

SECURITIES AND EXCHANGE COMMISSION
 WASHINGTON, D.C. 20549

FORM S-4
 REGISTRATION STATEMENT
 UNDER

THE SECURITIES ACT OF 1933

THE SCOTTS COMPANY

(Exact name of Registrant as specified in its charter)

OHIO 2875 31-1199481
 (State or other jurisdiction of (Primary Standard Industrial (I.R.S. Employer
 incorporation or organization) Classification Code Number) Identification No.)

14111 SCOTTSLAWN ROAD, MARYSVILLE, OHIO 43041, (513) 644-0011
 (Address, including zip code, and telephone number,
 including area code, of Registrant's principal executive offices)

CRAIG D. WALLEY
 14111 SCOTTSLAWN ROAD
 MARYSVILLE, OHIO 43041
 (513) 644-0011

(Name, address, including zip code, and telephone
 number, including area code of agent for service)

COPIES TO:

G. ROBERT LUCAS, II J.MICHAEL SCHELL
 VORYS, SATER, SEYMOUR AND PEASE SKADDEN, ARPS, SLATE, MEAGHER & FLOM
 52 EAST GAY STREET, P.O. BOX 1008 919 THIRD AVENUE
 COLUMBUS, OHIO 43216-1008 NEW YORK, NEW YORK 10022

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE OF THE SECURITIES TO THE
 PUBLIC: As soon as practicable after the effective date of this Registration
 Statement as the Registrant shall determine.

If the only securities being registered on this Form are being offered in
 connection with the formation of a holding company and there is compliance with
 General Instruction G, check the following box:

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED	MAXIMUM OFFERING PRICE PER UNIT	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE	PROPOSED AMOUNT OF REGISTRATION FEE
Class A Convertible Preferred Stock without par value (and Warrants to purchase Common Shares)	195,000 shares (and warrants to purchase Common Shares)	\$88.03(1)	\$17,166,218(1)	\$5,920.00
Common Shares, without par value(2)	3,000,000 shares	(3)	\$75,000,000(1)(3)	\$26,100.00
Common Shares, without par value	(4)	(4)	(4)	(4)

- (1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(f)(2) and Rule 457(i).
- (2) Reserved for issuance on exercise of the Warrants. An additional indeterminable number of shares is being registered to cover any adjustments in the number of shares issuable upon exercise of the Warrants.
- (3) Reflects Warrant offering prices of \$21, \$25 and \$29, respectively, for 1,000,000 Common Shares each.
- (4) Such indeterminate number of shares as may be required for issuance upon conversion of the Class A Convertible Preferred Stock.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

Cross Reference Sheet pursuant to Rule 404(a)
of the Securities Act of 1933, as amended, and Item 501(b)
of Regulation S-K, showing the location in
the Proxy Statement/Prospectus
of the Information required by Part I of Form S-4.

S-4 Item Number and Caption

Location in Proxy Statement/Prospectus

A. Information about the Transaction

1.	Forepart of Registration Statement and Outside Front Cover Page of Prospectus .	Facing Page of Registration Statement; Cross Reference Sheet; Outside Front Cover Page of Proxy Statement/Prospectus
2.	Inside Front and Outside Back Cover Pages of Prospectus	Available Information; Incorporation of Certain Documents by Reference; Table of Contents
3.	Risk Factors, Ratio of Earnings to Fixed Charges and Other Information	Summary
4.	Terms of the Transaction	Summary; The Merger Transactions ; The Agreement; Proposed Amendment to Article FOURTH of the Amended Articles of Incorporation; Proposed Amendments to Section 2.02 of the Code of Regulations; Proposed Amendment to Section 6.01 of the Code of Regulations; Protection Against Non-Negotiated Takeovers; Description of the Capital Stock of the Company; The Warrants; Description of the Capital Stock of Miracle-Gro; Comparison of Shareholder Rights
5.	Pro Forma Financial Information	Index to Financial Statements
6.	Material Contacts with the Company Being Acquired	The Merger Transactions; The Agreement; Election of Directors
7.	Additional Information Required for Reoffering by Persons and Parties Deemed to be Underwriters	*
8.	Interests of Named Experts and Counsel .	Experts

9. Disclosure of Commission Position on Indemnification for Securities Act Liabilities *

B. Information About the Registrant

10. Information With Respect to S-3 Registrants Incorporation of Certain Documents by Reference

11. Incorporation of Certain Information by Reference Incorporation of Certain Documents by Reference

12. Information With Respect to S-2 or S-3 Registrants *

13. Incorporation of Certain Information by Reference *

14. Information With Respect to Registrants Other Than S-3 or S-2 Registrants *

C. Information About the Company Being Acquired

15. Information With Respect to S-3 Companies *

16. Information With Respect to S-2 or S-3 Companies *

17. Information With Respect to Companies Other Than S-2 or S-3 Companies Summary; Information about the Miracle-Gro Companies; Miracle-Gro Shareholder Limited Partnership; Index to Financial Statements

D. Voting and Management Information

18. Information if Proxies, Consents or Authorization Are to be Solicited Cover Page of Proxy Statement/Prospectus; Summary; The Annual Meeting; The Merger Transactions; The Agreement; Proposal to Approve Acquisition of One-Third or More but Less Than a Majority of the Voting Power of the Company; Proposed Amendment to Article Fourth of the Amended Articles of Incorporation; Proposed Amendment to Adopt New Article Ninth of the Amended Articles of Incorporation; Proposed Amendments to Section 2.02 of the Code of Regulations; Proposed Amendment to Section 6.01 of the Code of Regulations; Election of Directors; Dissenters' Rights

19. Information if Proxies, Consents or
Authorizations Are Not to be Solicited,
or in Exchange Offer *__

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*Omitted because not required, inapplicable or answer is negative.

THE SCOTTS COMPANY
14111 Scottslawn Road
Marysville, Ohio 43041

March [8], 1995

Dear Fellow Shareholders:

The Annual Meeting of the Shareholders (the "Annual Meeting") of The Scotts Company, an Ohio corporation (the "Company"), will be held at 10:00 a.m., local time, on Thursday, April 6, 1995, at the Stouffer Dublin Hotel, 600 Metro Place North, Dublin, Ohio 43017. In light of the proposed transactions described below, this is a momentous Annual Meeting for the Company, and we therefore strongly encourage you to exercise your right to vote.

As you may have read in the newspaper recently, the Company has entered into an Agreement and Plan of Merger (the "Agreement") with Stern's Miracle-Gro Products, Inc., Stern's Nurseries, Inc., Miracle-Gro Lawn Products Inc. and Miracle-Gro Products Limited, related corporations which market and distribute the country's leading brand of water-soluble plant food for the consumer market (the "Miracle-Gro Companies"), and with the shareholders of the Miracle-Gro Companies (the "Miracle-Gro Shareholders"). Under the Agreement, the Miracle-Gro Companies will become wholly-owned by the Company (the "Merger Transactions"), and the Miracle-Gro Shareholders will receive 195,000 shares of newly created Class A Convertible Preferred Stock of the Company, which will enable them to exercise, as a group, approximately 35% of the voting power of the Company, and warrants to purchase an additional 3,000,000 Common Shares of the Company, which, if exercised, would enable them to exercise, together with the Class A Convertible Preferred Stock, approximately 42% of the total voting power of the Company.

The Company's management and its Board of Directors believe that the Merger Transactions will benefit our shareholders and strengthen the Company. There are five principal benefits that the Company's management and the Board believe the Company will derive from the Merger Transactions. These are described in the Proxy Statement/Prospectus (see "THE MERGER TRANSACTIONS - Reasons for the Merger Transactions"). Briefly, we believe the Merger Transactions should:

- - BRING TOGETHER TWO OF THE STRONGEST BRANDS -- SCOTTS(R) AND MIRACLE-GRO(R) -- IN THE LAWN AND GARDEN INDUSTRY.
- - CREATE A MORE PROFITABLE, FASTER GROWING COMPANY.
- - OPEN NEW INTERNATIONAL MARKET OPPORTUNITIES.
- - SUBSTANTIALLY INCREASE FREE CASH FLOW.
- - ENHANCE THE COMPANY'S BALANCE SHEET AND ITS CREDIT-WORTHINESS.

Of course, as in any business transaction, there can be no assurance that these expectations will be fulfilled.

Smith Barney Inc., the Company's financial advisor, has rendered an opinion to the Board of Directors to the effect that, as of the date of its opinion, the consideration to be paid by the Company with respect to the Merger Transactions is fair, from a financial point of view, to the Company.

The consummation of the Merger Transactions is conditioned on, among other things, the approval of certain matters to be considered at the Annual Meeting. First, the acquisition by the Miracle-Gro Shareholders, as a group, of one-third or more but less than a majority of the voting power of the Company (Proposal No. 1) must be approved in accordance with the provisions of Section 1701.831 of the Ohio General Corporation Law. Second, the proposal to amend Article FOURTH of the Amended Articles of Incorporation to, among other things, authorize the Class A Convertible Preferred Stock (Proposal No. 2) must be approved by the holders of two-thirds of the outstanding Common Shares. Finally, the proposals to amend Section 2.02 of the Code of Regulations to create a classified Board (Proposal No. 4) and to limit the authority of the directors to increase the number of directors (Proposal No. 5) must be approved by the holders of a majority of the outstanding Common Shares.

Your Board of Directors believes that the Merger Transactions are in the best interests of the Company and its shareholders and that it will further the Company's long-term objective of maximizing shareholder value. The Board has unanimously approved the Merger Transactions and recommends that you vote FOR Proposal Nos. 1, 2, 4 and 5 in order that the Merger Transactions may be consummated.

In addition to approving Proposal Nos. 1, 2, 4 and 5, which are conditions precedent to the Merger Transactions, you will be asked to consider and vote upon an amendment to the Company's Amended Articles of Incorporation which would modify the procedure for adopting future amendments to the Amended Articles of Incorporation (Proposal No. 3); an amendment to Section 6.01 of the Code of Regulations to increase to two-thirds the vote required to amend Sections 1.02, 2.02 and 6.01 of the Code of Regulations (Proposal No. 6); and the election of nine (9) directors (Proposal No.7). Your Board of Directors recommends that you vote FOR each of these proposals.

The enclosed Notice of Annual Meeting and Proxy Statement/Prospectus contains detailed information about the Merger Transactions and the matters to be voted upon at the Annual Meeting. Please give this material your careful attention.

On behalf of the Board of Directors and management, we cordially invite you to attend the Annual Meeting. Whether or not you plan to attend the Annual Meeting, the prompt return of your proxy in the enclosed return envelope will save the Company additional expenses of solicitation and will help ensure that as many shares as possible are represented.

