FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

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

FOR THE QUARTERLY PERIOD ENDED APRIL 3, 1999

OR

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER 1-11593

THE SCOTTS 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)

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

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

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

Yes X No

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

18,350,343	OUTSTANDING AT MAY 3, 1999
Common Shares, voting, no par value	

THE SCOTTS COMPANY AND SUBSIDIARIES

INDEX

PART I - FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

THE SCOTTS COMPANY AND SUBSIDIARIES
CONDENSED, CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
(IN MILLIONS EXCEPT PER SHARE AMOUNTS)

	Three Months Ended		Six Months Ended	
	April 3, 1999	April 4, 1998	April 3, 1999	April 4, 1998
Net sales	631.5	430.1	815.9	554.9
Cost of sales	362.6	259.6	482.3	343.1
Gross profit	268.9	170.5	333.6	211.8
Commission earned from agency agreements	12.6	--	17.6	--
Operating expenses:				
Advertising and promotion	86.0	50.7	102.7	61.0
Selling, general and administrative	72.5	46.2	126.4	78.1
Amortization of goodwill and other intangibles	5.3	3.4	10.2	6.1
Restructuring and other charges	--	--	1.4	--
Other expense, net	0.4	1.8	0.3	1.5
Income from operations	117.3	68.4	110.2	65.1
Interest expense	24.6	10.1	34.4	16.5
Income before taxes	92.7	58.3	75.8	48.6
Income tax expense	38.0	24.8	31.1	20.6
Net income before extraordinary item	54.7	33.5	44.7	28.0
Extraordinary loss on early extinguishment of debt, net of taxes	5.4	0.7	5.8	0.7
Net income	49.3	32.8	38.9	27.3
Preferred stock dividends	2.5	2.5	4.9	4.9
Income applicable to common shareholders	46.8	30.3	34.0	22.4
Basic earnings per common share:				
Before extraordinary loss	2.86	1.66	2.17	1.24
Extraordinary loss, net of tax	0.30	0.04	0.32	0.04
	2.56	1.62	1.85	1.20
Diluted earnings per common share:				
Before extraordinary loss	1.81	1.10	1.48	0.93
Extraordinary loss, net of tax	0.18	0.02	0.19	0.02
	1.63	1.08	1.29	0.91
Common shares used in basic earnings per share Calculation	18.3	18.7	18.3	18.7
Common shares and potential common shares used in diluted earnings per share calculation	30.3	30.4	30.2	30.1

See notes to condensed, consolidated financial statements

THE SCOTTS COMPANY AND SUBSIDIARIES
CONDENSED, CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(IN MILLIONS)

	SIX MONTHS ENDED	
	APRIL 3, 1999	APRIL 4, 1998
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 38.9	$ 27.3
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	25.0	17.6
Extraordinary loss, net of tax	5.8	0.7
Net change in certain components of working capital	(303.9)	(227.2)
Net change in other assets and liabilities and other adjustments	(25.9)	(2.1)
Net cash used in operating activities	(260.1)	(183.7)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in property, plant and equipment, net	(26.6)	(13.2)
Investment in acquired businesses, net of cash acquired	(492.4)	(134.4)
Other, net	(6.4)	0.2
Net cash used in investing activities	(525.4)	(147.4)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings under term loans, revolving and bank lines of credit	611.8	334.0
Issuance of senior subordinated notes	330.0	--
Extinguishment of $97.1 million senior subordinated notes	(104.1)	--
Settlement of interest rate locks	(12.9)	--
Financing and issuance fees	(22.6)	--
Dividends on Class A Convertible Preferred Stock	(7.3)	(4.9)
Other, net	(0.6)	0.4
Net cash provided by financing activities	794.3	329.5
Effect of exchange rate changes on cash	(0.5)	(0.1)
Net increase (decrease) in cash	8.3	(1.7)
Cash at beginning of period	10.6	13.0
Cash at end of period	$ 18.9	$ 11.3
SUPPLEMENTAL CASH FLOW INFORMATION:		
Businesses Acquired:		
Fair value of assets acquired	$ 631.2	$ 183.7
Liabilities assumed	(101.8)	(45.9)
Cash paid	4.8	0.4
Debt issued	$524.6	$137.4

See notes to condensed, consolidated financial statements

THE SCOTTS COMPANY AND SUBSIDIARIES
CONDENSED, CONSOLIDATED BALANCE SHEETS
(IN MILLIONS)

ASSETS

	UNAUDITED		
	APRIL 3, 1999	APRIL 4, 1998	SEPTEMBER 30, 1998
Current assets:			
Cash	$ 18.9	$ 11.3	$ 10.6
Accounts receivable, less allowances of $13.1, $6.2 and $6.3, respectively	589.6	413.8	146.6
Inventories, net	334.6	194.3	177.7
Current deferred tax asset	22.3	19.5	20.8
Prepaid and other assets	52.6	10.6	11.5
Total current assets	1,018.0	649.5	367.2
Property, plant and equipment, net	240.8	186.1	197.0
Intangible assets, net	808.7	429.9	435.1
Other assets	35.8	6.3	35.9
Total assets	$2,103.3	$1,271.8	$1,035.2

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:			
Short-term debt	$ 213.9	$ 2.8	$ 13.3
Accounts payable	178.2	104.5	77.8
Accrued liabilities	176.7	101.6	124.9
Accrued taxes	44.1	45.6	15.9
Total current liabilities	612.9	254.5	231.9
Long-term debt	1,003.0	566.5	359.2
Other liabilities	55.7	40.3	40.2
Total liabilities	1,671.6	861.3	631.3
Commitments and contingencies			
Shareholders' equity:			
Class A Convertible Preferred Stock, no par value	177.3	177.3	177.3
Common shares, no par value per share, $.01 stated value per share, issued 21.1 shares in 1999 and 1998	0.2	0.2	0.2
Capital in excess of par value	208.7	207.8	208.7
Retained earnings	110.6	72.5	76.6
Treasury stock, 2.8, 2.4, and 2.8 shares, respectively, at cost	(56.9)	(41.0)	(55.9)
Accumulated other comprehensive income:			
Foreign currency translation account	(8.2)	(6.3)	(3.0)
Total shareholders' equity	431.7	410.5	403.9
Total liabilities and shareholders' equity	$2,103.3	$1,271.8	$1,035.2

See notes to condensed, consolidated financial statements

THE SCOTTS COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED, CONSOLIDATED FINANCIAL STATEMENTS
(ALL AMOUNTS ARE IN MILLIONS EXCEPT PER SHARE DATA OR AS OTHERWISE NOTED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Scotts Company is engaged in the manufacture and sale of lawn care and garden products. The Company's major customers include mass merchandisers, home improvement centers, large hardware chains, independent hardware stores, nurseries, garden centers, food and drug stores, golf courses, professional sports stadiums, lawn and landscape service companies, commercial nurseries and greenhouses, and specialty crop growers. The Company's products are sold in the United States, Canada, the European Union, the Caribbean, South America, Southeast Asia, the Middle East, Africa, Australia, New Zealand, Mexico, Japan, and several Latin American countries.

Organization and Basis of Presentation

The condensed, consolidated financial statements include the accounts of The Scotts Company and its subsidiaries, (collectively, the "Company"). All material intercompany transactions have been eliminated.

The condensed, consolidated balance sheets as of April 3, 1999 and April 4, 1998, and the related condensed, consolidated statements of operations and cash flows for the three and six month periods ended April 3, 1999 and April 4, 1998 are unaudited; however, in the opinion of management, such financial statements contain all adjustments necessary for the fair presentation of the Company's financial position and results of operations. Interim results reflect all normal recurring adjustments and are not necessarily indicative of results for a full year. The interim financial statements and notes are presented as specified by Regulation S-X of the Securities and Exchange Commission, and should be read in conjunction with the financial statements and accompanying notes in Scotts' fiscal 1998 Annual Report on Form 10-K.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying disclosures. The most significant of these estimates are related to the allowance for doubtful accounts, inventory valuation reserves, expected useful lives assigned to property, plant and equipment and goodwill and other intangible assets, legal and environmental accruals, post-retirement benefits, promotional and consumer rebate liabilities, income taxes and contingencies. 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.

Advertising and Promotion

The Company advertises its branded products through national and regional media, and through cooperative advertising programs with retailers. Retailers are also offered pre-season stocking and in-store promotional allowances. Certain products are also promoted with direct consumer rebate programs. The Company expenses advertising and promotion costs as incurred, although costs incurred during interim periods are generally expensed ratably in relation to revenues or related performance measures.

Reclassifications

Certain reclassifications have been made in prior periods' financial statements to conform to fiscal 1999 classifications.

2. ACQUISITIONS

Effective January 1999, the Company acquired the assets of Monsanto Company's consumer lawn and garden businesses, exclusive of the Roundup(R) business ("Ortho"), for approximately $300 million, subject to adjustment based on working capital as of the closing date and as defined in the purchase agreement.

Effective October 1998, the Company acquired Rhone-Poulenc Jardin ("RPJ"), continental Europe's largest consumer lawn and garden products company. The final purchase price, established subsequent to post-acquisition working capital adjustments, was approximately $162 million as compared to management's original estimate of approximately $216 million.

Effective February 1998, the Company acquired all the shares of EarthGro, Inc. ("EarthGro"), a regional growing media company located in Glastonbury, Connecticut, for approximately $47.0 million.

Effective December 1997, the Company acquired all the shares of Levington Group Limited ("Levington"), a leading producer of consumer and professional lawn fertilizer and growing media in the U.K., for approximately $94.0 million.

During fiscal 1999 and 1998, the Company also invested in or acquired other entities consistent with its long-term strategic plan. These investments include Asef Holding BV, Scotts Lawn Service, Sanford Scientific, Inc. (genetics) and certain intangible assets acquired in Ireland.

Each of the above acquisitions was accounted for under the purchase method of accounting. Accordingly, the purchase prices have been allocated to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. Final allocations of the purchase prices to acquired net assets associated with the Ortho, RPJ and Asef Holding BV acquisitions are pending. The excess of the purchase price over the net book value of acquired assets is currently recorded on the balance sheet as an intangible asset. Intangible assets associated with the purchase of EarthGro and Levington were $23.3 million and $62.8 million, respectively. Intangible assets associated with the other acquisitions mentioned above, exclusive of RPJ and Ortho, are approximately $37.0 million on a combined basis.

The following unaudited pro forma results of operations give effect to the Ortho, RPJ, Earthgro, and Levington acquisitions as if they had occurred on October 1, 1997.

	SIX MONTHS ENDED	
(in millions, except per share data)	APRIL 4, 1999	APRIL 3, 1998
Net sales	$850.2	$746.4
Income before extraordinary loss	30.6	26.3
Net income	24.8	25.6
Basic earnings per share:		
Before extraordinary loss	$ 1.41	$ 1.14
After extraordinary loss	1.09	1.10
Diluted earnings per share		
Before extraordinary loss	$ 1.01	$ 0.87
After extraordinary loss	0.82	0.85

The pro forma information provided does not purport to be indicative of actual results of operations if the Ortho, RPJ, Earthgro and Levington acquisitions had occurred as of October 1, 1997, and is not intended to be indicative of future results or trends.

3. AGENCY AGREEMENT

Effective September 30, 1998, the Company entered into an agreement with Monsanto for exclusive international marketing and agency rights to Monsanto's consumer Roundup(R) herbicide products. In connection with the agreement, the Company paid a $32.0 million deferred marketing fee that is being amortized over 20 years. The agreement covers most major consumer lawn and garden markets in the world, including the U.S., Canada, Germany, France, other parts of continental Europe, and Australia.

The agreement provides for the Company to earn a commission based on the EBIT (as defined by the agreement) generated annually by the global Roundup(R) business. The Company has recorded $17.6 million in the first six months of fiscal 1999, representing a pro-rata share of the estimated amount to be earned for the year.

4. INVENTORIES

Inventories, net of provisions of $21.5 million, $9.7 million and $12.0 million, respectively, consisted of:

(in millions)	APRIL 3, 1999	APRIL 4, 1998	SEPTEMBER 30, 1998
Finished goods	$246.8	$128.5	$121.0
Raw materials	87.4	64.1	55.8
FIFO cost	334.2	192.6	176.8
LIFO reserve	0.4	1.7	0.9
Total	$334.6	$194.3	$177.7

5. INTANGIBLE ASSETS, NET

(in millions)	APRIL 3, 1999	APRIL 4, 1998	SEPTEMBER 30, 1998
Goodwill	$625.8	$275.7	$268.1
Trademarks	137.9	135.2	144.0
Other	45.0	19.0	23.0
Total	$808.7	$429.9	$435.1

6. LONG-TERM DEBT

(in millions)	APRIL 3, 1999	APRIL 4, 1998	SEPTEMBER 30, 1998
Revolving loans under credit facility	$ 322.8	$450.6	$253.5
Term loans under credit facility	509.9	--	--
Senior Subordinated Notes	320.0	99.5	99.5
Deferred acquisition price	37.5	5.6	5.6
Foreign term loans	9.0	9.0	9.0
Capital lease obligations and other	17.7	4.6	4.9
	1,216.9	569.3	372.5
Less current portions	213.9	2.8	13.3
	$1,003.0	$566.5	$359.2

In January 1999 the Company completed an offering of $330 million of 10-year 8 5/8% Senior Subordinated Notes ("the Notes") due 2009. The net proceeds from the offering, together with borrowings under Scotts' bank facility, were used to fund the Ortho acquisition and repurchase approximately 97% of the Company's $100.0 million outstanding 9 7/8% Senior Subordinated Notes due August 2004. The Company recorded an

extraordinary loss before tax on the extinguishment of the 9 7/8% notes of approximately $9.2 million, including a call premium of $7.1 million and the write-off of unamortized issuance costs and discounts associated with the 9 7/8% notes of $2.1 million.

Coincidental with the Notes offering, the Company settled its then outstanding interest rate locks for approximately $3.6 million. The Company entered into two interest rate locks in fiscal 1998 to hedge its anticipated interest rate exposure on the Note offering. In October 1998, the Company settled one of the interest rate locks for $9.3 and entered into a new interest rate lock instrument. The total amount paid under the interest rate locks of $12.9 million has been recorded as a reduction of the Notes' carrying value and is being amortized over the life of the Notes.

On December 4, 1998, the Company and certain of its subsidiaries entered into a new credit facility which provides for borrowings in the aggregate principal amount of $1.025 billion and consists of term loan facilities in the aggregate amount of $525 million and a revolving credit facility in the amount of $500 million. Proceeds from borrowings under the new credit facility of approximately $241.0 million were used to repay amounts outstanding under the then existing credit facility. Gross borrowings and gross repayments under the credit facility were $1.099 billion and $487 million, respectively, for the six months ended April 3, 1999. An $0.4 million extraordinary loss, net of tax, was recorded in connection with the retirement of the old facility.

The term loan facilities consist of three tranches. The Tranche A Term Loan Facility consists of three sub-tranches of French Francs, German Deutschemarks and British Pounds Sterling in an aggregate principal amount of $265 million which are to be repaid quarterly over a 6 1/2 year period. The Tranche B Term Loan Facility is a 7 1/2 year term loan facility in an aggregate principal amount of $140 million, which is to be repaid in nominal quarterly installments for the first 6 1/2 years and in substantial quarterly installments in the final year. The Tranche C Term Loan Facility is a 8 1/2 year term loan facility in an aggregate principal amount of $120 million, which is to be repaid in nominal quarterly installments for the first 7 1/2 years and in substantial quarterly installments in the final year.

The revolving credit facility provides for borrowings up to $500 million, which are available on a revolving basis over a term of 6 1/2 years. A portion of the revolving credit facility not to exceed $40 million is available for the issuance of letters of credit. A portion of the facility not to exceed $225 million is available for borrowings in optional currencies, including German Deutschemarks, British Pounds Sterling, French Francs, Belgian Francs, Italian Lira and other specified currencies, provided that the outstanding revolving loans in optional currencies other than British Pounds Sterling does not exceed $120 million. The outstanding principal amount of all revolving credit loans may not exceed $150 million for at least 30 consecutive days during any calendar year.

Interest rates and commitment fees pursuant to the new credit facility vary according to the Company's leverage ratios and also within tranches. In addition, the new credit facility requires that the Company enter into hedge agreements to the extent necessary to provide that at least 50% of the aggregate principal amount of the Senior Subordinated Notes and term loan facilities is subject to a fixed interest rate. Financial covenants include minimum net worth, interest coverage and net leverage ratios. Other covenants include limitations on: indebtedness, liens, mergers, consolidations, liquidations and dissolutions, sale of assets, leases, dividends, capital expenditures, and investments, among others.

Approximately $12.3 million of financing costs associated with the new credit facility have been deferred as of April 3, 1999 and are being amortized over a period of approximately 7 years.

In conjunction with the acquisition of RPJ and Sanford Scientific, notes were issued for certain portions of the total purchase price that are to be paid in annual installments over a four year period. Remaining balances for the notes

are $32.3 million and $4.6 million, respectively. The Company is imputing interest on the non-interest bearing notes using a 9% and 8% discount rate, respectively.

7. EARNINGS PER COMMON SHARE

The following table presents information necessary to calculate basic and diluted earnings per common share ("EPS").

	Three Months Ended		Six Months Ended	
	April 3, 1999	April 4, 1998	April 3, 1999	April 4, 1998
Net income before extraordinary item	$54.7	$33.5	$44.7	$28.0
Extraordinary loss on early extinguishment of debt, net of taxes	5.4	0.7	5.8	0.7
Net income	49.3	32.8	38.9	27.3
Preferred stock dividends	2.5	2.5	4.9	4.9
Income applicable to common shareholders	$46.8	$30.3	$34.0	$22.4
Weighted-average common shares outstanding during the period	18.3	18.7	18.3	18.7
Assuming conversion of Class A Convertible Preferred Stock	10.3	10.3	10.3	10.3
Assuming exercise of warrants	0.9	0.7	0.8	0.5
Assuming exercise of options	0.8	0.7	0.8	0.6
Weighted-average number of common shares outstanding and potential common shares	30.3	30.4	30.2	30.1
Basic earnings per common share:				
Before extraordinary loss	$2.86	$1.66	$2.17	$1.24
Extraordinary loss, net of tax	0.30	0.04	0.32	0.04
	$2.56	$1.62	$1.85	$1.20
Diluted earnings per common share:				
Before extraordinary loss	$1.81	$1.10	$1.48	$0.93
Extraordinary loss, net of tax	0.18	0.02	0.19	0.02
	$1.63	$1.08	$1.29	$0.91

8. STATEMENT OF COMPREHENSIVE INCOME

Effective October 1, 1998 the Company adopted Statement of Financial Accounting Standards No. 130 (SFAS 130), "Reporting Comprehensive Income". SFAS 130 requires that changes in the amounts of certain items, including foreign currency translation adjustments, be presented in the Company's financial statements. The components of other comprehensive income and total comprehensive income for the six months ended April 3, 1999 and April 4, 1998 are as follows:

(in millions)	Three Months Ended April 3, 1999	Three Months Ended April 4, 1998	Six Months Ended April 3, 1999	Six Months Ended April 4, 1998
Net income	$49.3	$32.8	$38.9	$27.3
Other comprehensive expense:				
Translation adjustments	(4.8)	(0.8)	(5.2)	(2.0)
Comprehensive income	$44.5	$32.0	$33.7	$25.3

9. 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, property losses and other fiduciary liabilities for which the Company is self-insured. In the opinion of management, its assessment of contingencies is reasonable and related reserves, in the aggregate, are adequate; however, there can be no assurance that future quarterly or annual operating results will not be materially affected by final resolution of these matters. The following details the more significant of the Company's identified contingencies.

Ohio Environmental Protection Agency

The Company has assessed and addressed certain environmental issues regarding the wastewater treatment plants which had operated at the Marysville facility. The Company decommissioned the old wastewater treatment plants and has connected the facility's wastewater system with the City of Marysville's municipal treatment system. Additionally, the Company has been assessing, under Ohio's new Voluntary Action Program ("VAP"), the possible remediation of several discontinued on-site waste disposal areas dating back to the early operations of its Marysville facility.

In February 1997, the Company learned that the Ohio Environmental Protection Agency ("OEPA") was referring certain matters relating to environmental conditions at the Company's Marysville site, including the existing wastewater treatment plants and the discontinued on-site waste disposal areas, to the Ohio Attorney General's Office ("OAG"). Representatives from the OEPA, the OAG and the Company continue to meet to discuss these issues.

In June 1997, the Company received formal notice of an enforcement action and draft Findings and Orders ("F&O") from the OEPA. The draft F&O elaborated on the subject of the referral to the OAG alleging: potential surface water violations relating to possible historical sediment contamination possibly impacting water quality; inadequate treatment capabilities of the Company's existing and currently permitted wastewater treatment plants; and that the Marysville site is subject to corrective action under the Resource Conservation Recovery Act ("RCRA"). In late July 1997, the Company received a draft judicial consent order from the OAG which covered many of the same issues contained in the draft F&O including RCRA corrective action. As a result of ongoing discussions, the Company received a revised draft of a judicial consent order from the OAG in late April 1999, which is the focus of current negotiations.

In accordance with the Company's past efforts to enter into Ohio's VAP, the Company submitted to the OEPA a "Demonstration of Sufficient Evidence of VAP Eligibility Compliance" on July 8, 1997. Among other issues contained in the VAP submission, was a description of the Company's ongoing efforts to assess potential environmental impacts of the discontinued on-site waste disposal areas as well as potential remediation efforts. Pursuant to the statutes covering VAP, an eligible participant in the program is not subject to State enforcement actions for those environmental matters being addressed. On October 21, 1997, the Company received a letter from the Director of the OEPA denying VAP eligibility based upon the timeliness of and completeness of the submittal.

The Company has appealed the Director's action to the Environmental Review Appeals Commission. No hearing date has been set and the appeal remains pending.

The Company is continuing to meet with the OAG and the OEPA in an effort to negotiate an amicable resolution of these issues but is unable at this stage to predict the outcome of the negotiations. While negotiations have narrowed the unresolved issues between the Company and the OAG/OEPA, several critical issues remain the subject of ongoing discussions. The Company believes that it has viable defenses to the State's enforcement action, including that it had been proceeding under VAP to address certain environmental issues, and will assert those defenses in any such action.

While the Company is unable to predict the ultimate outcome of this issue, management believes that the probable range of outcome will not be material to the Company. Many of the issues raised by the State are already being investigated and addressed by the Company during the normal course of conducting business.

Lafayette

In July 1990, the Philadelphia District of the U.S. Army Corps of Engineers ("Corps") directed that peat harvesting operations be discontinued at Hyponex's Lafayette, New Jersey facility, based on its contention that peat harvesting and related activities result in the "discharge of dredged or fill material into waters of the United States" and therefore require a permit under Section 404 of the Clean Water Act. In May 1992, the United States filed suit in the U.S. District Court for the District of New Jersey seeking a permanent injunction against such harvesting, and civil penalties in an unspecified amount. If the Corps' position is upheld, it is possible that further harvesting of peat from this facility would be prohibited. The Company is defending this suit and is asserting a right to recover its economic losses resulting from the government's actions. The suit was placed in administrative suspense during fiscal 1996 in order to allow the Company and the government an opportunity to negotiate a settlement, and it remains suspended while the parties develop, exchange and evaluate technical data. In July 1997, the Company's wetlands consultant submitted to the government a draft remediation plan. Comments were received, and a revised plan was submitted in early 1998. Further comments from the government were received during 1998. The Company believes agreement on the remediation plan has essentially been reached. Before this suit can be fully resolved, however, the Company and the government must reach agreement on the government's civil penalty demand. Management does not believe that the outcome of this case will have a material adverse effect on the Company's operations or its financial condition. Furthermore, management believes the Company has sufficient raw material supplies available such that service to customers will not be materially adversely affected by continued closure of this peat harvesting operation.

Hershberger

In September 1991, the Company was identified by the OEPA as a Potentially Responsible Party ("PRP") with respect to a site in Union County, Ohio (the "Hershberger site"), because the Company allegedly arranged for the transportation, treatment or disposal of waste that allegedly contained hazardous substances, at the Hershberger site. Effective February 1998, the Company and four other named PRPs executed an Administrative Order on Consent ("AOC") with the OEPA, by which the named PRPs will fund remedial action at the Hershberger site. After construction of the leachate collection system and reconstruction of the landfill cap, which was substantially completed in August 1998, the Company expects its obligation thereafter to consist primarily of its share of annual operating and maintenance expenses. Management does not believe that its obligations under the AOC will have a material adverse effect on the Company's results of operations or financial condition.

Bramford

In the U.K., major discharges of waste to air, water and land are regulated by The Environment Agency (the "EA"). The Levington fertilizer facility in Bramford (Suffolk), U.K., is subject to environmental regulation by the EA. Manufacturing processes at this facility require process authorizations and a waste management license. In connection with the renewal of such authorizations and license, the EA has identified the need for remediation of a lagoon at the site, and the potential for remediation of a former landfill at the site. The Company intends to comply with the reasonable remediation concerns of the EA, including removal of any contaminated materials from the lagoon and filling and capping of the lagoon. If, however, the EA should determine that the Company has not adequately addressed the remediation concerns of the EA, operations at the facility could be restricted and enforcement proceedings could be brought by the EA. Management does not believe that its remedial obligations at this site will have a material adverse effect on the operations at the facility or on the Company's results of operations or financial condition.

10. NEW ACCOUNTING STANDARDS

In June of 1997, the FASB issued SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information". In February and August of 1998, respectively, the FASB issued SFAS No. 132, "Employers' Disclosure about Pensions and Other Postretirement Benefits." and SFAS No. 133, "Accounting For Derivative Instruments and Hedging Activities." SFAS No. 131 and 132 are effective for financial statements for fiscal years beginning after December 15, 1997. SFAS No. 133 is effective for fiscal years beginning after June 15, 1999.

SFAS No. 131 establishes standards for the way that public enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports issued to shareholders commencing in the year after adoption. SFAS No. 131 defines business segments as components of an enterprise about which separate financial information is available and used internally for evaluating segment performance and decision making on resource allocations. SFAS No. 131 requires reporting a measure of segment profit or loss, certain specific revenue and expense items, and segment assets; and other reporting about geographic and customer matters. The Company plans to adopt SFAS No. 131 in fiscal 1999.

SFAS No. 132 revises employers' disclosures about pension and other postretirement benefit plans. It does not change the measurement or recognition of those plans. It standardizes the disclosure requirements for pensions and other postretirement benefits to the extent practicable, requires additional information on changes in the benefit obligations and fair values of plan assets that will facilitate financial analysis, and eliminates certain disclosures that are no longer useful. The Company plans to adopt SFAS No. 132 in fiscal 1999.

SFAS No. 133 establishes accounting and reporting standards for derivative instruments and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. The Company has not yet determined the impact this statement will have on its operating results. The Company plans to adopt SFAS No. 133 in fiscal 2000.

See Note 8 for a discussion of SFAS No. 130.

11. RESTRUCTURING

Restructuring and other charges totaled $1.9 million in the first six months of fiscal 1999, of which $0.5 million is included in SG&A charges. These charges consist of severance and relocation costs to reorganize the North American

Professional Business Group to strengthen distribution and technical sale support, integrate brand management across market segments and reduce annual operating expenses. As of April 3, 1999, the Company has made approximately $0.8 of the anticipated cash payments.

During fiscal 1998, the Company recorded $20.4 million of restructuring and other charges. Included in these charges are the following: (1)$6.0 million for consolidation of the Company's two U.K. operations into one lower-cost business, consisting primarily of property and equipment and packaging costs of $3.9 million and severance costs of $1.4 million; (2) $9.3 million for the closure of nine composting operations in the U.S. that collect yard and compost waste for certain municipalities, consisting primarily of losses under contractual commitments of $4.5 million and inventory and fixed asset write-offs of $4.8 million; and (3) $5.1 million for the sale or closure of certain other U.S. plants and businesses. The Company expects that these restructuring efforts will be completed during fiscal 1999.

In connection with the charges taken for the consolidation of the two U.K. operations, the Company has made $3.1 million of the estimated $3.8 million cash payments accrued for in fiscal 1998, primarily related to severance, packaging and information system costs. The Company estimates that the majority of the remaining payments will be made in fiscal 1999

In connection with the charges taken for the closure of nine composting operations, the Company made $1.5 million of the estimated $5.0 million cash payments accrued for in fiscal 1998, primarily related to losses under contractual commitments. The Company estimates that of the remaining payments, $1.7 million will be made in fiscal 1999, while $1.8 million will be made in fiscal 2000.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(ALL AMOUNTS ARE IN MILLIONS EXCEPT PER SHARE DATA OR AS OTHERWISE NOTED)

OVERVIEW

The Company is a leading manufacturer and marketer of consumer branded products for lawn and garden care, professional turf care and professional horticulture businesses in the United States and Europe. The Company's operations are divided into three business segments: North American Consumer, Professional and International. The North American Consumer segment includes the Lawns, Gardens, Growing Media and Ortho business groups.

The Company's sales are seasonal in nature and are susceptible to global weather conditions, primarily in North America and Europe. For instance, periods of wet weather can slow fertilizer sales but can create increased demand for pesticide sales. Periods of dry, hot weather can have the opposite effect on fertilizer and pesticide sales. The Company believes that its recent acquisitions diversify both its product line risk and geographic risk to weather conditions.

On September 30, 1998, the Company entered into a long-term Exclusive Agency and Marketing Agreement (the "Roundup(R) Marketing Agreement") with Monsanto for its consumer Roundup(R) herbicide products. Under the Marketing Agreement, the Company and Monsanto will jointly develop global consumer and trade marketing programs for Roundup(R), and the Company has assumed responsibility for sales support, merchandising, distribution, logistics and certain administrative functions.

In addition, on January 21, 1999, the Company consummated the acquisition of the assets of Monsanto Company's consumer lawn and garden businesses, exclusive of the Roundup(R) business. These transactions with Monsanto will further the Company's strategic objective of entering the pesticides segment of the consumer lawn and garden category. These businesses make up the newly created Ortho business group within the North American Consumer segment.

Over the past two years, the Company has made several other acquisitions to strengthen its global market position in the lawn and garden category. In October 1998, the Company acquired Rhone-Poulenc Jardin ("RPJ"). RPJ is a leading European consumer lawn and garden business. The RPJ acquisition provides a significant addition to the Company's existing European platform and strengthens its foothold in the continental European consumer lawn and garden market. Through this acquisition, the Company will establish a strong presence in France, Germany, Austria, and the Benelux countries. The RPJ acquisition may also mitigate, to a certain extent, the Company's susceptibility to weather conditions by expanding the regions in which the Company operates.

In February 1998, the Company acquired EarthGro, Inc. ("Earthgro") a Northeastern U.S. growing media producer. In December 1997, the Company acquired Levington Group Limited ("Levington"), a leading producer of consumer and professional lawn fertilizer and growing media in the United Kingdom. In January 1997, the Company acquired the approximate two-thirds interest in Miracle Holdings Limited ("Miracle Holdings") which the Company did not already own. Miracle Holdings owns Miracle Garden Care Limited ("MGC"), a manufacturer and distributor of lawn and garden products in the United Kingdom. These acquisitions are consistent with the Company's stated objective of becoming the world's foremost branded lawn and garden company.

In addition, on December 15, 1998, the Company acquired Asef Holding B.V., a privately-held Netherlands-based lawn and garden products company, for approximately $23.0 million.

Management believes that the acquisitions will provide the Company with several strategic benefits including immediate market penetration, geographic expansion, brand leveraging opportunities, and the achievement of substantial cost savings. The Company is currently a leader in four segments of the consumer lawn and garden category: lawn fertilizer, garden fertilizer, growing media and grass seeds. The acquisition of Ortho and the Marketing Agreement for Roundup(R) will provide

the Company with an immediate entry into the fifth segment of the consumer lawn and garden category: the U.S. pesticides segment. The addition of the U.S. pesticides product line completes the Company's product portfolio and positions the Company as the only national company with a complete offering of consumer products.

The addition of strong pesticide brands completes the Company's product portfolio of powerful branded consumer lawn and garden products that should provide the Company with brand leveraging opportunities for revenue growth. For example, the Company's strengthened market position should create category management opportunities to enhance shelf positioning, consumer communication, trade incentives and trade programs. In addition, significant synergies should be realized from the combined businesses, including reductions in general and administrative, sales, distribution, purchasing, research and development, and corporate overhead costs. Management expects to redirect a portion of these cost savings into increased consumer marketing spending in support of the Ortho brand.

RESULTS OF OPERATIONS

The following discussion and analysis of the consolidated results of operations, cash flows and financial position of the Company should be read in conjunction with the Condensed, Consolidated Financial Statements of the Company included elsewhere in this report. Scotts' Annual Report on Form 10-K for the fiscal year ended September 30, 1998 includes additional information about the Company, its operations, and its financial position, and should be read in conjunction with this Quarterly Report on Form 10-Q.

The following table sets forth sales by business segment for the three and six months ended April 3, 1999 and April 4, 1998:

	Three Months Ended		Period	Six Months Ended		Period
	April 3, 1999	April 4, 1998	To Period Change	April 3, 1999	April 4, 1998	To Period Change
Consumer Lawns	$245.6	$191.9	28.0%	$284.8	$222.1	28.2%
Consumer Gardens	64.3	53.9	19.3	77.8	66.3	17.4
Consumer Growing Media	79.5	70.5	12.8	99.6	86.6	15.0
Consumer Ortho	69.5	na	na	69.5	na	na
Domestic Consumer	458.9	316.3	45.1	531.7	375.0	41.8
Professional	40.9	44.5	(8.1)	73.4	76.9	(4.6)
International	131.7	69.3	90.0	210.8	103.0	104.7
Consolidated	$631.5	$430.1	46.8%	$815.9	$554.9	47.0%

The following table sets forth the components of income and expense as a percentage of sales for the three and six months ended April 3, 1999 and April 4, 1998:

	Three Months Ended		Period To Period	Six Months Ended		Period To Period
	April 3, 1999	April 4, 1998	Change	April 3, 1999	April 4, 1998	Change
Net sales	100.0%	100.0%	46.8%	100.0%	100.0%	47.0%
Cost of sales	57.4	60.4	39.7	59.1	61.8	40.6
Gross profit	42.6	39.6	57.7	40.9	38.2	57.5
Commission earned from agency agreements	2.0	--	na	2.2	--	na
Operating Expenses:						
Advertising and promotion	13.6	11.8	69.6	12.6	11.0	68.4
Selling, general and administrative	11.5	10.7	56.9	15.5	14.1	61.8
Amortization of goodwill & other intangibles	0.8	0.8	55.9	1.3	1.1	67.2
Restructuring and other charges	--	--	na	0.2	0.0	na
Other expense, net	0.1	0.4	(77.8)	0.0	0.3	(80.0)
Income from operations	18.6	15.9	71.5	13.5	11.7	69.3
Interest expense	3.9	2.3	143.6	4.2	3.0	108.5
Income before taxes	14.7	13.6	59.0	9.3	8.8	56.0
Income tax expense	6.0	5.8	53.2	3.8	3.7	51.0
Net income before extraordinary item	8.7	7.8	63.3	5.5	5.0	59.6
Extraordinary loss on early extinguishment of debt, net of taxes	0.9	0.2	671.4	0.7	0.1	728.6
Net income	7.8	7.6	50.3	4.8	4.9	42.5
Preferred stock dividends	0.4	0.6	0.0	0.6	0.9	0.0
Income applicable to common shareholders	7.4%	7.0%	54.5%	4.2%	4.0%	51.8%

THREE MONTHS ENDED APRIL 3, 1999 VERSUS THE THREE MONTHS ENDED APRIL 4, 1998

Sales for the three months ended April 3, 1999 totaled $631.5 million, an increase of 46.8% over the three months ended April 4, 1998 of $430.1 million. On a pro forma basis, assuming that the Ortho, RPJ, Levington and Earthgro acquisitions had occurred on October 1, 1997, sales for the second quarter of fiscal 1999 increased 16.3% over pro forma sales for the second quarter of fiscal 1998 of $552.9 million. The increase in these pro forma sales was driven by improved performance across the majority of the Company' business groups, especially Consumer Lawns and Consumer Gardens as discussed below.

North American Consumer segment sales were $458.9 million in the second quarter of fiscal 1999, an increase of $142.6 million, or 45.1%, over sales for the second quarter of fiscal 1998 of $316.3 million. Sales in the Consumer Lawns business group within this segment increased $53.7 million, or 28.0%, from fiscal 1998 to fiscal 1999, reflecting significant volume growth period-to-period in the Company's Turf Builder(R) line of products. Sales in the Consumer Gardens business group increased $10.4 million, or 19.3%, from the second quarter of fiscal 1998 to fiscal 1999, primarily due to strong volume in the Miracle-Gro(R) product line. Sales in the Consumer Growing Media business group increased $9.0 million, or 12.8%, primarily the result of the Earthgro acquisition made in February of fiscal 1998. On a pro forma basis, including the Earthgro acquisition, sales in the Consumer Growing Media business group increased 7.9% from the second quarter of fiscal 1998 to fiscal 1999, driven primarily by the sales of higher margin, value added potting soil products and certain bark material products. Sales for the Ortho business group, acquired in January 1999, were $69.5 million for the post-acquisition period. On a pro forma basis, assuming Ortho had been acquired effective October 1, 1997, sales for the Ortho business group increased 8.8% in the three month period. Selling price changes did not have a material impact in the North American Consumer segment in the second quarter of fiscal 1999.

Professional segment sales of $40.9 million in the second quarter of fiscal 1999 were down slightly in comparison to second quarter of fiscal 1998 sales of $44.5 million. Results reflect the offsetting performance of the Company's horticultural products, sales of which increased $2.1 million period-to-period, and ProTurf(R) products which decreased $5.7 million. The decrease in ProTurf(R) sales was driven by short-term interruptions associated with the reorganization of the Professional business group made to strengthen distribution and technical sales support and to integrate brand management. The increase in horticultural products stems from strong sales volume for controlled-release fertilizers used in the nursery and greenhouse segments.

International segment sales were $131.7 million in the second quarter of fiscal 1999, an increase of $62.4 million, or 90.0% over the second quarter of fiscal 1998. After considering the RPJ and Levington acquisitions, on a pro forma basis, sales in the International segment increased 15.2% from the second quarter of fiscal 1998 to fiscal 1999, primarily the result of a $12.5 million increase in the RPJ businesses as well as improved performance in the European professional business, partially offset by lower sales levels in the group's U.K. business and the impact of foreign currency translation. The decrease in the U.K was caused by slower than anticipated orders and supply chain interruptions resulting from the integration of the recently acquired businesses. Excluding the effects of currency translation, pro forma sales would have been 19.9% higher than the second quarter of the prior year.

Gross profit increased to $268.9 million in the second quarter of fiscal 1999, an increase of 57.7% over fiscal 1998 gross profit of $170.5 million. As a percentage of sales, gross profit was 42.6% of sales for fiscal 1999 compared to 39.6% of sales for the second quarter of fiscal 1998, primarily due to start-up costs associated with the upgrade of certain domestic manufacturing facilities and demolition costs associated with the removal of certain old manufacturing facilities that had an adverse impact on margins in the second quarter of fiscal 1998.

The "commission earned from agency agreement" of $12.6 million in the second quarter of fiscal 1999 was generated from the Company's agreement with Monsanto for exclusive international marketing and agency rights to Monsanto's consumer Roundup(R) herbicide products. The agreement provides for the Company to earn a commission based on EBIT

(as defined by the agreement) generated annually by the global Roundup(R) business. The $12.6 million recorded in the second quarter of fiscal 1999 represents a pro-rata share of the estimated amount to be earned for the year.

Advertising and promotion expenses in the second quarter of fiscal 1999 were $86.0 million, an increase of $35.3 million, or 69.6% over fiscal 1998 advertising and promotion expenses of $50.7 million. The newly acquired Ortho and RPJ businesses contributed $11.3 million and $8.2 million, respectively, to the increase. The remaining increase reflects continued emphasis on building consumer demand through consumer-oriented marketing efforts, and is highlighted by 28.1% and 35.2% increases in advertising and promotion expenses in the Consumer Lawns and Consumer Gardens business units, respectively. As a percentage of sales, advertising and promotion increased to 13.6% compared to 11.8% for the prior year.

Selling, general and administrative (SG&A) expenses in the second quarter of fiscal 1999 were $72.5 million, an increase of $26.3 million, or 56.9% over similar expenses in the second quarter of fiscal 1998 of $46.2 million. As a percentage of sales, SG&A was 11.5% for the second quarter of fiscal 1999 compared to 10.7% for fiscal 1998. The newly acquired Ortho and RPJ businesses contributed $8.3 million and $9.2 million, respectively to the increase. The remaining increase of $8.8 million was primarily due to the following factors: additional information systems expenses of $0.8 million for year 2000 compliance and $1.5 million for enterprise system implementation efforts; increased charges for bad debt expense of $4.0 million; and increased selling and marketing expense in the Consumer Lawns group of $1.5 million.

Amortization of goodwill and other intangibles increased to $5.3 million in the second quarter of fiscal 1999, compared to $3.4 million in the prior year, due to additional intangibles resulting from the RPJ, Levington and Earthgro acquisitions.

Other expense for the second quarter of fiscal 1999 was $0.4 million compared to $1.8 million in the prior year. The decrease was primarily due to lower foreign currency and asset retirement losses, partially offset by increased legal and environmental costs.

Income from operations for the second quarter of fiscal 1999 was $117.3 million compared to $68.4 million for the second quarter of fiscal 1998, primarily due to increases realized from the newly acquired Ortho and RPJ businesses and significant improvement in the Consumer Lawns business, partially offset by increased SG&A charges associated with information systems expense for year 2000 compliance and enterprise system implementation efforts and bad debt expenses. On a pro forma basis, including the Ortho, RPJ, Levington and EarthGro acquisitions, income from operations for the second quarter of fiscal 1999 was $118.5 million, a 19.9% improvement over the second quarter of fiscal 1998 of $98.8 million.

