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

FORM 10-K

(Mark One)

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

For the fiscal year ended September 30, 2005

OR

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

For the transition period from ________________ to ________________

Commission file number 1-13292

The Scotts Miracle-Gro Company
(Exact name of Registrant as Specified in Its Charter)

Ohio	**31-1414921**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
14111 Scottslawn Road, Marysville, Ohio	**43041**
(Address of Principal Executive Offices)	(Zip Code)

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

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

Title of Each Class	Name of Each Exchange On Which Registered
Common Shares, without par value	New York Stock Exchange

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes X No ___.

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ( )

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

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

The aggregate market value of Common Shares (the only common equity of the registrant) held by non-affiliates of the registrant computed by reference to the price at which Common Shares were last sold as of the last business day of the registrant's most recently completed second fiscal quarter (April 2, 2005) was approximately $1,565,288,000

The number of Common Shares of the registrant outstanding as of December 1, 2005 was 68,004,962.

DOCUMENT INCORPORATED BY REFERENCE:

Portions of the definitive Proxy Statement for Registrant's 2006 Annual Meeting of Shareholders to be held January 26, 2006, are incorporated by reference into Part III hereof.

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PART I

ITEM 1. BUSINESS

General

The Scotts Miracle-Gro Company, an Ohio corporation ("Scotts Miracle-Gro" and, together with its subsidiaries, the "Company"), is the combination of two of the most innovative companies in the consumer lawn and garden market: O.M. Scott & Sons, which traces its heritage back to a company founded by O.M. Scott in Marysville, Ohio in 1868, and Stern's Miracle-Gro Products, Inc., which traces its history back to a company formed on Long Island by Horace Hagedorn and his partner in 1951. Today, we believe the Scotts®, Turf Builder®, Miracle-Gro®, Ortho® and Smith & Hawken® brands are among the most widely recognized brands in the U.S. consumer lawn and garden and outdoor living categories. We are also Monsanto's exclusive agent for the marketing and distribution of consumer Roundup®* non-selective herbicide products within the United States and other contractually specified countries.

In fiscal 1995, through a merger transaction, The Scotts Company and Miracle-Gro became one of several consolidations of other leading brands in the lawn and garden industry in North America and Europe. In the late 1990's, we completed several acquisitions in Europe, which gave us well-known brands in France, Germany and the United Kingdom. In fiscal 1999, we acquired the Ortho® brand and exclusive rights to market the consumer Roundup® brand, thereby adding industry-leading pesticides to our controls portfolio. We have also rapidly expanded into the lawn care service industry with the launch of Scotts LawnService® in fiscal 1997, and have made approximately 50 acquisitions of local and regional lawn care businesses to provide a platform for our rapid expansion throughout the U.S. In October 2004, we entered the fast growing outdoor living category through the acquisition of Smith & Hawken®.

We believe that our market leadership in the lawn and garden category is driven by our widely-recognized brands, consumer-focused marketing, superior product performance, supply chain excellence, highly knowledgeable field sales and merchandising organization, and the strength of our relationships with major retailers in our product categories.

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

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

Competitive Strengths

We believe we are the world's largest marketer of branded consumer lawn and garden fertilizers, control products and value-added growing media products. We have been able to achieve our market

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

leading position through the combination of strategic acquisitions and organic growth by driving category expansion and capturing increased market share with product innovation and award-winning advertising campaigns. Our portfolio of consumer brands in North America includes the following:

Category	Brands
Lawns	Scotts®; Turf Builder®
Gardens	Miracle-Gro®; Osmocote®
Growing Media	Miracle-Gro®; Scotts®; Hyponex®; Earthgro®; SuperSoil® (acquired October 3, 2005)
Grass Seed	Scotts®; Turf Builder®
Controls	Ortho®; Roundup®
Outdoor Living	Smith & Hawken® (acquired October 2, 2004)
Wild Bird Food	Morning Song® (acquired November 18, 2005)

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

Business Segments

In fiscal 2005, we divided our business into the following reportable segments:

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

These reportable segments are consistent with how the segments report to and are managed by our senior management. Financial information about these segments for the three years ended September 30, 2005 is presented in Note 21 of the Notes to Consolidated Financial Statements.

North America

In our North America segment, we manufacture and market products that provide fast, easy and effective assistance to homeowners who seek to nurture beautiful, weed- and pest-free lawns, gardens and indoor plants. These products are sold under brand names that people know and trust, and that incorporate many of the best technologies available. In addition, we manufacture and market a broad line of professional products designed to meet the specific needs of commercial nurseries, greenhouses and specialty crop growers in North America. Our products include:

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

Plant Foods We sell a complete line of plant foods under the Miracle-Gro® brand name. The leading product is a water-soluble plant food that, when dissolved in water, creates a diluted nutrient solution which is poured over plants or sprayed through an applicator and is rapidly absorbed by a plant's roots and leaves. Miracle-Gro® products are specially formulated to give different kinds of plants the right kind of nutrition. The Miracle-Gro® Garden Feeder provides consumers with an easy, fast and effective way to feed all the plants in their garden. We also have a high-quality, slow-release line of Miracle-Gro® plant

foods for extended feeding convenience sold as Miracle-Gro® Shake ’N Feed® Continuous Release Plant Food.

Growing Media We sell a complete line of growing media products for indoor and outdoor uses under the Miracle-Gro®, Scotts®, Hyponex®, Earthgro® and Nature Scapes® brand names, as well as other labels. These products include potting mix, garden soils, topsoil, manures, sphagnum peat and decorative barks and mulches. The addition of the Miracle-Gro® brand name and fertilizer to potting mix and garden soils has turned previously low-margin commodity products into value-added category leaders. Effective October 3, 2005, we acquired SuperSoil® and related strong West Coast brands via the acquisition of Rod McLellan Company (RMC).

Controls We sell a broad line of weed control, indoor and outdoor pest control and plant disease control products under the Ortho® brand name. Ortho® products are available in aerosol, liquid ready-to-use, concentrated, granular and dust forms. Ortho® control products include Weed-B-Gon®, Weed-B-Gon Max™, Bug B Gon® Max™, Home Defense® Max™, Ortho® Season-Long Grass & Weed Killer, Brush-B-Gon®, RosePride®, Ortho-Klor® and Orthene® Fire Ant Killer.

In fiscal 1999, we entered into a long-term marketing agreement with Monsanto and became Monsanto’s exclusive agent for the marketing and distribution of consumer Roundup® non-selective herbicide products in the consumer lawn and garden market within the United States and other specified countries, including Australia, Austria, Canada, France, Germany, Belgium, Holland and the United Kingdom.

Other Consumer Products We manufacture and market several lines of high-quality lawn spreaders under the Scotts® brand name — EdgeGuard® Total Performance spreaders, SpeedyGreen® rotary spreaders, AccuGreen® drop spreaders and Handy Green® II handheld spreaders. We sell a line of hose-end applicators for water-soluble plant foods such as Miracle-Gro® products, a line of pottery products, and lines of applicators under the Ortho®, Dial ’N Spray®, and Pull ’N Spray® trademarks for the diluted application of control products sold in the concentrated form. We also sell numerous varieties and blends of high-quality grass seed, many of them proprietary, designed for different conditions and geographies. These consumer grass seed products are sold under the Scotts® Pure Premium®, Scotts® Turf Builder®, Scotts® and PatchMaster® brands.

Wild Bird Food Effective November 18, 2005, the Company acquired Gutwein & Co., Inc. (“Gutwein”). Through its Morning Song® brand, Gutwein is a leader in the growing United States wild bird food category, generating approximately $80.0 million in annual revenues. Morning Song® products are sold at leading mass retailers, grocery, pet and general merchandise stores.

North American Professional We sell professional products to commercial nurseries, greenhouses and specialty crop growers in North America, the Caribbean and throughout Latin America, the Far East, New Zealand and Japan. Our professional products include a broad line of sophisticated controlled-release fertilizers, water-soluble fertilizers, pesticide products and wetting agents which are sold under brand names that include Banrot®, Miracle-Gro®, Osmocote®, Peters®, Poly-S®, Rout®, ScottKote®, Sierrablen®, Shamrock® and Sierra®.

Canada We believe we are the leading marketer of branded consumer lawn and garden products in the Canadian market. We sell a full range of lawn and garden fertilizer, control products, grass seed, spreaders, and value-added growing media products under the Scotts®, Turf Builder®, Miracle Gro®, Killex®, and Roundup® brands.

Scotts LawnService®

We provide residential lawn care, lawn aeration, tree and shrub care and external pest control services through our Scotts LawnService® business in the United States. These services consist primarily of fertilizer, weed control, pest control and disease control applications. As of September 30, 2005, Scotts LawnService® had 77 company-operated locations serving 38 metropolitan markets and 76 independent franchises primarily operating in secondary markets.

International

In our International segment, we sell consumer lawn and garden products in over 25 countries outside of North America. We also sell a broad line of professional products throughout Europe to commercial nurseries, greenhouses and specialty retailers.

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

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

Corporate & Other

Smith & Hawken® Effective October 2, 2004, we acquired Smith & Hawken®, a leading brand in the fast growing outdoor living and gardening lifestyle category. Smith & Hawken® products, which include high-end outdoor furniture, pottery, garden tools, gardening containers and live goods, are sold in the United States through its 57 retail stores, as well as through catalog and Internet sales. For further details concerning the acquisition of this business, please refer to Note 5 of the Notes to Consolidated Financial Statements.

Research and Development

We believe strongly in the benefits of research and development, and we continually invest in research and development to improve existing or develop new products, manufacturing processes and packaging and delivery systems. Our spending on research and development was $30.5 million, $34.4 million and $30.4 million in fiscal 2005, fiscal 2004, and fiscal 2003, respectively. We believe that our long-standing commitment to innovation has benefited us, as evidenced by a portfolio of patents worldwide that support many of our fertilizers, grass seeds and application devices. In addition to the benefits of our own research and development, we benefit from the research and development activities of our suppliers.

Our research and development worldwide headquarters is located at the Dwight G. Scott Research Center in Marysville, Ohio. We also have research and development facilities in Levington, the United Kingdom; Chazay, France; Heerlen, the Netherlands and Sydney, Australia, as well as several research field stations located throughout the United States.

Biotechnology

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

We have a long history of dedication to responsible research in search of more effective and easier-to-use products that are preferred by consumers and are better for the environment. In particular, we have worked for over 75 years to create better products for the establishment and maintenance of turfgrass. Plant breeding has been a part of that research and development for the past 50 years. We remain dedicated to being the technology leader in turfgrass products. Today, that dedication results in research into products that can be enhanced, not only with traditional plant breeding, but also with proven agricultural biotechnology. This research offers the long-term promise of grasses that require less maintenance, less water, and are even better for the environment.

Before products enhanced with biotechnology may be sold in the United States, it must be “deregulated” by appropriate governmental agencies. Deregulation involves compliance with the rules and regulations of, and cooperation with, the United States Department of Agriculture, Animal and Plant Health Inspection Service (the “USDA”), the United States Environmental Protection Agency (the “U.S. EPA”) and/or the Food and Drug Administration (the “FDA”). As part of the deregulation process for any product

enhanced with biotechnology, we are required to present evidence to the USDA in the form of scientifically rigorous studies showing that the product poses no additional toxicological or ecological risk than products of the same species that have not been enhanced with biotechnology. We are also required to satisfy other agencies, such as the U.S. EPA and the FDA, as to their appropriate areas of regulatory authority. This process typically takes years to complete and also includes at least two opportunities for public comment. Therefore, any enhanced product for which we seek commercialization through submission of a petition for deregulation will be subjected to rigorous and thorough governmental regulatory review.

We submitted a petition for deregulation of a non-residential turfgrass product enhanced with biotechnology to the USDA on April 30, 2002. This turfgrass has been shown, through our research trials, to provide simple, more flexible and better weed control for golf courses in a manner we believe is more environmentally friendly. The USDA requested additional information and data. We determined it was more expedient to withdraw the petition and submit a revised petition that addressed the USDA's requests than to amend the current petition. On October 3, 2002, we withdrew our petition. We prepared a revised petition that we believe addresses the USDA's requests and submitted it on April 14, 2003. The USDA has a variety of options in adjudicating a petition to "deregulate" a biotechnology-derived plant product. The USDA has decided to employ the formal Environmental Impact Statement ("EIS") process to judge the acceptability of our petition for deregulation. We welcome this process as the most thorough evaluative step available to the USDA.

We believe there is a substantial market for turfgrass products enhanced with biotechnology, and our product, if approved, can capture a significant portion of this market. However, there can be no assurance our petition for deregulation of this product will be approved, or if approved and commercially introduced, this product will generate any revenues or contribute to our earnings.

Trademarks, Patents and Licenses

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

As of September 30, 2005, we held 99 issued patents in the United States covering fertilizer, chemical and growing media compositions and processes; grass varieties; and applicator and sprayer devices. Many of these have similar patents which have also been issued internationally, bringing our total worldwide patent portfolio to 446. United States and International patents provide patent protection generally extending to 20 years from the date of filing, subject to the payment of applicable governmental maintenance and annuity fees. Accordingly, many of our patents will extend well into the next decade.

In addition, we continue to file new patent applications each year. Currently, we have 145 pending patent applications, worldwide, including 12 applications that have been allowed for issuance of patents. We also hold exclusive and non-exclusive patent licenses from various raw material suppliers, permitting the use and sale of additional patented fertilizers and pesticides.

During fiscal 2005, we were granted 22 United States and foreign national patents. Representative of the patent coverage provided by these new patents are coated fertilizers that are specifically formulated to act as starter fertilizers for new plantings; coated fertilizers having coatings that can be triggered to begin nutrient release at specific times; and growing media prepared from surfactants mixed with coir material to provide controlled-nutrient-release characteristics. Internationally, we continue to extend patent coverage of our core fertilizer technologies including controlled-release and water-soluble products and the like. We also are extending protection of our developments in regard to aquaculture, growing media, applicator and sprayer technologies to additional countries within our Canadian, European and Asia/ Pacific markets. Significant accomplishments are the extension of our coir/peat international patent coverage, our "Grasshopper" applicator products within the European markets, our "Pull 'N Spray" sprayer in New Zealand and additional coverage of our Ortho applicator technology in both Canada and Japan.

Three United States patents expired in fiscal 2005. The first patent covered the Accu Pro 2000 Rotary Spreader and the SR 2000 Rotary Spreader. The second patent covered a combination fertilizer/growth regulator composition and process for treating turf. The third patent was an expansion of the second

patent and covered the treatment of all vegetation with the combination fertilizer composition. The loss of these patents is not expected to materially affect our business. We have one patent currently being opposed by a third party in Europe. In regard to this opposed patent, the European Patent Office (the “EPO”) in calendar year 2004 rendered a favorable decision. However, the opposing party has appealed that decision. A ruling on the appeal is not expected until calendar year 2006. An unfavorable ruling by the EPO in the appeal could materially affect our indoor pest control market share in Germany.

Roundup® Marketing Agreement

Under the terms of the marketing agreement with Monsanto, we are Monsanto’s exclusive agent for the marketing and distribution of consumer Roundup® products (with additional rights to new products containing glyphosate or other similar non-selective herbicides) in the consumer lawn and garden market within the United States and other specified countries, including Australia, Austria, Canada, France, Germany and the United Kingdom.

Under the marketing agreement, we and Monsanto are jointly responsible for developing global consumer and trade marketing programs for consumer Roundup®. We have assumed responsibility for sales support, merchandising, distribution and logistics for Roundup®. Monsanto continues to own the consumer Roundup® business and provides significant oversight of its brand. In addition, Monsanto continues to own and operate the agricultural Roundup® business.

We are compensated under the marketing agreement based on the success of the consumer Roundup® business in the markets covered by the agreement. We receive a graduated commission to the extent that the earnings before interest and taxes of the consumer Roundup® business in the included markets exceeds specified thresholds. Regardless of these earnings, we are required to make an annual contribution payment against the overall expenses of the Roundup® business. In fiscal 2005, the contribution payment as required by the agreement was $23.8 million. For fiscal 2006, and until 2018 or the earlier termination of the agreement, the minimum annual contribution payment will be $20 million.

The gross commission earned under the marketing agreement, the contribution payments to Monsanto and the amortization of the initial marketing fee paid to Monsanto are included in net sales in the Company’s Statements of Operations. For fiscal 2005 and fiscal 2004, the net amount earned under the marketing agreement was an expense of $5.3 million (including a $45.7 million charge for contribution payments previously deferred under the marketing agreement), and income of $28.5 million, respectively. For further details, see Note 3 of the Notes to Consolidated Financial Statements.

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

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

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

If Monsanto terminates the marketing agreement upon a change of control of Monsanto or the sale of the consumer Roundup® business prior to September 30, 2008, we will be entitled to a termination fee in excess of $100 million. If we terminate the agreement upon an uncured material breach, material fraud or

material willful misconduct by Monsanto, we will be entitled to receive a termination fee in excess of $100 million if the termination occurs prior to September 30, 2008. The termination fee declines over time from in excess of $100 million to a minimum of $16 million for terminations between September 30, 2008 and September 30, 2018.

Monsanto has agreed to provide us with notice of any proposed sale of the consumer Roundup® business, allow us to participate in the sale process and negotiate in good faith with us with respect to a sale. In the event we acquire the consumer Roundup® business in such a sale, we would receive credit against the purchase price in the amount of the termination fee that would otherwise have been paid to us upon termination by Monsanto of the marketing agreement upon the sale. If Monsanto decides to sell the consumer Roundup® business to another party, we must let Monsanto know whether we intend to terminate the marketing agreement and forfeit any right to a termination fee or whether we will agree to continue to perform under the agreement on behalf of the purchaser, unless and until the purchaser terminates our services and pays any applicable termination fee.

Competition

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

In the North American consumer do-it-yourself lawn and garden markets and pest control markets, we compete primarily against “control label” products as well as branded products. “Control label” products are those sold under a retailer-owned label or a supplier-owned label, which are sold exclusively at a specific retail chain. The control label products that we compete with include Vigoro® products sold at Home Depot, Sta-Green® products sold at Lowe’s, and KGro® products sold at Kmart. Our competitors in branded lawn and garden products and the consumer pest control markets include Spectrum Brands, Bayer AG, Central Garden & Pet Company, Garden Tech, Enforcer Products, Inc., Green Light Company and Lebanon Chemical Corp.

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

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

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

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

The International professional horticulture markets in which we compete are also very competitive, particularly the markets for controlled-release and water-soluble fertilizer products. We have numerous U.S. and European competitors in these international markets, including Pursell Industries, Inc., Compo GmbH, a subsidiary of Kali & Salz, Norsk Hydro ASA, Haifa Chemicals Ltd. and Kemira Oyj.

Significant Customers

Approximately 70% of our worldwide net sales in fiscal 2005 were made by our North America segment. Within the North America segment, approximately 33% of our net sales in fiscal 2005 were made to Home Depot, 17% to Wal*Mart and 14% to Lowe’s. We face strong competition for the business of these

significant customers. The loss of any of these customers or a substantial decrease in the volume or profitability of our business with any of these customers could have a material adverse effect on our earnings and profits.

Strategic Initiatives

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

Profit and Marketing Improvement Plan

In fiscal 2005, we initiated a plan to significantly strengthen the Company. Over the course of the next two years, we expect to reduce purchasing and selling, general and administrative costs by reducing headcount and implementing better business processes. Savings generated by these initiatives will be shared between improving operating profits and supporting our brand with increased marketing and innovation. In addition, to our base earnings growth of 10 to 12 percent, we anticipate that fiscal 2006 annual pre-tax earnings will increase by $25 to $30 million as a result of savings associated with this initiative. An additional $25 to $30 million of savings will be re-invested in fiscal 2006 behind our brands to strengthen the relationships with our consumers and retail partners.

Exploiting New Lawn & Garden Opportunities

We believe that the power of our brands provides us with significant opportunities to expand our business into adjacent lawn and garden categories. In October 2004, we acquired Smith & Hawken®, a leading brand in the fast growing outdoor living and gardening lifestyle category. The addition of the Smith & Hawken® brand and its network of retail stores, catalog and Internet sales will be the foundation for our future expansion into "outdoor living" categories. In November 2005, we acquired Gutwein whose Morning Song® brand is a leader in the wild bird food category. This is the Company's entrance into this attractive and growing category.

Strengthen our International Business

We have explored the strategic options for our international business and determined that the best option for maximizing shareholder value is to sharpen our focus for the business by: (i) improving our competitive position; (ii) reducing costs in the business to improve profitability and to allow for marketing investments; and (iii) realigning the organization to better leverage our knowledge of the marketplace and the consumer. We plan to achieve these goals through a variety of initiatives, including reducing the complexity of the business and the product portfolio, improving supply chain efficiency and effectiveness, and aggressively pursuing new business opportunities.

Expanding Scotts LawnService®

The number of lawn owners who want to maintain their lawns and gardens but do not want to do it themselves represents a significant portion of the total market. We recognize that our portfolio of well-known brands provides us with a unique ability to extend our business into lawn and garden services and the strength of our brands provides us with a significant competitive advantage in acquiring new customers. We have spent the past several years developing our Scotts LawnService® business model. The business has grown significantly from revenues of $42 million in fiscal 2001 to revenues of $159.8 million in fiscal 2005. This growth has come from geographic expansion, acquisitions and organic growth fueled by our highly effective direct marketing programs. We invested $6.4 million in lawn service acquisitions in fiscal 2005. We anticipate continuing to make selective acquisitions in fiscal 2006 and beyond. Significant investments will continue to be made in the Scotts LawnService® business infrastructure in order to continually improve our customer service throughout the organization and leverage scale economies as we continue to grow.

Seasonality and Backlog

Our business is highly seasonal with approximately 73% of our net sales occurring in our combined second and third quarters of both fiscal 2005 and fiscal 2004.

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

Raw Materials

We purchase raw materials for our products from various sources that we presently consider to be adequate, and no one source is considered essential to any of our segments or to our business as a whole. We are subject to market risk from fluctuating market prices of certain raw materials, including urea and other chemicals as well as paper and plastic products. Our objectives surrounding the procurement of these materials are to ensure continuous supply and to minimize costs. We seek to achieve these objectives through negotiation of contracts with favorable terms directly with vendors. In general, we do not enter into forward contracts or other market instruments as a means of minimizing our risk exposures on these materials but, when appropriate, we will procure a certain percentage of our needs in advance of the season to secure pre-determined prices. Occasionally, we do hedge certain commodities to ensure seasonal material supplies and control costs.

Manufacturing and Distribution

We manufacture products for our North American consumer business at our facilities in Marysville, Ohio; Ft. Madison, Iowa and Temecula, California, as well as use a number of third party contract packers in the United States and Canada. In addition, the Company manufactures growing media products in 26 regional facilities located throughout North America. The primary distribution centers for our North American consumer business are managed by the Company and strategically placed across the United States.

We also manufacture horticultural products for our North America and International professional businesses at a leased fertilizer manufacturing facility in Charleston, South Carolina and a Company-owned site in Heerlen, the Netherlands. Certain products are also produced for our professional businesses at other Company-owned facilities and subcontractors in the United States and Europe. The majority of shipments to customers are made via common carriers or through distributors in the United States and a network of public warehouses and distributors in Europe.

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

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

Employees

As of September 30, 2005, we employed 4,289 full-time employees in the United States and an additional 1,002 full-time employees located outside the United States. During peak sales and production periods, we utilize seasonal and temporary labor.

None of our U.S. employees are members of a union. Approximately 45 of our full-time U.K. employees are members of the Transport and General Workers Union and have full collective bargaining rights. An undisclosed number of our full-time employees at our office in Ecully, France are members of the Confederation Francaise Democratique du Travail and Confederation Generale du Travail, participation in which is confidential under French law. In addition, a number of union and non-union full-time employees are members of works councils at three sites in Bourth, Hautmont and Ecully, France, and a

number of non-union employees are members of works councils in Ingelheim, Germany. In the Waardenburg office in the Netherlands, a small number of the approximately 130 employees are members of a workers union, but we are not responsible for collective bargaining negotiations with this union. In the Netherlands, we are governed by the Works Councils Act with respect to the union. Works councils represent employees on labor, employment matters and manage social benefits.

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

Environmental and Regulatory Considerations

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

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

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

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

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

Nature. We believe we have sufficient raw material supplies available to replace the peat extracted from such sites.

Regulatory Actions

In 1997, the Ohio Environmental Protection Agency (the “Ohio EPA”) initiated an enforcement action against us with respect to alleged surface water violations and inadequate treatment capabilities at our Marysville, Ohio facility and seeking corrective action under the federal Resource Conservation and Recovery Act. The action relates to several discontinued on-site disposal areas, which date back to the early operations of the Marysville facility that we had already been assessing and, in some cases, remediating, on a voluntary basis. We are remediating the Marysville site under the terms of a consent order under the oversight of the Ohio EPA.

We are negotiating with the Philadelphia District of the U.S. Army Corps of Engineers regarding the terms of site remediation and the resolution of the Corps’ civil penalty demand in connection with our prior peat harvesting operations at our Lafayette, New Jersey facility.

At September 30, 2005, $3.3 million was accrued for the environmental and regulatory matters described herein, the majority of which is for site remediation. Most of the costs accrued as of September 30, 2005 are expected to be paid through fiscal 2007; however, payments could be made for a period thereafter.

We believe the amounts accrued as of September 30, 2005 are adequate to cover our known environmental exposures based on current facts and estimates of likely outcome. However, the adequacy of these accruals is based on several significant assumptions, including the following:

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

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

During fiscal 2005, fiscal 2004, and fiscal 2003, we expensed approximately $3.7 million, $3.3 million, and $1.5 million for environmental matters. There were no material capital expenditures in fiscal 2005, fiscal 2004 or fiscal 2003 related to environmental or regulatory matters.

Financial Information About Geographic Areas

For certain information concerning our international revenues and long-lived assets, see “ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS” and Note 21 of the Notes to Consolidated Financial Statements.

ITEM 1A. RISK FACTORS

Cautionary Statement on Forward-Looking Statements

We have made and will make “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 in our 2005 Annual Report, in this Annual Report on Form 10-K and in other contexts relating to future growth and profitability targets and strategies designed to increase total shareholder value. Forward-looking statements also include, but are not limited to, information regarding our future economic and financial condition, the plans and objectives of our management and our assumptions regarding our performance and these plans and objectives.

The Private Securities Litigation Reform Act of 1995 provides a “safe harbor” for forward-looking statements to encourage companies to provide prospective information, so long as those statements are

identified as forward-looking and are accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those discussed in the forward-looking statements. We desire to take advantage of the “safe harbor” provisions of that Act.

Some forward-looking statements that we make in our 2005 Annual Report, in this Annual Report on Form 10-K and in other contexts represent challenging goals for our company, and the achievement of these goals is subject to a variety of risks and assumptions and numerous factors beyond our control. Important factors that could cause actual results to differ materially from the forward-looking statements we make are described below. All forward-looking statements attributable to us or persons working on our behalf are expressly qualified in their entirety by the following cautionary statements.

Products

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

Weather and Seasonality

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

Competition

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

Customer Concentration

North America segment net sales represented approximately 70% of our worldwide net sales in fiscal 2005. Our top three North American retail customers together accounted for 64% of our North America segment fiscal 2005 net sales and 80% of our outstanding accounts receivable as of September 30, 2005. Home Depot, Wal*Mart and Lowe’s represented approximately 33%, 17% and 14%, respectively, of our fiscal 2005 North America net sales. The loss of, or reduction in orders from, Home Depot, Wal*Mart, Lowe’s or any other significant customer could have a material adverse effect on our business and our financial results, as could customer disputes regarding shipments, fees, merchandise condition or related matters. Our inability to collect accounts receivable from any of these customers could also have a material adverse affect on our financial condition and results of operations.

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

Significant Agreement

If we were to commit a serious default under the marketing agreement with Monsanto for consumer Roundup® products, Monsanto may have the right to terminate the agreement. If Monsanto were to terminate the marketing agreement for cause, we would not be entitled to any termination fee, and we would lose all, or a significant portion, of the significant source of earnings and overhead expense absorption the marketing agreement provides. Monsanto may also be able to terminate the marketing agreement within a given region, including North America, without paying us a termination fee if sales to consumers in that region decline: (1) over a cumulative three fiscal year period; or (2) by more than 5% for each of two consecutive years.

Debt

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

- make it more difficult for us to satisfy our obligations under outstanding indebtedness and otherwise;
- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of cash flows from operating activities to payments on our indebtedness, which would reduce the cash flows available to fund working capital, capital expenditures, advertising, research and development efforts and other general corporate requirements;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- place us at a competitive disadvantage compared to our competitors that have less debt;
- limit our ability to borrow additional funds; and
- expose us to risks inherent in interest rate fluctuations because some of our borrowings are at variable rates of interest, which could result in higher interest expense in the event of increases in interest rates.

Our ability to make payments on and to refinance our indebtedness and to fund planned capital expenditures, acquisitions, dividends and the planned five-year stock repurchase plan will depend on our ability to generate cash in the future. This, to some extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

We cannot provide assurance that our business will generate sufficient cash flow from operating activities or that future borrowings will be available to us under our credit facility in amounts sufficient to enable us to pay our indebtedness or to fund our other liquidity needs. We may need to refinance all or a portion of our indebtedness, on or before maturity. We cannot assure you that we would be able to refinance any of our indebtedness on commercially reasonable terms or at all.

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

Equity Ownership Concentration

Hagedorn Partnership, L.P. beneficially owned approximately 31% of our outstanding common shares as of December 1, 2005, and has sufficient voting power to significantly influence the election of directors and the approval of other actions requiring the approval of our shareholders.

Regulatory and Environmental

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

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

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

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

In addition to the regulations already described, local, state, federal and foreign agencies regulate the disposal, handling and storage of waste, air and water discharges from our facilities.

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

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

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

European Economic Conditions and Foreign Currency Exposures

We currently operate manufacturing, sales and service facilities outside of North America, particularly in the United Kingdom, Germany, France and the Netherlands. In fiscal 2005, International net sales accounted for approximately 18% of our total net sales. Accordingly, we are subject to risks associated with operations in foreign countries, including:

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

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

Restructuring Activities

In June 2005, we commenced a long-term strategic improvement plan, focused on improving organizational effectiveness, implementing better business processes and reducing Selling, General and Administrative (“S,G&A”) expenses. This reorganization places significant pressure on many S,G&A functions to reduce headcount and streamline activities. While management believes these efforts will ultimately generate even stronger financial results, there can be no assurance that the plan will achieve all of its expected savings and that unanticipated difficulties may be encountered in executing the plan.

Cost Pressures

Our ability to manage our cost structure can be adversely affected by movements in commodity and other raw material prices, such as those experienced in fiscal 2005. Market conditions may limit the Company’s ability to raise selling prices to offset increases in our input costs. The uniqueness of our technologies can limit our ability to locate alternative supplies for certain products. For certain materials, new sources of supply may have to be qualified under regulatory standards, which can require additional investment and delay bringing the product to market.

Manufacturing

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

Acquisitions

From time to time we make strategic acquisitions, including the October 2004 acquisition of Smith & Hawken®, the October 2005 acquisition of Rod McLellan Company (RMC) and the November 2005 acquisition of Gutwein (Morning Song®). Acquisitions have inherent risks, such as obtaining necessary regulatory approvals, retaining key personnel, integration of the acquired business, and achievement of planned synergies and projections.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

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

The North America segment owns two additional research facilities located in Apopka, Florida; and Gervais, Oregon. We own a production facility, which encompasses 27 acres, in Fort Madison, Iowa and lease a spreader and other durable components manufacturing facility in Temecula, California. We also lease a controlled-release fertilizer manufacturing facility in Charleston, South Carolina. We operate 24 growing media facilities in North America — 19 of which are owned by us and five of which are leased. Most of our growing media facilities include production lines, warehouses, offices and field processing areas. We lease sales offices in Atlanta, Georgia; Troy, Michigan; Mooresville, North Carolina; Rolling Meadows, Illinois; and Bentonville, Arkansas. We also lease a facility in Mississauga, Ontario that serves as the headquarters for our Canadian subsidiary.

Scotts LawnService® conducts its company-owned operations from 77 leased facilities, primarily office/warehouse units in industrial/office parks, across the United States serving 38 metropolitan markets.

Smith & Hawken® operates 57 retail stores, all leased facilities primarily in shopping centers across the United States. It leases its main headquarters in Novato, California.

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

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

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

ITEM 3. LEGAL PROCEEDINGS

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

Legal proceedings resolved during fiscal 2005:

Aventis

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

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

A jury trial was held in New York from May 23, 2005 to June 13, 2005 in the case originally filed by AgrEvo Environmental Health, Inc. (which subsequently changed its name to Aventis Environmental Science USA LP). The jury rejected all of plaintiff's antitrust claims and all but one of its contract claims, an undisputed, minor claim for non-payment of invoices of approximately $194,000.

On September 30, 2005, sanofi-aventis Group S.A., the successor to Aventis, S.A. and Aventis Environmental Science USA LP and the parent of Starlink Logistics, Inc. (collectively, "Aventis") paid to the Company in full and final settlement of all the outstanding claims between the Company and Aventis approximately $10 million. Of this amount, $8.9 million of the settlement is recorded in "Impairment, restructuring and other charges" within the Consolidated Statements of Operations (see Note 4 of the Notes to Consolidated Financial Statements). The payment by Aventis, and the agreement signed in connection with the settlement, terminates Aventis' post-trial motions and appeals in New York and brings to a conclusion all litigation between the companies.

Central Garden & Pet Company

The Scotts Company v. Central Garden (Southern District of Ohio)

Central Garden v. The Scotts Company & Pharmacia (Northern District of California)

In regards to this matter and related litigation against Central Garden & Pet Company ("Central Garden"), on April 12, 2005, the Sixth Circuit modified in part and affirmed the trial court's judgment providing for a net award of approximately $15 million to the Company, which we received on July 15, 2005. The Company has recognized the satisfaction of this judgment in its financial results for the period ended July 2, 2005. Details of how the $15 million was reflected in our financial statements are presented in Note 16 of the Notes to Consolidated Financial Statements. This brings to a conclusion all pending litigation between the Company and Central Garden including the previously pending antitrust case in the Northern District of California in which the Company prevailed.

Pending material legal proceedings are as follows:

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

On November 5, 2004, U.S. Horticultural Supply ("Geiger") filed suit against the Company in the U.S. District Court for the Eastern District of Pennsylvania. This complaint alleges that the Company conspired with another distributor, Griffin Greenhouse Supplies, Inc., to restrain trade in the horticultural products market, in violation of Sections 1 and 57 of the Sherman Antitrust Act.

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

Other

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

assurance that these cases, whether as a result of adverse outcomes or as a result of significant defense costs, will not have a material adverse effect on the Company, its financial condition or its results of operations.

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

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

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

There were no matters submitted to a vote of the security holders of The Scotts Miracle-Gro Company during the fourth quarter of fiscal 2005.

SUPPLEMENTAL ITEM. EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers of The Scotts Miracle-Gro Company, their positions and, as of December 9, 2005, their ages and years with the Company (and its predecessors) are set forth below.

Name	Age	Position(s) Held	Years with Company
James Hagedorn	50	Chief Executive Officer and Chairman of the Board	18
Robert F. Bernstock	55	President	2
Christopher L. Nagel	43	Executive Vice President and Chief Financial Officer	7
David M. Aronowitz	49	Executive Vice President, General Counsel and Corporate Secretary	7
Denise S. Stump	51	Executive Vice President, Global Human Resources	5

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

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

Mr. Hagedorn was named Chief Executive Officer and Chairman of the Board of The Scotts Miracle-Gro Company on December 9, 2005. He was originally named Chairman of the Board of The Scotts Company in January 2003 and became Chairman of the Board of The Scotts Miracle-Gro Company in March 2005. He was named President and Chief Executive Officer of The Scotts Company in May 2001, which was merged into The Scotts Company LLC in March 2005. He was also appointed President and Chief Executive Officer of The Scotts Miracle-Gro Company in March 2005. He served as President and Chief Operating Officer of The Scotts Company from April 2000 to May 2001. He also serves as a director for Farms For City Kids Foundation, Inc., Nurse Family Partnership, The CDC Foundation, Embry Riddle/ Aeronautical University, Northshore University Hospital (New York), Scotts Miracle-Gro Foundation and the Intrepid Sea-Air-Space Museum, all charitable organizations. Mr. Hagedorn is the brother of Katherine Hagedorn Littlefield, a director of The Scotts Miracle-Gro Company.

Mr. Bernstock was named President of The Scotts Miracle-Gro Company on December 9, 2005. He was named President and Chief Operating Officer of The Scotts Company LLC in October 2005. Mr. Bernstock was named Executive Vice President of The Scotts Miracle-Gro Company in March 2005. Mr. Bernstock served as Executive Vice President and President, North America of The Scotts Company LLC and its predecessor The Scotts Company from June 2003 to October 2005. Mr. Bernstock served as Senior Vice President & General Manager — Air Fresheners, Food Products & Branded Commercial Markets of Dial Corporation ("Dial"), a manufacturer and marketer of soap products, laundry detergents, air fresheners and canned meats, from October 2002 to May 2003. From January 2002 to September 2002, he served as Special Advisor to the Chairman and Chief Executive Officer of Verticalnet, Inc., a provider of collaborative supply chain solutions software, and as a consultant to Dial. From January 2001 to January 2002, Mr. Bernstock served as Acting Chairman, President and Chief Executive Officer of Atlas Commerce, Inc. ("Atlas"), a provider of collaborative supply chain solutions software, prior to the acquisition of Atlas by Verticalnet, Inc., in January 2002. From March 1998 to January 2001, he served as President, Chief Executive Officer and a Director of Vlasic Foods International Inc. ("Vlasic"), a producer, marketer and distributor of branded convenience food products. On January 29, 2001, Vlasic and its United States operating subsidiaries filed voluntary petitions for reorganization relief pursuant to Chapter 11 of the United States Bankruptcy Code. From July 1997 to March 1998, Mr. Bernstock served as Executive Vice President of Campbell Soup Company, a manufacturer and marketer of prepared food products, and President of its U.S. Grocery Division. Mr. Bernstock serves as a director of Verticalnet, Inc. and The Pantry, Inc., both public companies and of SecureSheet Technologies, LLC, a private company.

Mr. Nagel was named Executive Vice President and Chief Financial Officer of The Scotts Miracle-Gro Company in March 2005. Mr. Nagel was named Executive Vice President in February 2003 and Chief Financial Officer in January 2003 of The Scotts Company, which was merged into The Scotts Company LLC in March 2005. From August 2001 to January 2003, he served as Senior Vice President, North America and Corporate Finance of The Scotts Company. From September 1998 to August 2001, Mr. Nagel served as Vice President and Corporate Controller of The Scotts Company. Mr. Nagel serves as a director of the Leukemia & Lymphoma Society, Central Ohio Chapter, a charitable organization.

Mr. Aronowitz was named Executive Vice President, General Counsel and Corporate Secretary of The Scotts Miracle-Gro Company in March 2005. He was previously named Executive Vice President, General Counsel and Secretary of The Scotts Company in October 2001, which was merged into The Scotts Company LLC in March 2005. He was Senior Vice President, Assistant General Counsel and Assistant Secretary of The Scotts Company from February 2000 to October 2001.

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

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PART II

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

The common shares of The Scotts Miracle-Gro Company trade on the New York Stock Exchange under the symbol "SMG". The quarterly share prices have been adjusted to reflect the 2-for-1 stock split on November 9, 2005 to shareholders of record on November 2, 2005.