Sincerely,

Tadd C. Seitz
Chairman and Chief Executive Officer

Theodore J. Host
President and Chief Operating

THE SCOTTS COMPANY

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To Be Held Thursday, April 6, 1995

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders (the "Annual Meeting") of The Scotts Company, an Ohio corporation (the "Company"), will be held at the Stouffer Dublin Hotel, 600 Metro Place North, Dublin, Ohio 43017, on Thursday, April 6, 1995 at 10:00 a.m., local time, for the following purposes:

1. To consider and vote upon the acquisition of one-third or more but less than a majority of the voting power of the Company by the shareholders of Miracle-Gro Products, Inc., a New Jersey corporation ("Miracle-Gro"), Stern's Nurseries, Inc., a New York corporation ("Nurseries"), Miracle-Gro Lawn Products, Inc., a Delaware corporation ("Miracle-Gro Delaware"), and Miracle-Gro Products Limited, a New York corporation ("Miracle-Gro UK"), (Miracle-Gro, Nurseries, Miracle-Gro Delaware and Miracle-Gro UK are referred to collectively as the "Miracle-Gro Companies" and the shareholders of the Miracle-Gro Companies are referred to as the "Miracle-Gro Shareholders") in connection with the merger transactions involving the Miracle-Gro Companies and the Company.

2. To consider and act upon a proposal to amend Article FOURTH of the Amended Articles of Incorporation of the Company to increase the authorized number of Common Shares from 35,000,000 shares to 50,000,000 shares and to authorize a class of 195,000 voting preferred shares designated Class A Convertible Preferred Stock.

3. To consider and act upon a proposal to amend the Amended Articles of Incorporation of the Company to add a new Article NINTH - a procedure for further amending the Amended Articles of Incorporation.

4. To consider and act upon a proposal to amend Subparagraphs (A) and (B) of Section 2.02 of the Code of Regulations of the Company in order, among other things, to fix the number of directors at nine persons, divided into three classes consisting of three directors each, with one class to serve initially for a term of one year and thereafter for terms of three years, one class to serve initially for a term of two years and thereafter for terms of three years and one class to serve for a term of three years and thereafter for terms of three years.

5. To consider and act upon a proposal to amend Subparagraph (C) of Section 2.02 of the Code of Regulations of the Company in order to eliminate the authority of the directors to increase the number of directors beyond twelve directors.

6. To consider and act upon a proposal to amend Section 6.01 of the Code of Regulations of the Company to increase to two-thirds (2/3) the vote to amend Sections 1.02, 2.02 (if Proposal No. 4 is adopted) and 6.01 of the Code of Regulations.

7. To elect three directors for terms of one year, to elect three directors for terms of two years and to elect three directors for terms of three years (or, if Proposal No. 4 is not adopted, to elect nine directors to serve until the next Annual Meeting of Shareholders).

8. To transact such other business as may properly come before the Annual Meeting or any adjournment or adjournments thereof.

The close of business on February 17, 1995, has been fixed by the Board of Directors of the Company as the record date for determining the shareholders entitled to notice of, and to vote at, the Annual Meeting. A list of shareholders eligible to vote at the Annual Meeting will be available for inspection at the Annual Meeting and during business hours from March [8], 1995 to the date of the Annual Meeting at the Company's headquarters at the address set forth below and at the law offices of Vorys, Sater, Seymour and Pease, 52 East Gay Street, Columbus, Ohio 43215.

You are cordially invited to attend the Annual Meeting. Whether or not you plan to attend the Annual Meeting, you may insure your representation by completing, signing, dating and promptly returning the enclosed proxy card. A return envelope, which requires no postage if mailed in the United States, has been provided for your use. If you attend the Annual Meeting and inform the Secretary of the Company in writing that you wish to vote your shares in person, your proxy will not be used.

By Order of the Board of Directors

Craig D. Walley,
Vice President and Secretary

The Scotts Company
14111 Scottslawn Road
Marysville, Ohio 43041

March [8], 1995

THE SCOTTS COMPANY
14111 SCOTTS LAWN ROAD
MARYSVILLE, OHIO 43041

PROXY STATEMENT
FOR
ANNUAL MEETING OF SHAREHOLDERS
THURSDAY, APRIL 6, 1995

PROSPECTUS
FOR 195,000 SHARES OF CLASS A CONVERTIBLE
PREFERRED STOCK AND WARRANTS TO PURCHASE
3,000,000 COMMON SHARES, AND THE COMMON SHARES
ISSUABLE IN RESPECT THEREOF

This Proxy Statement/Prospectus is furnished in connection with the solicitation on behalf of the Board of Directors of The Scotts Company, an Ohio corporation (the "Company"), of proxies for use at the Annual Meeting of Shareholders (the "Annual Meeting") to be held at the Stouffer Dublin Hotel, 600 Metro Place North, Dublin, Ohio 43017, on Thursday, April 6, 1995, at 10:00 a.m., local time, and at any adjournment or adjournments thereof, for the purposes set forth in the accompanying Notice of Annual Meeting of Shareholders.

This Proxy Statement/Prospectus also constitutes the prospectus of the Company relating to 195,000 shares of Class A Convertible Preferred Stock and Warrants to purchase 3,000,000 Common Shares, without par value (and the Common Shares issuable on the conversion or exercise thereof), to be issued by the Company in accordance with the terms of the Agreement and Plan of Merger, dated as of January 26, 1995 (the "Agreement"), described in this Proxy Statement/Prospectus and attached hereto as Appendix I, by and among the Company, ZYX Corporation, a wholly-owned subsidiary of the Company ("Merger Subsidiary"), Miracle-Gro Products, Inc., a New Jersey corporation ("Miracle-Gro"), Stern's Nurseries, Inc., a New York corporation ("Nurseries"), Miracle-Gro Lawn Products, Inc., a Delaware corporation ("Miracle-Gro Delaware"), Miracle-Gro Products Limited, a New York corporation registered in the United Kingdom ("Miracle-Gro UK," and collectively with Miracle-Gro, Nurseries and Miracle-Gro Delaware, the "Miracle-Gro Companies"), and the shareholders of the Miracle-Gro Companies (the "Miracle-Gro Shareholders").

Each share of Class A Convertible Preferred Stock will be convertible at any time into approximately 52.6 Common Shares of the Company, subject to adjustment upon the occurrence of certain events, and will be entitled to a number of votes equal to the number of Common Shares into which it is convertible. Each such share will earn dividends at the rate of \$50 per year and will be entitled to a liquidation preference of \$1,000 plus accumulated unpaid dividends. The Class A Convertible Preferred Stock will be subject to redemption at any time after five years from the date of issuance, for \$1,000 per share plus accumulated unpaid dividends. See "DESCRIPTION OF THE CAPITAL STOCK OF THE COMPANY - Class A Convertible Preferred Stock."

The Warrants will be exercisable for eight and one-half years for the purchase of 1,000,000 Common Shares at \$21 per share, 1,000,000 Common Shares at \$25 per share and 1,000,000 Common Shares at \$29 per share, in each case subject to adjustment upon the occurrence of certain events. See "THE WARRANTS."

This Proxy Statement/Prospectus and the accompanying proxy card are first being mailed on or about March [8], 1995, to all shareholders of the Company. Only holders of record of the Company's Common Shares at the close of business on February 17, 1995 (the "Record Date"), will be entitled to vote at the Annual Meeting.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROXY STATEMENT/PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE DATE OF THIS PROXY STATEMENT/PROSPECTUS IS _____, 1995.

AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Reports, proxy statements and other information filed by the Company can be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, and at the Commission's Regional Offices located at Citicorp Center, 500 West Madison, 14th Floor, Chicago, Illinois 60661 and Seven World Trade Center, 13th Floor, New York, New York 10048. Copies of such material can also be obtained from the Public Reference Section of the Commission, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. In addition, material filed by the Company can be inspected at the offices of The NASDAQ Stock Market and the New York Stock Exchange.

The Company has filed with the Commission a registration statement on Form S-4 (herein, together with any amendments, supplements and exhibits, referred to as the "Registration Statement") under the Securities Act of 1933, as amended (the "Securities Act"), with respect to the securities to be issued pursuant to the Agreement. This Proxy Statement/Prospectus does not contain all of the information set forth in the Registration Statement, certain parts of which are omitted in accordance with the rules and regulations of the Commission. For further information, reference is hereby made to the Registration Statement. Such additional information may be obtained from the Commission's principal office in Washington, D.C. Statements contained in this Proxy Statement/Prospectus as to the contents of any contract or other document referred to herein are not necessarily complete, and in each instance reference is made to the copy of such contract or other document filed as an exhibit to the Registration Statement, each such statement being qualified in all respects by such reference.

The Miracle-Gro Companies are not subject to the informational requirements of the Exchange Act.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The Company's Current Report on Form 8-K/A dated February 23, 1994, Annual Report on Form 10-K for the fiscal year ended September 30, 1994, and all other documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of this Proxy Statement/Prospectus and prior to the Annual Meeting, which documents are filed with the Commission (File No. 0-19768) pursuant to the Exchange Act, are incorporated herein by reference. Any statement contained in a document incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Proxy Statement/Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as modified or superseded, to constitute a part of this Proxy Statement/Prospectus.

This Proxy Statement/Prospectus incorporates documents by reference which are not presented herein or delivered herewith. These documents are available upon request. Requests should be directed to The Scotts Company, 14111 Scottslawn Road, Marysville, Ohio 43041, Attention: Vice President, Corporate Communications, telephone (513) 644-0011. In order to ensure timely delivery of the documents, any request should be made by March [30], 1995.

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SUMMARY

The following summary is not intended to be complete and is qualified in its entirety by reference to more detailed information contained elsewhere in this Proxy Statement/Prospectus, the Appendices and the documents incorporated herein by reference. Shareholders are urged to read this Proxy Statement/Prospectus and the Appendices hereto in their entirety.

DATE, TIME AND PLACE OF ANNUAL MEETING OF SHAREHOLDERS OF THE COMPANY

The Annual Meeting of Shareholders of the Company will be held on Thursday, April 6, 1995, at 10:00 a.m., local time, at the Stouffer Dublin Hotel, 600 Metro Place North, Dublin, Ohio 43017.

RECORD DATE; SHAREHOLDERS ENTITLED TO VOTE

Only holders of record of Common Shares of the Company at the close of business on the Record Date, February 17, 1995, will be entitled to notice of and to vote at the Annual Meeting. On the Record Date, there were [18,677,064] Common Shares outstanding, each of which will be entitled to one vote on each matter properly submitted for vote to the Company's shareholders at the Annual Meeting. See "THE ANNUAL MEETING - Voting at the Meeting; Record Date."

PURPOSE OF ANNUAL MEETING OF SHAREHOLDERS OF THE COMPANY

The purpose of the Annual Meeting will be to consider and vote on proposals to: (1) approve the acquisition of one-third or more but less than a majority of the voting power of the Company by the Miracle-Gro Shareholders, as a group, (2) amend Article FOURTH of the Amended Articles of Incorporation, (3) adopt Article NINTH of the Amended Articles of Incorporation, (4) amend Sections 2.02 and 6.01 of the Code of Regulations, (5) elect directors and (6) transact such other business as may properly come before the Annual Meeting.

PARTIES TO THE MERGER TRANSACTIONS

The Company is the country's leading producer and marketer of consumer do-it-yourself lawn care and professional golf course turf care products. The principal executive offices of the Company are located at 14111 Scottslawn Road, Marysville, Ohio 43041, telephone (513) 644-0011.

