to measure the performance of the Company, Subsidiary, and/or Affiliate as a whole or any business unit of the Company, Subsidiary, and/or Affiliate or any combination thereof, as the Committee may deem appropriate, or any of the above Performance Measures as compared to the performance of a group of comparator companies, or published or special index that the Committee, in its sole discretion, deems appropriate, or the Company may select Performance Measure (j) above as compared to various stock market indices. The Committee also has the authority to provide for accelerated vesting of any Award based on the achievement of performance goals pursuant to the Performance Measures specified in this Article 12.

12.2 *Evaluation of Performance.* The Committee may provide in any such Award that any evaluation of performance may include or exclude any of the following events that occurs during a Performance Period: (a) asset write-downs, (b) litigation or claim judgments or settlements, (c) the effect of changes in tax laws, accounting principles, or other laws or provisions affecting reported results, (d) any reorganization and restructuring programs, (e) extraordinary nonrecurring items as described in Accounting Principles Board Opinion No. 30 and/or in management’s discussion and analysis of financial condition and results of operations appearing in the Company’s annual report to shareholders for the applicable year, (f) acquisitions or divestitures, and (g) foreign exchange gains and losses. To the extent such inclusions or exclusions affect Awards to Covered Employees, they shall be prescribed in a form that meets the requirements of Code Section 162(m) for deductibility.

12.3 *Adjustment of Performance-Based Compensation.* Awards that are intended to qualify as Performance-Based Compensation may not be adjusted upward. The Committee shall retain the discretion to adjust such Awards downward, either on a formula or discretionary basis or any combination, as the Committee determines.

12.4 *Committee Discretion.* In the event that applicable tax and/or securities laws change to permit Committee discretion to alter the governing Performance Measures without obtaining shareholder approval of such changes, the Committee shall have sole discretion to make such changes without obtaining shareholder approval. In addition, in the event that the Committee determines that it is advisable to grant Awards that shall not qualify as Performance-Based Compensation, the Committee may make such grants without satisfying the requirements of Code Section 162(m) and base vesting on Performance Measures other than those set forth in Section 12.1.

Article 13.

Nonemployee Director Awards

The Board shall determine all Awards to Nonemployee Directors. The terms and conditions of any grant to any such Nonemployee Director shall be set forth in an Award Agreement.

Article 14.

Dividend Equivalents

Any Participant selected by the Committee may be granted dividend equivalents based on the dividends declared on Shares that are subject to any Award (other than Options or SARs), to be credited as of dividend payment dates, during the period between the Grant Date and the date the Award vests or expires, as determined by the Committee. Such dividend equivalents shall be converted to cash or additional Shares by such formula and at such time and subject to such limitations as may be determined by the Committee.

Article 15.

Beneficiary Designation

Each Participant under this Plan may, from time to time, name any beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under this Plan is to be paid in case of his death before he receives any or all of such benefit. Each such designation shall revoke all prior designations by the same Participant, shall be in a form prescribed by the Committee, and will be effective only when filed by the Participant in writing with the Company during the Participant’s lifetime. In the absence of any such beneficiary designation, benefits remaining unpaid or rights remaining unexercised at the

Participant's death shall be paid to or exercised by the Participant's spouse, executor, administrator, or legal representative.

Article 16.

Rights of Participants

16.1 *Employment or Service.* Nothing in this Plan or an Award Agreement shall interfere with or limit in any way the right of the Company, its Affiliates, and/or its Subsidiaries, to Terminate any Participant at any time or for any reason not prohibited by law, nor confer upon any Participant any right to continue his employment or service as a Director or Third Party Service Provider for any specified period of time.

Neither an Award nor any benefits arising under this Plan shall constitute an employment contract with the Company, its Affiliates, and/or its Subsidiaries and, accordingly, subject to Articles 3 and 18, this Plan and the benefits hereunder may be terminated at any time in the sole and exclusive discretion of the Committee without giving rise to any liability on the part of the Company, its Affiliates, and/or its Subsidiaries.

16.2 *Participation.* No individual shall have the right to be selected to receive an Award under this Plan, or, having been so selected, to be selected to receive a future Award.

16.3 *Rights as a Shareholder.* Except as otherwise provided herein, a Participant shall have none of the rights of a shareholder with respect to Shares covered by any Award until the Participant becomes the record holder of such Shares.

Article 17.

Change of Control

17.1 *Accelerated Vesting and Settlement.* Subject to Section 17.2, on the date of any Change in Control:

(a) Each Option and SAR (other than Options and SARs of Nonemployee Directors) outstanding on the date of a Change in Control (whether or not exercisable) will be cancelled in exchange (i) for cash equal to the excess of the Change in Control Price over the Option Price or Grant Price, as applicable, associated with the cancelled Option or SAR or, (ii) at the Committee's discretion, for whole Shares with a Fair Market Value equal to the excess of the Change in Control Price over the Option Price or Grant Price, as applicable, associated with the cancelled Option or SAR and the Fair Market Value of any fractional Share will be distributed in cash. However, the Committee, in its sole discretion, may offer the holders of the Options or SARs to be cancelled a reasonable opportunity (not longer than 15 days beginning on the date of the Change in Control) to exercise all their outstanding Options and SARs (whether or not otherwise then exercisable);

(b) All performance goals associated with Awards for which performance goals have been established will be deemed to have been met on the date of the Change in Control, all Performance Periods accelerated to the date of the Change in Control and all outstanding Awards for which performance goals have been established (including those subject to the acceleration described in this subsection) will be distributed in a single lump sum cash payment within thirty (30) days following such Change in Control; and

(c) All other then-outstanding Awards whose exercisability or vesting depends merely on the satisfaction of a service obligation by a Participant to the Company, Subsidiary, or Affiliate ("Service Award") shall vest in full and be free of restrictions related to the vesting of such Awards. All Service Awards whose vesting is so accelerated will be distributed, if not already held by a Participant and to the extent applicable, (i) in a single lump-sum cash payment within thirty (30) days following such Change in Control based on the Change in Control Price or, (ii) at the Committee's discretion, in the form of whole Shares based on the Change in Control Price.

17.2 *Alternative Awards.* Section 17.1 will not apply to the extent that the Committee reasonably concludes in good faith before the Change in Control occurs that Awards will be honored or assumed or new rights substituted for the Award (collectively, "Alternative Awards") by the Employee's employer or Third Party Service Provider's employer (or the parent or a subsidiary of such employers) immediately after the Change in Control, provided that any Alternative Award must:

(a) Be based on stock that is (or, within 60 days of the Change in Control, will be) traded on an established securities market;

(b) Provide the Employee with the rights and entitlements substantially equivalent to or better than the rights, terms and conditions of each Award for which it is substituted, including an identical or better exercise or vesting schedule and identical or, in the case of an Award that is not subject to Section 409A of the Code, better timing and methods of payment;

(c) Have substantially equivalent economic value to the Award (determined at the time of the Change in Control) for which it is substituted; and

(d) Provide that, if the Employee is involuntarily Terminated without Cause or the Employee constructively Terminates, any conditions on the Employee's rights under, or any restrictions on transfer or exercisability applicable to, each Alternative Award will be waived or lapse.

For purposes of this section, a constructive Termination means a Termination by an Employee following a material reduction in the Employee's compensation or job responsibilities (when compared to the Employee's compensation and job responsibilities on the date of the Change in Control) or the relocation of the Employee's principal place of employment to a location at least fifty (50) miles from his or her principal place of employment on the date of the Change in Control (or other location to which the Employee has been reassigned with his or her written consent), in each case without the Employee's written consent.

Notwithstanding anything herein to the contrary, no Alternative Award shall be made with respect to an Option or SAR if it would cause the Option or SAR to fail to comply with the requirements of Code Section 409A.

17.3 *Nonemployee Directors' Awards.* Upon a Change in Control, each outstanding:

(a) Option or SAR held by a Nonemployee Director will be cancelled unless (i) the Shares continues to be traded on an established securities market after the Change in Control or (ii) the Nonemployee Director continues to be a Board member after the Change in Control. In the situations just described, the Options or SARs held by a Nonemployee Director will be unaffected by a Change in Control. Any Options and SARs held by a Nonemployee Director to be cancelled under the next preceding sentence will be exchanged (iii) for cash equal to the excess of the Change in Control Price over the Option Price or Grant Price, as applicable, associated with the cancelled Option or SAR held by a Nonemployee Director or, (iv) at the Board's discretion, for whole Shares with a Fair Market Value equal to the excess of the Change in Control Price over the Option Price or Grant Price, as applicable, associated with the cancelled Option or SAR held by a Nonemployee Director and the Fair Market Value of any fractional Share will be distributed in cash. However, the Board, in its sole discretion, may offer Nonemployee Directors holding Options or SARs to be cancelled a reasonable opportunity (not longer than 15 days beginning on the date of the Change in Control) to exercise all their outstanding Options and SARs (whether or not otherwise then exercisable).

(b) Restricted Stock or Restricted Stock Unit held by a Nonemployee Director will be settled within thirty (30) days following such Change in Control for a lump sum cash payment equal to the Change in Control Price.