	Sale Prices	
	High	Low
FISCAL 2005		
First quarter	$36.83	$30.95
Second quarter	$36.19	$33.29
Third quarter	$36.56	$33.55
Fourth quarter	$43.97	$36.19
FISCAL 2004		
First quarter	$30.10	$27.63
Second quarter	$31.98	$28.92
Third quarter	$34.28	$30.93
Fourth quarter	$32.10	$28.01

On June 22, 2005, The Scotts Miracle-Gro Company announced that its Board of Directors had approved the establishment of a quarterly cash dividend. The $0.50 per share (adjusted for the 2-for-1 stock split distributed November 9, 2005) annual dividend is to be paid in quarterly increments beginning in the fourth quarter of fiscal 2005. The first and second of these quarterly dividends were paid on September 1, 2005 and December 1, 2005.

The payment of future dividends, if any, on the common shares will be determined by the Board of Directors of The Scotts Miracle-Gro Company in light of conditions then existing, including the Company's earnings, financial condition and capital requirements, restrictions in financing agreements, business conditions and other factors.

As of November 17, 2005, there were approximately 42,500 shareholders including holders of record and our estimate of beneficial holders.

Neither The Scotts Miracle-Gro Company nor any "affiliated purchaser," as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934, as amended, purchased any common shares of The Scotts Miracle-Gro Company during the fiscal quarter ended September 30, 2005. On October 27, 2005, The Scotts Miracle-Gro Company announced that its Board of Directors had approved a $500 million share repurchase program. This repurchase program is authorized for five years and we currently anticipate allocating approximately $100 million per year to the program.

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ITEM 6. SELECTED FINANCIAL DATA

Five-Year Summary(1)(2)
For the fiscal year ended September 30,
(in millions, except per share amounts)

	2005(3)	2004	2003	2002	2001
OPERATING RESULTS(4):					
Net sales	$2,369.3	$2,106.5	$1,941.6	$1,772.9	$1,697.9
Gross profit	860.4	792.4	701.7	649.4	613.6
Income from operations	200.9	252.8	231.6	238.4	113.4
Income from continuing operations (net of tax)	100.4	100.5	103.2	100.5	13.9
Net income	100.6	100.9	103.8	82.5	15.5
Depreciation and amortization	67.2	57.7	52.2	43.5	63.6
FINANCIAL POSITION:					
Working capital	301.6	396.7	364.4	278.3	249.1
Current ratio	1.6	1.9	1.8	1.6	1.5
Property, plant and equipment, net	337.0	328.0	338.2	329.2	310.7
Total assets	2,018.9	2,047.8	2,030.3	1,914.1	1,854.8
Total debt to total book capitalization	27.7%	41.9%	51.0%	58.3%	63.7%
Total debt	393.5	630.6	757.6	829.4	887.8
Total shareholders' equity	1,026.2	874.6	728.2	593.9	506.2
CASH FLOWS:					
Cash flows from operating activities	226.7	214.2	216.1	238.9	65.7
Investments in property, plant and equipment	40.4	35.1	51.8	57.0	63.4
Cash invested in acquisitions, including seller note payments	84.6	20.5	57.1	63.0	37.6
PER SHARE DATA:					
Basic earnings per common share(5)	$ 1.51	$ 1.56	$ 1.68	$ 1.41	$ 0.27
Diluted earnings per common share(5)	1.47	1.52	1.62	1.30	0.25
Total cash dividends	8.6	—	—	—	—
Dividends per share	$ 0.125	—	—	—	—
Stock price at year-end	43.97	32.08	27.35	20.85	17.05
Stock price range — High	43.97	34.28	28.85	25.18	23.55
Stock price range — Low	30.95	27.63	21.77	17.23	14.44
OTHER:					
EBITDA(6)	268.1	310.5	283.8	281.9	177.0
Interest coverage (EBITDA/interest expense)(6)	6.3	3.3	4.1	3.7	2.0
Weighted average common shares outstanding	66.8	64.7	61.8	58.6	56.8
Common shares and dilutive potential common shares used in diluted EPS calculation	68.6	66.6	64.3	63.3	60.8

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

(2) The information presented for all periods in the above five-year summary has been adjusted to reflect: (a) as net sales, amounts previously reported as net commission from the Roundup® marketing agreement, and (b) as net sales and cost of sales, certain reimbursements and costs associated with the marketing agreement on a gross basis that was previously reported on a net basis, with no effect to net income. For further discussion of these adjustments, see "ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS" and Note 3 of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K.

(3) Fiscal 2005 includes Smith & Hawken® from the October 2, 2004 date of acquisition. See further discussion of acquisitions in "ITEM 1. BUSINESS" and in Note 5 of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K.

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

	For the fiscal year ended September 30,				
	2005	2004	2003	2002	2001
Net sales includes the following relating to the Roundup® Marketing Agreement:					
Net commission (expense) income	$ (5.3)	$28.5	$17.6	$ 16.2	$20.8
Reimbursements associated with the Marketing Agreement	40.7	40.1	36.3	33.0	32.3
Deferred contribution charge (see Management's Discussion and Analysis and Note 3 of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K)	(45.7)	—	—	—	—
Cost of sales includes:					
Costs associated with the Marketing Agreement	40.7	40.1	36.3	33.0	32.3
Restructuring and other charges (income)	(0.3)	0.6	9.1	1.7	7.3
SG&A includes:					
Restructuring and other charges	9.8	9.1	8.0	8.1	75.7
U.K. and other impairment charges	23.4	—	—	—	—
Interest expense includes:					
Costs related to refinancings	1.3	45.5	—	—	—
Net income includes:					
Cumulative effect of accounting for intangible assets, net of tax	—	—	—	(18.5)	—

(5) Basic and diluted earnings per share would have been as follows if the accounting change for intangible assets adopted in the fiscal year beginning October 1, 2001, had been adopted as of October 1, 2000:

	For the fiscal year ended September 30, 2001
Income available to common shareholders	$32.1
Basic earnings per share	0.57
Diluted earnings per share	0.53

(6) EBITDA is defined as income from operations, plus depreciation and amortization. We believe that EBITDA provides additional information for determining our ability to meet debt service requirements. EBITDA does not represent and should not be considered as an alternative to net income or cash flow from operations as determined by accounting principles generally accepted in the United States of America, and EBITDA does not necessarily indicate whether cash flow will be sufficient to meet cash requirements. EBITDA margin is calculated as EBITDA divided into net sales. Our measure of EBITDA, which may not be similar to other similarly titled captions used by other companies, excludes $24.9 million of cash expenses related to the refinancings of our credit facility and redemption our 8 5/8% subordinated notes in fiscal 2004. These expenses have been excluded since they are deemed to be financing related costs that are typically excluded from the presentation of EBITDA and the definitions used by our lenders to evaluate the Company's compliance with its debt agreements. A numeric reconciliation of EBITDA to income from operations is as follows:

	For the fiscal year ended September 30,				
	2005	2004	2003	2002	2001
Income from operations	$ 200.9	$ 252.8	$ 231.6	$ 238.4	$ 113.4
Depreciation and amortization	67.2	57.7	52.2	43.5	63.6
EBITDA	$ 268.1	$ 310.5	$ 283.8	$ 281.9	$ 177.0

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

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

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

On November 9, 2005, The Scotts Miracle-Gro Company distributed a 2-for-1 stock split of the common shares to shareholders of record on November 2, 2005. At the end of fiscal 2005, on a split-adjusted basis, The Scotts Miracle-Gro Company had approximately 68.6 million diluted common shares outstanding. To enhance comparability going forward, all share and per share information referred to in this MD&A and elsewhere in this Annual Report on Form 10-K have been adjusted to reflect this stock split for all periods presented.

Effective with the fiscal 2005 Form 10-K and 2005 Annual Report to Shareholders, we have made changes to our Consolidated Statements of Operations, which management believes improves the overall presentation. With respect to the Amended and Restated Exclusive Agency and Marketing Agreement (the "Marketing Agreement") with Monsanto Company ("Monsanto"), we have made two presentational changes. First, we have reclassified as net sales the amounts previously reported as net commission from the Marketing Agreement. Second, net sales and cost of sales have been adjusted to reflect certain reimbursements and costs associated with the Marketing Agreement on a gross basis that was previously reported on a net basis, with no effect on gross profit or net income. See further details regarding these matters in Note 3 of the Notes to Consolidated Financial Statements. Furthermore, we have simplified the presentation of selling, general and administrative expenses presented on the face of the Consolidated Statements of Operations. Details of this line item are included in the Results of Operations section of this MD&A.

Executive Summary

We are dedicated to delivering strong, consistent financial results and outstanding shareholder returns by providing consumers with products of superior quality and value to enhance their outdoor living environments. We are a leading manufacturer and marketer of consumer branded products for lawn and garden care and professional horticulture in North America and Europe. We are Monsanto's exclusive agent for the marketing and distribution of consumer Roundup® non-selective herbicide products within the United States and other contractually specified countries. We have a presence in Australia, the Far East, Latin America and South America. Also, in the United States, we operate what we believe to be the second largest residential lawn service business, Scotts LawnService®. In fiscal 2005, our operations were divided into the following reportable segments: North America, Scotts LawnService®, International, and Corporate & Other. The Corporate & Other segment consists of the recently acquired Smith & Hawken® business and corporate general and administrative expenses.

As a leading consumer branded lawn and garden company, we focus our consumer marketing efforts, including advertising and consumer research, on creating consumer demand to pull products through the retail distribution channels. In the past three years, we have spent approximately 5% of our net sales annually on media advertising to support and promote our products and brands. We have applied this consumer marketing focus for the past several years, and we believe that we receive a significant return on these marketing expenditures. We expect we will continue to focus our marketing efforts toward the consumer and make additional targeted investments in consumer marketing expenditures in the future to continue to drive market share and sales growth. In fiscal 2006, we expect to increase advertising spending by 18% to 20% as we reinvest a portion of our selling, general and administrative cost savings to strengthen our brands.

Our sales are susceptible to global weather conditions. For instance, periods of wet weather can adversely impact sales of certain products, while increasing demand for other products. We believe that our past acquisitions have somewhat diversified both our product line risk and geographic risk to weather conditions.

	Percent Net Sales by Quarter		
	2005	2004	2003
First Quarter	10.4%	8.7%	9.0%
Second Quarter	34.3%	35.2%	35.1%
Third Quarter	38.0%	38.2%	37.7%
Fourth Quarter	17.3%	17.9%	18.2%

Due to the nature of our lawn and garden business, significant portions of our shipments occur in the second and third fiscal quarters. Over the past few years, retailers have reduced their pre-season inventories by relying on us to deliver products “in season” when consumers seek to buy our products.

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

The 2005 long-term strategic improvement plan, initiated in June 2005, is focused on improving organizational effectiveness, implementing better business processes, reducing selling, general and administrative (S,G&A) expenses, and increasing spending on consumer marketing and innovation. While we have generated strong financial performance over the past several years, management believes even better results can be achieved. We recently announced that we expect the strategic improvement plan will increase annual pre-tax earnings by $25 to $30 million beginning in fiscal 2006, exclusive of restructuring costs that will likely extend into the first half of fiscal 2006, with an additional $25 to $30 million of savings being reinvested in consumer marketing, technology and innovation.

Beginning in fiscal 2002, we embarked on an International Profit Improvement Plan. This effort has been focused on reorganization and rationalization of our European supply chain, increased sales force productivity, and a shift to pan-European category management of our product portfolio. While International profitability had improved through fiscal 2004, last year we announced we were exploring all options for our International business, with the goal of improving shareholder value. After exploring various alternatives, we have decided that continued ownership and investment in our International business is the best alternative based on the current facts and circumstances. Our International efforts in fiscal 2006 and beyond will be focused on improving our competitive position, reducing costs within the business and realigning the organization to better leverage our knowledge of the market place and the consumer.

We continue to view strategic acquisitions as a means to enhance our strong core businesses. In October 2004, we invested $73.6 million in the acquisition of Smith & Hawken®, a leading brand in the outdoor living and gardening lifestyle category. We are pleased with the direction this business is headed after the first year of ownership, having already made a number of significant improvements in the operations of the business, including supply chain execution and marketing and merchandising strategy, which will improve profitability.

We continue to invest in the growth of our Scotts LawnService® business, including three acquisitions in fiscal 2005 totaling $6.4 million. Over the past five years, we have invested over $95 million to expand Scotts LawnService® via acquisitions.

Subsequent to the fiscal 2005 year-end, we completed two acquisitions. Effective October 3, 2005, we acquired all the outstanding shares of Rod McLellan Company (RMC) for a total of $22 million. RMC is a leading branded producer and marketer of soil and landscape products in the western U.S. This business will be integrated into our existing Growing Media business. Effective November 18, 2005, we acquired Gutwein & Co. Inc. (Gutwein), for approximately $77 million in cash. Through its Morning Song® brand,

Gutwein is a leader in the growing U.S. wild bird food category, generating approximately $80 million in annual revenues. Morning Song® products are sold at leading mass retailers, grocery, pet and general merchandise stores. This is our first acquisition in the wild bird food category and we are excited about the opportunity to leverage the strengths of both organizations to drive continued growth in this category.

Prior to fiscal 2005, we had not paid dividends on our common shares. Based on the levels of cash flow generated by our business in recent years and our improving financial condition, on June 22, 2005, we announced that The Scotts Miracle-Gro Company's Board of Directors approved an annual dividend of 50-cents per share, to be paid in 12.5-cent quarterly increments beginning in the fourth quarter of fiscal 2005. Our first and second quarterly dividends were paid on September 1, 2005 and December 1, 2005, respectively. In addition to the 2-for-1 stock split noted earlier, on October 27, 2005, The Scotts Miracle-Gro Company announced that its Board of Directors approved a $500 million share repurchase program. This repurchase program is authorized for five years and we currently anticipate allocating approximately $100 million per year to the program.

Results of Operations

The following table sets forth the components of income and expense as a percentage of net sales for the three years ended September 30, 2005:

	2005	2004	2003
Net sales	100.0%	100.0%	100.0%
Cost of sales	63.7	62.4	63.4
Restructuring and other charges	0.0	0.0	0.5
Gross profit	36.3	37.6	36.1
Operating expenses:			
Selling, general and administrative	26.7	25.7	24.4
Impairment, restructuring and other charges	1.4	0.4	0.4
Other income, net	(0.3)	(0.5)	(0.6)
Income from operations	8.5	12.0	11.9
Costs related to refinancings	0.1	2.2	0.0
Interest expense	1.8	2.3	3.6
Income before income taxes	6.6	7.5	8.3
Income taxes	2.4	2.8	3.0
Income from continuing operations	4.2	4.7	5.3
Income from discontinued operations	0.0	0.0	0.0
Net income	4.2%	4.7%	5.3%

Net Sales

Consolidated net sales for fiscal 2005 increased 12.3% to $2.37 billion from $2.11 billion in fiscal 2004. Excluding the impact of Smith & Hawken®, fiscal 2005 net sales were $2.21 billion, an increase of 4.7%. Net price increases and foreign exchange rate changes accounted for 1.9% and 1.2% of the annual increase in net sales, respectively. North America segment sales grew 6.4% to $1.67 billion, 4.2% from volume growth and 2.3% on net pricing. Scotts LawnService® net sales were $159.8 million in fiscal 2005, up 18.2% from fiscal 2004, driven by volume and pricing growth of 15.0%, with acquisitions accounting for the balance of the revenue growth. International segment sales increased by 6.1% to $430.3 million in fiscal 2005, 1.6% from volume growth and 4.5% attributable to the positive impact of foreign exchange rates. In fiscal 2004, worldwide net sales totaled $2.11 billion, an increase of 8.8% compared to fiscal 2003. Positive impacts from foreign exchanges rates contributed 2.3% to sales growth, while the impact of changes in selling prices was not material to fiscal 2004.

Gross Profit

Fiscal 2005 gross profit margins declined 130 basis points compared to fiscal 2004. The Roundup® marketing agreement contribution charge of $45.7 million discussed in detail below reduced fiscal 2005

gross margin by approximately 90 basis points. Smith & Hawken® has gross margins below the Company's average, accounting for approximately 30 basis points of the decline. From an operating segment standpoint, North America gross margins increased 50 basis points, primarily on a higher net Roundup® commission, while pricing offset increased commodity costs. Scotts LawnService® gross margins improved as frontline labor and supervisory productivity and fleet management improvements offset higher fuel costs. Gross margins declined in the International segment primarily due to higher commodity and supply chain costs.

Gross margins include the net commission from the Roundup® marketing agreement, which in fiscal 2005 was a net expense of $5.3 million. In the third quarter of fiscal 2005, the Company recorded a charge of $45.7 million to reflect a liability for the outstanding balance of the deferred contribution amounts payable to Monsanto under the Roundup® marketing agreement. Previously, we had not recognized the contribution amounts deferred under the Roundup® marketing agreement until such deferred amounts were paid, based on management's evaluation of the surrounding facts and circumstances. We now believe it is appropriate to record the liability based on numerous factors, including the recent strong financial performance of the Roundup® business. In October 2005, the then outstanding balance of deferred contribution amount was paid to Monsanto, providing savings to us because this liability carried 8.0% interest compared to our interest rate on incremental borrowings of approximately 5.0%. Excluding this charge, the commission would have been $40.4 million for fiscal 2005, compared with $28.5 million a year earlier. The increase in the pre-charge net Roundup® commission was primarily attributable to the strong sales profitability of this brand in fiscal 2005.

Gross profit margins for fiscal 2004 increased 150 basis points versus fiscal 2003. Gross profit margins were higher in all three segments, as favorable product mix and operating efficiencies more than offset cost pressures primarily from higher fuel and commodity costs, including urea. Lastly, restructuring and other expense in fiscal 2003 costs of sales, primarily related to International supply initiatives, contributed approximately 50 basis points to the fiscal 2004 gross profit margin improvement.

Selling, General and Administrative Expenses (in millions)

	2005	2004	2003
Advertising	$ 122.5	$ 105.0	$ 97.7
Selling, general and administrative	486.6	419.6	361.8
Stock-based compensation	9.9	7.8	4.8
Amortization of intangibles	14.8	8.3	8.6
	$ 633.8	$ 540.7	$ 472.9

Advertising expenses in fiscal 2005 were $122.5 million, an increase of $17.5 million from fiscal 2004. Excluding the impact of Smith & Hawken®, advertising expense was 5.0% of net sales in fiscal 2005 compared to 5.2% in fiscal 2004. Increases in media spending in North America and Scotts LawnService® were offset by more focused International media spending. In fiscal 2004, advertising expenses increased $7.3 million from fiscal 2003. Excluding foreign exchange impacts, fiscal 2004 advertising increased $4.6 million or 4.7%, roughly in line with the growth in net sales. The dollar spending increase was focused on Ortho® products and Canada in North America, and Evergreen® lawn fertilizer in the United Kingdom.

S,G&A expenses in fiscal 2005 were $486.6 million compared to $419.6 million in fiscal 2004. Excluding Smith & Hawken®, S,G&A spending was $450.3 million, an increase of $30.7 million or 7.3%. This increase was primarily the result of outside legal fees associated with litigation matters, Sarbanes-Oxley associated compliance costs, expansion of Scotts LawnService®, foreign exchange rates and incremental North America selling expense (primarily for increased home center support), partially offset by lower non-restructuring severance costs in North America and International. In fiscal 2004, S,G&A spending increased $57.8 million or 16.0%. This increase was primarily due to investments in North America marketing research and in-store merchandising to support growth in the home center channel, increased sales and management incentives (resulting from improved performance against incentive targets), higher legal costs and foreign exchange rates.

We began expensing stock options commencing with grants issued in fiscal 2003. The majority of stock options vest over a three-year period subsequent to the grant date, so the expense associated with an option grant is generally recognized ratably over three years. As such, 2005 is the first year that includes a full charge for three years of option grants. Forfeitures reduced the fiscal 2005 expense by approximately $2.2 million.

Amortization of intangibles increased in fiscal 2005, primarily as a result of a comprehensive review of intangibles and corrections to the accumulated amortization of certain intangible assets. Recent acquisitions, primarily Smith & Hawken® and Scotts LawnService® locations, also contributed to this increase.

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

	2005	2004	2003
Impairment charges	$ 23.4	$ —	$ —
Restructuring — severance and related	26.3	9.1	8.0
Litigation related income	(16.8)	—	—
Other	0.3	—	—
	$ 33.2	$ 9.1	$ 8.0

Impairment, restructuring and other charges in fiscal 2005 were the result of several significant events. In the first quarter of fiscal 2005, we completed our annual impairment analysis of goodwill and indefinite-lived intangible assets and determined that tradenames associated with our consumer business in the United Kingdom were impaired. The reduction in the value of the tradenames has resulted primarily from a decline in the profitability of the U.K. growing media business and unfavorable category mix trends. Although management is developing strategies focused on significantly improving the profitability of the United Kingdom business, an assessment of future cash flows indicated that an impairment charge against the book value of the tradenames was appropriate. Accordingly, an impairment charge of $22.0 million was recorded in the first quarter of fiscal 2005. No impairment charge was recorded in fiscal 2004.

Fiscal 2005 restructuring charges for severance and related costs were primarily associated with our fiscal 2005 long-term strategic improvement plan. As a result of this program, approximately 110 associates accepted early retirement or were severed during the last four months of fiscal 2005. Fiscal 2004 restructuring charges consisted of $6.1 million related to the restructuring of our International management team and $3.0 million related to outsourcing of our data center and application software functions. Fiscal 2003 restructuring charges were related to our International profit improvement plan and the exiting of an administrative facility in North America.

Litigation related income is attributable to two separate matters in fiscal 2005. In the fourth quarter of fiscal 2001, as a result of collection concerns, we recorded a reserve against accounts receivable from Central Garden & Pet Company (Central Garden). This charge was recorded in impairment, restructuring and other changes, net. After nearly five years of pursuing collection of these receivables via litigation, we received payment totaling $15.0 million on July 14, 2005. As a result, we reversed $7.9 million of the Central Garden reserve recorded in fiscal 2001. In September 2005, we reached a settlement with sanofi-aventis related to our litigation of matters related to the Aventis business. In relation to this settlement, we received a net $8.9 million settlement on September 30, 2005.

Other Income, net

Other income, net was $7.5 million for fiscal 2005, compared to $10.2 million in fiscal 2004. Other income for fiscal 2005 resulted primarily from $4.1 million awarded to us as part of the Central Garden judgment discussed above and royalty income, partially offset by foreign currency losses. Other income in fiscal 2004 and fiscal 2003 was attributable to royalty income, gains on foreign currency transactions, Scotts LawnService® franchise fees and cost subsidies related to the sale of peat bogs in the United Kingdom, for which a portion of the cost benefit was historically recorded as other income (fiscal 2004 was the final year we received such subsidies.)

Income from Operations

Income from operations in fiscal 2005 was $200.9 million, compared to $252.8 million in fiscal 2004. As noted above, income from operations in fiscal 2005 includes the following charges: (1) $45.7 million related to the Roundup® deferred contribution charge; (2) a $22.0 million charge for impairment of U.K. intangibles; and (3) $26.3 million in restructuring charges. These were partially offset by $16.8 million of litigation related income as discussed above. The remainder of the change in income from operations is attributable to higher net sales and gross profit margins, and significantly higher earnings from the Roundup® marketing agreement, partially offset by higher legal and Sarbanes-Oxley compliance costs and sales force investments in North America.

Income from operations in fiscal 2004 increased $21.2 million from fiscal 2003, which was partially attributable to a $7.4 million reduction in restructuring and other charges, in Cost of Sales and S,G&A combined. Fiscal 2004 included $9.8 million in restructuring activities, primarily related to restructuring of the International management team and outsourcing of certain technology functions. The remainder of the change in income from operations is attributable to higher net sales and gross profit margins, and significantly higher earnings from the Roundup® marketing agreement, partially offset by investments in media advertising and higher S,G&A expenses.

Interest Expense and Refinancing Activities

We have refinanced our debt arrangements several times over the past two years to take advantage of our improving financial position and favorable market conditions. In October 2003, we tendered nearly all of our $400 million then outstanding senior subordinated notes that bore interest at 8⅝% and issued $200 million of new senior subordinated notes bearing interest at 6⅝%. At the time, we also secured a new credit facility at more favorable terms than our previous arrangement. Refinancing costs associated with these transactions were $44.3 million, including premiums paid on the redemption of the 8⅝% notes, write-off of previously deferred financing and treasury lock costs and transactions fees. In August 2004, we refinanced the term loan facility under a new credit agreement with new term loans, providing for improved terms and borrowing costs. Costs charged associated with this refinancing were $1.2 million.

In July 2005, we entered into a new credit agreement that provided for a significantly increased revolving credit facility and allowed us to repay our outstanding term notes, again providing for improved terms and borrowing costs. Costs charged against income from operations associated with this refinancing were $1.3 million.

Interest expense decreased from $48.8 million in fiscal 2004 to $41.5 million in fiscal 2005. The decrease in interest expense was primarily attributable to a $113.9 million reduction in average borrowings, coupled with nine basis point reduction in our weighted average interest rate to 5.83%.

In fiscal 2004, interest expense decreased $20.4 million compared to fiscal 2003. The decrease in interest expense was due to a $107.0 million reduction in average borrowings coupled with a reduction in our weighted average interest rate (from 7.42% in fiscal 2003 to 5.92% in fiscal 2004) resulting from more favorable borrowing arrangement terms as secured by the debt refinancings and a favorable interest rate environment.

Income Taxes

The effective tax rate for fiscal 2005 was 36.5% compared to 36.7% in fiscal 2004 and 36.5% in fiscal 2003. In fiscal 2005, our income tax rate benefited primarily as a result of favorable developments related to prior year foreign tax exposures. In fiscal 2004, our effective tax rate benefited from an adjustment of state deferred income taxes resulting from a detailed review of state effective tax rates and increased utilization of foreign tax credits. The effective tax rate in fiscal 2003 was favorably impacted by an adjustment of state deferred income taxes resulting from a detailed review of state effective tax rates, and increased utilization of foreign tax credits. We anticipate the effective tax rate will be 37.0% to 37.5% going forward.

Net Income and Earnings per Share

We reported income from continuing operations of $100.4 million in fiscal 2005, compared to $100.5 million in fiscal 2004. Income from discontinued operations pertains to the disposal of our professional growing media business at the end of fiscal 2004. Reported net income, including income from discontinued operations, decreased from $100.9 million or $1.52 per diluted share in fiscal 2004 to $100.6 million or $1.47 per diluted share in fiscal 2005. As described in the Income from Operations discussion, the benefit from solid sales growth in fiscal 2005 was offset by significant Roundup®, impairment and restructuring charges. Average diluted shares outstanding increased from 66.6 million in fiscal 2004 to 68.6 million in fiscal 2005, due to option exercises and the impact on common stock equivalents of a higher average share price.

In fiscal 2004, we reported income from continuing operations of $100.5 million, compared to $103.2 million in fiscal 2003. Reported net income, including income from discontinued operations, decreased from $103.8 million or $1.62 per share in fiscal 2003 to $100.9 million or $1.52 per share in fiscal 2004. The increase in income from operations in 2004 compared to 2003 as described above and a significant reduction in interest expense were offset by costs associated with debt refinancings in 2004. Average diluted shares outstanding increased from 64.3 million in fiscal 2003 to 66.6 million in fiscal 2004, due to option exercises and the impact on common stock equivalents of a higher average share price.

Segment Results

In fiscal 2005, our operations were divided into the following reportable segments: North America, Scotts LawnService®, International, and Corporate & Other. The Corporate & Other segment consists of the recently acquired Smith & Hawken® business and corporate general and administrative expenses. Segment performance is evaluated based on several factors, including income from operations before amortization, and impairment, restructuring and other charges, which is a non-GAAP financial measure. Management uses this measure of operating profit to gauge segment performance because we believe this measure is the most indicative of performance trends and the overall earnings potential of each segment.

Net Sales by Segment (in millions)

	2005	2004	2003
North America	$ 1,668.1	$ 1,569.0	$ 1,461.0
Scotts LawnService®	159.8	135.2	110.4
International	430.3	405.6	373.5
Corporate & other	159.6	—	—
Segment total	2,417.8	2,109.8	1,944.9
Roundup® deferred contribution charge	(45.7)	—	—
Roundup® amortization	(2.8)	(3.3)	(3.3)
	$ 2,369.3	$ 2,106.5	$ 1,941.6

Operating Profit by Segment (in millions)

	2005	2004	2003
North America	$ 343.9	$ 306.1	$ 282.3
Scotts LawnService®	13.1	9.4	6.0
International	34.3	29.3	29.4
Corporate & other	(94.2)	(70.6)	(57.1)
Segment total	297.1	274.2	260.6
Roundup® deferred contribution charge	(45.7)	—	—
Roundup® amortization	(2.8)	(3.3)	(3.3)
Amortization	(14.8)	(8.3)	(8.6)
Impairment of intangibles	(23.4)	—	—
Restructuring and other charges	(9.5)	(9.8)	(17.1)
	$ 200.9	$ 252.8	$ 231.6

North America

North America segment net sales were $1.67 billion in fiscal 2005, an increase of 6.4% from fiscal 2004. Of the increase in North America net sales, approximately 2.3% was attributable to pricing. Within the North America segment, Gardening Products net sales, which include growing media and garden fertilizers, increased 9.8% with higher sales of value-added Miracle-Gro® garden soils and potting mix, Shake 'n Feed® continuous release plant food and Organic Choice® garden soils. Net sales of Ortho® products increased by 11.0% in fiscal 2005, driven largely by the successful launches of Home Defense® Max®, Weed B Gon® Max™, and Ortho® Season-Long Grass and Weed Killer concentrate. Excluding the favorable impact of foreign exchange, the Canadian group of North America posted a 23.0% net sales increase in fiscal 2005. Unfavorable early season weather conditions adversely impacted the Lawns group within North America, resulting in net sales that were flat compared to fiscal 2004.

During fiscal 2004, North America segment sales increased 7.5%. Within the North America segment, Lawns net sales increased 4.6% due to continued strong sales of value-added combination products, such as Turf Builder® Fertilizer with Halts® Crabgrass Preventer, Turf Builder® with Plus 2® Weed Control and Bonus® S, offset by spreader and grass seed sales which were essentially flat year-over-year. Gardening Products sales, which include growing media and garden fertilizers, increased 3.1% with higher sales of value-added Miracle-Gro® potting mix and garden soils partially offset by lower sales of commodity growing media products. Net sales of Ortho® products increased a robust 16.1%, driven largely by the successful launches of Bug B Gon Max®, Ortho® Season-Long Grass and Weed Killer and a new range of opening price point weed and insect control products under the Ortho® Basic Solutions label at a major retailer.

In fiscal 2005, North America segment operating income increased $37.8 million or 12.3%. Higher sales volume and gross profits, product price increases, strong performance in the Roundup® business and moderate increases in S,G&A spending more than offset higher commodity and fuel costs, investments in the home center sales team, and in research and development projects.

During fiscal 2004, North America segment operating income increased $23.8 million or 8.4%. Higher sales volume, favorable product mix, largely due to new product introductions within the Ortho® line, a continued shift to value-added Growing Media sales, increased penetration of value-added lawn combination products and warehousing and distribution efficiencies more than offset higher urea and freight costs and increased advertising and S,G&A expenses.

Scotts LawnService®

In fiscal 2005, we continued the expansion of our Scotts LawnService® business. Through acquisitions and internal growth, revenues have increased from approximately $42 million in fiscal 2001 to $159.8 million in fiscal 2005. We invested $6.4 million of capital in lawn care acquisitions in fiscal 2005 and expect to continue to make selective acquisitions in fiscal 2006 and beyond.

Scotts LawnService® segment net sales increased $24.6 million or 18.2% in fiscal 2005. In fiscal 2004, Scotts LawnService® net sales increased 22.5% or $24.8 million. The growth in net sales for both years has been from increased customer retention, higher new customer sales during the peak spring selling season, geographic expansion and the full year impact of recent acquisitions. The impact of acquisitions contributed approximately 3.6% and 5.4% of revenue growth in 2005 and 2004, respectively.

Operating income for the Scotts LawnService® segment increased $3.7 million or 39.4% in fiscal 2005 and $3.4 million or 56.7% in fiscal 2004. These increases are the result of revenue growth and improving operating margins where we are balancing capturing scale economies as we grow with making the appropriate infrastructure investments to support future growth and service levels.

International

Fiscal 2005 International segment net sales increased $24.7 million or 6.1% compared to fiscal 2004. Excluding the effects of currency fluctuations, the fiscal 2005 net sales increase was 1.1%. Lower sales in France and the Benelux countries largely offset higher sales in the International professional business, Central Europe and the United Kingdom.

Net sales for the International segment in fiscal 2004 grew 8.6% or $32.1 million compared to fiscal 2003. Excluding the effects of currency fluctuations and the impact of discontinuing the sale of certain low margin professional growing media products, net sales were essentially unchanged in fiscal 2004 versus the prior year. Sales increases in the United Kingdom and the International professional business were offset by lower sales in Central Europe and the Benelux countries, principally due to cold and wet spring weather conditions.

International segment operating income grew $5.0 million or 17.1% in fiscal 2005, compared to fiscal 2004. Excluding favorable foreign exchange rates, International segment operating income increased 8.5%. The increase in fiscal 2005 operating income was attributable to modest revenue growth and reduced S,G&A spending, partially offset by lower gross margins.

In fiscal 2004, International operating income decreased $0.1 million, as favorable foreign currency impacts and a higher Roundup® commission were offset by increases in media and S,G & A spending.

Corporate & Other

The loss in Corporate & Other increased by $23.5 million in fiscal 2005. As discussed earlier, this was largely driven by increased legal and Sarbanes-Oxley compliance costs.

Management's Outlook

We are very pleased with our performance in fiscal 2005. Despite upward pressure on commodity raw material costs and poor early season weather conditions in North America and Europe, we delivered record net sales and strong earnings for the year. Our sales results were driven by strong point of sales growth in our North America business, particularly gardening and control products, and continued expansion of our Scotts LawnService® business.

Our strong results in fiscal 2005 have set the stage for another successful year in 2006. We are committed to executing the strategic initiatives outlined in "ITEM 1. BUSINESS — Strategic Initiatives", all of which will increase operating profits, secure future growth opportunities an strengthen the Company's franchise for our consumers, our retail partners and our shareholders.

From a financial perspective, the execution of our strategic plan will also allow us to continue to improve Return on Invested Capital (ROIC) and free cash flows. Our dividends and stock repurchase program will allow us to return funds to shareholders while maintaining our targeted capital structure and allowing for opportunistic acquisitions.

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

Liquidity and Capital Resources

Net cash provided from operating activities was $226.7 million for fiscal 2005, compared to $214.2 million for fiscal 2004. This strong cash flow performance was fueled by increased profitability

(excluding the non-cash costs related to the $22.0 million impairment charge for certain U.K. intangible assets) and reduced working capital associated with higher payroll and miscellaneous accrued liabilities.

The seasonal nature of our operations generally requires cash to fund significant increases in working capital (primarily inventory) during the first half of the year. Receivables and payables also build substantially in the second quarter of the year in line with the timing of sales as the spring selling season begins. These balances liquidate during the June through September period as the lawn and garden season unwinds. Unlike our core retail business, Scotts LawnService® typically has its highest receivables balances in the fourth quarter because of the seasonal timing of customer applications and extra services revenues.

Investing activities over the past three years have been directed towards a number of acquisitions to support the growth and expansion of our Scotts LawnService® business. In addition, on October 2, 2004, we acquired all outstanding shares of Smith & Hawken® for a total cost of $73.6 million (net of cash acquired). Capital spending on property, plant and equipment has declined since fiscal 2003 when major capital investments were made in the information systems area (principally supply chain related). The investment and redemption of available-for-sale securities represents the impact of investing in adjustable rate notes ("Notes") during fiscal 2004. These investments were made in lieu of investing excess cash in overnight funds as the Notes offered an improved yield with comparable risk. The Notes were redeemed and converted into cash on October 1, 2004, to partially fund the acquisition of Smith & Hawken®.

Financing activities used cash of $195.2 million and $133.0 million in fiscal 2005 and fiscal 2004, respectively. We have aggressively managed our credit agreements and borrowings to maximize the benefit of our improving capital structure and debt facilities. To this end, approximately $211 million of debt was retired in fiscal 2005 in addition to the approximately $144 million retired in fiscal 2004. We also paid our first ever common share dividend in the fourth quarter of fiscal 2005 in the amount of $8.6 million. Continuation of this dividend will require an ongoing annual cash cost of approximately $35 million. Offsetting these financing cash uses was $32.2 million in proceeds from the exercise of employee stock options in fiscal 2005 in addition to proceeds of $23.5 million in fiscal 2004.

Our primary sources of liquidity are cash generated by operations and borrowings under our credit agreements. On July 21, 2005, we entered into a Revolving Credit Agreement (the "New Credit Agreement"), which consists of an aggregate $1.0 billion multi-currency commitment, that extends through July 21, 2010. We may also request an additional $150 million in revolving credit commitments, subject to approval from our lenders. The New Credit Agreement provides for tighter borrowing spreads and greater flexibility to repay debt compared to our previous borrowing arrangement. As of September 30, 2005, there was $818.7 million of availability under the New Credit Agreement. As of September 30, 2005, we also had $200.0 million of 6⅝% Senior Subordinated Notes outstanding. Note 9 of the Notes to Consolidated Financial Statements provides additional information pertaining to our current borrowings and debt refinancing activity during the past two fiscal years. We were in compliance with all of our debt covenants throughout fiscal 2005.

We have not paid dividends on common shares in the past. Based on levels of cash flow generated by the business in recent years and our improving financial condition, on June 22, 2005, we announced that The Scotts Miracle-Gro Company's Board of Directors approved an annual dividend of 50-cents per share to be paid at 12.5-cents each quarter beginning in the fourth quarter of fiscal 2005. Our first and second quarterly dividends were paid on September 1, 2005 and December 1, 2005. In addition to the 2-for-1 stock split noted earlier, on October 27, 2005, The Scotts Miracle-Gro Company announced that its Board of Directors had approved a $500.0 million share repurchase program. This repurchase program is authorized for five years and we currently anticipate allocating approximately $100.0 million per year on the program. We did not repurchase any common shares in fiscal 2005 or fiscal 2004.

The unfunded status of our pension plans deteriorated during fiscal 2005 after showing an improvement at the end of fiscal 2004. The unfunded status of our curtailed defined benefit plans in the United States increased from $22.5 million to $23.6 million at September 30, 2004 and 2005, respectively. The funded status was negatively impacted by the $2.3 million curtailment loss resulting from early retirements and severance in conjunction with our strategic improvement plan. In addition, plan contributions of $0.1 million and $9.7 million were made in fiscal 2005 and fiscal 2004, respectively. Our International plans' deficit increased from $50.9 million to $61.8 million at September 30, 2004 and 2005,

respectively. This $10.9 million increase was fueled by reductions in the discount rates used to measure the projected benefit obligation, unfavorable foreign currency translation, and updated mortality assumptions, which more than offset better than expected investment returns and an increase in employer contributions.

Our off-balance sheet financing arrangements are in the form of operating leases that are disclosed in Note 14 of the Notes to Consolidated Financial Statements.

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

The following table summarizes our future cash outflows for contractual obligations as of September 30, 2005 (in millions):

		Payments Due by Period			
Contractual Cash Obligations	Total	Less than 1 year	1-3 years	4-5 years	More than 5 years
Long-term debt obligations	$ 393.5	$ 11.1	$ 8.5	$ 168.9	$ 205.0
Operating lease obligations	165.7	42.5	47.4	28.0	47.8
Rod McClellan Company acquisition	20.8	20.8	—	—	—
Purchase obligations	662.2	550.3	94.7	17.2	
Total contractual cash obligations	$ 1,242.2	$ 624.7	$ 150.6	$ 214.1	$ 252.8

In our opinion, cash flows from operations and capital resources will be sufficient to meet debt service and working capital needs during fiscal 2006, and thereafter for the foreseeable future. However, we cannot ensure that our business will generate sufficient cash flow from operations or that future borrowings will be available under our credit facilities in amounts sufficient to pay indebtedness or fund other liquidity needs. Actual results of operations will depend on numerous factors, many of which are beyond our control.