Miracle-Gro markets and distributes the country's leading brand of water-soluble plant food for the consumer market. The principal executive offices of Miracle-Gro are located at 800 Port Washington Boulevard, Port Washington, New York 11050, telephone (516) 883-6550.

TERMS OF THE PROPOSED MERGER TRANSACTIONS

Pursuant to the terms of the Agreement, (1) Merger Subsidiary will be merged with and into Miracle-Gro, whereupon Miracle-Gro will be the surviving corporation and a wholly-owned subsidiary of the Company (the "Merger"); (2) immediately thereafter, (x) Nurseries will transfer all of its assets, including but not limited to all of its intellectual property rights, but none of its liabilities, to Miracle-Gro (the "Asset Transfer") and (y) Miracle-Gro Delaware and Miracle-Gro UK will each merge with and into Miracle-Gro (the "Subsequent Mergers" and, together with the Merger and the Asset Transfer, the "Merger Transactions"); and (3) immediately thereafter, Miracle-Gro will be merged with and into another wholly-owned Ohio subsidiary of Miracle-Gro ("New Miracle-Gro"), which will be the ultimate surviving corporation under the name "Scotts' Miracle-Gro Products, Inc." (the "Reincorporation"). As a result of the Merger Transactions, the Miracle-Gro Shareholders, as a group, will receive 195,000 shares of Class A Convertible Preferred Stock of the Company, having approximately 35% of the voting power of the Company, and Warrants to purchase an additional 3,000,000 Common Shares of the Company, which, if exercised, would enable them to exercise, together with the Class A Convertible Preferred Stock, approximately 42% of the voting power of the Company. A copy of the Agreement is attached hereto as Appendix I and is incorporated herein by reference. See "THE AGREEMENT - Terms of the Agreement."

The consummation of the Merger Transactions is conditioned on, among other things, the approval by the Company's shareholders at the Annual Meeting of (i) the acquisition by the Miracle-Gro Shareholders of one-third or more but less than a majority of the voting power of the Company (the "Acquisition") in accordance with Section 1701.831 of the Ohio General Corporation Law (the "GCL"); (ii) the proposal to amend Article FOURTH to create the Class A Convertible Preferred Stock; and (iii) the amendment of Section 2.02 of the Code of Regulations as described herein.

RECOMMENDATION OF THE BOARD OF DIRECTORS

The Board of Directors of the Company has unanimously approved the Merger Transactions, the Reincorporation and the Acquisition pursuant to the terms of the Agreement, believes that the Merger Transactions, the Reincorporation and the Acquisition are in the best interests of the Company and its shareholders and recommends that the shareholders vote FOR the approval of the Acquisition. See "THE MERGER TRANSACTIONS - Background of the Merger Transactions" and "- Reasons for the Merger Transactions."

The Board of Directors of the Company also has unanimously approved each of the other matters described in this Proxy Statement/Prospectus and recommends that the shareholders vote FOR (i) the amendment to Article FOURTH of the Amended Articles of Incorporation, (ii) the adoption of Article NINTH of the Amended

Articles of Incorporation and (iii) the amendments to Sections 2.02 and 6.01 of the Code of Regulations. See "PROPOSED AMENDMENT TO ARTICLE FOURTH OF THE AMENDED ARTICLES OF INCORPORATION," "PROPOSED AMENDMENT TO ADOPT NEW ARTICLE NINTH OF THE AMENDED ARTICLES OF INCORPORATION," "PROPOSED AMENDMENTS TO SECTION 2.02 OF THE CODE OF REGULATIONS" and "PROPOSED AMENDMENT TO SECTION 6.01 OF THE CODE OF REGULATIONS."

REASONS FOR THE MERGER TRANSACTIONS

The Company's management and the Board of Directors believe that the Merger Transactions will benefit the Company's shareholders and strengthen the Company. There are five principal benefits that the Company's management and the Board expect the Company to derive from the Merger Transactions:

First, the Merger Transactions WILL BRING TOGETHER TWO OF THE STRONGEST BRANDS -- SCOTTS(R) AND MIRACLE-GRO(R) -- IN THE LAWN AND GARDEN INDUSTRY and should establish the Company as a strong branded packaged-goods marketer.

Second, the combination SHOULD CREATE A MORE PROFITABLE, FASTER GROWING COMPANY. Sales of the Miracle-Gro Companies have, over the last five years, grown at greater than a 13% rate, while net income has increased at more than a 16% rate. After consulting with the Miracle-Gro Companies' management, the Company's management believes that Miracle-Gro's growth is sustainable and that based on the foregoing the combination of the companies should accelerate the Company's profit growth.

Third, the combination of these companies should open new international market opportunities. Since its introduction in the United Kingdom five years ago, Miracle-Gro(R) has become the leading brand of garden plant food in that market. Miracle-Gro UK, which will become part of New Miracle-Gro in the Merger Transactions, owns a 32.5% equity interest in Miracle Holdings Limited ("Miracle Holdings"), a newly-created entity which sells Miracle-Gro(R) products in the United Kingdom, as well as a number of other leading brands of garden care products formerly manufactured by ICI Zeneca. See "INFORMATION ABOUT THE MIRACLE-GRO COMPANIES - Business of the Miracle-Gro Companies." In 1994, Miracle Holdings had sales of over \$50 million on a pro forma basis. In addition, Miracle-Gro UK has the option to increase its percentage ownership from 32.5% to approximately 98% of the equity of Miracle Holdings, initially for L.35 million. Whether or not that option is exercised, the Company's management believes that the combination of Miracle-Gro's proven consumer acceptance in the United Kingdom, and the acceptance of the Company's products, including Osmocote(R), in the commercial market in Europe should give the combined companies the financial and management resources to accelerate their growth outside of North America.

Fourth, the Miracle-Gro Companies' profitability, and the fact that they require very little capital, should result in SUBSTANTIALLY INCREASED FREE CASH FLOW for the Company. While the Company has not yet decided what uses it will make of any such cash, the Company plans to consider some or all of the following: investment in the business, including research and development, capital expenditures, paying down debt, a common share buyback and a common share dividend.

Finally, the combination of the Company and the Miracle-Gro Companies should result in the ENHANCEMENT OF THE COMPANY'S BALANCE SHEET. Since the Miracle-Gro Companies have relatively little debt, key financial ratios -- and therefore the Company's credit-worthiness -- will be improved on a pro forma basis as a result of the Merger Transactions. The Company's banks have indicated that, in view of the pro forma improvements in cash flow, they may reduce the Company's marginal interest rate and enter into an amended and restated credit agreement with terms more favorable to the Company upon the consummation of the Merger Transactions.

Of course, as in any business transaction, there can be no assurance that the Company's expectations will be realized.

OPINION OF FINANCIAL ADVISOR

On January 23, 1995, Smith Barney Inc. ("Smith Barney"), the Company's financial advisor, delivered its oral opinion (which was subsequently confirmed in writing as of January 26, 1995) to the effect that the consideration proposed to be paid in the Merger Transactions by the Company is fair, from a financial point of view, to the Company. The full text of the written opinion, which sets forth the assumptions made, procedures followed, matters considered and scope of the review by Smith Barney in rendering its opinion, is attached hereto as Appendix II and should be read in its entirety. See "THE MERGER TRANSACTIONS - Opinion of Financial Advisor" for information regarding, among other things, the selection of Smith Barney and its compensation in connection with the Merger Transactions.

VOTE REQUIRED

The consummation of the Merger Transactions is conditioned on, among other things, the approval of certain matters to be considered at the Annual Meeting. The shareholders of the Company must approve the Acquisition because, immediately thereafter, the Miracle-Gro Shareholders will exercise in excess of one-third of the voting power of the Company. The GCL provides that any "control share acquisition" of a public company must be submitted to the company's shareholders. The GCL defines a control share acquisition to include an acquisition of the Company's shares which would give the acquiring person voting power falling within one of the following three categories: (a) one-fifth or more but less than one-third of the voting power, (b) one-third or more but less than a majority of the voting power, and (c) a majority or more of the voting power. For the Acquisition to be approved, the affirmative vote of the holders of a majority of the voting power of the Company represented at a meeting at which a quorum is present and the affirmative vote of the holders of a majority of the portion of such voting power excluding "Interested Shares" is required. "Interested Shares" are defined by the GCL to include shares held by the Acquiring Person (i.e., the Miracle-Gro Shareholders), shares held by an officer of the Company elected or appointed by the Board of Directors, shares held by employees of the Company who are also directors and certain shares purchased after a control share acquisition is announced. As indicated elsewhere in this Proxy Statement/Prospectus, officers and directors as a group own approximately 9% of the Company's outstanding Common Shares. The Miracle-Gro Shareholders do not currently own any Common Shares of the Company. See "PROPOSAL TO APPROVE ACQUISITION OF ONE-THIRD OR MORE BUT LESS THAN A MAJORITY OF THE VOTING POWER OF THE COMPANY - Recommendation and Vote."

In addition, the proposed amendment to the Amended Articles of Incorporation to authorize the Class A Convertible Preferred Stock must be approved by the holders of two-thirds of the outstanding Common Shares. See "PROPOSED AMENDMENT TO ARTICLE FOURTH OF THE AMENDED ARTICLES OF INCORPORATION - - Recommendation and Vote." The proposed amendments to Section 2.02 of the Code of Regulations must be adopted by the affirmative vote of the holders of a majority of the voting power of the Company. See "PROPOSED AMENDMENTS TO SECTION 2.02 OF THE CODE OF REGULATIONS - Recommendation and Vote."

REGULATORY MATTERS

The Merger Transactions are subject to the applicable provisions of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations thereunder (the "HSR Act").

DISSENTERS' RIGHTS

Shareholders of the Company have no dissenters' rights with respect to the Merger Transactions, the Reincorporation, the Acquisition or any other matter to be considered at the Annual Meeting.

The Miracle-Gro Shareholders have unanimously approved the Merger Transactions. Therefore, none of the Miracle-Gro Shareholders has any dissenters' rights with respect to the Merger Transactions.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

No gain or loss will be recognized by the Company or the Company's shareholders for federal income tax purposes as a result of the Merger Transactions. With respect to the Miracle-Gro Shareholders, the consummation of the Merger Transactions is conditioned, among other things, upon the receipt of an opinion of Skadden, Arps, Slate, Meagher & Flom, special counsel to the Miracle-Gro Companies, to the effect that each of the Merger and the Subsequent Mergers should constitute a tax-free reorganization pursuant to Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code"). See "THE MERGER TRANSACTIONS - Federal Income Tax Consequences."

SUMMARY FINANCIAL DATA

THE COMPANY'S SUMMARY HISTORICAL FINANCIAL DATA

The following summary historical financial data should be read in conjunction with the Company's Consolidated Financial Statements and Notes thereto as of September 30, 1993 and 1994 and for the three years ended September 30, 1994 incorporated by reference herein. The summary historical financial data as of December 31, 1994 and January 1, 1994, respectively are derived from unaudited consolidated financial statements incorporated by reference herein. Such unaudited consolidated financial statements have been prepared on the same basis as the Company's Consolidated Financial Statements, and the Company believes that such unaudited consolidated financial statements contain all adjustments necessary for a fair presentation of the financial information presented (consisting only of normal recurring adjustments). Interim results are not necessarily indicative of results for the full year.