(c) All other types of Awards held by a Nonemployee Director will be settled within thirty (30) days following such Change in Control for a lump sum cash payment equal to the Change in Control Price less any amount the Nonemployee

Director would be required to pay in order for the Award to be exercised or settled, other than any such amount related to taxes.

Article 18.

Amendment, Modification, Suspension, and Termination

18.1 *Amendment, Modification, Suspension, and Termination.* Subject to Section 18.3, the Committee may, at any time and from time to time, alter, amend, modify, suspend, or terminate this Plan and any Award Agreement in whole or in part; provided, however, that, without the prior approval of the Company's shareholders and except as provided in Section 4.4, Options or SARs issued under this Plan will not be repriced, replaced, or regranted through cancellation, or by lowering the Option Price of a previously granted Option or the Grant Price of a previously granted SAR, and no material amendment of this Plan shall be made without shareholder approval if shareholder approval is required by law, regulation, or stock exchange rule.

18.2 *Adjustment of Awards Upon the Occurrence of Certain Unusual or Nonrecurring Events.* The Committee may make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events (including, without limitation, the events described in Section 4.4 hereof) affecting the Company or the financial statements of the Company or of changes in applicable laws, regulations, or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent unintended dilution or enlargement of the benefits or potential benefits intended to be made available under this Plan. The determination of the Committee as to the foregoing adjustments, if any, shall be conclusive and binding on Participants under this Plan. Notwithstanding anything to the contrary in this Section 18.2, an adjustment to an Option or SAR shall be made only to the extent such adjustment complies with the requirements of Code Section 409A.

18.3 *Awards Previously Granted.* Notwithstanding any other provision of this Plan to the contrary (other than Section 18.4), no termination, amendment, suspension, or modification of this Plan or an Award Agreement shall adversely affect in any material way any Award previously granted under this Plan, without the written consent of the Participant holding such Award.

18.4 *Amendment to Conform to Law.* Notwithstanding any other provision of this Plan to the contrary, the Board may amend the Plan or an Award Agreement, to take effect retroactively or otherwise, as deemed necessary or advisable for the purpose of conforming the Plan or an Award Agreement to any present or future law relating to plans of this or similar nature (including, but not limited to, Code Section 409A), and to the administrative regulations and rulings promulgated thereunder. By accepting an Award under this Plan, each Participant agrees to any amendment made pursuant to this Section 18.4 to any Award granted under the Plan without further consideration or action.

Article 19.

Withholding

19.1 *Tax Withholding.* The Company shall have the power and the right to deduct or withhold at the time amounts under the Plan are distributed, or require a Participant to remit to the Company, the minimum statutory amount to satisfy federal, state, and local taxes, domestic or foreign, required by law or regulation to be withheld with respect to any taxable event arising as a result of this Plan.

19.2 *Share Withholding.* With respect to withholding required upon the exercise of Options or SARs, upon the lapse of restrictions on Restricted Stock and Restricted Stock Units, or upon the achievement of performance goals related to Performance Shares, or any other taxable event arising as a result of an Award granted hereunder, a Participant may elect, subject to the approval of the Committee, to satisfy the withholding requirement, in whole or in part, by having the Company withhold Shares having a Fair Market Value on the date the tax is to be determined equal to the minimum statutory total tax that could be imposed on the transaction; provided that such Shares would otherwise be distributable to the Participant at the time of the withholding. All such elections shall be irrevocable, made in writing, and signed by the Participant, and shall be subject to any restrictions or limitations that the Committee, in its sole discretion, deems appropriate.

Article 20.

Successors

All obligations of the Company under this Plan with respect to Awards granted hereunder shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

Article 21.

General Provisions

21.1 *Forfeiture Events.*

(a) The Committee may specify in an Award Agreement that the Participant's rights, payments, and benefits with respect to an Award shall be subject to reduction, cancellation, forfeiture, or recoupment upon the occurrence of certain specified events, in addition to any otherwise applicable vesting or performance conditions of an Award. Such events may include, but shall not be limited to, termination of employment for Cause, termination of the Participant's provision of services to the Company, Affiliate, and/or Subsidiary, violation of material Company, Affiliate, and/or Subsidiary policies, breach of noncompetition, confidentiality, or other restrictive covenants that may apply to the Participant, or other conduct by the

Participant that is detrimental to the business or reputation of the Company, its Affiliates, and/or its Subsidiaries.

(b) If the Company is required to prepare an accounting restatement due to the material noncompliance of the Company, as a result of misconduct, with any financial reporting requirement under the securities laws, if the Participant knowingly or grossly negligently engaged in the misconduct, or knowingly or grossly negligently failed to prevent the misconduct, or if the Participant is one of the individuals subject to automatic forfeiture under Section 304 of the Sarbanes-Oxley Act of 2002, the Participant shall reimburse the Company the amount of any payment in settlement of an Award earned or accrued during the twelve- (12-) month period following the first public issuance or filing with the United States Securities and Exchange Commission (whichever first occurs) of the financial document embodying such financial reporting requirement.

21.2 *Legend.* The certificates for Shares may include any legend which the Committee deems appropriate to reflect any restrictions on transfer of such Shares.

21.3 *Gender and Number.* Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine, the plural shall include the singular, and the singular shall include the plural.

21.4 *Severability*. In the event any provision of this Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of this Plan, and this Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

21.5 *Requirements of Law.* The granting of Awards and the issuance of Shares under this Plan shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or stock exchange as may be required.

21.6 *Delivery of Title.* The Company shall have no obligation to issue or deliver evidence of title for Shares issued under this Plan prior to:

(a) Obtaining any approvals from governmental agencies that the Company determines are necessary; and

(b) Completion of any registration or other qualification of the Shares under any applicable national or foreign law or ruling of any governmental body that the Company determines to be necessary.

21.7 *Inability to Obtain Authority.* The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company’s counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

21.8 *Investment Representations.* The Committee may require any individual receiving Shares pursuant to an Award under this Plan to represent and warrant in writing that the individual is acquiring the Shares for investment and without any present intention to sell or distribute such Shares.

21.9 *Employees Based Outside of the United States.* Notwithstanding any provision of this Plan to the contrary, in order to comply with the laws in other countries in which the Company, its Affiliates, and/or its Subsidiaries operate or have Employees, Directors, or Third Party Service Providers, the Committee, in its sole discretion, shall have the power and authority to:

(a) Determine which Affiliates and Subsidiaries shall be covered by this Plan;

(b) Determine which Employees, Directors, and/or Third Party Service Providers outside the United States are eligible to participate in this Plan;

(c) Modify the terms and conditions of any Award granted to Employees and/or Third Party Service Providers outside the United States to comply with applicable foreign laws;

(d) Establish subplans and modify exercise procedures and other terms and procedures, to the extent such actions may be necessary or advisable. Any subplans and modifications to Plan terms and procedures established under this Section 21.9 by the Committee shall be attached to this Plan document as appendices; and

(e) Take any action, before or after an Award is made, that it deems advisable to obtain approval or comply with any necessary local government regulatory exemptions or approvals.

Notwithstanding the above, the Committee may not take any actions hereunder, and no Awards shall be granted, that would violate applicable law.

21.10 *Uncertificated Shares.* To the extent that this Plan provides for issuance of certificates to reflect the transfer of Shares, the transfer of such Shares may be effected on a noncertificated basis, to the extent not prohibited by applicable law or the rules of any stock exchange.

21.11 *Unfunded Plan.* Participants shall have no right, title, or interest whatsoever in or to any investments that the Company, and/or its Subsidiaries, and/or its Affiliates may make to aid it in meeting its obligations under this Plan. Nothing contained in this Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Company and any Participant, beneficiary, legal representative, or any other individual. To the extent that any individual acquires a right to receive payments from the Company, its Subsidiaries, and/or its Affiliates under this Plan, such right shall be no greater than the right of an unsecured general creditor of the Company, a Subsidiary, or an Affiliate, as the case may be. All payments to be made hereunder shall be paid from the general funds of the Company, a Subsidiary, or an Affiliate, as the case may be and no special or separate fund shall be established and no segregation of assets shall be made to assure payment of such amounts except as expressly set forth in this Plan.

21.12 *No Fractional Shares.* No fractional Shares shall be issued or delivered pursuant to this Plan or any Award. The Committee shall determine whether cash, Awards, or other property shall be issued or paid in lieu of fractional Shares or whether such fractional Shares or any rights thereto shall be forfeited or otherwise eliminated.

21.13 *Retirement and Welfare Plans.* Neither Awards made under this Plan nor Shares or cash paid pursuant to such Awards may be included as "compensation" for purposes of computing the benefits payable to any Participant under the Company's or any Subsidiary's or Affiliate's retirement plans (both qualified and non-qualified) or welfare benefit plans unless such other plan expressly provides that such compensation shall be taken into account in computing a Participant's benefit.