Environmental Matters

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

Critical Accounting Policies and Estimates

Our discussion and analysis of financial condition and results of operations is based upon the Company’s consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Certain accounting policies are particularly significant, including those related to revenue recognition, goodwill and intangibles, certain employee benefits, and income taxes. We believe these accounting policies, and others set forth in Note 1 of the Notes to Consolidated Financial Statements, should be reviewed as they are integral to

understanding our results of operations and financial position. Our critical accounting policies are reviewed periodically with the Audit Committee of The Scotts Miracle-Gro Company Board of Directors.

The preparation of financial statements requires management to use judgment and make estimates that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to customer programs and incentives, product returns, bad debts, inventories, intangible assets, income taxes, restructuring, environmental matters, contingencies and litigation. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

Revenue Recognition

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

Long-lived Assets

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

Inventories

Inventories are stated at the lower of cost or market, the majority of which are based on the first-in, first-out method of accounting. Reserves for excess and obsolete inventory are based on a variety of factors, including product changes and improvements, changes in active ingredient availability and regulatory acceptance, new product introductions and estimated future demand. The adequacy of our reserves could be materially affected by changes in the demand for our products or regulatory actions.

Contingencies

As described more fully in Note 16 of the Notes to Consolidated Financial Statements, we are involved in significant environmental and legal matters, which have a high degree of uncertainty associated with them. We continually assess the likely outcomes of these matters and the adequacy of amounts, if any, provided for their resolution. There can be no assurance that the ultimate outcomes will not differ materially from our assessment of them. There can also be no assurance that all matters that may be brought against us are known at any point in time.

Income Taxes

Our annual effective tax rate is established based on our income, statutory tax rates and the tax impacts of items treated differently for tax purposes than for financial reporting purposes. We record

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

Associate Benefits

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

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

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

We also award stock options to directors and certain associates. Beginning in fiscal 2003, we began expensing prospective grants of employee stock-based compensation awards in accordance with Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation". The fair value of future awards is being expensed ratably over the vesting period, which has historically been three years, except for grants to directors, which have shorter vesting periods. Stock options granted prior to fiscal 2003 are accounted for under the intrinsic value recognition and measurement provisions of Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. As those stock options were issued with exercise prices equal to the market value of the underlying common shares on the grant date, no compensation expense was recognized.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Interest Rate Risk

We had various debt instruments outstanding at September 30, 2005 and 2004 that are impacted by changes in interest rates. As a means of managing our interest rate risk on these debt instruments, we

enter into interest rate swap agreements to effectively convert certain variable-rate debt obligations to fixed rates.

At September 30, 2005, we had no outstanding interest rate swaps. At September 30, 2004, we had nine outstanding interest rate swaps with major financial institutions that effectively converted a portion of our variable-rate debt to a fixed rate. The swaps had notional amounts between $10 million and $50 million ($175 million in total) with three- to seven-year terms commencing in October 2001. Under the terms of these swaps, we paid fixed rates ranging from 2.76% to 3.77% and received three-month LIBOR.

The following table summarizes information about our derivative financial instruments and debt instruments that are sensitive to changes in interest rates as of September 30, 2005 and 2004. For debt instruments, the table presents principal cash flows and related weighted-average interest rates by expected maturity dates. For interest rate swaps, the table presents expected cash flows based on notional amounts and weighted-average interest rates by contractual maturity dates. Weighted-average variable rates are based on implied forward rates in the yield curve at September 30, 2005 and 2004. A change in our variable interest rate of 1% would have a $1.7 million impact on interest expense for the $166.2 million of our variable-rate debt that had not been hedged via an interest rate swap at September 30, 2005. The information is presented in U.S. dollars (in millions):

	Expected Maturity Date			
2005	2010	After	Total	Fair Value
Long-term debt:				
Fixed rate debt		$200.0	$200.0	$201.5
Average rate		6.625%	6.625%	
Variable rate debt	$166.2		$166.2	$166.2
Average rate	3.52%		3.52%	

	Expected Maturity Date							
2004	2005	2006	2007	2008	2009	After	Total	Fair Value
Long-term debt:								
Fixed rate debt						$200.0	$200.0	$211.8
Average rate						6.625%	6.625%	
Variable rate debt	$ 4.0	$ 4.0	$12.8	$43.4	$192.7	$142.1	$399.0	$399.0
Average rate	3.98%	3.98%	3.98%	3.98%	3.98%	3.98%	3.98%	
Interest rate derivatives:								
Interest rate swaps based on U.S. dollar LIBOR	$ 1.6	$ 0.3	$ (0.4)	$ (0.8)	$ (0.2)		$ 0.5	$ 0.5
Average rate	3.53%	3.43%	3.43%	3.53%	3.55%		3.75%	

Other Market Risks

Our market risk associated with foreign currency rates is not considered to be material. Through fiscal 2005, we had only minor amounts of transactions that were denominated in currencies other than the currency of the country of origin. We are subject to market risk from fluctuating market prices of certain raw materials, including urea and other chemicals and paper and plastic products. Our objectives surrounding the procurement of these materials are to ensure continuous supply and to minimize costs. We seek to achieve these objectives through negotiation of contracts with favorable terms directly with vendors. We do not enter into forward contracts or other market instruments as a means of achieving our objectives or minimizing our risk exposures on these materials.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and other information required by this Item are contained in the consolidated financial statements, notes thereto and schedule listed in the "Index to Consolidated Financial Statements and Financial Statement Schedule" on page 48 herein.

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

As previously reported in the Current Report on Form 8-K/A filed by The Scotts Company, the public company predecessor to the Registrant, on December 17, 2004, at a meeting held on December 2, 2004, the Audit Committee of the Board of Directors of The Scotts Company dismissed PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm and approved the engagement of Deloitte & Touche LLP as the Company's independent registered public accounting firm. Deloitte & Touche LLP accepted the engagement as the Company's independent registered public accounting firm effective as of December 17, 2004.

As of the date of PricewaterhouseCoopers LLP's dismissal as the Company's independent registered public accounting firm, PricewaterhouseCoopers LLP and the Company had an open consultation regarding the appropriate accounting treatment for an approximately $3.0 million liability resulting from a bonus pool related to an acquisition made during the first quarter of the Company's 2005 fiscal year. At the time of their dismissal, PricewaterhouseCoopers LLP did not have sufficient information to reach a conclusion on the appropriate accounting for this matter. Since this matter was not resolved prior to PricewaterhouseCoopers LLP's dismissal, this matter was considered a reportable event under Item 304(a)(1)(v)(D) of SEC Regulation S-K.

Based on a thorough review of the facts and circumstances, and relevant accounting literature regarding this matter, the Company determined that this liability should be recorded on the opening balance sheet of Smith & Hawken®. This liability was based on an incentive agreement between the prior owners of Smith & Hawken® and their employees, whereby a portion of the purchase price was to be paid to the employees upon the sale of the business. No post-sale service was required in order for the employees to earn this bonus; therefore, this was considered a liability assumed by the Company as of the purchase date and not an expense related to post-acquisition service.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

With the participation of the principal executive officer and the principal financial officer of The Scotts Miracle-Gro Company (the "Registrant"), the Registrant's management has evaluated the effectiveness of the Registrant's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the fiscal year covered by this Annual Report on Form 10-K. Based upon that evaluation, the Registrant's principal executive officer and principal financial officer have concluded that:

- information required to be disclosed by the Registrant in this Annual Report on Form 10-K and the other reports that the Registrant files or submits under the Exchange Act would be accumulated and communicated to the Registrant's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure;
- information required to be disclosed by the Registrant in this Annual Report on Form 10-K and the other reports that the Registrant files or submits under the Exchange Act would be recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms; and
- the Registrant's disclosure controls and procedures are effective as of the end of the fiscal year covered by this Annual Report on Form 10-K to ensure that material information relating to the Registrant and its consolidated subsidiaries is made known to them, particularly during the period in which the Registrant's periodic reports, including this Annual Report on Form 10-K, are being prepared.

Management's Annual Report on Internal Control Over Financial Reporting

The "Annual Report of Management on Internal Control Over Financial Reporting" required by Item 308(a) of SEC Regulation S-K is included on page 49 of this Annual Report on Form 10-K.

Attestation Report of Independent Registered Public Accounting Firm

The "Report of Independent Registered Public Accounting Firm" required by Item 308(b) of SEC Regulation S-K is included on page 52 of this Annual Report on Form 10-K.

Changes in Internal Control Over Financial Reporting

There were no changes in the Registrant's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the Registrant's fiscal quarter ended September 30, 2005, that have materially affected, or are reasonably likely to materially affect, the Registrant's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

In accordance with General Instruction G(3) of Form 10-K, the information regarding directors required by Item 401 of SEC Regulation S-K is incorporated herein by reference from the material which will be included under the caption "PROPOSAL NUMBER 1 — ELECTION OF DIRECTORS" in the Registrant's definitive Proxy Statement for the 2006 Annual Meeting of Shareholders to be held on January 26, 2006 (the "Proxy Statement"). The information regarding executive officers of the Registrant required by Item 401 of SEC Regulation S-K is included in "SUPPLEMENTAL ITEM. EXECUTIVE OFFICERS OF THE REGISTRANT." The information required by Item 405 of SEC Regulation S-K is incorporated herein by reference from the material which will be included under the caption "BENEFICIAL OWNERSHIP OF SECURITIES OF THE COMPANY — Section 16(a) Beneficial Ownership Reporting Compliance" in the Registrant's Proxy Statement.

Information concerning the Registrant's Audit Committee and the determination by the Registrant's Board of Directors that at least one member of the Audit Committee qualifies as an "audit committee financial expert" is incorporated herein by reference from the information which will be included under the caption "PROPOSAL NUMBER 1 — ELECTION OF DIRECTORS — Committees and Meetings of the Board — Audit Committee" in the Registrant's Proxy Statement. Information concerning the nomination process for director candidates is incorporated herein by reference from the information which will be included under the captions "PROPOSAL NUMBER 1 — ELECTION OF DIRECTORS — Committees and Meetings of the Board — Governance and Nominating Committee" and "PROPOSAL NUMBER 1 — ELECTION OF DIRECTORS — Nomination of Directors."

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

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

The text of the Code of Business Conduct and Ethics, the Registrant's Corporate Governance Guidelines, the Audit Committee charter, the Governance and Nominating Committee charter, the Compensation and Organization Committee charter and the Innovation & Technology Committee charter are posted under the "governance" link on the Registrant's Internet website located at http://www.investor.scotts.com. Interested persons may also obtain copies of each of these documents

without charge by writing to The Scotts Miracle-Gro Company, Attention: Corporate Secretary, 14111 Scottslawn Road, Marysville, Ohio 43041. In addition, a copy of the Code of Business Conduct and Ethics is incorporated by reference in Exhibit 14 to this Annual Report on Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

In accordance with General Instruction G(3) of Form 10-K, the information contained under the captions "EXECUTIVE COMPENSATION — Summary of Cash and Other Compensation, — Option Grants in 2005 Fiscal Year, — Option Exercises in 2005 Fiscal Year and 2005 Fiscal Year-End Option/SAR Values, — Executive Retirement Plan, — Pension Plans, The Scotts Miracle-Gro Company Discounted Stock Purchase Plan and — Employment Agreements and Termination of Employment and Change-in-Control Arrangements," "PROPOSAL NUMBER 1 — ELECTION OF DIRECTORS — Compensation of Directors," "PROPOSAL NUMBER 2 — APPROVAL OF AMENDMENT AND RESTATEMENT OF THE SCOTTS MIRACLE-GRO COMPANY DISCOUNTED STOCK PURCHASE PLAN" [description of manner in which The Scotts Miracle-Gro Company Discounted Stock Purchase Plan operates] and "EXECUTIVE COMPENSATION — Report of the Compensation and Organization Committee on Executive Compensation for the 2005 Fiscal Year — Executive Incentive Plan" in the Registrant's Proxy Statement is incorporated herein by reference.

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

In accordance with General Instruction G(3) of Form 10-K, the information contained under the captions "BENEFICIAL OWNERSHIP OF SECURITIES OF THE COMPANY" and "EXECUTIVE COMPENSATION — Equity Compensation Plan Information" in the Registrant's Proxy Statement is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

In accordance with General Instruction G(3) of Form 10-K, the information contained under the captions "BENEFICIAL OWNERSHIP OF SECURITIES OF THE COMPANY", "PROPOSAL NUMBER 1 — ELECTION OF DIRECTORS" and "CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS" in the Registrant's Proxy Statement is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

In accordance with General Instruction G(3) of Form 10-K, the information contained under the captions "AUDIT COMMITTEE MATTERS — Fees of the Independent Registered Public Accounting Firm and — THE SCOTTS MIRACLE-GRO COMPANY THE AUDIT COMMITTEE POLICIES AND PROCEDURES REGARDING APPROVAL OF SERVICES PROVIDED BY THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM" in the Registrant's Proxy Statement is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

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

1 and 2. Financial Statements and Financial Statement Schedule:

The response to this portion of Item 15 is submitted as a separate section of this Annual Report on Form 10-K. Reference is made to the "Index to Consolidated Financial Statements and Financial Statement Schedule" on page 48 herein.

3. Exhibits:

Exhibits filed with this Annual Report on Form 10-K are attached hereto or incorporated herein by reference. For a list of such exhibits, see "Index to Exhibits" beginning at page 104. The following table provides certain information concerning executive compensation plans and arrangements required to be filed as exhibits to this Annual Report on Form 10-K.

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EXECUTIVE COMPENSATORY PLANS AND ARRANGEMENTS

Exhibit No.	Description	Location
10(a)(1)	The O.M. Scott & Sons Company Excess Benefit Plan, effective October 1, 1993	Incorporated herein by reference to the Annual Report on Form 10-K for the fiscal year ended September 30, 1993, of The Scotts Company, a Delaware corporation (File No. 0-19768) [Exhibit 10(h)]
10(a)(2)	First Amendment to The O.M. Scott & Sons Company Excess Benefit Plan, effective as of January 1, 1998	Incorporated herein by reference to the Annual Report on Form 10-K for the fiscal year ended September 30, 2001 of The Scotts Company, an Ohio Corporation ("Scotts") (File No. 1-13292) [Exhibit 10(a)(2)]
10(a)(3)	Second Amendment to The O.M. Scott & Sons Company Excess Benefit Plan, effective as of January 1, 1999	Incorporated herein by reference to Scotts' Annual Report on Form 10-K for the fiscal year ended September 30, 2001 (File No. 1-13292) [Exhibit 10(a)(3)]
10(a)(4)	Third Amendment to The O.M. Scott & Sons Company Excess Benefit Plan, effective as of March 18, 2005	Incorporated herein by reference to the Quarterly Report on Form 10-Q for the quarterly period ended April 2, 2005 of The Scotts Miracle-Gro Company (the "Registrant") (File No. 1-13292) [Exhibit 10(CC)]
10(b)(1)	The Scotts Company 1992 Long Term Incentive Plan (as amended through May 15, 2000)	Incorporated herein by reference to Scotts' Quarterly Report on Form 10-Q for the quarterly period ended April 1, 2000 (File No. 1-13292) [Exhibit 10(b)]
10(b)(2)	The Scotts Company 1992 Long Term Incentive Plan (2002 Amendment)	Incorporated herein by reference to Scotts' Quarterly Report on Form 10-Q for the quarterly period ended December 28, 2002 (File No. 1-13292) [Exhibit 10(b)(i)]
10(b)(3)	Amendment to The Scotts Company 1992 Long Term Incentive Plan — 2005 Amendment, effective as of March 18, 2005	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended April 2, 2005 (File No. 1-13292) [Exhibit 10(y)]

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Exhibit No.	Description	Location
10(c)(1)	The Scotts Company Executive Annual Incentive Plan	Incorporated herein by reference to Scotts' Annual Report on Form 10-K for the fiscal year ended September 30, 2001 (File No. 1-13292) [Exhibit 10(c)]
10(c)(2)	First Amendment to The Scotts Company Executive Annual Incentive Plan, effective as of March 18, 2005	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended April 2, 2005 (File No. 1-13292) [Exhibit 10(BB)]
10(d)(1)	The Scotts Company 1996 Stock Option Plan (as amended through May 15, 2000)	Incorporated herein by reference to Scotts' Quarterly Report on Form 10-Q for the quarterly period ended April 1, 2000 (File No. 1-13292) [Exhibit 10(d)]
10(d)(2)	The Scotts Company 1996 Stock Option Plan (2002 Amendment)	Incorporated herein by reference to Scott's Quarterly Report on Form 10-Q for the quarterly period ended December 28, 2002 (File No. 1-13292) [Exhibit 10(d)(i)]
10(d)(3)	Amendment to The Scotts Company 1996 Stock Option Plan — 2005 Amendment, effective as of March 18, 2005	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended April 2, 2005 (File No. 1-13292) [Exhibit 10(z)]
10(e)	Specimen form of Stock Option Agreement (as amended through October 23, 2001) for Non-Qualified Stock Options granted to employees under The Scotts Company 1996 Stock Option Plan, U.S. specimen	Incorporated herein by reference to Scotts' Annual Report on Form 10-K for the fiscal year ended September 30, 2001 (File No. 1-13292) [Exhibit 10(e)]
10(f)	Specimen form of Stock Option Agreement (as amended through October 23, 2001) for Non-Qualified Stock Options granted to employees under The Scotts Company 1996 Stock Option Plan, French specimen	Incorporated herein by reference to Scotts' Annual Report on Form 10-K for the fiscal year ended September 30, 2001 (File No. 1-13292) [Exhibit 10(f)]
10(g)(1)	The Scotts Company Executive Retirement Plan	Incorporated herein by reference to Scotts' Annual Report on Form 10-K for the fiscal year ended September 30, 1998 (File No. 1-11593) [Exhibit 10(j)]

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Exhibit No.	Description	Location
10(g)(2)	First Amendment to The Scotts Company Executive Retirement Plan, effective as of January 1, 1999	Incorporated herein by reference to Scotts' Annual Report on Form 10-K for the fiscal year ended September 30, 2001 (File No. 1-13292) [Exhibit 10(g)(2)]
10(g)(3)	Second Amendment to The Scotts Company Executive Retirement Plan, effective as of January 1, 2000	Incorporated herein by reference to Scotts' Annual Report on Form 10-K for the fiscal year ended September 30, 2001 (File No. 1-13292) [Exhibit 10(g)(3)]
10(g)(4)	Third Amendment to The Scotts Company Executive Retirement Plan, effective as of January 1, 2003	Incorporated herein by reference to Scotts' Annual Report on Form 10-K for the fiscal year ended September 30, 2003 (File No. 1-13292) [Exhibit 10(g)(4)]
10(g)(5)	Fourth Amendment to The Scotts Company Executive Retirement Plan, effective as of January 1, 2004	Incorporated herein by reference to Scotts' Annual Report on Form 10-K for the fiscal year ended September 30, 2004 (File No. 1-13292) [Exhibit 10(g)(5)]
10(g)(6)	Fifth Amendment to The Scotts Company Executive Retirement Plan, effective as of March 18, 2005	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended April 2, 2005 (File No. 1-13292) [Exhibit 10(DD)]
10(h)	Employment Agreement, dated as of May 19, 1995, between The Scotts Company and James Hagedorn	Incorporated herein by reference to Scotts' Annual Report on Form 10-K for the fiscal year ended September 30, 1995 (File No. 1-11593) [Exhibit 10(p)]
10(i)(1)	Letter agreement, dated June 8, 2000, between The Scotts Company and Patrick J. Norton	Incorporated herein by reference to Scotts' Annual Report on Form 10-K for the fiscal year ended September 30, 2000 (File No. 1-13292) [Exhibit 10(q)]
10(i)(2)	Letter agreement, dated November 5, 2002, pertaining to the terms of employment of Mr. Norton through December 31, 2005, and superseding certain provisions of the letter agreement, dated June 8, 2000, between The Scotts Company and Mr. Norton	Incorporated herein by reference to Scotts' Annual Report on Form 10-K for the fiscal year ended September 30, 2002 (File No. 1-13292) [Exhibit 10(q)]
10(i)(3)	Letter of Extension, dated October 25, 2005, between The Scotts Miracle-Gro Company and Patrick J. Norton	Incorporated herein by reference to the Registrant's Current Report on Form 8-K dated and filed December 14, 2005 (File No. 1-13292) [Exhibit 10.3]
10(j)(1)	Letter Agreement between The Scotts Company LLC and Dr. Michael P. Kelty dated July 25, 2005	Incorporated herein by reference to the Registrant's Current Report on Form 8-K dated and filed December 14, 2005 (File No. 1-13292) [Exhibit 10.1]

Exhibit No.	Description	Location
10(j)(2)	Separation Agreement and Release of All Claims between The Scotts Company LLC and Dr. Michael P. Kelty dated July 25, 2005	Incorporated herein by reference to the Registrant's Current Report on Form 8-K dated and filed December 14, 2005 (File No. 1-13292) [Exhibit 10.2]
10(k)	Written description of employment terms between the Registrant and David M. Aronowitz, Christopher L. Nagel and Denise S. Stump	*
10(l)(1)	The Scotts Company 2003 Stock Option and Incentive Equity Plan	Incorporated herein by reference to Scotts' Quarterly Report on Form 10-Q for the quarterly period ended December 28, 2002 (File No. 1-13292) [Exhibit 10(w)]
10(l)(2)	First Amendment to The Scotts Company 2003 Stock Option and Incentive Equity Plan, effective as of March 18, 2005	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended April 2, 2005 (File No. 1-13292) [Exhibit 10(AA)]
10(m)	Letter agreement, dated April 23, 2003, between The Scotts Company and Robert F. Bernstock	Incorporated herein by reference to Scotts' Quarterly Report on Form 10-Q for the quarterly period ended June 28, 2003 (File No. 1-13292) [Exhibit 10(x)]
10(n)	Employment Agreement and Covenant Not to Compete, effective October 1, 2004, between The Scotts Company and Robert F. Bernstock	Incorporated herein by reference to Scotts' Current Report on Form 8-K dated and filed November 19, 2004 (File No. 1-13292) [Exhibit 10.1]
10(o)	First Amendment to Employment Agreement and Covenant Not to Compete, effective October 1, 2004, between The Scotts Company and Robert F. Bernstock	Incorporated herein by reference to Scotts' Current Report on Form 8-K dated and filed November 19, 2004 (File No. 1-13292) [Exhibit 10.2]
10(p)	Second Amendment to Employment Agreement and Covenant Not to Compete, effective October 1, 2004, between The Scotts Company and Robert F. Bernstock	Incorporated herein by reference to Scotts' Current Report on Form 8-K dated and filed November 19, 2004 (File No. 1-13292) [Exhibit 10.3]
10(q)	The Scotts Company 2003 Stock Option and Incentive Equity Plan Award Agreement for Nondirectors, effective as of October 1, 2004, between The Scotts Company and Robert F. Bernstock, in respect of grant of 25,000 shares of restricted stock	Incorporated herein by reference to Scotts' Current Report on Form 8-K dated and filed November 19, 2004 (File No. 1-13292) [Exhibit 10.4]
10(r)	Amendment to The Scotts Company 2003 Stock Option and Incentive Equity Plan Award Agreement for Nondirectors, effective as of October 1, 2004, between The Scotts Company and Robert F. Bernstock, in respect of June 2, 2003 award of freestanding stock appreciation rights	Incorporated herein by reference to Scotts' Current Report on Form 8-K dated and filed November 19, 2004 (File No. 1-13292) [Exhibit 10.5]

Exhibit No.	Description	Location
10(s)	Amendment to The Scotts Company 2003 Stock Option and Incentive Equity Plan Award Agreement for Nondirectors, effective as of October 1, 2004, between The Scotts Company and Robert F. Bernstock, in respect of November 19, 2003 award of freestanding stock appreciation rights	Incorporated herein by reference to Scotts' Current Report on Form 8-K dated and filed November 19, 2004 (File No. 1-13292) [Exhibit 10.6]
10(t)	Form of 1996 Stock Option Plan Stock Option Agreement – Non-Qualified Stock Option	Incorporated herein by reference to Scotts' Current Report on Form 8-K dated and filed November 19, 2004 (File No. 1-13292) [Exhibit 10.7]
10(u)	Form of 2003 Stock Option and Incentive Equity Plan Award Agreement for Nondirectors	*
10(v)	Form of 2003 Stock Option and Incentive Equity Plan Award Agreement for Directors	*

* Filed herewith.

(b) EXHIBITS

Exhibits filed with this Annual Report on Form 10-K are attached hereto or incorporated herein by reference. For a list of such exhibits, see "Index to Exhibits" beginning at page 104.

(c) FINANCIAL STATEMENT SCHEDULE

The financial statement schedule filed with this Annual Report on Form 10-K is submitted in a separate section hereof. For a description of such financial statement schedule, see "Index to Consolidated Financial Statements and Financial Statement Schedule" on page 48 herein.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE SCOTTS MIRACLE-GRO COMPANY

Dated: December 14, 2005

By: /s/ JAMES HAGEDORN

James Hagedorn, Chief Executive Officer and Chairman of the Board

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

Signature	Title	Date
/s/ MARK R. BAKER Mark R. Baker	Director	December 14, 2005
/s/ LYNN J. BEASLEY Lynn J. Beasley	Director	December 14, 2005
/s/ GORDON F. BRUNNER Gordon F. Brunner	Director	December 14, 2005
/s/ ARNOLD W. DONALD Arnold W. Donald	Director	December 14, 2005
/s/ JOSEPH P. FLANNERY Joseph P. Flannery	Director	December 14, 2005
/s/ JAMES HAGEDORN James Hagedorn	Chief Executive Officer and Chairman of the Board (Principal Executive Officer)	December 14, 2005
/s/ KATHERINE HAGEDORN LITTLEFIELD Katherine Hagedorn Littlefield	Director	December 14, 2005
/s/ KAREN G. MILLS Karen G. Mills	Director	December 14, 2005
/s/ CHRISTOPHER L. NAGEL Christopher L. Nagel	Executive Vice President and Chief Financial Officer (Principal Financial and Principal Accounting Officer)	December 14, 2005
/s/ PATRICK J. NORTON Patrick J. Norton	Director	December 14, 2005
/s/ STEPHANIE M. SHERN Stephanie M. Shern	Director	December 14, 2005
/s/ JOHN M. SULLIVAN John M. Sullivan	Director	December 14, 2005
/s/ JOHN WALKER, PH.D. John Walker, Ph.D.	Director	December 14, 2005

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

ANNUAL REPORT OF MANAGEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Management, with the participation of our principal executive officer and principal financial officer, assessed the effectiveness of our internal control over financial reporting as of September 30, 2005, the end of our fiscal year. Management based its assessment on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management's assessment included evaluation of such elements as the design and operating effectiveness of key financial reporting controls, process documentation, accounting policies and our overall control environment. This assessment is supported by testing and monitoring performed under the direction of management.

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

Based on our assessment, management has concluded that our internal control over financial reporting was effective as of September 30, 2005, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America. We reviewed the results of management's assessment with the Audit Committee of The Scotts Miracle-Gro Company.

Our independent registered public accounting firm, Deloitte & Touche LLP, audited management's assessment and independently assessed the effectiveness of our internal control over financial reporting. Deloitte & Touche LLP has issued an attestation report concurring with management's assessment, as stated in their report which appears herein.

/s/ James Hagedorn	/s/ Christopher L. Nagel
James Hagedorn Chief Executive Officer and Chairman of the Board Dated: December 14, 2005	Christopher L. Nagel Executive Vice President and Chief Financial Officer Dated: December 14, 2005

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheet of The Scotts Miracle-Gro Company and Subsidiaries (the “Company”) as of September 30, 2005, and the related consolidated statements of operations, shareholders’ equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company at September 30, 2005, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company’s internal control over financial reporting as of September 30, 2005, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated December 14, 2005 expressed an unqualified opinion on management’s assessment of the effectiveness of the Company’s internal control over financial reporting and an unqualified opinion on the effectiveness of the Company’s internal control over financial reporting.

/s/ Deloitte & Touche LLP

Columbus, Ohio
December 14, 2005

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
The Scotts Miracle-Gro Company:

In our opinion, the consolidated balance sheets and the related consolidated statements of operations, shareholders' equity and cash flows present fairly, in all material respects, the financial position of The Scotts Miracle-Gro Company at September 30, 2004 and the results of its operations and its cash flows for the years ended September 30, 2004 and 2003 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 6 to the financial statements, effective October 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets". Also, as discussed in Note 1 to the financial statements, effective October 1, 2002, the Company adopted the prospective method of recognizing the fair value of stock-based compensation in accordance with Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation".

/s/ PricewaterhouseCoopers LLP

Columbus, OH
November 22, 2004

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited management's assessment, included in the accompanying Annual Report of Management on Internal Control Over Financial Reporting, that The Scotts Miracle-Gro Company and Subsidiaries (the "Company") maintained effective internal control over financial reporting as of September 30, 2005, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of September 30, 2005 is fairly stated, in all material respects, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2005, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended September 30, 2005 of the Company and our report dated December 14, 2005 expressed an unqualified opinion on those financial statements.

/s/ Deloitte & Touche LLP

Columbus, Ohio
December 14, 2005

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The Scotts Miracle-Gro Company
Consolidated Statements of Operations
for the fiscal years ended September 30, 2005, 2004 and 2003
(in millions, except per share data)

	2005	2004	2003
Net sales	$ 2,369.3	$ 2,106.5	$ 1,941.6
Cost of sales	1,509.2	1,313.5	1,230.8
Restructuring and other charges	(0.3)	0.6	9.1
Gross profit	860.4	792.4	701.7
Operating expenses:			
Selling, general and administrative	633.8	540.7	472.9
Impairment, restructuring and other charges	33.2	9.1	8.0
Other income, net	(7.5)	(10.2)	(10.8)
Income from operations	200.9	252.8	231.6
Costs related to refinancings	1.3	45.5	—
Interest expense	41.5	48.8	69.2
Income before income taxes	158.1	158.5	162.4
Income taxes	57.7	58.0	59.2
Income from continuing operations	100.4	100.5	103.2
Income from discontinued operations	0.2	0.4	0.6
Net income	$ 100.6	$ 100.9	$ 103.8
Basic earnings per common share:			
Income from continuing operations	$ 1.51	$ 1.55	$ 1.67
Income from discontinued operations	—	0.01	0.01
Net income	$ 1.51	$ 1.56	$ 1.68
Diluted earnings per common share:			
Income from continuing operations	$ 1.47	$ 1.51	$ 1.61
Income from discontinued operations	—	0.01	0.01
Net income	$ 1.47	$ 1.52	$ 1.62

See Notes to Consolidated Financial Statements.

The Scotts Miracle-Gro Company
Consolidated Statements of Cash Flows
for the fiscal years ended September 30, 2005, 2004 and 2003
(in millions)

	2005	2004	2003
OPERATING ACTIVITIES			
Net income	$ 100.6	$ 100.9	$ 103.8
Adjustments to reconcile net income to net cash provided by operating activities:			
Impairment of intangible assets	23.4	—	—
Costs related to refinancings	1.3	45.5	—
Stock-based compensation expense	10.7	7.8	4.8
Depreciation	49.6	46.1	40.3
Amortization	17.6	11.6	11.9
Deferred taxes	(13.6)	17.6	48.3
Changes in assets and liabilities, net of acquired businesses:			
Accounts receivable	(37.9)	(1.9)	(27.3)
Inventories	(15.8)	(14.0)	(5.3)
Prepaid and other current assets	8.1	(16.9)	3.7
Accounts payable	10.3	(18.7)	26.3
Accrued taxes and liabilities	27.9	29.5	6.6
Restructuring reserves	10.3	0.8	(7.1)
Other non-current items	6.6	(5.8)	0.3
Other, net	27.6	11.7	9.8
Net cash provided by operating activities	226.7	214.2	216.1
INVESTING ACTIVITIES			
Investment in available for sale securities	—	(121.4)	—
Redemption of available for sale securities	57.2	64.2	
Payments on seller notes	—	(12.3)	(36.7)
Investment in property, plant and equipment, net	(40.4)	(35.1)	(51.8)
Investments in acquired businesses, net of cash acquired	(77.7)	(8.2)	(20.4)
Net cash used in investing activities	(60.9)	(112.8)	(108.9)
FINANCING ACTIVITIES			
Borrowings under revolving and bank lines of credit	924.2	648.6	801.9
Repayments under revolving and bank lines of credit	(736.4)	(646.6)	(819.5)
Repayment of term loans	(399.0)	(827.5)	(62.4)
Proceeds from issuance of term loans	—	900.0	—
Redemption of 8 5/8% Senior Subordinated Notes	—	(418.0)	—
Proceeds from issuance of 6 5/8% Senior Subordinated Notes	—	200.0	—
Financing and issuance fees	(3.6)	(13.0)	(0.4)
Dividends paid	(8.6)	—	—
Payments on sellers notes	(6.9)	—	—
Cash received from exercise of stock options	32.2	23.5	21.4
Proceeds from termination of interest rate swaps	2.9	—	—
Net cash used in financing activities	(195.2)	(133.0)	(59.0)
Effect of exchange rate changes	(6.0)	(8.7)	8.0
Net (decrease) increase in cash	(35.4)	(40.3)	56.2
Cash and cash equivalents, beginning of year	115.6	155.9	99.7
Cash and cash equivalents, end of year	$ 80.2	$ 115.6	$ 155.9
SUPPLEMENTAL CASH FLOW INFORMATION			
Interest paid, net of interest capitalized	(39.9)	(50.9)	(66.7)
Income taxes paid	(64.0)	(34.7)	(19.5)

See Notes to Consolidated Financial Statements.

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The Scotts Miracle-Gro Company
Consolidated Balance Sheets
September 30, 2005 and 2004
(in millions except per share data)

	2005	2004
ASSETS		
Current assets:		
Cash and cash equivalents	$ 80.2	$ 115.6
Investments	—	57.2
Accounts receivable, less allowances of $11.4 in 2005 and $29.0 in 2004	323.3	292.4
Inventories, net	324.9	290.1
Prepaid and other assets	59.4	75.0
Total current assets	787.8	830.3
Property, plant and equipment, net	337.0	328.0
Goodwill	432.9	417.9
Intangible assets, net	439.5	431.0
Other assets	21.7	40.6
Total assets	$ 2,018.9	$ 2,047.8
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of debt	$ 11.1	$ 22.1
Accounts payable	151.7	130.3
Accrued liabilities	314.7	261.9
Accrued taxes	8.7	19.3
Total current liabilities	486.2	433.6
Long-term debt	382.4	608.5
Other liabilities	124.1	131.1
Total liabilities	992.7	1,173.2
Commitments and contingencies (Notes 14, 15 and 16)		
Shareholders' equity:		
Common shares, no par value per share, $.01 stated value per share, shares issued and outstanding of 67.8 in 2005 and 65.6 in 2004	0.3	0.3
Deferred compensation — stock awards	(12.2)	(10.4)
Capital in excess of stated value	503.2	443.0
Retained earnings	591.5	499.5
Accumulated other comprehensive loss	(56.6)	(57.8)
Total shareholders' equity	1,026.2	874.6
Total liabilities and shareholders' equity	$ 2,018.9	$ 2,047.8

See Notes to Consolidated Financial Statements.

The Scotts Miracle-Gro Company
Consolidated Statements of Shareholders' Equity
for the fiscal years ended September 30, 2005, 2004 and 2003
(in millions)

	Common Stock					Treasury Stock			
	Shares	Amount	Deferred Compensation	Capital in Excess of Stated Value	Retained Earnings	Shares	Amount	Accumulated Other Comprehensive Income/(loss)	Total
Balance, September 30, 2002	62.7	$ 0.3		$ 398.6	$ 294.8	(2.4)	$ (41.8)	$ (58.0)	$ 593.9
Net income					103.8				103.8
Foreign currency translation								(2.8)	(2.8)
Unrecognized gain on derivatives, net of tax								0.8	0.8
Minimum pension liability, net of tax								(0.8)	(0.8)
Comprehensive income									101.0
Stock-based compensation awarded			$ (13.1)	13.1					
Stock-based compensation expense			4.8						4.8
Issuance of common shares	1.4			(13.3)					(13.3)
Treasury stock activity						2.4	41.8		41.8
Balance, September 30, 2003	64.1	0.3	(8.3)	398.4	398.6	—	—	(60.8)	728.2
Net income					100.9				100.9
Foreign currency translation								(0.9)	(0.9)
Unrecognized gain on derivatives, net of tax								1.0	1.0
Minimum pension liability, net of tax								2.9	2.9
Comprehensive income									103.9
Stock-based compensation awarded			(12.2)	12.2					
Stock-based compensation forfeitures			1.2	(1.2)					
Stock-based compensation expense			8.9						8.9
Issuance of common shares	1.6			33.6					33.6
Balance, September 30, 2004	65.7	0.3	(10.4)	443.0	499.5	—	—	(57.8)	874.6
Net Income					100.6				100.6
Foreign currency translation								4.1	4.1
Unrecognized gain on derivatives, net of tax								2.1	2.1
Minimum pension liability, net of tax								(5.0)	(5.0)
Comprehensive Income									101.8
Stock-based compensation awarded			(15.1)	15.1					
Stock-based compensation forfeitures			2.6	(2.6)					
Stock-based compensation expense			10.7						10.7
Cash dividends paid (12.5 cents per share)					(8.6)				(8.6)
Issuance of common shares (net of tax)	2.1			47.7					47.7
Balance, September 30, 2005	67.8	$ 0.3	$ (12.2)	$ 503.2	$ 591.5	—	$ —	$ (56.6)	$ 1,026.2

The Scotts Miracle-Gro Company
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Scotts Miracle-Gro Company and its subsidiaries (collectively the "Company") are engaged in the manufacture, marketing and sale of lawn and garden care products. The Company's major customers include home improvement centers, mass merchandisers, warehouse clubs, large hardware chains, independent hardware stores, nurseries, garden centers, food and drug stores, commercial nurseries and greenhouses, and specialty crop growers. The Company's products are sold primarily in North America and the European Union. We also operate the Scotts LawnService® business which provides lawn and tree and shrub fertilization, insect control and other related services in the United States. Effective October 2, 2004, the Company acquired Smith & Hawken®, a leading brand in the outdoor living and gardening lifestyle category. Smith & Hawken® products are sold in the United States through its 57 retail stores as well as through catalog and internet sales.

Restructuring Merger

On March 18, 2005, The Scotts Company consummated the restructuring of its corporate structure into a holding company structure by merging The Scotts Company into a newly-created, wholly-owned, second-tier Ohio limited liability company subsidiary, The Scotts Company LLC, pursuant to the Agreement and Plan of Merger, dated as of December 13, 2004, by and among The Scotts Company, The Scotts Company LLC and Scotts Miracle-Gro (the "Restructuring Merger"). As a result of the Restructuring Merger, each of The Scotts Company's common shares, without par value, issued and outstanding immediately prior to the consummation of the Restructuring Merger was automatically converted into one fully paid and nonassessable common share, without par value, of The Scotts Miracle-Gro Company. The Scotts Miracle-Gro Company is the public company successor to The Scotts Company. Following the consummation of the Restructuring Merger, The Scotts Company LLC is the successor to The Scotts Company and is a direct, wholly-owned subsidiary of The Scotts Miracle-Gro Company, the new parent holding company.