	Fiscal Year Ended September 30,					Three Months Ended	
	1990	1991	1992	1993(1)	1994(2)	1/1/94(2)	12/31/94
						(Unaudited)	(Unaudited)
	(Dollars In Thousands, Except Ratios and Per Share Data)						
Statement Of Operations Data:							
Net sales	\$350,441	\$388,120	\$413,558	\$466,043	\$ 606,339	\$ 68,326	\$ 98,019
Gross profit	163,638	180,164	200,425	221,825	286,609	30,962	44,499
Total operating expenses	135,868	144,777	158,280	178,004	227,337	30,939	44,169
Income from operations	27,770	35,387	42,145	43,821	59,272	23	330
Interest and other expenses	34,531	30,932	15,942	8,454	17,450	2,640	5,694
Income (loss) before income taxes, extraordinary items and cumulative effect of accounting changes	(6,761)	4,455	26,203	35,367	41,822	(2,617)	(5,364)
Income taxes	143	2,720	11,124	14,320	17,947	(1,060)	(2,226)
Extraordinary items:							
Loss on early extinguishment of debt, net of tax	--	--	(4,186)	--	(992)	--	--
Utilization of net operating loss carryforwards	--	2,581	4,699	--	--	--	--
Cumulative effect of changes in accounting for post-retirement benefits, net of tax and income taxes	--	--	--	(13,157)	--	--	--
Net income (loss)	(6,904)	4,316	15,592	7,890	22,883	(1,557)	(3,138)
Net income (loss) per share	(0.58)	0.36	0.87	0.40	1.22	(0.08)	(0.17)
Other Historical Data:							
Depreciation and amortization	\$ 20,474	\$ 17,785	\$ 15,848	\$ 18,144	\$ 21,937	\$ 4,603	\$ 5,801
Capital expenditures	8,494	8,818	19,896	15,158	33,402	4,985	5,012
Ratio of earnings to fixed charges (3)	(4)	1.14x	2.40x	4.08x	2.89x	(6)	(5)
Book value per share (7)	(0.49)	(0.39)	8.35	7.66	9.01	7.58	8.84
Balance Sheet Data (End Of Period):							
Working capital	\$ 18,230	\$ 21,260	\$ 54,795	\$ 88,526	\$140,566	\$ 112,717	\$ 135,427
Total assets	270,429	260,729	268,021	321,590	528,584	508,742	576,618
Long-term debt, including current portion	192,915	182,954	31,897	92,524	223,885	226,084	223,158
Total shareholders' equity (deficit)	(12,677)	(9,961)	175,929	143,013	168,160	141,371	165,061

(1) Includes Republic from November 19, 1992.

(2) Includes Sierra from December 17, 1993.

(3) The ratio of earnings to fixed charges is computed by dividing (a) the sum of (i) income from operations before income taxes, extraordinary items and the cumulative effect of accounting changes and (ii) fixed charges by (b) fixed charges. Fixed charges consist of interest on all indebtedness (including amortization of deferred financing costs), capitalized interest and the estimated interest component of operating leases (assumed to be one-third of total rental expense).

(4) Reflects a deficiency of earnings to fixed charges of \$6.8 million.

(5) Reflects a deficiency of earnings to fixed charges of \$5.4 million.

(6) Reflects a deficiency of earnings to fixed charges of \$2.6 million.

(7) Book value per share is computed by dividing the number of common shares outstanding at the end of the period into total shareholders' equity (deficit) at the end of the period.

THE MIRACLE-GRO COMPANIES
SUMMARY HISTORICAL COMBINED FINANCIAL DATA

The following summary historical financial data should be read in conjunction with the Miracle-Gro Companies' Combined Financial Statements and Notes thereto as of September 30, 1994 and 1993 and for the three years ended September 30, 1994, included elsewhere herein. The summary historical combined financial data as of December 31, 1993 and 1994, respectively are derived from unaudited consolidated financial statements not included herein or incorporated by reference. Such unaudited consolidated financial statements have been prepared on the same basis as the Miracle-Gro Companies' Combined Financial Statements, and Miracle-Gro's management believes that such unaudited combined financial statements contain all adjustments necessary for a fair presentation of the financial information presented (consisting only of normal recurring adjustments). Interim results are not necessarily indicative of results for the full year.

	FISCAL YEAR ENDED SEPTEMBER 30,					THREE MONTHS ENDED	
	1990	1991	1992	1993	1994	DECEMBER 31, 1993	DECEMBER 31, 1994
STATEMENT OF OPERATIONS DATA(1):							
Net sales	\$62,654,541	\$72,493,930	\$93,146,626	\$92,779,345	\$107,421,014	\$14,078,419	\$15,254,564
Gross profit	29,811,560	35,480,293	46,499,249	45,946,203	55,165,931	7,053,699	7,552,129
Total operating expenses	16,848,017	17,768,478	21,606,856	22,435,299	25,641,838	3,376,004	4,807,930
Income from operations	12,963,543	17,711,815	24,892,393	23,510,904	29,524,093	3,677,695	2,744,199
Interest and other (income) expenses	(304,142)	(155,257)	77,337	311,934	125,422	(774)	2,656
Income before income taxes	13,267,685	17,867,072	24,815,056	23,198,970	29,398,671	3,678,469	2,741,543
Income taxes	164,413	284,034	732,204	527,384	489,705	120,000	148,753
Net income	13,103,272	17,583,038	24,082,852	22,671,586	28,908,966	3,558,469	2,592,790
OTHER HISTORICAL DATA:							
Depreciation and amortization	\$ 183,580	\$ 222,100	\$ 236,092	\$ 243,625	\$ 377,239	\$ 52,803	\$ 108,035
Capital expenditures	342,749	362,389	193,768	412,653	913,509	236,675	113,197
BALANCE SHEET DATA (END OF PERIOD):							
Working capital	\$17,158,738	\$19,984,119	\$26,200,156	\$24,271,635	\$ 30,693,805	\$18,628,768	\$18,745,052
Total assets	21,497,019	25,043,036	32,925,169	29,707,050	38,834,668	35,874,372	46,052,013
Long-term debt, including current portion	0	2,300,000	2,300,000	3,500,000	3,500,000	3,500,000	3,500,000
Total shareholders' equity	18,439,841	19,036,495	23,944,835	22,173,657	29,110,597	16,763,873	17,166,218

(1) The Miracle-Gro Companies shareholders have elected to be taxed as Subchapter S Corporations. Accordingly, the summary historical combined financial data DOES NOT reflect provisions for income taxes that would have been incurred if the Miracle-Gro Companies had been taxed as C corporations.

THE COMPANY'S SUMMARY UNAUDITED PRO FORMA FINANCIAL DATA

The following summary unaudited pro forma financial data of the Company and Miracle-Gro should be read in conjunction with the unaudited pro forma financial data included elsewhere herein. The following summary unaudited pro forma financial data give effect to the significant prior acquisition of Grace-Sierra Horticultural Products Company ("Sierra"), which occurred on December 16, 1993 as if it had occurred on October 1, 1992 and the Merger Transactions as if they had occurred on October 1, 1993.

THE PRO FORMA INFORMATION AND ACCOMPANYING NOTES SHOULD BE READ IN CONJUNCTION WITH THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS AND NOTES THERETO WHICH ARE INCORPORATED HEREIN BY REFERENCE AND WITH THE MIRACLE-GRO COMPANIES' COMBINED FINANCIAL STATEMENTS AND NOTES THERETO INCLUDED ELSEWHERE HEREIN. THE PRO FORMA FINANCIAL DATA DOES NOT PURPORT TO REPRESENT WHAT THE COMPANY'S RESULTS OF OPERATIONS ACTUALLY WOULD HAVE BEEN HAD THE ACQUISITION OF SIERRA OCCURRED ON OCTOBER 1, 1992 OR THE MERGER TRANSACTIONS OCCURRED ON OCTOBER 1, 1993 OR TO PROJECT THE COMPANY'S RESULTS OF OPERATIONS FOR ANY FUTURE PERIOD. THE PRO FORMA FINANCIAL DATA IS BASED ON ESTIMATES OF FINANCIAL EFFECTS THAT MAY NOT PROVE TO BE ACCURATE OVER TIME.

FISCAL YEAR ENDED SEPTEMBER 30, 1994 ----	THREE MONTHS ENDED DECEMBER 31, 1994 ----
(DOLLARS IN THOUSANDS, EXCEPT RATIOS)	

PRO FORMA STATEMENT OF OPERATIONS DATA:

Net sales	\$726,231	\$ 109,906
Gross profit	350,909	50,777
Total operating expenses	266,388	48,868
Income from operations	84,521	1,909
Interest expense	19,035	5,697
Income (loss) before income taxes and extraordinary items	65,486	(3,788)
Income taxes	28,722	(1,129)
Net income before extraordinary item	36,764	(2,659)
OTHER PRO FORMA DATA:		
Depreciation and amortization	22,314	5,909
Capital expenditures	34,316	5,125
Earnings per common share - primary and fully diluted..	1.27	(0.27)
Book value per share (1)	--	12.58

(1) Pro forma book value per share as of December 31, 1994 was calculated using the Common Shares outstanding of the Company of 18,667,064 and the Common Shares issued assuming conversion of the Class A Convertible Preferred Stock of 10,263,158 Common Shares.

THE ANNUAL MEETING

GENERAL

This Proxy Statement/Prospectus is furnished to the Company's shareholders in connection with the solicitation on behalf of the Board of Directors of the Company of proxies for use at the Annual Meeting to be held at the Stouffer Dublin Hotel, 600 Metro Place North, Dublin, Ohio 43017, on Thursday, April 6, 1995, at 10:00 a.m., local time, and at any adjournment or adjournments thereof. This Proxy Statement/Prospectus and the accompanying form of proxy were first mailed to shareholders on or about March [8], 1995.

MATTERS TO BE CONSIDERED AT THE ANNUAL MEETING

At the Annual Meeting, shareholders will be asked (i) to consider and vote upon the acquisition of one-third or more but less than a majority of the voting power of the Company by the Miracle-Gro Shareholders; (ii) to consider and act upon a proposal to amend Article FOURTH of the Amended Articles of Incorporation of the Company to increase the authorized number of Common Shares to 50,000,000 and to authorize a class of 195,000 voting preferred shares designated Class A Convertible Preferred Stock; (iii) to consider and act upon a proposal to amend the Amended Articles of Incorporation by adding new Article NINTH; (iv) to consider and act upon proposals to amend Sections 2.02 and 6.01 of the Code of Regulations; (v) to elect directors and (vi) to transact such other business as may properly come before the Annual Meeting.

The Board of Directors has unanimously approved the Merger Transactions, the Reincorporation, the Acquisition and each of the other matters to be voted upon at the Annual Meeting. The Board recommends a vote FOR the Acquisition and each of the other matters described herein and FOR the election of the directors named herein.