21.14 *Deferred Compensation.* If any Award would be considered deferred compensation as defined under Code Section 409A and if this Plan fails to meet the requirements of Code Section 409A with respect to such Award, then such Award shall be null and void. However, other than with respect to Options and SARs, the Committee (or, with respect to Nonemployee Directors, the Board) may permit deferrals of compensation pursuant to the terms of a Participant's Award Agreement, a separate plan or a subplan which meets the requirements of Code Section 409A and any related guidance. Additionally, to the extent any Award is subject to Code Section 409A, notwithstanding any provision herein to the contrary, the Plan does not permit the acceleration or delay of the time or schedule of any distribution related to such Award, except as permitted by Code Section 409A, the Treasury Regulations thereunder, and/or the Secretary of the United States Treasury.

21.15 *Nonexclusivity of this Plan.* The adoption of this Plan shall not be construed as creating any limitations on the power of the Board or Committee to adopt such other compensation arrangements as it may deem desirable for any Participant.

21.16 *No Constraint on Corporate Action.* Nothing in this Plan shall be construed to: (i) limit, impair, or otherwise affect the Company's or a Subsidiary's or an Affiliate's right or power to make adjustments, reclassifications, reorganizations, or changes of its capital or business structure, or to merge or consolidate, or dissolve, liquidate, sell, or transfer all or any part of its business or assets; or, (ii) limit the right or power of the Company or a Subsidiary or an Affiliate to take any action which such entity deems to be necessary or appropriate.

21.17 *Governing Law.* The Plan and each Award Agreement shall be governed by the laws of the State of Ohio, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Plan to the substantive law of another jurisdiction. Unless otherwise provided in the Award Agreement, recipients of an Award under this Plan are deemed to submit to the exclusive jurisdiction and venue of the federal or state courts of Ohio, to resolve any and all issues that may arise out of or relate to this Plan or any related Award Agreement.

21.18 *Indemnification.* Subject to requirements of Ohio law, each individual who is or shall have been a member of the Board, or a Committee appointed by the Board, or an officer of the Company to whom authority was delegated in accordance with Article 3, shall be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under this Plan and against and from any and all amounts paid by him or her in settlement thereof, with the Company's approval, or paid by him or her in satisfaction of any judgment in any such action, suit, or proceeding against him or her, provided he or she shall give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his/her own behalf, unless such loss, cost, liability, or expense is a result of his/her own willful misconduct or except as expressly provided by statute.

The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such individuals may be entitled under the Company's Articles of Incorporation or Code of Regulations, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

21.19 *Controlling Language*. Unless otherwise specified herein, in the event of a conflict between the terms of the Plan and the terms of an Award Agreement, the terms of the Plan shall control.

Exhibit 10(t)(2)

[Grantee]
[Address]
[Address]

Dear [Grantee]:

This letter agreement amends the Restricted Stock award granted to you on [Grant Date] pursuant to the terms of The Scotts Miracle-Gro Company 2006 Long-Term Incentive Plan, as amended from time to time (the "Plan"), and the Award Agreement for Employees (the "Award Agreement"). This amendment shall be effective as of October 30, 2007 (the "Amendment Effective Date"). Unless otherwise defined in this letter agreement, capitalized terms used herein shall have the meanings provided to them in the Award Agreement.

The Compensation and Organization Committee (the "Committee") has determined that your Award Agreement shall be amended to provide for a reasonable rate of interest to be calculated with respect to certain cash dividends held in escrow during the Period of Restriction (as defined in the Plan) relating to your shares of Restricted Stock. Accordingly, the following paragraph is hereby added to the Award Agreement:

> "A reasonable rate of interest, as determined by the Committee in its sole discretion, will be credited to you and held in escrow during the Period of Restriction (as defined in the Plan) with respect to any cash dividends that were or are declared and paid in respect of your shares of Restricted Stock during the period that began on December 20, 2006 and that ends on [Vesting Date]. At the end of the Period of Restriction, such interest will be distributed to you if all restrictions and conditions relating to your shares of Restricted Stock are met or will be forfeited if those restrictions and conditions have not been met."

THE SCOTTS MIRACLE-GRO COMPANY

By: ______________________________

Title: ______________________________

Acknowledged and agreed,
effective as of the Amendment
Effective Date:

____
Grantee's Signature

Exhibit 10(t)(3)

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

NONQUALIFIED STOCK OPTION AWARD AGREEMENT FOR EMPLOYEES

NONQUALIFIED STOCK OPTION GRANTED
TO [Grantee's Name] ON [Grant Date]

The Scotts Miracle-Gro Company ("Company") believes that its business interests are best served by ensuring that you have an opportunity to share in the Company's business success. To this end, the Company adopted The Scotts Miracle-Gro Company 2006 Long-Term Incentive Plan ("Plan") through which key employees, like you, may acquire (or share in the appreciation of) common shares, without par value, of the Company ("Shares"). Capitalized terms that are not defined in this Award Agreement have the same meanings as in the Plan.

This Award Agreement describes the type of Award that you have been granted and the terms and conditions of your Award. To ensure you fully understand these terms and conditions, you should:

- Read the Plan and this Award Agreement carefully; and
- Contact [Title] at [Telephone Number] if you have any questions about your Award. Or, you may send a written inquiry to the address shown below:

The Scotts Miracle-Gro Company
Attention: [Title]
14111 Scottslawn Road
Marysville, Ohio 43041

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

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

[TPA Telephone Number]

The Company intends that this Award not be considered to provide for "deferred compensation" under Section 409A of the Code and that this Award Agreement be so administered and construed. You agree that the Company may modify this Award Agreement, without any further consideration, to fulfill this intent, even if those modifications change the terms of your Award and reduce its value or potential value.

1. DESCRIPTION OF YOUR NONQUALIFIED STOCK OPTION

You have been granted a Nonqualified Stock Option (“NSO”) to purchase [Number of Common Shares] Shares at an exercise price of $[Exercise Price] for each Share (“Exercise Price”) on or before [Expiration Date No Later Than 10 Years After Grant Date] (“Expiration Date”), subject to the terms and conditions of the Plan and this Award Agreement. The Grant Date of the NSO is [Grant Date].

2. LIMITS ON EXERCISING YOUR NSO

(a) Normally, your NSO will vest (and become exercisable) on [Vesting Date] (the “Vesting Date”) but only if you are actively employed by the Company or any Subsidiary or Affiliate on the Vesting Date and all other conditions described in this Award Agreement and the Plan are met. This does not mean that you must exercise your NSO on this date; this is merely the first date that you may do so. However, except as described below, your NSO will expire to the extent it is not exercised on or before the Expiration Date.

There are some special situations in which your NSO may vest earlier. These are described in Sections 4(a) and 4(c) of this Award Agreement.

(b) At any one time, you may not exercise your NSO to buy fewer than 100 Shares (or, if less, the number of Shares underlying the vested portion of your NSO). Also, you may never exercise your NSO to purchase a fractional Share. Any fractional Share shall be redeemed for cash equal to the Fair Market Value of such fractional Share.

3. EXERCISING YOUR NSO

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

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

> CASHLESS EXERCISE AND SELL: If you elect this alternative, you will be deemed to have simultaneously exercised the NSO and to have sold the Shares underlying the portion of the NSO you exercised. When the transaction is complete, you will receive cash (but no Shares) equal to the difference between the aggregate Fair Market Value of the Shares deemed to have been acquired through the exercise minus the aggregate Exercise Price and related taxes.

COMBINATION EXERCISE: If you elect this alternative, you will be deemed to have simultaneously exercised the NSO and to have sold a number of those Shares with a Fair Market Value equal to the aggregate Exercise Price and related taxes. When the transaction is complete, the balance of the Shares subject to the portion of the NSO you exercised will be transferred to you.

EXERCISE AND HOLD: If you elect this alternative, you must pay the full Exercise Price plus related taxes (in cash, a cash equivalent or in Shares having a Fair Market Value equal to the Exercise Price and which you have owned for at least six months before the exercise date). When the transaction is complete, you will receive the number of Shares purchased.

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

4. GENERAL TERMS AND CONDITIONS

(a) **YOU MAY FORFEIT YOUR NSO IF YOU TERMINATE**. Normally, you may exercise your NSO after it vests and before the Expiration Date. However, your NSO may be cancelled earlier than the Expiration Date if you Terminate. For purposes of this Award Agreement, “Terminate” (or any form thereof) means cessation of the employee-employer relationship between you and the Company and all Affiliates and Subsidiaries for any reason.

(i) If you are Terminated for Cause, the portion of your NSO that has not been exercised will be forfeited (whether or not then vested) on the date you Terminate; or

(ii) If you die or you Terminate due to your Disability (as defined below), your NSO will become fully vested and expire on the earlier of the Expiration Date or 12 months after you Terminate. For purposes of this Award Agreement, “Disability” means your inability to perform your normal duties for a period of at least six months due to a physical or mental infirmity; or

(iii) If you Terminate after reaching either (A) age 55 and completing at least 10 years of employment with the Company, its Affiliates and/or its Subsidiaries or (B) age 62 regardless of your years of service, your NSO will become fully vested and expire on the earlier of the Expiration Date or 12 months after you Terminate; or

(iv) If you Terminate for any other reason, the unvested portion of your NSO will be forfeited immediately and the vested portion of your NSO will expire on the earlier of the Expiration Date or 90 days after you Terminate.

Note, it is your responsibility to keep track of when your NSO expires.