Interest expense for the second quarter of fiscal 1999 was $24.6 million, an increase of 143.6% over fiscal 1998 interest expense of $10.1 million. The increase in interest expense was due to increased borrowings to fund the Ortho, RPJ, Levington, and EarthGro acquisitions. The increase was also due to higher average borrowing rates determined by the terms and conditions of the Company's new credit facility as discussed below.

Income tax expense was $38.0 million for fiscal 1999 compared to $24.8 million in the prior year. The Company's effective tax rate was 41.0% in the second quarter of fiscal 1999 compared to 42.5% in fiscal 1998 as a result of favorable tax planning strategies.

As discussed further in "Liquidity and Capital Resources", in conjunction with the Ortho acquisition, in January 1999 the Company completed an offering of $330 million of 10-year 8 5/8% Senior Subordinated Notes ("the Notes") due 2009. The net proceeds from the offering, together with borrowings under Scotts' bank facility, were used to fund the Ortho acquisition and repurchase approximately 97% of the Company's $100.0 million outstanding 9 7/8% Senior Subordinated Notes due August 2004. The Company recorded an extraordinary loss before tax on the extinguishment of the 9 7/8% notes of approximately $9.2 million, including a call premium of $7.1 million and the

write-off of unamortized issuance costs and discounts associated with the 9 7/8% notes of $2.1 million.

The Company reported net income of $49.3 million for the second quarter of fiscal 1999, or $1.63 per common share on a diluted basis, compared to net income of $32.8 million for fiscal 1998, or $1.08 per common share. Excluding the impact of the extraordinary loss discussed above, the Company reported earnings per share of $1.81 per share on a diluted basis as compared to $1.10 in the prior year. On a pro forma basis, diluted earnings per common share before extraordinary items increased to $1.80 as compared to $1.48 in the second quarter of the prior year.

SIX MONTHS ENDED APRIL 3, 1999 VERSUS THE SIX MONTHS ENDED APRIL 4, 1998

Sales for the six months ended April 3, 1999 totaled $815.9 million, an increase of 47.0% over the six months ended April 4, 1998 of $554.9 million. On a pro forma basis, assuming that the Ortho, RPJ, Levington and Earthgro acquisitions had occurred on October 1, 1997, sales for the six months of fiscal 1999 of $850.2 million increased 13.9% over pro forma sales for the six months of fiscal 1998 of $746.4 million. The increase in these pro forma sales was driven by improved performance in the majority of the Company's business groups, especially Consumer Lawns and Consumer Gardens as discussed below.

North American Consumer segment sales were $531.7 million for the six months of fiscal 1999, an increase of $156.7 million, or 41.8%, over sales for the six months of fiscal 1998 of $375.0 million. Sales in the Consumer Lawns business group within this segment increased $62.7 million, or 28.2%, from fiscal 1998 to fiscal 1999, reflecting significant volume growth period-to-period in the Company's Turf Builder(R) line of products. Sales in the Consumer Gardens business group increased $11.5 million, or 17.4%, from the six months of fiscal 1998 to fiscal 1999, primarily due to strong volume in the Miracle-Gro(R) product line. Sales in the Consumer Growing Media business group increased $13.0 million, or 15.0%, primarily the result of the Earthgro acquisition made in February of fiscal 1998. On a pro forma basis, including the Earthgro acquisition, sales in the Consumer Growing Media business group increased 7.1% from the six months of fiscal 1998 to fiscal 1999, driven primarily by the sales of higher margin, value added potting soil products and certain bark material products. Sales for the Ortho business group, acquired in January 1999, were $69.5 million for the post-acquisition period. On a pro forma basis, assuming Ortho had been acquired effective October 1, 1997, sales for the Ortho business group would have increased 12.7% in the six month period. Selling price changes did not have a material impact in the North American Consumer segment in the second quarter of fiscal 1999.

Professional segment sales of $73.4 million in the six months of fiscal 1999 were down slightly in comparison to six months of fiscal 1998 sales of $76.9 million. Results reflect the offsetting performance of the Company's horticultural products, sales of which increased $5.5 million period-to-period, and ProTurf(R) products which decreased $9.0 million. The decrease in ProTurf(R) sales was driven by short-term interruptions associated with the reorganization of the Professional business group made to strengthen distribution and technical sales support and to integrate brand management. The increase in horticultural products stems from strong sales volume for controlled-release fertilizers used in the nursery and greenhouse segments.

International segment sales were $210.8 million in the six months of fiscal 1999, an increase of $107.8 million, or 104.7% over the six months of fiscal 1998. After considering the RPJ and Levington acquisitions, on a pro forma basis, sales in the International segment increased 7.6% from the six months of fiscal 1998 to fiscal 1999, primarily the result of a $18.1 million increase in the RPJ businesses as well as improved performance in the European professional business, partially offset by lower sales levels in the group's U.K. business and the impact of foreign currency translation. The decrease in the U.K was caused by slower than anticipated orders and supply chain interruptions resulting from the integration of the recently acquired businesses. Excluding the effects of currency translation, pro forma sales would have been 9.3% higher than the six months of the prior year.

Gross profit increased to $333.6 million in the six months of fiscal 1999, an increase of 57.5% over fiscal 1998 gross profit of $211.8 million. As a percentage of sales, gross profit was 40.9% of sales for fiscal 1999 compared to 38.2% of sales for the second quarter of fiscal 1998, primarily due to improved raw material costs, improved manufacturing efficiencies, and start-up costs associated with the upgrade of certain domestic manufacturing facilities and demolition costs associated with the removal of certain old manufacturing facilities that had an adverse impact on margins in the six months of fiscal 1998.

The "commission earned from agency agreement" of $17.6 million in the six months of fiscal 1999 was generated from the Company's agreement with Monsanto for exclusive international marketing and agency rights to Monsanto's consumer Roundup(R) herbicide products. The agreement provides for the Company to earn a commission based on EBIT (as defined by the agreement) generated annually by the global Roundup(R) business. The $17.6 million recorded in the six months of fiscal 1999 represents a pro-rata share of the estimated amount to be earned for the year.

Advertising and promotion expenses in the six months of fiscal 1999 were $102.7 million, an increase of $41.7 million, or 68.4% over fiscal 1998 advertising and promotion expenses of $61.0 million. The newly acquired Ortho and RPJ businesses contributed $11.3 million and $10.5 million, respectively, to the increase. The remaining increase reflects continued emphasis on building consumer demand through consumer-oriented marketing efforts, and is highlighted by 30.6%, 30.5% and 20.7% increases in advertising and promotion expenses in the Consumer Lawns, Consumer Gardens and core International business units, respectively. As a percentage of sales, advertising and promotion increased to 12.6% compared to 11.0% for the prior year.

Selling, general and administrative (SG&A) expenses in the six months of fiscal 1999 were $126.4 million, an increase of $48.3 million, or 61.8% over similar expenses in the six months of fiscal 1998 of $78.1 million. As a percentage of sales, SG&A was 15.5% for the six months fiscal 1999 compared to 14.1% for fiscal 1998. The newly acquired Ortho and RPJ businesses contributed $8.7 million and $17.8 million, respectively to the increase. The remaining increase of $21.8 million was primarily due to the following factors: additional information systems expenses of $1.9 million for year 2000 compliance and $3.2 million for enterprise system implementation efforts; increased charges for bad debt expense of $4.0 million; increased marketing and selling expenses in the Consumer Lawns group of $1.9 million and $1.7 million, respectively; and an overall increase in research and development costs of $3.0 million.

Amortization of goodwill and other intangibles increased to $10.2 million in the six months of fiscal 1999, compared to $6.1 million in the prior year, due to additional intangibles resulting from the RPJ, Levington and Earthgro acquisitions.

Other expense for the second quarter of fiscal 1999 was $0.3 million compared to $1.5 million in the prior year. The decrease was primarily due to lower foreign currency and asset retirement losses, partially offset by increased legal and environmental costs.

Income from operations for the six months of fiscal 1999 was $110.2 million compared to $65.1 million for the six months of fiscal 1998, primarily due to increases realized from the newly acquired Ortho and RPJ businesses and significant improvement in the Consumer Lawns business, partially offset by increased SG&A charges associated with information systems expense for year 2000 compliance and enterprise system implementation efforts and bad debt expenses. On a pro forma basis, including the Ortho, RPJ, Levington and EarthGro acquisitions, income from operations for the six months of fiscal 1999 was $94.4 million, a 11.7% improvement over the six months of fiscal 1998 of $84.5 million.

Interest expense for the six months of fiscal 1999 was $34.4 million, an increase of 108.5% over fiscal 1998 interest expense of $16.5 million. The increase in interest expense was due to increased borrowings to fund the Ortho, RPJ, Levington, and EarthGro acquisitions. The increase was also due to higher average borrowing rates

determined by the terms and conditions of the Company's new credit facility as discussed below.

Income tax expense was $31.1 million for fiscal 1999 compared to $20.6 million in the prior year. The Company's effective tax rate was 41.0% in the six months of fiscal 1999 compared to 42.5% in fiscal 1998 as a result of favorable tax planning strategies.

As discussed further in "Liquidity and Capital Resources", in conjunction with the Ortho acquisition, in January 1999 the Company completed an offering of $330 million of 10-year 8 5/8% Senior Subordinated Notes ("the Notes") due 2009. The net proceeds from the offering, together with borrowings under Scotts' bank facility, were used to fund the Ortho acquisition and repurchase approximately 97% of the Company's $100.0 million outstanding 9 7/8% Senior Subordinated Notes due August 2004. The Company recorded an extraordinary loss before tax on the extinguishment of the 9 7/8% notes of approximately $9.2 million, including a call premium of $7.1 million and the write-off of unamortized issuance costs and discounts associated with the 9 7/8% notes of $2.1 million.

The Company reported net income of $38.9 million for the six months of fiscal 1999, or $1.29 per common share on a diluted basis, compared to net income of $27.3 million for fiscal 1998, or $0.91 per common share. Excluding the impact of the extraordinary loss discussed above, the Company reported earnings per share of $1.48 per share on a diluted basis as compared to $0.93 in the prior year. On a pro forma basis, diluted earnings per common share before extraordinary items increased to $1.01 as compared to $0.87 in the six months of the prior year.

LIQUIDITY AND CAPITAL RESOURCES

Cash used in operating activities totaled $260.1 million for the six months ended April 3, 1999 compared to a use of $183.7 million for the six months ended April 4, 1998. The seasonal nature of the Company's operations generally requires cash to fund significant increases in certain components of working capital (primarily inventory and accounts receivable) during the first and second quarters. The third fiscal quarter is a significant period for collecting accounts receivable and liquidating inventory levels. The additional cash used in operating activities for the six months of fiscal 1999 is attributable to the increased build of inventory levels needed to cover expected revenue growth, cash required for operations of recently acquired businesses, and for the payment of marketing fees associated with the Roundup(R) agency agreement.

Cash used in investing activities totaled $525.4 million for the six months ended April 3, 1999 as compared to $147.4 million in the prior year. This increase in cash used was primarily due to the cost of the Ortho, RPJ and ASEF businesses acquired during the period. Additionally, capital investments were $26.6 million in the six months of fiscal 1999, a $13.4 increase in comparison to the prior year. The increase in capital investments is primarily due to cost associated with the enterprise resource planning project of $11.7 million. The Company's new credit facilities (as described below) restrict annual capital investments to $70.0 million.

Financing activities generated cash of $794.3 million for the six months ended April 3, 1999 compared to $329.5 million in the prior year. Cash generated in the first six months of fiscal 1999 was generally provided by the Company's new $1.025 billion credit facility and the January 1999 Senior Subordinated Notes offering of $330 million. Borrowings were primarily used to provide funds for the following: acquisitions of Ortho, RPJ and Asef; marketing fees associated with the Roundup(R) agency agreement; financing fees associated with the new credit facility (as discussed below); issuance fees associated with the Note offering; payments associated with the then outstanding interest rate locks (also described below); and dividends on Class A Preferred Stock.

Total debt was $1.2 billion as of April 3, 1999, an increase of $857.3 million compared with debt at September 30, 1998 and an increase of $660.5 million compared with debt levels at April 4, 1998. The increase in debt, period to period, was

primarily due to borrowings made to fund the financing activities previously mentioned.

The primary sources of liquidity for the Company are funds generated by operations and borrowings under the Company's credit facility. On December 4, 1998, the Company and certain of its subsidiaries entered into a new credit facility which provides for borrowings in the aggregate principal amount of $1.025 billion and consists of term loan facilities in the aggregate amount of $525 million and a revolving credit facility in the amount of $500 million. Proceeds from borrowings under the new credit facility of approximately $241.0 million were used to repay amounts outstanding under the then existing credit facility.

The term loan facilities consist of three tranches. The Tranche A Term Loan Facility consists of three sub-tranches of French Francs, German Deutschemarks and British Pounds Sterling in an aggregate principal amount of $265 million which are to be repaid quarterly over a 6 1/2 year period. The Tranche B Term Loan Facility is a 7 1/2 year term loan facility in an aggregate principal amount of $140 million, which is to be repaid in nominal quarterly installments for the first 6 1/2 years and in substantial quarterly installments in the final year. The Tranche C Term Loan Facility is a 8 1/2 year term loan facility in an aggregate principal amount of $120 million, which is to be repaid in nominal quarterly installments for the first 7 1/2 years and in substantial quarterly installments in the final year.

The revolving credit facility provides for borrowings up to $500 million, which are available on a revolving basis over a term of 6 1/2 years. A portion of the revolving credit facility not to exceed $100 million is available for the issuance of letters of credit. A portion of the facility not to exceed $225 million is available for borrowings in optional currencies, including German Deutschemarks, British Pounds Sterling, French Francs, Belgian Francs, Italian Lira and other specified currencies, provided that the outstanding revolving loans in optional currencies other than British Pounds Sterling does not exceed $120 million. The outstanding principal amount of all revolving credit loans may not exceed $150 million for at least 30 consecutive days during any calendar year.

The Company funded the acquisition of RPJ and Asef with borrowings under the newly created credit facility. Certain other borrowings under the credit facility, along with proceeds from the January 21, 1999 offering of $330 million of 10-year 8 5/8% Senior Subordinated Notes due 2009, were used to fund the Ortho acquisition and to repurchase approximately 97% of the Company's $100.0 million outstanding 9 7/8% Senior Subordinated Notes due August 2004.

Coincidental with the Notes offering, the Company settled its then outstanding interest rate locks for approximately $3.6 million. The Company entered into two interest rate locks in fiscal 1998 to hedge its anticipated interest rate exposure on the Notes offering. In October 1998, the Company settled one of the interest rate locks for $9.3 and entered into a new interest rate lock instrument. The total amount paid under the interest rate locks of $12.9 million has been recorded as a reduction of the Notes' carrying value and is being amortized over the life of the notes

In July 1998, the Board of Directors of the Company authorized the repurchase of up to $100 million of the Company's common shares on the open market or in privately negotiated transactions on or prior to September 30, 2001 ("the Repurchase Program"). As of April 3, 1999, approximately 300,000 common shares ($8.7 million) were repurchased under the Repurchase Program. The timing and amount of any future purchases under the Repurchase Program will be at the Company's discretion and will depend upon market conditions and the Company's operating performance and liquidity. Any repurchase will also be subject to the covenants contained in the Company's credit facilities as well as its other debt instruments. The repurchased shares will be held in treasury and will thereafter be used for the exercise of employee stock options and for other valid corporate purposes. The Company anticipates that repurchases would be made pro rata (42% of shares repurchased) from the Hagedorn Partnership, L.P. upon terms no less favorable to the Company than those obtainable in the public market. The agreement governing the merger transactions with the former shareholders of Stern's Miracle-Gro Products, Inc. ("the Miracle-Gro shareholders") requires that the they reduce their

percentage ownership in the Company to no more than 44% on a fully diluted basis to the extent that repurchases by the Company would cause such ownership to exceed 44%.

In the opinion of the Company's management, cash flows from operations and capital resources will be sufficient to meet debt service and working capital needs during fiscal 1999, however, the Company cannot ensure that its business groups will generate sufficient cash flow from operations, that currently anticipated cost savings and operating improvements will be realized on schedule or at all, or that future borrowings will be available under the newly created credit facility in amounts sufficient to pay indebtedness or fund other liquidity needs. The Company cannot ensure that it will be able to refinance any indebtedness, including the newly created credit facility, on commercially reasonable terms, or at all.

ENVIRONMENTAL MATTERS

The Company is subject to local, state, federal and foreign environmental protection laws and regulations with respect to its business operations and believes it is operating in substantial compliance with, or taking action aimed at ensuring compliance with, such laws and regulations. The Company is involved in several environmental related legal actions with various governmental agencies. 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 the Company's financial position; however, there can be no assurance that future quarterly or annual operating results will not be materially affected by the resolution of these matters. Additional information on environmental matters affecting the Company is provided in Note 9 to the Company's unaudited Consolidated Financial Statements as of and for the six months ended April 3, 1999 and in the 1998 Annual Report on Form 10-K under the "BUSINESS" and "LEGAL PROCEEDINGS" sections.

YEAR 2000 READINESS

GENERAL

The Company may be impacted by the inability of its computer software applications and other business systems (e.g., embedded microchips) to properly identify the Year 2000 due to a commonly used programming convention of using only two digits to identify a year. Unless modified or replaced, these systems could fail or create erroneous results when referencing the Year 2000.

Management is assessing the extent and impact of this issue and is implementing a readiness program to mitigate the possibility of business interruption or other risks. The objective of the program is to have all significant business systems Year 2000 compliant by mid-1999.

The Company has established a Year 2000 Program Office to oversee the readiness program. The Program Office functions include regular communication with Year 2000 project managers and site visits to the Company's various businesses to monitor remediation efforts and verify progress toward stated compliance goals. The Program Office reports to senior management, who in turn reports regularly to the Board of Directors regarding the Company's progress toward Year 2000 readiness.

INFORMATION TECHNOLOGY (IT) SYSTEMS

Currently, the mainframe computer operations at the Company's Marysville, Ohio headquarters support all U. S. business groups with the exception of Scotts' Miracle-Gro Products, Inc., the Republic Tool (spreaders) manufacturing operation, and Ortho business group. The Company's foreign operations generally do not electronically interface with the U.S. headquarters.

The headquarters mainframe operations consist primarily of internally developed systems which have been remediated, while other domestic and international operations

utilize commercial packaged software which, if not Year 2000 compliant, is being upgraded or replaced. Remediation of headquarters applications, which is the Company's most complex and costly effort, was completed in April 1999.

Personal computers are being made Year 2000 compliant by systematic upgrade through lease renewals. Many other hardware/software upgrades are being executed under ongoing maintenance and support agreements with vendors. Testing of upgrades is being performed internally.

In support of the Company's long-range strategic plans, an enterprise-wide application systems (ERP) project is under way to link all business groups. This enterprise-wide system will be implemented in stages starting in 1999 and is expected to be completed in 2000. The primary software provider for the enterprise-wide system has represented that its software is Year 2000 compliant, which will be verified as part of testing prior to implementation.

The Company's Year 2000 compliance efforts are being concentrated on the currently existing systems to ensure there is adequate information systems support until implementation of the enterprise-wide system is completed.

NON-IT SYSTEMS

Non-IT systems, comprised mainly of equipment and machinery operating and control systems, telecommunication systems, building air management systems, security and fire control systems, electrical and natural gas systems are being assessed by each business group with advice from the suppliers of these systems/services. Upgrades or replacements are being made as necessary.

THIRD PARTY SUPPLIERS

The Company relies on third party suppliers for finished goods, raw materials, water, other utilities, transportation and a variety of other key services. Interruption of supplier operation due to Year 2000 issues could affect Company operations. The Company is evaluating the status of suppliers' efforts through confirmation and follow-up procedures, including selected site assessment trips, to determine contingency planning where necessary.

RECENT ACQUISITIONS

The Company completed the Ortho and RPJ acquisitions earlier this fiscal year, as well as the Roundup(R) Marketing Agreement. The Ortho and RPJ acquisitions have both IT and non-IT Year 2000 considerations. The Roundup(R) Marketing Agreement does not involve the acquisition of assets; however, additional efforts are necessary to confirm Year 2000 readiness by the Company's business partners. Representations have been provided in the definitive agreement signed in conjunction with the Ortho transaction that the Ortho business is Year 2000 compliant in all material respects. The Company is in the process of compiling Year 2000 reporting from these operations and performing site visits as part of the verification efforts.

STATE OF READINESS

Each business group has completed an internal inventory to identify IT and non-IT systems that are susceptible to system failure or processing errors as a result of Year 2000 issues.

The headquarters mainframe remediation project is complete (including testing). Plans are in place for the upgrade or replacement, and testing of IT systems at other U. S. operations by mid-1999. Non-IT efforts are being performed concurrently and replacement and testing is expected to be completed by mid-1999. Site visits are being conducted by the Program Office to verify progress against plans.

Year 2000 readiness plans are being executed within the International segment. Upgrades of packaged software for the primary systems will be completed by mid-1999. Completion of all IT and non-IT upgrades and testing is scheduled for calendar mid-

1999. Site visits are being conducted by the Program Office to verify progress against plans.

A confirmation process with respect to third party suppliers is in progress. Plans are being executed for site visits with critical suppliers to determine if alternative sources are needed.

COSTS

The Company has been tracking incremental Year 2000 costs which exclude the costs of internally dedicated resources. The current estimate of incremental costs for the Year 2000 efforts (excluding those related to the ERP project) is approximately $5.7 million. Of this amount, $3.8 million has been incurred to date. These costs, with the exception of relatively small capital expenditures, are being expensed as incurred and are being funded through operating cash flows. A summary of the cost components follows ($ in millions):

LOCATION	AS OF APRIL 3, 1999 (ACTUAL)	REMAINDER OF FISCAL 1999 (ESTIMATE)	TOTAL
Headquarters mainframe	$2.8	$0.2	$3.0
Other U. S. Operations	0.4	0.9	1.3
International operations	0.6	0.8	1.4
Total	$3.8	$1.9	$5.7

The Company believes that Year 2000 costs have not had and will not have a material impact on the Company's results of operations, financial condition or cash flows.

RISKS

The principal business risks to the Company relating to completion of Year 2000 efforts are:

- - Reliance on key business partners to not have disruption in ability to provide goods and services as a result of Year 2000 issues.

- - The ability to recruit and/or retain key staff for the Year 2000 effort.

- - Unforeseen issues arising in connection with recent and future acquisitions/business partnerships.

- - Forecasting unreliability due to customers' departures from expected buying patterns.

- - The ability to continue to focus on Year 2000 issues by internal and external resources.

Because the Company's Year 2000 readiness is dependent upon key business partners also being Year 2000 ready, there can be no guarantee that the Company's efforts will prevent a material adverse impact on its results of operations, financial condition and cash flows. The possible consequences to the Company of its key business partners' inability to provide goods and services as a result of Year 2000 issues include temporary plant closings; delays in delivery of finished products; delays in receipt of key ingredients, containers and packaging supplies; invoice and collection errors; and inventory and supply obsolescence. The Company believes that its readiness efforts, which include confirmation, site visits and other testing with critical suppliers to determine if contingency planning is needed, should reduce the likelihood of such disruptions.

CONTINGENCY PLANS

A formal contingency plan process is being developed. The Company will continue to assess where alternative courses of action are needed as the IT and non-IT readiness plans are executed. The drive for formal contingency planning is in the second and third calendar quarters of 1999, once a significant amount of the business groups' readiness plans have been completed.

ONGOING PROCESS

The Company's readiness program is an ongoing process and the estimates of costs and completion dates for various components of the program described above are subject to change.

ENTERPRISE RESOURCE PLANNING ("ERP")

In July 1998, the Company announced a project designed to bring its information system resources in line with the Company's current strategic objectives. The project will include the redesign of certain key business processes in connection with the installation of new software on a world-wide basis over the course of the next two fiscal years. The Company estimates that the project will cost $50.0 million, approximately 75% of which will be capitalized over a period of four to eight years. SAP has been selected as the primary software provider for this project.

The Company has expensed approximately $4.4 million related to the project since its inception.

EURO

In January 1999, a new currency called the "euro" began to be introduced in certain Economic and Monetary Union ("EMU") countries. During 2002, all EMU countries are expected to be operating with the euro as their single currency. Uncertainty exists as to the effects the euro currency will have on the marketplace. Additionally, the European Commission has not yet defined and formalized all of the final rules and regulations. The Company is still assessing the impact the EMU formation and euro implementation will have on its internal systems and the sale of its products. The Company expects to take appropriate actions based on the results of such assessment. The Company has not yet determined the cost related to addressing this issue and there can be no assurance that this issue and its related costs will not have a materially adverse effect on the Company's business, operating results and financial condition.

MANAGEMENT'S OUTLOOK

Results for the six months of fiscal 1999 are in line with the Company's long-term strategy for profitable growth. The performance in 1999 reflects the successful continuation of its primary growth drivers: to emphasize consumer-oriented marketing efforts to pull demand through its distribution channels, and to make strategic acquisitions to increase market share in global markets and within segments of the lawn and garden category. Restructuring charges taken in fiscal 1998 reflect the costs to integrate recent acquisitions and to exit businesses that are not strategically aligned with the Company's core businesses. Going forward, these actions should allow the Company to fully realize the operational synergies created by the acquisitions and to focus resources in businesses that provide opportunities for growth.

Looking forward, the Company maintains the following broad tenets to its strategic plan:

(1) Promote and capitalize on the strengths of the Scotts(R), Miracle-Gro(R) and Hyponex(R) industry-leading brands, as well as those brands acquired in conjunction with the RPJ and Ortho transactions. This involves a commitment to investors and retail partners that the Company will support these brands through advertising and promotion unequaled in the lawn and garden consumables market. In the Professional categories, it signifies a

commitment to customers to provide value as an integral element in their long-term success;

(2) Commit to continuously study and improve knowledge of the market, the consumer and the competition;

(3) Simplify product lines and business processes, to focus on those that deliver value, evaluate marginal ones and eliminate those that lack future prospects; and

(4) Achieve world leadership in operations, leveraging technology and know-how to deliver outstanding customer service and quality.

Within the Company's four-year strategic plan, management has established challenging, but realistic, financial goals, including:

(1) Sales growth of 8% to 10%;

(2) An aggregate operating margin improvement of at least 2% over the next four years; and

(3) Minimum compounded annual EPS growth of 15%.

FORWARD-LOOKING STATEMENTS

The Company has made and will make certain forward-looking statements in its Annual Report, Form 10-K and in other contexts relating to future growth and profitability targets, and strategies designed to increase total shareholder value. The Private Securities Litigation Reform Act of 1995 (the "Act") 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. The Company desires to take advantage of the "safe harbor" provisions of the Act.

These forward-looking statements represent challenging goals for the Company, and the achievement thereof is subject to a variety of risks and assumptions, and numerous factors beyond the Company's control. These forward-looking statements include, but are not limited to, information regarding the future economic performance and financial condition of the Company, the plans and objectives of the Company's management, and the Company's assumptions regarding such performance and plans. Therefore, it is possible that the Company's future actual financial results may differ materially from those expressed in these forward-looking statements due to a variety of factors, including:

- - EFFECT OF WEATHER CONDITIONS --Adverse weather conditions could adversely impact financial results: Weather conditions in North America and Europe have a significant impact on the timing of sales in the spring selling season and overall annual sales. In particular, an abnormally cold spring throughout the United States could adversely affect the Company's financial results;

- - EFFECT OF SEASONALITY --Historical seasonality could impair the Company's ability to make interest payments on indebtedness. Because the Company's products are used primarily in the spring and summer, the business is highly seasonal. Approximately 72% of sales occur in the second and third fiscal quarters. Working capital needs, and correspondingly borrowings, peak at the end of the first fiscal quarter during which the Company generates less revenues while incurring expenditures in preparation for the spring selling season. If the Company is unable to draw on the new credit facility when an interest payment is due on the other indebtedness, this seasonality could adversely affect the Company's ability to make interest payments as required by the other indebtedness. Adverse weather conditions could heighten this risk;

- - CONTINUED MARKETPLACE ACCEPTANCE OF THE COMPANY'S NORTH AMERICAN CONSUMER GROUPS' "PULL" ADVERTISING MARKETING STRATEGIES - Acceptance is particularly important in the Consumer Lawns group which refocused its general marketing strategy beginning in fiscal 1996;

- - THE ABILITY TO MAINTAIN PROFIT MARGINS ON ITS PRODUCTS, TO PRODUCE ITS PRODUCTS ON A TIMELY BASIS, AND TO MAINTAIN AND DEVELOP ADDITIONAL PRODUCTION CAPACITY AS NECESSARY TO MEET DEMAND;

- - COMPETITION AMONG LAWN AND GARDEN CARE PRODUCT PRODUCERS SUPPLYING THE CONSUMER AND PROFESSIONAL MARKETS, BOTH IN NORTH AMERICA AND EUROPE;

- - COMPETITION BETWEEN AND THE RECENT CONSOLIDATION WITHIN THE RETAIL OUTLETS SELLING LAWN AND GARDEN CARE PRODUCTS PRODUCED BY THE COMPANY;

- - PUBLIC PERCEPTIONS REGARDING THE SAFETY OF THE PRODUCTS PRODUCED AND MARKETED BY THE COMPANY;

- - RISKS ASSOCIATED WITH INTERNATIONAL OPERATIONS -- The Company's significant international operations make it more susceptible to fluctuations in currency exchange rates and to the costs of international regulation. The Company currently operates manufacturing, sales and service facilities outside of North America and particularly in the U.K., Germany and France. International operations have increased with the acquisitions of Levington, Miracle Garden Care and RPJ and will increase further through the Roundup(R) Marketing Agreement and the Ortho Acquisition. In fiscal 1998, international sales accounted for approximately 18% of total sales. Therefore, the Company is subject to risks associated with operations in foreign countries, including fluctuations in currency exchange rates, the imposition of limitations on conversion of foreign currencies into dollars or remittance of dividends and other payments by foreign subsidiaries. Many foreign countries have tended to suffer from inflation more than the United States. In addition, by operating in a large number of countries, the Company incurs additional costs of compliance with local regulations. The Company has attempted to hedge some currency exchange rate risks, including by borrowing in local currencies, but such hedges do not eliminate the risk completely. The costs related to international operations could adversely affect operations and financial results in the future;

- - EFFECT OF NEW EUROPEAN CURRENCY -- The implementation of the euro currency in certain European countries in 2002 could adversely impact the Company. In January 1999, a new currency called the "euro" began to be introduced in certain Economic and Monetary Union ("EMU") countries. During 2002, all EMU countries are expected to be operating with the euro as their single currency. Uncertainty exists as to the effects the euro currency will have on the marketplace. Additionally, all of the final rules and regulations have not yet been defined and finalized by the European Commission with regard to the euro currency. The Company is still assessing the impact the EMU formation will have on internal systems and the sale of products. The Company expects to take appropriate actions based on the results of such assessment. However, the Company has not yet determined the cost related to addressing this issue and there can be no assurance that this issue and its related costs will not have a materially adverse effect on operating results and financial condition;

- - CHANGES IN ECONOMIC CONDITIONS IN THE UNITED STATES AND THE IMPACT OF CHANGES IN INTEREST RATES;

- - ADDRESSING YEAR 2000 ISSUES -- The failure of the Company, or the failure of third party suppliers or retailer customers, to address information technology issues related to the Year 2000 could adversely affect operations. Like other business entities, the Company must address the ability of its computer software applications and other business systems (e.g., embedded microchips) to properly identify the year 2000 due to a commonly used programming convention of using only two digits to identify a year. Unless modified or replaced, these systems could fail or create erroneous results when referencing the year 2000.

While the Company is assessing the relevant issues related to the Year 2000 problem and has implemented a readiness program to mitigate the possibility of business interruption or other risks, the Company cannot be sure that it will have adequately addressed the issue, particularly with respect to recent and pending acquisitions. Moreover, the Company relies on third party suppliers for finished goods, raw materials, water, other utilities, transportation and a variety of other key services. If one or more of these suppliers fail to address the Year 2000 problem adequately, such suppliers' operations could be interrupted. Such interruption, in turn, could adversely affect the Company's operations. In addition, the failure of retailer customers adequately to address the Year 2000 problem could adversely affect financial results;

- - THE ABILITY TO IMPROVE PROCESSES AND BUSINESS PRACTICES TO KEEP PACE WITH THE ECONOMIC, COMPETITIVE AND TECHNOLOGICAL ENVIRONMENT, INCLUDING SUCCESSFUL COMPLETION OF PROJECT CATALYST;

- - ENVIRONMENTAL REGULATION -- Compliance with environmental and other public health regulations could result in the expenditure of significant capital resources. Local, state, federal and foreign laws and regulations relating to environmental matters affect the Company in several ways. All products containing pesticides must be registered with the United States Environmental Protection Agency ("United States EPA") (and in many cases, similar state and/or foreign agencies) before they can be sold. The inability to obtain or the cancellation of any such registration could have an adverse effect on the Company. The severity of the effect would depend on which products were involved, whether another product could be substituted and whether competitors were similarly affected. The Company attempts to anticipate regulatory developments and maintain registrations of, and access to, substitute chemicals, but may not always be able to avoid or minimize these risks. Regulations regarding the use of certain pesticide and fertilizer products 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 of individuals in the vicinity that products will be applied in the future or may ban the use of certain ingredients. In addition, with the acquisitions of RPJ and Ortho, the Company has acquired many new pesticide product lines that are subject to additional regulations. Even if the Company is able to comply with all such regulations and obtain all necessary registrations, the Company cannot assure that its 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;

- - CONTROL BY SIGNIFICANT SHAREHOLDERS -- The interests of the Miracle-Gro Shareholders could conflict with those of the other shareholders or noteholders. The Miracle-Gro Shareholders (through the Hagedorn Partnership, L.P.) beneficially own approximately 42% of the outstanding common shares of the Company on a fully diluted basis. While the merger agreement pursuant to which Scotts and Miracle-Gro merged places certain voting restrictions on the Miracle-Gro Shareholders through May 19, 2000, the Miracle-Gro Shareholders have the right to designate three members of the Company's Board of Directors and have the ability to veto significant corporate actions by the Company. In addition, after May 19, 2000, the Miracle-Gro Shareholders will be able to vote their shares without restriction and will be able to significantly control the election of directors and the approval of other actions requiring the approval of the Company's shareholders. The interests of the Miracle-Gro Shareholders could conflict with those of the Company's other shareholders or the holders of the Company issued notes;

- - SUBSTANTIAL LEVERAGE -- The Company's substantial indebtedness could adversely affect the financial health of the Company and prevent the Company from fulfilling its obligations under certain indebtedness. As a result of the Notes offering, the Company has a significant amount of indebtedness. This

substantial indebtedness could have important consequences. For example, it could:

- make it more difficult to satisfy obligations with respect to indebtedness;

- increase vulnerability to general adverse economic and industry conditions;

- limit the ability to fund future working capital, capital expenditures, research and development costs and other general corporate requirements;

- require the Company to dedicate a substantial portion of cash flow from operations to payments on indebtedness, thereby reducing the availability of cash flow to fund working capital, capital expenditures, research and development efforts and other general corporate purposes;

- limit flexibility in planning for, or reacting to, changes in the Company's business and the industry in which it operates;

- place the Company at a competitive disadvantage compared to competitors that have less debt; and

- limit, along with the financial and other restrictive covenants in the Company's indebtedness, among other things, the ability to borrow additional funds. And, failing to comply with those covenants could result in an event of default which, if not cured or waived, could have a material adverse effect on the Company;

- - ADDITIONAL BORROWINGS AVAILABLE -- Despite current indebtedness levels, the Company and its subsidiaries may be able to incur substantially more debt. This could further exacerbate the risks described above. The terms of the indenture do not fully prohibit the Company or its subsidiaries from doing so. If new debt is added to the Company and its subsidiaries' current debt levels, the related risks that the Company now face could intensify;

- - ABILITY TO SERVICE DEBT -- To service indebtedness, the Company will require a significant amount of cash. The Company's ability to generate cash depends on many factors beyond its control. The ability to make payments on and to refinance indebtedness, and to fund planned capital expenditures and research and development efforts will depend on the ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond the Company's control. Based on current level of operations and anticipated cost savings and operating improvements, the Company believes its cash flow from operations, available cash and available borrowings under the new credit facility will be adequate to meet its future liquidity needs for at least the next few years. The Company cannot assure, however, that its business will generate sufficient cash flow from operations, that currently anticipated cost savings and operating improvements will be realized on schedule or at all or that future borrowings will be available under the new credit facility in amounts sufficient to enable us to pay our indebtedness, or to fund other liquidity needs. The Company may need to refinance all or a portion of its indebtedness, on or before maturity. The Company cannot ensure that it will be able to refinance any of its indebtedness, on commercially reasonable terms or at all;

- - INTEGRATION ISSUES -- Inability to integrate the acquisitions made could prevent the Company from maximizing synergies and could adversely affect financial results. The Company has made several substantial acquisitions in the past four years. The Ortho acquisition represents the largest. The success of any completed acquisition depends, and the success of the Ortho acquisition will depend, on the ability to integrate effectively the acquired business. The

Company believes that the RPJ acquisition and the Ortho acquisition provide significant cost saving opportunities. However, if the Company is not able to successfully integrate Ortho, RPJ or other acquisitions, the Company will not be able to maximize such cost saving opportunities. Rather, the failure to integrate such acquired businesses, because of difficulties in the assimilation of operations and products, the diversion of management's attention from other business concerns, the loss of key employees or other factors, could materially adversely affect financial results;

- - CUSTOMER CONCENTRATION -- Because of the concentration of sales to a small number of retail customers, the loss of one of the top 10 customers could adversely affect financial results. The Company's top 10 customers together accounted for approximately 50% of 1998 fiscal year sales and 27% of outstanding accounts receivable as of September 30, 1998. The top two customers, The Home Depot and Wal*Mart, represented approximately 17% and 10%, respectively, of our 1998 fiscal year sales and approximately 12% and 2%, respectively, of outstanding accounts receivable at September 30, 1998. The loss of, or reduction in orders from, The Home Depot, Wal*Mart or any other significant customer could have a material adverse effect on the Company and its financial results, as could customer disputes regarding shipments, fees, merchandise condition or related matters with, or the inability to collect accounts receivable from, any of such customers;

- - TERMINATION OF ROUNDUP(R) MARKETING AGREEMENT -- If Monsanto terminates the Roundup(R) Marketing Agreement without having to pay a termination fee, the Company would lose a substantial source of future earnings. Monsanto has the right to terminate the Roundup(R) Marketing Agreement either as a whole or within a particular region for certain events of default. If Monsanto rightfully terminates the Company pursuant to an event of default, the Company would not be entitled to any termination fee under the Roundup(R) Marketing Agreement and would lose the significant source of earnings that the Company believes the Roundup(R) Marketing Agreement provides. In addition, Monsanto may terminate the Company within a given region, including North America, without paying a termination fee, if sales decline on a consumer sell-through basis over a cumulative three program year period or if such sales decline by more than 5% for each of two consecutive program years, unless the Company can show, in effect, that such declines were not its fault;

- - POST-PATENT RESULTS OF ROUNDUP(R) IN THE UNITED STATES -- The Company cannot predict the success of Roundup(R) after glyphosate ceases to be patented. Substantial new competition in the United States could adversely affect the Company. Glyphosate, the active ingredient in Roundup(R), is subject to a patent in the United States that expires in September 2000. Glyphosate is no longer subject to patent in the European Union and is not subject to patent in Canada. While sales of Roundup(R) in such countries have continued to increase despite the lack of a patent, sales in the United States may decline as a result of increased competition after the U.S. patent expires. Any such decline in sales would adversely affect the Company's net commission under the Roundup(R) Marketing Agreement and therefore financial results. Such a decline could also trigger Monsanto's regional termination right under the Roundup(R) Marketing Agreement.

- - ANTITRUST REVIEW -- FEDERAL GOVERNMENT REVIEW OF THE NON-SELECTIVE HERBICIDE MARKET UNDER THE ANTITRUST LAWS COULD ADVERSELY AFFECT FINANCIAL RESULTS.

The applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the "HSR Act") with respect to the Ortho acquisition has expired, and the Company believes that no further governmental approvals are required with respect to the Ortho acquisition. However, the Company understands that the Federal Trade Commission (the "FTC") is reviewing the non-selective herbicide market under the various antitrust laws of the United States. Pursuant to this review, the FTC has requested additional information from the Company regarding Roundup(R) and Finale(R), a brand of non-selective herbicide that was bought from AgrEvo Environmental Health, Inc. in May 1998, and information from Monsanto regarding Roundup(R). The Company has subsequently divested the Finale(R) business. Any modification of the Roundup Marketing Agreement, as a result of the FTC's review, could adversely affect financial results.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As part of its ongoing business, the Company is exposed to certain market risks, including fluctuations in interest rates, foreign currency exchange rates, commodity prices, and its common share price. The Company uses derivative financial and other instruments, where appropriate, to manage these risks. The Company does not enter into transactions designed to mitigate its market risks for trading or speculative purposes.

INTEREST RATE RISK

The Company has various debt instruments outstanding at April 3, 1999 that are impacted by changes in interest rates. As a means of managing its interest rate risk on these debt instruments, the Company has entered into interest rate swap agreements to effectively convert certain variable rate debt obligations to fixed rates as follows:

A 20 million British Pound Sterling notional amount swap used to convert obligations denominated in British Pounds Sterling to a fixed rate. The exchange rate used to convert British Pounds Sterling to U.S. dollars at April 3, 1999 was $1.60:1 GBP.

Four interest rate swaps with a total notional amount of $105.0 million which are used to hedge certain variable-rate obligations under the Company's credit facility. The credit facility requires that the Company enter into hedge agreements to the extent necessary to provide that at least 50% of the aggregate principal amount of the senior subordinated notes and term loan facilities is subject to a fixed interest rate.