VOTING AT THE MEETING; RECORD DATE

Only holders of record of the Company's Common Shares at the close of business on the Record Date will be entitled to vote at the Annual Meeting. As of the Record Date, there were [18,667,064] Common Shares outstanding. Each Common Share entitles the holder to one vote. A quorum for the Annual Meeting is a majority of the Common Shares outstanding. In addition, a quorum for purposes of Proposal No. 1 only also includes a majority of the portion of the voting power excluding "Interested Shares." See "PROPOSAL TO APPROVE ACQUISITION OF ONE-THIRD OR MORE BUT LESS THAN A MAJORITY OF THE VOTING POWER OF THE COMPANY - Recommendation and Vote." There is no cumulative voting. There are no other voting securities of the Company outstanding.

Common Shares represented by signed proxies that are returned to the Company will be counted toward the quorum in all matters even though they are marked as "Abstain," "Against" or "Withhold Authority" on one or more or all matters or they are not marked at all. Broker/dealers, who hold their customers' shares in street name, may, under the applicable rules of the exchange and other self-regulatory organizations of which the broker/dealers are members, sign and submit proxies for such shares and may vote such shares on routine matters, which, under such rules, typically include the election of directors, but broker/dealers may not vote such shares on other matters, which typically include amendments to the articles of incorporation of the Company and the approval of stock compensation plans, without specific instructions from the customer who owns such shares. Proxies signed and submitted by broker/dealers which have not been voted on certain matters as described in the previous sentence are referred to as broker non-votes. Such proxies count toward the establishment of a quorum. THE EFFECT OF AN ABSTENTION OR BROKER NON-VOTE ON EACH OF THE MATTERS TO BE VOTED UPON AT THE MEETING IS THE SAME AS A "NO" VOTE.

If the accompanying proxy card is properly signed and returned to the Company prior to the Annual Meeting and not revoked, it will be voted in accordance with the instructions contained therein. If no instructions

are given, the persons designated as proxies in the accompanying proxy card will vote FOR the election as directors of those persons named below and FOR all other proposals set forth herein.

The Board of Directors is not currently aware of any matters other than those referred to herein which will come before the Annual Meeting. If any other matter should be presented at the Annual Meeting for action, the persons named in the accompanying proxy card will vote the proxy in their own discretion.

You may revoke your proxy at any time before it is actually voted at the Annual Meeting by delivering written notice of revocation to the Secretary of the Company, by submitting a subsequently dated proxy, or by attending the Annual Meeting and voting in person. Attendance at the Annual Meeting will not, in itself, constitute revocation of the proxy.

The expense of preparing, printing and mailing proxy materials to the Company's shareholders will be borne by the Company. The Company has engaged Georgeson & Company to assist in the solicitation of proxies from stockholders at a fee of approximately \$10,000 plus reimbursement of reasonable out-of-pocket expenses. In addition, proxies may be solicited personally or by telephone by officers or employees of the Company, none of whom will receive additional compensation therefor. The Company will also reimburse brokerage houses and other nominees for their reasonable expenses in forwarding proxy materials to beneficial owners of the Common Shares.

If a shareholder is a participant in The Scotts Company Profit Sharing and Savings Plan (the "PSP") and Common Shares have been allocated to such person's account in the PSP, the trustee will vote the allocated Common Shares.

THE MERGER TRANSACTIONS

BACKGROUND OF THE MERGER TRANSACTIONS

Representatives of the Company have inquired of Miracle-Gro's management periodically whether they would consider a business combination. In the Fall of 1994, the principals of Miracle-Gro and members of the Company's senior management began meeting to determine whether there was a basis for agreement. In September, the Miracle-Gro Companies retained CS First Boston to provide advice with respect to the possible business combination, while, in October, the Company determined to pursue this opportunity and retained Smith Barney to assist in the negotiations. On October 3, 1994, the Company and Miracle-Gro executed a confidentiality agreement. Thereafter, the parties periodically discussed the terms of a possible business combination. Such discussions culminated in the execution of the Agreement on January 26, 1995.

The consideration to be paid by the Company in the Merger Transactions was determined by arms-length negotiation among the Miracle-Gro Companies, the Miracle-Gro Shareholders and the Company, after consultation by the Company with Smith Barney and consultation by the Miracle-Gro Shareholders with CS First Boston.

REASONS FOR THE MERGER TRANSACTIONS

The Board of Directors believes that the terms of the Merger Transactions are fair to, and in the best interests of, the Company and its shareholders. Accordingly, the Board of Directors has approved the Agreement and the transactions contemplated thereby.

The Board of Directors believes that the Merger Transactions offer the Company several unique and significant business opportunities that are consistent with the Company's principal long-term growth strategies to enhance the Company's position as the leading provider of brand name products for the consumer lawn and garden and professional turf care markets in the United States, while substantially expanding the Company's presence and growth potential in markets overseas. Specifically, the Company's management and the Board of Directors expect the Company to derive from the Merger Transactions the following principal benefits:

First, the Merger Transactions WILL BRING TOGETHER TWO OF THE STRONGEST BRANDS -- SCOTTS(R) AND MIRACLE-GRO(R) -- IN THE LAWN AND GARDEN INDUSTRY and should establish the Company as a strong branded packaged-goods marketer.

Second, the combination SHOULD CREATE A MORE PROFITABLE, FASTER GROWING COMPANY. Sales of The Miracle-Gro Companies have, over the last five years, grown at greater than a 13% rate, while net income has increased at more than a 16% rate. After consulting with the Miracle-Gro Companies' management, the Company's management believes that Miracle-Gro's growth is sustainable and that based on the foregoing the combination of the companies should accelerate the Company's profit growth.

Third, the combination of these companies SHOULD OPEN NEW INTERNATIONAL MARKET OPPORTUNITIES. Since its introduction in the United Kingdom five years ago, Miracle-Gro(R) has become the leading brand of garden plant food in that market. Miracle-Gro UK, which will become part of New Miracle-Gro in the Merger Transactions, owns a 32.5% equity interest in Miracle Holdings, a newly-created entity which sells Miracle-Gro(R) products in the United Kingdom, as well as a number of other leading brands of garden care products formerly manufactured by ICI Zeneca. See "INFORMATION ABOUT THE MIRACLE-GRO COMPANIES - Business of the Miracle-Gro Companies." In 1994, Miracle Holdings had sales of over \$50 million on a pro forma basis. In addition, Miracle-Gro UK has the option to increase its percentage ownership from 32.5% to approximately 98% of the equity of Miracle Holdings, initially for 35 million pounds sterling. Whether or not that option is exercised, the Company's management believes that the combination of Miracle-Gro's proven consumer acceptance in the United Kingdom, and the acceptance of the Company's products, including Osmocote(R), in the commercial market in Europe should give the combined companies the financial and management resources to accelerate their growth outside of North America.

Fourth, the Miracle-Gro Companies' profitability, and the fact that they requires very little capital, should result in SUBSTANTIALLY INCREASED FREE CASH FLOW for the Company. While the Company has not yet decided what uses it will make of any such cash, the Company plans to consider some or all of the following: investment in the business, including research and development, capital expenditures, paying down debt, a common share buyback and a common share dividend.

Finally, the combination of the Company and the Miracle-Gro Companies should result in the ENHANCEMENT OF THE COMPANY'S BALANCE SHEET. Since the Miracle-Gro Companies have relatively little debt, key financial ratios -- and therefore the Company's credit-worthiness -- will be improved on a pro forma basis as a result of the Merger Transactions. The Company's banks have indicated that, in view of the pro forma improvements in cash flow, they may reduce the Company's marginal interest rate and enter into an amended and restated credit agreement with terms more favorable to the Company upon the consummation of the Merger Transactions.

Of course, as in any business transaction, there can be no assurance that the Company's expectations will be realized.

In reaching its decision to approve the Agreement and the transactions contemplated thereby, the Board of Directors considered, among other things, (i) information concerning the financial performance, condition, business operations and prospects of each of the Company and the Miracle-Gro Companies; (ii) historical market prices and trading information with respect to the Company's Common Shares; (iii) the expected effect of the Merger Transactions on the Company's earnings per share based on historical audited financial statements of the Company and the Miracle-Gro Companies, financial forecasts prepared by their respective managements and upon the amount and terms of the Class A Convertible Preferred Stock and the Warrants to be issued in connection with the Merger Transactions; (iv) the expected enhancement of the Company's capitalization and cash flows as a result of the addition of Miracle-Gro's operating cash flows; (v) the potential efficiencies and economies of scale resulting from the combination to be effected by the Merger Transactions; (vi) the proposed terms and structure of the Merger Transactions; (vii) the terms of the Agreement and (viii) the opinion of Smith Barney referred to below (see "THE MERGER TRANSACTIONS - Opinion of Financial Advisor").

OPINION OF FINANCIAL ADVISOR

The Board of Directors of the Company retained Smith Barney as exclusive financial advisor to the Company to render certain financial advisory services to the Company in connection with the Merger Transactions. In connection with such engagement, the Company requested that Smith Barney evaluate the fairness to the Company, from a financial point of view, of the consideration to be paid by the Company in the Merger Transactions. On January 23, 1995, in connection with the evaluation of the proposed Agreement by the Board of Directors of the Company, Smith Barney delivered its oral opinion (which was subsequently confirmed in writing by a letter dated January 26, 1995) to the Board of Directors of the Company to the effect that, as of such date and based upon and subject to certain matters stated in such opinion, the value of the consideration to be paid in the Merger Transactions was fair, from a financial point of view, to the Company.

In arriving at the opinion set forth in its January 26, 1995 letter, Smith Barney reviewed a copy of the Agreement entered into by the parties thereto on January 26, 1995. In delivering its oral opinion on January 23, 1995, Smith Barney reviewed a current draft of the Merger Agreement (draft of January 21, 1995), the terms of which did not vary materially from the definitive Merger Agreement. Smith Barney held discussions with certain senior officers, directors and other representatives and advisors of the Company and certain senior officers and other representatives and advisors of the Miracle-Gro Companies concerning the businesses, operations and prospects of the Company and the Miracle-Gro Companies. Smith Barney examined certain publicly available business and financial information relating to the Company and certain business and financial information relating to the Miracle-Gro Companies as well as certain financial forecasts and other data for the Company and the Miracle-Gro Companies which were provided to Smith Barney by the respective managements of the Company and the Miracle-Gro Companies. Smith Barney reviewed the financial terms of the Company as set forth in the Merger Agreement in relation to, among other things: current and historical market prices and trading volumes of the Company's Common Stock; the historical and projected earnings of the Company and the Miracle-Gro Companies; and the capitalization and financial condition of the Company and the Miracle-Gro Companies. Smith Barney considered, to the extent publicly available, the financial terms of certain other similar transactions recently effected which Smith Barney considered comparable to the Merger Transactions and analyzed certain financial, stock market and other publicly available information relating to the businesses of other companies whose businesses Smith Barney considered comparable to those of the Company and the Miracle-Gro Companies. Smith Barney also evaluated the potential pro forma financial impact of the Merger Transactions on the Company. In addition to the foregoing, Smith Barney conducted such other analyses and examinations and considered such other financial, economic and market criteria as Smith Barney deemed necessary to arrive at its opinion. Smith Barney noted that its opinion was necessarily based upon information available, and financial, stock market and other conditions and circumstances existing and disclosed, to Smith Barney as of the date of its opinion.