(b) **YOU MAY FORFEIT YOUR NSO IF YOU ENGAGE IN CONDUCT THAT IS HARMFUL TO THE COMPANY (OR ANY AFFILIATE OR SUBSIDIARY).** You will forfeit your NSO and must return to the Company all Shares and other amounts you have received through the Plan if, without the Company's written consent, you do any of the following within 180 days before and 730 days after you Terminate:

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

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

(iii) You deliberately engage in any action that the Company concludes has caused substantial harm to the interests of the Company or any Affiliate or Subsidiary;

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

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

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

(vii) You engaged in conduct that the Committee reasonably concludes would have given rise to a Termination for Cause had it been discovered before you Terminated.

(c) **CHANGE IN CONTROL**. Normally, your NSO will vest only in the circumstances described in Section 2(a). However, if there is a Change in Control, your NSO may vest earlier. You should read the Plan carefully to ensure that you understand how this may happen.

(d) **AMENDMENT AND TERMINATION**. Subject to the terms of the Plan, we may amend or terminate this Award Agreement or the Plan at any time.

(e) **RIGHTS BEFORE YOUR NSO IS EXERCISED**. You may not vote, or receive any dividends associated with, the Shares underlying your NSO before your NSO is exercised with respect to such Shares.

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

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

(h) **GOVERNING LAW**. This Award Agreement shall be governed by the laws of the State of Ohio, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of the Plan to the substantive law of another jurisdiction.

(i) **OTHER AGREEMENTS**. Your NSO will be subject to the terms of any other written agreements between you and the Company or any Affiliate or Subsidiary to the extent that those other agreements do not directly conflict with the terms of the Plan or this Award Agreement.

(j) **ADJUSTMENTS TO YOUR NSO**. Subject to the terms of the Plan, your NSO will be adjusted, if appropriate, to reflect any change to the Company's capital structure (e.g., the number of Shares underlying your NSO and the Exercise Price will be adjusted to reflect a stock split).

(k) **OTHER TERMS AND CONDITIONS**. Your NSO is subject to more rules described in the Plan. You should read the Plan carefully to ensure you fully understand all the terms and conditions of the grant of the NSO made to you under this Award Agreement.

5. YOUR ACKNOWLEDGMENT OF AWARD CONDITIONS

By signing below, you acknowledge and agree that:

(a) A copy of the Plan has been made available to you;

(b) You understand and accept the terms and conditions of your NSO;

(c) You will consent (on your own behalf and on behalf of your beneficiaries and transferees and without any further consideration) to any necessary change to your NSO or this Award Agreement to comply with any law and to avoid paying penalties under Section 409A of the Code, even if those changes affect the terms of your NSO and reduce its value or potential value; and

(d) You must return a signed copy of this Award Agreement to the address given above before [Date 30 Days After Grant Date].

[Grantee's Name]	THE SCOTTS MIRACLE-GRO COMPANY
BY: ______________________________	BY: ______________________________
Date signed: ______________________	[Name of Company representative]
	[Title of Company representative]
	Date signed: ______________________

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

NONQUALIFIED STOCK OPTION EXERCISE NOTICE
FOR NONQUALIFIED STOCK OPTION GRANTED
TO **[Grantee's Name]** ON **[Grant Date]**

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

By completing this Exercise Notice and returning it to [Third Party Administrator] at the address given below, I elect to exercise all or a portion of the NSO and to purchase the Shares described below. Capitalized terms not defined in this Exercise Notice have the same meanings as in the Plan and applicable Award Agreement.

NOTE: You must complete a separate Exercise Notice for each NSO being exercised (e.g., if you are simultaneously exercising an NSO to purchase 200 Shares granted on January 1, 2008 and an NSO to purchase 100 Shares granted on January 1, 2009 under a separate award agreement, you must complete two Exercise Notices, one for each NSO being exercised).

NSO TO BE EXERCISED AND SHARES TO BE PURCHASED: This Exercise Notice relates to the following NSO and number of Shares (*fill in the blanks*):

Grant Date of NSO: **[Grant Date]**

Number of Shares Being Purchased: ____________________

EXERCISE PRICE: The aggregate Exercise Price due is $____________________.

NOTE: *This amount must equal the product of* ***[Exercise Price]*** *multiplied by the number of Shares being purchased.*

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

NOTE: *These methods are described in the applicable Award Agreement.*

__________ Cashless Exercise and Sell.

__________ Combination Exercise.

__________ Exercise and Hold.

NOTE:

- If you select the Exercise and Hold method, you must follow the procedures described in the Award Agreement to pay the Exercise Price and the taxes related to this exercise. You should contact [Third Party Administrator] at the address given below to find out the amount of taxes due.
- If you select either the Cashless Exercise and Sell method or the Combination Exercise method, you should contact [Third Party Administrator] at the address given below to be sure you understand how your choice of payment will affect the number of Shares you will receive.

YOUR ACKNOWLEDGMENT

By signing below, you acknowledge and agree that:

- You fully understand the effect (including the investment effect) of exercising your NSO and buying Shares and understand that there is no guarantee that the value of these Shares will appreciate or will not depreciate;
- This Exercise Notice will have no effect if it is not returned to [Third Party Administrator] at the address given below before the NSO expires, as specified in the Award Agreement under which the NSO was granted; and
- The Shares you are buying by completing and returning this Exercise Notice will be issued to you as soon as administratively practicable. You will not have any rights as a shareholder of the Company until the Shares are issued.

[Grantee's Name]

____
(signature)

Date signed: __________________________

A signed copy of this Exercise Notice must be received at the following address no later than the date the NSO expires, as specified in the Award Agreement under which the NSO was granted:

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

[TPA Telephone Number]

*****

ACKNOWLEDGEMENT OF RECEIPT

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

______________________ ,

[Grantee's Name]:

__________ Has effectively exercised the portion of the NSO described in this Exercise Notice; or

__________ Has not effectively exercised the portion of the NSO described in this Exercise Notice because:

____

describe deficiency

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

By: ________________________

Date: ________________________

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

Exhibit 10(t)(4)

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

RESTRICTED STOCK AWARD AGREEMENT FOR EMPLOYEES

RESTRICTED STOCK GRANTED
TO [Grantee's Name] ON [Grant Date]

The Scotts Miracle-Gro Company ("Company") believes that its business interests are best served by ensuring that you have an opportunity to share in the Company's business success. To this end, the Company adopted The Scotts Miracle-Gro Company 2006 Long-Term Incentive Plan ("Plan") through which key employees, like you, may acquire (or share in the appreciation of) common shares, without par value, of the Company ("Shares"). Capitalized terms that are not defined in this Award Agreement have the same meanings as in the Plan.

This Award Agreement describes the type of Award that you have been granted and the terms and conditions of your Award. To ensure you fully understand these terms and conditions, you should:

- Read the Plan and this Award Agreement carefully; and
- Contact [Title] at [Telephone Number] if you have any questions about your Award. Or, you may send a written inquiry to the address shown below:

The Scotts Miracle-Gro Company
Attention: [Title]
14111 Scottslawn Road
Marysville, Ohio 43041

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

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

[TPA Telephone Number]

The Company intends that this Award not be considered to provide for "deferred compensation" under Section 409A of the Code and that this Award Agreement be so administered and construed. You agree that the Company may modify this Award Agreement, without any further consideration, to fulfill this intent, even if those modifications change the terms of your Award and reduce its value or potential value.

1. DESCRIPTION OF YOUR RESTRICTED STOCK

You have been granted [Number of Common Shares] Shares of Restricted Stock, subject to the terms and conditions of the Plan and this Award Agreement. Until the Period of Restriction (as described below) lapses, your Restricted Stock will be subject to a risk of forfeiture and you may not sell or transfer your Shares of Restricted Stock. Your Restricted Stock will be held in escrow until it is distributed or forfeited, as described below.

2. PERIOD OF RESTRICTION

Subject to the terms of the Plan and this Award Agreement (including Section 3), the restrictions imposed on your Restricted Stock normally will lapse if you are actively employed by the Company or any Subsidiary or Affiliate on [Vesting Date] (the "Vesting Date"). If all applicable terms and conditions have been satisfied, your Restricted Stock will be released from escrow and distributed to you as soon as administratively practicable, but no later than 60 days, after the Vesting Date.

3. GENERAL TERMS AND CONDITIONS

(a) **YOU WILL FORFEIT YOUR RESTRICTED STOCK IF YOU TERMINATE.** Normally, your Restricted Stock will be settled on the Vesting Date. However, the Shares of Restricted Stock will be forfeited if you Terminate for any reason before the Vesting Date. For purposes of this Award Agreement, "Terminate" (or any form thereof) means cessation of the employee-employer relationship between you and the Company and all Affiliates and Subsidiaries for any reason.

(b) **YOU MAY FORFEIT YOUR RESTRICTED STOCK IF YOU ENGAGE IN CONDUCT THAT IS HARMFUL TO THE COMPANY (OR ANY AFFILIATE OR SUBSIDIARY).** You will forfeit any outstanding Restricted Stock and must return to the Company all Shares and other amounts you have received through the Plan if, without the Company's written consent, you do any of the following within 180 days before and 730 days after you Terminate:

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

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

(iii) You deliberately engage in any action that the Company concludes has caused substantial harm to the interests of the Company or any Affiliate or Subsidiary;

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

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

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

(vii) You engaged in conduct that the Committee reasonably concludes would have given rise to a Termination for Cause had it been discovered before you Terminated.