The following table summarizes information about the Company's derivative financial instruments and its debt instruments that are sensitive to changes in interest rates as of April 3, 1999. 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 April 3, 1999. The information is presented in U.S. dollars (in millions):

	EXPECTED MATURITY DATE							
	1999	2000	2001	2002	2003	THEREAFTER	TOTAL	FAIR VALUE
LONG-TERM DEBT:								
Fixed rate debt						$(332.9)	$(332.9)	$(343.7)
Average rate						8.625%	8.625%	
Variable rate debt	$(3.0)	$(26.0)	$(33.0)	$(44.0)	$(48.0)	$(678.7)	$(832.7)	$(832.7)
Average rate	7.35%	6.95%	6.93%	6.90%	6.90%	7.64%	7.51%	
INTEREST-RATE DERIVATIVES:								
Interest rate swap	$(0.4)	$(0.8)	$(0.7)	$(0.4)				$ (2.1)
Average rate	7.62%	7.62%	7.62%	7.62%				
Interest rate swap	$ 0.0	$ 0.1	$ 0.2	$ 0.1				$ 0.3
Average rate	5.05%	5.05%	5.05%	5.05%				
Interest rate swap	$ 0.0	$ 0.1	$ 0.1	$ 0.0				$ 0.2
Average rate	5.08%	5.08%	5.08%	5.08%				
Interest rate swap	$ 0.0	$ 0.1	$ 0.1	$ 0.1	$ 0.1			$ 0.3
Average rate	5.11%	5.11%	5.11%	5.11%	5.11%			
Interest rate swap	$ 0.0	$ 0.1	$ 0.1	$ 0.1	$ 0.2	$ 0.1		$ 0.4
Average rate	5.18%	5.18%	5.18%	5.18%	5.18%	5.18%		

On January 21, 1999, the Company issued $330 million of Senior Subordinated Notes due in 2009 bearing interest at 8.625%, retired approximately 97% of its $100.0 million Senior Subordinated Notes then outstanding and unwound its then outstanding interest rate locks. See additional discussion of the Company's indebtedness in "Liquidity and Capital Resources" in "ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS".

EQUITY PRICE RISK

In May 1998, the Company sold 0.3 million put options which give the holder the option to sell one of the Company's common shares at a specified price for each option held. The put options have a strike price of $35.32 per share and expire in May 1999. The put options can only be exercised on their date of expiration. At April 3, 1999 the buy-out value of these put options was $0.2 million as estimated using an option pricing model.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Footnote 9 to the Condensed, Consolidated Financial Statements.

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

The Annual Meeting of shareholders of the Company (the "Annual Meeting") was held in Columbus, Ohio on February 23, 1999.

The result of the vote of the shareholders for the matter of the election of four directors, for terms of three years each, submitted to the shareholders at the Annual Meeting, is as follows:

Nominee	Votes For	Withheld
Charles M. Berger	24,545,315	302,804
James Hagedorn	24,539,102	309,017
Karen G. Mills	24,582,290	265,829
John Walker, Ph.D.	24,536,548	311,571

Each of the nominees was elected. The other directors whose terms of office continue after the Annual Meeting are James B. Beard, Ph.D., John Kenlon, John M. Sullivan, L. Jack Van Fossen, Joseph P. Flannery, Horace Hagedorn, Albert E. Harris and Patrick J. Norton.

The result of the vote of the shareholders for the matter of the further amendment to the Company's 1996 Stock Option Plan, to increase the number of common shares available thereunder from 3,000,000 to 5,500,000, is as follows:

Votes For	Votes Against	Abstain	Not Voted
15,782,144	6,956,504	23,513	2,445,958

The proposal to amend the Company's 1996 Stock Option Plan, was adopted.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) See Exhibit Index at page 37 for a list of the exhibits included herewith.

(b) The Registrant filed a Current Report on Form 8-K dated January 7, 1999, reporting under "Item 5. Other Events", information concerning the RPJ acquisition, the Ortho acquisition, the Roundup(R) Marketing Agreement, the New Credit Facility, and the funding of the Ortho acquisition through a private placement of $300 million aggregate principal amount of senior subordinated notes pursuant to Rule 144a under the Securities Act of 1933, as amended.

The Registrant filed a Current Report on Form 8-K dated February 5, 1999, reporting under "Item 2. Acquisition or Disposition of Assets" and "Item 7. Financial Statements and Exhibits", additional information concerning the Ortho acquisition, financial statements of businesses acquired and pro forma financial information.

SIGNATURES

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

THE SCOTTS COMPANY

Date: May 17, 1999

/s/ CHRISTOPHER L. NAGEL
Christopher L. Nagel
Acting Chief Financial Officer
Vice President and Corporate Controller

THE SCOTTS COMPANY
QUARTERLY REPORT ON FORM 10-Q FOR
FISCAL QUARTER ENDED APRIL 3, 1999

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION	PAGE NUMBER
2(a)	Asset Purchase Agreement, dated as of November 11, 1998, between Monsanto Company and the Registrant (replaces and supersedes Exhibit 2(d) to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 1998 (File No. 001-13292))**	*
2(b)	Amended and Restated Exclusive Agency and Marketing Agreement, dated as of September 30, 1998, between Monsanto Company and the Registrant (replaces and supersedes Exhibit 10(u) to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 1998 (File No. 001-13292))**	*
4	Indenture, dated as of January 21, 1999, between The Scotts Company and State Street Bank and Trust Company, as Trustee	Incorporated herein by reference to Exhibit 4 to the Registrant's Registration Statement on Form S-4 (Registration No. 333-76739) filed April 21, 1999
10	The Scotts Company 1996 Stock Option Plan (as amended through 4/1/99)	Incorporated herein by reference to the Registrant's Registration Statement on Form S-8 filed with the SEC on April 21, 1999 (Registration No. 333-76697) [Exhibit 10]
27	Financial Data Schedule	*

*Filed herewith

**Certain portions of these Exhibits have been omitted based upon a request for confidential treatment filed with the Securities and Exchange Commission ("SEC"). The non-public information has been filed separately with the SEC in connection with that request.

Exhibit 2(a)
---

* Asset Purchase Agreement
dated as of November 11, 1998
between Monsanto Company
and The Scotts Company

* Certain portions of this Exhibit, indicated in the text by asterisk, have been omitted based upon a request for confidential treatment filed with the Securities and Exchange Commission ("SEC"). The non-public information has been filed separately with the SEC in connection with that request.

[EXECUTION COPY]

ASSET PURCHASE AGREEMENT

DATED AS OF

NOVEMBER 11, 1998

BETWEEN

MONSANTO COMPANY

AND

THE SCOTTS COMPANY

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ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (this "Agreement"), made and entered into as of this 11th day of November, 1998, between Monsanto Company, a Delaware corporation, having its principal place of business at 800 North Lindbergh Blvd., St. Louis, Missouri 63167 (the "Seller"), and The Scotts Company, an Ohio corporation, having its principal place of business at 14111 Scottslawn Road, Marysville, Ohio 43041 (the "Buyer").

WITNESSETH:

WHEREAS, upon and subject to the terms and conditions of this Agreement, the Seller desires to sell to the Buyer, and the Buyer desires to purchase from the Seller, certain assets of the Solaris Group, an operating unit of the Seller ("Solaris").

NOW, THEREFORE, in consideration of the mutual promises and covenants and the terms and conditions set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I. - PURCHASE AND SALE OF ASSETS

SECTION 1.1. PURCHASE AND SALE. Subject to the terms of this Agreement, at the Closing (as defined in Section 10.1), the Seller will sell, convey, transfer, assign and deliver to the Buyer, and the Buyer will purchase, acquire and accept from the Seller, free and clear of any Liens other than Permitted Liens, the assets, properties and rights of every kind, nature, character or description, currently used principally by the Seller in the non-glyphosate Solaris business to (i) develop, manufacture, sell and market non-glyphosate weed control products (except for such glyphosate-containing weed control products set forth on Schedule 1.1), insect control products,

garden seeds and decorative garden items, fertilizers and applicators for use by consumers for lawn and garden care and (ii) participate in a joint venture to market a series of gardening and home improvement books for consumers (such clauses (i) and (ii), collectively, the "Business"), including any additions to such assets, properties and rights in the ordinary course of business between the date hereof and the Closing, but specifically excluding (X) the Excluded Assets (as defined in Section 1.2) and (Y) any deletions to such assets, properties and rights in the ordinary course of business consistent with past practices, except as prohibited by Section 5.1, between the date hereof and the Closing (the "Assets"), including, but not limited to:

(a) The originals or copies of records, operating data and business files, including, but not limited to, customer lists and files, customer credit files, advertising materials and sales literature, information directly relating to purchasing histories and procedures, vendor files and financial records (including all sales invoices and purchase order records and supporting documents with respect to accounts receivable and accounts payable outstanding at the Closing), other marketing information, and electronic files of employee data for the Transferred Employees (as defined in Section 7.1(a)) which are in the Seller's possession on the Closing Date (as defined in Section 10.1);

(b) (i) Copyrights, trade names, trademarks, service marks and trademark and service mark registrations and registration applications, including the goodwill associated with the same, including, but not limited to those listed on Schedule 3.9 hereto (the "Trademarks"); (ii) inventions, patents and patent applications (including utility patents and applications), including, but not limited to those listed on Schedule 3.9 hereto (the "Patents"); (iii) governmental registrations, registration applications, temporary registrations, all data pertaining to such registrations as submitted to governmental agencies, experimental use permits, applications and emergency use exemptions, including, but not limited to those listed on Schedule 3.9 hereto (the "Registrations"), and (iv) trade secrets, processes or any other proprietary intellectual property rights, including, but not limited to, those listed on Schedule 3.9 hereto (collectively, the "Other Intellectual Property");

(c) Governmental authorizations, licenses and permits (other than the Registrations), including, but not limited to, those listed on Schedule 3.16 (collectively, the "Permits");

(d) Real property (including the buildings, improvements and fixtures located thereon), including that which is listed on Schedule 3.6(a) (the "Real Property");

(e) Contracts, agreements, intellectual property licenses, arrangements, instruments, undertakings, commitments or understandings (other than the Leases as defined in 1.1(g)), including any renewals and amendments thereto and any new contracts entered into prior to the Closing in accordance with the terms of this Agreement and in the ordinary course of business, and including those listed on Schedule 3.17, but excluding any such contracts that expire or are terminated prior to Closing (the "Contracts");

(f) Machinery, motor vehicles, tools, furniture, instruments, laboratory equipment, research equipment, fixtures and personal property, including, but not limited to those listed on Schedule 1.1(f) hereto, and to the extent not included therein, those at Seller's Fort Madison, Iowa and Corwen, UK facilities (the "Equipment");

(g) Leases of Real Property and Equipment, including those listed on Schedule 3.8 (the "Leases");

(h) Computer, data processing and telecommunications systems software, equipment and databases, including those listed on Schedule 3.9 (the "Software");

(i) Accounts receivable of the Business, net of trade or other discounts, as of the Closing;

(j) Inventories shown on the books of the Business, including, but not limited to, raw materials, finished goods and products, goods and products in process, and other materials and supplies on hand and in transit, as of the Closing; and

(k) All property, factual knowledge and information to the extent used by the Seller principally in the Business, including all chemical, biochemical, organic and manufacturing information and/or formulation procedures whether or not capable of precise separate description, but which in an accumulated form gives to the one acquiring

it an ability to study, test or produce something which one otherwise would not have known how to study, test or produce with the accuracy or precision necessary for commercial success or acceptance by governmental regulatory agencies.

SECTION 1.2. EXCLUDED ASSETS. The Assets shall not include assets, properties and rights of Seller not currently used principally in the Business, and all other assets, properties and rights identified on Schedule 1.2 (the "Excluded Assets").

SECTION 1.3. TRANSFER. The sale, conveyance, transfer, assignment and delivery of the Assets by the Seller to the Buyer will be effected by such deeds, bills of sale, endorsements, assignments, transfers and other instruments of transfer and conveyance in forms reasonably satisfactory to the parties, and the Seller and the Buyer hereby agree to cooperate in executing any such further instruments necessary to consummate the transfer after the Closing Date as may be reasonably requested from time to time by the parties.

ARTICLE II. - PURCHASE PRICE

SECTION 2.1. PURCHASE PRICE. The purchase price for the Assets shall be Three Hundred Million Dollars ($300,000,000.00) subject to adjustment in accordance with Section 2.2 hereof and, if applicable, Article 6 hereof (the "Purchase Price"). The Purchase Price is payable by Buyer to Seller at Closing in immediately available funds by wire transfer.

SECTION 2.2. PURCHASE PRICE ADJUSTMENT.

(a) At least five (5) business days prior to the Closing, the Seller shall furnish to the Buyer a statement setting forth the Seller's best estimate of Working Capital (as defined in Section 2.2(b)) as of the Closing Date (the "Estimated Working Capital"),

based on the most recent unaudited financial statements of the Business prepared in the ordinary course of business. To the extent that the Estimated Working Capital is less than (or greater than) the sum of $86,000,000 plus the Load Adjustment, if any, the cash payable to the Seller at the Closing shall be decreased (or increased) dollar for dollar by the amount of such difference; provided, however, that no adjustment to the Purchase Price shall be made if the difference between Estimated Working Capital and $86,000,000 plus such Load Adjustment is less than $1,000,000. For purposes of this Section 2.2, "Load Adjustment" shall mean the amount, calculated utilizing a weighted average methodology, equal to the difference between (i) the value of the accounts receivable reflected on the books of the Business with respect to inventory deployed at Monsanto's initiative into Central Garden & Pet Company branches and sub-agent branches from the date hereof through the Closing in excess of Ten Million Dollars ($10,000,000), which inventory is not sold through to retail customers prior to the Closing, and (ii) the inventory value of such accounts receivable for inventory not sold through to retail customers prior to the Closing.

(b) Within sixty (60) days after the Closing Date, the Buyer shall cause its independent auditors to prepare and deliver to the Seller a statement setting forth each of the components of Working Capital as of the close of business on the Closing Date (the "Statement of Working Capital"). As used herein, the term "Working Capital" consists of the following items relating to the Business and included in the Assets (i) accounts receivable of the Business, net of trade or other discounts; plus (ii) inventory calculated on a first-in, first-out basis (excluding the inventory premium associated with the acquisition of the Ortho business as shown in the Financial Statements); minus (iii) accounts payable and accrued liabilities, except such payables and accrued liabilities which are Excluded Liabilities (as defined in Section 2.3); provided that the items described in clauses (i) through (iii) above shall be determined in accordance with the principles set forth on Schedule 2.2(b) attached hereto, and in each case shall be determined as of the close of business on the Closing Date. The Statement of Working Capital shall be prepared in accordance with the principles set forth on Schedule 2.2(b) attached hereto.

(c) During the thirty (30) days immediately following the receipt of the Statement of Working Capital by the Seller, the Seller and its accountants shall, at the Seller's expense, be entitled to review the Statement of Working Capital and any working papers, trial balances and similar materials (collectively, "Working Papers") relating to the Statement of Working Capital prepared by the Buyer. During such thirty (30) day period, the Buyer will provide the Seller and its accountants with access, not unreasonably interfering with the operations of the Business, during normal business hours, to the personnel, properties, books and records of the Business. The Statement of Working Capital shall become final and binding upon the parties on the thirty-first (31st) day following delivery thereof unless the Seller gives written notice to the Buyer of its disagreement with the Statement of Working Capital (a "Notice of Disagreement") prior to such date. Any Notice of Disagreement shall specify in reasonable detail the nature of any disagreement so asserted. If a timely Notice of Disagreement is delivered by the Buyer, then the Statement of Working Capital (as revised, if at all, in accordance with this Section 2.2), shall become final and binding upon the parties on the earlier of (X) the date the parties hereto resolve in writing all differences they have with respect to any matter specified in the Notice of Disagreement or (Y) the date all matters in dispute are finally resolved by the Independent Accounting Firm (as defined below) (the date on which the Statement of Working Capital so becomes final and binding being hereafter referred to as the "Final Determination Date"). During the thirty (30) days immediately following the delivery of any Notice of Disagreement, the Buyer and the Seller shall seek in good faith to resolve in writing any differences which they may have with respect to any matters specified in such Notice of Disagreement. During such period, the Buyer and the Seller shall have access to the other's working papers prepared in connection with the Statement of Working Capital and the Notice of Disagreement, as the case may be. At the end of such thirty (30) day period, the Buyer and the Seller shall submit to an independent, national public accounting firm which has no prior relationship with the Buyer or the

Seller (the "Independent Accounting Firm") for review and resolution of any and all matters which remain in dispute and which are included in the Notice of Disagreement. The Independent Accounting Firm shall reach a final resolution of all matters and shall furnish such resolution in writing to the Buyer and Seller as soon as practicable, but in no event more than thirty (30) days, after such matters have been referred to the Independent Accounting Firm. Such resolution shall be made in accordance with this Agreement and will be conclusive and binding upon the Buyer and the Seller. The cost of such resolution shall be allocated to the parties such that the party against whom any item set forth in the Notice of Disagreement is resolved shall bear the costs attributable to such item.

(d) Upon final determination of the Working Capital in accordance with this Section 2.2, the following purchase price adjustment will be paid in accordance with Section 2.2(f) (the "Purchase Price Adjustment"):

i. If Working Capital (as finally stated in the Statement of Working Capital) is greater than the Estimated Working Capital by more than $1,000,000, then the Buyer shall pay to the Seller the amount by which Working Capital exceeds the Estimated Working Capital; or

ii. If Working Capital (as finally stated in the Statement of Working Capital) is less than the Estimated Working Capital by more than $1,000,000, then the Seller shall pay to the Buyer the amount by which the Estimated Working Capital exceeds Working Capital.

If Working Capital is equal to Estimated Working Capital or the adjustment would be less than $1,000,000, no adjustment shall be made to the Purchase Price.

(e) If no Notice of Disagreement has been given by the Seller, the Seller shall remit to the Buyer or the Buyer shall remit to the Seller, as the case may be, in immediately available funds, all amounts constituting a Purchase Price Adjustment within thirty-three (33) days after receipt by the Seller of the Statement of Working Capital in accordance with this Section 2.2. If the Seller gives the Buyer a Notice of Disagreement, payment shall be made in immediately available funds within three (3) business days after the Final Determination Date. Each payment made pursuant to this

Section 2.2 shall be made with interest on the amount of such payment at an annual rate equal to the prime interest rate per annum as stated in the Wall Street Journal on the date of such payment for the period from the Closing Date to the date of payment.

SECTION 2.3. ASSUMPTION OF LIABILITIES. At the Closing, pursuant to one or more written agreements in a form reasonably satisfactory to the parties, the Buyer will assume and agree to pay, perform and discharge, and, to the extent set forth herein, to indemnify Seller against and hold it harmless from, all obligations and liabilities of the Seller relating to the Assets or the Business of any nature or kind, known or unknown, fixed, accrued, absolute or contingent, which arise, accrue or are incurred before or after the Closing Date relating to or based upon the past, present or future Business or operation of the Assets or the Business as heretofore, currently or hereafter conducted ("Assumed Liabilities"), including without limitation: (i) all liabilities and obligations of Seller under the Contracts, Permits or Leases included in the Assets; (ii) all accounts payable and accrued liabilities; (iii) all liabilities shown on the books and records of the Business as of the Closing Date; (iv) the obligations with respect to the Transferred Employees in accordance with Article 7 of this Agreement; (v) the obligations of Seller pursuant to Section 2.3 of that certain Asset Purchase Agreement, dated April 15, 1996 by and between the Seller and White Swan, Ltd.; and (vi) all liabilities under Environmental Laws (as defined in Section 3.15). Notwithstanding the foregoing, the Assumed Liabilities shall not include, and Buyer shall not assume or become liable for, the obligations and liabilities of Seller set forth on Schedule 2.3 (the "Excluded Liabilities").

SECTION 2.4. PURCHASE PRICE ALLOCATION. Seller and Buyer agree that they will report (and will cause their respective Affiliates to report, as appropriate), to the extent required under Section 1060 of the Internal Revenue Code of 1986, as amended or any successor federal tax legislation (the "Code") and the temporary regulations thereunder and any other applicable laws and regulations, the allocation of the Purchase Price (and all other capitalized costs) to the Assets in a manner consistent with an appraisal to be performed within ninety (90) days after the Closing Date. The firm conducting the appraisal shall be selected by agreement between Seller and Buyer. The cost of the appraisal shall be borne equally by the Buyer and the Seller.

SECTION 2.5. LIKE-KIND EXCHANGE. Notwithstanding any other provision hereof, in the event that Seller desires to transfer any of the Assets located in the United States as part of a like-kind exchange pursuant to Section 1031 of the Code, Buyer agrees that Seller may, upon prior written notice to Buyer, assign its rights under this Agreement (but not its obligations under the Agreement) insofar as may be required in order to effect such exchange, and thereafter such assignee shall have such rights as assigned; provided, however, Seller agrees to indemnify the Buyer for, and to hold the Buyer harmless from and against, any and all damages arising or resulting from, such assignment or like-kind exchange; and provided, further, that the Buyer shall incur no additional costs, expenses, fees, delays or liabilities of any kind as a result of or connected with such like-kind exchange.

ARTICLE III. - SELLER'S REPRESENTATIONS AND WARRANTIES

The Seller makes the representations and warranties set forth in this Article.

SECTION 3.1. ORGANIZATION AND CORPORATE STANDING. The Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite corporate power and authority to carry on and conduct the Business as it is now being conducted and to own or lease the Assets, and is duly qualified and in good standing in every jurisdiction in which the conduct of the Business or the ownership of the Assets requires it to be so qualified, and the absence of such qualification would have a material adverse effect. For purposes of Articles III, V and VI of this Agreement, a material adverse effect shall mean any material adverse effect on the financial condition, the Assets or the operation of the Business, taken as a whole. The terms "material" and "material adverse change" shall have a corresponding meaning.

SECTION 3.2. CORPORATE POWER AND AUTHORITY. The Seller has the right, power and capacity to execute, deliver and perform this Agreement and all the documents and instruments referred to herein and contemplated hereby together with all other agreements to be signed or delivered at Closing (the "Transaction Agreements") and to consummate the transaction contemplated by this Agreement. The execution, delivery and performance of this Agreement and the Transaction Agreements, and the consummation of the transactions contemplated hereby and thereby, have been duly and validly authorized by all necessary corporate action on the part of the Seller. This Agreement has been, and each of the Transaction Agreements after execution and delivery thereof at the Closing will have been, duly and validly executed and delivered by the Seller and constitute the Seller's legal, valid and binding obligations, enforceable in accordance with their respective terms.

SECTION 3.3. [INTENTIONALLY OMITTED].

SECTION 3.4. ABSENCE OF CERTAIN CHANGES AND EVENTS. Except as set forth on Schedule 3.4, since December 31, 1997, the Seller has conducted the Business in the ordinary course in all material respects, and has not:

(a) suffered any damage or destruction to the Assets which individually or in the aggregate had a material adverse effect on the Assets or the Business;

(b) caused the Business to incur or discharge any obligation or liability, except in the ordinary course of business or obligations and liabilities that did not have a material adverse effect;

(c) increased the rate or terms of the compensation payable to the Transferred Employees (as defined in Section 7.1(a)); or increased or amended any Employee Benefit Plan (as defined in Section 3.12) in which the Transferred Employees participate; granted

any severance or termination pay to any Transferred Employee; or entered into any employment, deferred compensation or similar agreement with any Transferred Employee, except increases, amendments, grants or agreements occurring in the ordinary course of normal periodic performance reviews and related compensation and benefit increases, or as required by any Contract;

(d) incurred any material adverse change or any event, occurrence, development or state of circumstances or facts which could reasonably be expected to result in a material adverse change;

(e) effected any change in any method of accounting or accounting practice with respect to the Business other than any change required to conform to GAAP;

(f) incurred any indebtedness for borrowed money or agreed to become contingently liable, by guaranty or otherwise, for the obligations or indebtedness of any other Person, other than endorsement of negotiable instruments for deposit or collection;

(g) other than as disclosed in any Schedule to this Agreement or except in the ordinary course of business consistent with past practices, engaged in any transaction with any Affiliate;

(h) created or assumed any Lien (as defined in Section 3.6) on the Assets, except for Permitted Liens (as defined in Section 3.6);

(i) sold, transferred or otherwise disposed of any of the Assets, except in the ordinary course of business and transfers which did not have a material adverse effect;

(j) waived any claims or rights, except any waiver which did not have a material adverse effect;

(k) entered into, amended or terminated any material contract, agreement, franchise, permit or license except in the ordinary course of business and except that did not have a material adverse effect;

(l) acquired any assets which are material, individually or in the aggregate, to the Business, except in the ordinary course of business and except that did not have a material adverse effect;

(m) made any capital expenditure or commitment for a capital expenditure, for additions to or improvements to property, plant or equipment, except in the ordinary course of business consistent with past practice;

(n) suffered any material labor dispute, other than routine individual grievances, or any activity or proceeding by a labor union or representative thereof to organize any employees of the Business, which employees were not subject to a collective bargaining agreement as of December 31, 1997, or any lockouts, strikes, material slowdowns, material work stoppages or, to the Seller's knowledge, threats thereof, by or with respect to such employees;

(o) made any payment or other distribution reducing any Excluded Liability, other than in the ordinary course of business consistent with past practice; or

(p) agreed to take any action described in this Section 3.4.

SECTION 3.5. NO VIOLATION OF LAW. Except as described on Schedule 3.5, to the Seller's knowledge, the Seller is not in violation of any applicable foreign, local, state, federal or foreign law, ordinance, regulation, order, judgment, injunction or decree, or any other requirement of any arbitrator, governmental or regulatory official, body, agency or authority or court binding on it, or relating to the Assets or the Business, except for violations, if any, which would not have a material adverse effect. Except as set forth in Schedule 3.5, Seller has received no written notice of an enforcement action against Seller relating to the Business in connection with any violation or alleged violation of applicable law.

SECTION 3.6. PROPERTIES.

(a) Schedule 3.6(a) sets forth a list of Real Property that the Seller owns or leases, has agreed (or has an option) to purchase, sell or lease, or may be obligated to purchase, sell or lease, which is included in the Assets, together with, in the case of Real Property owned, any title insurance policies and surveys with respect thereto and any title defects or objections, liens, restrictions, claims, charges, security interests, easements or other encumbrances (each, a "Lien") thereon except Permitted Liens (as defined below).

(b) Schedule 3.6(b) sets forth a list of all material personal property used in the Business included in the Assets, including but not limited to the Equipment and other trade fixtures and fixed assets, which the Seller owns, leases or subleases.

(c) (i) The Real Property includes all real property, as is used or held for use primarily in connection with the conduct of the Business as of Closing;

(ii) The plants, buildings, structures and equipment included in the Assets have no material defects, are in good operating condition and repair and have been reasonably maintained (ordinary wear and tear excepted), are suitable for their present uses and, in the case of plants, buildings and other structures, are structurally sound.

(iii) The plants, buildings and structures included in the Assets currently have access to (1) public roads or valid easements over private streets or private property for such ingress to and egress from all such plants, buildings and structures and (2) water supply, storm and sanitary sewer facilities, telephone, gas and electrical connections, fire protection, drainage and other public utilities, as is reasonably necessary for the conduct of the Business.

(iv) To the Seller's knowledge, none of the material structures on the Real Property encroaches upon real property of another Person, and no structure of any other Person substantially encroaches upon any Real Property.

(d) Except for (X) the Liens set forth on Schedule 3.6(d); and (Y) Permitted Liens (as defined herein), the Seller (i) has good and marketable fee simple title to all Real Property which is identified as "Owned Real Property" on Schedule 3.6(a), and (ii) owns such Owned Real Property, free and clear of all Liens. "Permitted Liens" are (A) Liens for taxes not yet due and payable; (B) carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like liens arising in the ordinary course of business, payment for which is not yet due or which is being contested in good faith; (C) deposits to secure the performance of utilities, leases, statutory obligations and surety and appeal bonds and other obligations of a like nature incurred in the ordinary course of business; and (D) title defects or objections, liens, restrictions, claims, charges, security interests,

easements or other encumbrances that do not materially affect the use and enjoyment of such property for the purposes for which it is currently used. The Real Property constitutes all of the real property used in the Business, except for Excluded Assets.

SECTION 3.7. TITLE TO ASSETS. The Seller has good and marketable title to the Assets which it owns, free and clear of all Liens, except (i) as set forth on Schedule 3.7 and (ii) Permitted Liens.

SECTION 3.8. LEASES. Schedule 3.8 contains a list of material Leases (including any capital leases) and lease-purchase arrangements pursuant to which the Seller leases Real Property or Assets from others. Except as set forth on Schedule 3.8, (i) all of the Leases are in full force and effect and have not been modified or amended in any material respect, and (ii) there are no disputes, oral agreements or forbearance programs in effect as to the Leases except disputes, agreements and forbearance programs, if any, which would not have a material adverse effect. There has not occurred any default by the Seller of any such lease, except for defaults, if any, which would not have a material adverse effect, and to the Seller's knowledge, there has not occurred any material default thereunder by any other party thereto except for defaults, if any, which would not have a material adverse effect.

SECTION 3.9. INTELLECTUAL PROPERTY. Schedule 3.9 sets forth a list of all Trademarks, Patents, Registrations, Software and Other Intellectual Property (collectively the "Rights"). Except as set forth on Schedule 3.9, the Seller owns or is licensed to use all the Rights, free and clear of any Liens, except for any Liens which would not have a material adverse effect. Unless otherwise noted on Schedule 3.9, none of the Rights is subject to any pending or, to the knowledge of the Seller, threatened challenge or reversion, except such challenges which would not have a material adverse effect. To the Seller's knowledge, the conduct of the Business as now being conducted, and the use of the Rights in the conduct of the Business, do not infringe or otherwise conflict with any trademarks, patents, registrations, or other intellectual property or proprietary rights of others, nor has any claim been made that the

conduct of the Business as now being conducted infringes or otherwise is covered by the intellectual property of a third party, except for any conflict or infringement which would not have a material adverse effect. To the knowledge of the Seller, none of the Rights are currently being infringed by a third party.

SECTION 3.10. LITIGATION. Schedule 3.10 sets forth all litigation, suits, actions, investigations, indictments or informations, or proceedings or arbitrations pending, or to the knowledge of the Seller, threatened, before any court, arbitration tribunal, or judicial, governmental or administrative agency, against the Seller relating to the Business or the Assets that would have a material adverse effect. Further, except as set forth in Schedule 3.10, there are no judgments, orders, writs, injunctions, decrees, indictments or informations, grand jury subpoenas or civil investigative demands, or awards against the Seller relating to the Business or the Assets that would have a material adverse effect.

SECTION 3.11. EMPLOYEES OF THE BUSINESS. Schedule 3.11 sets forth the names and current compensation of all employees of the Seller who are now working primarily in the Business (the "Employees"). Except as set forth on Schedule 3.11, Seller has not received a copy of any agreement to which an Employee is a party which would adversely affect the performance of his (or her) duties as an employee of the Buyer.

SECTION 3.12. EMPLOYEE BENEFIT PLANS. Except as described on Schedule 3.12, the Seller's Employees do not participate in any employee benefit plans, as defined in Section 3(3) of Employee Retirement Income Security Act of 1974, as amended ("ERISA") nor any other type of retirement, deferred compensation, insurance, bonus, medical, stock option, profit sharing, severance, retention, vision, dental, vacation policy or other plan ("Employee Benefit Plans"). The Seller has provided to the Buyer complete and correct copies of all Employee Benefit Plans, related trust agreements, insurance contracts or other related agreements, the current summary plan description for each Employee Benefit Plan subject to ERISA, and any similar description of any other Employee Benefit Plan. None of the Seller's

Employees participate in a multiemployer plan (as defined in Section 3(37) of ERISA) which is subject to Title IV of ERISA. The Employee Benefit Plans do not violate any applicable local, state, federal or foreign law, ordinance, regulation, order, judgment, injunction or decree or any other requirement of any arbitrator or governmental or regulatory official, body, agency or authority or court binding on it (including ERISA and the Code) except for violations, if any, which would not have a material adverse effect. To Seller's knowledge, the Assets are not currently subject to a lien or other process under Title IV of ERISA and, except as described on Schedule 3.12, to the Seller's knowledge, there is no threatened or pending action related to the Employee Benefit Plans by an Employee or former employee, a plan participant, the Department of Labor, Internal Revenue Service or Pension Benefit Guaranty Corporation or any other party. Any group health plan maintained by the Seller covering any Employee or former employee has, to Seller's knowledge, been administered in all material respects in compliance with the health care continuation coverage provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985. Except as set forth in Schedule 3.12, no officer of the Seller has agreed to any future increases in benefit levels or the creation of new benefits with respect to any Employee Benefit Plan.

SECTION 3.13. COLLECTIVE BARGAINING. Except as described on Schedule 3.13, Seller has no labor contracts or collective bargaining agreements covering wages, hours or working conditions for any of the Employees and no collective bargaining agreement or union contract is currently being negotiated by the Seller. None of the Employees are represented by any union or labor organization.

SECTION 3.14. LABOR MATTERS. The Seller is not in violation of any applicable local, state, federal or foreign law, ordinance, regulation, order, injunction, judgment or decree, or any other requirement of any arbitrator or governmental or regulatory official, body, agency or authority or court binding on it, respecting employment and employment practices except for violations, if any, which would not have a material adverse effect. Except as set forth in Schedule 3.14, the Seller has not received any written notification that any of the Employees

have any claim against the Seller. The Seller has received no notice of any charge of, nor are there any actions or proceedings relating to, unfair labor practices by the Seller pending before the National Labor Relations Board, the Equal Employment Opportunity Commission, or the United States Department of Labor. There is no labor strike or, to the knowledge of Seller, any other labor trouble pending or threatened against the Business. To the Seller's knowledge, there have not been any attempts to organize non-union employees.

SECTION 3.15. ENVIRONMENTAL MATTERS.

(a) Definitions. For purposes of this Section 3.15, the following definitions apply:

i. The term "Environmental Claims" means any and all administrative, regulatory or judicial actions or proceedings relating to the Release (as defined in (v) below) or alleged Release into the environment of any Hazardous Material (as defined in (iii) below), including, without limitation, Claims by any governmental or regulatory authority or by any third party or other person for enforcement, mitigation, cleanup, removal, response, remediation or other actions for damages, fines, penalties, contribution, indemnification, cost recovery, compensation or injunctive or declaratory relief pursuant to any Environmental Law (as defined in (ii) below).

ii. The term "Environmental Laws" means all federal, state and local laws, rules and regulations relating to the regulation or protection of human health, safety, natural resources or the environment and applicable to the Business, including but not limited to the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq., as amended; the ComprehensivE Environmental Response, Compensation & Liability Act of 1980, 42 U.S.C. Section 9601, et seq., as amended; the Clean Water Act, 33 U.S.C. Section 1251, et seq., as amended; the Clean Air Act, 42 U.S.C. Section 7401, et seq., as amended; the Toxic Substances Control Act, 15 U.S.C. Section 2601, et seq., as amended; and the Federal Insecticide, Fungicide and Rodenticide Act, 7 U.S.C. Section 136, et seq., as amended.

iii. The term "Hazardous Materials" means any substance or material that is included within the definition of a "hazardous substance," "hazardous waste," "hazardous constituent," "hazardous material," "hazardous chemical" or "extremely hazardous substance" contained in the Environmental Laws.

iv. The term "Off-Site Facility" means any site or property other than the Real Property used by, for or in connection with the Business.

v. The term "Release" means spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping or disposing into the environment (including the abandonment or discarding of barrels, containers, and other closed receptacles containing any Hazardous Materials).

(b) Seller's Premises. Except as disclosed in Schedule 3.15, to the Seller's knowledge, during the Seller's ownership and operation of the Business, there have been no Releases of Hazardous Materials to the Real Property that would have a material adverse effect, nor are there any pending Environmental Claims against or relating to the Business that would have a material adverse effect.

(c) Off-Site Facilities. Except as disclosed in Schedule 3.15, to the Seller's knowledge: there are no pending Environmental Claims against any Off-Site Facility and relating to any transportation, recycling, handling, treatment, storage or disposal of Hazardous Materials used or generated by the Seller, its Affiliates (as defined in Section 12.11) or by its toll contractors on behalf of Seller that are expected to have a material adverse effect (on the Business); there are no pending Environmental Claims against any Off-Site Facility relating to the production, formulation, packaging or mixing of products on behalf of the Seller or its Affiliates that are expected to have a material adverse effect and there are no pending Environmental Claims arising from the use, application, release or testing of any products of the Business at any Off-Site Facility that are expected to have a material adverse effect.

SECTION 3.16. PERMITS. Schedule 3.16 contains a list of all material Permits. The Permits disclosed on

Schedule 3.16 are all material Permits or other authorizations of governmental authorities necessary or required for the production and sale of products of the Business or for the conduct of the Business as is being conducted by Seller as of the Closing Date. There is no action pending, or to the Seller's knowledge, threatened, seeking the revocation, cancellation, suspension or adverse modification or amendment of any Permit, which action, if determined adversely to the Business, would have a material adverse effect.

SECTION 3.17. CONTRACTS. Schedule 3.17 sets forth a list of the material Contracts. For purposes of this Section 3.17, "material" shall mean any (i) contract which requires payments by or to the Business of $200,000 or more in the aggregate; (ii) contract for employment of any employee; (iii) agreement for the sale (otherwise than in the ordinary course of business) of any material Assets; (iv) agreement, contract or indenture relating to the borrowing of money; (v) agreement with unions; (vi) lease of any real or personal property involving an annual rental of $200,000 or more; and (vii) agreement restricting the Business from competing with any person or in any geographic area. Except as set forth on Schedule 3.17, such Contracts are valid, in full force and effect and have not been modified or amended. To the Seller's knowledge, there are no disputes, oral agreements or forbearance programs in effect as to the Contracts except for disputes, agreements and forbearance programs, if any, which would not have a material adverse effect. There has not occurred any default by Seller of any such Contracts except for defaults, if any, which would not have a material adverse effect and, to the Seller's knowledge, there has not occurred any default thereunder by any other party thereto except for defaults, if any, which would not have a material adverse effect.

SECTION 3.18. REQUIRED CONSENTS, APPROVALS AND FILINGS. Except as set forth in Schedule 3.18, no consent or approval is required by virtue of the execution hereof by the Seller or the consummation of any of the transactions contemplated herein by the Seller to avoid the violation or breach of, or the default under, or the creation of a lien or other encumbrance on the Assets pursuant to the terms of any regulation, order, decree or award of any court or

governmental agency or any lease, agreement, contract, mortgage, note or license to which the Seller is a party or to which the Business or the Assets is subject, the absence of which would have a material adverse effect. Except for filings under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended ("HSR"), and as set forth on Schedule 3.18, there are no filings or similar procedures required of Seller with respect to any governmental body in connection with the consummation of the transactions contemplated hereby.

SECTION 3.19. NO CONFLICT. Subject to obtaining the consents and approvals and making the filings described in Section 3.18 and except as set forth on Schedule 3.19, the execution, delivery and performance of this Agreement by the Seller, and the consummation of the transactions contemplated herein by the Seller will not: (i) violate or conflict with any of the provisions of any charter document or bylaw of the Seller, or (ii) violate, conflict with or result in a breach or default under or cause termination of any term or condition of any mortgage, indenture, contract, license, permit, instrument, or other agreement, document or instrument to which the Seller is a party or by which the Seller or the Business or Assets may be bound or affected, or (iii) violate any provision of law or any valid and enforceable requirement, order, judgment, decree or ruling of any court, arbitrator, governmental or regulatory official body or authority, to which the Seller is a party or by which it, the Business or Assets may be bound or affected, or (iv) result in the creation or imposition of any Lien upon any Asset except as to clauses (i) through (iv) above, any such matters that would not (x) have a material adverse effect, or (y) prevent the consummation of the transactions contemplated herein.

SECTION 3.20. ASSETS ARE YEAR 2000 COMPLIANT. All of the computer, data processing and telecommunications systems software, equipment and databases (the "Information Systems") that are being transferred to the Buyer as part of the Assets are warranted to be year 2000 compliant by the vendors from whom Seller purchased, leased or licensed the Information Systems except as set forth in Schedule 3.20 and except any noncompliance which would not have a material adverse effect.

SECTION 3.21. FOREIGN CUSTOMERS. Schedule 3.21 contains a true and correct list of the largest ten (10) foreign customers (based on sales for the fiscal years 1996 and 1997, respectively) of the Business for the last two years. Except as set forth in Schedule 3.21, the Seller has no knowledge which might reasonably indicate that any of its ten (10) largest foreign customers (based on sales for the fiscal year 1997) intends to cease dealing with the Seller or materially reduce its business with the Seller.

SECTION 3.22. INVENTORY. All raw materials, works-in-process, and finished goods, including but not limited to finished goods purchased for resale, held by the Business for manufacturing, assembly, processing, finishing, sale, or resale to others, from time to time in the ordinary course of the Business, whether or not reflected in the Financial Statements, are of a quality and quantity usable and saleable in the ordinary course of business, except for obsolete items and items of below standard quality, all of which do not have a material adverse effect. Items included in the foregoing are carried on the books of the Business, and are valued in the Financial Statements, at the lower of cost or market and, in any event, at not greater than their net realizable value, after appropriate deduction for costs of manufacture, marketing costs, transportation expense, and allocation of overhead, except that glyphosate-based products are carried on the books of the Business at the adjusted transfer price of * as set forth in the notes to the Financial Statements.

SECTION 3.23. ACCOUNTS Receivable. All accounts receivable of the Business set forth in the Statement of Working Capital represent or will represent valid obligations arising from sales actually made in the ordinary course of business or in accordance with the distribution alliance agreements between Solaris and Central Garden and Pet Company and are fully collectible in the aggregate amount thereof in the ordinary course of business (assuming diligent collection efforts of the Buyer following the Closing consistent with past practices of the Business), subject to normal and customary trade discounts and less the reserve for doubtful accounts recorded on the Statement of Working Capital.

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* Confidential provision omitted and filed separately with the Securities and Exchange Commission ("SEC"), based upon a request for confidential treatment filed with the SEC.

SECTION 3.24. ASSETS. Except for assets disposed of in the ordinary course of business consistent with past practices and Excluded Assets, the Assets consist of all assets which have been used in the Business since December 31, 1997. Together with the assets and rights to be made available to the Buyer pursuant to the Supply Agreement (described in Section 8.6) and the Transition Services Agreement (described in Section 8.8), the Assets include all material assets which are reasonably required to (i) operate the Business in the manner the Business is being conducted by the Seller as of the Closing Date, and (ii) allow Buyer to perform its obligations under the Formulation Agreement (as defined in Section 8.7).