Organization Basis of Presentation and Reclassifications

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

Certain revisions and reclassifications have been made to prior years' financial statements to conform to fiscal 2005 classifications. With respect to the Amended and Restated Exclusive Agency and Marketing Agreement (the "Marketing Agreement") with Monsanto Company ("Monsanto"), the Company has made two presentational changes. First, the Company has reclassified as net sales the amounts previously reported as net commission from the Marketing Agreement. Second, net sales and cost of sales have been adjusted to reflect certain reimbursements and costs associated with the Marketing Agreement on a gross basis that was previously reported on a net basis, with no effect on gross profit or net income. See further details regarding these matters in Note 3 of the Notes to Consolidated Financial Statements. Furthermore, the Company has simplified the presentation of Selling, General and Administrative expenses presented on the face of the Consolidated Statements of Operations.

Subsequent Event — Stock Split

On November 9, 2005, the Company executed a 2-for-1 stock split for shareholders of record on November 2, 2005. All share and per share information included in these consolidated financial statements and notes thereto have been adjusted to reflect this stock split for all periods presented.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Revenue Recognition

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

Under the terms of the marketing agreement between The Scotts Company and Monsanto, the Company in its role as exclusive agent performs certain functions, such as sales support, merchandising, distribution and logistics of Monsanto, and incurs certain costs in support of the consumer Roundup® business. The actual costs incurred by the Company on behalf of Roundup® are recovered from Monsanto through the terms of the agency agreement. The reimbursement of costs for which the Company is considered the primary obligator is included in net sales.

Promotional Allowances

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

Advertising

The Company advertises its branded products through national and regional media. Advertising costs incurred during the year are expensed to interim periods in relation to revenues. All advertising costs, except for external production costs, are expensed within the fiscal year in which such costs are incurred. External production costs for advertising programs are deferred until the period in which the advertising is first aired. Advertising expenses were $122.5 million in fiscal 2005, $105.0 million in fiscal 2004 and $97.7 million in fiscal 2003.

Scotts LawnService® promotes its service offerings through direct response mail campaigns. External costs associated with these campaigns that qualify as direct response advertising costs are deferred and recognized as advertising expense in proportion to revenues over a future period not beyond the end of the subsequent calendar year. The costs deferred at September 30, 2005 and 2004 were $2.4 million and $1.6 million, respectively.

Research and Development

All costs associated with research and development are charged to expense as incurred. Expense for fiscal 2005, 2004 and 2003 was $30.5 million, $34.4 million and $30.4 million, respectively.

Environmental Costs

The Company recognizes environmental liabilities when conditions requiring remediation are probable and the amounts can be reasonably estimated. Expenditures which extend the life of the related property or mitigate or prevent future environmental contamination are capitalized. Environmental liabilities are not discounted or reduced for possible recoveries from insurance carriers.

Stock-Based Compensation Awards

In fiscal 2003, the Company began expensing prospective grants of employee stock-based compensation awards in accordance with Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation". The fair value of awards is expensed ratably over the vesting period, generally three years, except for grants to members of the Board of Directors that have a shorter vesting period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In December 2004, the Financial Accounting Standards Board replaced SFAS 123 with SFAS 123(R), “Share-Based Payment,” that the Company is required to adopt effective October 1, 2005. The Company is already in substantial compliance with SFAS 123(R) as the standard closely parallels SFAS 123. The adoption of SFAS 123(R) is not expected to have a significant effect on the Company’s results of operations.

The Company changed its fair value option pricing model from the Black-Scholes model to a binomial model for all options granted on or after October 1, 2004. The fair value of options granted prior to October 1, 2004, was determined using the Black-Scholes model. The Company believes the binomial model considers characteristics of fair value option pricing that are not available under the Black-Scholes model. Both the Black-Scholes model and the binomial model take into account a number of variables such as volatility, risk-free interest rate, contractual term of the option, the probability that the option will be exercised prior to the end of its contractual life, and the probability of termination or retirement of the option holder in computing the value of the option. However, the binomial model uses a more refined approach in applying those variables thereby improving the quality of the estimate of fair value.

Earnings per Common Share

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

Cash and Cash Equivalents

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

Investments

Investments at September 30, 2004, consisted of adjustable rate notes issued by a variety of borrowers (the “Notes”). The Notes have been accounted for as “available for sale securities” in accordance with Statement of Financial Accounting Standards No. 115, “Accounting for Certain Investments in Debt and Equity Securities.” Cost is equivalent to fair value at the balance sheet date as the Notes can be put back to a remarketing agent at any time at 100% of par value. The Notes were secured by an irrevocable, direct pay letter of credit. The Notes held at September 30, 2004, in the amount of $57.2 million, were redeemed on October 1, 2004.

Accounts Receivable and Allowances

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

Inventories

Inventories are stated at the lower of cost or market, principally determined by the FIFO method. Certain growing media inventories are accounted for by the LIFO method. At September 30, 2005 and 2004, approximately 6% of inventories, are valued at the lower of LIFO cost or market. Inventories include the cost of raw materials, labor and manufacturing overhead. The Company makes provisions for obsolete

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

or slow-moving inventories as necessary to properly reflect inventory at the lower of cost or market value. Reserves for excess and obsolete inventories were $16.3 million and $21.3 million at September 30, 2005 and 2004, respectively.

The Company will be required to adopt the provisions of SFAS No. 151, “Inventory Costs,” in the first quarter of fiscal 2006. SFAS No. 151 amends ARB 43, Chapter 4, to clarify that abnormal amounts of idle facility expense, freight, handling costs, and wasted materials (spoilage) should be recognized as current-period charges. In addition, this Statement requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. The Company has completed its evaluation of the provisions of SFAS No. 151, and does not expect its adoption to have a material impact on its financial position or results of operations.

Long-lived Assets

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

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

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

Interest capitalized on capital projects amounted to $0.3 million during fiscal 2005. There was no capitalized interest in fiscal 2004.

Management assesses the recoverability of long-lived assets being amortized whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If it is determined that an impairment has occurred, an impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its estimated fair value.

Management also assesses the recoverability of goodwill and intangible assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Goodwill and intangible assets not being amortized are reviewed for impairment at least annually during the first fiscal quarter. If it is determined that an impairment of intangible assets has occurred (based on undiscounted cash flows), an impairment loss is recognized for the amount by which the carrying value of the asset exceeds its estimated fair value.

Internal Use Software

The Company accounts for the costs of internal use software in accordance with Statement of Position 98-1, “Accounting for the Costs of Computer Software Developed or Obtained for Internal Use.” Accordingly, costs are expensed or capitalized depending on whether they are incurred in the preliminary project stage, application development stage or the post-implementation/operation stage. As of September 30, 2005 and 2004, the Company had $37.4 million and $40.2 million, respectively, in unamortized capitalized internal use computer software costs. Amortization of these costs was $9.6 million, $8.7 million and $9.0 million during fiscal 2005, 2004 and 2003, respectively.

Foreign Exchange Instruments

Gains and losses on foreign currency transaction hedges are recognized in income and offset the foreign exchange gains and losses on the underlying transactions. Gains and losses on foreign currency

firm commitment hedges are deferred and included in the basis of the transactions underlying the commitments.

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

Derivative Instruments

In the normal course of business, the Company is exposed to fluctuations in interest rates and the value of foreign currencies. The Company has established policies and procedures that govern the management of these exposures through the use of a variety of financial instruments. The Company employs various financial instruments, including forward exchange contracts and swap agreements, to manage certain of the exposures when practical. By policy, the Company does not enter into such contracts for the purpose of speculation or use leveraged financial instruments. The Company's derivative activities are managed by the Chief Financial Officer and other senior management of the Company in consultation with the Finance Committee of the Board of Directors. These activities include the establishment of a risk-management philosophy and objectives, providing guidelines for derivative-instrument usage and establishing procedures for control and valuation, counterparty credit approval and the monitoring and reporting of derivative activity.

The Company's objective in managing its exposure to fluctuations in interest rates and foreign currency exchange rates is to decrease the volatility of earnings and cash flows associated with changes in the applicable rates and prices. To achieve this objective, the Company primarily enters into forward exchange contracts and swap agreements whose values change in the opposite direction of the anticipated cash flows. Derivative instruments related to forecasted transactions are considered to hedge future cash flows, and the effective portion of any gains or losses is included in other comprehensive income until earnings are affected by the variability of cash flows. Any remaining gain or loss is recognized currently in earnings. The cash flows of the derivative instruments are expected to be highly effective in achieving offsetting cash flows attributable to fluctuations in the cash flows of the hedged risk. If it becomes probable that a forecasted transaction will no longer occur, the derivative will continue to be carried on the balance sheet at fair value, and gains and losses that were accumulated in other comprehensive income will be recognized immediately in earnings.

To manage certain of its cash flow exposures, the Company has entered into forward exchange contracts and interest rate swap agreements. The forward exchange contracts are designated as hedges of the Company's foreign currency exposure associated with future cash flows. The change in the value of the amounts payable or receivable under forward exchange contracts are recorded as adjustments to other income or expense. The interest rate swap agreements are designated as hedges of the Company's interest rate risk associated with certain variable rate debt. The change in the value of the amounts payable or receivable under the swap agreements are recorded as adjustments to interest expense. Unrealized gains or losses resulting from valuing these swaps at fair value are recorded in other comprehensive income.

There have been no significant gains or losses recognized in earnings for hedge ineffectiveness or due to excluding a portion of the value from measuring effectiveness.

Use of Estimates

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. DETAIL OF CERTAIN FINANCIAL STATEMENT ACCOUNTS

	September 30, 2005	September 30, 2004
	(In millions)	
INVENTORIES, NET:		
Finished goods	$ 216.0	$ 186.6
Work-in-progress	31.4	30.7
Raw materials	77.5	72.8
	$ 324.9	$ 290.1
PROPERTY, PLANT AND EQUIPMENT, NET:		
Land and improvements	$ 39.6	$ 42.5
Buildings	131.1	128.3
Machinery and equipment	353.7	324.8
Furniture and fixtures	35.4	40.4
Software	76.6	75.7
Construction in progress	23.0	17.7
	659.4	629.4
Less: accumulated depreciation	(322.4)	(301.4)
	$ 337.0	$ 328.0
ACCRUED LIABILITIES:		
Payroll and other compensation accruals	$ 62.5	$ 66.7
Advertising and promotional accruals	114.0	85.0
Restructuring accruals	15.6	5.3
Other	122.6	104.9
	$ 314.7	$ 261.9
OTHER NON-CURRENT LIABILITIES:		
Accrued pension and postretirement liabilities	$ 102.9	$ 104.7
Legal and environmental reserves	3.3	6.0
Other	17.9	20.4
	$ 124.1	$ 131.1

	September 30, 2005	September 30, 2004	September 30, 2003
		(in millions)	
ACCUMULATED OTHER COMPREHENSIVE LOSS:			
Unrecognized gain (loss) on derivatives, net of tax of $(1.2), $0.2 and $0.9	$ 1.8	$ (0.3)	$ (1.3)
Minimum pension liability, net of tax of $23.7, $22.7 and $24.8	(40.6)	(35.6)	(38.5)
Foreign currency translation adjustment	(17.8)	(21.9)	(21.0)
	$ (56.6)	$ (57.8)	$ (60.8)

NOTE 3. MARKETING AGREEMENT

Under the terms of the Marketing Agreement with Monsanto, the Company is Monsanto's exclusive agent for the domestic and international marketing and distribution of consumer Roundup® herbicide products. Under the terms of the Marketing Agreement, the Company is entitled to receive an annual commission from Monsanto in consideration for the performance of its duties as agent. The Marketing Agreement also requires the Company to make annual payments to Monsanto as a contribution against the overall expenses of the consumer Roundup business.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The annual gross commission under the Marketing Agreement is calculated as a percentage of the actual earnings before interest and income taxes (EBIT), as defined in the Marketing Agreement, of the consumer Roundup business. Each year's percentage varies in accordance with the terms of the Marketing Agreement based on the achievement of two earnings thresholds and on commission rates that vary by threshold and program year.

The annual contribution payment is defined in the Marketing Agreement as $20 million. However, portions of the annual payments for the first three years of the Marketing Agreement were deferred. No payment was required for the first year (fiscal 1999), a payment of $5 million was required for the second year and a payment of $15 million was required for the third year so that a total of $40 million of the contribution payments was deferred. Beginning in fiscal 2003, the fifth year of the Marketing Agreement, the annual payments to Monsanto increased to at least $25 million, which included per annum interest charges at 8%. The annual payments were increased above $25 million if certain significant earnings targets were exceeded.

Through July 2, 2005, the Company recognized a periodic charge associated with the annual contribution payments equal to the required payment for that period. The Company had not recognized a charge for the portions of the contribution payments that were deferred until the time those deferred amounts were due under the terms of the Marketing Agreement. Based on the then available facts and circumstances, the Company considered this method of accounting for the contribution payments to be appropriate after consideration of the likely term of the Marketing Agreement, the Company's ability to terminate the Marketing Agreement without paying the deferred amounts (as supported by legal opinion from The Bayard Firm, P.A.), the Company's assessment that the Marketing Agreement could have been terminated at any balance sheet date without incurring significant economic consequences as a result of such action and the fact that a significant portion of the deferred amount could never have been paid, even if the Marketing Agreement is not terminated prior to 2018, unless significant earnings targets were exceeded.

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

During the quarter ended July 2, 2005, the Company updated its assessment of the amounts deferred and previously considered a contingent obligation under the Marketing Agreement. Based on the recent strong performance of the consumer Roundup business and other economic developments surrounding the business, the Company now believes that the deferred contribution amounts outstanding will be paid in full between 2010 and 2012 under the terms of the Marketing Agreement. In management's judgment, it is now probable that the deferred contribution payment that totaled $45.7 million as of July 2, 2005 will be paid. As such, the Company recorded this liability with a charge to net sales in the quarter ended July 2, 2005. This amount bore interest at 8% until it was paid in October 2005. The deferred contribution balance is recorded as a current liability at September 30, 2005.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The elements of the net commission earned under the Marketing Agreement included in “Net sales” for the three years ended September 30, 2005 were as follows:

	2005	2004	2003
Gross commission	$ 67.0	$ 58.2	$ 45.9
Contribution expenses	(23.8)	(26.4)	(25.0)
Deferred contribution charge	(45.7)	—	—
Amortization of marketing fee	(2.8)	(3.3)	(3.3)
Net commission (expense) income	(5.3)	28.5	17.6
Reimbursements associated with marketing agreement	40.7	40.1	36.3
Total net sales associated with marketing agreement	$ 35.4	$ 68.6	$ 53.9

For fiscal 2005, the net commission earned under the Marketing Agreement is included in net sales. Prior to fiscal 2005, the elements of net commission were previously reported as separate line items in the Consolidated Statements of Operations. The net commissions for fiscal years 2004 and 2003 have been reclassified to net sales to conform to the fiscal 2005 presentation.

In consideration for the rights granted to the Company under the Marketing Agreement for North America, the Company was required to pay a marketing fee of $33 million to Monsanto. The Company has deferred this amount on the basis that the payment will provide a future benefit through commissions that will be earned under the Marketing Agreement. Based on management’s updated assessment of the likely term of the Marketing Agreement, the useful life over which the marketing fee is being amortized has been adjusted to 20 years. Prior to fiscal 2005, the marketing fee had been amortized over ten years.

Under the terms of the Marketing Agreement between the Company and Monsanto, the Company performs certain functions, primarily manufacturing conversion, selling and marketing support costs, on behalf of Monsanto in the conduct of the consumer Roundup business. The actual costs incurred for these activities are charged to and reimbursed by Monsanto, for which the Company recognizes no gross margin or net income. Prior to fiscal 2005, these costs were recognized in the Consolidated Statements of Operations on a net basis as a recovery of incurred costs rather than separately recognizing the reimbursement of these costs as revenue. Beginning in fiscal 2005, the Company determined it is appropriate to record costs incurred under this Agreement for which it is the primary obligor on a gross basis, recognizing such costs in “Cost of sales” and the reimbursement of these costs in “Net sales.” The related revenues and cost of sales were $40.7 million, $40.1 million and $36.3 million for fiscal 2005, 2004 and 2003, respectively. All prior periods presented have been reclassified to conform to the current presentation.

The Marketing Agreement has no definite term except as it relates to the European Union countries. With respect to the European Union countries, the term of the Marketing Agreement has been extended through September 30, 2008 and may be renewed at the option of both parties for two additional successive terms ending on September 30, 2015 and 2018, with a separate determination being made by the parties at least six months prior to the expiration of each such term as to whether to commence a subsequent renewal term. If Monsanto does not agree to the renewal term with respect to the European Union countries, the commission structure will be renegotiated within the terms of the marketing agreement. For countries outside of the European Union, the Marketing Agreement continues indefinitely unless terminated by either party. The Marketing Agreement provides Monsanto with the right to terminate the Marketing Agreement for an event of default (as defined in the Marketing Agreement) by the Company or a change in control of Monsanto or the sale of the consumer Roundup® business. The Marketing Agreement provides the Company with the right to terminate the Marketing Agreement in certain circumstances including an event of default by Monsanto or the sale of the consumer Roundup® business. Unless Monsanto terminates the Marketing Agreement for an event of default by the Company, Monsanto is required to pay a termination fee to the Company that varies by program year. If Monsanto terminates the Marketing Agreement upon a change of control of Monsanto or the sale of the consumer Roundup®

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

NOTE 4. IMPAIRMENT, RESTRUCTURING AND OTHER CHARGES

2005 Charges

During fiscal 2005, the Company recorded $9.5 million of restructuring and other charges. The Company recognized restructuring costs relating primarily to the Company's strategic improvement plan designed to significantly improve long-term earnings through a sustained effort to reduce general and administrative costs. Primarily in relation to the plan, the Company recognized $26.3 million of severance and related costs, including curtailment charges relating to a pension plan and the retiree medical plan. The Company anticipates that restructuring activities under the strategic improvement plan will continue through fiscal 2007 and that total costs under the plan will be in the range of $33 million to $35 million.

Offsetting these charges was a reserve reversal to restructuring income of $7.9 million related to the collection of outstanding accounts receivable due from Central Garden & Pet Company (Central Garden), and a net settlement gain of $8.9 million was recorded relating to the lawsuit against Aventis.

2004 Charges

During fiscal 2004, the Company recorded $9.7 million of restructuring and other charges. Charges related to our North America distribution restructuring were classified as cost of sales in the amount of $0.6 million. Severance costs related to our International Profit Improvement Plan and the restructuring of our International team amounted to $6.1 million. The restructuring of our Global Business Information Services group amounted to $3.0 million and related primarily to severance and outside service costs. The severance costs incurred in fiscal 2004 are related to the reduction of 75 administrative and production employees.

2003 Charges

During fiscal 2003, the Company recorded $17.1 million of restructuring and other charges. Costs of $5.3 million for warehouse lease buyouts and relocation of inventory associated with exiting certain warehouses in North America, and $3.8 million related to a plan to optimize our International supply chain were included in cost of sales. Severance and consulting costs of $5.3 million for the continued European integration efforts that began in the fourth quarter of fiscal 2002, and $2.7 million of administrative facility exit costs in North America were charged to impairment, restructuring and other charges. The severance costs incurred in fiscal 2003 are related to the reduction of 78 administrative and production employees.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following is the detail of impairment, restructuring, and other charges and a rollforward of the cash portion of the restructuring and other charges accrued in fiscal 2005 and 2004 (in millions).

	2005	2004	2003
Restructuring:			
Severance	$ 15.9	$ 7.6	$ 5.3
Facility exit costs	0.1	1.0	9.1
Central Garden litigation	(7.9)	—	—
Aventis litigation	(8.9)	—	—
Curtailment of pension and retiree medical plans	4.9	—	—
Other related costs	5.4	1.1	2.7
	9.5	9.7	17.1
Asset impairment:			
Other intangibles	23.4	—	—
Total restructuring and asset impairment expense	$ 32.9	$ 9.7	$ 17.1
Amounts reserved for restructuring and other charges at beginning of year	$ 5.3	$ 4.5	$ 12.0
Restructuring expense	9.5	9.7	17.1
Receipts, payments and other	0.8	(8.9)	(24.6)
Amounts reserved for restructuring and other charges at end of year	$ 15.6	$ 5.3	$ 4.5

The restructuring activities to which these costs apply are expected to be largely completed in fiscal 2006. The balance of the accrued charges at September 30, 2005 and 2004, are included in “Accrued liabilities” on the Consolidated Balance Sheets.

NOTE 5. ACQUISITIONS

Smith & Hawken®

Effective October 2, 2004, the Company acquired all outstanding shares of Smith & Hawken®, a leading brand in the outdoor living and gardening lifestyle category, for a total cost of $73.6 million (net of cash acquired of $1.3 million). Smith & Hawken® is the leading brand in outdoor living and is an outstanding fit with our strategy to extend our reach into adjacent lawn and garden categories. Final purchase accounting allocations to assets acquired and liabilities assumed based on estimated fair values at the date of acquisition were as follows (in millions):

Goodwill	$ 24.6
Non-amortizing trademarks	12.4
Amortizing other intangibles	5.0
Property, plant and equipment	20.1
Working capital	5.4
Deferred taxes	6.1
	$ 73.6

Amortizing intangibles consist primarily of customer relationships and favorable leaseholds and are being amortized over a weighted-average life over approximately 7.5 years. The goodwill recorded in connection with the Smith & Hawken® acquisition is not deductible for the tax purposes.

On a pro forma basis, net sales for the years ended September 30, 2004, would have been $2,255.0 million (an increase of $148.5 million) had the acquisition of Smith & Hawken® occurred as of

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

October 1, 2003. Reported net income on a pro forma basis would have decreased by approximately $1.6 million, or $0.02 per common share, for the year ended September 30, 2004.

Scotts LawnService®

From fiscal 2003 through 2005, the Company's Scotts LawnService® segment acquired 29 individual lawn service entities for a total cost of approximately $41.0 million. The following table summarizes the details of these transactions by fiscal year (dollar amounts in millions):

	Fiscal Year		
	2005	2004	2003
Number of individual acquisitions	3	4	22
Total cost	$6.4	$ 4.0	$ 30.6
Portion of cost paid in cash	4.1	3.0	17.2
Notes issued and liabilities assumed	2.3	1.0	13.4
Goodwill	4.7	3.0	22.3
Other intangible assets	0.9	0.6	6.2
Working capital and property, plant and equipment	0.8	0.4	2.1

In addition to the above, the Company acquired the minority interest in the Scotts LawnService® business during fiscal 2004 for $5.2 million ($2.0 million in cash and $3.2 million in seller notes). The purchase price was allocated to goodwill in the amount of $5.1 million and other intangible assets in the amount of $0.1.

Substantially all of the recorded goodwill relating to the Scotts LawnService acquisitions is deductible for tax purposes. Goodwill is not being amortized for financial reporting purposes. Other intangible assets consist primarily of customer lists and non-compete agreements, and are being amortized for financial reporting purposes over a period of 7 and 3 years, respectively.

During fiscal 2004, the Company acquired the minority interest in a subsidiary for $3.2 million, the cost of which was allocated to intangible assets. The Company's North America segment acquired two entities to enter the pottery business in fiscal 2003. The aggregate purchase price for these two entities was $3.2 million, all of which was paid in cash. Goodwill of $0.8 million pertaining to these acquisitions is tax deductible. Other intangible assets, primarily customer accounts of $1.0 million, and inventory of $1.4 million were also recorded.

These acquisitions are deemed immaterial for pro forma disclosure.

Transactions Subsequent to September 30, 2005

Effective October 3, 2005, the Company acquired all outstanding shares of the Rod McLellan Company for a total cost of $22.0 million in cash. Rod McLellan Company, a provider of soil and landscape products in the western U.S., operates three soil-manufacturing facilities in California and Oregon with approximately 100 employees.

Effective November 18, 2005, the Company acquired all outstanding shares of Gutwein & Co. Inc. (Gutwein), for approximately $77.0 million in cash. Gutwein's annual revenues approximate $85 million in the growing wild bird food category. Gutwein's Morning Song® products are sold at leading mass retailers, grocery, pet and general merchandise stores. Gutwein has 140 employees and operates five production facilities.

NOTE 6. GOODWILL AND INTANGIBLE ASSETS, NET

Goodwill and certain other intangible assets, primarily tradenames, classified as indefinite-lived assets are not amortized. Indefinite-lived assets are subject to an annual impairment test that is performed by the Company in the first quarter of its fiscal year. If it is determined that an impairment of an indefinite-lived intangible asset has occurred, an impairment charge is recognized for the amount by which the carrying value of the asset exceeds its estimated fair value.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Intangible assets with finite lives, and therefore subject to amortization, include technology (e.g., patents), customer accounts, and certain tradenames. These intangible assets are being amortized on the straight-line method over periods ranging from 3 to 39 years. In addition to the annual impairment analysis required for goodwill and indefinite-lived intangible assets, management will assess the recoverability of any intangible asset whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

In the first quarter of fiscal 2005, the Company completed its annual impairment analysis of goodwill and indefinite-lived intangible assets and determined that tradenames associated with the consumer business in the United Kingdom were impaired. The fair value of the tradenames was determined by estimating the royalties saved because of the Company’s ownership of the tradenames. The approach uses an estimated royalty rate applied to projected revenues to develop after-tax cost savings. The implied savings are then discounted to a present value amount which is used as the approximation of fair value. The reduction in the value of the tradenames has resulted primarily from a decline in the profitability of the U.K. growing media business and unfavorable category mix trends. Although management is developing strategies to significantly improve the profitability of the U.K. business, we believe an impairment charge against the book value of the indefinite-lived tradenames is appropriate. Accordingly, an impairment charge of $22 million was recorded and classified as “Impairment, restructuring, and other charges” in the Consolidated Statement of Operations for fiscal 2005.

The following table presents goodwill and intangible assets as of September 30, 2005 and 2004 (dollars in millions).

		September 30, 2005			September 30, 2004		
	Weighted Average Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizable intangible assets:							
Technology	13	$ 73.3	$ (37.1)	$ 36.2	$ 69.1	$ (26.1)	$ 43.0
Customer accounts	24	44.1	(10.9)	33.2	44.4	(8.6)	35.8
Tradenames	17	11.3	(4.2)	7.1	11.0	(3.6)	7.4
Other	14	89.7	(64.9)	24.8	56.4	(41.6)	14.8
Total amortizable intangible assets, net				101.3			101.0

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

		September 30, 2005			September 30, 2004		
	Weighted Average Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Unamortizable intangible assets:							
Tradenames				334.8			326.6
Other				3.4			3.4
Total intangible assets, net				439.5			431.0
Goodwill				432.9			417.9
Total goodwill and intangible assets, net				$ 872.4			$ 848.9

The changes to the net carrying value of goodwill by segment for the fiscal years ended September 30, 2005 and 2004, are as follows (in millions):

	North America	Scotts LawnService®	International	Other/ Corporate	Total
Balance as of September 30, 2003	$ 203.4	$ 91.4	$ 111.7	$ —	$ 406.5
Increases due to acquisitions	3.2	8.9	—	—	12.1
Reduction of final purchase price of previous acquisitions	(1.8)	—	(2.5)	—	(4.3)
Reclassifications	(1.7)	—	2.7	—	1.0
Other, primarily cumulative translation	(4.4)	—	7.0	—	2.6
Balance as of September 30, 2004	198.7	100.3	118.9	—	417.9
Increases due to acquisitions	—	4.7	—	24.6	29.3
Reclassifications	(8.0)	—	(2.7)		(10.7)
Other, primarily cumulative translation	0.2	—	(3.8)	—	(3.6)
Balance as of September 30, 2005	$ 190.9	$ 105.0	$ 112.4	$ 24.6	$ 432.9

The total amortization expense for the years ended September 30, 2005, 2004 and 2003 was $17.6 million, $8.3 million and $8.6 million, respectively. Estimated amortization expense for amortizable intangible assets recorded at September 30, 2005, for the following years ended September 30, is (in millions):

2006	$11.2
2007	10.9
2008	10.7
2009	9.2
2010	7.3

NOTE 7. RETIREMENT PLANS

The Company sponsors a defined contribution profit sharing and 401(k) plan for substantially all U.S. associates. The Company provides a base contribution equal to 2% of compensation up to 50% of the Social Security taxable wage base plus 4% of remaining compensation. Associates also may make pretax contributions from compensation that are matched by the Company at 100% of the associates' initial 3% contribution and 50% of their remaining contribution up to 5%. The Company recorded charges of $10.8 million, $9.7 million and $9.6 million under the plan in fiscal 2005, 2004 and 2003, respectively.

The Company sponsors two defined benefit plans for certain U.S. associates. Benefits under these plans have been frozen and closed to new associates since 1997. The benefits under the primary plan are based on years of service and the associates' average final compensation or stated amounts. The Company's funding policy, consistent with statutory requirements and tax considerations, is based on

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

actuarial computations using the Projected Unit Credit method. The second frozen plan is a non-qualified supplemental pension plan. This plan provides for incremental pension payments so that total pension payments equal amounts that would have been payable from the Company's pension plan if it were not for limitations imposed by the income tax regulations.

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

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

	Frozen Defined Benefit Plans		International Benefit Plans	
	2005	2004	2005	2004
Change in projected benefit obligation				
Benefit obligation at beginning of year	$ 92.1	$ 88.7	$ 130.9	$ 119.0
Service cost	—	—	3.3	4.1
Interest cost	5.2	5.1	7.1	6.6
Plan participants' contributions	—	—	1.1	0.9
Curtailment loss (gain)	2.3	—	—	(0.5)
Actuarial loss (gain)	2.0	3.8	24.8	(3.6)
Benefits paid	(5.5)	(5.5)	(4.4)	(4.5)
Foreign currency translation	—	—	(4.6)	8.9
Projected benefit obligation at end of year	$ 96.1	$ 92.1	$ 158.2	$ 130.9
Accumulated benefit obligation at end of year	$ 96.1	$ 92.1	$ 143.3	$ 118.7
Change in plan assets				
Fair value of plan assets at beginning of year	$ 69.6	$ 59.2	$ 80.0	$ 63.6
Actual return on plan assets	8.3	6.2	14.9	8.9
Employer contribution	0.1	9.7	7.6	6.1
Plan participants' contributions	—	—	1.1	0.9
Benefits paid	(5.5)	(5.5)	(4.7)	(4.5)
Foreign currency translation	—	—	(2.5)	5.0
Fair value of plan assets at end of year	$ 72.5	$ 69.6	$ 96.4	$ 80.0
Amounts recognized in the balance sheets consist of:				
Funded Status — projected benefit obligation in excess of plan assets as of September 30 measurement date	$ (23.6)	$ (22.5)	$ (61.8)	$ (50.9)
Unrecognized losses	32.1	35.6	45.4	31.9
Net amount recognized	8.5	13.1	(16.4)	(19.0)
Additional minimum pension liability	(32.1)	(35.6)	(32.2)	(22.1)
Total amount accrued	$ (23.6)	$ (22.5)	$ (48.6)	$ (41.1)
Weighted average assumptions used in development of projected benefit obligation:				
Discount rate	5.63%	5.75%	4.68%	5.35%
Rate of compensation increase	n/a	n/a	3.5%	3.7%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Curtailed Defined Benefit Plan			International Benefit Plans		
	2005	2004	2003	2005	2004	2003
Components of net periodic benefit cost						
Service cost	$ —	$ —	$ —	$ 3.3	$ 4.2	$ 4.0
Interest cost	5.2	5.1	5.0	7.1	6.6	5.8
Expected return on plan assets	(5.4)	(4.5)	(3.8)	(6.3)	(5.3)	(4.0)
Net amortization	2.6	2.6	1.9	1.4	1.8	2.2
Net periodic benefit cost	2.4	3.2	3.1	5.5	7.3	8.0
Curtailment loss (gain)	2.3	—	—	—	(0.3)	—
Total benefit cost	$ 4.7	$ 3.2	$ 3.1	$ 5.5	$ 7.0	$ 8.0

	Curtailed Defined Benefit Plan			International Benefit Plans		
	2005	2004	2003	2005	2004	2003
Weighted average assumptions used in development of net periodic benefit cost:						
Discount rate	5.75%	6.0%	6.75%	5.35%	5.25%	5.5%
Expected return on plan assets	8.0%	8.0%	8.0%	7.5%	7.5%	7.5%
Rate of compensation increase	n/a	n/a	n/a	3.7%	3.7%	3.7%

Other Information:

	Curtailed Defined Benefit Plans	International Benefit Plans
Plan asset allocations:		
Target for September 30, 2006:		
Equity securities	60%	55%
Debt securities	40%	45%
September 30, 2005:		
Equity securities	63%	61%
Debt securities	36%	38%
Other	1%	1%
September 30, 2004:		
Equity securities	60%	84%
Debt securities	39%	12%
Other	1%	4%
Expected contributions in fiscal 2006:		
Company	$ 0.2	$ 7.5
Employee	—	1.0
Expected future benefit payments:		
2006	$ 6.3	$ 4.5
2007	6.4	4.6
2008	6.4	4.8
2009	6.5	5.0
2010	6.5	5.2
Total 2011 to 2015	33.2	28.4

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Investment Strategy:

The Company maintains target allocation percentages among various asset classes based on an individual investment policy established for each of the various pension plans which are designed to achieve long term objectives of return, while mitigating against downside risk and considering expected cash requirements to fund benefit payments. Our investment policies are reviewed from time to time to ensure consistency with our long-term objectives.

Basis for Long-Term Rate of Return on Assets Assumption:

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

NOTE 8. ASSOCIATE MEDICAL BENEFITS

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table sets forth the information about the retiree medical plan for domestic associates (in millions):

	2005	2004
Change in Accumulated Plan Benefit Obligation (APBO)		
Benefit obligation at beginning of year	$ 33.8	$ 31.8
Service cost	0.7	0.5
Interest cost	2.0	2.0
Plan participants' contributions	0.6	0.5
Loss on curtailment	2.5	—
Actuarial (gain) loss	(2.1)	1.3
Benefits paid	(2.8)	(2.3)
APBO at end of year	$ 34.7	$ 33.8
Change in plan assets		
Fair value of plan assets at beginning of year	$ —	$ —
Employer contribution	2.2	1.8
Plan participants' contributions	0.6	0.5
Benefits paid	(2.8)	(2.3)
Fair value of plan assets at end of year	$ —	$ —
Amounts recognized in the balance sheet consist of:		
Funded status as of September 30 measurement date	$ (34.7)	$ (33.8)
Unrecognized prior loss	6.1	8.8
Accrued benefit cost (net amount recognized)	$ (28.6)	$ (25.0)
Discount rate used in development of APBO	5.51%	5.75%
Development of accrued benefit cost		
Accrued benefit cost at beginning of year	$ 25.0	$ 24.3
Postretirement benefit cost	3.3	2.5
Curtailment charge	2.5	—
Employer contributions	(2.2)	(1.8)
Accrued benefit cost at end of year	$ 28.6	$ 25.0

	2005	2004	2003
Components of net periodic benefit cost			
Service cost	$ 0.7	$ 0.5	$ 0.4
Interest cost	2.0	2.0	1.9
Amortization of:			
Actuarial loss	0.6	0.4	0.2
Prior service cost	—	(0.4)	(0.7)
Net periodic postretirement benefit cost	3.3	2.5	1.8
Curtailment charge	2.5	—	—
Total postretirement benefit cost	$ 5.8	$ 2.5	$ 1.8
Discount rate used in development of net periodic benefit cost	5.75%	6.00%	6.75%

On December 8, 2003, the Medicare Prescription Drug, Improvement and Modernization Act (the "Act") became law. The Act provides for a federal subsidy to sponsors of retiree health care benefit plans that provide a prescription drug benefit that is at least actuarially equivalent to the benefit established by the Act. On May 19, 2004, the FASB issued Staff Position No. 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003"

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(the “FSP”). The FSP provides guidance on accounting for the effects of the Act, which the Company adopted at the beginning of its fourth quarter of fiscal 2004. The APBO at September 30, 2005, has been reduced by a deferred actuarial gain in the amount of $5.9 million to reflect the effect of the subsidy related to benefits attributed to past service. The amortization of the actuarial gain and reduction of service and interest costs served to reduce net periodic post retirement benefit cost for fiscal 2005 and 2004 by $0.2 and $0.1 million, respectively.

For measurement as of September 30, 2005, management has assumed that health care costs will increase at an annual rate of 8.5% in fiscal 2006 (period from October 1, 2005, to September 30, 2006), decreasing 0.50% per year to an ultimate trend of 5.00% in 2013. A 1% increase in health cost trend rate assumptions would increase the APBO as of September 30, 2005 and 2004 by $0.2 million and $0.9 million, respectively. A 1% decrease in health cost trend rate assumptions would decrease the APBO as of September 30, 2005 and 2004 by $0.2 million and $1.0 million, respectively. A 1% increase or decrease in the same rate would not have a material effect on service or interest costs.

Estimated Future Benefit Payments

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

	Gross Benefit Payments	Retiree Contributions	Medicare Part D Subsidy	Net Company Payments
2006	$ 3.4	$ (0.8)	$ (0.2)	$ 2.4
2007	3.9	(0.9)	(0.3)	2.7
2008	4.1	(1.0)	(0.3)	2.8
2009	4.3	(1.2)	(0.3)	2.8
2010	4.5	(1.3)	(0.4)	2.8
2011-2015	26.7	(10.3)	(2.7)	13.7

The Company also provides comprehensive major medical benefits to its associates. The Company is self-insured for certain health benefits up to $0.3 million per occurrence per individual. The cost of such benefits is recognized as expense in the period the claim is incurred. This cost was $17.9 million, $17.0 million, and $15.4 million in fiscal 2005, 2004 and 2003, respectively.

NOTE 9. DEBT

	September 30, 2005	September 30, 2004
	(in millions)	
Revolver	$ 166.2	$ —
Term loans	—	399.0
Senior Subordinated Notes:		
6⅝% Notes	200.0	200.0
Notes due to sellers	8.1	13.2
Foreign bank borrowings and term loans	6.8	10.8
Other	12.4	7.6
	393.5	630.6
Less current portions	11.1	22.1
	$ 382.4	$ 608.5

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Maturities of short- and long-term debt for the next five fiscal years and thereafter are as follows (in millions):

2006	$ 11.1
2007	6.3
2008	2.2
2009	1.7
2010	167.2
Thereafter	205.0
	$ 393.5

On July 21, 2005, the Company entered into a Revolving Credit Agreement (the "New Credit Agreement") for the purpose of (a) repaying in full the loans under its previous credit agreement dated as of October 22, 2003, as amended and (b) providing funds for working capital and other general corporate purposes of the Company and its subsidiaries.

The New Credit Agreement consists of an aggregate $1 billion multi-currency revolving credit commitment, expiring July 21, 2010. Borrowings may be made in United States dollars, euros and optional currencies including, but not limited to, British pounds sterling, Australian dollars and Canadian dollars. The New Credit Agreement provides that up to $65 million of the $1 billion aggregate commitments may be used for letters of credit. In addition, the Company may, at any time prior to July 21, 2010, request additional revolving credit commitments from the lenders up to an aggregate amount, when combined with the initial commitments, not to exceed $1.15 billion. There is no guarantee such additional loans will be made at the time of the request as prevailing market conditions may be significantly different than the present time.

The New Credit Agreement has several borrowing options, including interest rates that are based on (i) a LIBOR rate plus a margin based on a Leverage Ratio (as defined) or (ii) the greater of the prime rate or the Federal Funds Effective Rate (as defined) plus 1/2 of 1% plus a margin based on a Leverage Ratio. Facility fees are also based on the Leverage Ratio of the Company and its subsidiaries on a consolidated basis and, as of July 21, 2005, will accrue at 0.25% of the committed amounts per annum.