(c) **CHANGE IN CONTROL.** Normally, your Restricted Stock will vest only under the circumstances described in Section 2. However, if there is a Change in Control, your Restricted Stock may vest earlier. You should read the Plan carefully to ensure that you understand how this may happen.

(d) **AMENDMENT AND TERMINATION.** Subject to the terms of the Plan, the Company may amend or terminate this Award Agreement or the Plan at any time.

(e) **RIGHTS BEFORE YOUR RESTRICTED STOCK VESTS.** During the Period of Restriction (even though your Restricted Stock is held in escrow until it is settled or forfeited):

(i) You may exercise any voting rights associated with the Shares of Restricted Stock while it is held in escrow.

(ii) You will be entitled to receive any dividends paid with respect to the Shares of Restricted Stock, although these dividends will be held in escrow and subject to the same restrictions on transferability and forfeitability as the Shares of Restricted Stock with respect to which they were paid under this Award Agreement. A reasonable rate of interest, as determined by the Committee in its sole discretion, will be credited to you and held in escrow during the Period of Restriction with respect to any such cash dividends that are declared and paid during the period beginning on [Grant Date] and ending on the Vesting Date. At the end of the Period of Restriction, any such dividends and interest thereon will be distributed to you in accordance with Section 2 of this Award Agreement or forfeited, depending on whether or not you have met the conditions described in this Award Agreement and the Plan.

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

(g) **TRANSFERRING YOUR RESTRICTED STOCK.** Normally your Restricted Stock may not be transferred to another person. However, as described in Section 3(f), you may complete a Beneficiary Designation Form to name the person to receive any Restricted Stock that is vested before you die but settled after you die. Also, the Committee may allow you to place your Restricted Stock into a trust established for your benefit or the benefit of your family. Contact [Third Party Administrator] at [TPA Telephone Number] or at the address given above if you are interested in doing this.

(h) **GOVERNING LAW.** This Award Agreement shall be governed by the laws of the State of Ohio, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of the Plan to the substantive law of another jurisdiction.

(i) **OTHER AGREEMENTS.** Your Restricted Stock will be subject to the terms of any other written agreements between you and the Company or any Affiliate or Subsidiary to the extent that those other agreements do not directly conflict with the terms of the Plan or this Award Agreement.

(j) **ADJUSTMENTS TO YOUR RESTRICTED STOCK.** Subject to the terms of the Plan, your Restricted Stock will be adjusted, if appropriate, to reflect any change to the Company’s capital structure (e.g., the number of Shares underlying your Restricted Stock will be adjusted to reflect a stock split).

(k) **OTHER RULES.** Your Restricted Stock is subject to more rules described in the Plan. You should read the Plan carefully to ensure you fully understand all the terms and conditions of the grant of Restricted Stock under this Award Agreement.

4. YOUR ACKNOWLEDGMENT OF AWARD CONDITIONS

By signing below, you acknowledge and agree that:

(a) A copy of the Plan has been made available to you;

(b) You understand and accept the terms and conditions of your Award;

(c) You will consent (on your own behalf and on behalf of your beneficiaries and transferees and without any further consideration) to any necessary change to your Award or this Award Agreement to comply with any law and to avoid paying penalties under Section 409A of the Code, even if those changes affect the terms of your Award and reduce its value or potential value; and

(d) You must return a signed copy of this Award Agreement to the address given above before [Date 30 Days After Grant Date].

[Grantee's Name]	THE SCOTTS MIRACLE-GRO COMPANY
By: ______________________	By: ______________________
Date signed: ______________________	[Name of Company Representative] [Title of Company Representative] Date signed: ______________________

Exhibit 10(t)(5)

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

PERFORMANCE SHARE AWARD AGREEMENT FOR EMPLOYEES
(WITH RELATED DIVIDEND EQUIVALENTS)

PERFORMANCE SHARES GRANTED
TO [Grantee's Name] ON [Grant Date]

The Scotts Miracle-Gro Company ("Company") believes that its business interests are best served by ensuring that you have an opportunity to share in the Company's business success. To this end, the Company adopted The Scotts Miracle-Gro Company 2006 Long-Term Incentive Plan ("Plan") through which key employees, like you, may acquire (or share in the appreciation of) common shares, without par value, of the Company ("Shares"). Capitalized terms that are not defined in this Award Agreement have the same meanings as in the Plan.

This Award Agreement describes the type of Award that you have been granted and the terms and conditions of your Award. To ensure you fully understand these terms and conditions, you should:

- Read the Plan and this Award Agreement carefully; and

- Contact [Title] at [Telephone Number] if you have any questions about your Award. Or, you may send a written inquiry to the address shown below:

The Scotts Miracle-Gro Company
Attention: [Title]
14111 Scottslawn Road
Marysville, Ohio 43041

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

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

[TPA Telephone Number]

The Company intends that this Award not be considered to provide for "deferred compensation" under Section 409A of the Code and that this Award Agreement be so administered and construed. You agree that the Company may modify this Award Agreement, without any further consideration, to fulfill this intent, even if those modifications change the terms of your Award and reduce its value or potential value.

1. DESCRIPTION OF YOUR AWARD

You have been granted the right to receive up to [Number of Common Shares] Performance Shares and an equal number of related dividend equivalents, subject to the terms and conditions of the Plan and this Award Agreement. Each whole Performance Share represents the right to receive one full Share at the time and in the manner described in this Award Agreement. Each dividend equivalent represents the right to receive a cash amount and/or additional Performance Shares (determined in accordance with Section 4(e)(ii)) in respect of the dividends that are declared and paid during the Performance Period (as described in Section 2) with respect to the Share represented by the related Performance Share.

2. PERFORMANCE PERIOD AND SETTLEMENT

(a) The “Performance Period” is the period beginning on [Grant Date] and ending on [Vesting Date] (the “Vesting Date”).

(b) As soon as practicable following the Vesting Date, the Committee will ascertain whether any of the performance goals (as described in Section 3) were satisfied during the Performance Period and the extent to which such performance goals have been satisfied. If none of the performance goals were satisfied during the Performance Period, all of your Performance Shares will be forfeited. If one or more of the performance goals were satisfied during the Performance Period:

(i) The Committee will ascertain the number of Performance Shares which you earned (and which have become vested) over the Performance Period, to be determined as a function of the extent to which the corresponding performance goals have been achieved; and

(ii) Within 60 days after the Vesting Date, the Company will distribute to you (A) a number of full Shares equal to the number of whole Performance Shares that became vested on the Vesting Date and (B) a cash amount for any fractional Performance Share that became vested on the Vesting Date, determined based upon the Fair Market Value of a Share on the Vesting Date; provided, however, that, if you have made a valid deferral election under a nonqualified deferred compensation plan maintained by the Company or any Affiliate or Subsidiary (“NQDC Plan”) with respect to some or all of your Performance Shares, such Performance Shares shall not be settled under this Section 2(b)(ii), but instead shall be settled in accordance with the terms and conditions of the NQDC Plan.

(c) There are some special situations in which your Performance Shares may vest earlier. These are described in Section 4(c) of this Award Agreement.

3. PERFORMANCE GOALS

The performance goals established by the Committee with respect to the Performance Shares are detailed in Attachment A.

4. GENERAL TERMS AND CONDITIONS

(a) **YOU WILL FORFEIT YOUR PERFORMANCE SHARES IF YOU TERMINATE BEFORE THE END OF THE PERFORMANCE PERIOD.** Except as provided in Section 4(c), your Performance Shares will be forfeited if you Terminate for any reason (including retirement) before the Vesting Date. For purposes of this Award Agreement, "Terminate" (or any form thereof) means cessation of the employee-employer relationship between you and the Company and all Affiliates and Subsidiaries for any reason.

(b) **YOU MAY FORFEIT YOUR PERFORMANCE SHARES IF YOU ENGAGE IN CONDUCT THAT IS HARMFUL TO THE COMPANY (OR ANY AFFILIATE OR SUBSIDIARY).** You will forfeit any outstanding Performance Shares and must return to the Company all Shares and other amounts you have received through the Plan if, without the Company's written consent, you do any of the following within 180 days before and 730 days after you Terminate:

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

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

(iii) You deliberately engage in any action that the Company concludes has caused substantial harm to the interests of the Company or any Affiliate or Subsidiary;

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

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

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

(vii) You engaged in conduct that the Committee reasonably concludes would have given rise to a Termination for Cause had it been discovered before you Terminated.

(c) **CHANGE IN CONTROL.** Normally, your Performance Shares will vest only in the circumstances described in Section 2 above. However, if there is a Change in Control, your Performance Shares may vest earlier. You should read the Plan carefully to ensure that you understand how this may happen.

(d) **AMENDMENT AND TERMINATION.** Subject to the terms of the Plan, the Company may amend or terminate this Award Agreement or the Plan at any time.