SECTION 3.25. INSURANCE. The Seller has provided to Buyer summaries of all insurance policies owned by the Seller or inuring to the Seller's benefit which insure any part of the Assets or the Business. All such insurance policies are in full force and effect. The Seller has not knowingly made any false statements in any application for such policies, and the Seller has no knowledge of any failure to pay any premiums when due, or any other set of facts or circumstances which might form the basis for termination of any such policies. The Seller will maintain such insurance between the date hereof and the Closing Date.

SECTION 3.26. PRODUCTS. Each of the products produced or sold by the Seller in connection with the Business prior to the Closing (i) is, and except as disclosed in Schedule 3.5, at all times has been, in compliance in all material respects with all applicable Federal, state, local and foreign laws and regulations and (ii) except as would not have a material adverse effect is, and at all relevant times has been, fit for the ordinary purposes for which it is intended to be used and conforms in all material respects to any promises or affirmations of fact made on the container or label for such product or in connection with its sale. Except as would not have a material adverse effect, there is no design defect with respect to any of such products, and each of such products contains adequate warnings, presented in a reasonably prominent manner, in accordance with applicable laws and current industry practice with respect to its contents and use.

SECTION 3.27. TAXES. The Seller has timely paid all Taxes payable by it for any Tax period (or portion thereof) ending on or before the close of business on the Closing Date, or, with respect to any Tax period beginning before and ending after the Closing Date, any portion thereof ending with the close of business on the Closing Date (the "Pre-Closing Tax Period") which will have been required to be paid on or prior to the Closing Date, the non-payment of which would result in a Lien on any Assets, would otherwise materially adversely affect the Business or would result in the Buyer becoming liable or responsible therefor.

SECTION 3.28. NO UNDISCLOSED MATERIAL LIABILITIES. Except as set forth on Schedule 3.28, there are no material liabilities of a type required to be disclosed or provided for in the Financial Statements of the Business of any kind whatsoever, whether accrued, contingent, absolute, determined, determinable or otherwise, and, to the Seller's knowledge, there is no condition, situation or set of circumstances which could reasonably be expected to result in any such liability, other than:

i. liabilities disclosed in the Financial Statements for the fiscal year ended December 31, 1997; and

ii. liabilities incurred in the ordinary course of business consistent with past practices since December 31, 1997 which would not in the aggregate have a material adverse effect.

SECTION 3.29. TRANSACTIONS WITH AFFILIATES. Except as set forth on Schedule 3.29, the Seller is not a party to any material agreement, arrangement or understanding or other obligation with any Affiliate of the Seller with respect to the Assets or the Business.

SECTION 3.30. RULE 10B-5. No representation or warranty made by the Seller in this Agreement contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements contained herein or therein not misleading.

SECTION 3.31. DISCLAIMER. EXCEPT AS SET FORTH IN THIS ARTICLE 3, (a) SELLER MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, RELATING TO THE ASSETS OR THE BUSINESS, INCLUDING, WITHOUT LIMITATION, ANY REPRESENTATION OR WARRANTY AS TO VALUE, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR FOR ORDINARY PURPOSES, OR ANY OTHER MATTER, AND (b) THE ASSETS AND BUSINESS OF THE SELLER BEING TRANSFERRED TO THE BUYER ARE CONVEYED ON AN "AS IS, WHERE IS" BASIS AS OF THE CLOSING, AND, EXCEPT TO THE EXTENT SET FORTH HEREIN, BUYER SHALL RELY UPON ITS OWN EXAMINATION THEREOF.

SECTION 3.32. AGGREGATION. The representations and warranties of Seller set forth in this Article 3, disregarding any materiality, material adverse effect or knowledge qualifications contained in such representations and warranties, are true and correct with only such exceptions as would not in the aggregate be reasonably expected to cause a Loss (as defined in Section 11.1 herein) in excess of Two Million Dollars ($2,000,000.00).

ARTICLE IV. - BUYER'S REPRESENTATIONS AND WARRANTIES

The Buyer makes the representations and warranties set forth in this Article.

SECTION 4.1. ORGANIZATION. The Buyer is a corporation duly organized, validly existing and in good standing under the laws of Ohio and has all requisite corporate power and authority to carry on and conduct its business as it is now being conducted, to own or lease its assets and properties and is duly qualified and in good standing in every jurisdiction in which the conduct of its business or ownership of its assets requires it to be so qualified, and the absence of such qualification would have a material adverse effect on the Buyer.

SECTION 4.2. CORPORATE POWER AND AUTHORITY. The Buyer has the right, power and capacity to execute, deliver and perform this Agreement and the Transaction Agreements and to consummate the transactions contemplated by this Agreement. The execution, delivery and performance of this Agreement, and the consummation of the transactions contemplated hereby, have been duly and validly authorized by all necessary corporate action on the part of the Buyer. This Agreement has been, and each of the Transaction Agreements after execution and delivery thereof at the Closing will have been, duly and validly executed and delivered by the Buyer and constitute the Buyer's legal, valid and binding obligations, enforceable in accordance with their terms.

SECTION 4.3. REQUIRED CONSENTS, APPROVALS AND FILINGS. Except as set forth in Schedule 4.3, no consent or approval is required by virtue of the execution hereof by the Buyer or the consummation of any of the transactions contemplated herein by the Buyer to avoid the violation or breach of, or the default under, or the creation of a Lien on assets of the Buyer pursuant to the terms of any regulation, order, decree or award of any court or governmental agency or any lease, agreement, contract, mortgage, note, license, or any other instrument to which the Buyer is a party or to which it or any of its property is subject, the absence of which would have a material adverse effect upon the Buyer's business, properties, financial condition, results of operations, or net worth. Except for filings under HSR, and as set forth on Schedule 4.3, to the Buyer's knowledge, there are no filings or similar procedures required with respect to any governmental body in connection with the consummation of the transactions contemplated hereby.

SECTION 4.4. NO CONFLICT. Subject to obtaining the consent and approvals and making the filings described in Section 4.3, the execution and delivery of this Agreement by the Buyer, and the consummation

of the transactions contemplated herein by the Buyer will not, with or without the giving of notice or the lapse of time, or both, (i) violate or conflict with any of the provisions of any charter document or bylaw of the Buyer, (ii) violate, conflict with or result in breach or default under or cause termination of any term or condition of any mortgage, indenture, contract, license, permit, instrument, or other agreement, document or instrument to which the Buyer is a party or by which the Buyer or any of its properties may be bound, or (iii) violate any provision of law or any valid and enforceable requirement, court order, judgment or decree, or ruling of any court, arbitrator or governmental or regulatory official, body or authority to which Buyer is a party or by which Buyer or its properties may be bound, except, as to clauses (i) through (iii) above, any such matters that would not (X) have a material adverse effect upon Buyer's business, properties, financial condition, results of operations or net worth, or (Y) prevent the consummation of the transactions contemplated herein.

SECTION 4.5. LITIGATION. There is no suit, investigation, action or other proceeding pending, or to the Buyer's knowledge, threatened before any court, arbitration tribunal, or judicial, governmental or administrative agency, against the Buyer which would have a material adverse effect on the ability of the Buyer to perform its obligations hereunder or which seeks to prevent the consummation of the transactions contemplated herein.

SECTION 4.6. RULE 10B-5. No representation or warranty made by the Buyer in this Agreement contains any untrue statement of material fact or omits to state any material fact necessary to make the statements contained herein or therein not misleading.

ARTICLE V. - COVENANTS OF THE PARTIES

SECTION 5.1. OPERATIONS PENDING CLOSING. The Seller hereby agrees that, except as set forth on Schedule 5.1 or as consented to in writing by the Buyer, pending the Closing, the Seller will operate and conduct its business in the ordinary course consistent with past practice. Pursuant thereto and not in limitation of the foregoing:

(a) The Seller will maintain, in all material respects, the Assets in their present state of repair (ordinary wear and tear excepted), and will use commercially reasonable efforts to keep available the services of the Employees and to preserve the goodwill of the Business and relationships with the customers and suppliers, with whom it has business relations.

(b) Except as forth on Schedule 5.1(b), the Seller will not take any of the following actions after the date of this Agreement without the prior written consent of the Buyer:

i. Sell, transfer or otherwise dispose of any material Assets other than in the ordinary course of business;

ii. Enter into any new material contract, lease, or commitment relating to the Business or the Assets (for purposes of this Section 5.1, a "material" contract or commitment shall mean a contract or commitment which would be required to be disclosed on Schedule 3.17 hereto);

iii. Mortgage, pledge or subject to liens or other encumbrances, any Assets, except by incurring Permitted Liens;

iv. Purchase or commit to purchase any capital asset relating to the Business for a price exceeding $500,000 individually, or $1,000,000 in the aggregate;

v. Amend in any material respect or terminate any Contract, including any Employee Benefit Plan (except as otherwise contemplated by this Agreement) or any insurance policy, in force on the date hereof relating to the Business or the Assets;

vi. Make any election with respect to Taxes, or any change in a current election with respect to Taxes, affecting the Assets or the Business;

vii. Deploy more than $10,000,000 of inventory into Central Garden & Pet Company branches and sub-agent branches during December 1998 without notifying the Buyer in writing of the amount of such excess;

viii. Agree or commit to do any of the foregoing;

ix. Take or agree or commit to take any action that would make any representation or warranty of the Seller hereunder inaccurate in any material respect at, or as of any time prior to, the Closing Date; or

x. Take, or fail to take, any other action which would require disclosure on Schedule 3.4 under the terms of Section 3.4 hereof.

SECTION 5.2. ACCESS From the date of this Agreement through the Closing Date, the Seller will (i) provide the Buyer and its designees (officers, counsel, accountants, actuaries, financing sources and other authorized representatives) with such information, other than the employee information set forth in Section 7.1 hereof, as the Buyer may from time to time reasonably request with respect to the Assets and the Business and the transactions contemplated by this Agreement, (ii) provide the Buyer and its designees access, during regular business hours and upon reasonable notice, to the property, books, records, offices, personnel, counsel, accountants and actuaries of the Seller as such relate to the Business, other than the personnel records set forth in Section 7.1 hereof, as the Buyer or its designees may from time to time reasonably request; provided, however, that Buyer's designees shall not intentionally interfere with or disrupt the ongoing management of the Business prior to Closing, and (iii) permit the Buyer and its designees to make such inspections thereof, as the Buyer may reasonably request. Any investigation will be conducted in such a manner so as not to interfere unreasonably with the operation of the business of the Seller, and any representative of Buyer shall, at all times while in Seller's facilities, be accompanied by an employee or representative of Seller. Buyer shall inform its representatives and agents of the Confidentiality Agreement, by and between Seller and Buyer, and shall cause said representatives to abide by such Confidentiality Agreement and Seller's rules and regulations regarding safety, security and operations.

SECTION 5.3. PREPARATION OF SUPPORTING DOCUMENTS. In addition to such actions as the parties may otherwise be required to take under this Agreement or applicable law in order to consummate this Agreement and the transactions contemplated hereby and by the Transaction Agreements, the parties will take such action, furnish such information, and prepare, or cooperate in preparing, and execute and deliver such certificates, agreements and other instruments as the other party may reasonably request from time to time, before, at or after the Closing, with respect to compliance with obligations of the Buyer or the Seller in connection with the transactions contemplated hereby or by the Transaction Agreements.

SECTION 5.4. APPROVALS OF THIRD PARTIES; SATISFACTION OF CONDITIONS TO CLOSING. The Seller and the Buyer will use their reasonable, good faith efforts, and will cooperate with one another, to secure all necessary consents, approvals, authorizations and exemptions from governmental agencies and other third parties, including, without limitation, all consents required by Sections 8.4, 8.5, 9.4 and 9.5. The Seller will use its reasonable, good faith efforts to obtain the satisfaction of the conditions specified in Article 9. The Buyer will use its reasonable, good faith efforts to obtain the satisfaction of the conditions specified in Article 8.

SECTION 5.5. HART-SCOTT-RODINO NOTIFICATION. The Seller and the Buyer will each promptly prepare and file a notification with the United States Justice Department (the "Justice Department") and the Federal Trade Commission (the "FTC") as required by HSR by November 15, 1998. The Seller and the Buyer will cooperate with each other in connection with the preparation of such notification, including sharing information concerning sales and ownership and such other information as may be needed to complete such notification, and providing a copy of such notification to the other prior to filing. Each of the Seller and the Buyer will keep confidential all information about the other

obtained in connection with the preparation of such notification. The Buyer will pay the filing fee required under the regulations promulgated pursuant to HSR. Buyer and Seller will cooperate to respond to all inquiries and requests for further information associated with the HSR filing. Buyer shall take all actions as are reasonably prescribed by the FTC or the Justice Department as conditions to the FTC's or the Justice Department's approval, pursuant to HSR, of the transaction contemplated hereby; provided, however, Buyer need not take any such action prescribed by the FTC or Justice Department which action, in the reasonable judgment of Buyer, would materially and adversely affect the value of the transactions contemplated by this Agreement or any other agreement between the parties.

SECTION 5.6. FINANCIAL AND TAX SERVICES. It is recognized that one or more parties may need tax, financial or other data after the Closing Date with respect to the Business covering several fiscal periods prior to the Closing Date in order to facilitate the preparation of Tax returns or in connection with any audit, investigation, litigation, amended return, claim for refund or any proceeding in connection therewith or to comply with the rules and regulations of the Internal Revenue Service, the Securities and Exchange Commission or any other governmental organization or agency. The parties will render reasonable cooperation and will afford access during normal business hours to all books, records, data and personnel concerning use and ownership of the Assets and the operation and conduct of the Business, other than the personnel records set forth in Section 7.1 hereof, with respect to periods prior to and including the Closing Date to each other and their auditors, accountants, counsel or other authorized representatives for such purpose; provided, however, that Buyer's designees shall not intentionally interfere with or disrupt the ongoing management of the Business prior to Closing. The parties will also each execute such documents as the other may reasonably request in order to file any required reports or Tax returns and provide the other with prompt written notice upon receipt of any written claim, notice of deficiency or proposed or actual assessment pertaining to the Business which could affect the Tax liability of the other. The party requesting assistance from the other party will bear all reasonable out-of-pocket costs and expenses incurred by such assisting party (excluding salaries or wages of its employees).

SECTION 5.7. TRANSFER TAXES. All sales or transfer Taxes, including but not limited to, document recording fees, real property transfer Taxes, sales and excise Taxes, arising out of or in connection with the consummation of the transactions contemplated herein shall be paid equally by the Buyer and the Seller.

SECTION 5.8. COMPLIANCE WITH EEOC CONSENT DECREE. Seller hereby represents that it has complied in all material respects with each of the obligations imposed by the Consent Decree entered in the United States District Court for the Eastern District of Missouri in the matter of Billouin, et al. and the Equal Employment Opportunity Commission v. Monsanto Company and Chevron Chemical Company (the "Consent Decree"), up to and including the date of Closing. Seller will undertake reasonable efforts to have the Consent Decree vacated as soon as practicable following the Closing. From and after the Closing, Buyer will assume any remaining obligations imposed by the Consent Decree only to the extent provided by law; provided, however, that to the extent Seller has any obligations under the Consent Decree following the Closing, Buyer shall use reasonable efforts to assist Seller in complying with such obligations.

SECTION 5.9. [Intentionally Omitted]

SECTION 5.10. AMENDMENT OF SCHEDULES. Each party hereto agrees that the parties shall have the right and the obligation as of the Closing Date to supplement or amend the Schedules hereto (except Schedule 1.2) with respect to any matter hereafter arising or discovered which, if existing or known at the date of this Agreement, would have been required to be set forth or described in the Schedules, and subject to Section 9.1 and the rights set forth in Section 10.2, such supplement or amendment shall be deemed to cure any breach of the representation and warranty to which such Schedule applies with respect to such matter but shall not relieve the Seller of its obligations pursuant to Section 11.1 hereof.

SECTION 5.11. CONSULTATION WITH WORKS COUNCIL. Prior to the Closing Date, the Seller agrees to consult with all appropriate Works Council in the European Union. Buyer agrees to provide Seller with information regarding its intent with respect to each overseas location with a Works Council for Seller's use in its consultations with such Works Councils. Buyer agrees to indemnify and hold Seller harmless for any and all Losses incurred as a result of its use of the information provided by the Seller. A list of overseas locations with Works Councils is attached as Schedule 5.11.

SECTION 5.12. MONSANTO COMPLIANCE WITH OBLIGATIONS TO CHEVRON AND OTHER PREDECESSORS. From and after the Closing, Buyer shall use reasonable efforts to assist Seller in complying with Seller's continuing rights and obligations under the following agreements, which Seller has provided Buyer with true and correct copies of: (i) Sections 6.4, 6.6, 19.11(c), 19.14 and Article 16 of that certain Asset Sale Agreement and related agreements dated May 14, 1993, by and between Chevron Chemical Company and Monsanto Company; (ii) that certain Sale of Business Agreement dated May 5, 1997, by and between Monsanto Australia Limited, Monsanto Company, Defender Garden Products Pty. Limited, Defender Home Garden Pty. Limited and Select Harvests Limited; (iii) that certain Asset Purchase Agreement and related agreements, dated April 15, 1996 between Monsanto Company and White Swan, Ltd., (iv) those certain documents related to the "Phostrogen" Business Acquisition, dated June 6, 1997, by and between Monsanto p.l.c., Monsanto Company, Phostrogen Ltd., Gaskell Properties Ltd., and S.V. Gaskell; and (v) that certain Asset Purchase Agreement and related agreements, dated June 1, 1994, by and between Monsanto Canada Inc., Green Cross Garden Products Ltd., and Sun Gro Horticulture Canada Ltd. (collectively, the "Acquisition Agreements"). Buyer will cooperate with Seller to establish procedures necessary to enable Seller to comply with such obligations, including, but not limited to, providing to Seller all necessary information and assistance necessary to enable Seller to preserve and prosecute its rights to indemnification under the Acquisition Agreements.

SECTION 5.13. CHEMCOPACK AGREEMENT. From and after the Closing, (i) Buyer shall use its reasonable efforts to assist Seller in benefitting from Seller's continuing rights and complying with Seller's continuing obligations and (ii) Seller shall use its reasonable efforts to assist Buyer in procuring and benefitting from the applicable rights pertaining to the Business and complying with the applicable obligations pertaining to the Business, in each case, which rights and obligations arise pursuant to that certain Service Agreement, between Monsanto Europe S.A. and Chemcopack N.V. dated July 1, 1998.

SECTION 5.14. NOTICE OF CERTAIN EVENTS. So long as Seller is permitted by contract and law to do so, the Seller shall promptly notify Buyer, and, so long as permitted by contract and law to do so, Buyer shall promptly notify the Seller, of:

i. any notice or other communication from any Person alleging that the consent of such Person is or may be required in connection with the transactions contemplated by this Agreement;

ii. any notice of other communication from any governmental or regulatory agency or authority in connection with the transactions contemplated by this Agreement; and

iii. any actions, suits, claims, investigations or proceedings commenced or, to the knowledge of the Seller or Buyer, as the case may be, threatened against, relating to or involving or otherwise affecting the Seller or the Business that, if pending on the date of this Agreement, would have to have been disclosed pursuant to Section 3.10 or that relate to the consummation of the transactions contemplated by this Agreement.

SECTION 5.15. OTHER OFFERS. From the date hereof until the earlier of the termination of this Agreement and the Closing, the Seller agrees that none of the Seller or any officer, director, employee or other agent of the Seller will, directly or indirectly, (i) solicit, initiate or encourage any inquiries or the making or implementation of any proposal or offer with respect to a merger,

acquisition, consolidation or similar transaction involving, or any purchase of all or any significant portion of the Assets or the Business (an "Acquisition Proposal"), other than the transactions contemplated by this Agreement, or (ii) engage in negotiations with, or disclose any nonpublic information relating to the Assets or the Business or afford access to the properties, books or records of the Seller relating to the Assets or the Business to any Person that the Seller reasonably believes may be considering making, or has made, an Acquisition Proposal. The Seller will promptly notify Buyer upon receipt of any Acquisition Proposal or any indication that any Person is considering making an Acquisition Proposal or any request for nonpublic information relating to the Assets or the Business or for access to the properties, books or records of the Seller relating to the Assets or the Business by any Person that may be considering making, or has made, an Acquisition Proposal and will keep Buyer fully informed of the status and details of any such Acquisition Proposal, indication or request.

SECTION 5.16. NONCOMPETITION.

(a) Noncompetition Period. The "Noncompetition Period" shall be five (5) years.

(b) Seller Covenant. Seller covenants and agrees that for the Noncompetition Period, Seller will not, nor will it permit any Affiliate to, directly or indirectly, own, manage, operate or control, or participate in the ownership, management, operation or control of, or be connected with or have any interest in, as a shareholder, partner, creditor or otherwise, any Competitive Business; provided, that Seller shall not be deemed to have violated this covenant if Seller undertakes a transaction in which Seller (i) is acquired by or merges with an unrelated third party who is engaged in a Competitive Business (defined below) or (ii) acquires an unrelated third party engaged in a Competitive Business, and, with respect to this clause (ii) only, which Competitive Business is not a material component of such party's overall business so long as Seller divests itself of the Competitive Business in such time period as is reasonable for the completion of a transaction of such type and complexity, but in no event later than nine months following the closing of the acquisition of the Competitive Business. A Competitive Business shall be any business which, anywhere in the world (x) develops, manufactures, sells and

markets non-glyphosate weed control products, insect control products, garden seeds and decorative garden items, fertilizers and applicators for use by consumers for lawn and garden care or (y) markets gardening and home improvement books for consumers; provided, however, this Section 5.16 shall not apply to those actions of Seller or any Affiliate (A) to the extent such actions are expressly contemplated by the Agency Agreement (as defined in Section 10.2(h) herein), for the duration of the Agency Agreement, (B) to the extent that immediately upon termination of the Agency Agreement, for whatever reason, Seller or any Affiliates or successor to the Roundup L&G Business (as defined in the Agency Agreement) continues to operate the Roundup L&G Business, or (C) to the extent that Seller's interest in a Competitive Business, as a shareholder, partner, creditor or otherwise, is equal to or less than 5%.

(c) Consideration. The consideration for the agreements contained in this Section 5.16 are the mutual covenants contained herein, the agreement of the parties to consummate the Transaction, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged.

(d) Modification. In the event a court (or other authority) refuses to enforce the covenants and agreements contained in this Section 5.16, either because of the scope of the geographical area specified in this Section 5.16, the duration of the restrictions, or otherwise, the parties hereto expressly confirm their intention that the geographical areas covered hereby, the time period of the restrictions, or such other provision, be deemed automatically reduced to the minimum extent necessary to permit enforcement.

(e) Injunctive Relief. The parties acknowledge and agree that the extent of damages to one party (the "non-breaching party") in the event of an actual or threatened breach of this Section 5.16 by the other party (the "breaching party") may be impossible to ascertain and there may be available to the non-breaching party no adequate remedy at law to compensate the non-breaching party in the event of such an actual or threatened reach by the breaching party. Consequently, the parties agree that, in the event that either party breaches or threatens to breach any such covenant or agreement, the non-breaching party shall be entitled, in addition to any other remedy or relief to which it may be entitled, including without limitation, money damages, to seek to enforce any or all of such agreements or covenants against the breaching party by injunctive or other equitable relief ordered by any court of competent jurisdiction.

SECTION 5.17 FINANCIAL STATEMENTS. Seller will deliver to Buyer, as soon as is reasonably practicable, (a) an audited statement of the assets of the Business to be purchased and the liabilities of the Business to be assumed by Buyer as of December 31, 1997 (the "1997 Statement of Assets and Liabilities") and the related audited statement of net sales, cost of sales and direct operating costs of the Business for the year then ended and (b) an unaudited statement of the assets of the Business to be purchased and the liabilities of the Business to be assumed as of September 30, 1998 (the "Interim Statement of Assets and Liabilities") and the related unaudited statement of net sales, cost of sales and direct operating costs of the Business for the nine months ended September 30, 1998 and 1997 (collectively, the "Financial Statements"). At such time, Seller will provide to Buyer the following representation and warranty with respect to the Financial Statements: "The Financial Statements have been prepared from the books and records of Solaris in conformity with generally accepted accounting principles in the United States ("GAAP"), and, subject in the case of the Interim Statement of Assets and Liabilities and the related unaudited statements of net sales, cost of sales and direct operating costs for the nine months ended September 30, 1998 and 1997, to the absence of notes, (i) the 1997 Statement of Assets and Liabilities and the Interim Statement of Assets and Liabilities, respectively, fairly present, in all material respects, the assets that would have been purchased and the net liabilities that would have been assumed by Buyer as of December 31, 1997 and September 30, 1998, if the transactions contemplated hereby had been consummated on December 31, 1997 (in the case of the 1997 Statement of Assets and Liabilities) and September 30, 1998 (in the case of the Interim Statement of Assets and Liabilities), respectively, and (ii) the statements of net sales, cost of sales and direct operating costs of the Business fairly present, in all material respects, the net sales, cost of sales and direct operating costs of the Business for the year ended December 31, 1997 and for the nine months ended September 30, 1998 and 1997, respectively." Following the delivery of the Financial Statements to Buyer, Buyer shall have five (5) business days to accept such Financial Statements, in which case the foregoing representation shall become part of Seller's representations and warranties in Article III hereof, or terminate this Agreement pursuant to Section 10.2(h) hereof.

SECTION 5.18. COOPERATION. The Seller agrees to reasonably cooperate, and to use reasonable efforts to cause its accountants to cooperate, with the Buyer in connection with the preparation of financial statements or information with respect to the Business that comply with the rules and regulations of the Securities and Exchange Commission, if, and to the extent, so requested by the Buyer in connection with the transactions contemplated hereby. The Buyer agrees to indemnify the Seller for 100% of the incremental costs of the Seller's accountants in connection with the preparation of such financial statements.

ARTICLE VI. - CASUALTY AND CONDEMNATION

SECTION 6.1. CASUALTY. The Seller will bear the risk of any loss or damage or destruction to any of the Assets from fire or other casualty or cause at all times prior to the Closing. Upon the occurrence of any loss or damage to any of the Assets as a result of fire, casualty, or other causes prior to the Closing, the Seller will notify the Buyer of the same in writing as soon as practicable thereafter. If such loss or damage could reasonably be deemed to have a material adverse effect, the Buyer will have the option, exercisable within ten (10) days after receipt of such notice from the Seller to terminate this Agreement. If Buyer elects to terminate, this Agreement will be of no further force or effect and neither the Seller nor the Buyer will have any further rights, duties, or obligations hereunder. If Buyer does not elect to terminate this Agreement, this Agreement will remain in full force and effect, the Closing shall be consummated, and the Buyer will accept the Assets in their "then" condition without reduction of the Purchase Price; provided, however, if the diminution in value, net of proceeds received by the Buyer under the insurance policies referred to in the next sentence exceeds $1,000,000, the Purchase Price will be reduced by the

amount of such diminution. The Seller will assign to the Buyer all rights under any insurance claim covering the loss and will pay over to the Buyer any proceeds under any such insurance policy theretofore received by the Seller with respect thereto.

SECTION 6.2. CONDEMNATION. If, prior to the Closing, any of the Real Property has been taken by condemnation in any proceeding by a public authority or other body vested with the power of eminent domain or has been acquired by a public or quasi-public body for public purposes, or if condemnation proceedings therefor have been instituted, the Seller will give the Buyer prompt notice of such occurrence. If such condemnation takes, or proposes to take, all or any portion of the Real Property which would have a material adverse effect, the Buyer may cancel this Agreement by giving the Seller notice to such effect within ten (10) days after the Seller's notice to the Buyer of such occurrence, with the date of the Closing to be extended, if necessary, to provide such a ten (10) day period. If the Buyer so elects, this Agreement will be terminated and the parties hereto will have no further rights, duties, or obligations hereunder. If this Agreement is not terminated as provided above, this Agreement will remain in full force and effect and the purchase contemplated herein, less any portion of the Real Property taken by eminent domain or condemnation, or sold in lieu thereof, will be consummated with a corresponding reduction of the Purchase Price. In such event, the Seller will, at the Closing, assign, transfer, and set over to the Buyer all of the Seller's right, title and interest in and to any awards or proceeds paid or payable for such taking or sale in lieu thereof.

ARTICLE VII. - COVENANTS AS TO EMPLOYEES

SECTION 7.1. OFFERS OF EMPLOYMENT.

(a) Transferred Employees. At least one week prior to Closing, the Buyer shall offer employment with the Buyer to 100% of the Employees other than the Employees

set forth on Schedule 7.1(a). All personnel records maintained by Seller shall remain with the Seller after Closing. The Seller and its Affiliates agree to release from their employment those Employees who are offered and accept employment with the Buyer ("Transferred Employees") to enable them to commence their employment with the Buyer. Seller shall furnish Buyer with an electronic file of employee data related to such Transferred Employees. The Seller makes no representations or warranties concerning such file, or the contents or sufficiency thereof. An offer of employment made by the Buyer will be in writing and will at least equal the salary or wages (including, as applicable, shift differentials, and premiums) provided by the Seller to the Transferred Employee immediately prior to Closing and will include comparable employee benefits provided by the Buyer to its similarly situated employees. The Buyer shall not reduce any Transferred Employee's initial salary or wages (including, as applicable, shift differentials and premiums) as an employee of Buyer during the twelve (12) month period after the date on which such Transferred Employee commences work for the Buyer (the "Employment Date").

(b) Termination of Employees. If (i) the Buyer terminates the employment of any Transferred Employee without cause during the eighteen (18) month period after the Employment Date and such Transferred Employee is not offered "comparable employment" by the Buyer or an Affiliate of the Buyer through the eighteen (18) month anniversary of the Employment Date or (ii) the Buyer relocates any Transferred Employee during the eighteen (18) month period after such Transferred Employee's Employment Date without the Transferred Employee's consent, the Buyer shall pay to such Transferred Employee either (w) an amount at least equal to the amount, and offer the benefits, set forth in Schedule 7.1(b)(1), or (x) if such Transferred Employee signs a settlement agreement and general release provided by Seller, an amount at least equal to the amount, and offer the benefits, set forth in Schedule 7.1(b)(2) (the "Termination Payments"). In consideration of Buyer's agreement to make the Termination Payments to such Transferred Employees, the Seller shall reimburse the Buyer for the lesser of (y) fifty percent (50%) of such Termination Payments, or (z) five million dollars

($5,000,000.00). For the purposes of this Section 7.1(b), "cause" shall mean (A) the conviction of a felony, (B) the willful failure to perform reasonable job-related requests, (C) an act of intentional fraud, embezzlement or theft, (D) an act or omission of gross misconduct injurious to Buyer, or (E) a material violation of Buyer's rules, policies or procedures. For the purposes of this Section 7.1(b), "comparable employment" shall mean a job of equal pay (including, as applicable, shift differentials, incentives and premiums) and benefits comparable to those provided by Buyer to its similarly situated employees. The Buyer agrees to indemnify and hold the Seller harmless from and against any and all claims, damages, liabilities or losses arising out of or related to the Buyer's hiring, promotion or termination of any Transferred Employee, including any severance payments required under this Section 7.1(b).

(c) Employees Not Actively at Work. Attached hereto as Schedule 7.1(c) is a schedule which identifies each Employee who is on short-term disability, long-term disability or personal leave. Any Employee who is on short-term disability or personal leave on the Closing Date shall be offered employment by the Buyer if such Employee returns to work within six (6) months after the Closing Date with any appropriate doctors' releases. Any other Employee who was not actively at work on the Closing Date will continue to be the responsibility of the Seller after such date.

(d) Buyer and Seller agree to work cooperatively to assist in the transfer of a Transferred Employee who is working for Seller under a nonimmigrant visa. Buyer shall pay all severance costs with respect to any such Transferred Employee who is unable or unwilling to obtain a visa.

SECTION 7.2. BENEFITS AND EMPLOYMENT CONDITIONS OF TRANSFERRED EMPLOYEES IN THE UNITED STATES.

(a) Defined Benefit Pension Plans. Any tax-qualified defined benefit pension plans of the Seller (the "Seller's Pension Plans") will retain the liability for, and will fully

vest the Transferred Employees in, their accrued benefits under such plans and, upon application for distribution under the terms of such plans, will provide for distributions to any Transferred Employee who is eligible for a distribution under the terms of such plans. The Buyer shall have no responsibility for any determination made under the Seller's Pension Plans regarding the type, amount or time of payment of any benefit payable to a Transferred Employee under such plan. So long as the Buyer maintains one or more defined benefit pension plans for its other similarly situated employees, the Buyer shall include the Transferred Employees in such plan(s) (the "Buyer Defined Benefit Plan"). The Buyer Defined Benefit Plan shall recognize the Transferred Employees' service recognized by the Seller as of their Employment Dates for purposes of eligibility to participate and vesting, but not for benefit accrual purposes. The Buyer Defined Benefit Plan shall not be responsible for providing any "subsidized" benefit that could have been earned by a Transferred Employee under any of the Seller's Pension Plans had the Transferred Employee remained employed by the Seller after Closing.

(b) Qualified Defined Contribution Plans. Any tax-qualified defined contribution plans of the Seller (the "Seller's Defined Contribution Plans") will fully vest the Transferred Employees in, and will provide for the distribution to or on behalf of the Transferred Employees of, their account balances in accordance with such Plans' regular distribution rules for employees whose employment with the Seller and its Affiliates has terminated, provided that the Seller determines that such distributions will not adversely affect the qualified status of the Seller's Defined Contribution Plans under Section 401(a) of the Code. The Buyer shall have no responsibility for any determination made under the Seller's Defined Contribution Plans. So long as the Buyer maintains one or more defined contribution pension plans for its other similarly situated employees, the Buyer shall include the Transferred Employees in such plans (the "Buyer Defined Contribution Plan"). The Buyer Defined Contribution Plan shall recognize the Transferred Employees' service recognized by the Seller for purposes of eligibility to participate and vesting.

(c) Vacation Pay. Effective as of the Closing Date, the Buyer shall adopt a vacation schedule for the Transferred Employees that is substantially the same as the

Buyer's vacation program provided by Buyer to its similarly situated employees. The Buyer will recognize a Transferred Employee's service with the Business for purposes of determining the Transferred Employee's eligibility for and amount of vacation benefits. Seller will pay, as of the applicable Employment Date, its liability to each Transferred Employee for vacation accrued but not taken or paid for by the Seller. Buyer shall provide unpaid vacation leave during the calendar year in which the Transferred Employee's Employment Date occurs to a Transferred Employee in an amount equal to the vacation accrued but not taken by the Transferred Employee and paid for by the Seller.

(d) Medical and Dental Plans. As of his or her Employment Date, each Transferred Employee will be eligible to enroll in a medical and dental plan established or maintained by the Buyer which shall provide coverage comparable to that provided by the Buyer to its similarly situated employees. The Buyer will cause the Buyer's medical and dental plans to waive any pre-existing condition limitations to the extent reasonably possible under the terms of the applicable plan of Buyer and to recognize each such Transferred Employee's (and his or her covered dependents') expenditures under the corresponding Seller medical and dental plans for the calendar year in which the Employment Date occurs toward any applicable deductible and annual out-of-pocket limit for such calendar year. The Seller will cause the Seller's medical and dental plans to be liable for covered expenses of the Transferred Employees and their dependents that were incurred before the applicable Employment Date or during hospital stays that began before such Employment Date, and the Buyer's medical and dental plans may exclude liability for such expenses. Any benefits provided by the Buyer pursuant to this paragraph are subject to the Buyer's right to amend or terminate its medical and dental plans at any time.

(e) [Intentionally omitted.]

(f) Life Insurance Coverage. The Buyer agrees that as of a Transferred Employee's Employment Date, the Transferred Employee may elect the Buyer's group term and supplemental life insurance coverage on his or her life without evidence of

insurability; provided that such Transferred Employee was a participant in Seller's group term and supplemental life insurance coverage as of the Closing. The Buyer agrees that the plan will recognize the Transferred Employee's service with the Business for purposes of determining the Transferred Employee's eligibility for and amount of coverage. Any benefits provided under this paragraph are subject to the Buyer's right to amend or terminate its group-term and supplemental life insurance coverage at any time.

(g) Disability Coverage. The Buyer agrees that as of a Transferred Employee's Employment Date, the Transferred Employee shall be eligible to enroll in any short-term and long-term disability plan established by the Buyer; provided that such Transferred Employee is not currently receiving short-term or long-term disability benefits from Seller or under a plan maintained by Seller. The plan will recognize the Transferred Employee's service with the Business for purposes of determining the Transferred Employee's eligibility for and amount of benefits and shall treat the date the Transferred Employee was employed by the Seller as the date the Transferred Employee was employed by the Buyer for purposes of defining a preexisting condition. Any benefits provided under this paragraph are subject to the Buyer's right to amend or terminate its disability plan at any time.

(h) Relocation Assistance. Schedule 7.2(h) lists the Employees who as of the date of this Agreement are receiving or eligible to receive relocation assistance or who are on temporary domestic assignments working in full-time positions, and shows for each Employee listed, if determinable on the date of this Agreement, the amount of relocation assistance, as applicable, which the Employee would receive after the Closing Date under the Seller's relocation policy described in Schedule 3.12 if the Employee remained an employee of the Seller. With respect to Transferred Employees listed on Schedule 7.2(h), the Buyer shall provide such relocation assistance, as applicable, which the Transferred Employee would have received under the Seller's relocation policy.

(i) International Assignment. Buyer shall provide all payments and benefits to Transferred Employees on international assignment as of their Employment Date as such Transferred Employees would have received under Seller's international assignment

policy and will assist all such Transferred Employees in obtaining any necessary work visas or papers. If the employment agreement of a Transferred Employee on international assignment cannot be assigned to the Buyer, such Transferred Employee shall remain an employee of the Seller until such time as the Transferred Employee's employment agreement with the Seller can be assigned to the Buyer. Buyer shall reimburse Seller for the cost of salary, benefits and other assistance provided by the Seller to such Transferred Employee.

(j) Additional Benefits. Buyer shall implement immediately after the Closing a retention incentive plan which will target approximately 40% of the Transferred Employees. Buyer shall permit each Transferred Employee to participate in any incentive plan in which Buyer's similarly situated employees participate.

SECTION 7.3. ACCESS TO EMPLOYEE INFORMATION. After the Closing Date, the parties hereto will cooperate with each other in the administration of any applicable Employee Benefit Plans and programs.

SECTION 7.4. WARN ACT INDEMNIFICATION. With respect to the transactions contemplated by this Agreement, Buyer will comply in all material respects with the provisions of the Workers Adjustment and Retraining Notification Act of 1988, as amended ("WARN Act"). The Buyer agrees to indemnify the Seller and its directors, officers, employees, consultants and agents for, and to hold the Seller and its directors, officers, employees, consultants and agents harmless from and against, any and all Losses (as defined in Section 11.1) arising or resulting, or alleged to arise or result from the notification or other requirements of the WARN Act. The indemnifications contained in this Section will survive the Closing and remain effective concurrent with the legal limitations period applicable to WARN Act liability.

SECTION 7.5. WORKERS' COMPENSATION CLAIMS. The Seller will be responsible for any workers' compensation claims by any Transferred Employee for injuries incurred prior to such Transferred

Employee's Employment Date. The Buyer will be responsible for any workers' compensation claims for injuries incurred by any Transferred Employee on or after such Transferred Employee's Employment Date.

SECTION 7.6. GENERAL EMPLOYEE PROVISIONS.

(a) The Seller and the Buyer will give notices required by law and take whatever other actions with respect to the plans, programs and policies described in this Article 7 as may be reasonably necessary to carry out the arrangements described in this Article 7.

(b) The Seller and the Buyer will provide each other with such plan documents and descriptions or other information as may be reasonably required to carry out the arrangements described in this Article 7.

(c) If any of the arrangements described in this Article 7 are finally determined by the Internal Revenue Service or other applicable governmental authority, or by a court of competent jurisdiction, to be prohibited by law, the Seller and the Buyer will modify such arrangements to as closely as possible retain the intent and economic benefits and burdens of the parties as reflected herein in a manner which is not prohibited by law.

(d) No provision of this Agreement will create any third party beneficiary rights to any person, including without limitation any Transferred Employee or any dependent of a Transferred Employee, in respect of continued employment or resumed employment, and no provision of this Agreement will create any third party beneficiary rights in any person, including without limitation any Transferred Employee or any dependent of a Transferred Employee, in respect of any employee benefit plan or arrangement or any other arrangement which may be maintained from time to time by the Buyer.

(e) The Seller and the Buyer agree to utilize the "Alternative Procedure" provided in Section 5 of the Revenue Procedure 84-77, 1984-2 Cumulative Bulletin 753, as modified and superseded by Revenue Procedure 96-60, 1996 Cumulative Bulletin 399, with respect to filing and furnishing Internal Revenue Service Forms W-2, W-3, and 941.

SECTION 7.7. EMPLOYEE BENEFIT PLANS. Except as expressly provided in this Article 7, the Buyer will not adopt, assume or otherwise become responsible for, either primarily or as a successor employer, any of the Employee Benefit Plans, arrangements, commitments or policies currently provided by the Seller or by any member of its controlled group under Code Section 414 (the "Controlled Group Members"). In particular, but not by way of limitation, the Buyer will not assume liability for any retiree medical benefits, or for any group health continuation coverage or coverage rights under Code Section 4980B and ERISA Section 606 which exist prior to the Closing Date or which arise as a result of the Seller's dissolution and/or termination of its group health plan or plans. In addition, the Buyer will not assume the Seller's obligations under Code Section 4980B and ERISA Section 606 relating to individuals who are neither Transferred Employees or dependents of Transferred Employees. The Seller agrees to indemnify the Buyer and its directors, officers, employees, consultants and agents for, and to hold them harmless from and against, any and all Losses caused by any employee benefit plan, arrangement or policy currently provided by the Seller or any Controlled Group Member. The indemnifications contained in this Section shall survive the Closing and remain effective concurrent with the legal limitations period applicable to any such employee benefit plan, arrangement or policy.