Swingline loans are also available under the New Credit Agreement provided that (i) the aggregate principal amount of swingline loans outstanding at any time may not exceed $100 million and (ii) the sum of outstanding letters of credit, swingline loans and other loans made under the New Credit Agreement may not exceed $1 billion (or $1.15 billion if additional revolving credit commitments have been obtained).

The terms of the New Credit Agreement provide for customary representations and warranties and affirmative covenants. The New Credit Agreement also contains customary negative covenants providing limitations, subject to negotiated carve-outs, on liens, contingent obligations, fundamental changes, acquisitions, investments, loans and advances, indebtedness, restrictions on subsidiary distributions, transactions with affiliates and officers, sales of assets, sale and leaseback transactions, changing the Company's fiscal year end, modification of specified debt instruments, negative pledge clauses, entering into new lines of business, restricted payments (including dividend payments currently restricted to $75 million annually) and redemption of specified indebtedness. The New Credit Agreement also requires the maintenance of a Leverage Ratio and Minimum Interest Coverage (both as defined).

The terms of the New Credit Agreement include customary events of default such as payment defaults, cross-defaults to other material indebtedness, bankruptcy and insolvency, the occurrence of a defined change in control or the failure to observe the negative covenants and other covenants related to the operation and conduct of the business of the Company and its subsidiaries. Upon an event of default, the lenders may, among other things, terminate their commitments under the New Credit Agreement and declare any of the then outstanding loans due and payable immediately.

Borrowings under the New Credit Agreement are guaranteed by the Company and substantially all of its domestic subsidiaries. Borrowings under the New Credit Agreement are also collateralized by a pledge

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

by The Scotts Miracle-Gro Company and its domestic subsidiaries of the capital stock of substantially all of such domestic subsidiaries and a majority of the capital stock of certain foreign subsidiaries that are first-tier subsidiaries of such domestic subsidiaries. The security interest in the Company's and its domestic subsidiaries' personal, real and intellectual property assets, which had existed under the prior credit agreement, was not required under the New Credit Agreement and has been terminated (except as to certain subsidiary capital stock as described above). The Company and its subsidiaries also pledged a majority of the capital stock in foreign subsidiaries that borrow under the New Credit Agreement and a majority of the capital stock of substantially all of the first-tier subsidiaries of such foreign subsidiary borrowers.

Revolving credit borrowings under the New Credit Agreement in the aggregate amount of $195.7 million were combined with cash on hand in the amount of $200.3 million to repay in full the outstanding Tranche A Term Loans ($248 million) and Tranche B Term Loans ($148 million) under the prior credit agreement (which was then terminated). Certain fees in connection with entering into the New Credit Agreement were also paid from cash on hand. In addition, letters of credit in the aggregate amount of $15.6 million were assigned to the New Credit Agreement. Total fees of approximately $3.6 million have been capitalized and are being amortized on the straight-line method over the five year term of the New Credit Agreement.

A loss on the refinancing in the amount of $1.3 million, representing the write-off of deferred financing costs incurred related to the Term Loans that were repaid, was recognized in the fourth quarter of fiscal 2005. In addition, interest rate swap agreements in the notional amount of $125 million, that effectively converted a portion of the variable rate Term Loans to a fixed rate, were unwound, resulting in a gain of $2.9 million that will be amortized against future interest expense under the New Credit Agreement.

NOTE 10. SHAREHOLDERS' EQUITY

	2005	2004
	(in millions)	
STOCK		
Preferred shares, no par value:		
Authorized	0.2 shares	0.2 shares
Issued	0.0 shares	0.0 shares
Common shares, no par value		
Authorized	100.0 shares	100.0 shares
Issued	67.8 shares	65.6 shares

In fiscal 1995, the Company merged with Stern's Miracle-Gro Products, Inc. (Miracle-Gro). At September 30, 2005, the former shareholders of Miracle-Gro, including Hagedorn Partnership L.P., owned approximately 31% of The Scotts Miracle-Gro Company's outstanding common shares and, thus, have the ability to significantly influence the election of directors and approval of other actions requiring the approval of The Scotts Miracle-Gro Company's shareholders.

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

The Company grants share-based awards annually to officers, other key employees, and non-employee directors. Historically, these awards primarily include stock options with exercise prices equal to the market price of the underlying common shares on the date of grant with a term of 10 years. In recent years, the Company also has begun to grant awards of restricted stock. These share-based awards have

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

been made under plans approved by the shareholders in 1992, 1996, and 2003. Generally, in respect of grants to employees, a three-year cliff vesting schedule is used for all share-based awards unless decided otherwise by the Compensation and Organization Committee of the Board of Directors. Grants to non-employee directors typically vest in one year or less. A maximum of 18 million common shares may be delivered for issuance under these plans. At September 30, 2005, approximately 1.1 million common shares are not subject to outstanding awards and are available to underlie the grant of new share-based awards. Subsequent to September 30, 2005, the Company granted a total of 917,300 share-based awards to key employees. These awards have an estimated fair value of $17.0 million as of the date of grant.

The following is a recap of the share-based awards granted over the last three years:

	Year Ended September 30,		
	2005	2004	2003
Key employees			
Options	965,600	118,000	809,000
Stock appreciation rights		775,500	478,000
Restricted stock	101,000	—	
Board of Directors — Options	147,000	152,500	126,000
Total share-based awards	1,213,600	1,046,000	1,413,000
Fair value at grant dates (in millions)	$ 15.1	$ 11.0	$ 13.1

The exercise price for option awards and the stated price for stock appreciation rights awards were determined by the closing price of the Company’s common shares on the date of grant. The related compensation expense recorded in fiscal 2005, fiscal 2004, and fiscal 2003 was $10.7 million, $7.8 million, and $4.8 million, respectively. Stock appreciation rights result in less dilution than option awards as the SAR holder receives a net share settlement upon exercise. Tax benefits allocated to capital in excess of stated value relating to the exercise of stock options amounted to $15.5 million in fiscal 2005. The Company also has a phantom option plan for certain management employees which is payable in cash based on the increase in the Company’s share price over a three-year vesting period.

Had compensation expense been recognized for unvested stock options granted prior to the Company’s adoption of the expense recognition provisions of SFAS 123 as of October 1, 2002, the Company would have recorded net income and net income per share as follows (in millions, except per share data):

	For the fiscal Years Ended September 30,	
	2004	2003
Net income	$ 100.9	$ 103.8
Stock-based compensation expense included in reported net income, net of tax	4.9	2.9
Total stock-based employee compensation expense determined under fair value based method for all awards, net of tax	(7.1)	(7.0)
Net income, as adjusted	$ 98.7	$ 99.7
Net income per share, as reported:		
Basic	$ 1.56	$ 1.68
Diluted	$ 1.52	$ 1.62
Net income per share, as adjusted:		
Basic	$ 1.53	$ 1.62
Diluted	$ 1.48	$ 1.56

The “as adjusted” amounts shown above are not necessarily representative of the impact on net income in future periods.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Stock Options/SARs

Aggregate option and stock appreciation right award activity consists of the following (options/ SARs in millions):

	Fiscal Year Ended September 30,					
	2005		2004		2003	
	No. of Options/SARs	WTD. Avg. Exercise Price	No. of Options/SARs	WTD. Avg. Exercise Price	No. of Options/SARs	WTD. Avg. Exercise Price
Beginning balance	7.6	$ 19.87	8.2	$ 17.50	8.4	$ 15.63
Awards granted	1.2	$ 34.56	1.2	$ 29.41	1.4	$ 24.54
Awards exercised	(2.1)	$ 15.99	(1.6)	$ 14.67	(1.4)	$ 13.57
Awards forfeited	(0.3)	$ 28.06	(0.2)	$ 24.28	(0.2)	$ 18.22
Ending balance	6.4	$ 23.09	7.6	$ 19.87	8.2	$ 17.50
Exercisable	3.4	$ 17.89	4.6	$ 16.97	4.8	$ 15.66

The following summarizes certain information pertaining to option and stock appreciation right awards outstanding and exercisable at September 30, 2005 (options/ SARs in millions):

	Awards Outstanding			Awards Exercisable	
Range of Exercise Price	No. of Options/ SARs	WTD. Avg. Remaining Life	WTD. Avg. Exercise Price	No. of Options/ SARS	Exercise Price
$ 8.50 – $14.72	0.5	1.54	$ 10.90	0.5	$ 10.90
$15.00 – $17.38	1.0	3.87	15.64	0.9	15.64
$17.50 – $19.98	1.6	4.86	18.92	1.6	18.92
$20.07 – $25.62	1.3	7.12	24.42	0.2	24.05
$29.08 – $31.56	1.0	8.16	29.42	0.2	34.17
$32.58 – $40.53	1.0	9.22	34.55	—	—
	6.4		$ 23.09	3.4	$ 17.89

The fair value of each award granted has been estimated on the grant date using the Binomial model for fiscal 2005 and the Black-Scholes option-pricing model for fiscal 2004 and fiscal 2003. The weighted average assumptions for those granted in fiscal 2005, fiscal 2004 and fiscal 2003 are as follows:

	Year Ended September 30,		
	2005	2004	2003
Market price volatility	23.9%	24.3%	30.1%
Risk-free interest rates	3.7%	3.3%	3.5%
Expected dividend yield	0.0%	0.0%	0.0%
Expected life of options/SARs	6.15	6.20	7.00
Estimated weighted-average fair value per share of options/SARs	$ 10.57	$ 8.86	$ 9.68

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Restricted Stock

Aggregate restricted stock award activity is as follows:

	No. of Shares	Fair Value at Date of Grant
Beginning balance October 1, 2003	—	$ —
Granted	30,000	0.9
Fully vested	—	—
Forfeited	—	—
Balance September 30, 2004	30,000	$ 0.9
Granted	101,000	3.3
Fully vested	(1,600)	(0.1)
Forfeited	(15,000)	(0.5)
Balance September 30, 2005	114,400	$ 3.6

The fair value of all share-based awards has been recorded as unearned compensation and is shown as a separate component of shareholders’ equity. Unearned compensation is amortized over the vesting period for the particular grant, and is recognized as a component of “Selling, general and administrative” expenses within the Consolidated Statements of Operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11. EARNINGS PER COMMON SHARE

The following table (in millions, except per share data) presents information necessary to calculate basic and diluted earnings per common share. Basic earnings per common share are computed by dividing net income by the weighted average number of common shares outstanding. Diluted earnings per common share are computed by dividing net income by the weighted average number of common shares outstanding plus all potentially dilutive securities. Options to purchase 0.04 million, 0.2 million and 0.2 million common shares for the years ended September 30, 2005, 2004 and 2003, respectively, were not included in the computation of diluted earnings per common share. These options were excluded from the calculation because the exercise price of these options was greater than the average market price of the common shares in the respective periods, and therefore, they were anti-dilutive.

	Year Ended September 30,		
	2005	2004	2003
Income from continuing operations	$ 100.4	$ 100.5	$ 103.2
Income from discontinued operations	0.2	0.4	0.6
Net income	$ 100.6	$ 100.9	$ 103.8
BASIC EARNINGS PER COMMON SHARE:			
Weighted-average common shares outstanding during the period	66.8	64.7	61.8
Income from continuing operations	$ 1.51	$ 1.55	$ 1.67
Income from discontinued operations	—	0.01	0.01
Net income	$ 1.51	$ 1.56	$ 1.68
DILUTED EARNINGS PER COMMON SHARE:			
Weighted-average common shares outstanding during the period	66.8	64.7	61.8
Potential common shares:			
Assuming exercise of options/ SARs	1.8	1.9	2.5
Weighted-average number of common shares outstanding and dilutive potential common shares	68.6	66.6	64.3
Income from continuing operations	$ 1.47	$ 1.51	$ 1.61
Income from discontinued operations	—	0.01	0.01
Net income	$ 1.47	$ 1.52	$ 1.62

NOTE 12. INCOME TAXES

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

	Year Ended September 30,		
	2005	2004	2003
Currently payable:			
Federal	$ 55.9	$ 33.4	$ 7.9
State	7.0	4.9	0.9
Foreign	8.4	4.5	5.3
Deferred:			
Federal	(11.8)	14.9	41.3
State	(1.8)	0.2	3.8
Foreign	—	0.1	—
	$ 57.7	$ 58.0	$ 59.2

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	Year Ended September 30,		
	2005	2004	2003
Domestic	$ 170.0	$ 143.2	$ 150.7
Foreign	(11.9)	15.3	11.7
Income before taxes	$ 158.1	$ 158.5	$ 162.4

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

	Year Ended September 30,		
	2005	2004	2003
Statutory income tax rate	35.0%	35.0%	35.0%
Effect of foreign operations	0.2	(0.4)	(0.1)
State taxes, net of federal benefit	1.8	2.1	1.9
Change in deferred state effective tax rate	—	—	(1.8)
Change in state NOL & credit carry forwards	1.9	(0.8)	—
Change in valuation allowance	—	(0.6)	0.6
Other	(2.4)	1.3	0.8
Effective income tax rate	36.5%	36.6%	36.4%

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

	September 30,	
	2005	2004
Net current deferred tax asset (classified with prepaid and other assets)	$ 15.6	$ 24.9
Net non-current deferred tax liability (classified with other liabilities)	(4.5)	(18.6)
Net deferred tax asset	$ 11.1	$ 6.3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	September 30, 2005	September 30, 2004
DEFERRED TAX ASSETS		
Inventories	$ 11.4	$ 14.8
Accrued liabilities	54.7	38.2
Postretirement benefits	38.4	32.5
Accounts receivable	6.5	10.6
Other	18.3	16.4
Gross deferred tax assets	129.3	112.5
Valuation allowance	(2.4)	—
Deferred tax assets	126.9	112.5
DEFERRED TAX LIABILITIES		
Property, plant and equipment	(47.5)	(50.6)
Intangible assets	(59.9)	(48.8)
Other	(8.4)	(6.8)
Deferred tax liability	(115.8)	(106.2)
Net deferred tax asset	$ 11.1	$ 6.3

Tax benefits relating to state net operating loss carryforwards were $5.4 million and $5.3 million at September 30, 2005 and 2004, respectively. State net operating loss carryforward periods range from 5 to 20 years. Any losses not utilized within a specific state's carryforward period will expire. The tax benefits relating to state net operating loss carryforwards for fiscal 2005 include $2.4 million relating to the acquisition of Smith & Hawken® as was recorded as part of the purchase accounting. As the losses may only be used against income of Smith & Hawken®, and cannot be used to offset income of the consolidated group, a full valuation allowance has been placed on this portion. State tax credits were $0.4 million and $2.1 million at September 30, 2005 and 2004, respectively. Any unused credits will begin to expire starting in fiscal 2006.

Ohio corporate tax legislation enacted on June 30, 2005 phases out the Ohio Corporate Franchise Tax and phases in the new gross receipts tax called the Commercial Activity Tax (CAT). The Corporate Franchise Tax was generally based on federal taxable income, but the CAT is based on sales in Ohio. As required by SFAS 109, "Accounting for Income Taxes," we recorded the impact of the change in Ohio legislation in the third quarter of fiscal 2005. The effect of the change in the law was immaterial to the consolidated financial statements.

In accordance with APB 23, deferred taxes have not been provided on unremitted earnings of certain foreign subsidiaries and foreign corporate joint ventures of approximately $65.3 million that arose in fiscal years ended on or before September 30, 2005, since such earnings are considered permanently reinvested.

The American Jobs Creation Act ("the AJCA") provides a deduction of 85% on certain foreign earnings repatriated. The Company does not expect to be able to take advantage of this deduction based upon the Company's current foreign income and tax rates. The AJCA also provides a deduction calculated as a percentage of qualified income from manufacturing in the United States. The percentage increases from 3% to 9% over a 6-year period beginning with the Company's 2006 fiscal year. In December 2004, the FASB issued a new staff position providing for this deduction to be treated as a special deduction, as opposed to a tax rate reduction, in accordance with SFAS 109. The benefit of this deduction is not expected to have a material impact on the Company's effective tax rate in fiscal 2006.

Management judgment is required in determining tax provisions and evaluating tax positions. Management believes its tax positions and related provisions reflected in the consolidated financial statements are fully supportable and appropriate. We establish reserves for additional income taxes that may become due if our tax positions are challenged and not sustained. Our tax provision includes the impact of recording reserves and changes thereto. The reserves for additional income taxes are based on

management's best estimate of the ultimate resolution of the tax matter. Based on currently available information, we believe that the ultimate outcomes of any challenges to our tax positions will not have a material adverse effect on our financial position, results of operations or cash flows. Our tax provision includes the impact of recording reserves and changes thereto.

NOTE 13. FINANCIAL INSTRUMENTS

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

Long-Term Debt

The fair value of the Company's 6$^5/_8$% Senior Subordinated Notes was estimated based on recent trading information. The carrying amounts of variable rate debt, including borrowings under the Credit Agreement and foreign bank borrowings and term loans, are considered to approximate their fair values.

Foreign Currency Swap Agreements

From time to time, the Company enters into foreign currency swap contracts to manage the exchange rate risk associated with intercompany loans made to foreign affiliates that are denominated in dollars. At September 30, 2005, the notional amount of such foreign currency swap contracts outstanding was $174.5 million with a fair value of $2.4 million. The unrealized gain on the swap contracts approximates the unrealized loss recognized by our foreign affiliates.

Interest Rate Swap Agreements

At September 30, 2005, the Company did not have any interest rate swaps outstanding. At September 30, 2004, the Company had nine interest rate swaps outstanding with a total notional amount of $175.0 million with major financial institutions that effectively converted a portion of its variable-rate debt to a fixed rate. The swaps outstanding at September 30, 2004, had notional amounts between $10 million and $50 million with three to seven-year terms commencing in October 2001. Under the terms of these swaps, the Company paid swap rates ranging from 2.76% to 3.77% and received three-month LIBOR in return. In November 2005, the Company entered into four interest rate swaps with a total notional amount of $100.0 million, each swap having a notional amount of $25.0 million and a term of three years.

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

Estimated Fair Values

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

	2005		2004	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Revolving and term loans under Credit Agreement	$ 166.2	$ 166.2	$ 399.0	$ 399.0
Senior Subordinated Notes	200.0	201.5	200.0	211.8
Foreign bank borrowings and term loans	6.8	6.8	10.8	10.8
Foreign currency swap agreements	2.4	2.4	—	—
Interest rate swap agreements	—	—	0.5	0.5

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Excluded from the fair value table above are the following items that are included in the Company's total debt balances at September 30, 2005 and 2004 (in millions):

	2005	2004
Notes due to sellers	$ 8.1	$ 13.2
Other	12.4	7.6

NOTE 14. OPERATING LEASES

The Company leases certain property and equipment from third parties under various non-cancelable operating lease agreements Certain lease agreements contain renewal and purchase options. The lease agreements generally provide that the Company pay taxes, insurance and maintenance expenses related to the leased assets. Future minimum lease payments for non-cancelable operating leases at September 30, 2005, are as follows (in millions):

2006	$ 31.4
2007	25.8
2008	21.6
2009	15.9
2010	12.1
Thereafter	47.8
Total future minimum lease payments	$ 154.6

The Company also leases certain vehicles (primarily cars and light trucks) under agreements that are cancelable after the first year, but typically continue on a month-to-month basis until canceled by the Company. The vehicle leases and certain other non-cancelable operating leases contain residual value guarantees that create a contingent obligation on the part of the Company to compensate the lessor if the leased asset cannot be sold for an amount in excess of a specified minimum value at the conclusion of the lease term. If all such vehicle leases had been canceled as of September 30, 2005, the Company's residual value guarantee would have approximated $11.1 million. Other residual value guarantees apply only at the conclusion of the non-cancelable lease term, as follows:

	Amount of Guarantee	Lease Termination Date
Scotts LawnService® vehicles	$ 4.9 million	2009
Corporate aircraft	12.2 million	2008 and 2010

Rent expense for fiscal 2005, fiscal 2004 and fiscal 2003 totaled $57.9 million, $44.8 million, and $40.8 million, respectively.

NOTE 15. COMMITMENTS

The Company has the following unconditional purchase obligations due during each of the next five fiscal years that have not been recognized on the balance sheet at September 30, 2005 (in millions):

2006	$ 96.5
2007	73.0
2008	21.7
2009	13.3
2010	3.9
	$ 208.4

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NOTE 16. CONTINGENCIES

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

Environmental Matters

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

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

At September 30, 2005, $3.3 million was accrued for environmental and regulatory matters, primarily related to the Marysville facility. Most of the accrued costs are expected to be paid in fiscal 2006 and 2007; however, payments could be made for a period thereafter. While the amounts accrued are believed to be adequate to cover known environmental exposures based on current facts and estimates of likely outcome, the adequacy of these accruals is based on several significant assumptions:

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

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

During fiscal 2005, fiscal 2004, and fiscal 2003, we have expensed approximately $3.7 million, $3.3 million, and $1.5 million, respectively, for environmental matters.

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

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

On September 30, 2005, all litigation among the aforementioned companies has been concluded with the Company receiving a payment of approximately $10 million, of this amount $8.9 million is recorded in "Impairment, restructuring and other charges" within the Consolidated Statements of Operations (see Note 4).

Central Garden & Pet Company

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

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

All litigation with the Central Garden & Pet Company ("Central Garden") has been concluded. On July 15, 2005, the Company received approximately $15 million in satisfaction of the judgment against

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Central Garden. The Company has recognized the satisfaction of this judgment in its financial results for fiscal 2005 as follows (in millions):

Reversal of reserve against outstanding receivables due from Central Garden. The reserve was initially established through a charge to restructuring and other charges within selling, general and administrative expenses; therefore, the reversal of the reserve has been classified in a like manner. (See Note 4)	$ 7.9
Portion of judgment classified with other income, net	4.1
Total amount included in income from operations	12.0
Portion of judgment applied to unreserved accounts receivable due from Central Garden	3.0
Total judgment	$ 15.0

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

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

On November 5, 2004, U.S. Horticultural Supply ("Geiger") filed suit against The Scotts Company in the U.S. District Court for the Eastern District of Pennsylvania. This complaint alleges that the Company conspired with another distributor, Griffin Greenhouse Supplies, Inc., to restrain trade in the horticultural products market, in violation of Sections 1 and 57 of the Sherman Antitrust Act.

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

Other

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

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

The Company is involved in other lawsuits and claims which arise in the normal course of business. These claims individually and in the aggregate are not expected to result in a material adverse effect on the Company's results of operations, financial position or cash flows.

NOTE 17. CONCENTRATIONS OF CREDIT RISK

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

At September 30, 2005, 76% of the Company's accounts receivable were due from customers geographically located in North America. Approximately 83% of these receivables were generated from the consumer business with the remaining 17% due from customers of Scotts LawnService®, the professional businesses (primarily distributors), and Smith & Hawken®. Our top 3 customers within the consumer business accounted for 80% of total consumer accounts receivable.

At September 30, 2004, 71% of the Company's accounts receivable were due from customers geographically located in North America. Approximately 84% of these receivable were generated from the Company's consumer business with the remaining 16% generated from customers of Scotts LawnService® and the professional businesses (primarily distributors). Our top 3 customers within the consumer business accounted for 68% of total consumer accounts receivable.

The remainder of the Company's accounts receivable at September 30, 2005 and 2004, were generated from customers located outside of North America, primarily retailers, distributors, nurseries and growers in Europe. No concentrations of customers or individual customers within this group account for more than 10% of the Company's accounts receivable at either balance sheet date.

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

	Largest Customer	2nd Largest Customer
2005	23.5%	11.9%
2004	25.0%	12.9%
2003	24.5%	13.7%

Sales to the Company's two largest customers are reported within the Company's North America segment. No other customers accounted for more than 10% of fiscal 2005, fiscal 2004 or fiscal 2003 net sales.

NOTE 18. OTHER (INCOME) EXPENSE

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

	2005	2004	2003
Royalty income	$ (6.5)	$ (5.4)	$ (5.0)
Gain from peat transaction	(0.8)	(2.4)	(2.4)
Franchise fees	(0.3)	(1.0)	(2.1)
Foreign currency (gains) losses	2.1	(0.7)	(0.2)
Legal settlement	(4.0)	—	—
Other, net	2.0	(0.7)	(1.1)
Total	$ (7.5)	$ (10.2)	$ (10.8)

NOTE 19. DISCONTINUED OPERATIONS

On September 30, 2004, the Company consummated the sale of the intangibles comprising its U.S. professional growing media business for $6.0 million. A gain of $4.1 million was recognized after associated goodwill in the amount of $1.9 million was written off. As a result of the sale, the Company shut down a manufacturing facility and severed the associates employed in the business. In accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal Of Long-Lived Assets," these transactions have been accounted for as the disposal of a component of the Company. The gain on the sale of the intangibles and the results of operations of the component are

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

reported as discontinued operations in the accompanying consolidated Statements of Operations. The detail comprising the discontinued operations is as follows (in millions):

	2005	2004	2003
Net sales	$ —	$ 17.7	$ 22.4
Cost of sales	—	(18.9)	(20.5)
Gross profit	—	(1.2)	1.9
Selling, general and administrative	0.3	(1.1)	(1.0)
Gain on sale	—	4.1	—
Income from discontinued operations before income taxes	0.3	1.8	0.9
Income taxes	(0.1)	(1.4)	(0.3)
Net income from discontinued operations	$ 0.2	$ 0.4	$ 0.6

NOTE 20. VARIABLE INTEREST ENTITIES

In January 2003, the Financial Accounting Standards Board (FASB) issued FASB Interpretation 46, “Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51” (FIN 46). In December 2003, the FASB modified FIN 46 to make certain technical corrections and address certain implementation issues that had arisen. FIN 46 provides a new framework for identifying variable interest entities (VIEs) and determining when a company should include the assets, liabilities, noncontrolling interests, and results of operations of a VIE in its consolidated financial statements.

In general, a VIE is a corporation, partnership, limited liability company, trust, or any other legal structure used to conduct activities or hold assets that either (1) has an insufficient amount of equity to carry out its principal activities without additional subordinated financial support, (2) has a group of equity owners that are unable to make significant decisions about its activities, or (3) has a group of equity owners that do not have the obligation to absorb losses or the right to receive returns generated by its operations.

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

The Company’s Scotts LawnService® business sells new franchise territories, primarily in small to mid-size markets, under arrangements where approximately one-third of the franchise fee is paid in cash with the balance due under a promissory note. The Company believes that it may be the primary beneficiary for certain of its franchisees initially, but ceases to be the primary beneficiary as the franchisees develop their businesses and the promissory notes are repaid. At September 30, 2005, the Company had approximately $2.1 million in notes receivable from such franchisees. The effect of consolidating the entities where the Company may be the primary beneficiary for a limited period of time is not material to either the Consolidated Statements of Operations or the Consolidated Balance Sheets.

NOTE 21. SEGMENT INFORMATION

The Company is divided into the following segments — North America, Scotts LawnService®, International, and Other/ Corporate. The North America segment primarily consists of the Lawns, Gardens, Ortho®, Canada and North American Professional business groups as well as the North American portion of the Roundup® commission. This division of reportable segments is consistent with how the segments

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

report to and are managed by senior management of the Company. Prior year amounts have been reclassified to conform with certain modifications to the Company's reporting structure in fiscal 2005.

The North America segment manufactures, markets and sells dry, granular slow-release lawn fertilizers, combination lawn fertilizer and control products, grass seed, spreaders, water-soluble, liquid and continuous-release garden and indoor plant foods, plant care products, potting, garden and lawn soils, pottery, mulches and other growing media products, pesticide products and a full line of horticulture products. Products are marketed to mass merchandisers, home improvement centers, large hardware chains, warehouse clubs, distributors, nurseries, gardens centers and specialty crop growers in the United States, Canada, Latin America, South America, Australia, and Asia Pacific.

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

The International segment provides products similar to those described above for the North America segment to consumers primarily in Europe. The Other/ Corporate segment consists of the recently-acquired Smith & Hawken® business and corporate general and administrative expenses.

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

	2005	2004	2003
Net sales:			
North America	$ 1,668.1	$ 1,569.0	$ 1,461.0
Scotts LawnService®	159.8	135.2	110.4
International	430.3	405.6	373.5
Corporate & Other	159.6	—	—
Segment total	2,417.8	2,109.8	1,944.9
Roundup® deferred contribution charge	(45.7)	—	—
Roundup® amortization	(2.8)	(3.3)	(3.3)
	$ 2,369.3	$ 2,106.5	$ 1,941.6
Operating income (loss):			
North America	$ 343.9	$ 306.1	$ 282.3
Scotts LawnService®	13.1	9.4	6.0
International	34.3	29.3	29.4
Corporate & Other	(94.2)	(70.6)	(57.1)
Segment total	297.1	274.2	260.6
Roundup® deferred contribution charge	(45.7)	—	—
Roundup® amortization	(2.8)	(3.3)	(3.3)
Amortization	(14.8)	(8.3)	(8.6)
Impairment of intangibles	(23.4)	—	—
Restructuring and other charges	(9.5)	(9.8)	(17.1)
	$ 200.9	$ 252.8	$ 231.6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	2005	2004	2003
Depreciation & amortization			
North America	$ 30.9	$ 24.9	$ 26.2
Scotts LawnService®	3.9	3.9	3.5
International	11.5	12.6	8.1
Corporate & Other	20.9	16.3	14.4
	$ 67.2	$ 57.7	$ 52.2
Capital expenditures:			
North America	$ 22.6	$ 21.4	$ 24.7
Scotts LawnService®	2.1	1.5	0.8
International	3.5	9.2	13.3
Corporate & Other	12.2	3.0	13.0
	$ 40.4	$ 35.1	$ 51.8
Long-lived assets:			
North America	$ 704.7	$ 702.6	
Scotts LawnService®	116.8	113.0	
International	262.4	301.8	
Corporate & Other	125.5	59.5	
	$ 1,209.4	$ 1,176.9	
Total assets:			
North America	$ 1,219.3	$ 1,269.0	
Scotts LawnService®	146.7	134.5	
International	463.1	509.0	
Corporate & Other	189.8	135.3	
	$ 2,018.9	$ 2,047.8	

nm — Not meaningful

Segment operating income (loss) represents earnings before amortization of intangible assets, interest and taxes, since this is the measure of profitability used by management. Accordingly, the Corporate & Other operating loss for the fiscal years ended September 30, 2005, 2004 and 2003 includes unallocated corporate general and administrative expenses and certain other income/expense not allocated to the business segments.

Long-lived assets reported for the Company's operating segments include goodwill and intangible assets as well as property, plant and equipment within each segment.

Total assets reported for the Company's operating segments include the intangible assets for the acquired businesses within those segments. Corporate & Other assets primarily include deferred financing and debt issuance costs, corporate intangible assets as well as deferred tax assets and Smith & Hawken® assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 22. QUARTERLY CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

The following is a summary of the unaudited quarterly results of operations for fiscal 2005 and fiscal 2004 (in millions, except per share data).

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
FISCAL 2005					
Net sales	$ 246.5	$ 813.4	$ 901.2	$ 408.2	$ 2,369.3
Gross profit	61.1	327.6	333.8	137.9	860.4
Income (loss) from continuing operations	(62.5)	83.3	88.1	(8.4)	100.4
Income from discontinued operations	(0.2)	(0.1)	0.4	—	0.2
Net income (loss)	(62.7)	83.2	88.5	(8.4)	100.6
Basic earnings (loss) per common share					
Income (loss) from continuing operations	$ (0.95)	$ 1.25	$ 1.32	$ (0.13)	$ 1.51
Income from discontinued operations	—	—	0.01	—	—
Net income (loss) per share	$ (0.95)	$ 1.25	$ 1.33	$ (0.13)	$ 1.51
Common shares used in basic EPS calculation	66.0	66.6	67.0	67.4	66.8
Diluted earnings (loss) per common share					
Income (loss) from continuing operations	(0.95)	1.22	1.29	(0.13)	1.47
Income from discontinued operations	—	—	—	—	—
Net income (loss) per share	$ (0.95)	$ 1.22	$ 1.29	$ (0.13)	$ 1.47
Common shares and dilutive potential common shares used in diluted EPS calculation	66.0	68.2	68.6	67.4	68.6

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
FISCAL 2004					
Net sales	$ 183.0	$ 742.4	$ 803.4	$ 377.7	$ 2,106.5
Gross profit	40.8	296.5	329.3	125.8	792.4
Income (loss) from continuing operations	(70.6)	72.9	100.1	(1.9)	100.5
Income from discontinued operations	—	0.2	—	0.2	0.4
Net income (loss)	(70.6)	73.1	100.1	(1.7)	100.9
Basic earnings (loss) per common share					
Income (loss) from continuing operations	$ (1.11)	$ 1.14	$ 1.55	$ (0.03)	$ 1.55
Income from discontinued operations	—	—	—	—	0.01
Net income (loss) per share	$ (1.11)	$ 1.14	$ 1.55	$ (0.03)	$ 1.56
Common shares used in basic EPS calculation	64.0	64.4	65.0	65.2	64.7
Diluted earnings (loss) per common share					
Income (loss) from continuing operations	(1.11)	1.11	1.51	(0.03)	1.51
Income from discontinued operations	—	—	—	—	0.01
Net income (loss) per share	$ (1.11)	$ 1.11	$ 1.51	$ (0.03)	$ 1.52
Common shares and dilutive potential common shares used in diluted EPS calculation	64.0	66.0	66.6	65.2	66.6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

Unusual charges during fiscal 2005 consisted of the charge to record the deferred contribution amounts under the Roundup® agreement, impairment charges and restructuring and other costs. These charges are reflected in the quarterly financial information as follows: first quarter restructuring and other charges of $0.2 million and impairment of intangible assets of $22.0 million; second quarter restructuring and other charges of $0.1 million; third quarter deferred contribution charge under the Roundup® marketing agreement of $45.7 million; and fourth quarter restructuring and other charges of $8.3 million and impairment of intangible assets of $1.4 million. Also included in the fourth quarter is $3.6 million relating to an immaterial correction of prior periods amortization expense.

Unusual charges during fiscal 2004 consisted of restructuring and other costs as follows: first quarter $1.0 million; second quarter $0.4 million; third quarter $2.6 million; and fourth quarter $5.8 million.

Net sales for the quarters ended January 1, 2005, April 2, 2005 and July 2, 2005, have been revised from the amounts previously reported by $9.6 million, $11.0 million and $12.0 million, respectively, to reflect certain activity associated with the Roundup® marketing agreement with Monsanto on a gross basis that was previously reported on a net basis. Cost of sales was restated by an equal amount, with no effect on gross profit or net income. The Company also has revised the presentation of the fiscal 2004 quarterly amounts to conform to the current year presentation ($8.7 million, $10.5 million, $10.9 million and $10.0 million, respectively).

Net sales for the quarters ended January 1, 2005, April 2, 2005, and July 2, 2005, have been revised from the amounts previously reported by $(7.1) million, $15.1 million and $(21.6) million, respectively, to reflect the net commission (expense) associated with the Roundup® marketing agreement with Monsanto. The Company also has revised the presentation of the fiscal 2004 quarterly amounts to conform to the current year presentation ($(7.1) million, $8.2 million, $23.4 million and $4.0 million, respectively).

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

The 6⁵/₈% Senior Subordinated Notes are general obligations of The Scotts Miracle-Gro Company and are guaranteed by all of the existing wholly-owned, domestic subsidiaries and all future wholly-owned, significant (as defined in Regulation S-X of the Securities and Exchange Commission) domestic subsidiaries of The Scotts Miracle-Gro Company. These subsidiary guarantors jointly and severally guarantee the obligations of the Company under the Notes. The guarantees represent full and unconditional general obligations of each subsidiary that are subordinated in right of payment to all existing and future senior debt of that subsidiary but are senior in right of payment to any future junior subordinated debt of that subsidiary.