(e) **RIGHTS BEFORE YOUR PERFORMANCE SHARES VEST.**

(i) Except as provided in Section 4(e)(ii) below, you will have none of the rights of a shareholder with respect to Shares underlying the Performance Shares unless and until you become the record holder of such Shares.

(ii) With respect to each dividend equivalent:

(A) If a cash dividend is declared and paid on the Shares underlying the Performance Shares, you will be credited with a cash amount equal to the product of (I) the number of Performance Shares granted under this Award Agreement that have not been settled or forfeited as of the dividend payment date, multiplied by (II) the amount of the cash dividend paid per Share. Also, a reasonable rate of interest, as determined by the Committee in its sole discretion, will be credited during the Performance Period with respect to any cash amount so credited during the period beginning on [Grant Date] and ending on the Vesting Date. Such cash amount and interest thereon shall be subject to the same terms and conditions as the related Performance Shares and shall be settled in cash if, when and to the extent the related Performance Shares are settled.

(B) If a Share dividend is declared and paid on the Shares underlying the Performance Shares, you will receive an additional number of Performance Shares equal to the product of (I) the number of Performance Shares granted under this Award Agreement (including additional Performance Shares previously received in accordance with this Section 4(e)(ii)(B)) that have not been settled or forfeited as of the dividend payment date, multiplied by (II) the dividend paid per Share. Such amount shall be subject to the same terms and conditions as the related Performance Shares and shall be settled in Shares if, when and to the extent the related Performance Shares are settled, rounded down to the nearest whole Share.

(C) In the event a Performance Share is forfeited under this Award Agreement, the related dividend equivalent, plus any applicable interest, will also be forfeited.

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

(g) **TRANSFERRING YOUR PERFORMANCE SHARES AND RELATED DIVIDEND EQUIVALENTS.** Normally, your Performance Shares and the related dividend equivalents may not be transferred to another person. However, as described in Section 4(f), you may complete a Beneficiary Designation Form to name the person to receive any Performance Shares and related dividend equivalents that vest before you die but are settled after you die. Also, the Committee may allow you to place your Performance Shares and related dividend equivalents into a trust established for your benefit or the benefit of your family. Contact [Third Party Administrator] at [TPA Telephone Number] or at the address given above if you are interested in doing this.

(h) **GOVERNING LAW.** This Award Agreement shall be governed by the laws of the State of Ohio, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of the Plan to the substantive law of another jurisdiction.

(i) **OTHER AGREEMENTS.** Your Performance Shares and the related dividend equivalents will be subject to the terms of any other written agreements between you and the Company or any Affiliate or Subsidiary to the extent that those other agreements do not directly conflict with the terms of the Plan or this Award Agreement.

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

(k) **OTHER RULES.** Your Performance Shares and the related dividend equivalents are subject to more rules described in the Plan. You should read the Plan carefully to ensure you fully understand all the terms and conditions of the grant of Performance Shares and the related dividend equivalents made to you under this Award Agreement.

5. YOUR ACKNOWLEDGMENT OF AWARD CONDITIONS

By signing below, you acknowledge and agree that:

(a) A copy of the Plan has been made available to you;

(b) You understand and accept the terms and conditions of your Award;

(c) You will consent (on your own behalf and on behalf of your beneficiaries and transferees and without any further consideration) to any necessary change to your Award or this Award Agreement to comply with any law and to avoid paying penalties under Section 409A of the Code, even if those changes affect the terms of your Award and reduce its value or potential value; and

(d) You must return a signed copy of this Award Agreement to the address given above before [Date 30 Days After Grant Date].

* * * * *

[Grantee's Name]	THE SCOTTS MIRACLE-GRO COMPANY
By: ______________________	By: ______________________
Date signed: ______________________	[Name of Company Representative] [Title of Company Representative] Date signed: ______________________

ATTACHMENT A

[Insert Performance Goals]

Exhibit 10(dd)

Summary of Compensation for Directors of The Scotts Miracle-Gro Company

Annual Retainer; Reimbursement of Expenses

Each director of The Scotts Miracle-Gro Company ("Scotts Miracle-Gro") who is not an employee of Scotts Miracle-Gro or its subsidiaries (a "non-employee director") receives a $40,000 annual retainer for Scotts Miracle-Gro Board of Directors and Board committee meetings. Each member of the Audit Committee of Scotts Miracle-Gro's Board of Directors receives an additional $5,000 annually. Annual retainers are pro-rated if a non-employee director is appointed by the Board of Directors during the year. Non-employee directors receive reimbursement of all reasonable travel and other expenses of attending Scotts Miracle-Gro Board of Directors and Board committee meetings.

Stock Units

Prior to January 26, 2006, non-employee directors were able to elect under The Scotts Miracle-Gro Company 1996 Stock Option Plan (now known as The Scotts Miracle-Gro Company Amended and Restated 1996 Stock Option Plan) (the "1996 Plan") and The Scotts Miracle-Gro Company 2003 Stock Option and Incentive Equity Plan (now known as The Scotts Miracle-Gro Company Amended and Restated 2003 Stock Option and Incentive Equity Plan) (the "2003 Plan"), to receive all or a portion, in 25% increments, of their annual cash retainer in cash or in stock units. If stock units were elected, the non-employee director received a number of stock units determined by dividing the chosen dollar amount by the closing price of Scotts Miracle-Gro's common shares on the New York Stock Exchange ("NYSE") on the first trading day following the date of the annual meeting of shareholders of Scotts Miracle-Gro for which the deferred value of the annual cash retainer otherwise would have been paid. The terms of the stock units and their settlement are set forth in the 1996 Plan and the 2003 Plan, as applicable.

Following the approval of The Scotts Miracle-Gro Company 2006 Long-Term Incentive Plan (now known as The Scotts Miracle-Gro Company Amended and Restated 2006 Long-Term Incentive Plan) (the “2006 Plan”) by the shareholders of Scotts Miracle-Gro on January 26, 2006, the non-employee directors have had the opportunity to elect, under the 2006 Plan, to receive all or a portion (in 25% increments) of their 2007 and 2006 annual cash retainer in cash or in stock units. If stock units were elected, the non-employee director received a number of stock units determined by dividing the chosen dollar amount by the closing price of Scotts Miracle-Gro’s common shares on NYSE on the first trading day following the date of the annual meeting of shareholders of Scotts Miracle-Gro for which the deferred value of the annual cash retainer otherwise would have been paid. Final distributions in respect of stock units are to be made in cash or common shares, as elected by the non-employee director, upon the date that the non-employee director ceases to be a member of the Scotts Miracle-Gro Board of Directors, upon the date the non-employee director has specified in his or her deferral form or upon a “change in control” (as defined in the 2006 Plan), whichever is earliest. If stock units are to be settled in cash, the amount distributed will be calculated by multiplying the number of stock units to be settled in cash by the fair market value of Scotts Miracle-Gro’s common shares. If stock units are to be settled in common shares, the number of common shares distributed will equal the whole number of stock units to be settled in common shares, with the fair market value of any fractional stock units distributed in cash. Distributions may be made either in a lump sum or in installments over a period of up to ten years, as elected by the non-employee director. However, upon a change in control, each outstanding stock unit held by a non-employee director will be settled for a lump sum cash payment equal to the change in control price per common share.

Non-Qualified Stock Options

Prior to January 26, 2006, individuals then serving as non-employee directors automatically received an annual grant, on the first business day following the date of each annual meeting of shareholders of Scotts Miracle-Gro, of non-qualified stock options (“NSOs”) to purchase 10,000 common shares at an exercise price equal to the fair market value of the Scotts Miracle-Gro common shares on the grant date. Non-employee directors who were members of one or more committees of the Scotts Miracle-Gro Board of Directors received NSOs to purchase an additional 1,000 common shares for each committee on which they served. Additionally, non-employee directors who chaired a committee received NSOs to purchase an additional 2,000 common shares for each committee they chaired. These NSOs were granted under the 1996 Plan or the 2003 Plan. Since the approval of the 2006 Plan, no further automatic grants have been or will be made under the 1996 Plan or the 2003 Plan.

Grants of NSOs to directors under the 2006 Plan are discretionary. On January 26, 2007, consistent with the automatic grants which had previously been made under the 1996 Plan and the 2003 Plan, each of the individuals then serving as a non-employee director of Scotts Miracle-Gro received a grant of NSOs to purchase 10,000 common shares of Scotts Miracle-Gro. Non-employee directors who were members of one or more committees of the Board of Directors received NSOs to purchase an additional 1,000 common shares for each committee on which they served. Additionally, non-employee directors who chaired a committee received NSOs to purchase an additional 2,000 common shares for each committee they chaired. Each of the NSOs granted on January 26, 2007 has an exercise price $53.15, the closing price of Scotts Miracle-Gro's common shares on NYSE on the grant date. The NSOs granted to the non-employee directors then serving on January 26, 2007 will vest and become exercisable on January 26, 2008.