SECTION 7.8. TRANSFER OF EMPLOYEES IN EUROPE. In accordance with "The Employees Acquired Rights Directive" (EU Directive 77/187 of February 14, 1977 as implemented in each of the relevant member states), all employment agreements with employees employed by Seller in connection with the business and listed in Schedule 7.8 hereto (the "European Employees") shall be automatically transferred to the Buyer on the date of Closing by operation of law. Each European Employee shall, as from the Closing Date be employed by the Buyer under the terms and conditions applicable to such employee just prior to the date of Closing and each European Employee's seniority rights shall, for all purposes, be honored by the Buyer. As soon as practicable after Closing Date and effective as of the Closing Date, the Buyer shall have in place or establish incentive plans, benefit plans and

pension plans providing overall benefits not less favorable than those enjoyed by the European Employees immediately before Closing. Buyer and Seller shall each select an actuary to review and agree upon pension fund transfers as required under local laws and regulations. If such actuaries are unable to agree upon such pension fund transfers, then they shall mutually select a third actuary who shall make a final decision. Seller and the Buyer shall meet promptly after Closing to take all appropriate steps to protect fully all European Employees' existing pension rights. Seller agrees to assist the Buyer, at Buyer's expense, with respect to the transfer of the European Employees and provide all necessary transition services to the Buyer to ensure payment of the European Employees' salaries, benefits and compensation, taxes and social security in the name and on behalf of the Buyer during the transition period. The Buyer shall indemnify and hold Seller harmless from any and all costs and liabilities which may arise out of the provisions of such services.

SECTION 7.9. TRANSFERRED EMPLOYEES WORKING ON VISAS OR WORK PERMITS. Buyer will use its reasonable efforts to have the visas and work permits for those Employees who are working under a visa and/or a work permit transferred or issued to Buyer as the employer of record for such Employees. Seller will assist Buyer in such efforts at Buyer's expense. Until such time as there is a valid visa and/or work permit issued for such Employee showing Buyer as the employer of record, each such Employee shall remain an Employee of Seller. Buyer shall reimburse Seller for the employment costs of such Employees quarterly during the period needed to obtain the new or revised visas and/or work permits. Actual business expenses incurred by such Employees shall be paid by Buyer. Upon the issuance of new or revised visas and/or work permits, such Employees will become employees of Buyer and will be treated as Transferred Employees.

ARTICLE VIII. - CONDITIONS TO SELLER'S OBLIGATIONS

Each of the obligations of the Seller to consummate the transactions contemplated hereby will be subject to the satisfaction (or written waiver by the Seller) at or prior to the Closing Date of each of the following conditions.

SECTION 8.1. REPRESENTATIONS AND WARRANTIES TRUE AT CLOSING DATE. Except for changes as may be contemplated by this Agreement, each of the representations and warranties of the Buyer contained in this Agreement, disregarding all qualifications and exceptions contained therein relating to materiality or material adverse effect, must be true in all material respects on and as of the Closing Date with the same force and effect as though made on and as of such date, unless the representation or warranty is made as of a specified date; the Buyer must have performed and complied in all material respects with the covenants and agreements set forth herein to be performed or complied with by it on or before the Closing Date; and the Buyer must have delivered to the Seller a certificate dated the Closing Date and signed by its duly authorized officer to all such effects.

SECTION 8.2. LITIGATION. No suit, investigation, action or other proceeding may be pending or overtly threatened against the Seller or its Affiliates or the Buyer before any court or governmental agency which has resulted in the restraint or prohibition of the Seller, or, could in the reasonable opinion of counsel for the Seller, result in the assessment of material damages or other relief against the Seller, in connection with this Agreement or the consummation of the transactions contemplated hereby.

SECTION 8.3. OPINION OF COUNSEL TO BUYER. The Seller must have received from counsel to the Buyer an opinion, dated the Closing Date, in a form reasonably satisfactory to counsel to Seller.

SECTION 8.4. REQUIRED GOVERNMENTAL APPROVALS. All governmental authorizations, consents and approvals set forth on Schedule 9.4 must have been obtained and must be in full force and effect. All applicable governmental pre-acquisition filing, information furnishing and waiting period requirements, including expiration of all applicable waiting periods pursuant to HSR, as set forth on Schedule 9.4, must have been met or such compliance must have been waived by the governmental authority having authority to grant such waivers.

SECTION 8.5. OTHER NECESSARY CONSENTS. The parties must have obtained all consents and approvals listed on Schedule 9.5.

SECTION 8.6. SUPPLY AGREEMENT. The Buyer must have executed and delivered to the Seller the Supply Agreement in the form attached hereto as Exhibit A (the "Supply Agreement").

SECTION 8.7. FORMULATION AGREEMENT. The Buyer must have executed and delivered to the Seller the Formulation Agreement in the form attached hereto as Exhibit B (the "Formulation Agreement").

SECTION 8.8. TRANSITION SERVICES AGREEMENT. The Buyer must have executed and delivered to the Seller a Transition Services Agreement in a form mutually satisfactory to the parties (the "Transition Services Agreement").

SECTION 8.9. NO MATERIAL ADVERSE CHANGE. There shall have been no material adverse change since December 31, 1997 in the business or financial condition of the Buyer taken as a whole, or the financial ability of the Buyer to consummate the transactions contemplated by this Agreement.

ARTICLE IX. - CONDITIONS TO BUYER'S OBLIGATIONS

Each of the obligations of the Buyer to consummate the transactions contemplated hereby is subject to the satisfaction (or written waiver by the Buyer) at or prior to the Closing Date of each of the following conditions.

SECTION 9.1. REPRESENTATIONS AND WARRANTIES TRUE AT CLOSING DATE. Except for changes as may be contemplated by this Agreement, each of the representations and warranties of the Seller contained in this Agreement, disregarding all qualifications and exceptions contained therein relating to materiality or material adverse effect, must be true in all material respects on and as of the Closing Date with the same force and effect as though made on and as of such date, unless the representation or warranty is made as of a specified date; the Seller must have performed and complied in all material respects with the respective covenants and agreements set forth herein to be performed or complied with by it on or before the Closing Date; and the Seller must have delivered to the Buyer a certificate dated the Closing Date and signed by its duly authorized officer to all such effects.

SECTION 9.2. LITIGATION. No suit, investigation, action or other proceeding may be pending or overtly threatened against the Buyer or the Seller or its Affiliates before any court or governmental agency which has resulted in the restraint or prohibition of the Buyer, or, in the reasonable opinion of counsel for the Buyer, is reasonably likely to result in the assessment of material damages or other relief against the Buyer in connection with this Agreement or the consummation of the transactions contemplated hereby.

SECTION 9.3. OPINION OF COUNSEL TO SELLER. The Buyer must have received from counsel to the Seller an opinion, dated the Closing Date, in a form reasonably satisfactory to counsel to Buyer.

SECTION 9.4. REQUIRED GOVERNMENTAL APPROVALS. All governmental authorizations, consents and approvals set forth on Schedule 9.4 must have been obtained and must be in full force and effect. All applicable governmental pre-acquisition filing, information furnishing and waiting period requirements, including expiration of all applicable waiting periods pursuant to HSR, as set forth on Schedule 9.4, must have been met or such compliance must have been waived by the governmental authority having authority to grant such waivers.

SECTION 9.5. OTHER NECESSARY CONSENTS. The parties must have obtained all consents and approvals listed on Schedule 9.5.

SECTION 9.6. SUPPLY AGREEMENT. The Seller must have executed and delivered to the Buyer the Supply Agreement.

SECTION 9.7. FORMULATION Agreement. The Seller must have executed and delivered to the Buyer the Formulation Agreement.

SECTION 9.8. TRANSITION SERVICES AGREEMENT. The Seller must have executed and delivered to the Buyer the Transition Services Agreement.

SECTION 9.9. NO MATERIAL ADVERSE CHANGE. There shall have been no material adverse change since December 31, 1997 in the business, results of operations or financial condition of the Business taken as a whole.

ARTICLE X. - CLOSING

SECTION 10.1. CLOSING. The closing of the transactions contemplated hereby (the "Closing") will take place at 10:00 a.m. Central Time on the "Closing Date," at the Seller's offices located at 800 North Lindbergh Blvd., St. Louis County, Missouri, or at such other place as may be mutually agreeable. Subject to satisfaction or waiver of the conditions to the Seller's and the Buyer's obligations set forth in Articles 8 and 9, respectively, the Closing Date will be the later of the following: (a) February 15, 1999; (b) the date which is sixty (60) days after the date of Seller's delivery to Buyer of the Financial Statements pursuant to Section 5.17; (c) the date which is five (5) business days after the receipt of the governmental approvals contemplated by Sections 8.4 and 9.4 hereof; or (d) such other date as the parties may agree to in writing. At the Closing, the parties hereto will duly execute and deliver all documents and instruments required to be delivered, and the Buyer will make all payments to the Seller required to be paid at the Closing as provided in this Agreement.

SECTION 10.2. TERMINATION PRIOR TO CLOSING. Notwithstanding the foregoing, the parties will be relieved of the obligation to consummate the Closing and purchase or sell the Assets:

(a) By the mutual written consent of the Buyer and the Seller;

(b) By the Seller in writing, without liability, if the Buyer (i) fails to perform in any material respect its agreements contained herein required to be performed by it on or prior to the Closing Date, or (ii) materially breaches any of its representations, warranties or covenants contained herein, which in either case is not cured within ten (10) days after the Seller has notified the Buyer of its intent to terminate this Agreement pursuant to this subparagraph;

(c) By the Buyer in writing, without liability, if the Seller (i) fails to perform in any material respect its agreements contained herein required to be performed by them on or prior to the Closing Date, or (ii) materially breaches any of its representations, warranties or covenants contained herein, which in either case is not cured within ten (10) days after the Buyer has notified the Seller of its intent to terminate this Agreement pursuant to this subparagraph;

(d) Subject to Section 5.5 hereof, by either the Seller or the Buyer in writing, without liability, if there is issued any order, writ, injunction or decree of any court or governmental or regulatory agency binding on the Buyer or the Seller which prohibits or materially restrains the Buyer or the Seller from consummating the transactions contemplated hereby; provided that the Buyer and the Seller have used their reasonable, good faith efforts to have any such order, writ, injunction or decree lifted and the same has not been lifted within sixty (60) days after entry, by any such court or governmental or regulatory agency;

(e) By the Buyer in writing, without liability, if Buyer elects to terminate pursuant to Section 6.1 or Section 6.2 hereof;

(f) By either the Seller or the Buyer in writing, without liability, if for any reason the Closing has not occurred by March 31, 1999 other than as a result of the breach of this Agreement by the party attempting to terminate this Agreement;

(g) By Seller in writing, without liability, upon a "Change of Control" of Buyer (for purposes of this Agreement, a "Change of Control" means (i) the acquisition by any individual, corporation, company, association, joint venture or other entity, of beneficial ownership of 25% or more of the voting securities of the Buyer; or (ii) individuals who, as of the date of this Agreement, constitute the Board of Directors of the Buyer cease for any reason to constitute at least a majority of the Board of Directors of the Buyer; or (iii) the consummation by the Buyer of a reorganization, merger or consolidation, or exchange of shares or sale or other disposition of all or substantially all of the assets of the Buyer, if immediately after giving effect to such transaction the individuals or entities who beneficially own voting securities immediately prior to such transaction beneficially own

in the aggregate less than 75% of such voting securities immediately following such transaction; or (iv) the consummation by the Buyer of the sale or other disposition of all or substantially all of the assets of the Buyer; or (v) the consummation by the Buyer of a plan of complete liquidation or dissolution of the Buyer; or (vi) the public announcement of the Buyer's intention to consummate any of the actions in (i)-(v) herein); or By the Buyer in writing, without liability, in the event that any matter disclosed by Seller after the date hereof in a supplemented or amended Schedule hereto, individually or taken together with all other matters disclosed by Seller after the date hereof, would, in the reasonable judgment of Buyer, be likely to cause a material adverse change in the business, properties, financial position, results of operations, or net worth of the Business taken as a whole;

(h) By Buyer in writing, without liability, within five (5) business days of Buyer's receipt of the Financial Statements, if the Financial Statements show that the earnings before interest, taxes and amortization of the Business: (i) was less than * for the year ended December 31, 1997 or (ii) was less than * for the nine months ended September 30, 1998.

SECTION 10.3. TERMINATION OF OBLIGATIONS. Termination of this Agreement pursuant to Section 10.2 will terminate all obligations of the parties hereunder, except for the obligations under Article XI (Indemnity Claims), and Sections 12.1 (Expenses), 12.7 (Brokerage) and 12.9 (Public Announcements); provided that termination pursuant to subparagraphs (b), (c), (f), or (g) of Section 10.2 will not relieve a defaulting or breaching party from any liability to the other party hereto. Notwithstanding the foregoing, in the event that Seller terminates this Agreement pursuant to Section 10.2(b) above, and such termination arises out of Buyer's failure to consummate the transactions contemplated hereby as a result of Buyer's failure to obtain financing, Buyer shall pay to Seller in immediately available funds by wire transfer an amount equal to Twenty Million Dollars ($20,000,000) (the "Liquidated Amount"). If the Liquidated Amount is owing to Seller pursuant hereto, Buyer shall pay to Seller the Liquidated Amount within two (2) business days of

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* Confidential provision omitted and filed separately with the Securities and Exchange Commission ("SEC"), based upon a request for confidential treatment filed with the SEC.

Buyer's receipt of Seller's termination notice. Notwithstanding the foregoing, Buyer shall not be obligated to pay such amount unless, at the time of such termination, all of the conditions precedent to Buyer's obligation to consummate the transactions contemplated hereby set forth in Article IX hereof have been satisfied. Seller and Buyer agree that the agreement contained in this Section 10.3 concerning the Liquidated Amount is an integral part of the transactions contemplated by this Agreement and constitutes liquidated damages and not a penalty. Seller and Buyer agree that the injury which will be caused to the Seller by the termination of this Agreement under the circumstances which shall give rise to the payment of the Liquidated Amount, although foreseeable based on the facts concerning Buyer's ability to finance the transactions contemplated hereby and known by Buyer and Seller as of the date of this Agreement, is nevertheless difficult or impossible of accurate estimation and that the sum stipulated for the Termination Fee is a reasonable pre-estimate of the probable loss which will be suffered by the Seller in the event of such termination, including but not limited to lost opportunity costs, the expenses incurred during the course of negotiating the transaction, and the likelihood of consummating the sale with another party if the transactions contemplated hereby should not be consummated.

ARTICLE XI. - INDEMNIFICATION

SECTION 11.1. SELLER INDEMNIFICATION. Except as otherwise provided in this Article XI, Article VII, and Sections 2.5 and 12.7, the Seller will indemnify and reimburse the Buyer for any and all claims, losses, liabilities, damages, penalties, fines, costs and expenses (including reasonable attorneys' fees, court costs and settlement costs) (individually, a "Loss", collectively, "Losses") incurred by the Buyer and its Affiliates and their successors or assigns, and their respective directors, officers, employees, consultants and agents (the "Buyer Protected Parties"), as a result of, with respect to, or arising out of (i) any Assumed Liabilities other than

those set forth in the Statement of Working Capital or those arising after the Closing; (ii) any breach or inaccuracy of any representation or warranty of the Seller set forth in this Agreement; (iii) any breach of or noncompliance by the Seller with any covenant of the Seller contained in this Agreement to be performed after the Closing; or (iv) Excluded Liabilities.

SECTION 11.2. BUYER INDEMNIFICATION. Except as otherwise provided in this Article XI, Article VII, and Sections 2.5 and 12.7, the Buyer will indemnify and reimburse the Seller for any and all Losses incurred by the Seller and its Affiliates and their successors or assigns, and their respective directors, officers, employees, consultants and agents (the "Seller Protected Parties") as a result of, or with respect to, (i) any breach or inaccuracy of any representation or warranty of the Buyer set forth in this Agreement; (ii) any breach of or noncompliance by the Buyer with any covenant or agreement of the Buyer contained in this Agreement to be performed after the Closing, (iii) the Assumed Liabilities; and (iv) the ownership or operation of the Assets or the Business after the Closing.

SECTION 11.3. INDEMNITY CLAIMS.

(a) Survival. The representations, warranties, covenants and agreements contained herein, except for covenants and agreements to be performed by the parties prior to the Closing, will not be extinguished by the Closing but will survive the Closing, subject to the limitations set forth in subsection (b) below with respect to the time periods within which claims for indemnity must be asserted. The covenants and agreements to be performed by the parties prior to the Closing shall expire at the Closing.

(b) Time to Assert Claims. All claims for indemnification under this Article 11 which are not extinguished by the Closing in accordance with Section 11.3(a) must be asserted no later than September 30, 2000; provided, however, that claims with respect to Losses arising out of or related in any way to the matters described in Sections 3.7, 11.1(iii), 11.1(iv), 11.2(ii), 11.2(iii), 11.2(iv), or 11.8 may be made without limitation, except as limited by law.

SECTION 11.4. DEDUCTIBLE.

(a) Buyer's Assumed Liability Deductible. The Buyer Protected Parties may make no claim against the Seller for indemnification pursuant to Section 11.1(i) unless and until:

i. With respect to any and all claims resulting from or relating to the Central Agreements, including but not limited to the writing off of any Accounts Receivable owing from Central Garden & Pet Company to the Business (the "Central Garden Claims"), the aggregate amount of Losses with respect to such claims exceeds Two Million Dollars ($2,000,000) (subject to adjustment pursuant to Section 10.4(b), the "Central Garden Deductible") in excess of the aggregate of the reserves provided for such Losses in the Statement of Working Capital and net of any assets resulting from or relating to the Central Agreements in excess of the amounts provided for such assets in the Statement of Working Capital, in which event the Buyer Protected Parties may claim indemnification for the amount of such Losses in excess of the Central Garden Deductible;

ii. With respect to any and all claims, resulting from or relating to Assumed Liabilities, excluding the Central Garden Claims and excluding other Assumed Liabilities set forth in the Statement of Working Capital or arising after the Closing (the "Assumed Liability Claims"), the aggregate amount of Losses with respect to such claims exceeds One Million Dollars ($1,000,000.00) (the "Assumed Liabilities Deductible") and net of any assets, other than assets resulting from or relating to the Central Agreements, in excess of the amounts provided for such assets in the Statement of Working Capital, in which event the Buyer Protected Parties may claim indemnification for the amount of such Losses in excess of the Assumed Liabilities Deductible;

(b) Buyer's General Deductible. The Buyer Protected Parties may make no claim against the Seller for indemnification pursuant to Section 11.1(ii) unless and until the aggregate amount of Losses with respect to such claims exceeds Two Million Dollars

($2,000,000.00) (the "Buyer's General Deductible") in which event the Buyer Protected Parties may claim indemnification for the amount of such Losses in excess of the Buyer's General Deductible; provided, that the Buyer's General Deductible shall be increased by an amount equal to that portion of each of the Central Garden Deductible and the Assumed Liabilities Deductible which is in excess of the amount of Buyer's Losses attributable to the Central Garden Claims and Assumed Liability Claims, respectively, provided that the Central Garden Deductible, or the Assumed Liabilities Deductible, as the case may be, shall be reduced by a like amount. For purposes of determining whether the Buyer's General Deductible has been reached, no effect shall be given to the words "material," "material adverse effect," "knowledge" or similar limiting language.

(c) Seller's Deductible. The Seller Protected Parties may make no claim against the Buyer for indemnification pursuant to Section 11.2(i) unless and until the aggregate amount of Losses with respect to such claims exceeds Five Million Dollars ($5,000,000.00) (the "Seller's Deductible") in which event the Seller Protected Parties may claim indemnification for the amount of such Losses in excess of the Seller's Deductible. For purposes of determining whether the Seller's Deductible has been reached, no effect shall be given to the words "material," "material adverse effect," "knowledge" or similar limiting language.

SECTION 11.5. NOTICE OF CLAIM. The Buyer Protected Party or the Seller Protected Party, as the case may be, will notify the party against whom indemnification under this Agreement is sought (the "Indemnifying Party"), in writing, of any claim for indemnification, specifying in reasonable detail the nature of the Loss, and, if known, the amount, or an estimate of the amount, of the liability arising therefrom. The Buyer Protected Party or the Seller Protected Party, as the case may be, will provide to the Indemnifying Party, as promptly as practicable thereafter, such information and documentation as may be reasonably requested by the Indemnifying Party to support and verify the claim asserted, so long as such disclosure would not violate the attorney-client privilege of the Buyer Protected Party or the Seller Protected Party, as the case may be. Notwithstanding the foregoing, in the event of a claim for indemnification based on a breach of

Sections 3.22 or 3.23 hereof, the parties may, before making a formal claim for indemnification under this Section 11.5, elect to meet and discuss such possible claim and attempt to resolve such possible claim for a period of thirty (30) days. Any formal claim for indemnification made subsequent to any meeting at which the parties attempted to resolve such claim shall be deemed to be timely made if made within thirty (30) days of such meeting notwithstanding the fact that such claim may be made after September 30, 2000.

SECTION 11.6. DEFENSE.

(a) If the facts pertaining to a Loss arise out of the claim of any third party, or if there is any claim against a third party (other than a Buyer Protected Party or a Seller Protected Party) available by virtue of the circumstances of the Loss, the Indemnifying Party may assume the defense or the prosecution thereof by prompt written notice to the Buyer Protected Party or the Seller Protected Party, as the case may be, including the employment of counsel or accountants, at the sole cost and expense of the Indemnifying Party. The affected Protected Party will have the right to employ counsel separate from counsel employed by the Indemnifying Party in any such action and to participate therein, but the fees and expenses of such counsel employed by the affected Protected Party will be at its expense. The Indemnifying Party will not be liable for any settlement of any such claim effected without its prior written consent, which will not be unreasonably withheld; provided that if the Indemnifying Party does not assume the defense or prosecution of a claim as provided above within thirty (30) days after notice thereof from any Protected Party, the affected Protected Party may settle such claim without the Indemnifying Party's consent. The Indemnifying Party will not agree to a settlement of any claim which provides for any payment of monetary damages by any Protected Party or which could have a material precedential impact or effect on the business or financial condition of any Protected Party without the affected Protected Party's prior written consent. Whether or not the Indemnifying Party chooses to so defend or prosecute such claim, the Indemnifying Party and the affected Protected Party will cooperate in the defense or prosecution thereof and will furnish such records, information and testimony,

and attend such conferences, discovery proceedings, hearings, trials and appeals, as may be reasonably requested in connection therewith. The Indemnifying Party will be subrogated to all rights and remedies of any Protected Party, except to the extent they apply against another Protected Party.

(b) To the extent claims with respect to Losses arising out of or related to the matters described in Section 3.15 exceed the Buyer's General Deductible in the aggregate with all other Losses, Seller may assume the defense as provided in Section 11.6(a) above, or, if Seller elects not to assume the defense, then Buyer shall consult with Seller in defense of the claim or undertake the cleanup and shall obtain Seller's consent before incurring significant cost or expense in connection therewith. Seller, however, retains the right to access any and all of the Real Property to verify the costs associated with the claim.

SECTION 11.7. LIMITATION OF LIABILITY.

(a) In calculating any amount of damages to be paid by the Indemnifying Party pursuant to this Agreement, the amount of such damages will be reduced by all reimbursements credited to or received by the other party, relating to such damages, and will be net of any tax benefits and insurance proceeds received by the other party with respect to the matter for which indemnification is claimed.

(b) In no event shall the Seller's aggregate obligation to indemnify the Buyer Protected Parties nor the Buyer's aggregate obligation to indemnify the Seller Protected Parties under Section 11.1(i), 11.1(ii), and 11.2(i), respectively, of this Agreement exceed $100 million.

SECTION 11.8. ALLOCATION AND APPORTIONMENT OF AND INDEMNIFICATION WITH RESPECT TO TAX LIABILITIES.

(a) Real property, personal property and ad valorem Taxes or other similar Taxes assessed upon the Assets and Real Property (whether owned or leased) located in the State of Iowa, assessed on January 1, 1998 for the taxable year July 1, 1998 through June 30, 1999 shall be prorated as of the Closing Date between the parties based upon their respective periods of ownership during the taxable year 1998/1999.

(b) Real property, personal property and ad valorem Taxes or other similar Taxes assessed upon the Assets and Real Property (whether leased or owned) located in the State of California assessed on January 1, 1998 for the taxable period July 1, 1998 through June 30, 1999, shall be prorated as of the Closing Date between the parties based upon their respective periods of ownership during the taxable year 1998/1999. Any supplemental assessments resulting from the sale of the Assets shall be the sole responsibility of the Buyer.

(c) Real property, personal property and ad valorem Taxes or other similar Taxes assessed upon the Assets and Real Property (whether leased or owned) located in any state other than Iowa and California shall be prorated as of the Closing Date between the parties based upon their respective periods of ownership, or tenancy as the case may be, during the taxable period which includes the Closing Date, with Seller's portion being from the beginning of any such period up to the Closing Date.

(d) Seller shall be responsible for the timely payment of the Taxes described in Section 11.8(a)-(c). Buyer shall reimburse Seller for Buyer's pro rata share of such Taxes within twenty (20) days after Seller pays such Taxes and notifies Buyer of Buyer's prorated share of such taxes. Any benefits or additional Taxes and related costs derived from a contest concerning the amount of such Taxes properly due shall be prorated between the parties based upon their respective period of ownership of the Assets during

such Tax period, with Seller's portion being from the beginning of any such period up to the Closing Date. Any expenses associated with such a contest shall be prorated likewise, without regard to the success or failure of the contest.

SECTION 11.9. EXCLUSIVE REMEDY; RELEASE.

(a) Except as otherwise provided in Section 10.3 hereof, the indemnification provided pursuant to this Article XI, Article VII and Sections 2.5, 12.7 and 12.14 shall be the sole and exclusive remedy hereto for any Losses as a result of, with respect to or arising out of the breach of this Agreement, or any of the transactions or other agreements or instruments contemplated or entered into in connection herewith (including, but not limited to, all Exhibits attached hereto); provided, however, that such indemnification shall not be the sole and exclusive remedy, and shall in no way limit the rights of the parties, with respect to any breach or default under the Supply Agreement or the Formulation Agreement.

(b) Except as specifically provided in this Article XI and Sections 2.5 and 12.7, neither the Seller, nor its Affiliates or representatives shall be liable to Buyer for, and Buyer hereby releases and discharges Seller, its Affiliates, and their representatives from, any and all Losses incurred as a result of, with respect to or arising out of the ownership or operation of the Assets or the Business after the Closing.

(c) Without limiting the generality of this Section 11.9, Buyer understands and agrees that the rights accorded under this Article XI are the sole and exclusive remedy of Buyer against Seller or its Affiliates with respect to any matters relating to Environmental Laws. Subject to the foregoing, Buyer hereby waives any right to seek contribution or other recovery from Seller or its Affiliates under such Environmental Laws, and Buyer hereby releases the Seller and its Affiliates from any claims, demands or causes of actions that Buyer has or may have in the future against Seller or its Affiliates under the Environmental Laws.

ARTICLE XII. - MISCELLANEOUS

SECTION 12.1. EXPENSES. Except as otherwise specifically provided in this Agreement, the Seller and the Buyer will each pay all costs and expenses incurred by each of them, or on their behalf respectively, in connection with this Agreement and the transactions contemplated hereby, including fees and expenses of their own financial consultants, accountants and counsel.

SECTION 12.2. ENTIRE AGREEMENT. This Agreement (including the Schedules and Exhibits) and all other agreements to be signed or delivered at Closing constitute the full understanding of the parties, a complete allocation of risks between them and a complete and exclusive statement of the terms and conditions of their agreement relating to the subject matter hereof and supersede any and all prior agreements, whether written or oral, that may exist between the parties with respect thereto; provided that this provision is not intended to abrogate any Transaction Agreements executed with or after this Agreement. Except as otherwise specifically provided in this Agreement, no conditions, usage of trade, course of dealing or performance, understanding or agreement purporting to modify, vary, explain or supplement the terms or conditions of this Agreement will be binding unless hereafter made in writing and signed by the party to be bound, and no modification will be effected by the acknowledgment or acceptance of documents containing terms or conditions at variance with or in addition to those set forth in this Agreement, except as otherwise specifically agreed to by the parties in writing.

SECTION 12.3. WAIVERS. No waiver by a party with respect to any breach or default or of any right or remedy and no course of dealing or performance, will be deemed to constitute a continuing waiver of any other breach or default or of any other right or remedy, unless such waiver is expressed in writing signed by the party to be bound. Failure of a party to exercise any right will not be deemed a waiver of such right or rights in the future.

SECTION 12.4. PARTIES BOUND BY AGREEMENT; SUCCESSORS AND ASSIGNS. The terms, conditions and obligations of this Agreement will inure to the benefit of and be binding upon the parties hereto and the respective successors and assigns thereof. No Party shall transfer or assign its rights, duties or obligations hereunder or any part thereof to any other person or entity without the prior written consent of the other Party. Notwithstanding the foregoing, Buyer may at any time transfer its rights hereunder to any one or more of its subsidiaries or other Affiliates of Buyer so long as Buyer remains liable for all of its obligations hereunder, and so long as Buyer gives the Seller prior written notice of such assignment.

SECTION 12.5. COUNTERPARTS. This Agreement may be executed in multiple counterparts, each of which will for all purposes be deemed to be an original and all of which will constitute the same instrument.

SECTION 12.6. NOTICES. Any notice, request, instruction or other document to be given hereunder by any party hereto to any other party hereto must be in writing and delivered personally (including by overnight courier or express mail service) or sent by registered or certified mail, or be transmitted by facsimile or other means of electronic data transmission, confirmed by express mail or overnight courier, in each case with postage or fees prepaid,

If to the Buyer:	The Scotts Company 14111 Scottslawn Road Marysville, Ohio 43041 Attention: Charles M. Berger Telephone: (937) 644-0011 Facsimile: (937) 644-7072
With a copy to:	Vorys, Sater, Seymour and Pease LLP 52 East Gay Street Columbus, Ohio 43215 Attention: Ronald A. Robins, Jr. Telephone: (614) 464-6223 Facsimile: (614) 464-6350

If to the Seller:	Monsanto Company 800 North Lindbergh Boulevard St. Louis, Missouri 63167 Attention: Office of the General Counsel Facsimile No.: (314) 694-6399
With a copy to:	Long Aldridge & Norman LLP One Peachtree Center, Suite 5300 303 Peachtree Street, N.E. Atlanta, Georgia 30308 Attention: Briggs L. Tobin Telephone: (404) 527-4153 Facsimile: (404) 527-4198

or to such other address as may be specified from time to time in a notice given by such party. Any notice which is delivered personally in the manner provided herein will be deemed to have been duly given to the party to whom it is directed upon actual receipt by such party or the office of such party. Any notice which is addressed and mailed in the manner herein provided will be conclusively presumed to have been duly given to the party to which it is addressed at the close of business, local time of the recipient, on the fourth business day after the day it is so placed in the mail or, if earlier, the time of actual receipt.

SECTION 12.7. BROKERAGE. The Seller and the Buyer do hereby expressly warrant and represent, each to the other, that except for Salomon Smith Barney Inc. in the case of Buyer, and Goldman, Sachs & Co., in the case of Seller, no broker, agent, or finder has rendered services in connection with the transactions contemplated under this Agreement. The Seller hereby indemnifies and agrees to hold harmless the Buyer from and against any and all Losses arising or resulting, or sustained or incurred by the Buyer, by reason of any claim by any broker, agent, finder, or other person or entity based upon any arrangement or agreement made or alleged to have been made by the Seller in connection with the transaction contemplated by this Agreement. The Buyer hereby indemnifies and agrees to hold harmless the Seller from and against any and all Losses arising or resulting, or sustained or incurred by the Seller, by reason of any claim by any broker, agent, finder, or other person or entity based upon any arrangement or agreement made or alleged to have been made by the Buyer in connection with the transaction contemplated under this Agreement.

SECTION 12.8. GOVERNING LAW; JURISDICTION.

(a) THE VALIDITY, INTERPRETATION AND PERFORMANCE OF THIS AGREEMENT AND ANY DISPUTE CONNECTED WITH THIS AGREEMENT WILL BE GOVERNED BY AND DETERMINED IN ACCORDANCE WITH THE STATUTORY, REGULATORY AND DECISIONAL LAW OF THE STATE OF DELAWARE (EXCLUSIVE OF SUCH STATE'S CHOICE OR CONFLICTS OF LAWS RULES) AND, TO THE EXTENT APPLICABLE, THE FEDERAL STATUTORY, REGULATORY AND DECISIONAL LAW OF THE UNITED STATES (EXCEPT FOR THE U.N. CONVENTION ON CONTRACTS FOR THE INTERNATIONAL SALE OF GOODS, APRIL 10, 1980, U.N. DOC. A/CONF. 97/18, 19 I.L.M. 668, 671 (1980) REPRINTED IN PUBLIC NOTICE, 52 FED. REG. 662-80 (1987), WHICH IS HEREBY SPECIFICALLY DISCLAIMED AND EXCLUDED).

(b) Any suit, action or proceeding against any party hereto with respect to the subject matter of this Agreement, or any judgment entered by any court in respect thereof, must be brought or entered in the United States District Court for the District of Delaware, and each such party hereby irrevocably submits to the jurisdiction of such court for the purpose of any such suit, action, proceeding or judgment. If such court does not have jurisdiction over the subject matter of such proceeding or, if such jurisdiction is not available, then such action or proceeding against any party hereto shall be brought or entered in the Court of Chancery of the State of Delaware, County of New Castle, and each party hereby irrevocably submits to the jurisdiction of such court for the purpose of any such suit, action, proceeding or judgment. Each party hereto hereby irrevocably waives any objection which either of them may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement

brought as provided in this subsection, and hereby further irrevocably waives any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. To the extent each party hereto has or hereafter may acquire any immunity from jurisdiction of any court or from legal process with respect to itself or its property, each party hereto hereby irrevocably waives such immunity with respect to its obligations under this subsection. The parties hereto agree that exclusive jurisdiction of all disputes, suits, actions or proceedings between the parties hereto with respect to the subject matter of this Agreement lies in the United States District Court for Delaware, or the Court of Chancery of the State of Delaware, County of New Castle, as hereinabove provided. Buyer hereby irrevocably appoints CT Corporation, having an address at 1209 Orange Street, Wilmington, Delaware 19801 and Seller hereby irrevocably appoints CT Corporation, having an address at 1209 Orange Street, Wilmington, Delaware 19801, as its agent to receive on behalf of each such party and its respective properties, services of copies of any summons and complaint and any other pleadings or process of any summons and complaint and any other pleadings or process which may be served in any such action or proceedings. Service by mailing (by certified mail, return receipt requested) or delivering a copy of such process to a party in care of its agent for service of process as aforesaid shall be deemed good and sufficient service thereof, and each party hereby irrevocably authorizes and directs its respective agent for service of process to accept such service on its behalf.

SECTION 12.9. PUBLIC ANNOUNCEMENTS. No public announcement may be made by any person with regard to the transactions contemplated by this Agreement without the prior consent of the Seller and the Buyer; provided that either party may make such disclosure if advised by counsel that it is required to do so by applicable law or regulation of any governmental agency or stock exchange upon which securities of such party are registered. The Seller and the Buyer will discuss any public announcements or disclosures concerning the transactions contemplated by this Agreement with the other parties prior to making such announcements or disclosures.

SECTION 12.10. NO THIRD-PARTY BENEFICIARIES. With the exception of the parties to this Agreement and the Protected Parties, there exists no right of any person to claim a beneficial interest in this Agreement or any rights occurring by virtue of this Agreement.

SECTION 12.11. DEFINITION OF AFFILIATE. As used in this Agreement, "Affiliate" of a person or entity shall mean: (i) any other person or entity directly, or indirectly through one or more intermediaries, controlling, controlled by, or under common control with such person or entity, (ii) any officer, director, partner, employee, or direct or indirect beneficial owner of 10% or greater of the equity or voting interests of such person or entity, or (iii) any other person or entity for which a person or entity described in clause (ii) acts in such capacity.

SECTION 12.12. KNOWLEDGE. As used in this Agreement, the phrase "to the Seller's knowledge" shall mean to the actual knowledge of those individuals listed on Schedule 12.12 hereto with respect to each such individual's area of responsibility as indicated on Schedule 12.12, as of the date of this Agreement or the date as of which a particular representation or warranty is given based on the Seller's knowledge.

SECTION 12.13. BULK SALES LAWS. Buyer and the Seller each hereby waive compliance by the Seller with the provisions of the "bulk sales," "bulk transfer" or similar laws of any state. The Seller agrees to indemnify and hold Buyer harmless against any and all claims, losses, damages, liabilities, costs and expenses incurred by Buyer or any of its Affiliates as a result of a failure to comply with any such "bulk sales," "bulk transfer" or similar laws.

SECTION 12.14. INTERPRETATION. Words of the masculine gender will be deemed and construed to include correlative words of the feminine and neuter genders. Words importing the singular number will include the plural number and vice versa unless the context will otherwise indicate. References to Articles, Sections and other subdivisions of this Agreement are

to the Articles, Sections and other subdivisions of this Agreement as originally executed. The headings of this Agreement are for convenience and do not define or limit the provisions hereof. Words importing persons include firms, associations and corporations. The terms "herein," "hereunder," "hereby," "hereto," "hereof" and any similar terms refer to this Agreement; the term "heretofore" means before the date of execution of this Agreement; and the term "hereafter" means after the date of execution of this Agreement.

[Signatures on Next Page]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized representatives in the United States of America as of the date first above written.

MONSANTO COMPANY, SELLER

By: /s/ ARNOLD W. DONALD

Name: Arnold W. Donald
Title: Senior Vice President

THE SCOTTS COMPANY, BUYER

By: /s/ CHARLES M. BERGER

Name: Charles M. Berger
Title: Chairman, President and C.E.O.

SCHEDULES AND EXHIBITS TO ORTHO ASSET PURCHASE AGREEMENT

Dated as of November 11, 1998
Between Monsanto Company and The Scotts Company

1.1(f)	Equipment
1.2	Excluded Assets
2.2(b)	U.S. Working Capital Assignments
2.3	Excluded Liabilities
3.4	Certain Changes and Events
3.5	No Violation of Law
3.6(a)	Real Property
3.6(b)	Material Personal Property
3.6(d)	Liens
3.7	Title to Assets
3.8	Leases
3.9	Intellectual Property
3.10	Litigation
3.11	Employees
3.12	Employee Benefit Plans
3.13	Collective Bargaining Agreements
3.14	Labor Matters
3.15	Environmental Matters
3.16	Permits
3.17	Contracts
3.18	Seller Required Consents, Approvals and Filings
3.19	No Conflict
3.20	Year 2000 Compliance
3.21	Foreign Customers
3.28	Undisclosed Material Liabilities
3.29	Affiliate Transactions
4.3	Buyer Required Consents, Approvals and Filings
5.1	Operation Pending Closing
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5.11	Works Council
7.1(a)(i)	Employees Outside 100% Requirement
7.1(c)	Employees Not Actively at Work
7.2(h)	Relocation Assistance
7.8	European Employees
9.4	Required Governmental Approvals
9.5	Required Other Consents
12.12	Seller's Knowledge

EXHIBITS

A	Supply Agreement
B	Formulation Agreement

The Schedules and Exhibits to the Asset Purchase Agreement have not been filed. Titles to the omitted Schedules and Exhibits appear above. The Registrant hereby agrees to furnish supplementally a copy of any omitted Schedule or Exhibit to the Securities and Exchange Commission upon its request.

Exhibit 2(b)

* Amended and Restated Exclusive Agency and Marketing Agreement dated as of September 30, 1998 between Monsanto Company and The Scotts Company

* Certain portions of this Exhibit, indicated in the text by asterisk, have been omitted based upon a request for confidential treatment filed with the Securities and Exchange Commission ("SEC"). The non-public information has been filed separately with the SEC in connection with that request.

AMENDED AND RESTATED EXCLUSIVE AGENCY AND MARKETING AGREEMENT

BY AND BETWEEN

MONSANTO COMPANY

AND

THE SCOTTS COMPANY

SEPTEMBER 30, 1998

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AMENDED AND RESTATED EXCLUSIVE AGENCY AND MARKETING AGREEMENT

THIS AMENDED AND RESTATED EXCLUSIVE AGENCY AND MARKETING AGREEMENT by and between Monsanto Company, a Delaware corporation ("Monsanto"), and The Scotts Company, an Ohio corporation (the "Agent"), shall be deemed effective as of September 30, 1998, and amended and restated as of November 11, 1998, and shall supersede in its entirety the previous such agreement between the parties hereto, dated as of September 30, 1998. Monsanto and the Agent are some times referred to herein as the "parties."

WITNESSETH:

WHEREAS, Monsanto is engaged in the research, development, and commercialization of certain agricultural products;

WHEREAS, Monsanto has developed and sells Roundup Products (as defined below) and is the exclusive owner of all rights, patents, licenses, and trademarks associated therewith, and possesses the knowledge, know-how, technical information, and expertise regarding the process and manufacture of Roundup Products;

WHEREAS, the Agent has certain expertise in the promotion, distribution, marketing, and sale of home and garden products;

WHEREAS, except to the extent that Central (as defined below) remains a nonexclusive agent and distributor of Roundup Products prior to the termination of the Central Agreements (as defined below), Monsanto does not currently possess, nor desire to establish, a distribution system for Roundup Products;

WHEREAS, the Agent's distribution system is well-suited for the promotion, distribution, marketing, and sale of Roundup Products;

WHEREAS, Monsanto desires that the Agent serve as Monsanto's exclusive agent for the marketing and distribution of Roundup Products, and the Agent desires to so serve, all on the terms set forth in this Agreement; and

NOW, THEREFORE, in consideration of the foregoing, the terms and provisions contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

ARTICLE 1- DEFINITIONS AND RULES OF CONSTRUCTION

SECTION 1.1 DEFINITIONS. As used herein, the following terms shall have the meanings ascribed to them below:

"Acquiror" shall have the meaning as set forth in the definition of a "Change of Significant Ownership."