In rendering its opinion, Smith Barney assumed and relied, without independent verification, upon the accuracy and completeness of all financial and other information publicly available or furnished to or otherwise reviewed by or discussed with Smith Barney. With respect to financial forecasts and other information provided to or otherwise discussed with Smith Barney, Smith Barney has been advised by the respective management of the Company and the Miracle-Gro Companies that such forecasts and other information were reasonably prepared on bases reflecting their best currently available estimates and judgments as to the expected future financial performance of the Company and the Miracle-Gro Companies. Smith Barney assumed that the Merger Transactions will be treated as tax-free reorganizations for federal income tax purposes. Smith Barney's opinion relates to the relative values of the Company and the Miracle-Gro Companies. Smith Barney did not express any opinion as to what the value of the consideration to be paid with respect to the Merger Transactions actually will be when issued pursuant to the Merger Transactions or the price at which the Company's Common Shares will trade subsequent to the Merger Transactions. In addition, Smith Barney did not make or obtain an independent evaluation or appraisal for the assets or liabilities (contingent or otherwise) of the Company or the Miracle-Gro Companies nor did Smith Barney make any physical inspection of the properties or assets of the Company or the Miracle-Gro Companies. Smith Barney was not asked to consider, and its opinion does not address, the relative merits of the Merger Transactions as compared to any alternative business strategies that might exist for the Company or the effect of any other transaction in which

the Company might engage. In addition, although Smith Barney evaluated the consideration to be paid in the Merger Transactions from a financial point of view, Smith Barney was not asked to and did not recommend the specific consideration payable in the Merger Transactions. No other limitations were imposed by the Company on Smith Barney with respect to the investigations made or procedures followed by Smith Barney in rendering its opinion.

THE FULL TEXT OF THE WRITTEN OPINION OF SMITH BARNEY DATED JANUARY 26, 1995, WHICH SETS FORTH THE ASSUMPTIONS MADE, MATTERS CONSIDERED AND LIMITATIONS ON THE REVIEW UNDERTAKEN, IS ATTACHED HERETO AS APPENDIX II AND IS INCORPORATED HEREIN BY REFERENCE. THE COMPANY'S SHAREHOLDERS ARE URGED TO READ THIS OPINION CAREFULLY IN ITS ENTIRETY. SMITH BARNEY'S OPINION IS DIRECTED ONLY TO THE FAIRNESS OF THE VALUE OF THE CONSIDERATION TO BE PAID IN THE MERGER TRANSACTIONS FROM A FINANCIAL POINT OF VIEW AND HAS BEEN PROVIDED SOLELY FOR THE USE OF THE BOARD OF DIRECTORS OF THE COMPANY IN ITS EVALUATION OF THE MERGER TRANSACTIONS, DOES NOT ADDRESS ANY OTHER ASPECT OF THE MERGER TRANSACTIONS OR RELATED TRANSACTIONS AND DOES NOT CONSTITUTE A RECOMMENDATION TO ANY COMPANY SHAREHOLDER AS TO HOW SUCH SHAREHOLDER SHOULD VOTE AT THE ANNUAL MEETING. THE SUMMARY OF THE OPINION OF SMITH BARNEY SET FORTH IN THIS PROXY STATEMENT/PROSPECTUS IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE FULL TEXT OF SUCH OPINION.

In preparing its opinion to the Board of Directors of the Company, Smith Barney performed a variety of financial and comparative analyses, including those described below. The summary of such analyses does not purport to be a complete description of the analyses underlying Smith Barney's opinion. The preparation of a fairness opinion is a complex analytic process involving various determinations as to the most appropriate and relevant methods of financial analyses and the application of those methods to the particular circumstances and, therefore, such an opinion is not readily susceptible to summary description. In arriving at its opinion, Smith Barney did not attribute any particular weight to any analysis or factor considered by it, but rather made qualitative judgments as to the significance and relevance of each analysis and factor. Accordingly, Smith Barney believes that its analyses must be considered as a whole and that selecting portions of its analyses and factors, without considering all analyses and factors, could create a misleading or incomplete view of the processes underlying such analyses and its opinion. In its analyses, Smith Barney made numerous assumptions with respect to the Company, the Miracle-Gro Companies, industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of the Company and the Miracle-Gro Companies. The estimates contained in such analyses are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than those suggested by such analyses. In addition, analyses relating to the value of businesses or securities do not purport to be appraisals or to reflect the prices at which businesses or securities actually may be sold. Accordingly, such analyses and estimates are inherently subject to substantial uncertainty.

Comparable Company Analysis

Using publicly available information, Smith Barney analyzed, among other things, the market values and trading multiples of selected consumer products companies with a single product brand name, including WD 40 Co., Armor All, and Eskimo Pie Co., and certain fertilizer and lawn care products companies, including IMC Global Inc., LESCO Inc., Terra Industries and Vigoro Corp. (the "Comparable Companies"). Smith Barney compared market values as multiples of projected net income and adjusted market values (equity market value, plus total debt and preferred stock, less cash and cash equivalents) as multiples of, among other things, latest 12 months net revenue and earnings before interest, taxes, depreciation and amortization ("EBITDA"). Smith Barney also compared historical revenue growth and projected earnings per share ("EPS") growth of the Comparable Companies with those of the Miracle-Gro Companies. EPS projections for the Comparable Companies were analyzed based on the consensus estimates of selected investment banking firms, and earnings projections for the Miracle-Gro Companies were analyzed based on internal estimates of the management of the Miracle-Gro Companies as adjusted by Scott's management. An analysis of multiples of projected calendar 1995 net income yielded a range of 9.1x to 16.1x with a mean of 12.9x, as compared to approximately 9.7x for the Miracle-Gro Companies. An analysis of multiples of latest 12 months EBITDA yielded a range of 5.3x to 12.7x with a mean of 8.9x, as compared to approximately 6.6x for the Miracle-Gro Companies. An analysis of five year historical annual sales growth resulted in a range of (2.6%) to 11.8% with a mean of 4.7%, as compared to approximately

13.7% for the Miracle-Gro Companies. An analysis of projected five-year annual earnings growth yielded a range of 7.2% to 22.5% with a mean of 12.6%, as compared to in excess of 15% for the Miracle-Gro Companies. All multiples were based on closing stock prices as of January 19, 1995.

Selected Merger and Acquisition Transactions Analysis

Using publicly available information, Smith Barney analyzed the purchase prices and implied transaction multiples in 16 selected mergers and acquisition transactions announced between 1990 and 1995, including Snapple Beverage Corp./Quaker Oats Co. and Neutrogena Corp./Johnson & Johnson in the single-product brand name consumer products industry and Grace- Sierra Horticultural/Scotts Co. and Chevron Chemical Company-Ortho/Monsanto Co. in the fertilizer and lawn and garden care products industry (the "Selected Acquisitions"). Smith Barney compared transaction values as multiples of latest 12 month revenue and EBITDA. An analysis of multiples of latest 12 month revenue for the Selected Acquisitions yielded a range of 1.0x to 3.3x, with a mean of 2.1x, as compared to approximately 2.0x for the Miracle-Gro Companies (for fiscal 1994). An analysis of the multiples to EBITDA for the Selected Acquisitions yielded a range of 7.7x to 19.4x, with a mean of 9.0x, as compared to approximately 6.6x for the Miracle-Gro Companies (for fiscal 1994).

No company, transaction or business used in the comparable company and selected merger and acquisitions transactions analyses as a comparison is identical to the Company, the Miracle-Gro Companies or the Merger Transactions. Accordingly, an analysis of the results of the foregoing is not entirely mathematical; rather, it involves complex considerations and judgments concerning differences in financial and operating characteristics and other factors that could affect the acquisition or public trading value of the comparable companies or the business segment or company to which they are being compared.

Discounted Cash Flow Analysis

Smith Barney performed discounted cash flow analyses of the projected Miracle-Gro Companies' cash flows for the fiscal years ended September 30, 1995 through 1999, assuming, among other things, discount rates of 10% to 14%, and terminal multiples of 5x to 7x of EBITDA. Utilizing these assumptions Smith Barney arrived at an equity valuation reference range for the Miracle-Gro Companies of approximately \$266 million to \$403 million.

Pro Forma Merger Analysis

Smith Barney analyzed certain pro forma effects resulting from the Merger Transactions assuming a March 31, 1995 closing, including, among other things, the impact of the Merger Transactions on the projected EPS of the Company for the fiscal years ended 1995 through 1999. The results of the pro forma merger analysis suggest that the Merger Transactions would be break-even with respect to EPS for fiscal 1994, break even with respect to consensus EPS estimates of selected investment banking firms for fiscal 1995 and accretive for 1996 through 1999. The actual results achieved by the combined company may vary from projected results and the variations may be material.

Other Facts and Comparative Analyses

In rendering its opinion, Smith Barney considered certain other factors and conducted certain other comparative analyses, including, among other things, a review of (i) the historical and projected financial results of the Company and the Miracle-Gro Companies, (ii) the history of trading prices for the Company's Common Stock; and (iii) the expected effect of the Merger Transactions on selected credit statistics of the Company.

Pursuant to the terms of Smith Barney's engagement, the Company has agreed to pay Smith Barney \$450,000 upon delivery of its fairness opinion and a transaction fee of \$1.8 million (reduced by the amount paid in respect of the delivery of the fairness opinion) upon consummation of the transaction. In the event the transactions

contemplated by the Agreement are not consummated and the Company receives compensation in respect thereof, Smith Barney is entitled to receive a termination fee equal to 10% of such compensation (reduced by the amount paid in respect of the delivery of the fairness opinion). The Company also has agreed to reimburse Smith Barney for travel and other out-of-pocket expenses incurred by Smith Barney in performing its services, including the fees and expenses of its legal counsel, and has agreed to indemnify Smith Barney and related persons against certain liabilities, including liabilities under the federal securities laws, arising out of Smith Barney's engagement.

Smith Barney has advised the Company that, in the ordinary course of business, it may actively trade the equity and debt securities of the Company for its own account or for the account of its customers and, accordingly, may at any time hold a long or short position in such securities.

Smith Barney is a nationally recognized investment banking firm and was selected by the Company based on Smith Barney's experience and expertise. Smith Barney regularly engages in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive bids, secondary distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes.

FEDERAL INCOME TAX CONSEQUENCES

The following is a general summary of certain material federal income tax consequences of the Merger Transactions. The discussion is based on the Code, judicial decisions and administrative regulations, rulings and practices, all of which are subject to change. The following does not address any state, local or foreign income and other tax consequences of the Merger Transactions.

Neither the Company nor the holders of the Company's Common Shares will recognize any gain or loss for federal income tax purposes as a result of the Merger Transactions.