Once vested, NSOs remain exercisable until the earlier to occur of the tenth anniversary of the grant date or the first anniversary of the date the non-employee director ceases to be a member of Scotts Miracle-Gro's Board of Directors. However, if the non-employee director ceases to be a member of the Scotts Miracle-Gro Board of Directors after having been convicted of, or pled guilty or nolo contendere to, a felony, his or her NSOs will be cancelled on the date he or she ceases to be a director. If the non-employee director ceases to be a member of the Scotts Miracle-Gro Board of Directors after having retired after serving at least one full term, his or her NSOs will remain exercisable for a period of five years following retirement subject to the stated terms of the NSOs.

Upon a change in control of Scotts Miracle-Gro, each non-employee director's outstanding NSOs granted under the 2003 Plan or the 2006 Plan will be cancelled, unless (a) Scotts Miracle-Gro's common shares remain publicly traded, (b) the non-employee director remains a director of Scotts Miracle-Gro after the change in control or (c) the non-employee director exercises, with the permission of the Compensation and Organization Committee (in the case of NSOs granted under the 2003 Plan) or the Board of Directors (in the case of NSOs granted under the 2006 Plan), the non-employee director's outstanding NSOs within 15 days of the date of the change in control. In addition, each non-employee director's outstanding NSOs granted under the 1996 Plan will be cancelled unless the non-employee director exercises, with the permission of the Compensation and Organization Committee, the non-employee director's outstanding NSOs within 15 days of the date of the change in control. For each cancelled NSO, a non-employee director will receive cash in the amount of, or common shares having a value equal to, the difference between the change in control price per common share and the exercise price per common share associated with the cancelled NSO.

EXHIBIT 21

SUBSIDIARIES OF THE SCOTTS MIRACLE-GRO COMPANY

Gutwein & Co., Inc., an Indiana corporation
SMG Brands, Inc., a Delaware corporation
SMG Growing Media, Inc., an Ohio corporation
  Rod McLellan Company, a California corporation
SMGM LLC, an Ohio limited liability company
The Scotts Company LLC, an Ohio limited liability company
  EG Systems, Inc., dba Scotts LawnService, an Indiana corporation
  Hyponex Corporation, a Delaware corporation
  OMS Investments, Inc., a Delaware corporation
    Scotts Temecula Operations, LLC, a Delaware limited liability company
  Sanford Scientific, Inc., a New York corporation
  Scotts Global Services, Inc., an Ohio corporation
  Scotts Manufacturing Company, a Delaware corporation
    Miracle-Gro Lawn Products, Inc., a New York corporation
  Scotts Products Co., an Ohio corporation
    Scotts Servicios, S.A. de C.V. (Mexico)[1]
  Scotts Professional Products Co., an Ohio corporation
    Scotts Servicios, S.A. de C.V. (Mexico)[2]
  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)[3]
      Scotts Canada Ltd. (Canada)
      Scotts Czech s.r.o. (Czech Republic)
      Scotts de Mexico SA de CV (Mexico)
      Scotts France Holdings SARL (France)
        Scotts France SARL (France)[4]
        Scotts France SAS (France)[5]
      Scotts Holding GmbH (Germany)
        Scotts Celaflor GmbH & Co. KG (Germany)
        Scotts Celaflor HGmbH (Austria)
      Scotts Holdings Limited (United Kingdom)
        Levington Group Ltd. (United Kingdom)
          The Scotts Company (UK) Ltd. (United Kingdom)
            The Scotts Company (Manufacturing) Ltd. (United Kingdom)

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1 Not wholly-owned, Scotts Professional Products Co. owns 50%

2 Not wholly-owned, Scotts Products Co. owns 50%

3 Not wholly-owned, OMS Investments, Inc. owns .01%

4 Not wholly-owned, Scotts Holdings Ltd. owns .01%

5 Not wholly-owned, Scotts France SARL owns .01%

OM Scott International Investments Ltd. (United Kingdom)
Corwen Home and Garden Limited (United Kingdom)
Scotts International B.V. (Netherlands)
Scotts Deutschland GmbH (Germany)
Scott O.M. España, S.A. (Spain)
Scotts Italia S.r.l. (Italy)[6]
Scotts Horticulture Ltd. (Ireland)
Scotts Hungary KFT (Hungary)[7]
Scotts PBG Malaysia Sdn. Bhd. (Malaysia)
Scotts Poland Sp.z.o.o. (Poland)
Scotts Sweden AB (Sweden)
The Scotts Company (Nordic) A/S (Denmark)
The Scotts Company Italia S.r.l. (Italy)
The Scotts Company Kenya Ltd. (Kenya)
Turf-Seed Europe (Ireland)[8]
Smith & Hawken, Ltd., a Delaware corporation
Swiss Farms Products, Inc., a Delaware corporation

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6 Not wholly-owned, James Hagedorn owns .05%

7 Not wholly-owned, OMS Investments, Inc. owns 3%

8 Not wholly-owned, Owned 51% by Tempoverde, Srl.

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement on Form S-3 (No. 333-98239) and the Registration Statements on Form S-8 (File Nos. 033-47073, 333-06061, 333-27561, 333-72715, 333-76697, 333-104490, 333-124503, 333-131466 and 333-147397) of our reports dated November 29, 2007 relating to the financial statements (which report expressed an unqualified opinion and includes an explanatory paragraph relating to the Company's adoption of Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* on September 30, 2007), and financial statement schedules of The Scotts Miracle-Gro Company, and the effectiveness of The Scotts Miracle-Gro Company's internal control over financial reporting, appearing in this Annual Report on Form 10-K of The Scotts Miracle-Gro Company for the year ended September 30, 2007.

/s/ Deloitte & Touche LLP

Columbus, Ohio
November 29, 2007

Exhibit 24

POWER OF ATTORNEY

The undersigned officer and director of The Scotts Miracle-Gro Company, an Ohio corporation (the "Corporation"), which anticipates filing with the Securities and Exchange Commission, Washington, D.C., under the provisions of the Securities Exchange Act of 1934, as amended, the Annual Report of the Corporation on Form 10-K for the fiscal year ended September 30, 2007, hereby constitutes and appoints David C. Evans and Vincent C. Brockman, and each of them, with full power of substitution and resubstitution, as attorney-in-fact and agent to sign for the undersigned, in any and all capacities, such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K, each in such form as they or any one of them may approve, and to file the same, with all exhibits thereto and other documents in connection therewith with the Securities and Exchange Commission, and grants unto each said attorney-in-fact and agent full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that each said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney this 8th day of November, 2007.

/s/ James Hagedorn

James Hagedorn

POWER OF ATTORNEY

The undersigned director of The Scotts Miracle-Gro Company, an Ohio corporation (the "Corporation"), which anticipates filing with the Securities and Exchange Commission, Washington, D.C., under the provisions of the Securities Exchange Act of 1934, as amended, the Annual Report of the Corporation on Form 10-K for the fiscal year ended September 30, 2007, hereby constitutes and appoints James Hagedorn, David C. Evans and Vincent C. Brockman, and each of them, with full power of substitution and resubstitution, as attorney-in-fact and agent to sign for the undersigned, in any and all capacities, such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K, each in such form as they or any one of them may approve, and to file the same, with all exhibits thereto and other documents in connection therewith with the Securities and Exchange Commission, and grants unto each said attorney-in-fact and agent full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that each said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney this 8th day of November, 2007.

/s/ Mark R. Baker
Mark R. Baker

POWER OF ATTORNEY

The undersigned director of The Scotts Miracle-Gro Company, an Ohio corporation (the “Corporation”), which anticipates filing with the Securities and Exchange Commission, Washington, D.C., under the provisions of the Securities Exchange Act of 1934, as amended, the Annual Report of the Corporation on Form 10-K for the fiscal year ended September 30, 2007, hereby constitutes and appoints James Hagedorn, David C. Evans and Vincent C. Brockman, and each of them, with full power of substitution and resubstitution, as attorney-in-fact and agent to sign for the undersigned, in any and all capacities, such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K, each in such form as they or any one of them may approve, and to file the same, with all exhibits thereto and other documents in connection therewith with the Securities and Exchange Commission, and grants unto each said attorney-in-fact and agent full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that each said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney this 8th day of November, 2007.

/s/ Gordon F. Brunner

Gordon F. Brunner

POWER OF ATTORNEY

The undersigned director of The Scotts Miracle-Gro Company, an Ohio corporation (the "Corporation"), which anticipates filing with the Securities and Exchange Commission, Washington, D.C., under the provisions of the Securities Exchange Act of 1934, as amended, the Annual Report of the Corporation on Form 10-K for the fiscal year ended September 30, 2007, hereby constitutes and appoints James Hagedorn, David C. Evans and Vincent C. Brockman, and each of them, with full power of substitution and resubstitution, as attorney-in-fact and agent to sign for the undersigned, in any and all capacities, such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K, each in such form as they or any one of them may approve, and to file the same, with all exhibits thereto and other documents in connection therewith with the Securities and Exchange Commission, and grants unto each said attorney-in-fact and agent full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that each said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney this 8th day of November, 2007.