"Affiliate" of a person or entity shall mean: (i) any other person or entity directly, or indirectly through one or more intermediaries, controlling, controlled by, or under common control with such person or entity, (ii) any officer, director, partner, member, or direct or indirect beneficial owner of any 10% or greater of the equity or voting interests of such person or entity, or (iii) any other person or entity for which a person or entity described in clause (ii) acts in such capacity.

"Agent" means The Scotts Company, an Ohio corporation.

"Ag Market" means professionals who purchase and use Roundup Ag Products for Ag, professional and industrial uses.

"Annual Business Plan" shall have the meaning set forth in Section 2.2(a) hereof.

"Approved Expense" shall have the meaning set forth in Section 3.3(a) hereof.

"Allocated" means allocated pursuant to the Allocation Rules set forth in Schedule 3.3(c) hereof.

"Assigned Employees" shall have the meaning set forth in Section 4.3(b) hereof.

" Budget" shall have the meaning set forth in Section 3.3(a) hereof.

"Business Unit" shall have the meaning set forth in Section 4.3(a).

"Central" means Central Garden & Pet Company, a Delaware corporation.

"Central Agreements" means collectively, that certain Master Agreement by and between The Solaris Group ("Solaris"), a strategic business unit of Monsanto, and Central, dated as of July 21, 1995; that certain Exclusive Agency and Distributor Agreement by and between Solaris and Central, dated as of July 21, 1995; that Compensation Agreement by and between Solaris and Central, dated as of July 21, 1995; that Implementation and Transition Agreement by and between Solaris and Central, dated as of July 21, 1995.

"Change of Control" means, with respect to a Person, (i) the acquisition after the date hereof by any individual (or group of individuals acting in concert), corporation, company,

association, joint venture or other entity, of beneficial ownership of 50% or more of the voting securities of such Person; or (ii) the consummation by such Person of a reorganization, merger or consolidation, or exchange of shares or sale or other disposition of all or substantially all of the assets of such Person, if immediately after giving effect to such transaction the individuals or entities who beneficially own voting securities immediately prior to such transaction beneficially own in the aggregate less than 50% of such voting securities immediately following such transaction excluding the merger or similar transaction currently contemplated between Monsanto and American Home Products; or (iii) the consummation by such Person of the sale or other disposition of all or substantially all of the assets of such Person other than to an Affiliate of such Person; or (iv) the consummation by such Person of a plan of complete liquidation or dissolution of such Person.

"Change of Significant Ownership" means, with respect to a Person, (i) the acquisition (by purchase, reorganization, merger, consolidation, exchange of shares, or otherwise), by any individual (or group of individuals acting in concert), corporation, company, association, joint venture, or other entity (collectively, the "Acquiror"), but excluding any member of the Hagedorn family or their respectively controlled entities, of beneficial ownership of 25% or more of the voting securities of such Person; and (ii) such Acquiror (A) currently engages (directly or through its Affiliates) in the manufacture, sale, marketing, or distribution of any product containing Glyphosate or any similar active ingredient, or (B) currently sells, markets, or distributes (directly or through its Affiliates) any product(s) in the Lawn and Garden Channels for Lawn and Garden Use, which such product(s), in Monsanto's reasonable commercial opinion, compete in a material manner with Roundup Products, or (C) may, in Monsanto's reasonable commercial opinion, materially detract from, or diminish, the Agent's ability to fulfill its duties and obligations with regard to the Roundup Business, or (D) competes in any material respect with Monsanto in Monsanto's "Ag" (including seed) or biotech businesses.

"Commission" shall have the meaning set forth in Section 3.6(a) hereof.

"Commission Statement" means, for any given Program Year, the statement prepared by the Agent on behalf of Monsanto pursuant to Section 3.6(c) detailing Program EBIT and the amount of the Commission for such Program Year.

"Conflict" shall have the meaning set forth in Section 7.1 hereof.

"Conflicting Provision" shall have the meaning set forth in Section 7.3 hereof.

"Contribution Payment" shall have the meaning set forth in Section 3.5(a) hereof.

"Cost of Goods Sold" means, for any given Program Year, the aggregate cost, as determined in accordance with GAAP applied on a consistent basis, of Roundup Products sold for such Program Year; provided, however, in computing this amount, the cost of Glyphosate, which is a component of this Cost of Goods Sold, shall equal the amount set forth in the Transfer Price, for such Program Year.

"Customers" means, with respect to the Included Markets, any Lawn and Garden Channel purchaser of Roundup Products for resale to the Lawn and Garden Market.

"EDI" means electronic data interchange.

"Effective Date" means September 30, 1998.

"Egregious Injury" means the occurrence of an event (caused directly or indirectly by an act or omission of the Agent, its officers, directors, or Affiliates), that in Monsanto's reasonable commercial opinion, has a material adverse effect on the Roundup L&G Business, the Roundup brand or the agricultural Roundup market; provided, however, no such event shall be deemed to be an Egregious Injury if such event (or the act or omission resulting in such event) resulted from the exercise by Monsanto's Ag president of his or her right of veto, or was caused primarily by an act or omission of Monsanto or its Affiliates, and such result or causal link, as the case may be, shall be demonstrated by the Agent.

"EU Countries" means each country belonging (by treaty or otherwise) to the world organization commonly known as the European Union.

"EU Term" shall have the meaning set forth in Section 10.1 hereof.

"Event of Default" shall have the meaning set forth in Section 10.4(b) hereof.

"Excluded Markets" means each country not expressly set forth in the Included Markets.

"Expense(s)" shall mean any expense or cost, direct or Allocated, incurred by either party in connection with the Roundup L&G Business, including (i) general, marketing, administrative and technical costs or expenses which shall include (a) 50% of the Allocated cost of the salary and bonus of the members of the Global Support Team, (b) 100% of the Allocated cost of the salary and bonus of the Assigned Employees and (c) the Allocated portion of the salary and bonus of the employees of Agent's Business Units to the extent such employees are working on matters related to the Roundup L&G Business, (ii) service costs directly related to the Roundup L&G Business, including any expenses due under the Central Agreement, and (iii) any capital expenses approved by the Steering Committee.

"FIFRA" means the Federal Insecticide, Fungicide and Rodenticide Act, 7 U.S.C.A. Section 135, et seq., as amended.

"Formulation Agreement" means that certain Formulation Agreement by and between Monsanto and the Agent for the manufacture and packaging by the Agent of Roundup Products solely for North America to be entered by the parties upon closing of the sale of the Non-Roundup Assets.

"GAAP" means generally accepted accounting principles as applied as of the Effective Date, as referred to in paragraphs 10 and 11 of the American Institute of Certified Public Accountants Statement on Auditing Standards No. 69.

"Global Support Team" shall have the meaning set forth in Section 4.4(a) hereof.

"Glyphosate" means N-phosphonomethylglycine in any form, including, but not limited to its acids, esters, and salts.

"Import Price" means an amount within $0.75 of the weighted average import statistics price on approved Glyphosate, expressed in U.S. Dollars per kg of Glyphosate acid equivalent 100%; provided, however, if such statistic is not available for a particular country within the Included Markets, then the amount shall be within $0.75 of the weighted average price on approved Glyphosate for Argentina, plus such additional amounts which Monsanto reasonably determines to equal all additional costs which it would otherwise incur to import Glyphosate to such country (including, without limitation, import duties, shipping, and broker fees).

"Included Markets" means each country listed on Schedule 1.1(a); provided, however, Schedule 1.1(a) may be amended from time to time in the reasonable discretion of the Steering Committee, upon either the Agent, Monsanto, or the Global Support Team proposing to the Steering Committee such terms and conditions of amendment, including a proposed (i) term (i.e., duration of amendment), (ii) adjustment to the calculation for the Commission, and (iii) adjustment to the Commission Thresholds, provided, however, the proposal for inclusion of a new country demonstrates, in the reasonable opinion of the Steering Committee (x) the existence of, or the potential for, a distinct and profitable Lawn & Garden market, (y) the value added by the Agent in terms of sales and distribution network and synergies, and (z) the lack of adverse impact on Monsanto's existing agricultural Roundup market.

"Income Taxes" means federal, state, local, or foreign taxes imposed on net income or profits; provided, however, such term shall not include any "sales or use" taxes or "ad valorem" taxes (as such terms are customarily used) imposed on or resulting from the sale of Roundup Products.

"Industrial Property" shall have the meaning set forth in Section 6.14 hereof.

"Insolvency" of the Agent means that the Agent is generally not paying its debts as they become due, or admits in writing its inability to pay its debts generally, or makes a general assignment for the benefit of creditors or institutes any proceeding or voluntary case seeking to adjudicate it a bankrupt or insolvent or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief or protection of debtors, or seeks the entry of any order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property; or the Agent takes any action to authorize any of the actions described above in this definition, or any proceeding is instituted

against the Agent seeking to adjudicate it a bankrupt or insolvent or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief or protection of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property, and, as to any such proceeding, if being contested by the Agent in good faith, such proceedings remain undismissed or unstayed for a period of sixty (60) days.

"Lawn and Garden Channels" include: (i) retail outlets primarily serving the Lawn and Garden Market; (ii) independent nurseries and hardware co-ops; (iii) home centers (like Home Depot or Lowes); (iv) mass merchants (like Wal-Mart or K-Mart); (v) membership/warehouse clubs serving the Lawn and Garden Market; and (vi) other current or future channels of trade generally accepted and practiced as Lawn and Garden channels in the industry as may be determined from time to time by the Steering Committee.

"Lawn and Garden Employee" shall have the meaning set forth in Section 6.13(e).

"Lawn and Garden Market" means non-professionals who purchase and use Roundup Products for Lawn and Garden Uses.

"Lawn and Garden Use" means (a) Residential Use as defined in 40 C.F.R. 152.3(u), and (b) any use for which a pesticide can be registered for use under FIFRA or other statutes, rules and regulations throughout the Included Markets in connection with vegetation control in, on or around homes, residential lawns, and residential gardens.

"Laws" shall mean, with respect to any country, such country's statutes, regulations, rules, ordinances, or all other applicable laws.

"MM" means after each number million in U.S. Dollars.

"Marketing Fee" shall have the meaning as set forth in Section 3.7 hereof.

"MAT Expenses" means the expenses related to the Roundup L&G Business specified as such in Schedule 3.3(c).

"Material Breach" shall mean:

(a) as to the Agent, a breach of this Agreement, which, as initially determined by Monsanto, with the written agreement of the Agent, or as determined by the Arbitrators pursuant to Section 10.4(g) of this Agreement: (i) is material; (ii) has not been cured within ninety (90) days after written notice thereof has been provided to Agent in accordance with Section 11.9 hereof; and (iii) is not remediable either by the payment of damages by Agent to Monsanto or by a decree of specific performance issued against Agent.

(b) as to Monsanto, a breach of this Agreement, which, as initially determined by Agent, with the written agreement of Monsanto, or as determined by the Arbitrators pursuant to Section 10.4(g) of this Agreement: (i) is material; (ii) has not been cured within ninety (90) days after written notice thereof has been provided to Monsanto in accordance with Section 11.9 hereof; and (iii) is not remediable either by the payment of damages by Monsanto to Agent or by a decree of specific performance issued against Monsanto.

"Material Fraud" shall mean:

(a) as to Agent, one or more fraudulent acts or omissions committed by Agent or its officers or employees, which, as initially determined by Monsanto, with the written agreement of the Agent, or as determined by the Arbitrators pursuant to Section 10.4(g) of this Agreement: (i) is material; (ii) was engaged in with the intent to deceive Monsanto; and (iii) either a) has not been cured within ninety (90) days after written notice thereof has been provided to Agent in accordance with Section 11.9 hereof, or b) cannot be cured in the commercially reasonable opinion of Monsanto, and, if applicable, the Arbitrators.

(b) as to Monsanto, one or more fraudulent acts or omissions committed by Monsanto or its officers or employees, which, as initially determined by Agent, with the written agreement of Monsanto, or as determined by the Arbitrators pursuant to Section 10.4(g) of this Agreement: (i) is material; (ii) was engaged in with the intent to deceive Agent; and (iii) either a) has not been cured within ninety (90) days after written notice thereof has been provided to Monsanto in accordance with Section 11.9 hereof, or b) cannot be cured in the commercially reasonable opinion of Agent, and, if applicable, the Arbitrators.

"Material Willful Misconduct" shall mean:

(a) as to Agent, one or more acts or omissions committed by Agent or its officers or employees, which, as initially determined by Monsanto, with the written agreement of the Agent, or as determined by the Arbitrators pursuant to Section 10.4(g) of this Agreement: (i) is material; (ii) constitutes willful misconduct; and (iii) either a) has not been cured within ninety (90) days after written notice thereof has been provided to Agent in accordance with Section 11.9 hereof, or b) cannot be cured in the commercially reasonable opinion of Monsanto, and, if applicable, the Arbitrators.

(b) as to Monsanto, one or more acts or omissions committed by Monsanto or its officers or employees, which, as initially determined by Agent, with the written agreement of Monsanto, or as determined by the Arbitrators pursuant to Section 10.4(g) of this Agreement: (i) is material; (ii) constitutes willful misconduct; and (iii) either a) has not been cured within ninety (90) days after written notice thereof has been provided to Monsanto in accordance with Section 11.9 hereof, or b) cannot be cured in the commercially reasonable opinion of Agent, and, if applicable, the Arbitrators.

"Monsanto" means Monsanto Company, a Delaware corporation.

"Netbacks" means the expenses related to the Roundup L&G Business specified as such in Schedule 3.3(c).

"Net Commission" shall have the meaning set forth in Section 3.5(b) hereof.

"New Product" shall have the meaning set forth in Section 6.11 hereof.

"Non-Roundup Assets" means the Lawn and Garden business of the Solaris division of Monsanto, comprised of all products other than the Roundup Products being sold separately to the Agent by Monsanto.

"North America" means the United States of America, Canada and Puerto Rico.

"Person" means an individual, partnership, limited liability company, joint venture, association, corporation, trust, or any other legal entity.

"Prime Rate" means, on any given date, the prime rate as published in the Wall Street Journal, for such date or, if not published therein, in another publication having national distribution.

"Product Offer" shall have the meaning set forth in Section 6.11 hereof.

"Program EBIT" means, for any given Program Year, the amount of Program Sales Revenues for such Program year, less the amount of Program Expenses for such Program Year, provided, however, for purposes of determining the Agent's Commission, (i) the amount of the Program EBIT for the 1999 Program Year (as otherwise determined herein) shall be increased by an amount equal to $15MM, (ii) the portion of the aggregate amount representing product returns, inventory not salable in the ordinary course of business, bad debts on trade accounts receivable or any other charge-offs of trade or other receivables which in total exceeds $4MM for the Program Year 1999 shall not be part of the Program Expenses for such Program Year, and (iii) any and all expenses with respect to any Program Year prior to 1999 shall be excluded from Program Expenses for the 2000 Program Year and thereafter, except to the extent any such item is fully reserved as of the Effective Date.

"Program Expenses" means, for any given Program Year, applied on a consistent basis and in accordance with GAAP and the terms of this Agreement, the sum (without duplication) of (i) the aggregate Approved Expenses for such Program Year and (ii) the Cost of Goods Sold for such Program Year.

"Program Sales Revenue" means, for any given Program Year, applied on a consistent basis and in accordance with GAAP, all revenues received or accrued by any party hereto from the sale of Roundup Products, less reasonable amounts for returns and credits, consistent with past practice.

"Program Year" means the period of time beginning on October 1st of a specific calendar year and ending on September 30th of the immediately following calendar year, or such shorter period if a particular Program Year starts or ends in the middle of such Program Year. For example, the first Program Year during the term of this Agreement shall be the 1999 Program Year (i.e., commencing October 1, 1998 and ending September 30, 1999).

"Quarter" means any consecutive three-month period of a calendar year.

"Roundup L&G Business" means the marketing, sale, and distribution of Roundup Products through Lawn and Garden Channels to the Lawn and Garden Market for Lawn and Garden Uses.

"Roundup Bank Accounts" shall have the meaning set forth in section 3.2(d) hereof.

"Roundup P&L" shall have the meaning set forth in Section 3.2(a) hereof.

"Roundup Products" means (i) for each of the specific countries part of the Included Markets the products registered for sale solely for Lawn and Garden Uses under a primary or alternate brand now containing the Roundup or Ortho Kleeraway trademarks as listed on Schedule 1.1(d) attached hereto in the specific container sizes and formulations described thereon, it being understood that any change of container size or formulation in any given country part of the Included Markets shall require the approval of the Steering Committee, and (ii) such products as may be added from time to time by mutual agreement of the parties in accordance with the terms of this Agreement.

"Roundup Records" shall have the meaning as set forth in Section 6.4 hereof.

"Roundup Sale" means (i) any sale, transfer, assignment or other disposition of all or substantially all of the assets or capital stock of the Roundup L&G Business or (ii) the license of all or substantially all of the Industrial Property.

"Sell-Through Business" means, with respect to any region, unit volume sales determined by Program Year point-of-sale unit movement at those Customers for which measurable data on a consistent basis is reasonably available and which (i) are among the top 20 Customers in such region for each of the Program Years in question and (ii) provide measurable data on a consistent basis for each of the Program Years in question. Such point-of-sale information shall be based on census data gathered from such top 20 Customers and transmitted via electronic data interchange (EDI) on a weekly reported basis.

"Significant Deviation" shall have the meaning set forth in Section 4.3(c) hereof.

"Steering Committee" shall have the meaning set forth in Section 4.1 hereof.

"Transfer Price" equals, for any given Program Year, expressed in kg of Glyphosate acid on a 100% acid equivalent basis, the following amounts:

Program Years 1999-2001: Transfer Price equals *; and

Program Year 2002 and each subsequent Program Year: Transfer Price equals the Import Price.

"USEPA" means the United States Environmental Protection Agency.

SECTION 1.2. RULES OF CONSTRUCTION AND INTERPRETATION.

(a) Section References. When a reference is made in this Agreement to an Article, Section, Paragraph, Exhibit or Schedule such reference shall be to an Article, Section or Paragraph of, or an Exhibit or Schedule to, this Agreement unless otherwise indicated. Unless otherwise indicated, the words "herein," "hereof," "hereunder" and other words of similar import refer to this Agreement as a whole, and not to any particular Article, Section, Paragraph or clause in this Agreement.

(b) Construction. Unless the context of this Agreement clearly requires otherwise: (i) references to the plural include the singular and vice versa, (ii) "including" is not limiting and (iii) "or" has the inclusive meaning represented by the phrase "and/or."

(c) Headings. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

(d) No Interpretation against Author. For purposes of contract interpretation the parties to this Agreement agree they are joint authors and draftspersons of this Agreement.

(e) Conflicts with related Documents. The parties contemplate that various forms, including forms for submitting purchase orders, acceptance of orders, shipping and transportation, will be used in carrying out this Agreement. In the event of conflict between any such forms or other documents of like import and this Agreement, the provisions of this Agreement shall be controlling.

ARTICLE 2 - EXCLUSIVE AGENCY AND DISTRIBUTORSHIP

SECTION 2.1. APPOINTMENT OF THE EXCLUSIVE AGENT. Subject to the terms and conditions hereof, Monsanto hereby appoints and agrees to use the Agent, and the Agent hereby agrees to serve, as Monsanto's exclusive agent in the Lawn and Garden Market, commencing on the Effective Date, to provide certain services in connection with Monsanto's marketing, sales, and distribution of Roundup Products to Customers within the Included Markets. Except as otherwise provided in this Agreement, commencing on the Effective Date, Monsanto shall exclusively use the Agent for the performance of all of the services contemplated by this Agreement.

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* Confidential provision omitted and filed separately with the Securities and Exchange Commission ("SEC"), based upon a request for confidential treatment filed with the SEC.

SECTION 2.2. THE AGENT'S OBLIGATIONS AND STANDARDS.

(a) Services to be Performed by the Agent.

(i) It is the anticipation of the parties that for the duration of the term of the Central Agreements, Central and its subagents and subdistributors will continue to perform its duties and obligations under the Central Agreements, and Monsanto's payments to Central for services provided by Central, subagents and subdistributors with respect to the 1999 Program Year only, under the Central Agreements as amended or renegotiated, it being the intention of the parties to amend or terminate the Central Agreements prior to the end of the 1999 Program Year, shall be included in the Expenses payable under this Agreement.

(ii) It is the understanding of the parties that the Agent currently is not able to perform all or part of the services described hereunder and that Monsanto shall perform such services, or have such services performed, during a certain transition period which may vary according to region and service being contemplated. Accordingly the parties agree to negotiate in good faith and agree, within ninety (90) days from the date of this Agreement, on the terms and conditions pursuant to which Monsanto shall continue to perform or have performed on its behalf, all or part of the services referred to hereunder, provided (x) Monsanto shall provide such services on a basis necessary to service the Customer's needs and in accordance with the Budget prescribed in the 1999 Program Year Annual Business Plan, and (y) Monsanto shall be solely responsible for any MAT Expenses in excess of the amount provided therefor in such Budget incurred with respect to any such transition services wherever performed. Upon agreement of the parties, such terms and conditions shall be attached as Schedule 2.2(a)(ii) and shall be deemed to form a part of this Agreement ab initio. Such Schedule 2.2(a)(ii) shall contain but not be limited to, the allocation rules applicable in any such region, the prior written notice to be given by the Agent to Monsanto prior to taking over the performance of any given service, the amount of severance cost, if any, which shall be shared by the Agent in case of termination of such Monsanto employee(s) in charge of performing the service being terminated, the obligations of each party with regard to data information, order processing and invoicing, and the Agent's right of audit.

Notwithstanding the foregoing, and excluding any duties or obligations which Central continues to perform for the duration of the Central Agreements or Monsanto during the above-mentioned transition period, the Agent shall perform some or all of the following duties and obligations within the parameters and to the extent required to implement the Annual Business Plan approved by the Steering Committee:

(1) SALES. Pursuant to the Annual Business Plan, the Agent shall perform selling, sales management, and other services related to the sale of Roundup Products.

(2) MERCHANDISING AND IN-FACILITY SERVICES. The Agent shall perform in-store merchandising, store set-up, and other services related to the in-store promotion of Roundup Products.

(3) WAREHOUSING AND INVENTORY.

(i) Warehousing. The Agent shall arrange for warehouse services for all Roundup Products until such time as the products are delivered to proper carriers. The Agent agrees to comply with all applicable environmental rules and regulations in owning or operating any warehouse.

(ii) Inventory. The Agent shall be responsible for:

- coordinating and staffing annual physical inventory for all Roundup Products (including raw materials, packaging- when the Agent shall formulate under the Formulation Agreement- and finished goods). Physical inventories shall be conducted by September 30 of every calendar year and Monsanto shall have the right to request physical counts on specific product at any time upon reasonable request (which shall be at Monsanto's cost if there are more than two such counts in any Program Year) and to observe or conduct physical counts with Monsanto's representatives;

- reconciling the physical inventory to perpetual records;

- physically moving the Roundup Products out of the warehouse by following a First In, First Out ("FIFO") policy; and

- arranging for warehousing of adequate inventory levels of Roundup Products in sufficient quantities to satisfy the criteria set forth in the Annual Business Plan.

(4) ORDER AND GENERAL ADMINISTRATION. The Agent shall have the authority and shall so perform all order taking, order processing, invoicing, collection, reconciliation, general administration, and other related services necessary for the marketing, sales, and distribution of Roundup Products, all of which shall be subject to the Annual Business Plan and the terms of this Agreement. Pursuant to the terms of this Agreement, the Agent shall be responsible for the following obligations:

(i) The Agent shall offer to the Customers Roundup Products at such price and under such terms as set forth in the Annual Business Plan or as otherwise established by the Steering Committee.

(ii) The Agent shall accept orders for the sale of Roundup Products; provided, however, the Agent shall accept all such orders subject to the availability of Roundup Products on the requested delivery dates.

(iii) The Agent shall administer all claims and adjustments for Roundup Products which are damaged during shipment or warehousing.

(iv) Subject to Section 5.1, the Agent shall (i) maintain or contract for adequate facilities and technologies to manage consumer information and complaint calls or written correspondence and (ii) be responsible for all reports relating thereto, including (without limitation) reports to any regulatory or governmental authority pursuant to any applicable Law.

(5) RETURNS OF ROUNDUP PRODUCTS. The Agent shall manage requests by Customers that Roundup Products, previously sold or shipped, should be returned for credit, either because such Roundup Products are defective or for some other reason. The Agent shall receive any such returned Roundup Products into its warehouses and prepare the appropriate credit memos, subject to the joint approval of the Business Unit and the Global Support Team for any return exceeding $500,000.

(6) INFORMATION ON ROUNDUP PRODUCTS AND CONSUMER INQUIRIES. The Agent shall provide Customers or potential customers with detailed information concerning the characteristics, uses and availability of Roundup Products as shall be supplied by the Global Support Team. The Agent shall be responsible for maintaining a consumer response center relating to Roundup Products; provided that, unless the Business Unit and the Global Support Team otherwise agree, any human and animal-related health calls shall be automatically or via operator forwarded, with respect (i) to human emergency calls to the Cardinal Glennon Poison Control Center and (ii) to animal emergency calls to the National Animal Poison Control Center.

(7) PROMOTION OF ROUNDUP PRODUCTS. Continuously throughout the term of this Agreement, the Agent shall promote the sale of Roundup Products no less aggressively than any other product or product line that the Agent sells and shall perform its duties as Agent in such a manner as to promote goodwill, and particularly customer goodwill, toward Monsanto and Roundup Products.

(8) ADVERTISING AND PROMOTIONAL PROGRAMS TO CUSTOMERS. The Agent shall provide Customers with detailed information concerning the advertising and promotional programs of Roundup Products and facilitate the use by its Customers of such programs to the fullest extent possible (as set forth in the Annual Business Plan).

(9) ROUNDUP BRAND IMAGE AND STEWARDSHIP. The Agent, in consultation with the Global Support Team, shall promote, in accordance with the Annual Business Plan or as directed by the Steering Committee, the sales and consumer acceptance of Roundup Products using messages and vehicles that are not inconsistent with the brand image established by Monsanto's Ag division in support of its Roundup branded products and seeds, including but not limited to:

(i) Advertising in local and national media;

(ii) Providing suitable training of the Agent's representatives or employees in the areas of product knowledge, product stewardship, sales training, display techniques, promotion and advertising;

(iii) Determining the description of consumer and trade communication programs to Customers regarding the sales and distribution of Roundup Products; and

(iv) The handling of product complaints with the intent of achieving consumer satisfaction.

(10) RETAIL RELATIONSHIPS. The Agent shall maintain retail relationships between the Agent and the Customers, including relationships at headquarters and regional stores.

(11) MERCHANDISING AND DISPLAY TECHNIQUES. The Agent shall provide Customers with full information concerning the merchandising and display techniques as set forth in the Annual Business Plan. The Agent shall use, fully support and recommend, that Customers fully utilize all such merchandising and display techniques.

(12) ANNUAL BUSINESS PLAN. The Business Units, jointly and in cooperation with the Global Roundup Support Team, shall, prepare and deliver to the Steering Committee (i) a preliminary draft for the annual business plan no later than June 15 of each Program Year and (ii) a definitive version thereof no later than September 15 of each Program Year (the "Annual Business Plan"), which establishes the general marketing, distribution, sales information, and specifications of Roundup Products for such Program Year (or shorter period, if applicable) including the Agent's short and long-term sales goals with respect to Roundup

Products for such Program Year, and more specifically all of the items listed on Schedule 2.2(a). Notwithstanding the foregoing, for the 1999 Program Year, the parties shall have sixty (60) days to agree to the detailed costs and sales components of the Annual Business Plan. Upon approval by the Steering Committee, the Annual Business Plan shall serve as the Agent's parameters for implementing the day-to-day operation of the Roundup Business; any Significant Deviations from such Annual Business Plan shall require the prior approval of the Steering Committee unless already approved by the Global Support Team and the Business Unit pursuant to Section 4.2.(c).

(13) ADDITIONAL ACTIONS. The Agent shall perform such additional actions, consistent with this Agreement, as directed by the Steering Committee, to implement any Significant Deviations from the Annual Business Plans.

(b) Employee Performance Standards. The Annual Business Plan shall set forth the employee performance standards required in the parties' opinion to promote the achievement of the income targets for the Roundup L&G Business in each given Program Year. The Annual Business Plan shall also specify the impact which the failure to meet such performance standards may have on the incentive schemes and bonus plans of the individual members of the Global Support Team and those employees who are part of the Business Units in charge of the Roundup L&G Business.

SECTION 2.3 APPOINTMENT OF SUB-AGENTS AND SUB-DISTRIBUTORS. The Agent shall have the right to delegate part of its obligations under this Article 2 to sub-agents and sub-distributors; provided, however, the Agent shall remain primarily liable for all of its obligations hereunder and shall be primarily liable for any act or omission of any such sub-agent or sub-distributor. To the extent this Agreement creates any obligations on the Agent, such obligations shall apply with respect to any sub-agents or sub-distributors, as the case may be. In connection with the foregoing, any reports or other information to be given to Monsanto shall be given by the Agent and shall include any information applicable to sub-agents or sub-distributors, as the case may be. Notwithstanding the foregoing, the Steering Committee shall have the exclusive right to approve the appointment or termination of any sub-agent or sub-distributor and the terms of any sub-agency or sub-distributorship agreement (including any change or amendment thereto).

SECTION 2.4 LIMITATIONS ON AGENT. Notwithstanding anything in this Agreement to the contrary, the Agent shall not, without the written consent of the Steering Committee, take (or initiate) any of the following actions:

(a) Sell Roundup Products at a price or under terms not permitted under the Annual Business Plan;

(b) Possess or use any property of Monsanto, except to the extent necessary for Agent to perform its duties and obligations hereunder (e.g., in-store displays);

(c) Hold itself out as authorized to make on behalf of Monsanto any oral or written warranty or representation regarding Roundup Products other than what is stated on the applicable Roundup Products label or in other written material furnished to the Agent by Monsanto; or

(d) Intentionally dilute, contaminate, adulterate, or substitute any Roundup Products or sell any Roundup Products for which the indicated measure or any other information on the label is known to the Agent to be grossly false, misleading, or inadequate.

ARTICLE 3 - ACCOUNTING AND CASH FLOW FOR THE ROUNDUP L&G BUSINESS

The accounting and cash flow procedures and services described in this Article 3 are intended to govern North America only, it being the understanding of the parties that different procedures and services (including the terms thereof) are required in regions other than North America. In addition, the parties understand and agree that the services described in this Article 3 with respect to North America will continue to be provided by Monsanto until and unless the Agent acquires the Non-Roundup Assets. Accordingly, the parties agree to negotiate in good faith and agree, within ninety (90) days from the date of this Agreement, on the terms and conditions pursuant to which Monsanto shall perform the services contemplated by this Article 3 in regions other than North America. Upon agreement of the parties, such terms and conditions shall be attached as Schedule 3.1 and shall be deemed to form a part of this Agreement ab initio. Until the Agent assumes the performance of the services described in this Article 3 with respect to North America and the services to be described in Schedule 3.1 with respect to all other regions, Monsanto shall continue to provide the services contemplated by this Article 3 on a basis necessary to service the Customers' needs and in accordance with the Budget prescribed in the Annual Business Plan for the 1999 Program Year, including the $35 MM cap on MAT Expenses.

SECTION 3.1. BOOKKEEPING AND FINANCIAL REPORTING.

(a) Bookkeeping. The Agent shall, on behalf of Monsanto, be responsible for all the bookkeeping for the Roundup L&G Business, which shall include, but not be limited to, (i) setting up a separate set of accounting records reflecting all the items of income, profit, gain, loss and deduction with respect to the Roundup L&G Business, including a profit and loss statement ("Roundup P&L") and all other records relating to the Roundup L&G Business including sales invoices and customer data (the "Roundup Records") in accordance with the written set of accounting policies (including the currency exchange methodology used by Monsanto) as shall be provided by Monsanto; provided, that if any change in Monsanto's accounting policies would adversely affect the Agent's Commission (other than in a de minimis amount), the parties shall negotiate in good faith to change the thresholds and/or the Commission, as appropriate, to eliminate such adverse affect; (ii) collecting, recording and safeguarding receipts of all receivables and payables, costs or expenses either directly incurred by the Roundup L&G Business or Allocated thereto by either party pursuant to the terms of

Section 3.3 hereof. At all times, the Agent shall make available via computer and/or original documentation, to the Assigned Employees designated by Monsanto continuous access to the Roundup Records as appropriate on a need-to-know basis, such access shall include, but not be limited to, daily sales updates.

(b) Financial Reporting. The Agent shall provide to Monsanto monthly financial statements, including (i) the Roundup P&L, balance sheet and cash flow statements, (ii) the Netback expense detail (accruals and actuals), (iii) all other Expense detail (accruals and actuals), and (iv) Cost of Goods Sold detail. Such monthly financial statements shall be provided (i) in their preliminary form, no later than four (4) business days following the end of the calendar month, and (ii) in their final form, together with an estimate of sales for the current month, no later than six (6) business days following the end of the calendar month.

(c) Audit. Monsanto shall have the right to periodically audit or have an independent accountant audit, on Monsanto's behalf, all the Roundup Records. The audit shall be at the cost of Monsanto unless any material error has been committed by the Agent, in which case the Agent shall bear the cost of the audit. Upon exercise of its right of audit, and discovery of any disputed item, Monsanto shall provide written notice of dispute to the Agent. The parties shall resolve such dispute in the manner set forth in Section 3.4 hereof.

SECTION 3.2. ORDERING, INVOICING AND CASH FLOW CYCLE.

(a) Ordering and Invoicing. The Agent shall perform, on behalf of Monsanto, all order taking, order processing and invoicing for the Roundup Products, it being understood that orders filled for Roundup Products shall be invoiced on the invoices used by the Agent for its other non-Roundup products provided such invoices or their EDI version shall (i) identify the Agent as an agent for Monsanto for the sale of all Roundup Products and Monsanto as the actual transferor of title to Roundup Products; (ii) direct payment of such invoice to be made directly to the account designated by the Agent; and (iii) include all taxes (other than Income Taxes), duties, and other charges imposed by governmental authorities based on the production or sale of Roundup Products or their ownership or transportation to the place and time of sale

(b) Customer Remittances. Customers of Roundup Products shall be directed, as per the invoices, to remit directly the invoiced amounts for all Roundup Products to the Agent's designated bank account.

(c) Daily Receipts. On or before October 31, 1998, the parties shall determine, based on the Program Year ending on September 30, 1998, the average daily pro rata share of Customers' remittances for the purchase of Roundup Products versus the non-Roundup products sold by Monsanto to said Customers during such period. Using said daily pro rata share, the Agent shall, on a daily basis, remit to the account designated by Monsanto for such purposes, the estimated portion of Customers' remittances for the Roundup Products. At the end of each month, the Agent shall verify the actual amount of the Customers' remittances for the Roundup Products paid over the past month and shall send to Monsanto a monthly reconciliation

statement, either with a check in the event the actual amount exceeds the total daily prorated estimate paid out to Monsanto for such month or with an adjustment request in the event the actual amount is below the total daily prorated estimate paid out to Monsanto for such month. Customer payment deductions that do not initially, clearly apply to Roundup Products shall not be withheld by the Agent from the daily remittances to Monsanto. If the Agent subsequently determines any of such payment deductions apply to sales of Roundup Products, the Agent shall be reimbursed therefor as part of the monthly cash reconciliation. Monsanto and the Agent agree that general Customer payment deductions will be prorated based on applicable sales, for which the Agent will also be reimbursed in the monthly cash reconciliation. Any non-Roundup Product payment deductions, for whatever reason, shall not be applied against Roundup Products.

(d) Roundup Bank Accounts. Monsanto shall establish or use existing bank accounts (the "Roundup Bank Accounts") to serve as the bank accounts dedicated exclusively to the Roundup L&G Business (i) for the receipt of Monsanto's daily disbursements as described in Section 3.2(c), and (ii) for making any and all payments incurred in connection with the Roundup L&G Business either as direct Expenses of the Roundup L&G Business or as reimbursements to either party for services rendered or out of pocket costs related to the Roundup L&G Business as described more particularly in Section 3.3 hereof. Monsanto shall grant the Agent's nominee the authority to manage the Roundup Bank Accounts on Monsanto's behalf, and more generally take any and all actions requested for the payment of all the Roundup L&G Business Expenses in compliance with the terms of Section 3.3 hereunder as per the Cash Flow Chart attached hereto as Schedule 3.2(d); provided that checks in an amount over $25,000 shall also require the co-signature of an Assigned Employee or a member of the Global Support Team. Monsanto shall further cause such Roundup Bank Accounts to have at all times a zero balance account but to receive immediate and automatic funding upon presentation of any checks. Monsanto may perform its own reconciliation of the Roundup Bank Accounts and may conduct a weekly review of the check register.

SECTION 3.3. EXPENSES AND ALLOCATION RULES

(a) Expenses. Each and every Expense, either as a direct expense or an allocated one, shall only be charged to the Roundup L&G Business and consequently taken into account in the Program EBIT statements set forth in Section 3.6(c) hereto if part of a category of Expenses specifically authorized by the terms of the Annual Business Plan and within the aggregate amount prescribed in the Annual Business Plan for such category of Expense ("Budget") ("Approved Expense"). Any Expense which shall exceed its prescribed Budget shall solely be the responsibility of the party incurring it unless such expense is required to implement an approved Significant Deviation from the Annual Business Plan or is necessary to support sales orders above budgeted sales pursuant to sales programs contemplated by the Annual Business Plan.

(b) Direct vs. Allocated. Each party shall have the right to verify whether any particular Expense is an Approved Expense by sending a written inquiry to that effect to the Agent's nominee. The party incurring an Expense shall endeavor to promptly provide upon

request of the Agent's nominee the appropriate documentary evidence supporting such Expense. Upon failure by the said party to provide the appropriate documentary evidence, the inquiring party shall have the right to send a written notice of dispute to the other party and the parties shall resolve such dispute in the manner set forth in Section 3.4 hereof. Upon determination by such Independent Accountant (as defined below) that the Expense was not Approved, such Expense shall be deducted from the Program Expenses and the party having incurred such Expense shall either promptly reimburse it to the Roundup Bank Account, or shall withdraw its request for reimbursement if not reimbursed yet.

Expenses shall be classified into (i) direct expenses of the Roundup L&G Business payable to vendors, which shall be submitted directly to the Agent's nominee for payment out of the Roundup Bank Account or (ii) as Allocated Expenses which shall be submitted by either party to the Agent's nominee for reimbursement out of the Roundup Bank Account. Payment of any direct expenses incurred by either party on behalf of the Roundup L&G Business shall be made as they become due in accordance with the applicable commercial terms agreed upon with each vendor.

Allocated Expenses shall be paid on the fifteenth (15th) day of each month provided such allocated Expenses shall be submitted in writing no more than five (5) days after the end of each month to the Agent's nominee in charge of the Roundup Bank Account.

(c) Allocation Rules. In the performance of their obligations under this Agreement, each party shall incur allocated Expenses directly related to the Roundup L&G Business. Each allocated Approved Expense, regardless of the party incurring it, shall be reimbursed as described in Section 3.5(b) provided such expense shall be allocated in accordance with the Allocation Rules set forth for each category of cost and service per country or region, as the case may be, in Schedule 3.3(c) attached hereto ("Allocated Expense").

SECTION 3.4. RESOLUTION OF DISPUTES ARISING UNDER ARTICLE 3. Unless otherwise agreed by the parties, each party shall have the right, within twenty (20) days of receipt of the quarterly or annual financial statements to send a written notice of dispute to the other party. Upon receipt of such notices of dispute, the parties shall undertake the following steps:

(i) First, for a period of fifteen (15) days, the parties shall negotiate in good faith for the purposes of attempting to mutually agree upon the item in dispute;

(ii) Second, if parties are unable to mutually agree upon the item in dispute, then within seven (7) business days following the expiration of such fifteen (15) day period, the parties shall agree in writing upon the selection of a nationally recognized independent accounting firm (the "Independent Accountant") to resolve the dispute. If the parties cannot agree upon such Independent Accountant within such time frame, then the Independent Accountant shall thereupon be selected by the American Arbitration Association (the "AAA"), with preference being given by the AAA in making such selection to any one of the "Big Five" accounting firms (except for any firm which performs accounting services for either party)

willing to perform the services required hereunder. The Independent Accountant shall be instructed to act within thirty (30) days to resolve the dispute, and its decisions with respect to the dispute shall be final and binding upon the parties. The fees and expenses of the Independent Accountant with respect to the settlement of the dispute shall be borne equally by the parties.

SECTION 3.5. FIXED CONTRIBUTION TO EXPENSES

(a) Amount and Purpose. Each Program Year the Agent shall make a fixed contribution to the overall Expenses of the Roundup L&G Business in an amount equal to twenty million U.S. Dollars ($20,000,000) ("Contribution Payment"). Such Contribution Payment shall be payable by the Agent to Monsanto in twelve equal monthly installments which shall be due on the first day of each month and shall not be subject to any "set-off".

(b) Temporary Deferral. Notwithstanding the foregoing, but subject to Section 10.9, for the first three Program Years, all or part of the Contribution Payment shall be deferred as shown in Table 1 set forth below. Such forty million U.S. Dollars ($40,000,000) deferral shall not be deemed to constitute a loan by either party but a mere cash flow adjustment between the parties.

Table 1

Year	Contribution Payment	Amount Deferred
1999	-0-	$20MM
2000	$ 5MM	$15MM
2001	$15MM	$ 5MM
2002	$20MM	
2003-18	$25MM until the full $40MM bearing an 8% interest (starting to run on the date each monthly installment would otherwise be due) is entirely recovered by Monsanto, at which point the Contribution Payment shall revert to $20MM per Program Year.	

Notwithstanding the above payment schedule shown in Table 1 beginning in Program Year 2001, recovery of such deferral shall be accelerated with the Contribution Payment being increased by 50% of the amount by which the Agent's Net Commission exceeds the amounts shown in Table 2 set forth below. Any such increase of the Contribution Payment shall be paid by adjusting the latest monthly installment upon receipt of the final Program EBIT statement by November 30 of every calendar year. For purposes of this Section 3.5(b), "Net Commission" means the Commission as determined pursuant to the terms of Section 3.6(a) less the Contribution Payment applicable pursuant to this Section 3.5.