The following information presents consolidating Statements of Operations and Statements of Cash Flows for the three years ended September 30, 2005, and Balance Sheets as of September 30, 2005 and 2004.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Scotts Miracle-Gro Company
Consolidating Statement of Operations
for the fiscal year ended September 30, 2005
(in millions)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations	Consolidated
Net sales	$ —	$ 1,850.8	$ 518.5	$ —	$ 2,369.3
Cost of sales	—	1,172.9	336.3	—	1,509.2
Restructuring and other charges	—	(0.4)	0.1	—	(0.3)
Gross profit	—	678.3	182.1		860.4
Operating expenses:					
Selling, general and administrative	—	494.1	139.7	—	633.8
Impairment, restructuring, and other charges	—	8.0	25.2	—	33.2
Equity income in non-guarantors	(117.8)	—	—	117.8	—
Intercompany allocations	—	(23.5)	23.5	—	—
Other income, net	—	(9.6)	2.1	—	(7.5)
Income (loss) from operations	117.8	209.3	(8.4)	(117.8)	200.9
Costs related to refinancings	1.3	—	—	—	1.3
Interest expense	15.9	16.5	9.1	—	41.5
Income (loss) before income taxes	100.6	192.8	(17.5)	(117.8)	158.1
Income taxes (benefit)	—	64.1	(6.4)	—	57.7
Income (loss) from continuing operations	100.6	128.7	(11.1)	(117.8)	100.4
Income from discontinued operations	—	0.2	—	—	0.2
Net income (loss)	$ 100.6	$ 128.9	$ (11.1)	$ (117.8)	$ 100.6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Scotts Miracle-Gro Company
Consolidating Statement of Cash Flows
for the fiscal year ended September 30, 2005
(in millions)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations	Consolidated
OPERATING ACTIVITIES					
Net income (loss)	$ 100.6	$ 128.9	$ (11.1)	$ (117.8)	$ 100.6
Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Impairment of intangible assets	—	—	23.4	—	23.4
Costs related to refinancings	1.3	—	—	—	1.3
Stock-based compensation expense	—	10.7	—	—	10.7
Depreciation	—	42.7	6.9	—	49.6
Amortization	—	9.8	7.8	—	17.6
Deferred taxes	—	(13.6)	—	—	(13.6)
Equity income in non-guarantors	(117.8)	—	—	117.8	—
Changes in assets and liabilities, net of acquired businesses:					
Accounts receivable	—	(29.4)	(8.5)	—	(37.9)
Inventories	—	(21.0)	5.2	—	(15.8)
Prepaid and other current assets	—	(0.2)	8.3	—	8.1
Accounts payable	—	19.3	(9.0)	—	10.3
Accrued taxes and liabilities	—	28.1	(0.2)	—	27.9
Restructuring reserves	—	11.4	(1.1)	—	10.3
Other non-current items	—	5.9	0.7	—	6.6
Other, net	—	32.3	(4.7)	—	27.6
Net cash provided by operating activities	(15.9)	224.9	17.7	—	226.7
INVESTING ACTIVITIES					
Redemption of available for sale securities	—	57.2	—	—	57.2
Investment in property, plant and equipment, net	—	(36.9)	(3.5)	—	(40.4)
Investments in acquired businesses, net of cash acquired	—	(77.7)	—	—	(77.7)
Net cash used in investing activities	—	(57.4)	(3.5)	—	(60.9)
FINANCING ACTIVITIES					
Borrowings under revolving and bank lines of credit	—	174.3	749.9	—	924.2
Repayments under revolving and bank lines of credit	—	(169.4)	(567.0)	—	(736.4)
Repayment of term loans	(399.0)	—	—	—	(399.0)
Financing and issuance fees	(3.6)	—	—	—	(3.6)
Dividends paid	(8.6)	—	—	—	(8.6)
Payments on seller notes	—	(6.9)	—	—	(6.9)
Proceeds from termination of interest rate swaps	2.9	—	—	—	2.9
Cash received from exercise of stock options	—	32.2	—	—	32.2
Intercompany financing	424.2	(238.0)	(186.2)	—	—
Net cash used in financing activities	15.9	(207.8)	(3.3)	—	(195.2)
Effect of exchange rate changes	—	—	(6.0)	—	(6.0)
Net increase (decrease) in cash	—	(41.2)	5.8	—	(35.4)
Cash and cash equivalents, beginning of year	—	83.7	31.9	—	115.6
Cash and cash equivalents, end of year	$ —	$ 42.5	$ 37.7	$ —	$ 80.2

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The Scotts Miracle-Gro Company
Consolidating Balance Sheet
As of September 30, 2005
(in millions)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations	Consolidated
ASSETS					
Current Assets:					
Cash and cash equivalents	$ —	$ 42.5	$ 37.7	$ —	$ 80.2
Accounts receivable, net	—	240.3	83.0	—	323.3
Inventories, net	—	232.5	92.4	—	324.9
Prepaid and other assets	—	40.1	19.3	—	59.4
Total current assets	—	555.4	232.4	—	787.8
Property, plant and equipment, net	—	294.7	42.3	—	337.0
Goodwill	—	314.9	118.0	—	432.9
Intangible assets, net	—	315.4	124.1	—	439.5
Other assets	10.6	10.8	0.3	—	21.7
Investment in affiliates	1,660.5	—	—	(1,660.5)	—
Intracompany assets	—	606.9	—	(606.9)	—
Total assets	$ 1,671.1	$ 2,098.1	$ 517.1	$ (2,267.4)	$ 2,018.9
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities:					
Current portion of debt	$ —	$ 4.1	$ 7.0	$ —	$ 11.1
Accounts payable	—	110.2	41.5	—	151.7
Accrued liabilities	—	222.5	92.2	—	314.7
Accrued taxes	—	5.2	3.5	—	8.7
Total current liabilities	—	342.0	144.2	—	486.2
Long-term debt	200.0	16.1	166.3	—	382.4
Other liabilities	—	102.2	21.9	—	124.1
Intracompany liabilities	444.9	—	162.0	(606.9)	—
Total liabilities	644.9	460.3	494.4	(606.9)	992.7
Shareholders' equity	1,026.2	1,637.8	22.7	(1,660.5)	1,026.2
Total liabilities and shareholders' equity	$ 1,671.1	$ 2,098.1	$ 517.1	$ (2,267.4)	$ 2,018.9

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Scotts Miracle-Gro Company
Consolidating Statement of Operations
for the fiscal year ended September 30, 2004
(in millions)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations	Consolidated
Net sales	$ 1,087.4	$ 544.2	$ 474.9	$ —	$ 2,106.5
Cost of sales	684.0	328.6	300.9	—	1,313.5
Restructuring and other charges	0.2	—	0.4	—	0.6
Gross profit	403.2	215.6	173.6		792.4
Operating expenses:					
Selling, general and administrative	345.6	53.6	141.5	—	540.7
Impairment, restructuring and other charges	4.1	0.2	4.8	—	9.1
Equity income in non-guarantors	(107.2)	—	—	107.2	—
Intercompany allocations	(27.7)	6.7	21.0	—	—
Other income, net	(1.9)	(4.5)	(3.8)	—	(10.2)
Income from operations	190.3	159.6	10.1	(107.2)	252.8
Costs related to refinancings	45.5	—	—	—	45.5
Interest (income) expense	52.1	(13.1)	9.8	—	48.8
Income before income taxes	92.7	172.7	0.3	(107.2)	158.5
Income taxes (benefit)	(8.2)	66.1	0.1	—	58.0
Income from continuing operations	100.9	106.6	0.2	(107.2)	100.5
Income from discontinued operations	—	0.4	—	—	0.4
Net income	$ 100.9	$ 107.0	$ 0.2	$ (107.2)	$ 100.9

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Scotts Miracle-Gro Company
Consolidating Statement of Cash Flows
for the fiscal year ended September 30, 2004
(in millions)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations	Consolidated
OPERATING ACTIVITIES					
Net income	$ 100.9	$ 107.0	$ 0.2	$ (107.2)	$ 100.9
Adjustments to reconcile net income to net cash provided by (used in) operating activities:					
Costs related to refinancings	45.5	—	—	—	45.5
Stock-based compensation expense	7.8	—	—	—	7.8
Depreciation	26.4	11.3	8.4	—	46.1
Amortization	0.4	7.0	4.2	—	11.6
Deferred taxes	17.6	—	—	—	17.6
Equity income in non-guarantors	(107.2)	—	—	107.2	—
Changes in assets and liabilities, net of acquired businesses:					
Accounts receivable	14.6	(20.2)	3.7	—	(1.9)
Inventories	10.9	(7.2)	(17.7)	—	(14.0)
Prepaid and other current assets	(3.3)	(2.2)	(11.4)	—	(16.9)
Accounts payable	(8.4)	(10.7)	0.4	—	(18.7)
Accrued taxes and liabilities	25.2	2.8	1.5	—	29.5
Restructuring reserves	0.6	(0.5)	0.7	—	0.8
Other non-current items	(9.1)	1.4	1.9	—	(5.8)
Other, net	6.6	3.2	1.9	—	11.7
Net cash provided by (used in) operating activities	128.5	91.9	(6.2)	—	214.2
INVESTING ACTIVITIES					
Investment in available for sale securities	(121.4)	—			(121.4)
Redemption of available for sale securities	64.2	—			64.2
Payments on seller notes	(2.0)	(10.3)	—	—	(12.3)
Investment in property, plant and equipment, net	(10.7)	(15.2)	(9.2)		(35.1)
Investments in acquired businesses, net of cash acquired	(0.3)	(4.7)	(3.2)		(8.2)
Net cash used in investing activities	(70.2)	(30.2)	(12.4)		(112.8)
FINANCING ACTIVITIES					
Borrowings under revolving and bank lines of credit	—	—	648.6	—	648.6
Repayments under revolving and bank lines of credit	—	—	(646.6)	—	(646.6)
Repayment of term loans	(827.5)	—	—	—	(827.5)
Proceeds from issuance of term loans	900.0	—	—	—	900.0
Redemption of 8 5/8% Senior Subordinated Notes	(418.0)	—	—	—	(418.0)
Proceeds from issuance of 6 5/8% senior subordinated notes	200.0	—	—	—	200.0
Financing and issuance fees	(13.0)	—	—	—	(13.0)
Cash received from exercise of stock options	23.5	—	—	—	23.5
Intercompany financing	27.0	(61.6)	34.6	—	—
Net cash provided by (used in) financing activities	(108.0)	(61.6)	36.6	—	(133.0)
Effect of exchange rate changes	—	—	(8.7)	—	(8.7)
Net increase (decrease) in cash	(49.7)	0.1	9.3	—	(40.3)
Cash and cash equivalents, beginning of year	132.1	1.2	22.6	—	155.9
Cash and cash equivalents, end of year	$ 82.4	$ 1.3	$ 31.9	$ —	$ 115.6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Scotts Miracle-Gro Company
Consolidating Balance Sheet
As of September 30, 2004
(in millions)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations	Consolidated
ASSETS					
Current Assets:					
Cash and cash equivalents	$ 82.4	$ 1.3	$ 31.9	$ —	$ 115.6
Investments	57.2	—	—	—	57.2
Accounts receivable, net	88.7	120.0	83.7	—	292.4
Inventories, net	132.8	57.5	99.8	—	290.1
Prepaid and other assets	42.7	5.7	26.6	—	75.0
Total current assets	403.8	184.5	242.0	—	830.3
Property, plant and equipment, net	191.2	92.8	44.0	—	328.0
Goodwill	18.8	244.6	154.5	—	417.9
Intangible assets, net	5.7	279.1	146.2	—	431.0
Other assets	46.0	—	(5.4)	—	40.6
Investment in affiliates	1,176.0	—	—	(1,176.0)	—
Intracompany assets	—	394.9	—	(394.9)	—
Total assets	$ 1,841.5	$ 1,195.9	$ 581.3	$ (1,570.9)	$ 2,047.8
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities:					
Current portion of debt	$ 5.0	$ 6.2	$ 10.9	$ —	$ 22.1
Accounts payable	61.6	16.2	52.5	—	130.3
Accrued liabilities	133.3	29.8	98.8	—	261.9
Accrued taxes	18.3	0.8	0.2	—	19.3
Total current liabilities	218.2	53.0	162.4	—	433.6
Long-term debt	604.8	3.6	0.1	—	608.5
Other liabilities	113.9	1.5	15.7	—	131.1
Intracompany liabilities	30.0	—	364.9	(394.9)	—
Total liabilities	966.9	58.1	543.1	(394.9)	1,173.2
Shareholders' equity	874.6	1,137.8	38.2	(1,176.0)	874.6
Total liabilities and shareholders' equity	$ 1,841.5	$ 1,195.9	$ 581.3	$ (1,570.9)	$ 2,047.8

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Scotts Miracle-Gro Company
Consolidating Statement of Operations
for the fiscal year ended September 30, 2003
(in millions)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations	Consolidated
Net sales	$ 1,004.7	$ 505.1	$ 431.8	$ —	$ 1,941.6
Cost of sales	639.7	310.4	280.7	—	1,230.8
Restructuring and other charges	5.2	—	3.9	—	9.1
Gross profit	359.8	194.7	147.2	—	701.7
Operating expenses:					
Selling, general and administrative	300.7	51.4	120.8	—	472.9
Impairment, restructuring and other charges	2.7	0.8	4.5	—	8.0
Equity income in non-guarantors	(97.0)	—	—	97.0	—
Intercompany allocations	(18.8)	6.0	12.8	—	—
Other income, net	(2.3)	(5.0)	(3.5)	—	(10.8)
Income from operations	174.5	141.5	12.6	(97.0)	231.6
Interest (income) expense	70.6	(15.4)	14.0	—	69.2
Income (loss) before income taxes	103.9	156.9	(1.4)	(97.0)	162.4
Income taxes (benefit)	0.1	59.6	(0.5)	—	59.2
Income (loss) from continuing operations	103.8	97.3	(0.9)	(97.0)	103.2
Income from discontinued operations, net of tax	—	0.6	—	—	0.6
Net income (loss)	$ 103.8	$ 97.9	$ (0.9)	$ (97.0)	$ 103.8

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Scotts Miracle-Gro Company
Consolidating Statement of Cash Flows
for the fiscal year ended September 30, 2003
(in millions)

	Parent	Subsidiary Guarantors	Non-Guarantors	Eliminations	Consolidated
OPERATING ACTIVITIES					
Net income (loss)	$ 103.8	$ 97.9	$ (0.9)	$ (97.0)	$ 103.8
Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Stock-based compensation expense	4.8	—	—	—	4.8
Depreciation	25.3	10.7	4.3	—	40.3
Amortization	3.8	3.9	4.2	—	11.9
Deferred taxes	48.3	—	—	—	48.3
Equity income in subsidiaries	(97.0)	—	—	97.0	—
Changes in assets and liabilities, net of acquired businesses:					
Accounts receivable	(6.0)	(12.7)	(8.6)	—	(27.3)
Inventories	2.1	(7.5)	0.1	—	(5.3)
Prepaid and other current assets	0.8	0.4	2.5	—	3.7
Accounts payable	10.1	10.0	6.2	—	26.3
Accrued taxes and liabilities	(0.5)	(2.2)	9.3	—	6.6
Restructuring reserves	(4.0)		(3.1)	—	(7.1)
Other non-current items	4.8	(0.7)	(3.8)	—	0.3
Other, net	12.4		(2.6)	—	9.8
Net cash provided by operating activities	108.7	99.8	7.6	—	216.1
INVESTING ACTIVITIES					
Payments on seller notes	(11.5)	(10.4)	(14.8)	—	(36.7)
Investment in property, plant and equipment, net	(19.3)	(20.0)	(12.5)	—	(51.8)
Investments in acquired businesses, net of cash acquired	(3.8)	(16.6)		—	(20.4)
Net cash used in investing activities	(34.6)	(47.0)	(27.3)	—	(108.9)
FINANCING ACTIVITIES					
Borrowings under revolving and bank lines of credit					
Repayments under revolving and bank	—	—	801.9	—	801.9
lines of credit	—	—	(819.5)	—	(819.5)
Repayments under term loans	(18.0)	—	(44.4)	—	(62.4)
Financing and issuance fees	(0.4)	—	—	—	(0.4)
Cash received from exercise of stock options	21.4	—	—	—	21.4
Intercompany financing	0.3	(53.6)	53.3	—	—
Net cash used in financing activities	3.3	(53.6)	(8.7)	—	(59.0)
Effect of exchange rate changes	—	—	8.0	—	8.0
Net increase (decrease) in cash	77.4	(0.8)	(20.4)		56.2
Cash and cash equivalents, beginning of year	54.7	2.0	43.0	—	99.7
Cash and cash equivalents, end of year	$ 132.1	$ 1.2	$ 22.6	$ —	$ 155.9

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the consolidated financial statements of The Scotts Miracle-Gro Company and Subsidiaries (the "Company") as of September 30, 2005, and for the year then ended, management's assessment of the effectiveness of the Company's internal control over financial reporting as of September 30, 2005, and the effectiveness of the Company's internal control over financial reporting as of September 30, 2005; and have issued our reports thereon dated December 14, 2005; such consolidated financial statements and reports are included elsewhere in this Form 10-K. Our audit also included the consolidated financial statement schedule of the Company for the year ended September 30, 2005 listed in the Index to Consolidated Financial Statements and Financial Statement Schedule. This consolidated financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audit. In our opinion, such consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ Deloitte & Touche LLP

Columbus, Ohio
December 14, 2005

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of The Scotts Company

Our audits of the consolidated financial statements referred to in our report dated November 22, 2004 appearing in Item 15(a)(1) of this Annual Report on Form 10-K, also included an audit of the financial statement schedule listed in Item 15(a)(2) of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PricewaterhouseCoopers LLP

Columbus, Ohio
November 22, 2004

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The Scotts Miracle-Gro Company
Schedule II — Valuation and Qualifying Accounts
for the fiscal year ended September 30, 2005
(in millions)

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

Schedule II — Valuation and Qualifying Accounts
for the fiscal year ended September 30, 2004
(in millions)

Column A	Column B	Column C	Column D	Column E	Column F
Classification	Balance at Beginning of Period	Reserves Acquired	Additions Charged to Expense	Deductions Credited and Write-Offs	Balance at End of Period
Valuation and qualifying accounts deducted from the assets to which they apply:					
Inventory reserve	$ 22.0	$ —	$ 11.8	$ (12.5)	$ 21.3
Allowance for doubtful accounts	29.0	—	3.4	(3.4)	29.0
Income tax valuation allowance	1.0	—	—	(1.0)	—

Schedule II — Valuation and Qualifying Accounts
for the fiscal year ended September 30, 2003
(in millions)

Column A	Column B	Column C	Column D	Column E	Column F
Classification	Balance at Beginning of Period	Reserves Acquired	Additions Charged to Expense	Deductions Credited and Write-Offs	Balance at End of Period
Valuation and qualifying accounts deducted from the assets to which they apply:					
Inventory reserve	$ 25.9	$ —	$ 5.1	$ (9.0)	$ 22.0
Allowance for doubtful accounts	33.2	—	3.2	(7.4)	29.0
Income tax valuation allowance	—	—	1.0	—	1.0

The Scotts Miracle-Gro Company

Index to Exhibits

Exhibit No.	Description	Location
2(a)	Amended and Restated Agreement and Plan of Merger, dated as of May 19, 1995, among Stern's Miracle-Gro Products, Inc., Stern's Nurseries, Inc., Miracle-Gro Lawn Products Inc., Miracle-Gro Products Limited, Hagedorn Partnership, L.P., the general partners of Hagedorn Partnership, L.P., Horace Hagedorn, Community Funds, Inc., and John Kenlon, The Scotts Company and ZYX Corporation	Incorporated herein by reference to the Current Report on Form 8-K dated May 31, 1995 and filed June 2, 1995, of The Scotts Company, an Ohio corporation ("Scotts") (File No. 0-19768) [Exhibit 2(b)]
2(b)	First Amendment to Amended and Restated Agreement and Plan of Merger, made and entered into as of October 1, 1999, among The Scotts Company, Scotts Miracle-Gro Products, Inc. (as successor to ZYX Corporation and Stern's Miracle-Gro Products, Inc.), Miracle-Gro Lawn Products Inc., Miracle-Gro Products Limited, Hagedorn Partnership, L.P., Community Funds, Inc., Horace Hagedorn and John Kenlon, and James Hagedorn, Katherine Hagedorn Littlefield, Paul Hagedorn, Peter Hagedorn, Robert Hagedorn and Susan Hagedorn	Incorporated herein by reference to Scotts' Current Report on Form 8-K dated October 4, 1999 and filed October 5, 1999 (File No. 1-11593) [Exhibit 2]
2(c)	Agreement and Plan of Merger, dated as of December 13, 2004, by and among The Scotts Company, The Scotts Company LLC and The Scotts Miracle-Gro Company	Incorporated herein by reference to the Current Report on Form 8-K of The Scotts Miracle-Gro Company (the "Registrant") dated February 1, 2005 and filed February 2, 2005 (File No. 1-13292)) [Exhibit 2.1]
3(a)	Initial Articles of Incorporation of The Scotts Miracle-Gro Company as filed with Ohio Secretary of State on November 22, 2004	Incorporated herein by reference to the Registrant's Current Report on Form 8-K dated and filed March 24, 2005 (File No. 1-13292) [Exhibit 3.1]
3(b)	Certificate of Amendment by Shareholders to Articles of Incorporation of The Scotts Miracle-Gro Company as filed with Ohio Secretary of State on March 18, 2005	Incorporated herein by reference to the Registrant's Current Report on Form 8-K dated and filed March 24, 2005 (File No. 1-13292) [Exhibit 3.2]
3(c)	Code of Regulations of The Scotts Miracle-Gro Company	Incorporated herein by reference to the Registrant's Current Report on Form 8-K dated and filed March 24, 2005 (File No. 1-13292) [Exhibit 3.3]
4(a)	INDENTURE, dated as of October 8, 2003, between The Scotts Company; the Guarantors identified therein; and U.S. Bank National Association, as Trustee	Incorporated herein by reference to Scotts' Annual Report on 10-K for the fiscal year ended September 30, 2003 (File No. 1-13292) [Exhibit 4(n)]
4(b)	Registration Rights Agreement, dated October 8, 2003, among The Scotts Company; the Guarantors identified therein; and Citigroup Global Markets Inc., Banc of America Securities LLC and J.P. Morgan Securities Inc. as representatives for the initial purchasers of the 6.625% Senior Subordinated Notes due 2013 described therein	Incorporated herein by reference to Scotts' Annual Report on Form 10-K for the fiscal year ended September 30, 2003 (File No. 1-13292) [Exhibit 4(o)]

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Exhibit No.	Description	Location
4(c)	Supplemental Indenture, dated as of October 15, 2004, between Smith & Hawken, Ltd., as a guaranteeing subsidiary, and U.S. Bank National Association, as Trustee	Incorporated herein by reference to the Registrant's Current Report on Form 8-K dated and filed March 24, 2005 (File No. 1-13292) [Exhibit 4.2]
4(d)	Second Supplemental Indenture, dated as of March 18, 2005, among The Scotts Company; The Scotts Miracle-Gro Company; The Scotts Company LLC; the other subsidiaries identified as Guarantors therein; and U.S. Bank National Association, as Trustee	Incorporated herein by reference to the Registrant's Current Report on Form 8-K dated and filed March 24, 2005 (File No. 1-13292) [Exhibit 4.3]
4(e)	Joinder Agreement, dated as of March 18, 2005, among The Scotts Miracle-Gro Company, The Scotts Company and JPMorgan Chase Bank, N.A. (formerly known as JPMorgan Chase Bank), as Administrative Agent	Incorporated herein by reference to the Registrant's Current Report on Form 8-K dated and filed March 24, 2005 (File No. 1-13292) [Exhibit 4.1]
10(a)(1)	The O.M. Scott & Sons Company Excess Benefit Plan, effective October 1, 1993	Incorporated herein by reference to the Annual Report on Form 10-K for the fiscal year ended September 30, 1993, of The Scotts Company, a Delaware corporation (File No. 0-19768) [Exhibit 10(h)]
10(a)(2)	First Amendment to The O.M. Scott & Sons Company Excess Benefit Plan, effective as of January 1, 1998	Incorporated herein by reference to Scotts' Annual Report on Form 10-K for the fiscal year ended September 30, 2001 (File No. 1-13292) [Exhibit 10(a)(2)]
10(a)(3)	Second Amendment to The O.M. Scott & Sons Company Excess Benefit Plan, effective as of January 1, 1999	Incorporated herein by reference to Scotts' Annual Report on Form 10-K for the fiscal year ended September 30, 2001 (File No. 1-13292) [Exhibit 10(a)(3)]
10(a)(4)	Third Amendment to The O.M. Scott & Sons Company Excess Benefit Plan, effective as of March 18, 2005	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended April 2, 2005 (File No. 1-13292) [Exhibit 10(CC)]
10(b)(1)	The Scotts Company 1992 Long Term Incentive Plan (as amended through May 15, 2000)	Incorporated herein by reference to Scotts' Quarterly Report on Form 10-Q for the quarterly period ended April 1, 2000 (File No. 1-13292) [Exhibit 10(b)]
10(b)(2)	The Scotts Company 1992 Long Term Incentive Plan (2002 Amendment)	Incorporated herein by reference to Scotts' Quarterly Report on Form 10-Q for the quarterly period ended December 28, 2002 (File No. 1-13292) [Exhibit 10(b)(i)]
10(b)(3)	Amendment to The Scotts Company 1992 Long Term Incentive Plan — 2005 Amendment, effective as of March 18, 2005	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended April 2, 2005 (File No. 1-13292) [Exhibit 10(y)]

Exhibit No.	Description	Location
10(c)(1)	The Scotts Company Executive Annual Incentive Plan	Incorporated herein by reference to Scotts' Annual Report on Form 10-K for the fiscal year ended September 30, 2001 (File No. 1-13292) [Exhibit 10(c)]
10(c)(2)	First Amendment to The Scotts Company Executive Annual Incentive Plan, effective as of March 18, 2005	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended April 2, 2005 (File No. 1-13292) [Exhibit 10(BB)]
10(d)(1)	The Scotts Company 1996 Stock Option Plan (as amended through May 15, 2000)	Incorporated herein by reference to Scotts' Quarterly Report on Form 10-Q for the quarterly period ended April 1, 2000 (File No. 1-13292) [Exhibit 10(d)]
10(d)(2)	The Scotts Company 1996 Stock Option Plan (2002 Amendment)	Incorporated herein by reference to Scotts' Quarterly Report on Form 10-Q for the quarterly period ended December 28, 2002 (File No. 1-13292) [Exhibit 10(d)(i)]
10(d)(3)	Amendment to The Scotts Company 1996 Stock Option Plan — 2005 Amendment, effective as of March 18, 2005	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended April 2, 2005 (File No. 1-13292) [Exhibit 10(z)]
10(e)	Specimen form of Stock Option Agreement (as amended through October 23, 2001) for Non-Qualified Stock Options granted to employees under The Scotts Company 1996 Stock Option Plan, U.S. specimen	Incorporated herein by reference to Scotts' Annual Report on Form 10-K for the fiscal year ended September 30, 2001 (File No. 1-13292) [Exhibit 10(e)]
10(f)	Specimen form of Stock Option Agreement (as amended through October 23, 2001) for Non-Qualified Stock Options granted to employees under The Scotts Company 1996 Stock Option Plan, French specimen	Incorporated herein by reference to Scotts' Annual Report on Form 10-K for the fiscal year ended September 30, 2001 (File No. 1-13292) [Exhibit 10(f)]
10(g)(1)	The Scotts Company Executive Retirement Plan	Incorporated herein by reference to Scotts' Annual Report on Form 10-K for the fiscal year ended September 30, 1998 (File No. 1-11593) [Exhibit 10(j)]
10(g)(2)	First Amendment to The Scotts Company Executive Retirement Plan, effective as of January 1, 1999	Incorporated herein by reference to Scotts' Annual Report on Form 10-K for the fiscal year ended September 30, 2001 (File No. 1-13292) [Exhibit 10(g)(2)]
10(g)(3)	Second Amendment to The Scotts Company Executive Retirement Plan, effective as of January 1, 2000	Incorporated herein by reference to Scotts' Annual Report on Form 10-K for the fiscal year ended September 30, 2001 (File No. 1-13292) [Exhibit 10(g)(3)]

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Exhibit No.	Description	Location
10(g)(4)	Third Amendment to The Scotts Company Executive Retirement Plan, effective as of January 1, 2003	Incorporated herein by reference to Scotts' Annual Report on Form 10-K for the fiscal year ended September 30, 2003 (File No. 1-13292) [Exhibit 10(g)(4)]
10(g)(5)	Fourth Amendment to The Scotts Company Executive Retirement Plan, effective as of January 1, 2004	Incorporated herein by reference to Scotts' Annual Report on Form 10-K for the fiscal year ended September 30, 2004 (File No. 1-13292) [Exhibit 10(g)(5)]
10(g)(6)	Fifth Amendment to The Scotts Company Executive Retirement Plan, effective as of March 18, 2005	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended April 2, 2005 (File No. 1-13292) [Exhibit 10(DD)]
10(h)	Employment Agreement, dated as of May 19, 1995, between The Scotts Company and James Hagedorn	Incorporated herein by reference to Scotts' Annual Report on Form 10-K for the fiscal year ended September 30, 1995 (File No. 1-11593) [Exhibit 10(p)]
10(i)(1)	Letter agreement, dated June 8, 2000, The Scotts Company and Patrick J. Norton	Incorporated herein by reference to Scotts' Annual Report on Form 10-K for the fiscal year ended September 30, 2000 (File No. 1-13292) [Exhibit 10(q)]
10(i)(2)	Letter agreement, dated November 5, 2002, pertaining to the terms of employment of Mr. Norton through December 31, 2005, and superseding certain provisions of the letter agreement, dated June 8, 2000, between The Scotts Company and Mr. Norton	Incorporated herein by reference to Scotts' Annual Report on Form 10-K for the fiscal year ended September 30, 2002 (File No. 1-13292) [Exhibit 10(q)]
10(i)(3)	Letter of Extension, dated October 25, 2005, between The Scotts Miracle-Gro Company and Patrick J. Norton	Incorporated herein by reference to the Registrant's Current Report on Form 8-K dated and filed December 14, 2005 (File No. 1-13292) [Exhibit 10.3]
10(j)(1)	Letter Agreement between The Scotts Company LLC and Dr. Michael P. Kelty dated July 25, 2005	Incorporated herein by reference to the Registrant's Current Report on Form 8-K dated and filed December 14, 2005 (File No. 1-13292) [Exhibit 10.1]
10(j)(2)	Separation Agreement and Release of All Claims between The Scotts Company LLC and Dr. Michael P. Kelty dated July 25, 2005	Incorporated herein by reference to the Registrant's Current Report on Form 8-K dated and filed December 14, 2005 (File No. 1-13292) [Exhibit 10.2]
10(k)	Written description of employment terms between the Registrant and David M. Aronowitz, Christopher L. Nagel and Denise S. Stump	*

Exhibit No.	Description	Location
10(l)(1)	The Scotts Company 2003 Stock Option and Incentive Equity Plan	Incorporated herein by reference to Scotts' Quarterly Report on Form 10-Q for the quarterly period ended December 28, 2002 (File No. 1-13292) [Exhibit 10(w)]
10(l)(2)	First Amendment to The Scotts Company 2003 Stock Option and Incentive Equity Plan, effective as of March 18, 2005	Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended April 2, 2005 (File No. 1-13292) [Exhibit 10(AA)]
10(m)	Letter agreement, dated April 23, 2003, between The Scotts Company and Robert F. Bernstock	Incorporated herein by reference to Scotts' Quarterly Report on Form 10-Q for the quarterly period ended June 28, 2003 (File No. 1-13292) [Exhibit 10(x)]
10(n)	Employment Agreement and Covenant Not to Compete, effective October 1, 2004, between The Scotts Company and Robert F. Bernstock	Incorporated herein by reference to Scotts' Current Report on Form 8-K dated and filed November 19, 2004 (File No. 1-13292) [Exhibit 10.1]
10(o)	First Amendment to Employment Agreement and Covenant Not to Compete, effective October 1, 2004, between The Scotts Company and Robert F. Bernstock	Incorporated herein by reference to Scotts' Current Report on Form 8-K dated and filed November 19, 2004 (File No. 1-13292) [Exhibit 10.2]
10(p)	Second Amendment to Employment Agreement and Covenant Not to Compete, effective October 1, 2004, between The Scotts Company and Robert F. Bernstock	Incorporated herein by reference to Scotts' Current Report on Form 8-K dated and filed November 19, 2004 (File No. 1-13292) [Exhibit 10.3]
10(q)	The Scotts Company 2003 Stock Option and Incentive Equity Plan Award Agreement for Nondirectors, effective as of October 1, 2004, between The Scotts Company and Robert F. Bernstock, in respect of grant of 25,000 shares of restricted stock	Incorporated herein by reference to Scotts' Current Report on Form 8-K dated and filed November 19, 2004 (File No. 1-13292) [Exhibit 10.4]
10(r)	Amendment to The Scotts Company 2003 Stock Option and Incentive Equity Plan Award Agreement for Nondirectors, effective as of October 1, 2004, between The Scotts Company and Robert F. Bernstock, in respect of June 2, 2003 award of freestanding stock appreciation rights	Incorporated herein by reference to Scotts' Current Report on Form 8-K dated and filed November 19, 2004 (File No. 1-13292) [Exhibit 10.5]
10(s)	Amendment to The Scotts Company 2003 Stock Option and Incentive Equity Plan Award Agreement for Nondirectors, effective as of October 1, 2004, between The Scotts Company and Robert F. Bernstock, in respect of November 19, 2003 award of freestanding stock appreciation rights	Incorporated herein by reference to Scotts' Current Report on Form 8-K dated and filed November 19, 2004 (File No. 1-13292) [Exhibit 10.6]
10(t)	Form of 1996 Stock Option Plan Stock Option Agreement — Non-Qualified Stock Option	Incorporated herein by reference to Scotts' Current Report on Form 8-K dated and filed November 19, 2004 (File No. 1-13292) [Exhibit 10.7]
10(u)	Form of 2003 Stock Option and Incentive Equity Plan Award Agreement for Nondirectors	*

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Exhibit No.	Description	Location
10(v)	Form of 2003 Stock Option and Incentive Equity Plan Award Agreement for Directors	*
10(w)	Exclusive Distributor Agreement — Horticulture, effective as of June 22, 1998, between The Scotts Company and AgrEvo USA Company	Incorporated herein by reference to Scotts' Annual Report on Form 10-K for the fiscal year ended September 30, 1998 (File No. 1-11593) [Exhibit 10(v)]
10(x)	Amended and Restated Exclusive Agency and Marketing Agreement, dated as of September 30, 1998, between Monsanto Company (now Pharmacia Corporation) and the Registrant	*
14	Code of Business Conduct and Ethics of the Registrant	Incorporated herein by reference to Scotts' Annual Report on Form 10-K for the fiscal year ended September 30, 2003 (File No. 1-13292) [Exhibit 14]
21	Subsidiaries of the Registrant	*
23(a)	Consent of Independent Registered Public Accounting Firm — Deloitte & Touche LLP	*
23(b)	Consent of Independent Registered Public Accounting Firm — PricewaterhouseCoopers LLP	*
31(a)	Rule 13a-14(a)/15d-14(a) Certification (Principal Executive Officer)	*
31(b)	Rule 13a-14(a)/15d-14(a) Certification (Principal Financial Officer)	*
32	Section 1350 Certification (Principal Executive Officer and Principal Financial Officer)	*

* Filed herewith.

Exhibit 10(k)

The Compensation and Organization Committee of the Board of Directors of The Scotts Miracle-Gro Company (the “Company”) has approved certain employment, severance and change in control terms applicable to David M. Aronowitz, Christopher L. Nagel and Denise S. Stump. Pursuant to these terms, if the employment of any of these executive officers is terminated by the Company, other than for cause, within 18 months following a change in control of the Company (as defined in each of the 1996 Plan and the 2003 Plan), such executive officer will be entitled to receive a lump sum payment within 90 days after termination equal to two times the executive officer’s base salary plus two times the executive officer’s target incentive under the Executive Incentive Plan or any successor incentive compensation plan, in each case as in effect at the date of termination. If the employment of any of these executive officers is terminated by the Company prior to a change in control, other than for cause, such executive officer will be entitled to receive two times the executive officer’s base salary in effect at the date of termination in a lump sum within 90 days after termination.

Exhibit 10(u)

THE SCOTTS MIRACLE-GRO COMPANY

2003 STOCK OPTION AND INCENTIVE EQUITY PLAN

AWARD AGREEMENT FOR NONDIRECTORS

The Scotts Miracle-Gro Company ("Company") believes that its business interests are best served by ensuring that you have an opportunity to share in the Company's business success. To this end, the Company sponsors the 2003 Stock Option and Incentive Equity Plan ("Plan") through which key employees, like you, may acquire (or share in the appreciation of) common shares of the Company.

We cannot guarantee that the value of your Award (or the value of the common shares you acquire through an Award) will increase. This is because the value of the Company's common shares is affected by many factors. However, the Company believes that your efforts contribute to the value of the Company's common shares and that the Plan (and the Awards made through the Plan) is an appropriate means of sharing with you the value of your contribution to the Company's business success.

This Agreement describes the type of Award that you have been granted and the conditions that must be met before you may receive the value associated with your Award. To ensure you fully understand these terms and conditions, you should:

- Carefully read this Award Agreement and the attached copies of the Plan and Prospectus; and
- Call us at ___if you have any questions about your Award. Or, you may send a written inquiry to:

[Insert Address]

Description of Your Incentive Stock Options

You have been awarded Incentive Stock Options (or "ISOs") to purchase ___common shares of the Company. You may purchase one of the Company's common shares for each ISO, but only if you pay $___("Exercise Price") for each common share you purchase and meet the terms and conditions described in this Agreement and in the Plan and the Prospectus.

Special (and favorable) income tax rules apply to ISOs, but only if certain conditions are met and the ISOs are exercised before ___("Expiration Date"). These conditions and other terms affecting your ISOs are described in this Agreement and in the Plan and the Prospectus.

Limits on Exercising Your ISOs

Your ISOs will vest (and be exercisable) on ___.

This does not mean that you must exercise your ISOs on this date; this is merely the first date that you may do so. However, your ISOs will expire unless they are exercised on or before the Expiration Date.

There are some special situations in which your ISOs may vest earlier. These are described later in this Agreement.

At any one time you may not exercise ISOs to buy fewer than 100 common shares of the Company (or, if smaller, the number of your outstanding vested ISOs). Also, you may never exercise an ISO to purchase a fractional common share of the Company; ISOs for fractional common shares will always be redeemed for cash.

Exercising Your ISOs

After they vest, you may exercise your ISOs by completing a form. This form, and other procedures that you must follow, are available from Merrill Lynch or by contacting us at the number (or address) shown above.

There are three exercise methods available to you. You will decide on the method at the time of exercise.

- ***Cashless Exercise and Sell***; You will settle in shares of Company Stock. This will result in a cash payment (net of taxes) at settlement. The number of shares required to settle costs and taxes is equal to the stock price appreciation at the time of exercise.
- ***Combination Exercise*** (Exercise and sell enough shares to cover cost and taxes); You have no out of pocket costs for doing the transaction, and hold a smaller number of shares than exercised.
- ***Exercise and Hold;*** You come up with the monies to cover the exercise cost and taxes, and you will receive the shares exercised on settlement.

If you do not elect one of these methods, we will apply the Cashless Exercise and Sell method described above.

Description of Your Nonqualified Stock Options

You have been awarded Nonqualified Stock Options (or "NSOs") to purchase ___common shares of the Company. You may purchase one of the Company's common shares for each NSO, but only if you pay $___("Exercise Price") for each common share purchased, you exercise the NSOs on or before ___("Expiration Date") and meet the terms and conditions described in this Agreement and in the Plan and in the Prospectus.

Limits on Exercising Your NSOs

Your NSOs will vest (and be exercisable) on ___.

This does not mean that you must exercise your NSOs on this date; this is merely the first date that you may do so. However, your NSOs will expire unless they are exercised on or before the Expiration Date.

There also are some special situations in which your NSOs may vest earlier. These are described later in this Agreement.

At any one time you may not exercise NSOs to buy fewer than 100 common shares of the Company (or, if smaller, the number of your outstanding vested NSOs). Also, you may never exercise an NSO to purchase a fractional common share of the Company; NSOs for fractional common shares will always be redeemed for cash.

Exercising Your NSOs

After they vest, you may exercise your NSOs by completing a form. This form, and other procedures that you must follow, are available from Merrill Lynch or by contacting us at the number (or address) shown above.

There are three exercise methods available to you. You will decide on the method at the time of exercise.

- ***Cashless Exercise and Sell***; You will settle in shares of Company Stock. This will result in a cash payment (net of taxes) at settlement. The number of shares required to settle costs and taxes is equal to the stock price appreciation at the time of exercise.
- ***Combination Exercise*** (Exercise and sell enough shares to cover cost and taxes); You have no out of pocket costs for doing the transaction, and hold a smaller number of shares than exercised.
- ***Exercise and Hold;*** You come up with the monies to cover the exercise cost and taxes, and you will receive the shares exercised on settlement.

If you do not elect one of these methods, we will apply the Cashless Exercise and Sell method described above.

Description of Your Affiliated Stock Appreciation Rights

You have been awarded ___Affiliated Stock Appreciation Rights (or "ASARs"). ASARs are associated with options that also were granted on the date of this Agreement.

ASARs will automatically be exercised when you exercise the affiliated options. When this happens, the difference between the value of one of the Company's common shares on the date of this Agreement and the date the ASAR is exercised will be applied against the price you must pay to exercise the affiliated option.

However, if you do not exercise the affiliated option on or before ___("Expiration Date"), the ASARs will expire and may not be exercised at a later date.

Limits on Exercising Your ASARs

Your ASARs will vest on ___.

This does not mean that you must exercise the affiliated option on this date to realize the benefit of your ASAR; this is merely the first date that you may do so. However, your ASARs (and the affiliated options) will expire unless they are exercised on or before the Expiration Date.

There also are some special situations in which your ASARs may vest earlier. These are described later in this Agreement.

Tax Treatment of Your ASARs

This brief discussion of the federal tax rules that affect your ASARs is provided as general information (not as personal tax advice) and is based on the Company's understanding of federal tax laws and regulations in effect as of the date of this Agreement.

You should consult with a tax or financial adviser to ensure you fully understand the tax ramifications of your ASARs.

You are not required to pay ordinary income taxes on the value of an ASAR when it is awarded or when it vests (there are no tax consequences if your ASARs expire without being exercised). However, you are required to pay income tax (at ordinary income tax rates) when an ASAR is exercised. This tax is calculated by applying ordinary income tax rates to the difference between the value of a common share of the Company when the ASAR is exercised and the value of a common share of the Company on the date of this Agreement.

Description of Your Freestanding Stock Appreciation Rights

You have been awarded ___Freestanding Stock Appreciation Rights (or “FSARs”). Each FSAR enables you to receive the difference between the value of one of the Company’s common shares when the FSAR is exercised and the value of one of the Company’s common shares on the date of this Agreement. And you may realize this appreciation without making any cash investment. However, you must exercise your FSARs no later than ___(“Expiration Date”). If you do not exercise your FSARs on or before this date, they will expire and may not be exercised at a later date.