/s/ Arnold W. Donald

Arnold W. Donald

POWER OF ATTORNEY

The undersigned director of The Scotts Miracle-Gro Company, an Ohio corporation (the "Corporation"), which anticipates filing with the Securities and Exchange Commission, Washington, D.C., under the provisions of the Securities Exchange Act of 1934, as amended, the Annual Report of the Corporation on Form 10-K for the fiscal year ended September 30, 2007, hereby constitutes and appoints James Hagedorn, David C. Evans and Vincent C. Brockman, and each of them, with full power of substitution and resubstitution, as attorney-in-fact and agent to sign for the undersigned, in any and all capacities, such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K, each in such form as they or any one of them may approve, and to file the same, with all exhibits thereto and other documents in connection therewith with the Securities and Exchange Commission, and grants unto each said attorney-in-fact and agent full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that each said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney this 8th day of November, 2007.

/s/ Joseph P. Flannery

Joseph P. Flannery

POWER OF ATTORNEY

The undersigned director of The Scotts Miracle-Gro Company, an Ohio corporation (the "Corporation"), which anticipates filing with the Securities and Exchange Commission, Washington, D.C., under the provisions of the Securities Exchange Act of 1934, as amended, the Annual Report of the Corporation on Form 10-K for the fiscal year ended September 30, 2007, hereby constitutes and appoints James Hagedorn, David C. Evans and Vincent C. Brockman, and each of them, with full power of substitution and resubstitution, as attorney-in-fact and agent to sign for the undersigned, in any and all capacities, such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K, each in such form as they or any one of them may approve, and to file the same, with all exhibits thereto and other documents in connection therewith with the Securities and Exchange Commission, and grants unto each said attorney-in-fact and agent full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that each said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney this 8th day of November, 2007.

/s/ Thomas N. Kelly Jr.
Thomas N. Kelly Jr.

POWER OF ATTORNEY

The undersigned director of The Scotts Miracle-Gro Company, an Ohio corporation (the “Corporation”), which anticipates filing with the Securities and Exchange Commission, Washington, D.C., under the provisions of the Securities Exchange Act of 1934, as amended, the Annual Report of the Corporation on Form 10-K for the fiscal year ended September 30, 2007, hereby constitutes and appoints James Hagedorn, David C. Evans and Vincent C. Brockman, and each of them, with full power of substitution and resubstitution, as attorney-in-fact and agent to sign for the undersigned, in any and all capacities, such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K, each in such form as they or any one of them may approve, and to file the same, with all exhibits thereto and other documents in connection therewith with the Securities and Exchange Commission, and grants unto each said attorney-in-fact and agent full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that each said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney this 8th day of November, 2007.

/s/ Katherine Hagedorn Littlefield

Katherine Hagedorn Littlefield

POWER OF ATTORNEY

The undersigned director of The Scotts Miracle-Gro Company, an Ohio corporation (the "Corporation"), which anticipates filing with the Securities and Exchange Commission, Washington, D.C., under the provisions of the Securities Exchange Act of 1934, as amended, the Annual Report of the Corporation on Form 10-K for the fiscal year ended September 30, 2007, hereby constitutes and appoints James Hagedorn, David C. Evans and Vincent C. Brockman, and each of them, with full power of substitution and resubstitution, as attorney-in-fact and agent to sign for the undersigned, in any and all capacities, such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K, each in such form as they or any one of them may approve, and to file the same, with all exhibits thereto and other documents in connection therewith with the Securities and Exchange Commission, and grants unto each said attorney-in-fact and agent full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that each said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney this 8th day of November, 2007.

/s/ Karen G. Mills

Karen G. Mills

POWER OF ATTORNEY

The undersigned director of The Scotts Miracle-Gro Company, an Ohio corporation (the "Corporation"), which anticipates filing with the Securities and Exchange Commission, Washington, D.C., under the provisions of the Securities Exchange Act of 1934, as amended, the Annual Report of the Corporation on Form 10-K for the fiscal year ended September 30, 2007, hereby constitutes and appoints James Hagedorn, David C. Evans and Vincent C. Brockman, and each of them, with full power of substitution and resubstitution, as attorney-in-fact and agent to sign for the undersigned, in any and all capacities, such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K, each in such form as they or any one of them may approve, and to file the same, with all exhibits thereto and other documents in connection therewith with the Securities and Exchange Commission, and grants unto each said attorney-in-fact and agent full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that each said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney this 8th day of November, 2007.

/s/ Nancy G. Mistretta

Nancy G. Mistretta

POWER OF ATTORNEY

The undersigned director of The Scotts Miracle-Gro Company, an Ohio corporation (the "Corporation"), which anticipates filing with the Securities and Exchange Commission, Washington, D.C., under the provisions of the Securities Exchange Act of 1934, as amended, the Annual Report of the Corporation on Form 10-K for the fiscal year ended September 30, 2007, hereby constitutes and appoints James Hagedorn, David C. Evans and Vincent C. Brockman, and each of them, with full power of substitution and resubstitution, as attorney-in-fact and agent to sign for the undersigned, in any and all capacities, such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K, each in such form as they or any one of them may approve, and to file the same, with all exhibits thereto and other documents in connection therewith with the Securities and Exchange Commission, and grants unto each said attorney-in-fact and agent full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that each said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney this 8th day of November, 2007.

/s/ Patrick J. Norton

Patrick J. Norton

POWER OF ATTORNEY

The undersigned director of The Scotts Miracle-Gro Company, an Ohio corporation (the "Corporation"), which anticipates filing with the Securities and Exchange Commission, Washington, D.C., under the provisions of the Securities Exchange Act of 1934, as amended, the Annual Report of the Corporation on Form 10-K for the fiscal year ended September 30, 2007, hereby constitutes and appoints James Hagedorn, David C. Evans and Vincent C. Brockman, and each of them, with full power of substitution and resubstitution, as attorney-in-fact and agent to sign for the undersigned, in any and all capacities, such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K, each in such form as they or any one of them may approve, and to file the same, with all exhibits thereto and other documents in connection therewith with the Securities and Exchange Commission, and grants unto each said attorney-in-fact and agent full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that each said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney this 8th day of November, 2007.

/s/ Stephanie M. Shern

Stephanie M. Shern

POWER OF ATTORNEY

The undersigned director of The Scotts Miracle-Gro Company, an Ohio corporation (the "Corporation"), which anticipates filing with the Securities and Exchange Commission, Washington, D.C., under the provisions of the Securities Exchange Act of 1934, as amended, the Annual Report of the Corporation on Form 10-K for the fiscal year ended September 30, 2007, hereby constitutes and appoints James Hagedorn, David C. Evans and Vincent C. Brockman, and each of them, with full power of substitution and resubstitution, as attorney-in-fact and agent to sign for the undersigned, in any and all capacities, such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K, each in such form as they or any one of them may approve, and to file the same, with all exhibits thereto and other documents in connection therewith with the Securities and Exchange Commission, and grants unto each said attorney-in-fact and agent full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that each said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney this 8th day of November, 2007.

/s/ John S. Shiely

John S. Shiely

POWER OF ATTORNEY

The undersigned officer of The Scotts Miracle-Gro Company, an Ohio corporation (the "Corporation"), which anticipates filing with the Securities and Exchange Commission, Washington, D.C., under the provisions of the Securities Exchange Act of 1934, as amended, the Annual Report of the Corporation on Form 10-K for the fiscal year ended September 30, 2007, hereby constitutes and appoints James Hagedorn and Vincent C. Brockman, and each of them, with full power of substitution and resubstitution, as attorney-in-fact and agent to sign for the undersigned, in any and all capacities, such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K, each in such form as they or any one of them may approve, and to file the same, with all exhibits thereto and other documents in connection therewith with the Securities and Exchange Commission, and grants unto each said attorney-in-fact and agent full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as he could do if personally present. The undersigned hereby ratifies and confirms all that each said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney this 9th day of November, 2007.

/s/ David C. Evans

David C. Evans

Exhibit 31(a)

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

I, James Hagedorn, certify that:

1. I have reviewed this Annual Report on Form 10-K of The Scotts Miracle-Gro Company for the fiscal year ended September 30, 2007;

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 29, 2007

By: /s/ James Hagedorn
Printed Name: James Hagedorn
Title: President, Chief Executive Officer and Chairman of the Board

Exhibit 31(b)

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

I, David C. Evans, certify that:

1. I have reviewed this Annual Report on Form 10-K of The Scotts Miracle-Gro Company for the fiscal year ended September 30, 2007;

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 29, 2007

By: /s/ David C. Evans
Printed Name: David C. Evans
Title: Executive Vice President and Chief Financial Officer

Exhibit 32

SECTION 1350 CERTIFICATION*

In connection with the Annual Report of The Scotts Miracle-Gro Company (the "Company") on Form 10-K for the fiscal year ended September 30, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned James Hagedorn, President, Chief Executive Officer and Chairman of the Board of the Company, and David C. Evans, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of their knowledge:

1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended; and

2) The information contained in the Report fairly presents, in all material respects, the consolidated financial condition and results of operations of the Company and its subsidiaries.

/s/ James Hagedorn	/s/ David C. Evans
James Hagedorn President, Chief Executive Officer and Chairman of the Board	David C. Evans Executive Vice President and Chief Financial Officer
November 29, 2007	November 29, 2007

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