Table 2

Year	Net Commission Level
2001	$32.5MM
2002	$28.1MM
2003	$26.7MM
2004	$30.5MM
2005	$34.6MM
2006	$38.9MM
2007	$43.5MM
2008	$49.0MM

Upon termination of this Agreement for any reason other than Egregious Injury, Material Fraud or Material Willful Misconduct on the part of the Agent, Monsanto shall forfeit recovery of any portion of the $40MM (or interest thereon) unpaid on the date of termination.

SECTION 3.6. COMMISSION.

(a) Amount of Commission. In consideration to the Agent for performance of its duties and obligations hereunder, the Agent shall be entitled to a Commission ("Commission"). Such Commission shall represent a percentage of the Program EBIT realized by the Roundup L&G Business, which percentage shall vary in accordance with the formula set forth below.

	Amount of Program EBIT	
Year	First Commission Threshold	Second Commission Threshold
1999-2000	$30,000,000	$80MM
2001	$31,250,000	$80MM
2002	$32,531,250	$80MM
2003	$33,844,531	$80MM
2004	$35,190,645	$80MM
2005	$36,570,411	$80MM
2006	$37,984,471	$80MM
2007	$39,434,288	$80MM
2008	$40,920,145	$80MM
2009+	$30,000,000	$80MM

The Commission shall be equal to:

	Amount of Program EBIT	Multiplied By
(1)	0 - First Commission Threshold:	0%
(2)	Second Commission Threshold less First Commission Threshold:	46% in Program Year 1999* 44% in Program Year 2000 40% thereafter
(3)	Above the Second Commission Threshold:	50%**

*1999 Program EBIT shall be increased by $15MM.

**subject to Section 3.5(b).

Provided both the First and Second Commission Thresholds set forth above may be amended from time to time by mutual agreement of the parties following the inclusion or exclusion of either new or existing countries in the Included Markets. In the event of a Regional Performance Default in the UK or in France, there shall be no adjustment to either the First Commission Threshold or the Second Commission Threshold. In the event of a Regional Performance Default in any region other than the UK and France, both thresholds shall be reduced by such region's pro rata contribution to the preceding Program EBIT. Notwithstanding the foregoing, in the event of the non-renewal of the EU Term due to Monsanto, the First Commission Threshold shall be reduced to -0- for the remainder of the term of this Agreement.

(b) Payment of Commission. Within thirty (30) days following the end of each month, the Agent, on behalf of Monsanto shall determine whether a Commission becomes payable, i.e., whether the cumulative Program EBIT for the Program Year up to the preceding month equals an amount in excess of the First Commission Threshold. If so, the Agent, on behalf of Monsanto shall by check or wire transfer, to the Agent's designated account for the payment of the applicable Commission pursuant to the formula set forth in Section 3.6(a) subject to any adjustments pursuant to Section 3.6(c).

(c) Final Determination. Within fifteen (15) days following the end of each Program Year, the Agent shall deliver to Monsanto a Commission statement which shall contain the final determination of the Commission due at the expiry of the Program Year and shall set forth any eventual adjustments, to the amounts paid up to the Agent under Section 3.6(b) during the preceding Program Year. If within fifteen (15) days following the receipt of such Commission statement by the Agent, Monsanto does not provide the Agent written notice of objection to the Commission statement, the amount of the Commission for such Program Year shall be as provided thereon. If within such fifteen (15) days following receipt of such Commission statement by Monsanto, Monsanto does provide the Agent written notice of objection to the Commission statement, the parties shall resolve such dispute in the manner set forth in Section 3.4 hereof.

SECTION 3.7. MARKETING FEE. In consideration for the rights and benefits granted to the Agent hereunder exclusively for North America as hereby expressly acknowledged and agreed to by both parties, the Agent shall pay to Monsanto, on or before September 30, 1998, an amount equal to thirty-two million U.S. Dollars ($32,000,000) (the "Marketing Fee") in immediately available funds.

SECTION 3.8. ADDITIONAL COMMISSION

(a) The parties acknowledge that Monsanto currently sells Glyphosate-based products current under the Roundup trademark, directly or indirectly, to professional, industrial and agricultural users ("Roundup Ag Products"). Monsanto acknowledges that one of such Roundup Ag Products, the 2.5 gallon SKU containing 41% concentration of Glyphosate (the "2.5 Gallon SKU"), is currently being sold through those certain Lawn and Garden Channels in the United States set forth on Schedule 3.8 attached hereto and may be purchased by consumers in the Lawn and Garden Market. Schedule 3.8 also sets forth Monsanto's (but not its distributions) sales into Lawn and Garden Channels in the U.K. and France. Monsanto also acknowledges its obligations pursuant to Section 6.13(b) hereof.

(b) On and after the Effective Date, the Agent shall support and manage the sale of the 2.5 Gallon SKUs that were previously being sold directly by Monsanto through such Lawn and Garden Channels. As compensation therefor, in addition to the Commission otherwise payable to the Agent hereunder, the Agent shall be paid a 10% commission on all such sales of 2.5 Gallon SKUs sold through the Lawn and Garden Channels in the United States set forth on Schedule 3.8. The parties acknowledge that the sales resulting from such 2.5 Gallon SKUs shall not be included in the Program Sales Revenues hereunder.

(c) Except to the extent provided in Section 3.8(b) above, on and after the Effective Date, Monsanto shall use its reasonable efforts to ensure that Roundup Ag Products are not sold, directly or indirectly, through Lawn and Garden Channels to consumers in the Lawn and Garden Market in the Included Markets. In the event that in the normal course of business the Agent determines based on satisfactory evidence that a material amount of the 2.5 Gallon SKU is being sold directly by Monsanto through Lawn and Garden Channels for Lawn and Garden Use in the United States other than as set forth on Schedule 3.8 or a material amount of additional Roundup Ag Products above historical sales levels as of the date of this Agreement is being sold through Lawn and Garden Channels to consumers for Lawn and Garden Use in the Included Markets, the parties shall negotiate in good faith to include, subject to the principles set forth in Section 3.8(e), an appropriate percentage of such incremental sales to reflect such Lawn and Garden Use within the definition of Program Sales Revenues so that the Agent receives credit therefor for purposes of calculating the Agent's Commission.

(d) Prior to the finalization of the Annual Business Plan for each program Year, Monsanto shall provide the Agent with notice of any significant changes in the pricing of any Roundup Ag Product that may be sold through Lawn and Garden Channels for Lawn and Garden Use in any Included Market during such Program Year. For the thirty (30) days after receipt of such notice, the parties shall negotiate in good faith, and the Steering Committee shall affect, if so agreed, an appropriate adjustment to the Agent's Commission and/or Thresholds to address the impact of such proposed pricing changes on the Annual Business Plan for such Program Year. In the event the parties are unable to reach agreement within such thirty (30) day period, the Agent's Commission and/or Thresholds shall remain unchanged provided that at the end of the such Program Year the Agent shall have the right to request a retroactive adjustment of the Commission or Threshold for such Program Year upon demonstrating, based on actual numbers for such Program Year, a significant impact on the Roundup Lawn and Garden Business.

(e) In implementing the foregoing, the parties shall follow the following principles: (i) that Monsanto's sales of Roundup Ag products are not intended for Lawn and Garden Use and that Monsanto shall not sell Roundup Ag Products directly or promote the indirect sale thereof, through Lawn and Garden Channels to consumers for Lawn and Garden Use in the Included Markets and (ii) that there shall be no transfer of historical or future sales of Roundup Ag products in the Ag Market into Program Sales Revenues. Furthermore, the parties acknowledge that Roundup Ag Products having a formulation consisting of 41% or more Glyphosate and in container sizes over 2.5 gallons in the United States or over one liter in the other Included Markets shall be presumed to have no Lawn and Garden Use and therefor that sales of such Roundup Ag Products shall not be deemed to compete with Roundup Products in a manner that would justify adjustment of the calculation of Program Sales Revenues; provided that if the Agent is able to demonstrate to the Steering Committee that a material change in the amount of such Roundup Ag Products above historical sales levels as of the date of this Agreement are being sold through Lawn and Garden Channels to consumers for Lawn and Garden Use in the Included Markets, the parties shall negotiate in good faith pursuant to Section 3.8(c) to adjust the calculation of Program Sales Revenues.

(f) In order to demonstrate the foregoing, by way of example only: (i) Assume that sales of 2.5 Gallon SKUs in the U.S. by Monsanto, directly or indirectly, through Lawn and Garden Channels in the Included Markets set forth on Schedule 3.8 for the 1999 Program Year are $10MM; (ii) assume that the sales of such 2.5 Gallon SKUs for the corresponding period from October 1, 1997 through September 30, 1998 were $6MM; and (iii) assume that of such incremental $4MM of sales in the 1999 Program Year, 40% are to consumers in the Lawn and Garden Market and 60% are to consumers in the Ag Market. In such event, with respect to the 1999 Program Year, the Agent would be entitled to an additional commission equal to $840,000, comprised of 10% of $6MM (the historical sale level of 2.5 Gallon SKUs) and 10% of $2.4MM (60% of the $4MM in incremental sales of 2.5 Gallon SKUs), and that Program Sales Revenues for the 1999 Program year will be increased by $1.6MM (40% of the incremental $4MM in sales). A similar analysis would apply to sales of other Roundup Ag Products, other than the 2.5 Gallon SKU, through Lawn and Garden Channels to consumers in the Lawn and Garden Market.

ARTICLE 4 - ROUNDUP L&G BUSINESS MANAGEMENT STRUCTURE

SECTION 4.1. UNDERLYING PRINCIPLES FOR THE ROUNDUP L&G BUSINESS MANAGEMENT STRUCTURE

(a) The Roundup L&G Business management structure, as described in this Article and in Schedule 4.1(a), has been created for the purposes of fostering and promoting the following interests of the parties:

(i) Common Interests:

(A) achieve the maximum volume and profit levels for the Roundup Business;

(B) continue to strengthen the Roundup brand; and

(C) leverage the strengths of both parties while working together in a constructive and harmonious way.

(ii) Monsanto's Interests:

(A) retain ability to resume full management of the Roundup Business upon termination of this Agreement;

(B) retain control over key business decisions; and

(C) provide global stewardship of the Roundup brand.

(iii) The Agent's Interests:

(A) manage the Roundup Business within the parameters of approved Annual Business Plans;

(B) have clear reporting relationship to Business Units heads for all Assigned Employees within the Business Units; and

(C) have clear definition of roles and responsibilities for all Assigned Employees within the Business Units.

(b) The parties understand that such structure may be amended from time to time by mutual agreement of the parties provided any such change shall take into account the respective interests of each party as described hereunder.

SECTION 4.2. STEERING COMMITTEE.

(a) Appointment. Monsanto and the Agent shall each appoint by April 1 of each year two (2) executives to a steering committee ("Steering Committee") provided, however, any vacancy shall be filled in such a manner that the parties shall maintain their respective proportionate representation on the Steering Committee and that upon failure by either party to appoint said two (2) executives by such time, the two (2) executives previously appointed by such party shall be deemed appointed for another Program Year. Notwithstanding the foregoing, the members of the Steering Committee for the Program Year 1999 shall be the individuals whose names are set forth as Schedule 4.2(a) attached hereto. In addition, the head of the North America Business Unit shall be entitled to participate, with no voting right, at every meeting of the Steering Committee, and to invite, as the need may arise, the heads of the other Business Units to said meetings (equally without voting rights).

(b) Meetings, Quorum and Voting Requirements.

(1) Meetings. The Steering Committee shall meet at least once a year for purposes of approving the Annual Business Plan no later than September 15 of every calendar year. Any member of the Steering Committee shall have the right to call a special meeting of the Steering Committee provided a prior written notice of at least fifteen (15) days shall be given to each member together with an agenda for such meeting.

(2) Quorum and Voting Requirements. The quorum for any meeting of the Steering Committee shall require the participation of all four (4) members except that any member shall be deemed present when participating via phone or video conference. Any decisions by the Steering Committee may be taken by the affirmative vote of a majority of three (3) of the members of the Steering Committee. In the event of a deadlock, when a particular vote is divided equally between the four members, the matter shall be submitted to the president of Monsanto's Ag division, who shall have the exclusive discretion to resolve the matter and such decision shall bind the Steering Committee to such action or inaction. Notwithstanding any future assignment of this Agreement to a third party by reason of a Roundup Sale, the President of Monsanto's Ag division shall retain its right of veto in case of deadlock of the Steering Committee.

For every meeting of the Steering Committee, minutes shall be kept and circulated for approval to all four members. Every decision of the president of Monsanto's Ag division shall also be recorded in writing and distributed to the members of the Steering Committee.

(c) Authority. The Steering Committee shall:

(i) approve all Annual Business Plans, and any Significant Deviations (as described in Section 4.3(c)) therefrom not previously approved jointly by the Business Units and the Global Support Team;

(ii) approve any and all strategic plans;

(iii) review monthly reports submitted by the Business Units for the purposes of monitoring achievement and redirecting the Business Units by issuing a formal amendment to the Annual Business Plan then in effect;

(iv) monitor and redirect, if need be, the performance of the Global Support Team;

(v) approve any decisions relating to key personnel assigned to the Roundup Business within the Business Units, including Monsanto's and the Agent's employees;

(vi) resolve any disagreement occurring between a Business Unit and the Global Support Team; and

(vii) decide any other matter mutually agreed upon by Monsanto and the Agent.

SECTION 4.3. BUSINESS UNITS.

(a) Role and Reporting. The Roundup L&G Business shall be managed, on behalf of the Agent, by its respective pesticide business units in North America, Europe and Asia ("Business Units") provided that, for the management of the Roundup L&G Business, the head of each of the three Business Units shall report directly to the Steering Committee.

(b) Monsanto's Assigned Employees. For the term of this Agreement, Monsanto shall assign the equivalent of fifteen (15) of its own employees ("Assigned Employees") to fulfill the functions set forth in Schedule 4.3(b) within the three Business Units. The number of said Assigned Employees may vary from time to time upon mutual agreement. Monsanto may, from time to time, with the Agent's written approval, substitute individuals to serve as the Assigned Employees, by providing prior written notice thereof to the Agent. The Assigned Employees shall serve under the guidance and supervision of the Business Unit head of the Business Unit they shall join.

Monsanto shall remain the employer of the Assigned Employees for all purposes of any and all liability and health insurance, employee benefit plans, and workers compensation coverage, and shall be responsible for all compensation and other benefits. Performance reviews shall be first recommended by the Business Unit head in charge of such Assigned Employees.

(c) Duties. The three Business Units shall be responsible for:

(i) taking any and all necessary actions to implement the approved Annual Business Plan and strategic plans, as may be amended from time to time, either by mutual agreement of the Business Unit and the Global Support Team or by the Steering Committee as described in Section 4.2(c);

(ii) managing the day-to-day Roundup L&G Business;

(iii) developing and submitting, in cooperation with the Global Support Team all strategic and Annual Business Plans;

(iv) communicating, in writing or via meetings, on a regular basis, with the Global Support Team on all significant issues affecting the Roundup L&G Business; and

(v) notifying the Global Support Team of any deviation to the Annual Business Plan, which, in their view, is reasonably likely to have a financial impact on the Program EBIT of at least $500,000 or constitutes a significant deviation from a non-financial item approved in the Annual Business Plan ("Significant Deviation").

SECTION 4.4. GLOBAL SUPPORT TEAM.

(a) Appointment. Monsanto shall name three (3) individual employees of Monsanto to form a support team (the "Global Support Team") whose names and individual responsibilities are described on Schedule 4.4(a) as attached hereto. Monsanto may from time to time substitute any individual serving on the Global Support Team, with the written approval of the Agent, by providing a prior written notice to the Agent to such effect.

(b) Duties. The Global Support Team shall be responsible to:

(i) participate actively in the development of all strategic and Annual Business Plans;

(ii) act as a liaison between any of Monsanto's functions or departments providing a support service to the Roundup Business (such as R&D, regulatory, etc.) and monitor the quality of services rendered;

(iii) provide stewardship for the Roundup brand image worldwide;

(iv) prepare internal assessments of the performance of the Roundup L&G Business for Monsanto management;

(v) review, and approve any performance reviews prepared by the Business Unit head for any of the Assigned Employees;

(vi) participate in planned key customer interactions and program presentations, either by participation in meetings or in preparatory sessions therefor;

(vii) review and approve any material change or deviation in consumer communication, mass media, packaging design or any other marketing tactic that directly impacts the consumer perception and interface with the brand which may occur from time to time;

(viii) review and approve any Significant Deviation from the Annual Business Plan; and upon failure to agree with the Business Unit, prepare a recommendation to submit to the Steering Committee for resolution, provided that the Business Unit may similarly prepare a recommendation to submit to the Steering Committee.

ARTICLE 5 - DUTIES AND OBLIGATIONS OF MONSANTO

SECTION 5.1. MONSANTO'S OBLIGATIONS AND RIGHTS. Subject to Section 2.2(a)(ii) and Article 3, unless and until expressly directed otherwise by the Business Units, with the prior written approval of the Steering Committee Monsanto shall continue to support the Roundup L&G Business by performing necessary services. Notwithstanding the foregoing, at all times during the term of this Agreement, Monsanto shall be solely responsible for the following functions:

(a) Research and Development. Monsanto shall, in its sole discretion, continue to develop new Glyphosate-based herbicide formulations more particularly as described in Section 6.10 hereof;

(b) Regulatory Compliance. Monsanto shall be responsible for ensuring that all Roundup Products and the labels for such products comply with the USEPA and applicable Laws of each state and country within the Included Markets, including obtaining and maintaining all governmental registrations, registration applications, temporary registrations, all data pertaining to such registrations as submitted to governmental agencies, experimental use permits, applications and emergency use exemptions, all with respect to the Roundup Products;

(c) FIFRA 6(a)(2). Monsanto shall be responsible for maintaining a customer response center relating to Roundup Products, which will solely manage the medical response calls (including human and animal health-related calls) and related FIFRA 6(a)(2) issues (the "CRC"). Monsanto shall be responsible for all reports related thereto, including (without limitation) reports to any regulatory or government authority pursuant to any applicable Law; and

(d) Sales Promotion. Monsanto shall, in accordance with the Annual Business Plan, promote the sales and consumer acceptance of Roundup Products by:

(i) providing suitable training to the Agent's representatives or employees in the areas of product knowledge and product stewardship; and

(ii) providing the Agent and Customers with technical and product information, manuals, promotional bulletins, presentation kits and other sales aid materials.

SECTION 5.2. WARRANTIES. For Roundup Products with which Monsanto offers a "written warranty," whether within the meaning of the Magnuson-Moss Warranty--Federal Trade Commission Improvement Act, 15 United States Code Annotated, Section 2301, or otherwise, Monsanto shall honor those warranties in accordance with such terms.

ARTICLE 6 - REPORTS AND ADDITIONAL OBLIGATIONS OF THE PARTIES

SECTION 6.1. COOPERATION. The Agent and Monsanto shall cooperate with each other so as to facilitate the objectives set forth in this Agreement and shall act in good faith and in a commercially reasonable manner in performing their respective duties hereunder.

SECTION 6.2. USE OF EDI. Monsanto, the Agent, the Steering Committee, and the Global Support Team will exchange a broad range of operating data on a periodic basis. The method of exchange will be approved by the Steering Committee and will include both file transfer and EDI protocol.

SECTION 6.3. THE AGENT'S SYSTEMS AND REPORTING OBLIGATION. The Agent shall establish and maintain all such systems and procedures (financial, logistical, or otherwise) as reasonably requested by Monsanto or the Steering Committee in connection with the Agent's performance under this Agreement. For all reports, the data will include current period and current YTD; and comparisons with same period and YTD for the year previous. Specifically, the Agent shall provide the following reports:

(a) Weekly Reports. On the second business day of each week, the Agent shall provide to the Global Support Team update reports for the prior week, showing: (i) dollar and case shipments by the top 25 Customers and by SKU (stock keeping unit), (ii) inventory levels by SKU for North America, (iii) collection activities by the top 25 Customers, (iv) agency fill rate for the top 10 Customers (Roundup Products ordered by Customers and shipped by the Agent by line item, unit and dollar amount), and (v) POS sell-through by SKU by the top 7 Customers that provide such information.

(b) Monthly Reports. On the sixth business day of each Month, the Agent shall provide to the Steering Committee and Monsanto (i) the type of data contained in the weekly reports (as set forth in Section 6.3(a)) for the prior calendar month and the current year-to-date, (ii) full P&L, balance sheets and cash flow statements, (iii) Netback expense detail (accruals and actuals), (iv) Expense detail (accruals and actuals), (v) Cost of Goods Sold detail, in each case comparing such information against budget, and against the previous year.

(c) Quarterly Reports. The Agent shall provide to the Steering Committee and Monsanto, on a Quarterly basis and on a form provided by the Steering Committee (i) a summary of purchases of Roundup Products, in total cases or units, made by each Customer which is designated by the Steering Committee, (ii) inventory level by SKU by Customer and (iii) updated full year forecast.

(d) Annual Reports. The Agent shall provide to the Steering Committee and Monsanto, on an Annual basis and on a form provided by the Steering Committee (i) bridge and tracking capability from Program Year to calendar year, (ii) a budget and (iii) a long range plan.

(e) Other Reports. In addition, the Agent shall provide Monsanto or the Steering Committee with such other reports as may be reasonably requested within a period not to exceed thirty (30) days from such request.

SECTION 6.4. EMPLOYEE INCENTIVES. Recognizing that, as Monsanto's exclusive agent for sale and distribution of Roundup Products, the Agent is to promote the sale of Roundup Products NO LESS aggressively than any other product or product line that the Agent sells, the Agent shall cause its appropriate officers and other management to devote an appropriate portion of their personal efforts to the sale and distribution of Roundup Products covered by this Agreement. Further, the Agent shall ensure that the appropriate personnel are compensated in a manner to encourage them to promote the sale of Roundup Products no less aggressively than any other product or product line that the Agent sells.

SECTION 6.5. INSURANCE. The Agent, shall, during the term of this Agreement, maintain full insurance against the risk of loss or damages to the Roundup Products for any Agents' warehouse where Roundup Products are under the custody of the Agent and, upon request, shall furnish Monsanto with satisfactory evidence of the maintenance of said insurance. Further, each party shall make all contributions and pay all payroll taxes required under federal social security laws and state unemployment compensation laws or other payments under any laws of a similar character as to its own personnel involved in the Roundup L&G Business (including any purported "independent contractors" subsequently classified by any authority under any Law, as an employee) in connection with the performance of this Agreement.

SECTION 6.6. LIENS. Subject to the provisions of any existing intercreditor agreement to which Monsanto is currently a party (as the same may be amended, modified or terminated) and except as may otherwise be agreed to by Monsanto, which agreement shall not be unreasonably withheld in the case of similar arrangements with existing or future institutional lenders, the Agent agrees not to allow any liens or encumbrances of any nature to attach to Roundup Products. At Monsanto's request, the Agent, sub-agent, or sub-distributor shall execute such financing statements, security agreements and other documents as Monsanto may reasonably request to create, perfect, and continue in effect its security interests hereunder.

SECTION 6.7. PROMOTING SAFE USE-PRACTICES. Roundup Products may be or become hazardous unless used in strict accordance with Monsanto's product labels. The Agent shall use commercially reasonable methods to inform and familiarize its employees, agents, Customers, contractors (including warehousemen and transporters) and others who may handle or use Roundup Products of the potential hazards pertaining thereto (including accidental breakage or fire), and shall stress the safe use and application of Roundup Products in strict accordance with Monsanto's product labels. In addition, the Agent shall provide HM126F training to its personnel as required by the United States Department of Transportation (and such other training as may be required by other countries within the Included Markets). The Agent shall have the responsibility to dispose of waste materials in accordance with all applicable Laws.

SECTION 6.8. MONSANTO INSPECTION RIGHTS. From time to time, as Monsanto or the Steering Committee may request, the Agent shall permit, upon reasonable request and during normal business hours, representatives of Monsanto or the Steering Committee to inspect, with regard to Roundup Products, the Agent's inventories, warehousing, and shipping procedures.

SECTION 6.9. RECALLS. The Agent shall cooperate with Monsanto, and promptly take such actions as requested by Monsanto, with respect to any defective product including any "stop-sales" or recalls for Roundup Products.

SECTION 6.10. NEW ROUNDUP PRODUCTS. During the term of this Agreement, Monsanto covenants and agrees to first offer (the "Product Offer") to the Agent the exclusive agency and distribution rights to any newly created non-selective herbicide product, which is not marketed for Lawn and Garden Use as of the date of this Agreement, and which Monsanto, in its exclusive, reasonable discretion, determines to be suitable for sale as a new product for Lawn and Garden Use (the "New Product"); provided, however, that for the Lawn and Garden Market, that any new product containing Glyphosate or another non-selective herbicide shall be considered to be a New Product. The Product Offer shall be in writing, shall be in sufficient detail describing such New Product, and shall be made within sixty (60) days of the date of commercialization of such New Product for uses other than Lawn and Garden Use. In no event shall Monsanto, directly or indirectly, commercialize any New Product for Lawn and Garden Use without first offering such New Product to the Agent pursuant to the terms of this Section 6.10. If the Agent agrees in writing within ninety (90) days of receipt of the Product Offer to accept the New Product, then such New Product shall be, without further action or amendment, included within the definition of Roundup Products and be subject to the terms and conditions of this Agreement. In such event, the parties shall adjust the Commission Thresholds to reflect this additional source of revenue unless the New Product is a Glyphosate-based product or an improvement of any existing Roundup Products in which case the Commission Thresholds shall remain the same. If the Agent fails to agree in writing to accept the Product Offer within such ninety (90) days of receipt, then Monsanto shall have the exclusive right to manufacture, package, promote, distribute, and sell such New Product, regardless of any actual or potential conflict with the terms of Agreement.

SECTION 6.11. [Intentionally Omitted.]

SECTION 6.12. CONFIDENTIALITY. Except as necessary for its performance under this Agreement, except as may be required by the federal securities laws or other applicable laws and except to the extent required under certain existing agreements to which Monsanto is a party (i.e., AHP Merger Agreement), neither party shall at any time or in any manner, either directly or indirectly, and neither party shall permit its employees to use, divulge, disclose or communicate to any person or entity any "confidential information" of the other party. For purposes of this Section 6.12, "confidential information" includes any information of any kind, nature, or description that is proprietary, treated as confidential by, owned by, used by, or concerning any matters affecting or relating to the business of a party or the subject matter of this Agreement, including but not limited to, the names, business patterns and practices of any of its customers, its marketing methods and related data, the names of any of its vendors and suppliers, the prices it obtains or has obtained or at which it sells or has sold products or services, lists, other written records, and information relating to its manner of operation. Notwithstanding the foregoing, "confidential information" shall not include any information which (i) is or becomes public knowledge through no fault or wrongful act of the party disclosing such information or its employees, (ii) was known by such party prior to any agency or distributor relationship with the other party or any predecessor, (iii) is received by such party pursuant to the Formulation Agreement and which is not otherwise confidential information, or (iv) is received from a third party who is not obligated to keep such information confidential. All "confidential information" in any form (electronic or otherwise) shall be and remain the sole property of the party possessing such information and shall be returned to such party upon the termination of this Agreement upon such party's reasonable request.

SECTION 6.13. NONCOMPETITION.

(a) Noncompetition Period. The "Noncompetition Period" shall be the term of this Agreement, and for the two-year period following the termination, cancellation or non-renewal of this Agreement; provided, however, that in the event (i) Monsanto terminates this Agreement pursuant to Section 10.4(a)(2), (ii) Monsanto does not renew the EU Term pursuant to Section 10.2 or (iii) the Agent terminates this Agreement pursuant to Section 10.5(a), the Noncompetition Period shall be deemed to terminate simultaneously upon the effective date of the termination of this Agreement or, in the case of non-renewal of any EU Term pursuant to Section 10.2 upon termination thereof with respect to EU Countries only.

(b) Monsanto Covenant. Except as provided for in Section 3.8, Monsanto covenants and agrees that for the Noncompetition Period, Monsanto will not, nor will it permit any Affiliate to, directly or indirectly, own, manage, operate or control, or participate in the ownership, management, operation or control of, or be connected with or have any interest in, as a shareholder, partner, creditor or otherwise, any "Competitive Business." A Competitive Business shall be any business which, anywhere within the Included Markets, (x) manufactures, sells, markets or distributes any non-selective weed control product, whether residual or non-residual, for Lawn and Garden Use or (y) competes with the Roundup L&G Business; provided,

however, this Section 6.13(b) shall not apply to those actions of Monsanto or any Affiliate (i) to the extent such actions are expressly contemplated by this Agreement, for the duration of this Agreement, (ii) to the extent that immediately upon termination of this Agreement for whatever reason Monsanto or any Affiliates or successor to the Roundup L&G Business shall continue to operate the Roundup L&G Business without infringing this covenant, or (iii) to the extent that Monsanto's interest in a Competitive Business, as a shareholder, partner, creditor or otherwise, is equal to or less than 5%. Furthermore, this Section 6.13(b) shall not apply to any actions taken by Monsanto as authorized by Section 10.7(a) during and after any period when Monsanto has given notice of termination in accordance with Section 10.4(b).

(c) Agent's Covenant. The Agent covenants and agrees that during the Noncompetition Period, the Agent will not, nor will it permit any Affiliate to, directly or indirectly, own, manage, operate or control, or participate in the ownership, management, operation or control of, or be connected with or have any interest in, as a shareholder, partner, creditor or otherwise, any Competitive Business; provided, however, this Section 6.13(c) shall not apply to those actions of the Agent or any Affiliate (i) to the extent such actions are expressly contemplated by this Agreement, for such term of this Agreement; (ii) to the extent such actions relate to the products listed on Exhibit D hereto in the countries listed therein, the products that the Agent either owns, has contracted to purchase or entered into a letter of intent with respect to as of the Effective Date and such additional products as the parties may from time to time agree (the "Permitted Products"); (iii) to the extent that the Agent's interest in a Competitive Business, as a shareholder, partner, creditor or otherwise, is equal to or less than 5%; or (iv) to any separate agreement with Monsanto with respect to transgenic technology sharing. The parties agree to compile a list of the Permitted Products within sixty (60) days after the Effective Date which shall be substituted as Exhibit D.

(d) Non-Solicitation by Monsanto. Monsanto agrees that for the duration of the Noncompetition Period and for the two years thereafter, without the prior written consent of the Agent, it will not, nor will it permit any of its Affiliates to (i) solicit for employment any person then employed by the Agent or any of its Affiliates or (ii) knowingly employ any employee of the Agent or any of its Affiliates who voluntarily terminates such employment with the Agent (or such Affiliate) after the Effective Date, until three months have passed following termination of such employment.

(e) Non-Solicitation by the Agent. The Agent agrees that for the duration of the Noncompetition Period, without the prior written consent of Monsanto, it will not, nor will it permit any of its Affiliates to (i) solicit for employment any person then employed who works primarily with Roundup Products or with other products with Lawn & Garden Uses ("Lawn & Garden Employee") by Monsanto or any of its Affiliates or (ii) knowingly employ any Lawn & Garden Employee of Monsanto or any of its Affiliates who voluntarily terminates such employment with Monsanto (or such Affiliate) after the Effective Date, until three months have passed following termination of such employment.

(f) Consideration. The consideration for the agreements contained in this Section 6.13 are the mutual covenants contained herein, the agreement of the parties to consummate the purchase of the Non-Roundup Assets, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged.

(g) Modification. In the event a court (or other authority) refuses to enforce the covenants and agreements contained in this Section 6.13, either because of the scope of the geographical area specified in this Section 6.13, the duration of the restrictions, or otherwise, the parties hereto expressly confirm their intention that the geographical areas covered hereby, the time period of the restrictions, or such other provision, be deemed automatically reduced to the minimum extent necessary to permit enforcement.

(h) Injunctive Relief. The parties acknowledge and agree that the extent of damages to one party (the "non-breaching party") in the event of an actual or threatened breach of this Section 6.13 by the other party (the "breaching party") may be impossible to ascertain and there may be available to the non-breaching party no adequate remedy at law to compensate the non-breaching party in the event of such an actual or threatened breach by the breaching party. Consequently, the parties agree that, in the event that either party breaches or threatens to breach any such covenant or agreement, the non-breaching party shall be entitled, in addition to any other remedy or relief to which it may be entitled, including without limitation, money damages, to seek to enforce any or all of such agreements or covenants against the breaching party by injunctive or other equitable relief ordered by any court of competent jurisdiction.

SECTION 6.14. INDUSTRIAL PROPERTY.

(a) Monsanto represents and warrants that Monsanto or Affiliates are the exclusive owners of the trademarks, trade names, packages, copyrights and designs used in the sale of Roundup Products (hereinafter referred to as "Industrial Property"). To Monsanto's knowledge, the conduct of the Roundup L&G Business as now being conducted and the use of the Industrial Property in the conduct of the Roundup L&G Business, do not infringe or otherwise conflict with any trademarks, registrations, or other intellectual property or proprietary rights of others, nor has any claim been made that the conduct of the Roundup L&G Business as now being conducted infringes or otherwise is covered by the intellectual property of a third party, except for any conflict or infringement which would not have a material adverse effect. To the knowledge of Monsanto, none of the Industrial Property is currently being infringed upon by a third party.

(b) The Agent acknowledges the validity of the trademarks which designate and identify Roundup Products. The Agent further acknowledges that Monsanto is the exclusive owner of the Industrial Property.

(c) The Agent agrees that, to the extent it uses Industrial Property, such Industrial Property shall be used in its standard form and style as it appears upon Roundup Products or as instructed in writing by Monsanto. No other letter(s), word(s), design(s),

symbol(s) or other matter of any kind shall be superimposed upon, associated with or shown in such proximity to the Industrial Property so as to tend to alter or dilute such Industrial Property, and the Agent further agrees not to combine or associate any of such Industrial Property with any other industrial property. The generic or common name of "Roundup" must always follow Roundup Products' trademarks.

(d) In all advertisements, sales and promotional or other printed matter in which any Industrial Property appears, the Agent shall identify itself by full name and address and state its relationship to Monsanto. In all such material, the Roundup trademark shall be identified as a trademark owned by Monsanto Company. In the case of a registered trademark, a (R) shall be placed adjacent to the trademark with the (R) referring to a footnote reading "(R) Registered trademark of Monsanto Company." In the case of unregistered trademarks, a "TM" shall be placed adjacent to the trademark with the "TM" referring to a footnote reading "TM Trademark of Monsanto Company."

(e) On its letterheads, business cards, invoices, statements, etc., the Agent may identify itself as a distributor for the Industrial Property.

(f) The Agent agrees that it will never use any Industrial Property or any simulation of such Industrial Property as part of the Agent's corporate or other trading name or designation of any kind.

(g) Upon expiration or in the event of any termination of this Agreement, the Agent shall promptly discontinue every use of the Industrial Property and any language stating or suggesting the Agent is a distributor for Roundup Products. All advertising and promotional materials which use Industrial Property shall be destroyed.

(h) The Agent shall not use or facilitate the use of promotional materials which disparage Roundup Products or Industrial Property. If the Agent should become aware of any suspected counterfeiting of Roundup Products or Industrial Property, the Agent shall promptly notify Monsanto of such suspected counterfeiting. The Agent shall cooperate in any investigation or legal proceedings that Monsanto deems desirable to protect its rights in the Industrial Property. The Agent shall not promote the sale of products using trademarks, packages or designs which are in Monsanto's opinion deceptively similar to Industrial Property.

SECTION 6.15. CONFLICTS OF INTEREST. Conflicts of interest relating to this Agreement are strictly prohibited. Except as otherwise expressly provided herein, neither party nor any of its directors, employees or agents, or its subcontractors or vendors shall give to or receive from any director, employee or agent of the other party any gift, entertainment or other favor of significant value, or any commission, fee or rebate. Likewise, neither party nor its directors, employees or agents or its subcontractors or vendors shall, without prior written notification thereof to the other party, enter into any business relationship with any director, employee, or agent of the other party or any of its Affiliates unless such person is acting for and on behalf of such party. Each party shall promptly notify the other of any violation of this Section 6.15 and any consideration received as a result of such violation shall be paid over or credited to the other party.

SECTION 6.16. RECORDS RETENTION. The Agent and Monsanto shall each maintain true and complete records in connection with this Agreement and shall retain all such records for at least forty-eight (48) months following the termination or expiration of this Agreement. This obligation shall survive the termination or expiration of this Agreement.

ARTICLE 7 - CENTRAL AGREEMENTS

SECTION 7.1. ACKNOWLEDGMENT OF CENTRAL AGREEMENTS. The parties acknowledge that Monsanto is a party to, and bound by the terms and obligations of, the Central Agreements (which are attached hereto as Exhibit A). Accordingly, the parties acknowledge that (i) some of the terms and conditions of this Agreement may conflict with the terms and conditions of the Central Agreements, and/or (ii) some of the terms and conditions of the Central Agreements may conflict with, or be prohibited by, the terms and conditions of this Agreement. (Every such conflict or prohibited term or condition within the meaning of clause (i) or (ii) of this Section 7.1 shall collectively be referred to as a "Conflict"). This Article 7 sets forth the parties' agreement as to the effect on this Agreement of such a Conflict.

SECTION 7.2. NOTICE OF TERMINATION. Monsanto hereby represents and warrants to the Agent that on June 26, 1998, Monsanto provided to Central proper notice of Monsanto's intent to terminate the Central Agreements, effective September 30, 1999, which such notice is attached hereto as Exhibit B.

SECTION 7.4. CONFLICT. Notwithstanding anything in this Agreement (or any agreement between the parties) to the contrary, during the duration of the term of the Central Agreements (as may be further amended subject to the prior written consent of the Agent), to the extent that any term or provision (taken alone or in conjunction with any other term or provision) of this Agreement results in a Conflict (such term(s) or provision(s) being referred to herein as a "Conflicting Provision"), (i) the provision(s) of the Central Agreement shall control and such Conflicting Provision shall be unenforceable against all parties to this Agreement during the pendency of such Conflict, and (ii) neither party shall be considered to be in breach or default of any such Conflicting Provision, either directly or as a result of such Conflict, on any other terms and conditions of this Agreement; provided, however, in such instance of a Conflict, all other provisions of this Agreement (i.e. all provisions, excluding all Conflicting Provisions) shall be interpreted and enforced in such manner as is reasonable and necessary to further the intentions and contemplations of this Agreement.

SECTION 7.6. ACTION BY PARTIES AND ASSIGNMENT OF RIGHTS. The parties covenant and agree to jointly develop an approach to establishing arrangements or relationships with Central to account for any Conflicting Provisions. In this regard, Monsanto covenants and agrees that, upon notification by the Agent of a Conflict, the Agent may, to the extent reasonable and with the Steering Committee's prior written consent (which such consent shall not be unreasonably

held), enter into a contract (or other arrangement) directly (or on behalf of Monsanto) with Central for such time until September 30, 1999, as the Agent deems necessary so that the parties to this Agreement can further the intentions and contemplations hereof. Furthermore, Monsanto covenants and agrees that, to the extent reasonable and pre-approved by the Steering Committee (which such approval shall not be unreasonably held), Monsanto will assign to the Agent any and all rights it has pursuant to the Central Agreements, which the Agent reasonably requests, if such assignment would benefit the parties in furthering the intentions and contemplations hereof.

ARTICLE 8 - REPRESENTATIONS, WARRANTIES, AND COVENANTS

SECTION 8.1. THE AGENT'S REPRESENTATIONS AND WARRANTIES. The Agent hereby represents and warrants that all of the following are true:

(a) The Agent is a corporation duly incorporated, validly existing and in good standing under the laws of Ohio and has all requisite corporate power and authority to carry on and conduct its business as it is now being conducted, to own or lease its assets and properties and is duly qualified and in good standing in every jurisdiction in which the conduct of its business or ownership of its assets requires it to be so qualified.

(b) (i) The Agent has the full authority and legal right to carry out the terms of this Agreement; (ii) the terms of this Agreement will not violate the terms of any other material agreement, contract or other instrument to which it is a party, and no consent or authorization of any other person, firm, or corporation is a condition precedent to the Agent's execution of this Agreement; (iii) it has taken all action necessary to authorize the execution and delivery of this Agreement; and (iv) this Agreement is a legal, valid, and binding obligation of the Agent, enforceable in accordance with its terms.

(c) The Agent is in compliance in all material respects with all applicable Laws relating to its business.

(d) There is no material suit, investigation, action or other proceeding pending or threatened before any court, arbitration tribunal, or judicial, governmental or administrative agency, against the Agent which would have a material adverse effect on the ability of the Agent to perform its obligations hereunder or which seeks to prevent the consummation of the transactions contemplated herein.

(e) The Agent has available, and will have available on September 30, 1998, sufficient immediately available funds to enable the Agent to pay the Marketing Fee to Monsanto and to effect the consummation of the transactions described herein.

(f) There are no material disputes with underwriters under the Agent's insurance policies; each such policy is valid and enforceable in accordance with its terms and is in full force and effect; there exists no default by the Agent under any such policy, and there has been no material misrepresentation or inaccuracy in any application therefor, which default,

misrepresentation or inaccuracy would give the insurer the right to terminate such policy, binder, or fidelity bond or to refuse to pay a claim thereunder; and the Agent has not received notice of cancellation or non-renewal of any such policy.

SECTION 8.2. MONSANTO'S REPRESENTATIONS AND WARRANTIES. Monsanto hereby represents and warrants that all of the following are true:

(a) Monsanto is a corporation duly incorporated, validly existing and in good standing under the laws of Delaware and has all requisite corporate power and authority to carry on and conduct its business as it is now being conducted, to own or lease its assets and properties and is duly qualified and in good standing in every jurisdiction in which the conduct of its business or ownership of its assets requires it to be so qualified.

(b) (i) Monsanto has the full authority and legal right to carry out the terms of this Agreement; (ii) the terms of this Agreement will not violate the terms of any other material agreement, contract or other instrument to which it is a party, and no consent or authorization of any other person, firm, or corporation is a condition precedent to this Agreement; (iii) it has taken all action necessary to authorize the execution and delivery of this Agreement; and (iv) this Agreement is a legal, valid, and binding obligation of Monsanto, enforceable in accordance with its terms.