With respect to the Miracle-Gro Shareholders, the consummation of the Merger Transactions is conditioned, among other things, upon the receipt of an opinion of Skadden, Arps, Slate, Meagher & Flom, special counsel to the Miracle-Gro Companies, to the effect that each of the Merger and the Subsequent Mergers should constitute a tax-free reorganization pursuant to Section 368(a) of the Code. Such opinion will be conditioned and based on certain statements and representations which are expected to be made at the Effective Time by executives of the Miracle-Gro Companies and the Company, and is subject to the assumptions and limitations described therein. The opinion will not be binding on the Internal Revenue Service, nor will it preclude the Internal Revenue Service from taking a contrary position. Subject to these limitations, the following is a summary of the material federal income tax consequences of the Merger Transactions:

- i) each of the Merger Transactions should constitute a reorganization within the meaning of Section 368(a) of the Code, and the Company, Merger Subsidiary and each Miracle-Gro Company should each be a party to the respective reorganizations of which they are a part within the meaning of Section 368(b) of the Code;
- ii) no gain or loss should be recognized by the shareholders of a Miracle-Gro Company upon their receipt of shares of Class A Convertible Preferred Stock in a Merger Transaction in exchange for their shares of stock of the relevant Miracle-Gro Company;
- iii) each shareholder of a Miracle-Gro Company should, with respect to each Merger Transaction, recognize taxable income equal to the lesser of (x) the fair market value of the Warrants received by such shareholder in exchange for such shareholder's shares of stock of the relevant Miracle-Gro Company and (y) the difference between the aggregate fair market value of the shares of Class A Convertible Preferred Stock and the Warrants received by such shareholder in such Merger Transaction and such shareholder's tax basis in the stock of the relevant Miracle-Gro Company exchanged therefor;

- iv) the tax basis of a shareholder of a Miracle-Gro Company in the shares of Class A Convertible Preferred Stock received by such shareholder should be the same as such shareholder's tax basis in the stock of such Miracle-Gro Company exchanged therefor, decreased by the fair market value of the Warrants received and increased by any taxable income recognized by such shareholder in respect of such Merger Transactions;
- v) the tax basis of a shareholder of a Miracle-Gro Company in the Warrants received by such shareholder will be equal to the fair market value of the Warrants received; and
- vi) the holding period of the shares of Class A Convertible Preferred Stock in the hands of a shareholder of a Miracle-Gro Company should include the holding period of such shareholder's shares of stock of such Miracle-Gro Company exchanged therefor.

The foregoing summary of federal income tax consequences is included herein for general information only and does not address the federal income tax consequences to all categories of Miracle-Gro Shareholders. EACH MIRACLE-GRO SHAREHOLDER IS URGED TO CONSULT HIS OR HER OWN TAX ADVISOR AS TO THE SPECIFIC TAX CONSEQUENCES TO HIM OR HER OF THE MERGER TRANSACTIONS, INCLUDING THE APPLICATION AND EFFECT OF STATE, LOCAL AND FOREIGN INCOME AND OTHER TAX LAWS.

ACCOUNTING TREATMENT

The Merger Transactions will be accounted for by the Company under the "purchase" method of accounting in accordance with generally accepted accounting principles.

THE AGREEMENT

This section of the Proxy Statement/Prospectus describes certain aspects of the Agreement. The following description, however, does not purport to be complete and is qualified in its entirety by reference to the Agreement itself which is attached hereto as Appendix I and is incorporated herein by reference. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Agreement.

TERMS OF THE AGREEMENT

Pursuant to the Agreement, (1) Merger Subsidiary shall be merged with and into Miracle-Gro, whereupon Miracle-Gro will be the surviving corporation and a wholly-owned subsidiary of the Company; (2) immediately thereafter, (x) Nurseries will transfer all of its assets, including but not limited to all of its intellectual property rights, but none of its liabilities, to Miracle-Gro and (y) Miracle-Gro Delaware and Miracle-Gro UK will each merge with and into Miracle-Gro; and (3) immediately thereafter, Miracle-Gro shall be merged with and into New Miracle-Gro, which shall be the ultimate surviving corporation under the name "Scotts' Miracle-Gro Products, Inc." In connection with the Merger Transactions, the Miracle-Gro Shareholders, as a group, will receive in the aggregate 195,000 shares of Class A Convertible Preferred Stock and three separate series of warrants (collectively, the "Warrants"). See "DESCRIPTION OF THE CAPITAL STOCK OF THE COMPANY - Class A Convertible Preferred Stock" and "THE WARRANTS." As of the Effective Time of the Merger Transactions, the Class A Convertible Preferred Stock will be convertible into approximately 35% of the Company's Common Shares on a fully-diluted basis and the Warrants will be exercisable for an additional 3,000,000 of the Company's Common Shares, which, if exercised, would enable them to exercise, together with the Class A Convertible Preferred Stock, approximately 42% of the Total Voting Power.

As a result of the Merger Transactions and as provided by the GCL and other applicable law, all the property, rights, privileges, powers and franchises of the Miracle-Gro Companies will vest in New

Miracle-Gro, as the ultimate surviving corporation, and all debts, liabilities and duties of Miracle-Gro, Miracle-Gro Delaware and Miracle-Gro UK will become the debts, liabilities and duties of New Miracle-Gro, as the ultimate surviving corporation.

REPRESENTATIONS AND WARRANTIES

The Agreement includes various customary representations and warranties of the parties for transactions of this type. These include, among other things, representations and warranties by Miracle-Gro and the Miracle-Gro Shareholders as to (i) the Miracle-Gro Companies' organization and foreign qualification to do business; (ii) execution, delivery and performance by the Miracle-Gro Companies of the Agreement and its valid and binding nature; (iii) the unanimous approval of the Merger Transactions by all of the outstanding capital shares of the Miracle-Gro Companies; (iv) non-contravention of the organizational documents of the Miracle-Gro Companies, provisions of applicable law or agreements and required consents and approvals; (v) the capitalization of the Miracle-Gro Companies; (vi) the accuracy of the financial statements of the Miracle-Gro Companies and other information provided to the Company; (vii) the absence of certain changes and the conduct of the business of the Miracle-Gro Companies since September 30, 1994; (viii) the absence of undisclosed material liabilities; (ix) pending or threatened litigation; (x) proper payment of taxes and the status of the Miracle-Gro Companies as S corporations (other than Nurseries) within the meaning of Section 1361(a)(1) of the Code; (xi) ERISA plans and liability; (xii) trademarks, patents, copyrights and other intellectual property rights; (xiii) material contracts; (xiv) compliance with applicable law; (xv) finders' fees; and (xvi) environmental compliance.

With certain limited exceptions, the representations and warranties by the Company and Merger Subsidiary mirror the representations and warranties by Miracle-Gro and the Miracle-Gro Shareholders. In addition, the Company and Merger Subsidiary make representations and warranties as to (i) the Company's public financial statements and documents filed with the Commission and (ii) receipt of a fairness opinion from Smith Barney.

The representations and warranties of each of the parties contain, variously, customary carve-outs for materiality, knowledge and previously disclosed information.

COVENANTS

Pursuant to the Agreement, the Miracle-Gro Companies and the Miracle-Gro Shareholders, on the one hand, and the Company and Merger Subsidiary, on the other, have made various covenants customary for transactions of this type, including (i) conduct of their respective businesses from the date of the Agreement through the Effective Time; (ii) access to information and confidentiality; (iii) solicitation or negotiation of competing offers; and (iv) notice of certain events. In addition, the parties have made certain joint covenants with respect to (a) using their best efforts to consummate the transactions contemplated by the Agreement; (b) cooperating in connection with the preparation of this Proxy Statement/Prospectus and obtaining all requisite consents, approvals or waivers; (c) public announcements; (d) further assurances; (e) responsibility for preparing and filing various pre- and post-Effective Time tax returns; and (f) the qualification of the Merger Transactions as tax-free reorganizations within the meaning of Section 368(a) of the Code. In addition, the parties have agreed that prior to the Effective Time the Miracle-Gro Companies shall distribute \$22 million to the Miracle-Gro Shareholders, which amount represents the estimated earnings of the Miracle-Gro Companies from October 1, 1994 through the Effective Time. The Miracle-Gro Companies may borrow funds to finance the payment of such distribution, and such distribution shall be made whether or not the earnings actually equal or exceed \$22 million for such period. To the extent that such earnings exceed \$22 million, the Company shall indemnify, or gross-up, the Miracle-Gro Shareholders for taxes on up to \$1 million of excess earnings by the Miracle-Gro Companies from October 1, 1994 through the Effective Time.

The covenants of each of the parties contain, variously, customary carve-outs for materiality, knowledge and previously disclosed information.

STANDSTILL PROVISIONS

The Agreement provides for certain voting rights of and certain voting restrictions on the Miracle-Gro Shareholders. The Agreement also limits the ability of the Miracle-Gro Shareholders to acquire additional Voting Stock of the Company or to transfer the Class A Convertible Preferred Stock, the Warrants or the underlying Common Shares. These provisions will have a significant effect on the management and day-to-day operations of the Company. Investors in the Company, therefore, should consider carefully, in addition to the other information contained in this Proxy Statement/Prospectus, the following provisions:

Board of Directors

The Agreement provides that, assuming that the shareholders of the Company approve Proposal Nos. 4 and 5 herein, the Miracle-Gro Shareholders, through the Shareholder Representative, shall be entitled to designate three directors (one in each of the newly created classes) (the "Miracle-Gro Directors") to sit on a newly expanded twelve person Board of Directors. Thereafter, until the earlier of the fifth anniversary of the Effective Time (the "Standstill Period") and such time as Miracle-Gro Shareholders no longer beneficially own at least 19% of the Voting Stock, the Shareholder Representative will continue to be entitled to designate three of twelve members of the Board of Directors. To the extent that the Company maintains an Executive Committee and/or a Nominating Committee, such committee(s) shall consist of four members, one of which shall be a Miracle-Gro Director. In addition, to the extent that any of the Miracle-Gro Directors is qualified, under the applicable requirements of the Code, the by-laws of the National Association of Securities Dealers, Inc. or otherwise, to sit on the Audit or Compensation Committees of the Board of Directors or any newly created committee, one of such Miracle-Gro Directors shall be entitled to sit on such committee(s) to the same extent, and on the same basis, as the other members of the Board of Directors. Following the Standstill Period or such time as the Miracle-Gro Shareholders cease to own at least 19% of the Voting Stock, the Miracle-Gro Shareholders will have no contractual right to, and the Company will not be able to restrict, the election of directors.