Limits on Exercising Your FSARs

Your FSARs will vest (and be exercisable) on ___.

This does not mean that you must exercise your FSARs on this date; this is merely the first date that you may do so. However, your FSARs will expire unless they are exercised before the Expiration Date.

There also are some special situations in which your FSARs may vest earlier. These are described later in this Agreement.

Exercising Your FSARs

After they vest, you may exercise your FSARs by delivering a signed exercise notice to us at the address shown above. Contact us for a copy of this notice.

Tax Treatment of Your FSARs

This brief discussion of the federal tax rules that affect your FSARs is provided as general information (not as personal tax advice) and is based on the Company’s understanding of federal tax laws and regulations in effect as of the date of this Agreement.

You should consult with a tax or financial adviser to ensure you fully understand the tax ramifications of your FSARs.

You are not required to pay ordinary income taxes on the value of a FSAR when it is awarded or when it vests. However, you are required to pay income tax (at ordinary income tax rates) when you exercise your FSAR (there are no tax consequences if your FSAR expires without being exercised). If your FSAR is exercised and paid in common shares of the Company, your taxes are calculated by applying ordinary income tax rates to the value (on the date your FSAR is exercised) of the common shares of the Company you receive. Any subsequent appreciation in the value of these common shares will be taxed at capital gains rates when the common shares are sold. If your FSAR is exercised and paid in cash, your taxes are calculated by applying ordinary income tax rates to the amount of cash you receive.

Description of Your Tandem Stock Appreciation Rights

You have been awarded ___Tandem Stock Appreciation Rights (or "TSARs"). TSARS are associated with options and enable you to receive the difference between the value of one of the Company's common shares when the TSAR is exercised and the value of one of the Company's common shares on the date of this Agreement.

You may realize the appreciated value of your TSAR without making any cash investment but only if you exercise your TSARs on or before ___("Expiration Date"). If you do not exercise your TSARs on or before this date, they will expire and may not be exercised at a later date.

You have a choice to make when your TSARs (and the associated options) vest:

- You may exercise a TSAR without actually spending any money; or
- You may exercise the option associated with your TSAR, in which case you will receive one common share of the Company for each option exercised, although you will be required to actually pay the option's Exercise Price.

Also, if you decide to exercise a TSAR, the associated option will expire automatically and, if you exercise the option, the associated TSAR will expire automatically.

Limits on Exercising Your TSARs

Your TSARs will vest (and be exercisable) on ___.

This does not mean that you must exercise your TSARs on this date; this is merely the first date that you may do so. However, your TSARs will expire unless they are exercised before the Expiration Date.

There also are some special situations in which your TSARS may vest earlier. These are described later in this Agreement.

Exercising Your TSARs

After they vest, you may exercise your TSARs by delivering a signed exercise notice to us at the address shown above. Contact us for a copy of this notice.

Tax Treatment of Your TSARs

This brief discussion of the federal tax rules that affect your TSARs is provided as general information (not as personal tax advice) and is based on the Company's understanding of federal tax laws and regulations in effect as of the date of this Agreement.

You should consult with a tax or financial adviser to ensure you fully understand the tax ramifications of your TSARs.

You are not required to pay ordinary income taxes on the value of a TSAR when it is awarded or when it vests. However, you are required to pay income tax (at ordinary income tax rates) when you exercise your TSAR. There are no tax consequences if your TSAR expires without being exercised or if your TSAR is cancelled because you exercised the related option, although there may be tax consequences associated with the exercise of the related option. If your TSAR is exercised and paid in common shares of the Company, your taxes are calculated by applying ordinary income tax rates to the value (on the date your TSAR is exercised) of the Company's common shares you receive. Any subsequent appreciation in the value of these common shares will be taxed at capital gains rates when the common shares are sold. If your TSAR is exercised and paid in cash, your taxes are calculated by applying ordinary income tax rates to the amount of cash you receive.

Description of Your Restricted Stock

You have been awarded ___shares of Restricted Stock which will mature into an equal number of common shares of the Company if you are actively employed on ___("Expiration Date") and have met all other Plan conditions.

Insert description of applicable restrictions.

Your Rights in Restricted Stock Before the Expiration Date

Until all restrictions and conditions have been met, your Restricted Stock certificates will be held in escrow. Also, the Company will defer distribution of any dividends that are declared on your Restricted Stock until the Expiration Date. These dividends will be distributed to you as of the Expiration Date if all the restrictions and conditions are met or will be forfeited if these restrictions and conditions have not been met.

However, you may vote your Restricted Stock before all the terms and conditions described in this Agreement are met. This is the case even though your Restricted Stock will not be distributed to you until the Expiration Date.

Tax Treatment of Your Restricted Stock

This brief discussion of the federal tax rules that affect your Restricted Stock is provided as general information (not as personal tax advice) and is based on the Company's understanding of federal tax laws and regulations in effect as of the date of this Agreement.

You should consult with a tax or financial adviser to ensure you fully understand the tax ramifications of your Restricted Stock.

You are not required to pay income taxes on your Restricted Stock at this time. However, you will be required to pay income taxes (at ordinary income tax rates) when (and if) applicable restrictions and conditions are met. The amount of ordinary income you will recognize is the value of your Restricted Stock when the terms and conditions described in this Agreement lapse. Any subsequent appreciation of the common shares will be taxed at capital gains rates when you sell the common shares. If applicable restrictions and conditions are not met before the Expiration Date, your Restricted Stock will expire and no taxes will be due.

You may increase the portion of your Award's value that is subject to capital gains tax rates by making a special election [known as a Code § 83(b) election] within 30 days of the date of this Agreement. However, there are important tax and investment issues that you must consider before making a Code § 83(b) election. These should be discussed with your personal tax and investment adviser.

Description of Your Performance Shares

You have been awarded ___Performance Shares which will mature into an equal number of common shares of the Company if the following performance goals are met before ___ (“Measurement Date”) and you meet all other Plan conditions:

Insert description of applicable performance goals — these should be specific to the grantee and relate to one or more of the criteria listed in the Plan.

Your Rights in Performance Shares Before the Measurement Date

Until all performance goals and applicable conditions have been met, your Performance Share certificates will be held in escrow. Also, the Company will defer distribution of any dividends that are declared on your Performance Shares until the Measurement Date. These dividends will be distributed as of the Measurement Date if all the performance goals are met or will be forfeited if the performance goals have not been met.

However, you may vote your Performance Shares before all the performance goals described in this Agreement are met. This is the case even though your Performance Shares will not be distributed to you until the Measurement Date.

Tax Treatment of Your Performance Shares

This brief discussion of the federal tax rules that affect your Performance Shares is provided as general information (not as personal tax advice) and is based on the Company’s understanding of federal tax laws and regulations in effect as of the date of this Agreement.

You should consult with a tax or financial adviser to ensure you fully understand the tax ramifications of your Performance Shares.

You are not required to pay income taxes on your Performance Shares at this time. However, you will be required to pay income taxes (at ordinary income tax rates) when (and if) applicable performance goals are certified as being met. The amount of ordinary income you will recognize is the value of your Performance Shares when the performance goals described in this Agreement are certified as being met. Any subsequent appreciation of the common shares will be taxed at capital gains rates when you sell the common shares. If applicable performance goals are not met before the Measurement Date, your Performance Shares will expire and no taxes will be due.

GENERAL TERMS AND CONDITIONS

These terms and conditions apply to all Awards issued under this Award Agreement. This is merely a summary of these important terms and conditions; you are urged to read the entire Plan and Prospectus (copies of which are attached), all of the terms of which are incorporated by reference into this Award Agreement.

1.00 Loss of an Award. There are ways in which you may forfeit an Award.

[1] If You Terminate Employment . . .

Normally, your Awards will be cancelled on the date specified earlier in this Agreement unless all conditions to your acquiring the common shares or other amounts subject to your Awards have been satisfied before that date. However, these Awards may be cancelled earlier than that date if you terminate employment (as defined in the Plan).

[a] If your employment is terminated by the Company or a Subsidiary for cause (as defined in the Plan), the Awards will expire on the date your employment ends; or

[b] If you terminate employment because you [i] die or [ii] become disabled (as defined in the Plan), the Awards will expire no later than 60 months after you terminate (12 months in the case of any ISOs); or

[c] If you terminate after reaching either [i] age 55 and completing at least 10 years of employment or [ii] age 62 regardless of your years of service, the Awards will expire no later than 60 months after you terminate (three months in the case of ISOs); or

[d] If you terminate employment for any other reason, your Awards will expire no later than 90 days after you terminate.

Note, it is your responsibility to keep track of when your Awards expire.

[2] If You Engage in Conduct That is Harmful to the Company (or Subsidiary) . . .

You also will forfeit any outstanding Awards and must return to the Company all common shares and other amounts you have received through the Plan if, without our consent, you do any of the following within 180 days before and 730 days after terminating employment with the Company:

[a] You serve (or agree to serve) as an officer, director, consultant or employee of any proprietorship, partnership or corporation or become the owner of a business or a member of a partnership that competes with any portion of the Company's (or a Subsidiary's) business with which you have been involved anytime within five years before termination of employment or render any service (including without limitation, advertising or business consulting) to entities that compete with any portion of the Company's (or a Subsidiary's) business with which you have been involved anytime within five years before termination of employment;

[b] You refuse or fail to consult with, supply information to or otherwise cooperate with the Company after having been requested to do so;

[c] You deliberately engage in any action that we conclude has caused substantial harm to the interests of the Company or any Subsidiary;

[d] On your own behalf or on behalf of any other person, partnership, association, corporation or other entity, solicit or in any manner attempt to influence or induce any employee of the Company or a Subsidiary to leave the Company's or Subsidiary's employment or use or disclose to any person, partnership, association, corporation or other entity any information obtained while an employee of the Company or any Subsidiary concerning the names and addresses of the Company's and any Subsidiary's employees;

[e] You disclose confidential and proprietary information relating to the Company's and its Subsidiaries' business affairs ("Trade Secrets"), including technical information, product information and formulae, processes, business and marketing plans, strategies, customer information and other information concerning the Company's and Subsidiaries' products, promotions, development, financing, expansion plans, business policies and practices, salaries and benefits and other forms of information considered by the Company to be proprietary and confidential and in the nature of Trade Secrets;

[f] You fail to return all property (other than personal property), including keys, notes, memoranda, writings, lists, files, reports, customer lists, correspondence, tapes, disks, cards, surveys, maps, logs, machines, technical data, formulae or any other tangible property or document and any and all copies, duplicates or reproductions that you have produced or received or have otherwise been submitted to you in the course of your employment with the Company or any Subsidiary; or

[g] You engaged in conduct that the Committee reasonably concludes would have given rise to a termination for cause (as defined in the Plan) had it been discovered before you terminated.

2.00 Buy Out/Cancellation Of Awards By Company. We may decide at any time to buy out your Awards. This may happen without your consent and at any time. If we decide to buy out your Awards, we will pay you the difference between the value of Awards that are exercisable (or vested) at that time and that are being bought out and the Exercise Price associated with those Awards. However, no payment will be made for any cancelled Awards that are not vested (and not exercisable) on the cancellation date.

3.00 Amendment/Termination. We may amend or terminate the Plan at any time.

# # #

You must sign this Agreement; if you do not, your Award will be cancelled. By signing this Agreement, you acknowledge that this Award is granted under and is subject to the terms and conditions described in this Agreement and in the Plan.

OPTIONEE/GRANTEE	THE SCOTTS MIRACLE-GRO COMPANY
______________________________	______________________________
(date signed) ____________________	(date signed) ____________________

DATE OF THIS AGREEMENT: ____

Exhibit 10(v)

THE SCOTTS MIRACLE-GRO COMPANY

2003 STOCK OPTION AND INCENTIVE EQUITY PLAN

AWARD AGREEMENT FOR DIRECTORS

The Scotts Miracle-Gro Company ("Company") believes that its business interests are best served by ensuring that you have an opportunity to share in the Company's business success. To this end, the Company sponsors the 2003 Stock Option and Incentive Equity Plan ("Plan") through which its directors may acquire (or share in the appreciation of) common shares of the Company.

We cannot guarantee that the value of your options (or the value of the common shares you acquire through an option) will increase. This is because the value of the Company's common shares is affected by many factors. However, the Company believes that your efforts contribute to the value of the Company's common shares and that the Plan (and the options granted through the Plan) is an appropriate means of sharing with you the value of your contribution to the Company's business success.

This Agreement describes the type of options that you have been granted and the conditions that must be met before you may receive the value associated with your options. To ensure you fully understand these terms and conditions, you should:

- Carefully read this Award Agreement and the attached copies of the Plan and Prospectus; and
- Call us at (937) 644-0011 if you have any questions about your options. Or, you may send a written inquiry to:

The Scotts Miracle-Gro Company
Attn: Vice President Human Resources
14111 Scottslawn Road
Marysville, OH 43041

Description of Your Nonqualified Stock Options

You have been awarded Nonqualified Stock Options (or "NSOs") to purchase ___common shares of the Company. You may purchase one of the Company's common shares for each NSO, but only if you pay $___("Exercise Price") for each common share purchased, you exercise the NSOs on or before ___("Expiration Date") and meet the terms and conditions described in this Agreement and in the Plan and in the Prospectus.

Limits on Exercising Your NSOs

Your NSOs will vest (and be exercisable) on ___[6 months from grant date] [12 months from grant date].

This does not mean that you must exercise your NSOs on this date; this is merely the first date that you may do so. However, your NSOs will expire unless they are exercised on or before the Expiration Date.

There are some special situations in which your NSOs may vest earlier. These are described later in this Agreement.

At any one time you may not exercise NSOs to buy fewer than 100 common shares of the Company (or, if smaller, the number of your outstanding vested NSOs). Also, you may never exercise an NSO to purchase a fractional common share of the Company; NSOs for fractional common shares will always be redeemed for cash.

Exercising Your NSOs

After they vest, you may exercise your NSOs by completing a form. This form, and other procedures that you must follow, are available from Merrill Lynch or by contacting us at the number (or address) shown above.

There are three exercise methods available to you. You will decide on the method at the time of exercise.

- ***Cashless Exercise and Sell***; You will settle in shares of Company Stock. This will result in a cash payment (net of taxes) at settlement. The number of shares required to settle costs and taxes is equal to the stock price appreciation at the time of exercise.
- ***Combination Exercise*** (Exercise and sell enough shares to cover cost and taxes); You have no out of pocket costs for doing the transaction, and hold a smaller number of shares than exercised.
- ***Exercise and Hold;*** You come up with the monies to cover the exercise cost and taxes, and you will receive the shares exercised on settlement.

If you do not elect one of these methods, we will apply the Cashless Exercise and Sell method described above.

GENERAL TERMS AND CONDITIONS

These terms and conditions apply to all awards issued under this Award Agreement. This is merely a summary of these important terms and conditions; you are urged to read the entire Plan and Prospectus (copies of which are attached), all of the terms of which are incorporated by reference into this Award Agreement.

1.00 Loss of an NSO. There are ways in which you may forfeit your NSOs.

[1] If Your Directorship Terminates . . .

Normally, your NSOs will expire on the Expiration Date specified earlier in this Agreement. However, these NSOs may expire earlier than their Expiration Date if your directorship terminates (as defined in the Plan).

[a] If your directorship is terminated by the Company for cause (as defined in the Plan), the options will expire on the date your directorship ends; or

[b] If your directorship terminates because you [i] die or [ii] become disabled (as defined in the Plan), the NSOs will expire no later than 60 months after your directorship terminates; or

[c] If your directorship terminates after you served one full term as a director, the NSOs will expire no later than five years after your directorship terminates; or

[d] If your directorship terminates for any other reason, your NSOs will expire no later than one year after your directorship terminates.

Note, it is your responsibility to keep track of when your NSOs expire.

[2] If You Engage in Conduct That is Harmful to the Company (or Subsidiary) . . .

You also will forfeit any outstanding NSOs and must return to the Company all common shares and other amounts you have received through the Plan if, without our consent, you do any of the following within 180 days before and 730 days after your directorship terminates:

[a] You serve (or agree to serve) as an officer, director, consultant or employee of any proprietorship, partnership or corporation or become the owner of a business or a member of a partnership that competes with any portion of the Company's (or a Subsidiary's) business with which you have been involved anytime within five years before your directorship terminates or render any service (including, without limitation, advertising or business consulting) to entities that compete with any portion of the Company's (or a Subsidiary's) business with which you have been involved anytime within five years before your directorship terminates;

[b] You refuse or fail to consult with, supply information to or otherwise cooperate with the Company after having been requested to do so;

[c] You deliberately engage in any action that we conclude has caused substantial harm to the interests of the Company or any Subsidiary;

[d] On your own behalf or on behalf of any other person, partnership, association, corporation or other entity, solicit or in any manner attempt to influence or induce any employee of the Company or a Subsidiary to leave the Company's or Subsidiary's employment or use or disclose to any person, partnership, association, corporation or other entity any information obtained during your directorship concerning the names and addresses of the Company's and any Subsidiary's employees;

[e] You disclose confidential and proprietary information relating to the Company's and its Subsidiaries' business affairs ("Trade Secrets"), including technical information, product information and formulae, processes, business and marketing plans, strategies, customer information and other information concerning the Company's and Subsidiaries' products, promotions, development, financing, expansion plans, business policies and practices, salaries and benefits and other forms of information considered by the Company to be proprietary and confidential and in the nature of Trade Secrets;

[f] You fail to return all property (other than personal property), including keys, notes, memoranda, writings, lists, files, reports, customer lists, correspondence, tapes, disks, cards, surveys, maps, logs, machines, technical data, formulae or any other tangible property or document and any and all copies, duplicates or reproductions that you have produced or received or have otherwise been submitted to you in the course of your directorship; or

[g] You engaged in conduct that we reasonably conclude would have given rise to a termination of your directorship for cause (as defined in the Plan) had it been discovered before your directorship terminated.

2.00 Buy Out/Cancellation Of NSOs By Company. We may decide at any time to buy out your NSOs. This may happen without your consent and at any time. If we decide to buy out your NSOs, we will pay you the difference between the fair market value of the common shares underlying the NSOs that are exercisable (or vested) at that time and that are being bought out and the Exercise Price associated with those NSOs. However, no payment will be made for any cancelled NSOs that are not vested (and not exercisable) on the cancellation date.

3.00 Amendment/Termination. We may amend or terminate the Plan at any time.

# # #

You must sign this Agreement; if you do not, your NSOs will be cancelled. By signing this Agreement, you acknowledge that these NSOs are granted under and are subject to the terms and conditions described in this Agreement and in the Plan.

OPTIONEE/GRANTEE	THE SCOTTS MIRACLE-GRO COMPANY
______________________________	______________________________
(date signed) ____________________	(date signed) ____________________

DATE OF THIS AGREEMENT: ______________________________

Exhibit 10(x)

**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. §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 $6.65; 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.

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 ® shall be placed adjacent to the trademark with the ® referring to a footnote reading “® 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 $1.2 billion (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.

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* $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

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. §52.203-6 (Subcontractor Sales to Government); 48 C.F.R. §52.219-8, 52.219-9 (Utilization of Small and Small Disadvantaged Business Concerns); 48 C.F.R. §52.219-13 (Utilization of Women-Owned Business Concerns); 48 C.F.R. §52.222-26 (Equal Opportunity); 48 C.F.R. §52.222-35 (Disabled and Vietnam Era Veterans); 48 C.F.R. §52.222-36 (Handicapped Workers); 48 C.F.R. §52.223-2 (Clean Air and Water); and 48 C.F.R. §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.

[confidentiality request, to come]

SCHEDULE 1.1(a)
Included Markets

U.S.
Belgium
Denmark
Norway
Sweden
EIRE
France
Germany
Netherlands
Canada
Australia
Puerto Rico
U.K.
Austria
Finland
Luxemburg

SCHEDULE 1.1(b)
Roundup Products

	Formulation	Size
United States and Puerto Rico		
Roundup RTU	2% or less	2 gal or less
Roundup Concentrate	18%	1 gal or less
Roundup Tough Weed	27%	1 gal or less
Roundup Super Conc.	41%	1 gal or less
Roundup Aerosol	2% or less	2 gal or less
Roundup Edger	2% or less	2 gal or less
Kleeraway RTU	1% or less	1 gal or less
Kleeraway Conc.	7.5% or less	1/2 gal or less
Grower's Choice		
Pennington Pride	1% or less RTU	1 gal or less RTU
Green Charm Knock Out	7.5% or less Conc.	1/2 gal or less Conc.
Bullseye		
Belgium		
Roundup Alphee	7.2 g/l	3 1 or less
Roundup 60	60 g/l	500 ml or less
Roundup 120	120 g/l	500 ml or less
Roundup Ultra	360 g/l	500 ml or less
Howdown	120 g/l	500 ml or less
Quickclaim	120 g/l	500 ml or less
Denmark		
Roundup Spray	7.2 g/l	3 1 or less
Roundup Gdn Plus	120 g/l	1 1 or less
Norway		
Roundup Spray	7.2 g/l	3 l or less
Roundup Garden	120 g/l	250 ml or less
Sweden		
Roundup Spray	7.2 g/l	3 l or less
Roundup Garden	120 g/l	1 l or less

EIRE

Roundup RTU	7.2 g/l	3 1 or less
Roundup GC	120 g/l	500 ml or less

France

Roundup Alphee	7.2 g/l	3 l or less
Roundup Pro 2	360 g/l	1 l or less
Roundup 3 p	170 g/l	1 l or less
Roundup GT	400 g/l	.91, 451
Goliath	360 g/l	500 ml or less
Goliath CJ	120 g/l	1 l or less
Herbivorax 90	90 g/l	1 l or less
Kommando	100 g/l	1 l or less

Germany

Roundup Alphee	7.2 g/l	1 l or less
Roundup L B Plus	360 g/l	125 ml or less
Roundup Ultra Gran	420 g/l	15.5g

Netherlands

Roundup RTU	7.2 g/l	1 l or less
Roundup H&T	360 g/l	125 ml

Canada

Roundup RTU	2% or less	4 l or less
Roundup Concentrate	18%	1 l or less
Roundup Super Conc.	41%	1 l or less

Australia

Roundup RTU	7.2 g/l	3 l or less
Roundup	360 g/l	1 l or less

United Kingdom

Roundup RTU	7.2 g/l	3 l or less
Roundup Brushkiller	120 g/l	1 l or less
Roundup Brushkiller RTU	7.2 g/l	1 l or less
Roundup GC Biactive	120 g/l	1 l or less
Roundup Ultra 3000	360 g/l	1 l or less
B&Q Complete Weed Killer RTU	7.2 g/l	3 l or less

B&Q Complete Weed Killer	45.2 g/l	1 l or less
Austria		
Roundup LB Plus	360 g/l	125 ml or less
Finland		
Roundup Spray	7.2 g/l	3 l or less
Roundup Bio	120 g/l	1 l or less

SCHEDULE 2.2(a)
Annual Business Plan Template

1) Mission Statement and Explanation: Answers questions: What business are we in? Why does the business exist?
2) Category Definition/Growth Trend: Also need to address related categories and their potential interaction with the target category
    a) Assessment of growth potential
    b) Competitor evaluation/assessment of threat
3) Business Review: Summary of a process that will occur in each preceding January
    a) Critical learning from prior year
    b) Key Implications from learning: Arranged by key functional area
4) Brand Positioning:
    a) Consumer Target: Demographics, Psychographics, use Segmentation
    b) Key feature(s), Attribute(s) and Benefits delivered (for brand and sub-brands)
    c) Brand Character/Imagery: Describe the personification of the brand/sub-brands
        i) This section should also specifically address the degree to which the proposed positioning is consistent with the Brand's historical image
5) Key Business Goals
    a) Financial: Historical trend and three year projections of Equivalent Case Volume, Net Sales, EBIT and ACM
    b) Competitive:
        i) Market Share Goal and trend
        ii) Advertising Share of Voice Goal and trend
    c) Consumer: Critical behavioral and attitudinal measures that describe the development of the Brand which could include:
        i) Penetration
        ii) Unaided awareness
        iii) Annual usage
        iv) Seasonal usage
    d) Customer:
        i) % ACV Distribution by Channel
        ii) Fill Rates by Top 10 customers (with detailed definition of what constitutes an on-time shipment)
        iii) Display achievement
        iv) Other measurable customer satisfaction measures
6) Major Strategies to achieve Key Goals (some examples include...)
    a) Product Line: What products/drive groups/lines to focus on
    b) Significant new product launches
    c) Private Label at a Key Account(s)
    d) Marketing Support focus: Example would be a shift from advertising to promotion
    e) New Consumer Uses: Extended use campaign, new forms
    f) Geographic focus including a new regional/market emphasis. CDI/BDI analysis
    g) Seasonal focus including new emphasis if relevant. Weekly seasonality by region and drive group/item.
    h) Channel/Customer including new/alternative channels if relevant
    i) Operational strategies to address quality, capacity, cost position, service, technology application, etc., including fill rates, inventory levels and turns
    j) Acquisition/divestiture strategies to improve market position

7) Functional Operating Plans: This is a lengthy section that lays out a detailed annual operating plan for each functional area in the business (including rationale where appropriate) and that pays particular attention to changes in that plan from the prior year's plans and results. Each section will contain a detailed budget with direct and assigned expenses shown.
   a) General Management: Description of Business Unit Management team and planned costs
      i) Performance standards for all employees
      ii) Description of employee performance incentives and link to performance standards
   b) Marketing:
      i) Organization Plan
      ii) Spending allocation: Total spending by marketing support category including working and non-working media, consumer promotion, public relations, market research, etc.
      iii) Advertising: Preliminary media plan including spending trends, creative strategy and discussion of any planned/contemplated changes to that strategy.
      iv) Consumer Promotion: Promotion objectives, key plan elements and payout calculations
      v) POP Plan: Focus on Key changes versus prior year plan
      vi) Pricing: To include trends and competitive benchmarks
      vii) Packaging — graphic and physical: Changes planned along with specific costs, implementation timing and risk factors
      viii) Market Research plan: List all studies, cost estimate and rationale for each, including tracking
      ix) Public Relations
      x) Test plans (applies to all of above)
   c) Sales:
      i) Organization Plan
      ii) Top 5 Account Plans
         (1) Program changes anticipated
         (2) Planned Net Sales trends by drive group/item (with historical trend)
         (3) Profitability analysis
         (4) Category Management plans
      iii) Five year sales goals
      iv) Private Label/control brand opportunities
      v) Headquarter Sales Presentation plan with a focus on what the key messages are and discussion of any unique methods of communication to customers
      vi) Retail Merchandising Support including planned in-house, distributor and contracted merchandising services. Focus on in-store merchandising and display techniques as well as pre-season store set plans
         (1) Share of shelf
         (2) Share of off-shelf
      vii) Other selling services plans as appropriate
      viii) Product Knowledge Plan including principle target(s) and vehicles
   d) Operations:
      i) Organization Plan
      ii) Key Manufacturing initiatives such as: Cost savings, capacity planning, make/buy analyses, etc.
      iii) Distribution/Warehousing Plan
      iv) Inventory plan by month (versus prior year) that balances the need for high fill rates with a product utilization of working capital. Targets to be included in plan.

    - v) Purchasing: Including Key supplier relationship development
    - vi) Quality: Measurement and delivery against objectives from balanced scorecard
    - vii) Capital Plan with capital expenditure detail
  - e) Research & Development:
    - i) Organization/Staffing Plan
    - ii) Priority projects and innovation pipeline — new product portfolio review
    - iii) Innovation launch timeline
    - iv) Product specifications and planned changes
    - v) Pioneering Research
  - f) Customer Service:
    - i) Organization Plan
    - ii) Special Programs such as telemarketing
    - iii) Discussion of and key changes to order taking, order processing invoicing, collection, reconciliation (to original P0 and program) procedures
  - g) Consumer Service:
    - i) Organization plan including a discussion of outsourced versus in-house services
    - ii) Call volume and measurement of answering efficiency and effectiveness
    - iii) Plan for communicating to marketing and operations any significant consumer complaints
- 8) Detailed Financials — Prior Year, Current Year, Future Year
  - a) Income Statement (annual and monthly), cash flow and balance sheet
  - b) Net Sales and margins by key drive group/item, and including product mix analysis
  - c) Selling and Marketing Expenses by key line item
  - d) Assignment of Shared Services: This section will discuss the agreed upon allocation methodology for shared services to their respective Business Unit statements and highlights any proposed changes to that methodology
  - e) Anticipated changes form prior year
  - f) Financial Metrics
    - i) Invoice accuracy
    - ii) Days Sales Outstanding (DSO)
    - iii) Obsolete inventory charge
    - iv) Bad debt allowance
    - v) Netbacks, MAT and COGS detail prior, current and next year
- 9) Approved amendments: This section will show any amendments approved by senior management (or the Steering Committee)
  - a) Includes spending at levels above those established in the annual business plan.

SCHEDULE 2.2(a)(ii)
Transition Services

The parties agree that it is unnecessary to describe in detail the transition services called for by this Schedule 2.2(a)(ii); rather, the parties agree that these services shall be provided in good faith based on the past practices of the Solaris business unit of Monsanto.

SCHEDULE 3.1(a)
Accounting And Cash Flow Procedures Outside The United States

I. Europe

The following terms shall govern operations of the Roundup L&G Business in Europe in place of Sections 3.1 through 3.3 of the Agreement. The remainder of the terms of Article 3 of the
Agreement shall apply to the operations for the European Roundup L&G Business.

Section 3.1. *Bookkeeping and Financial Reporting.*

(a) *Bookkeeping.* Monsanto shall 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 Monsanto's accounting policies (including the currency exchange methodology used 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, Monsanto shall make available via computer and/or original documentation, to the Agent's employees designated by the Agent, access to the Roundup Records as appropriate on a need-to-know basis, and such access shall include, but not be limited to, daily sales updates.

(b) *Financial Reporting.* Monsanto shall provide to the Agent financial reports for the Roundup L&G Business based on Monsanto's current practice and timing.

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

Section 3.2. *Ordering, Invoking and Cash Flow Cycle.*

(a) *Ordering and Invoicing.* Monsanto shall perform all order taking, order processing and invoicing for the Roundup Products. Orders filled for Roundup Products shall be invoiced on invoices, or an EDI version thereof, which shall 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, based on Monsanto's past practices for such products.

(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 Monsanto's designated bank account.

(c) *Roundup Bank Accounts.* Monsanto shall establish or use existing bank accounts (the "Roundup Europe Bank Accounts") to serve as the bank accounts for the Roundup L&G Business in Europe (i) for the receipt of Customer remittances as described in Section 3 22(b), 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.

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 in Section 3.4) 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 Europe 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 Monsanto for payment out of the Roundup Europe Bank Account or (ii) as Allocated Expenses which shall be submitted by either party to Monsanto for reimbursement out of the Roundup Europe 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 properly supported and submitted in writing no more than three (3) days after the end of each month to Monsanto.

(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").

II. Canada

The following terms shall govern operations of the Roundup L&G Business in Canada in place of Sections 3.1 through 3.3 of the Agreement. The remainder of the terms of Article 3 of the Agreement shall apply to Canadian Roundup L&G Business operations.

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 effect; (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 Roundup Canada Bank Account (defined below).

(c) *Roundup Bank Accounts.* Monsanto shall establish or use existing bank accounts (the "Roundup Canada Bank Accounts") to serve as the bank accounts for the Roundup L&G Business (i) for the receipt of Customer remittances as described in Section 3.2(b), 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 Canada Bank Accounts on Monsanto's behalf as it relates to the Roundup L&G Business in Canada, 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 or such other employee of Monsanto as is designated by a member of the Global Support Team.

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 in Section 3.4) 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 Canada 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 Canada 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 Canada Bank Account. Payment of any direct expenses incurred by either party on behalf off 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 properly supported and 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 Canada 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").

III. Australia

The following terms shall govern operations of the Roundup L&G Business in Australia in place of Sections 3.1 through 3.3 of the Agreement. The remainder of the terms of Article 3 of the Agreement shall apply to Australian Roundup L&G Business operations.

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 effect; (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, Invoking 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) *Receipts.* At the end of each month, the Agent shall remit to the account designated by Monsanto for such purposes, the actual amount of the Customers' remittances for the Roundup Products paid over the past month. Customer payment deductions that do not initially, clearly apply to Roundup Products shall not be withheld by the Agent from the 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.* Scotts shall establish or use existing bank accounts (the "Roundup Australia Bank Accounts") to serve as the bank accounts for the Roundup L&G Business (i) for the receipt of Customer remittances as described in Section 3.2(b), 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. The Agent shall 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). Monsanto may perform its own reconciliation of the Roundup Australia 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 Section 3.4 hereof. Upon determination by such Independent Accountant (as defined in Section 3.4) that notice of dispute to the other party and the parties shall resolve such dispute in the manner set forth in 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 Australia 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 Australia 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 Australia 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.

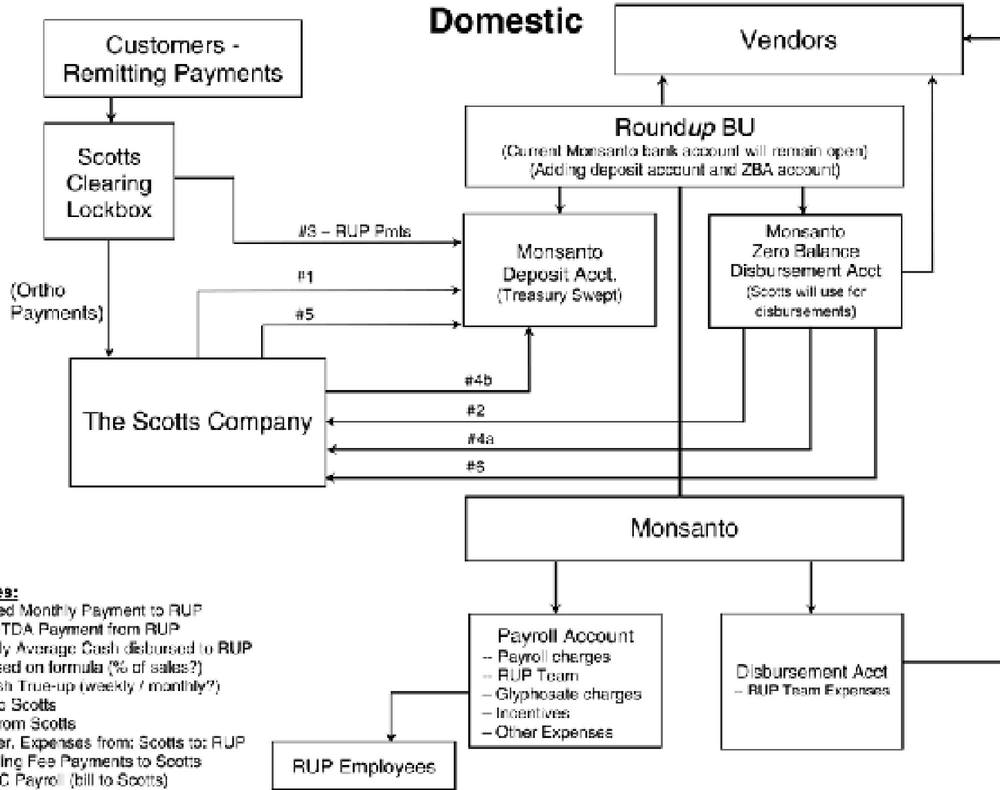
Allocated Expenses shall be paid on the fifteenth (15th) day of each month provided such allocated Expenses shall be properly supported and submitted in writing no more than three (3) days after the end of each month to the Agent's nominee in charge of the Roundup Australia Bank Account.

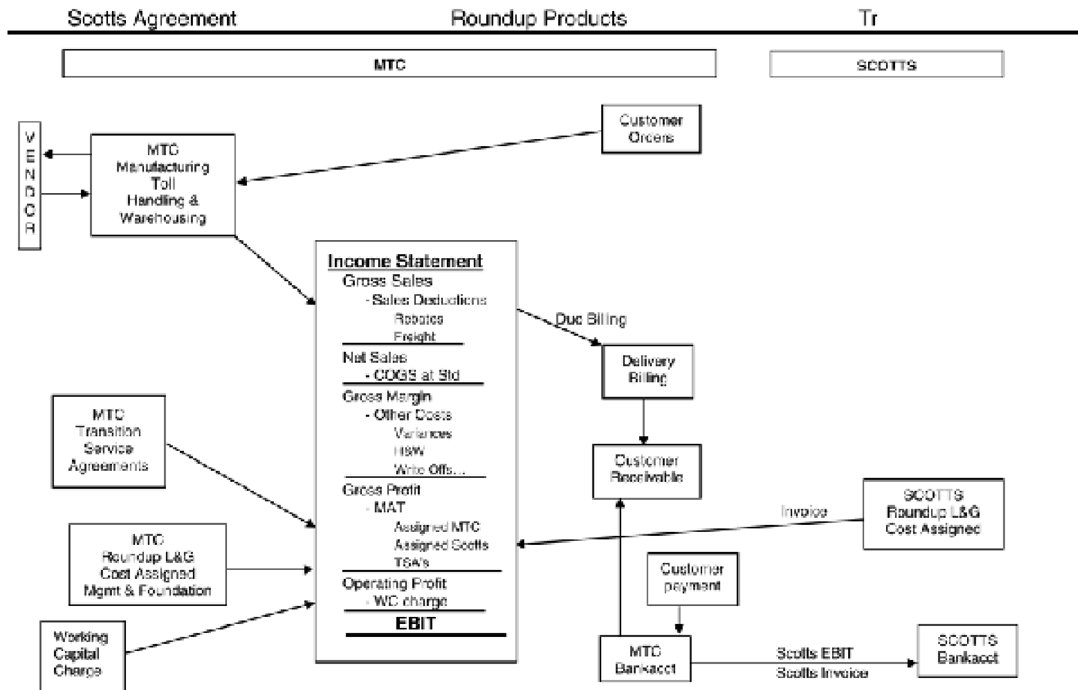
(c) *Allocation Rules.* In the performance of their obligations under this Agreement, each party shall incur allocated Expenses directly related to the Roundup L&G Business. Each allocated Approved Expense, regardless of the party incurring it, shall be reimbursed as described in Section 3.5(b), provided 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").

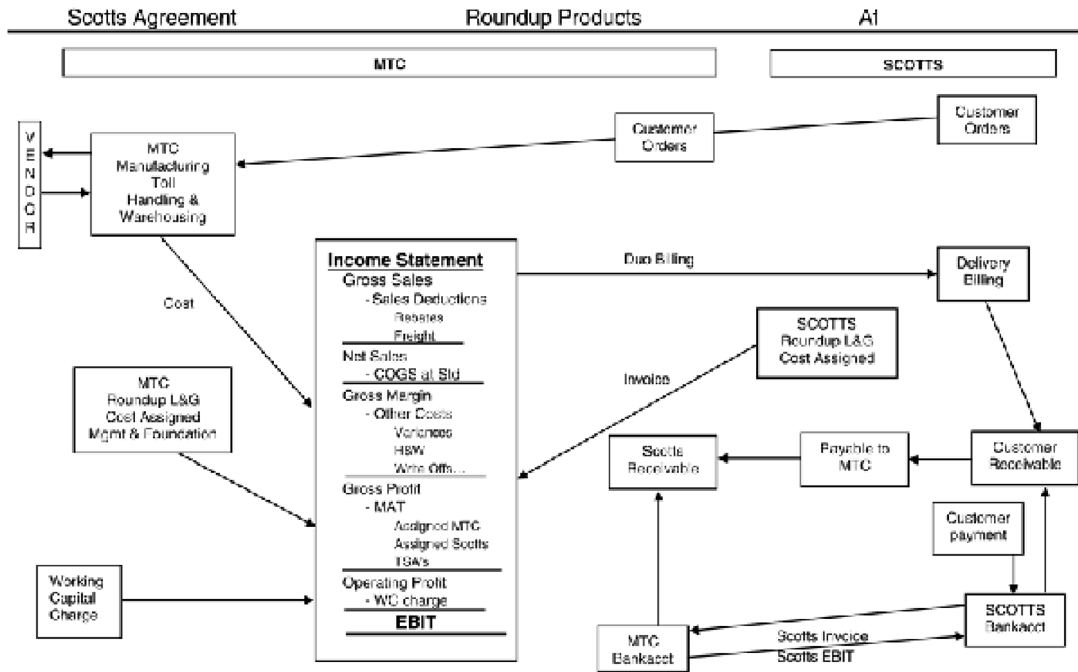
SCHEDULE 3.2(d)
<u>Cash Flow Chart</u>

Schedule 3.2 (d) U.S.