(c) Monsanto is in compliance, in all material respects, with all applicable Laws relating to its business.

(d) There is no material suit, investigation, action or other proceeding pending or threatened before any court, arbitration tribunal, or judicial, governmental or administrative agency, against Monsanto which would have a material adverse effect on the ability of Monsanto to perform its obligations hereunder or which seeks to prevent the consummation of the transactions contemplated herein.

ARTICLE 9 - INDEMNIFICATION

SECTION 9.1. INDEMNIFICATION AND CLAIMS PROCEDURE.

(a) Indemnification. Each party hereto agrees to indemnify, defend and hold harmless the other party and its employees, officers, directors, agents and assigns from and against any and all loss (including reasonable attorneys' fees), damage, injury or liability and asserted by or on behalf of a third party for injury to or death of a person for loss of or damage to property, including employees and property of the indemnified party ("Loss"), to the extent resulting directly or indirectly from the indemnifying party's (i) breach of a duty, representation, or obligation of this Agreement, or (ii) negligence or willful misconduct in the performance of its obligations under this Agreement, except to the extent that such indemnification is void or otherwise unenforceable under applicable law in effect on or validly retroactive to the date of this Agreement.

(b) Claims Procedure. Promptly after receipt by either party hereto (the "Indemnitee") of any notice of any demand, claim or circumstances which, with the lapse of time, would or might give rise to a claim or the commencement (or threatened commencement) of any action, proceeding or investigation (an "Asserted Liability") that may result in a Loss, the Indemnitee shall give notice thereof (the "Claims Notice") to the party obligated to provide indemnification pursuant to Section 9.1(a). The Claims Notice shall describe the Asserted Liability in reasonable detail, and shall indicate the amount (estimated, if necessary to the extent feasible) of the Loss that has been or may be suffered by the Indemnitee. Thereafter, the following procedures shall apply:

(1) The indemnifying party may elect to compromise or defend, at its own expense by its own counsel, any Asserted Liability;

(2) If the indemnifying party elects to compromise or defend such Asserted Liability, it shall within thirty (30) days (or sooner if the nature of the Asserted Liability so requires) notify the Indemnitee of its intent to do so, and the Indemnitee shall cooperate, at the expense of the indemnifying party, in the compromise of, or defense against, such Asserted Liability, and shall make available to the indemnifying party any books, records or other documents within its control that are necessary or appropriate for such defense;

(3) If the indemnifying party has elected to defend the Asserted Liability, any offer to compromise or settle transmitted to the indemnifying party shall thereafter be transmitted in writing to the Indemnitee. If, after a reasonable period of time to consider such offer -- which time shall be deemed to be ten (10) days from the date of transmittal of such offer using the notice procedures set forth in Section 11.9, unless the circumstances otherwise require -- the Indemnitee refuses to give consent to the settlement or compromise of the Asserted Liability, then the liability of the indemnifying party with respect to such Asserted Liability shall be thereafter limited to the amount of the offer of settlement or compromise. This cap on liability shall not be applicable if the Indemnifying Party does not elect to defend Indemnitee against the Asserted Liability;

(4) Notwithstanding the foregoing, neither the indemnifying party nor the Indemnitee may settle or compromise any claim over the objection of the other, provided however, that consent to settlement or compromise shall not be unreasonably withheld;

(5) If the indemnifying party elects not to compromise or defend the Asserted Liability, fails to notify the Indemnitee of its election as herein provided, or contests its obligation to indemnify under this Agreement, the Indemnitee may pay, compromise or defend such Asserted Liability, with a reservation of all rights to seek indemnification hereunder against the indemnifying party; and

(6) Notwithstanding the foregoing, the Indemnitee and the indemnifying party may participate, in all instances, and at their own expense, in the defense of any Asserted Liability.

ARTICLE 10 - TERMS, TERMINATION, AND FORCE MAJEURE

SECTION 10.1. TERMS. Notwithstanding anything in this Agreement to the contrary, for all EU Countries within the Included Markets, this Agreement shall be subject to the initial term and the renewal terms, as set forth in Section 10.2(a) (collectively, the "EU Term"). For all other countries within the Included Markets, excluding the EU Countries, this Agreement shall commence as of the Effective Date and shall continue unless and until terminated as provided herein.

SECTION 10.2. EU INITIAL TERM AND RENEWAL.

(a) For each of the EU Countries within the Included Markets, the initial term of this Agreement shall commence as of the Effective Date, and continue through September 30, 2005, unless and until sooner terminated as provided herein. Following the initial term of this Agreement, the parties have the following options to renew the EU Term of this Agreement, subject to Section 10.3 below, under the same terms and conditions of this Agreement, unless and until sooner terminated as provided herein:

(1) The parties may mutually agree to renew the initial EU Term of this Agreement for three (3) years, unless otherwise prohibited herein;

(2) Following the renewal of the EU Term pursuant to Section 10.2(a)(1), the parties may mutually agree to renew the EU Term of this Agreement for an additional seven (7) years, unless otherwise prohibited herein; and

(3) Following the renewal of the EU Term pursuant to Section 10.2(a)(2), the parties may mutually agree to renew the EU Term of this Agreement for three (3) years, unless otherwise prohibited herein.

SECTION 10.3. PROCEDURE TO RENEW.

EU Term. Not later than 6 months preceding the date in which the initial EU Term, or any renewal EU Term, of this Agreement terminates pursuant to section 10.2(a), the parties may (if otherwise permitted herein), mutually agree in writing to renew the EU Term of this Agreement as provided in Section 10.2(a).

SECTION 10.4. TERMINATION BY MONSANTO.

(a) Termination Rights. In addition to its right to terminate this Agreement pursuant to Section 10.9, Monsanto shall have the right to terminate this Agreement by giving the Agent a termination notice specified for each termination event upon the occurrence and continuance of either of the following:

(1) An Event of Default occurring at any time; or

(2) A Change of Control with respect to Monsanto (excluding the merger currently contemplated with American Home Products) or a Roundup Sale by giving the Agent a notice of termination, which termination shall be effective at the end of the later of twelve (12) months or the next Program Year, provided that in the event of a Change of Control or a Roundup Sale, neither Monsanto nor the successor to the Roundup L&G Business shall have the right to terminate this Agreement prior to the end of the fifth (5th) Program Year.

(b) Event of Default. An Event of Default shall mean any of the following occurrences:

(1) a Material Breach of this Agreement committed by the Agent and established in accordance with the provisions of Section 10.4(g) of this Agreement;

(2) a Material Fraud committed by the Agent and established in accordance with the provisions of Section 10.4(g) of this Agreement;

(3) Material Willful Misconduct committed by the Agent and established in accordance with the provisions of Section 10.4(g) of this Agreement;

(4) (i) the occurrence of an Egregious Injury which is not cured within ninety (90) days following the Agent's receipt of written notice thereof, or (ii) the occurrence of an Egregious Injury which, in the commercially reasonable opinion of Monsanto cannot be cured within a ninety (90) day period;

(5) subject to Section 10.8, any decline of the Sell-Through Business on a three (3) Program Years cumulative basis or two (2) consecutive Program Years with a decline in the Sell-Through Business in each Program Year in excess of five percent (5%) either in North America, the UK or France or in the Rest of the World, ("Regional Performance Default") unless Agent demonstrates to the Arbitrators in accordance with Section 10.4(g), in any manner reasonably requested by the Arbitrators that (A) such decline is directly caused by the exercise by Monsanto's Ag president of his or her right of veto as provided for in Section 4.2(b) or (B) such decline was caused primarily by a severe decline of the general economic conditions or an overall severe decline in the market for lawn and garden consumables products in such region rather than by the Agent's failure to perform its duties hereunder and further provided that any Regional Performance Default shall only cause the termination of this Agreement with respect to the region where such Regional Performance Default occurs;

(6) the Insolvency of Agent;

(7) the occurrence of a Change of Control of the Agent, without the prior written consent of Monsanto; provided that the Acquiror in such Change of Control (i) currently engages (directly or through its Affiliates) in the manufacture, sale, marketing, or distribution of any product containing Glyphosate or any similar active ingredient, or (ii) currently sells, markets, or distributes (directly or through its Affiliates) any product(s) in the Lawn and Garden Channels for Lawn and Garden Use, which such product(s), in Monsanto's reasonable commercial opinion, compete in a material manner with Roundup Products, or (iii) may, in Monsanto's reasonable commercial opinion, materially detract from, or diminish, the Agent's (or such successor's) ability to fulfill its duties and obligations with regard to the Roundup Business, or (iv) competes in any material respect with Monsanto in Monsanto's Ag (including seed) or biotech businesses.

(8) the occurrence of a Change of Significant Ownership of the Agent, without the prior written consent of Monsanto; or

(9) except to the extent permitted herein, (i) the assignment of all, or substantially all, of the Agent's rights, or (ii) the delegation of all, or substantially all, of the Agent's obligations hereunder, in either instance without the prior written consent of Monsanto.

As to any Event of Default defined in Sections 10.4(b)(1)-(4), such termination shall take effect on the later of the first business day following the thirtieth (30th) day after the sending of a termination notice to the Agent in accordance with the provisions of Section 11.9, or the date designated by Monsanto in said termination notice. As to an Event of Default defined in Section 10.4(b)(5), such termination shall take effect at the later of twelve (12) months or the end of the next Program Year. As to any Event of Default defined in Sections 10.4(b)(6)-(9), such termination shall take effect on the later of the first business day following the seventh (7th) day after the sending of a termination notice to Agent, or the date designated by Monsanto in said notice of termination.

(c) Payment of Termination Fee. Except for termination of this Agreement by Monsanto upon any Event of Default, a Termination Fee (as specified in Section 10.4.(d)) shall only be paid either by Monsanto or by the successor to the Roundup Business, as the case may be, upon the following terms and conditions:

(1) in the event the Agreement is effectively terminated by either Monsanto or its successor or by the Agent upon Material Breach, Material Fraud or Material Willful Misconduct by Monsanto as provided for in Section 10.5.(c);

(2) no later than the effective date of the applicable termination notice and no later than the effective date of the termination; and

(3) only in the event the Agent does not become the successor to the Roundup Business, in which case the Termination Fee shall not be paid but shall be credited against the purchase price as described in Section 10.4(d).

(d) Termination Fee.

Monsanto and the Agent stipulate and agree that the injury which will be caused to the Agent by the termination of this Agreement under the circumstances which shall give rise to the payment of the Termination Fee are difficult or impossible of accurate estimation; that by establishing the Termination Fee they intend to provide for the payment of damages and not a penalty; and that the sum stipulated for the Termination Fee is a reasonable pre-estimate of the probable loss which will be suffered by the Agent in the event of such termination.

The Termination Fee payable shall vary in accordance with the Table hereunder:

Program Year	Termination Fee
0-5	$150MM#
6	$140MM
7	$130MM
8	$120MM
9	$110MM
10	$100MM
11-20	Seven and a half percent (7.5%) of the portion of the purchase price for the Roundup Sale above * (which shall be no less than $16MM in any event) provided that in the event of a Change of Control and subsequent termination of this Agreement by the successor to the Roundup Business and the absence of any purchase price, the fair market value of the Roundup Business shall be determined by an independent accounting firm mutually agreeable to the parties.

#$185MM if Monsanto or any successor terminates within the first five (5) years for anything other than an Event of Default on the part of the Agent.

(e) Remedies for Monsanto. Subject to Section 10.4(g), in case of termination by Monsanto upon any of the Events of Default by the Agent specified in Section 10.4(b)(1)-(4), Monsanto shall be entitled to exercise all remedies available to it, either at law or in equity. In case of termination by Monsanto upon the Event of Default by the Agent specified in Section 10.4(b)(5), termination of this Agreement shall be the exclusive remedy of Monsanto. In

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* Confidential provision omitted and filed separately with the Securities and Exchange Commission ("SEC"), based upon a request for confidential treatment filed with the SEC.

the case of termination by Monsanto upon any of the Events of Default specified in Sections 10.4(b)(6)-(9), the remedies of Monsanto shall be limited to (i) termination of this Agreement and (ii) the recovery of reasonable and customary out-of-pocket expenses incurred by Monsanto in transferring the Agent's duties hereunder to a new agent; provided that in no case shall the amount of expenses recoverable under this provision exceed $20MM.

(f) Exclusive Remedy. The payment of a Termination Fee to the Agent under Section 10.4(c) shall be deemed to constitute the exclusive remedy for any damages resulting out of the termination of this Agreement by Monsanto or the successor to the Roundup Business pursuant to Section 10.4(c) and the Agent shall waive its right to exercise any other remedies otherwise available at law or in equity.

(g) Arbitration. In the event either party claims that a Material Breach, a Material Fraud, or Material Willful Misconduct has been committed by the other party (the "Breaching Party"), the following procedures shall apply:

(1) After the asserted occurrence of a Material Breach, a Material Fraud, or Material Willful Misconduct, the party who contends that such breach, fraud or misconduct has occurred (the "Claimant") shall send to the Breaching Party a notice, in accordance with the notice provisions of Section 11.9 of this Agreement, in which the Claimant shall: (i) identify the Material Breach, Material Fraud, or Material Willful Misconduct which it contends has occurred; (ii) appoint an arbitrator; and (iii) demand that the Breaching Party appoint an arbitrator.

(2) Within fifteen (15) days after receipt of the notice, the Breaching Party shall send a response to the Claimant, in accordance with the notice provisions of Section 11.9 of this Agreement, in which the Breaching Party shall: (i) indicate whether it contests the asserted occurrence of the Material Breach, Material Fraud, or Material Willful Misconduct, as the case may be; and (ii) if it does contest such asserted occurrence, appoint a second arbitrator. The failure on the part of the Breaching Party to timely respond to the notice, and/or to timely appoint its arbitrator, shall be deemed to constitute acceptance of the arbitrator designated by the Claimant as the sole arbitrator.

(3) If the Breaching Party appoints an arbitrator, then within fifteen (15) days after the receipt of the Breaching Party's response by the Claimant, the two arbitrators shall jointly appoint a third arbitrator. If the arbitrators selected by the parties are unable or fail to agree upon the third arbitrator, the third arbitrator shall be selected by the American Arbitration Association. Upon their selection by either means, the three arbitrators (the "Arbitrators") shall expeditiously proceed to determine whether a Material Breach, Material Default or Material Willful Misconduct has occurred, in accordance with the procedures hereafter set forth.

(4) Except as specifically modified herein, the arbitration proceeding contemplated by this section (the "Arbitration") shall be conducted in accordance with Title 9 of the US Code (United States Arbitration Act) and the Commercial Arbitration Rules of the American Arbitration Association, and judgment on the award rendered by the arbitrators may be

entered in any court having jurisdiction thereof. The cost of the Arbitration shall be borne equally by the parties, with the understanding that the Arbitrators may reimburse the prevailing party, if any, as determined by the Arbitrators for that party's cost of the Arbitration in connection with the award made by the Arbitrators as described below.

(5) The award shall be made within three (3) months after the appointment of the third Arbitrator, and each of the Arbitrators shall agree to comply with this schedule before accepting appointment. However, this time limit may be extended by agreement of the parties or by the Arbitrators, if necessary.

(6) Consistent with the expedited nature of arbitration, each party will, upon the written request of the other party, promptly provide the other with copies of documents relevant to the issues raised by the notice or the response, including those documents on which the producing party may rely in support of or in opposition to any claim or defense. Any dispute regarding discovery, or the relevance or scope thereof, shall be determined by the Arbitrators, which determination shall be conclusive. All discovery shall be completed within 60 days following the appointment of the third Arbitrator.

(7) At the request of a party, the Arbitrators shall have the discretion to order examination by deposition of witnesses to the extent the Arbitrators deem such additional discovery relevant and appropriate. Depositions shall be held within 30 days of the making of a request, and shall be limited to a maximum of number of hours' duration as may be mutually agreed to by the parties, or in the absence of such agreement as may be determined by the Arbitrators. All objections are reserved for the arbitration hearing, except for objections based on privilege and proprietary or confidential information.

(8) Either party may apply to the Arbitrators seeking injunctive relief until the arbitration award is rendered or the controversy is otherwise resolved. Either party also may, without waiving any remedy under this Agreement, seek from any court having jurisdiction any interim or provisional relief that is necessary to protect the rights or property of that party, pending the establishment of the arbitral tribunal (or pending the arbitral tribunal's determination of the merits of the controversy).

(9) The scope of the Arbitration shall include the following:

(a) a determination as to whether the act(s) or omission(s) set forth by the Claimant have occurred;

(b) a determination as to whether those act(s) or omissions(s) determined to have occurred constitute a breach of this Agreement, fraudulent conduct in connection with this Agreement, or willful misconduct in connection with this Agreement, as the case may be;

(c) a determination as to whether those act(s) or omissions(s) determined to have occurred constitute a Material Breach, a Material Fraud, or Material Willful Misconduct, as the case may be;

(d) a determination as to the amount of monetary damages, if any, suffered by the Claimant, as a result of those act(s) or omissions(s) determined to have occurred which constitute a breach of this Agreement, fraudulent conduct in connection with this Agreement, or willful misconduct in connection with this Agreement, as the case may be, regardless of whether such act(s) or omission(s) rise to the level of Material Breach, Material Fraud, or Material Willful Misconduct, as the case may be;

(e) a determination, to the extent applicable, of the specific performance which could and should be decreed to correct any breach, fraud or material misconduct which the Arbitrators determine can be cured by the issuance of such decree;

(f) a determination as to which party, if any, is the prevailing party in the Arbitration, and the amount of such party's costs and fees. "Costs and fees" means all reasonable pre-award expenses of the arbitration, including the arbitrators' fees, administrative fees, travel expenses, out-of-pocket expenses such as copying and telephone, court costs, witness fees, and attorneys' fees; and

(g) a determination as to such matters as the Arbitrators deem necessary and appropriate to carry out their duties in connection with the Arbitration.

(10) The Arbitrators' award shall be in writing, shall be signed by a majority of the Arbitrators, and shall include a statement regarding the reasons for the disposition of any claim.

(11) The Arbitrators' award shall, as applicable, include the following:

(a) to the extent that the Arbitrators determine that the Claimant has suffered monetary damages as a result of those act(s) or omissions(s) determined to have occurred which constitute a breach of this Agreement, fraudulent conduct in connection with this Agreement, or willful misconduct in connection with this Agreement, as the case may be, a monetary award in the amount of those damages;

(b) to the extent that the Arbitrators determine that the harm resulting from those act(s) or omissions(s) determined to have occurred can be cured, in whole or in part by a decree of specific performance, such a decree of specific performance implementing such determination as can be submitted to and made the order of a Court of competent jurisdiction;

(c) to the extent that the Arbitrators determine that those act(s) or omissions(s) determined to have occurred constitute a Material Breach, a Material Fraud, or Material Willful Misconduct, as the case may be, an award authorizing the Claimant to

immediately terminate this Agreement, together with damages or specific performance, if determined by the Arbitrators to be appropriate;

(d) to the extent that the Arbitrators determine that there is a prevailing party, and that said prevailing party should receive an award of its Costs and Fees, such award to the prevailing party; and

(e) such other matters as the Arbitrators deem necessary and appropriate to implement their determinations made in the Arbitration.

(12) The written determination of the Arbitrators shall be made and delivered promptly to the parties to the Arbitration and shall be final and conclusive upon the parties to the Arbitration.

(13) Except as may be required by law, neither a party nor an Arbitrator may disclose the existence, content, or results of any Arbitration hereunder without the prior written consent of both parties.

SECTION 10.5. TERMINATION BY THE AGENT.

(a) Material Breach, Material Fraud and Material Willful Misconduct. The Agent may terminate this Agreement in accordance with the provisions of Section 10.4(g) upon :

(1) a Material Breach of this Agreement committed by Monsanto and established in accordance with the provisions of Section 10.4(g) of this Agreement;

(2) a Material Fraud committed by Monsanto and established in accordance with the provisions of Section 10.4(g) of this Agreement;

(3) Material Willful Misconduct committed by Monsanto and established in accordance with the provisions of Section 10.4(g) of this Agreement.

Such termination shall take effect on the later of the first business day following the thirtieth (30th) day after the sending of a termination notice to Monsanto in accordance with the provisions of Section 11.9, or the date designated by the Agent in said termination notice.

(b) Roundup Sale. The Agent may terminate this Agreement by written notice thereof to Monsanto upon receipt of notice of a Roundup Sale as described in Section 10.6.

(c) Termination Fee. Upon termination of this Agreement by the Agent pursuant to Section 10.5(a), Monsanto shall pay to the Agent the Termination Fee applicable pursuant to the Table set forth in Section 10.4.(c).

SECTION 10.6. ROUNDUP SALE.

(a) Notice of Sale; Quiet Period. Monsanto agrees to provide the Agent with prior written notice of any contemplated Roundup Sale. Thereafter, the Agent shall be entitled to participate in the Roundup Sale process, and the parties agree to negotiate in good faith with respect thereto. In the event of an auction in connection with a contemplated Roundup Sale, the Agent shall be entitled to submit a bid and additionally shall be entitled to a fifteen (15) day exclusive negotiation period following the receipt and review by Monsanto of all bids (the "Quiet Period"), provided that the Agent's bid shall not be discounted by any Termination Fee and that during the Quiet Period, the Agent shall have the right to revise its original bid but shall not have the right to review the terms of any other bids.

(b) Credit of Termination Fee. In the event that the Agent or any of its Affiliates acquires the Roundup Business in a Roundup Sale, the Termination Fee that would have been payable to the Agent upon a termination pursuant to Section 10.4(a)(2) shall be credited against the purchase price to be paid by the Agent or such Affiliate in the Roundup Sale.

(c) Agent's Election. In the event that Monsanto determines to consummate a Roundup Sale with a party other than the Agent, Monsanto shall deliver the Agent notice thereof and of the identity of such other party. Within thirty (30) days of receipt of such notice, the Agent shall deliver written notice to Monsanto stating either that:

(1) The Agent intends to terminate this Agreement pursuant to Section 10.5(b), in which case such notice shall constitute a termination notice for purposes of this Agreement provided that the termination shall be effective at the end of the Third Program Year following the Program Year in which the Agent delivers its Notice of Termination pursuant to this provision; or

(2) The Agent will not terminate this Agreement pursuant to Section 10.5(b) and agrees to continue the performance of its obligations under the Agreement unless and until the Agent receives a termination notice delivered in accordance with the terms of this Agreement by the successor to the Roundup Business.

(d) Successor. Upon consummation of a Roundup Sale to a party other than the Agent, Monsanto's successor to the Roundup L&G Business shall assume all rights and responsibilities of Monsanto under this Agreement.

SECTION 10.7. EFFECT OF TERMINATION.

(a) Nonexclusive Status. Notwithstanding anything contained in this Agreement to the contrary, during and after any period when Monsanto has given notice of termination in accordance with Section 10.4(b)(5), (i) Monsanto may make this Agreement nonexclusive with respect to the sales and marketing services to be provided by the Agent

hereunder, provided that the sales revenues generated by such second agent shall be included in Program Sales Revenues and any commercially reasonable commission payable to such second agent shall be included in Program Expense, (ii) Monsanto shall have access to all information held by the Agent with respect to the subject matter of this Agreement, and (iii) the Agent shall cooperate with Monsanto to establish an alternative distribution system for Roundup Products.

(b) Prior Obligations and Shipments. Termination shall not affect obligations of Monsanto or of the Agent which have arisen prior to the effective date of termination.

(c) Representations and Materials. Upon termination of this Agreement for any reason, the Agent shall not continue to represent itself as Monsanto's authorized agent to deal in Roundup Products, and shall remove, so far as practical, any printed material relating to such products from its salesperson's manuals and shall discontinue the use of any display material on or about the Agent's premises containing any reference to Roundup Products.

(d) Return of Books, Records, and other Property. To the extent not otherwise provided herein, upon termination of this Agreement, the Agent shall immediately deliver to Monsanto all records, books, and other property of Monsanto.

SECTION 10.8. FORCE MAJEURE.

If either party is prevented or delayed in the performance of any of its obligations by force majeure and if such party gives written notice thereof to the other party within twenty (20) days of the first day of such event specifying the matters constituting force majeure, together with such evidence as it reasonably can give, then the party so prevented or delayed will be excused from the performance or punctual performance, as the case may be, as from the date of such notice for so long as such cause of prevention or delay continues. For the purpose of this Agreement, the term "force majeure" will be deemed to include an act of God, war, hostilities, riot, fire, explosion, accident, flood or sabotage; lack of adequate fuel, power, raw materials, containers or transportation for reasons beyond such party's reasonable control; labor trouble, strike, lockout or injunction (provided that neither party shall be required to settle a labor dispute against its own best judgment); compliance with governmental laws, regulations, or orders; breakage or failure of machinery or apparatus; or any other cause whether or not of the class or kind enumerated above, including, but not limited to, a severe economic decline or recession, which prevents or materially delays the performance of this Agreement in any material respect arising from or attributable to acts, events, non-happenings, omissions, or accidents beyond the reasonable control of the party affected.

SECTION 10.9. SPECIAL TERMINATION PROVISIONS.

(a) In the event the parties fail to close the sale by Monsanto to the Agent of the Non-Roundup Assets by the later of March 31, 1999 or such later date as mutually agreed upon by the parties, the parties agree:

(1) Monsanto may elect to terminate this Agreement by giving notice of such termination to the Agent in accordance with the provisions of Section 11.9 of this Agreement on the later of (k) March 31, 1999 and (y) fifteen (15) calendar days after termination of the Asset Purchase Agreement between Monsanto and the Agent, with respect to the sale of the Non-Roundup Assets, pursuant to the terms thereof to Agent in accordance with the provisions of Section 11.9 of this Agreement. Any such termination shall be effective on September 30, 1999. In such event, (i) there shall be no deferral under Section 3.5(b) of the Contribution Payment required to be made by Agent, (ii) the MAT Expenses in the Annual Business Plan for the 1999 Program Year shall be $35MM, and the Netbacks for the 1999 Program Year shall not exceed twelve percent (12%) of Program Sales Revenues unless already committed as the Effective Date and (iii) the Agent's Commission specified in Section 3.6 shall not be applicable and, in lieu thereof, the Agent's commission shall, effective as of October 1, 1998, be twenty-eight percent (28%) of Program Sales Revenue, payable quarterly within fifteen (15) days following the end of each quarter, with each quarterly payment being in an amount not to exceed the cumulative percentage of the maximum applicable commission apportioned at twenty-five percent (25%) per quarter, subject to the following limitations:

(A) A maximum commission of $52MM per Program Year if such closing does not occur because the Agent has not sold or divested its Finale business or otherwise disposed of the Finale business in a manner satisfactory to Monsanto;

(B) A maximum commission of $55MM per Program Year if such closing does not occur because the Federal Trade Commission issues an order prohibiting the purchase of the Non-Roundup Assets by the Agent; and

(C) A maximum commission of $53.5MM per Program Year if such closing does not occur for any other reason than specified in clauses (A) or (B) above.

(b) In the event that Monsanto terminates this Agreement pursuant to Section 10.9(a)(1), the provisions of this Section 10.9 shall supersede Section 3.6 and Section 10.4 in their entirety.

(c) In the event that Monsanto elects not to terminate this Agreement pursuant to Section 10.9(a)(1), (i) there shall be no deferral under Section 3.5(b) of the Contribution Payment, (ii) the Agent's commission shall, for Program Year 1999, be calculated as provided in Section 10.9(a)(1) at a maximum commission of $53.5MM and in Program Year 2000 and thereafter the Agent's commission shall be the Commission specified in Section 3.6; (iii) Section 10.4(a)(2) shall be amended to the effect that Monsanto or any successor shall have the right to terminate this Agreement at any time upon a Change of Control with respect to Monsanto or a Roundup Sale by giving the Agent a notice of termination which shall be effective at the end of the later of twelve (12) months or the next Program Year; and (iv) the Agent shall not be entitled to any the Termination Fee as specified in Section 10.4(d), but rather, subject to Section 10.4(g), the Agent shall be entitled to exercise all remedies available to it either at law or in equity for any breach of this Agreement by Monsanto.

ARTICLE 11 - MISCELLANEOUS

SECTION 11.1. RELATIONSHIP OF THE PARTIES. Notwithstanding anything herein to the contrary, the parties' status with respect to each other shall be, at all times during the term of this Agreement, that of independent contractors retaining complete control over and complete responsibility for their respective operations and employees. Except as expressly provided herein, this Agreement shall not confer, nor shall be construed to confer, on either party any right, power or authority (express or implied) to act or make representations for, or on behalf of, or to assume or create any obligation on behalf of, or in the name of the other party. Nothing in this Agreement shall confer, or shall be construed to: (i) confer on the Agent any mutual proprietary interest in, or subject the Agent to any liability for, the business, assets, profits, losses, or obligations associated with Monsanto's manufacture, marketing, distribution and sales of Roundup Products; (ii) otherwise make either party a partner, member, or joint venturer of the other party (A) for purposes of the tax laws of the United States or any other country, or (B) for any other purposes under any other Laws; or (iii) create a franchise relationship between the parties. The parties expressly agree that at no time during the term of this Agreement, shall either party through its officers, directors, agents, employees, independent contractors or other representatives or through their respective representatives on the Steering Committee or Global Roundup Team take any action inconsistent with the foregoing expression of the nature of their relationship, except as required pursuant to applicable governmental authority under applicable Law or with the express written consent of the other party. Accordingly, the parties expressly agree to cooperate and communicate with the Steering Committee and the Global Roundup Support Team from time to time and in all events, annually, to ensure that both parties' actions are in compliance with this Section 11.1

SECTION 11.2. INTERPRETATION IN ACCORDANCE WITH GAAP. The parties acknowledge that several terms and concepts (such as various financial and accounting terms and concepts) used or referred to herein are intended to have specific meanings and are intended to be applied in specific ways, but they are not so expressly and fully defined and explained in this Agreement. In order to supplement definitions and other provisions contained in this Agreement and to provide a means for interpreting undefined terms and applying certain concepts, the parties agree that, except as expressly provided herein, when costs are to be determined or other financial calculations are to be made, GAAP as well as the party's past accounting practices shall be used to interpret and determine such terms and to apply such concepts. For example, when actual costs and expenses are referred to herein, they are not intended to contain any margin or profit for the party incurring such costs or expenses.

SECTION 11.3. CURRENCY. All amounts payable and calculations under this Agreement shall be in United States dollars. As applicable, Program Sales Revenue, Program Expenses, Cost of Goods Sold, Service Costs, and Program EBIT shall be translated into United States dollars at the rate of exchange at which United States dollars are listed in International Financial Statistics (publisher, International Monetary Fund) or if it is not available, The Wall Street

Journal for the currency of the country in which the sales were made or the transactions occurred at the average rate of exchange for the Quarter in which such sales were made or transactions occurred.

SECTION 11.4. MONSANTO OBLIGATIONS. All permits, licenses, and registrations needed for the sale of Roundup Products shall be obtained by Monsanto. Monsanto shall assume the cost of all federal and state registration fees related to the sale of Roundup Products, with such costs being included within Program Expenses.

SECTION 11.5. EXPENSES. Except as otherwise specifically provided in this Agreement, the Agent and Monsanto will each pay all costs and expenses incurred by each of them, or on their behalf respectively, in connection with this Agreement and the transactions contemplated hereby, including fees and expenses of their own financial consultants, accountants and counsel.

SECTION 11.6. ENTIRE AGREEMENT. This Agreement, together with all respective exhibits and schedules hereto, constitutes the entire agreement between the parties hereto pertaining to the subject matter hereof and supersedes all representations, warranties, understandings, terms or conditions on such subjects that are not set forth herein or therein. Agreements on other subjects, such as security and other credit agreements or arrangements, shall remain in effect according to their terms. The parties recognize that, from time to time, purchase orders, bills of lading, delivery instructions, invoices and similar documentation will be transmitted by each party to the other to facilitate the implementation of this Agreement. Any terms and conditions contained in any of those documents which are inconsistent with the terms of this Agreement shall be null, void and not enforceable. This Agreement is for the benefit of the parties hereto and is not intended to confer upon any other person any rights or remedies hereunder. The provisions of this Agreement shall apply to each division or subsidiary of the Agent and Monsanto and either the Agent or Monsanto may seek enforcement of the provisions of this Agreement on behalf of or with respect to a particular subsidiary or division without changing the rights and obligations of the parties under this Agreement as to other aspects of the Agent's or Monsanto's business.

SECTION 11.7. MODIFICATION AND WAIVER. No conditions, usage of trade, course of dealing or performance, understanding or agreement purporting to modify, vary, explain or supplement the terms or conditions of the Agreement and no amendment to or modification of this Agreement, and no waiver of any provision hereof, shall be effective unless it is in writing and signed by each party hereto. No waiver by either Monsanto or the Agent, with respect to any default or breach or of any right or remedy, and no course of dealing shall be deemed to constitute a continuing waiver of any other breach or default or of any other right or remedy, unless such waiver be expressed in writing signed by the party to be bound.

SECTION 11.8. ASSIGNMENT. This Agreement is personal to the Agent and, except as set forth in Section 2.3, the Agent shall not assign any rights or delegate any duties that the Agent has or may have under this Agreement, either voluntarily, involuntarily by operation of law or otherwise by sale, assignment, transfer, delegation or other arrangement having similar effect, without Monsanto's prior written consent except as specifically provided herein.

The Agent agrees to the assignment of the Agreement to the new legal entity that shall be formed as a result of the merger between Monsanto Company and American Home Products.

SECTION 11.9. NOTICES. All notices and other communications hereunder shall be in writing and shall be deemed given on the same business day if delivered personally or sent by telefax with confirmation of receipt, on the next business day if sent by overnight courier, or on the earlier of actual receipt as shown on the registered receipt or five business days after mailing if mailed by registered or certified mail (return receipt requested) to the parties at the addresses set forth below (or at such other address for a party as shall be specified by like notice):

If to the Agent, to:	The Scotts Company 14111 Scottslawn Road Marysville, OH 43041 Attn: President Telephone: (937) 644-0011 Facsimile No.: (937) 644-7136
with a copy to:	Vorys, Sater, Seymour and Pease LLP 52 East Gay Street Columbus, Ohio 43215 Attn: Ronald A. Robins, Jr. Telephone: (614) 464-6223 Facsimile: (614) 464-6350
If to Monsanto, to:	Monsanto Company 800 North Lindbergh Boulevard St. Louis, MO 63167 Attn: Monsanto Ag President Telephone: (314) 694-1000 Facsimile No.: (314) 694-2120
with a copy to:	Monsanto Company 800 North Lindbergh Boulevard St. Louis, Missouri 63167 Attn: Ag Counsel Telephone: (314)694-2851 Facsimile No.: (314) 694-2920

If any notice required or permitted hereunder is to be given a fixed amount of time before a specified event, such notice may be given any time before such fixed amount of time (e.g., a notice to be given 30 days prior to an event may be given at any time longer than 30 days prior to such event).

SECTION 11.10. SEVERABILITY. If any provision of this Agreement is determined to be invalid or unenforceable, in whole or in part, under a judgment, Law or statute now or hereafter in effect, the remainder of this Agreement shall not thereby be impaired or affected.

SECTION 11.11. EQUAL OPPORTUNITY. To the extent applicable to this Agreement, Monsanto and the Agent shall each comply with the following clauses contained in the Code of Federal Regulations and incorporated herein by reference: 48 C.F.R. Section 52.203-6 (Subcontractor Sales to Government); 48 C.F.R. Section 52.219-8, 52.219-9 (Utilization of Small and Small Disadvantaged Business Concerns); 48 C.F.R. Section 52.219-13 (Utilization of Women-Owned Business Concerns); 48 C.F.R. Section 52.222-26 (Equal Opportunity); 48 C.F.R. Section 52.222-35 (Disabled and Vietnam Era Veterans); 48 C.F.R. Section 52.222-36 (Handicapped Workers); 48 C.F.R. Section 52.223-2 (Clean Air and Water); and 48 C.F.R. Section 52.223-3 (Hazardous Material Identification and Material Safety Data). Unless previously provided, if the value of this Agreement exceeds $10,000, the Agent shall provide a Certificate of Nonsegregated Facilities to Monsanto. Furthermore, Monsanto and the Agent shall each comply with the Immigration Reform and Control Act of 1986 and all rules and regulations issued thereunder. Each party hereby certifies, agrees and covenants that none of its employees or employees of its subcontractors who perform work under this Agreement is or shall be unauthorized aliens as defined in the Immigration Reform and Control Act of 1986, and each party shall defend, indemnify and hold the other party harmless from any and all liability incurred by or sought to be imposed on the other party as a result of the first party's failure to comply with the certification, agreement and covenant made by such party in this Section.

SECTION 11.12. GOVERNING LAW.

(a) The validity, interpretation and performance of this Agreement and any dispute connected with this Agreement will be governed by and determined in accordance with the statutory, regulatory and decisional law of the State of Delaware (exclusive of such state's choice of laws or conflicts of laws rules) and, to the extent applicable, the federal statutory, regulatory and decisional law of the United States.

(b) Any suit, action or proceeding against any party hereto with respect to the subject matter of this Agreement, or any judgment entered by any court in respect thereof, must be brought or entered in the United States District Court for the District of Delaware, and each such party hereby irrevocably submits to the jurisdiction of such court for the purpose of any such suit, action, proceeding or judgment. If such court does not have jurisdiction over the subject matter of such proceeding or, if such jurisdiction is not available, then such action or proceeding against any party hereto shall be brought or entered in the Court of Chancery of the State of Delaware, County of New Castle, and each party hereby irrevocably submits to the jurisdiction of such court for the purpose of any such suit, action, proceeding or judgment. Each party hereto hereby irrevocably waives any objection which either of them may now or hereafter

have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement brought as provided in this subsection, and hereby further irrevocably waives any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. To the extent each party hereto has or hereafter may acquire any immunity from jurisdiction of any court or from legal process with respect to itself or its property, each party hereto hereby irrevocably waives such immunity with respect to its obligations under this subsection. Except as otherwise provided herein, the parties hereto agree that exclusive jurisdiction of all disputes, suits, actions or proceedings between the parties hereto with respect to the subject matter of this Agreement lies in the United States District Court for Delaware, or the Court of Chancery of the State of Delaware, County of new Castle, as hereinabove provided. The Agent hereby irrevocably appoints CT Corporation, having an address at 1209 Orange Street, Wilmington, Delaware 19801 and Monsanto hereby irrevocably appoints CT Corporation, having an address at 1209 Orange Street, Wilmington, Delaware 19801, as its agent to receive on behalf of each such party and its respective properties, service of copies of any summons and complaint and any other pleadings which may be served in any such action or proceedings. Service by mailing (by certified mail, return receipt requested) or delivering a copy of such process to a party in care of its agent for service of process as aforesaid shall be deemed good and sufficient service thereof, and each party hereby irrevocably authorizes and directs its respective agent for service of process to accept such service on its behalf.

SECTION 11.13. PUBLIC ANNOUNCEMENTS. No public announcement may be made by any person with regard to the transactions contemplated by this Agreement without the prior consent of the Agent and Monsanto, provided that either party may make such disclosure if advised by counsel that it is required to do so by applicable law or regulation of any governmental agency or stock exchange upon which securities of such party are registered. The Agent and Monsanto will discuss any public announcements or disclosures concerning the transactions contemplated by this Agreement with the other parties prior to making such announcements or disclosures.

SECTION 11.14. COUNTERPARTS. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which taken together shall be constitute one and the same agreement.

[signature page to follow]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized representatives as of the day and year first above mentioned.

THE MONSANTO COMPANY

By: /s/ ARNOLD W. DONALD

Name: Arnold W. Donald
Title: Senior Vice-President

THE SCOTTS COMPANY

By: /s/ JAMES HAGEDORN

Name: James Hagedorn
Title: Executive Vice President,
U.S. Business Groups

LIST OF EXHIBITS TO AMENDED AND RESTATED EXCLUSIVE AGENCY AND MARKETING AGREEMENT

Dated as of September 30, 1998
Between Monsanto Company and The Scotts Company

Exhibit A:	Central Agreements
Exhibit B:	Termination Notice Regarding Central Agreements
Exhibit C:	Letter Agreement Regarding Plastid Transformation Technology and Associated Genes
Exhibit D:	Permitted Products

LIST OF SCHEDULES

Schedule 1.1(a):	Included Markets
Schedule 1.1(b):	Roundup Products
Schedule 2.2(a)(ii):	Transition Services (to be provided)
Schedule 2.2(a):	Annual Business Plan Format
Schedule 3.1:	Services Outside North America (to be provided)
Schedule 3.2(d):	Cash Flow Chart
Schedule 3.3(c):	Income Statement Definitions and Allocation Methods
Schedule 3.8:	Current Sales of 2.5 Gallon SKU into the Lawn & Garden Channels
Schedule 4.1(a):	Management Structure
Schedule 4.2(a):	Steering Committee
Schedule 4.3(b):	Assigned Employees
Schedule 4.4(a):	Global Support Team

The Schedules, Exhibits and Channels to the Amended and Restated Exclusive Agency and Marketing Agreement have not been filed. Titles to the omitted Schedules, Exhibits and Channels appear above. The Registrant hereby agrees to furnish supplementally a copy of any omitted Schedule or Exhibit to the Securities and Exchange Commission upon its request.

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEET AND CONSOLIDATED STATEMENT OF OPERATIONS OF THE SCOTTS COMPANY AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE FORM 10Q FOR THE QUARTER ENDED APRIL 3, 1999.

U.S. DOLLARS

OTHER	
SEP-30-1999	
JAN-03-1999	
APR-03-1999	
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18,900,000	
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602,700,000	
(13,100,000)	
334,600,000	
1,018,000,000	
391,100,000	
(150,300,000)	
2,116,200,000	
612,900,000	
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177,300,000	
200,000	
254,200,000	
2,116,200,000	
631,500,000	
644,100,000	
362,600,000	
526,400,000	
400,000	
4,300,000	
24,600,000	
92,700,000	
38,000,000	
54,700,000	
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5,400,000	
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49,300,000	
2.56	
1.63	