ROUND*UP* BUSINESS UNIT -- CASH FLOWS - Domestic




Scotts Agreement
Roundup Products
Tr
MTC
SCOTTS
VENDOR
MTC Manufacturing Toll Handling & Warehousing
Customer Orders
Income Statement
Gross Sales
- Sales Deductions
Rebates
Freight
Net Sales
- COGS at Std
Gross Margin
- Other Costs
Variances
HSW
Write Offs...
Gross Profit
- MAT
Assigned MTC
Assigned Scotts
TSA's
Operating Profit
- WC charge
EBIT
Due Billing
Delivery Billing
Customer Receivable
MTC Transition Service Agreements
MTC Roundup L&G Cost Assigned Mgmt & Foundation
Working Capital Charge
Invoice
SCOTTS Roundup L&G Cost Assigned
Customer payment
MTC Bankacct
Scotts EBIT
Scotts Invoice
SCOTTS Bankacct


Scotts Agreement
Roundup Products
A1
MTC
SCOTTS
Customer Orders
Customer Orders
VENDOR
MTC Manufacturing Toll Handling & Warehousing
Cost
Income Statement
Gross Sales
- Sales Deductions
Rebates
Freight
Net Sales
- COGS at Std
Gross Margin
- Other Costs
Variances
H&W
Write Offs...
Gross Profit
- MAT
Assigned MTC
Assigned Scotts
TSA's
Operating Profit
- WC charge
EBIT
Duo Billing
Delivery Billing
SCOTTS Roundup L&G Cost Assigned
Invoice
MTC Roundup L&G Cost Assigned Mgmt & Foundation
Scotts Receivable
Payable to MTC
Customer Receivable
Customer payment
Working Capital Charge
SCOTTS Bankacct
MTC Bankacct
Scotts Invoice
Scotts EBIT

Schedule 3.2(d) Cash Flow — U.K. Only

DESCRIPTION	ACCTING ENTRI
Monsanto plc receipt	
- direct payments to bank	
- cheques received and banked / cheque register created	
- RIP credited	cr to 11125839
Roundup / Non Roundup invoices cleared from SAP according customer remittance advice / Deductions entered in accordance with attached agreement This allocation debits Mplc / Phostrogen RIP.	dr to 11125839
Phostrogen related cash placed in holding account	cr to ????
Cash paid on the 20th of the month following receipt	dr to ????
Non Roundup receipts	
- direct payments to bank	
- cheques received and banked / cheque register created	
- RIP credited	cr to 11125839
Roundup / Non Roundup invoices cleared from SAP according to customer remittance advice / Deductions entered in accordance with attached agreement This allocation debits Mplc / Phostrogen RIP.	dr to 11125839

Phostrogen Limited receipt

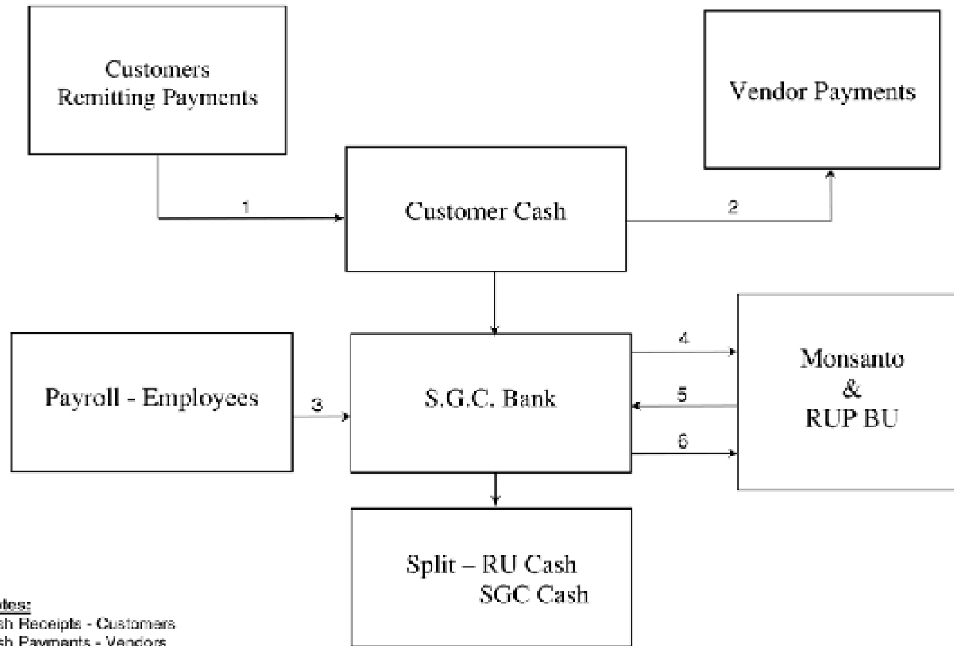
Cheques received payable to Phostrogen Limited forwarded to Corwen immediately and no accounting entries made

Cheque banked into Phostrogen bank account by Corwen

Customer accounts cleared in Corwen and deductions booked in accordance with agreement

Schedule 3.2 (d) Canada

SCOTT'S ROUNDUP ***BUSINESS UNIT – CASH FLOW***



Notes:
1 Cash Receipts - Customers
2 Cash Payments - Vendors
3 Payroll - Employees
4 Monthly Remittance to Monsanto for 50% of RUP
4 (Revenue-COGS-Expenses)
5 Monsanto Pays for S.G.C. services ie. Regulatory
6 SGC Pays for Monsanto services ie. Core & foundation

Schedule 3.2 (d) Australia

Monsanto
Roundup Australia
Date
Cash Flow Statement

Example C3

	Month	YTD
Cash flows from operating activities:		
Net (Loss)/Income		
Depreciation		
Amortization		
Extraordinary loss		
(Gain)/Loss on sale of property		
Changes in working capital:		
Accounts receivable		
Inventories		
Prepaids		
Accounts payable		
Accrued liabilities		
Other, net		
Net cash provided by / (used in) operations		
Cash flows from investing activities:		
Capital Expenditures		
Proceeds on Sale of Property Acquisitions		
Other		
Net cash provided by / (used in) investing activities		
Cash flows from financing activities:		
Borrowings — operations funding		
Borrowings — acquisitions		
Dividends paid		
Other		
Net cash provided by / (used in) financing activities		
Net increase (decrease) in cash		
Cash, beginning of period		
Cash, end of period	0	0

SCHEDULE 3.3(c)

INCOME STATEMENT DEFINITIONS
AND
ALLOCATION METHODS

Revenue/Expense Category	Definition	Determination/Allocation Method	Anticipated Source		
			Roundup	SMG	MTC
Toller variances	Differences between actual standard costs of products at toll manufacturers	Direct; default based on % of Roundup cases produced at specific toll manufacturer	X	X	
Price variances	Differences between actual and standard costs of raw and packaging materials acquired for production	Direct; default based on % of Roundup purchases related to price variance drivers	X	X	
Gross profit	Net sales less product and non-standard cost of good sold				
MAT-Marketing	Functional areas responsible for creating brand Image, developing brand awareness strategies and promotions. Also includes all sales activities performed by business unit personnel.				
Direct marketing	Marketing activities associated expenses which can be directly traced to Roundup				
Advertising	Includes network, spot and cable TV, radio, print media, advertising production costs, and advertising agency fees	Actual default based on % of direct media spending	X		
Public relations	Includes expenses related to public relations (indirect advertising) and related agency fees	Actual	X		
Consumer promotion	Includes consumer directed rebates, in-stores promotional activities and give-aways, and point-of-purchase materials	Actual	X		
Trade promotion	Any trade directed promotions (not already included in MDF), including related agency fees	Actual	X		
Brand specific market research	Market research directed toward the Roundup brand	Actual	X		

Revenue/Expense Category	Definition	Determination/Allocation Method	Anticipated Source		
			Roundup	SMG	MTC
Brand specific marketing management	Primarily personnel and related support cost (salaries, incentives, fringes, travel & entertainment, computers, communications, and space & supplies) of marketing personnel dedicated to L&G Roundup	Actual	x	x	x
Allocated marketing	Marketing activities managed on a shared services basis				
Marketing management	Primarily personnel and related support cost (salaries, incentives, fringes, relocation, travel & entertainment, computers, communications, and space & supplies) of marketing management group overseeing L&G Roundup and related products	Based on management's assessment of % of time of general marketing management group spend on Roundup activities		x	
Marketing support functions	Functions included innovation, market research and creative services. Principally personnel costs (salaries, incentives, fringes, travel & entertainment, computers, communications, and space & supplies) of the marketing support functions	Based on management's assessment of % of time marketing support function groups spend on Roundup activities		x	
Other marketing expenses	All other marketing related expenses, excluding advertising, promotions and personnel costs				
Innovation projects	Consulting material and other non-personnel related costs associated with package design	Direct default based on overall % of innovation group activities directed toward Roundup	x	x	
Package design	Agency fees, supplies and material and other non-personnel related cost associated with package design	Direct default based on overall % of creative service group activities directed toward Roundup	x	x	x
Market research services	Fees and other non-personnel costs associated with non-brand specific market research (POS data, usage and attitudes studies, etc.)	Direct default based on overall % of market research group activities directed toward Roundup	x	x	

Revenue/Expense Category	Definition	Determination/Allocation Method	Anticipated Source		
			Roundup	**SMG**	**MTC**
SVP and general management	Primarily personnel and related support costs (salaries, incentives, fringes, travel & entertainment, computers, communications, and space & supplies) of the business unit general management group. Also includes general costs of operating the business unit not otherwise assigned or classified	Direct for Roundup assigned employees, including reasonable charges for fringe benefits and related support costs. Scotts costs will be allocated based on agreed to % of actual business unit general support costs		X	X
Information technology	Personnel and related support costs (salaries, incentives, fringes, travel & entertainment, computers, communications, and space & supplies) of the information technology function supporting the business unit which manages the L&G Roundup brand. Costs also include depreciation and annual software license fees, hardware depreciation and rental, outside service fees and contracts and other non-personnel costs associated with operating the information technology group.	Scotts costs will be allocated based on agreed to % of actual business unit information technology costs, net of developmental costs, but including service costs		X	
Finance and accounting	Personnel and related support costs (salaries, incentives, fringes, travel & entertainment, computers, communications, and space & supplies) of the finance and accounting functions supporting the business unit which manages the L&G Roundup brand. Functions include financial planning and analysis, general accounting, order-to-cash functions assigned to finance, accounts payable and payroll. Costs will also include internal and external audit fees, specialized IT services, and corporate treasury, tax and controllership functions.	Direct for Roundup seconded people, including reasonable charges for fringe benefits and related support costs. Scotts costs will be allocated based on agreed to % of actual business unit finance and accounting costs		X	X

SCHEDULE 4.2(A)

STEERING COMMITTEE

For the Agent:

Charles Berger
Jim Hagedorn

For Monsanto:

Arnold W. Donald
Jim Neal

Schedule 3.8 U.S.

Monsanto Direct Sales of Roundup AG Products into the Lawn and Garden Channel

Sort by: Product Parent

Product	Description	Parent	Description	Oct 97 to Sep 98 Ship $	Oct 97 to Sep 98 Ship QtyEA	Oct 97 to Sep 98 Ship Cost	Jan 98 to Dec 98 Ship $	Jan 98 to Dec 98 Ship QtyEA	Jan 98 to Dec 98 Ship Cost
50326	ROUNDUP PRO — 2/2.5 GAL PL E	1446	Costco	1,108,248	8,640	1,048,232	834,179	6,432	781,006
50326	ROUNDUP PRO — 2/2.5 GAL PL E	2886	Navy — Norioi rent	272	2	243	272	2	243
50326	ROUNDUP PRO — 2/2.5 GAL PL E	10542	Tru Serve Corp party	276,674	2,128	257,624	251,121	1,954	238,479
50326	ROUNDUP PRO — 2/2.5 GAL PL E	11339	Home Depot	1,556,696	11,478	1,393,109	1,648,968	12,206	1,482,114
50326	ROUNDUP PRO — 2/2.5 GAL PL E	11465	Lowes Companies Inc	1,217,734	9,038	1,098,436	1,207,974	8,928	1,084,082
50326	ROUNDUP PRO — 2/2.5 GAL PL E	12384	Tru Serv Corp east	1,560	12	1,457	1,560	12	1,457
50326	ROUNDUP PRO — 2/2.5 GAL PL E	13141	Wal-Mart	(737)	(6)	(729)	(737)	(6)	(729)
50326	ROUNDUP PRO — 2/2.5 GAL PL E	13346	Ace Hardware Corp	405,686	3,182	385,664	436,995	3,470	421,345
50326	ROUNDUP PRO — 2/2.5 GAL PL E	13501	Handy Hdwe Wholesale Inc	41,247	320	38,856	47,635	370	44,927
50326	ROUNDUP PRO — 2/2.5 GAL PL E	13508	Do It Best Corporation	76,060	604	73,341	65,325	508	61,684
50326	ROUNDUP PRO — 2/2.5 GAL PL E	13509	Our Own Hardw 720	1,560	12	1,443	-	-	—
50326	ROUNDUP PRO — 2/2.5 GAL PL E	13627	Sams Club	180,940	1,236	150,324	159,120	1,224	148,624
50326	ROUNDUP PRO — 2/2.5 GAL PL E	13631	Sample Deferred Account	-	2	121	-	2	121
50326	ROUNDUP PRO — 2/2.5 GAL PL E	13660	Tru Serv Corp	69,827	536	84,899	51,979	400	48,570
50326	ROUNDUP PRO — 2/2.5 GAL PL E	13710	United Hardward Distributing	280	2	248	260	2	243
50326	ROUNDUP PRO — 2/2.5 GAL PL E	72320	Jerrys Bldg Materials Inc	17,266	128	15,338	17,058	128	15,300
50326	ROUNDUP PRO — 2/2.5 GAL PL E	77404	CGP Buy/Sell — Distr	91,164	712	86,066	71,200	560	67,998
50326	ROUNDUP PRO — 2/2.5 GAL PL E	81121	Payless Cashways Inc	(266)	(8)	(765)	24,304	172	20,885
50326	ROUNDUP PRO — 2/2.5 GAL PL E	81264	Orgill, Inc.	85,020	654	79,316	115,587	906	110,011
50326	ROUNDUP PRO — 2/2.5 GAL PL E	81719	Tru Serv Corporation	(1,366)	-	-	(283)	-	—
50326	ROUNDUP PRO — 2/2.5 GAL PL E****		*TOTAL*	5,109,834	38,674	4,689,219	4,932,493	37,278	4,526,360

Schedule 3.8 U.K.

Monsanto direct sales of Roundup AG Products into Lawn and Garden Channels for the U.K.

Special Accounts of Interest:

B&Q	0
Do-It-All	0
GT Mills	0
Home Base	0
Wickes	0
Asda	0
Tesco	0
Makro	0
Wilkinsons	0
Woolworths	0

Schedule 3.8 France

(Volume in Units)

	96/97		97/98
Total Sales of Roundup 1L Bioforce including AG	429,720		322,908
Nielsen tracked L&G Roundup Bioforce Sales	140,000		64,000
Agreed Benchmark Roundup Bioforce 1L Sales into L&G Channel		102,000	

Schedule 3.8 France

Monsanto Direct Sales of Roundup AG Products into Lawn and Garden Channels for France:

Specific Accounts of Interest:

(Volume)	96/97	97/98
Leclerc	0	0
Gamm Vert (Uncaa)	137,364	110,124
Tripode	0	0
Carrefour	0	0
Briomarche	0	0
Apex (Coopagri)	13,584	11,568
Casino	0	0
Intermarche	0	0
Castorama	0	0
Promodes	0	0

Schedule 3.8 France Total Roundup Bioforce 1 L Sales, Including AG Channel Sales
Sales Bio 1 L

France Sales Bioforce 1 L
Avg. NSP in USD at budget parity
9697=5.071 FF — 9798=5.80 FF

Invoiced Customers	Volume		N.S.	
	9697	9798	9697	9798
UNCAA	137,364	110,124	2,358,023	1,939,277
DE SANGOSSE	139,500	85,116	2,394,690	1,498,888
LESEUR	23,400	21,600	401,690	380,375
GRUEL-FAYER	4,632	1,860	79,514	32,754
DISPAGRI	52,176	44,232	895,666	778,923
SANE-DAGRIL	12,000	4,284	205,995	75,441
AGRIDIS	10,176	3,120	174,684	54,943
PKD	50,472	52,572	866,414	925,790
	429,720	322,908	7,376,676	5,686,390
			17.17	17.61

SCHEDULE 4.1(a)
Management Structure

Schedule 4.1 (a)

Roundup® Management Structure

MTC | **Common Corporate Interests** | **OMS**

- Achieve Volume and Profit at or above Plan
- Continue to strengthen the Roundup® Brand
- Have a management structure which leverages the strengths of both companies while working together in a constructive and harmonious

MTC Issues

- Retain ability to manage the business should the Roundup partnership fail
- Retain control over key business decisions
- Provide global stewardship of the Roundup equity

OMS Issues

- Responsible for management of the business within the framework of approved business plans
- Need clear reporting relationships to business unit heads for all Roundup assigned personnel within the BU's including seconded employees
- Need clear definition of roles and responsibilities for all Roundup assigned personnel

Roundup® Management Structure

Steering Committee: “The Board of Directors”

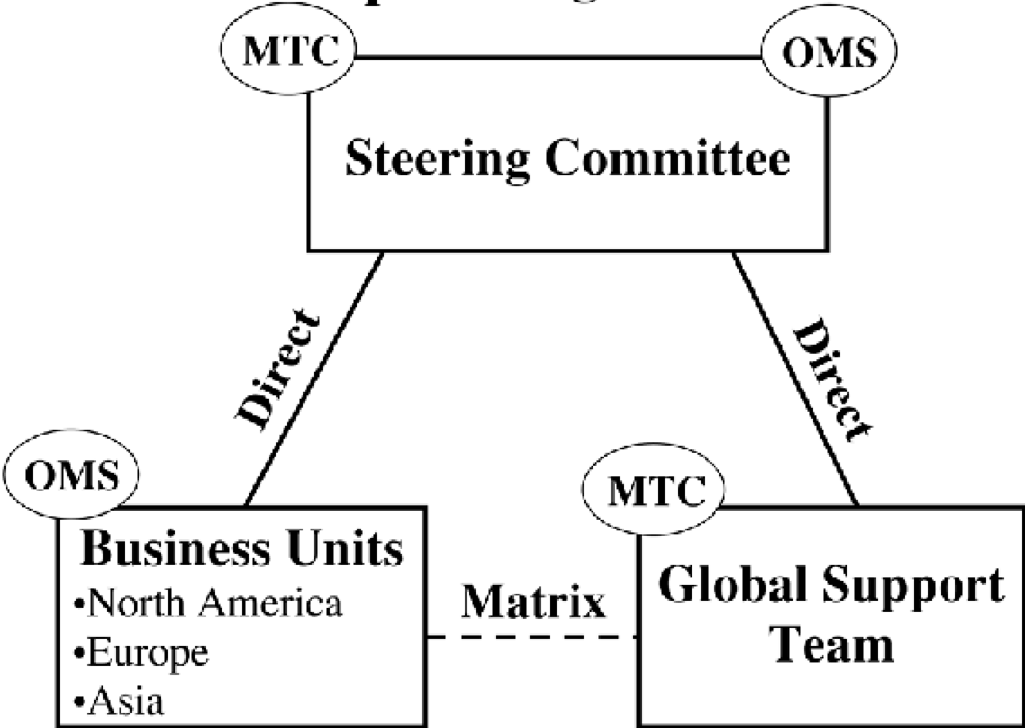
- 2 from MTC, 2 from OMS
- Disputes decided by President of Monsanto Ag

Global Support Team (GST): “Global Coordination, Communication and Stewardship of Roundup L&G Business”

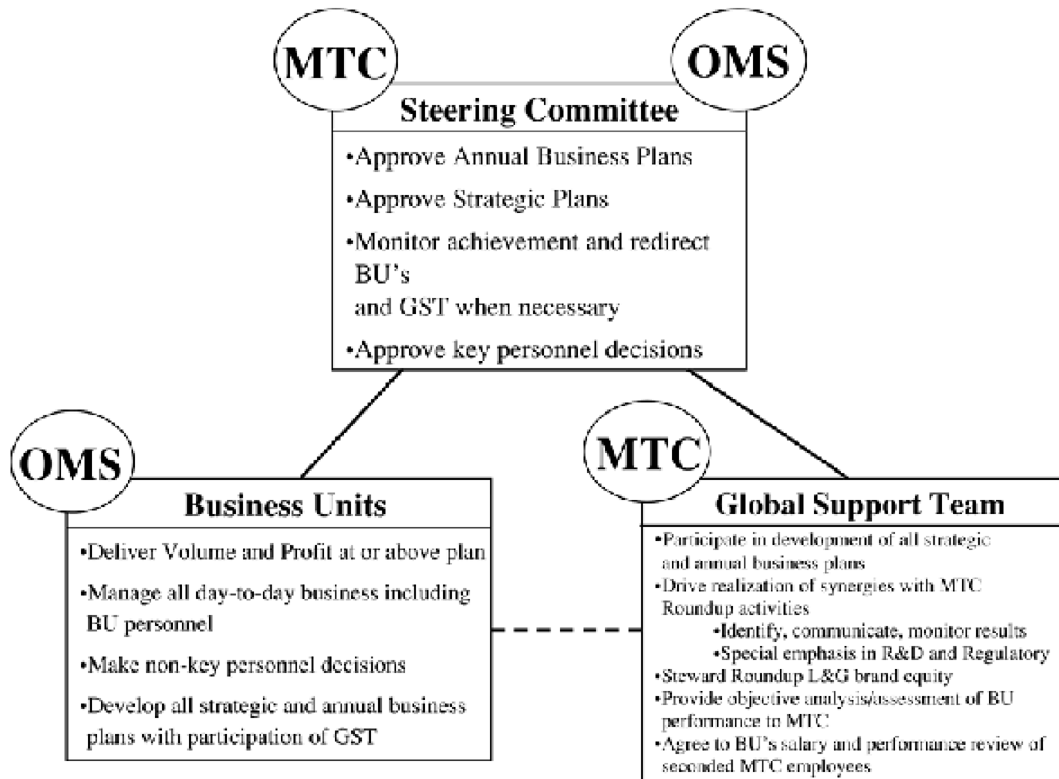
- 3 members, all from MTC

Business Units (RU’s): “Country/Region Line Management”

- Business Unit Head, Marketing, Sales, Finance, Operations and Other functional areas (including seconded MTC employees)


Roundup® Management Structure
MTC
OMS
Steering Committee
Direct
Direct
OMS
MTC
Business Units
•North America
•Europe
•Asia
Matrix
Global Support
Team

Roundup® Management Structure



Decision Making Process — Examples

- Advertising Creative Development
- Negative reaction to advertising
- Key Account Planning
- Key Account price exception

Example #1: Advertising TV Creative Development

Action Step	*Responsibility*	*Approval/Dispute Resolution*
Overall Brand Strategy developed as part of Business Plan	BU Brand Team	BU Mgmt
Business Plan presentation to BU Mgmt & GRST	BU Brand Team	GRST + BU Mgmt
Annual Business Plan preliminary approval	RU Mgmt & GRST	Steering Committee
Annual Business Plan — final approval	Steering Committee	
Brand Positioning statement developed	BU Brand Team	
Brand Positioning approved	BU Mgmt & Global Rup Team	GRST
Advertising campaign Creative Direction to Agency	BU Brand Team	BU Mgmt
Campaign concepts developed by Ad Agency	BU Mgmt & GRST	GRST
Advertising direction approval	BU Brand Team	BU Mgmt
Narrow campaign concepts to 2	BU Mgmt	
Concept testing with consumers	BU Brand Team	BU Mgmt
TV story board developed	BU Brand Team	BU Mgmt
Final TV storyboard approved — including copy	BU Mgmt & GRST	GRST
TV production (talent, TV shoot, etc.)	BU Brand Team	BU Mgmt
Rough cuts reviewed	BU Mgmt & GRST	
Final TV spot approved	BU Mgmt & GRST	GRST

Example #2: Negative reaction to TV advertising

Action Step	*Responsibility*	*Approval/Dispute Resolution*
Consumers call hot-line, write MTC, contact TV station and lodge complaints		
Notification given to brand team & management	1-800 Hot-line	no choice
Notification given to GRST	BU Mgmt	no choice
Decision to notify Steering Committee	BUMgmt&GRST	either can decide
Assessment by brand team of issue, magnitude	BU Brand Team	
Recommendation on action/inaction	BU Mgmt & GRST	GRST
Implement action/changes	BU Brand Team	

Example #3: Home Depot MDF Planning for prospective season

Action Step	*Responsibility*	*Approval/Dispute Resolution*
Overall Brand Strategy developed as part of Business Plan	BU Brand Team	BU Mgmt
Business Plan presentation to BU Mgmt & GRST	BU Brand Team	GRST/BU Msmt
Annual Business Plan preliminary approval	BU Mgmt & GRST	Steering Committee
Annual Business Plan — final approval	Steering Committee	
Key Account Strategies developed	BU Key Accounts Team	BU Mgmt
Home Depot approach & specific MDF plan developed	Depot Account Team	BUMgmt&GRST
Preliminary planning session with Home Depot	Depot Account Team	
Finalization session with Home Depot at Hardware Show	BU Mgmt & Depot Account Team	GRST
Regional marketing meetings with Depot Regional Merchants	Depot Account Team	
Implementation of plan	Depot Account Team	

Note: Key Accounts teams include representation from 2 MTC employees

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Example #4: Home Depot demands incremental Roundup price reduction in-season

Action Step	*Responsibility*	*Approval/Dispute Resolution*
Buyer contacts BU Home Depot Account rep/team		
Account rep determines request is above plan & approval level	Account Team	no choice
Rep contacts Sales management & BUp seconded Acct Rep	Account Team	
BU Account Team develops recommendation in concert with MTC Rup key accounts rep	Account Team	
...recommendation is within overall Annual Plan	BU Mgmt	
... recommendation is outside Annual Plan	GRST/BU Mgmt	Steering Committee
Implementation of price change/no change	Account Team	BU Mgmt

SCHEDULE 4.2(a)
Steering Committee

For the Agent:

Charles Berger
Jim Hagedorn

For Monsanto:

Arnold W. Donald
Jim Neal

SCHEDULE 4.3
Assigned Employees

Dawn Albery, Finance

Kevin Cannon, Roundup America Brand Director

Dave Chambers, Key Accounts, U.S.

Sarah Dutton, Admin. Europe

Ralph Dymes, Key Accounts, Europe

Richard Garnett, Registration, Europe

Phil Jones, Marketing, Europe

Virginie Liardet, Brand Manager, Europe

Peter Medendorp, Key Accounts, U.S.

Open, Roundup Brand Director, Asia

Open, Key Accounts, France

Mark Pyper, Roundup Brand Director, Europe

Lynette Ross, Admin., U.S.

Daina Schmidt, Brand Manager, U.S.

Debbie Tracy, Admin., U.S.

Dennis Ward, Registration, U.S.

SCHEDULE 4.3 (b)

Assigned Employee Functions

- Deliver Monsanto budgeted and LRP levels of financial performance for the business including:
  - gross and net sales net income
  - net income
  - CODB
  - COGS
  - MAT
  - Capital Employed
  - Cash Flow
- Participate in development of strategic business plans including the annual business plan and long range strategic plans.
- Provide Roundup brand stewardship and oversight to protect and build the value of the brand in all markets and for all products.
- Participate in all brand advertising and creative development efforts and promotions to ensure executions that are aligned with financial objectives and brand stewardship interests.
- Ensure measurement of key consumer brand metrics to monitor the health and growth of the brand.
- Monitor AG, industrial and L&G market activities and pricing moves on Roundup to ensure maximum profitability for the overall Roundup franchise.
- Direct all brand innovation efforts consistent with business plan objectives and financial targets.
- Provide sales leadership and focus for Roundup. Facilitate achievement of account goals through joint/Scotts sales people and distribution.
- Maintain key account relationships to secure leverage and support for Roundup.
- Leverage trade marketing and category management initiatives to secure Roundup’s lead position in the weed control market.
- Provide global priority and focus to the Scotts business units for Roundup interests.
- Maintain critical leverage across the business management process to ensure development and growth of Monsanto’s Roundup L&G business interests.
- Maintain involvement in analysis of competitive activity and play an integral role in addressing competitive pressures and future threats.
- Coordinate SKU forecasts for production/deployment and financial purposes.
- Provide regulatory interface with MTC to ensure proper regulatory support for products.

The Scotts Company
Ortho Business Group
Brand Manager Major Responsibilities
February 1999

As the primary champion of a Brand, the Brand Manager’s overarching responsibility is to optimize its short and long term volume and profit performance. Brand Managers have the authority and responsibility to interact with and manager every function in the Corporation to the extent they are required to deliver against this overarching goal. The Brand Manager’s major responsibilities include:

- Develop and manage business plans to exceed Brand annual plan volume and profit goals
  - Recommend Brand annual plans
  - Perform ongoing review of Brand business to confirm appropriateness of selected strategy and plans. Recommend and alter as appropriate to deliver against Company volume and profit commitments
  - Develop overall Brand marketing plans including advertising, strategy, advertising creative, media, public relations, consumer promotion, trade promotion, and merchandising
  - Recommend and manage market research studies that can result in higher sales through improved consumer and customer understanding
  - Identify and implement cost savings opportunities that improve profitability without sacrificing Brand performance
- Manage major Brand product development projects
  - Identify and evaluate opportunities and formulate plans to address them
  - Inspire all functions involved in projects to outstanding levels of performance
  - Recommend, conduct and analyze appropriate research to guide the process
- Ensure all managed marketing plans are executed with excellence through Sales and all other functional groups
  - Inspire Sales through development and presentation of compelling selling tools
  - Communicate with Sales continually to ensure plan success
  - Work to ensure smooth transition of improved products or packages to distribution channels
- Train subordinates to allow them to achieve their full potential as business managers
  - Develop and implement training plans, continuous feedback and formal evaluation
  - Foster an environment that supports high performance, job and Company commitment and fun
  - Manage and administer subordinate compensation consistent with Company policy
- Make contributions to Brand, Department and Company to improve overall performance
  - Contribute to the recruiting process as appropriate
  - Mentor high potential employees
  - Develop and present marketing training programs as appropriate
  - Recommend and implement new processes or systems to smooth work process

The Scotts Company
Ortho Business Group
Director of Marketing Major Responsibilities
February 1999

A Director of Marketing at Scotts is the primary champion of a major brand or brands for the Company. In this role, the Director of Marketing is responsible for the short and long-term volume and profit performance of these brands and, in particular, for the health of the categories they compete in. The Directory of Marketing’s major responsibilities include the following:

- <u>Develop annual business plans for managed Brands to surpass budgeted volume and profit goals</u>
    - Business Review
    - Product Line Review
    - Annual Business Plan
- <u>Manage the strategic planning process to ensure the long-term health of the Brands</u>
    - SWOT Analysis
    - Identification of key success factors
    - Long Term Strategic Plan
- <u>Aggressively manage the growth of relevant category (ies) and ensure that Brands take a disproportionate share of that growth.</u>
    - Ensure that category (ies) grow at a rate in excess of base population growth
    - Recommend category business building initiatives and test or expand them aggressively as appropriate
- <u>Ensure all Brands business plans are executed with excellence through Sales and other functional groups</u>
    - Work closely with Sales Management to ensure strategic alignment
    - Collaborate with appropriate Innovation Team members to manage executional consistency to base Brands plans
- <u>Train subordinates to allow them to achieve their full potential as business managers</u>
    - Develop and execute training plans, continuous feedback and formal evaluation
    - Create an atmosphere that fosters high performance, job and Company commitment and fun on the job
    - Manage and administer subordinate compensation consistent with Corporate policies
- <u>Make contributions to Department and Company to improve overall performance</u>
    - Develop and present relevant training programs for Marketing and other functions
    - Create and refine Business processes to ensure excellent execution of plans

SCHEDULE 4.4 (a)
Global Support Team

Jim Neal, Leader

Danna McKay, Transition

Dawn Albery, Finance

Exhibit 21

SUBSIDIARIES OF THE SCOTTS MIRACLE-GRO COMPANY

- SMG Brands, Inc., a Delaware corporation
- SMG Growing Media, Inc., an Ohio corporation
  - Rod McLellan Company, a California corporation
- SMGM LLC, an Ohio corporation
- The Scotts Company LLC, an Ohio corporation
  - EG Systems, Inc., dba Scotts LawnService, an Indiana corporation
  - Hyponex Corporation, a Delaware corporation
  - OMS Investments, Inc., a Delaware corporation
    - Scotts Temecula Operations, LLC, a Delaware corporation
  - Sanford Scientific, Inc., a New York corporation
  - Scotts Global Services, Inc., a Nevada corporation
  - Scotts Manufacturing Company, a Delaware corporation
    - Miracle-Gro Lawn Products, Inc., a New York corporation
  - Scotts Products Company, an Ohio corporation
  - Scotts Professional Products Co., an Ohio corporation
  - Scotts-Sierra Horticultural Products Company, a California corporation
    - Scotts-Sierra Crop Protection Company, a California corporation
    - Scotts-Sierra Investments, Inc., a Delaware corporation
      - ASEF BV (Netherlands)
      - Scotts Australia Pty Ltd. (Australia)
      - Scotts Benelux BVBA (Belgium)
      - Scotts Canada Ltd. (Canada)
      - Scotts Chile Limitada (Chile)
      - Scotts Czech s.r.o. (Czech Republic)
      - Scotts de Mexico SA de CV (Mexico)
      - Scotts France Holdings SARL (France)
        - Scotts France SARL (France)
        - Scotts France SAS (France)
      - Scotts Holding GmbH (Germany)
        - Scotts Celaflor GmbH & Co. KG (Germany)
        - Scotts Celaflor HGmbH (Austria)
      - Scotts Holdings Limited (United Kingdom)
        - Levington Group Ltd. (United Kingdom)
          - The Scotts Company (UK) Ltd. (United Kingdom)
            - The Scotts Company (Manufacturing) Ltd. (United Kingdom)
        - OM Scott International Investments Ltd. (United Kingdom)
          - Corwen Home and Garden Limited (United Kingdom)
          - Scotts International B.V. (Netherlands)
            - Scotts Deutschland GmbH (Germany)
            - Scotts O.M. España, S.A. (Spain)
            - Scotts Profi HGmbH (Austria)
          - Scotts Italia S.r.l. (Italy)
        - Scotts Horticulture Ltd. (Ireland)
      - Scotts Hungary KFT (Hungary)
      - *Scotts Japan, Ltd. (Japan)
      - Scotts Norway AS (Norway)
      - Scotts PBG Malaysia Sdn. Bhd. (Malaysia)
      - Scotts Poland Sp.z.o.o. (Poland)
      - Scotts Sweden AB (Sweden)
      - The Scotts Company (Nordic) A/S (Denmark)
      - The Scotts Company Italia S.r.l. (Italy)
      - The Scotts Company Kenya Ltd. (Kenya)

Smith & Hawken®, Ltd., a Delaware corporation
Swiss Farms Products, Inc., a Delaware corporation

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* Not wholly-owned

Exhibit 23(a)

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-98239) and the Registration Statements on Form S-8 (File Nos. 033-47073, 333-06061, 333-27561, 333-72715, 333-76697, 333-104490, and 333-124503) of our reports dated December 12, 2005, relating to the financial statements and financial statement schedules of The Scotts Miracle-Gro Company, and management's report on the effectiveness of internal control over financial reporting appearing in the Annual Report on Form 10-K of The Scotts Miracle-Gro Company for the fiscal year ended September 30, 2005.

/s/ DELOITTE & TOUCHE LLP

Columbus, Ohio
December 14, 2005

Exhibit 23(b)

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-98239) and Form S-8 (File Nos. 033-47073, 033-60056, 333-06061, 333-27561, 333-72715, 333-76697, 333-104490 and 333-124503) of The Scotts Miracle-Gro Company of our reports dated November 22, 2004 relating to the financial statements and financial statement schedule, which appear in this Form 10-K for the year ending September 30, 2005.

/s/ PricewaterhouseCoopers LLP
Columbus, Ohio
December 14, 2005

Exhibit 31(a)

Rule 13a-14(a)/15d-14(a) Certification
(Principal Executive Officer)

I, James Hagedorn, certify that:

1. I have reviewed this Annual Report on Form 10-K for the fiscal year ended September 30, 2005 of The Scotts Miracle-Gro Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ James Hagedorn
Dated: December 14, 2005
Printed Name: James Hagedorn
Title: Chief Executive Officer and Chairman of the Board

Exhibit 31(b)

Rule 13a-14(a)/15d-14(a) Certification
(Principal Financial Officer)

I, Christopher L. Nagel, certify that:

1. I have reviewed this Annual Report on Form 10-K for the fiscal year ended September 30, 2005 of The Scotts Miracle-Gro Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Christopher L. Nagel
Dated: December 14, 2005
Printed Name: Christopher L. Nagel
Title: Executive Vice President and Chief Financial Officer

Exhibit 32

SECTION 1350 CERTIFICATION*

In connection with the Annual Report of The Scotts Miracle-Gro Company (the “Company”) on Form 10-K for the fiscal year ended September 30, 2005 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, James Hagedorn, Chief Executive Officer and Chairman of the Board of the Company, and Christopher L. Nagel, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of their knowledge:

1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ James Hagedorn	/s/ Christopher L. Nagel
James Hagedorn Chief Executive Officer and Chairman of the Board Date: December 14, 2005	Christopher L. Nagel Executive Vice President and Chief Financial Officer Date: December 14, 2005

* THIS CERTIFICATION IS BEING FURNISHED AS REQUIRED BY RULE 13a-14(b) UNDER THE SECURITIES EXCHANGE ACT OF 1934 (THE “EXCHANGE ACT”) AND SECTION 1350 OF CHAPTER 63 OF TITLE 18 OF THE UNITED STATES CODE, AND SHALL NOT BE DEEMED “FILED” FOR PURPOSES OF SECTION 18 OF THE EXCHANGE ACT OR OTHERWISE SUBJECT TO THE LIABILITY OF THAT SECTION. THIS CERTIFICATION SHALL NOT BE DEEMED TO BE INCORPORATED BY REFERENCE INTO ANY FILING UNDER THE SECURITIES ACT OF 1933 OR THE EXCHANGE ACT, EXCEPT TO THE EXTENT THAT THE COMPANY SPECIFICALLY INCORPORATES IT BY REFERENCE.