Voting Restrictions

Until the earlier of the end of the Standstill Period and such time as the Miracle-Gro Shareholders cease to own at least 19% of the Voting Stock, the Miracle-Gro Shareholders will be required to vote their shares of Class A Convertible Preferred Stock and Common Shares (i) for the Company's nominees to the Board of Directors, in accordance with the recommendation of the Board of Directors' Nominating Committee and (ii) on all matters to be voted on by holders of Voting Stock, in accordance with the recommendation of the Board of Directors, except with respect to a proposal as to which shareholder approval is required under the GCL relating to (a) the acquisition of Voting Stock of the Company, (b) a merger or consolidation, (c) a sale of all or substantially all of the assets of the Company, (d) a recapitalization of the Company or (e) an amendment to the Company's Amended Articles of Incorporation or Code of Regulations which would materially adversely affect the rights of the Miracle-Gro Shareholders. The Company has agreed that, without the prior consent of the Shareholder Representative, it shall not (x) issue Voting Stock (or Voting Stock equivalents) constituting in the aggregate more than 12.5% of Total Voting Power (other than pursuant to employee benefit plans in the ordinary course of business) or (y) in a single transaction or a series of related transactions, make any acquisition or disposition of assets which would require disclosure pursuant to Item 2 of Form 8-K under the Exchange Act; provided, however, that if five-sixths of the Board of Directors determine that it is in the best interests of the Company to make an acquisition pursuant to clause (y), such acquisition may be made without the consent of the Shareholder Representative. In addition, during the Standstill Period, the Miracle-Gro Shareholders will be limited in their ability to enter into any voting trust agreement without the Company's consent or to solicit proxies or become a participant in any election contest (as such terms are used in Rule 14a-11 of Regulation 14A under the Exchange Act) relating to the election of directors of the Company. Following the Standstill Period or such time as the Miracle-Gro Shareholders cease to own at least 19% of the Voting Stock, the voting restrictions provided in the Agreement will expire. Each of the Miracle-Gro Shareholders (other than John Kenlon) has previously entered into an agreement to contribute his or her shares to a limited partnership (the "Partnership"), which is described below under "MIRACLE-GRO

SHAREHOLDER LIMITED PARTNERSHIP." It is anticipated that all shares of Voting Stock held by the Partnership will be voted as a block.

Standstill Restrictions

The Agreement provides that during the Standstill Period, the Miracle-Gro Shareholders shall not acquire, directly or indirectly, beneficial ownership of Voting Stock representing more than 43% of Total Voting Power. For purposes of calculating beneficial ownership of Voting Stock against the Standstill Percentage, Common Shares underlying unexercised Warrants or any subsequently granted employee stock options will not be included. However, the terms of the Warrants provide (and the terms of any such employee stock options likely will provide) that, if exercised during the Standstill Period and to the extent that such exercise would increase the aggregate beneficial ownership of the Miracle-Gro Shareholders to more than 43% of Total Voting Power, such exercise may only be for cash and not for Common Shares. See "THE WARRANTS." To the extent that a recapitalization of the Company or a Common Share repurchase program by the Company increases the aggregate beneficial ownership of the Miracle-Gro Shareholders to an amount in excess of 44% of Total Voting Power, the Miracle-Gro Shareholders will be required to divest themselves of sufficient shares of Voting Stock to fall within the 44% of Total Voting Power limit. The Company has agreed that it will use reasonable efforts to ensure that employee stock options are funded with Common Shares repurchased in the open market rather than newly issued Common Shares.

The Miracle-Gro Shareholders have agreed that, after the Standstill Period, they will not acquire, directly or indirectly, beneficial ownership of Voting Stock representing more than 49% of Total Voting Power except pursuant to a tender offer for 100% of Total Voting Power, which tender offer is conditioned upon the receipt of at least a majority of the Voting Stock beneficially owned by shareholders of the Company other than the Miracle-Gro Shareholders and their Affiliates and Associates.

Restrictions on Transfers

During the Standstill Period, the Agreement provides that no Miracle-Gro Shareholder may transfer any Common Shares upon conversion of the Class A Convertible Preferred Stock or exercise of the Warrants, except (i) to the Company or any Person approved by the Company; (ii) to a Permitted Transferee who agrees in writing to abide by the provisions of the Agreement; (iii) pursuant to a merger or consolidation of the Company or a plan of liquidation which has been approved by the Company's Board of Directors; (iv) in a bona fide public offering registered under the Securities Act and designed to prevent any Person or group from acquiring beneficial ownership of 3% or more of Total Voting Power; (v) subject to the Company's right of first offer, pursuant to Rule 145 or Rule 144A under the Securities Act, provided that such sale would not knowingly result in any Person or group's acquiring beneficial ownership of 3% or more of Total Voting Power and all such sales by the Miracle-Gro Shareholders within the preceding three months would not exceed, in the aggregate, the greatest of the limits set forth in Rule 144(e)(1) under the Securities Act; (vi) in response to a tender offer made by or on behalf of the Company or with the approval of the Company's Board of Directors; or (vii) subject to the Company's right of first offer, in any other transfer which would not to the best knowledge of the transferring Miracle-Gro Shareholder result in any Person or group's acquiring beneficial ownership of 3% or more of Total Voting Power.

Neither the Class A Convertible Preferred Stock nor, during the Standstill Period, the Warrants may be transferred except (i) to the Company or any Person or group approved by the Company; (ii) to a Permitted Transferee who agrees in writing to abide by the provisions of the Agreement; (iii) pursuant to a merger or consolidation of the Company or a plan of liquidation; or (iv) with respect to Class A Convertible Preferred Stock representing no more than 15% of the Voting Stock on a fully diluted basis or any number of Warrants: (A) subject to the Company's right of first offer, pursuant to Rule 145 or Rule 144A under the Securities Act, provided that such sale would not knowingly result in any Person or group's acquiring beneficial ownership of 3% or more of Total Voting Power and all such sales by the Miracle-Gro Shareholders within the preceding three months would not exceed, in the aggregate, the greatest of the limits set forth in Rule 144(e)(1) under the Securities Act; or (B) subject to the Company's right of first offer, in any other transfer which would not to the best knowledge of the

transferring Miracle-Gro Shareholder result in any Person or group's acquiring beneficial ownership of 3% or more of Total Voting Power. For purposes of clauses (A) and (B) only, the Company's right of first offer with respect to shares of Class A Convertible Preferred Stock would be at a price equal to (x) the aggregate Market Price of the Common Shares into which such shares of Class A Convertible Preferred Stock could be converted at the time of the applicable Transfer Notice multiplied by (y) 105%.

Following the Standstill Period, the Warrants and the Common Shares underlying the Warrants and the Class A Convertible Preferred Stock are freely transferable, subject to the requirements of the Securities Act and applicable law.

CONDITIONS

The respective obligations of the Company, Merger Subsidiary, Miracle-Gro and the Miracle-Gro Shareholders to consummate the Merger Transactions are conditioned upon, among other things, (i) the Company's receipt of a consent under the Third Amended and Restated Revolving Credit Agreement, dated as of April 7, 1992, as amended, among the Company, the Banks listed therein and Chemical Bank, as Agent, and the provisions therein relating to restricted payments, operating and financial condition ratios and events of default having been amended in contemplation of the transactions contemplated by the Agreement in a manner reasonably satisfactory to the Miracle-Gro Companies; (ii) the Company's receipt of a consent by certain holders of the Company's outstanding 9-7/8% Senior Subordinated Notes due August 1, 2004, pursuant to the terms of the Indenture dated as of June 1, 1994, as supplemented, between the Company and Chemical Bank, as trustee; (iii) the approval by the Company's shareholders of Proposal Nos. 1, 2, 4 and 5 as set forth in this Proxy Statement/Prospectus; (iv) expiration or termination of the applicable waiting period under the HSR Act; (v) the absence of any applicable law or regulation or judgment, injunction, order or decree which prohibits the consummation of the Merger; (vi) the receipt of all material required authorizations, consents, waivers, orders or approvals and the making of all material required filings, notices and declarations; and (vii) the registration statement on Form S-4 relating to the sale of the Class A Convertible Preferred Stock and the Warrants having been declared effective.

The obligations of the Company and Merger Subsidiary to consummate the Merger Transactions are further conditioned upon, among other things, (i) the material accuracy of the representations and warranties of the Miracle-Gro Companies and the Miracle-Gro Shareholders and the material performance by them of their respective agreements and covenants required by the Agreement, along with receipt by the Company of a certificate signed by the Chief Executive Officer and Chief Financial Officer of Miracle-Gro to such effect; (ii) the absence of any material adverse change in the business, results of operations or condition (financial or otherwise) of the Miracle-Gro Companies and a certificate of the Chief Executive Officer of Miracle-Gro to such effect; and (iii) the receipt by the Company of Employment Agreements executed by Horace Hagedorn, John Kenlon and James Hagedorn (see "ELECTION OF DIRECTORS - Executive Compensation - Miracle-Gro Employment Agreements").

The obligations of Miracle-Gro and the Miracle-Gro Shareholders to consummate the Merger Transactions are further conditioned upon, among other things, (i) the material accuracy of the representations and warranties of the Company and Merger Subsidiary and the material performance by them of their respective agreements and covenants required by the Agreement, along with receipt by Miracle-Gro of a certificate signed by the Chief Executive Officer and Chief Financial Officer of the Company to such effect; (ii) the absence of any material adverse change in the business, results of operations or condition (financial or otherwise) of the Company and its subsidiaries, taken as a whole, and a certificate of the Chief Executive Officer of the Company to such effect; and (iii) the receipt of an opinion of Skadden, Arps, Slate, Meagher & Flom, substantially in the form attached to the Agreement, to the effect that each of the Merger and the Subsequent Mergers should constitute a tax-free reorganization under Section 368(a) of the Code.

WAIVERS AND AMENDMENTS

The conditions to consummation of the Merger Transactions may be waived at any time by the party or parties for whose benefit they were created. Except in certain limited circumstances, the Agreement may be amended at any time by written agreement of the parties.

TERMINATION

The Agreement may be terminated and the Merger Transactions may be abandoned at any time prior to the Effective Time (notwithstanding any approval of the Proposals contained in this Proxy Statement/Prospectus) (i) by mutual written consent of the parties thereto; (ii) by any party if the Merger has not been consummated by September 30, 1995; (iii) by any party if, prior to the Effective Time, the Market Price of the Company's Common Shares shall be less than the Target Amount for ten consecutive trading days, the "Target Amount" being the lesser of \$12 per share and the amount determined by multiplying \$12 by a percentage equal to 100% minus the percentage decline, if any, in the Standard & Poors 500 Index from the date of the Agreement through the beginning of the ten consecutive trading day period; (iv) by any party in the event of any law or regulation prohibiting the Merger or of any final and unappealable judgment, injunction, order or decree enjoining the Company or any Miracle-Gro Company from consummating any of the Merger Transactions; and (v) by any party upon a breach of any representation, warranty, covenant or agreement on the part of the other party, or if any representation or warranty of the other party becomes untrue, in each case such that the conditions set forth above under "THE AGREEMENT - Conditions" would be incapable of being satisfied by September 30, 1995. In the event of termination, the Agreement shall become void except that certain provisions relating to confidentiality and expenses shall survive such termination.

INDEMNIFICATION

The Agreement provides that, subject to certain time limitations (in the case of the tax representations, until expiration of the applicable statutory period of limitations, and in the case of all other representations until the Effective Time), Miracle-Gro and each Miracle-Gro Shareholder, on the one hand, and the Company and Merger Subsidiary, on the other, have agreed to indemnify, defend and hold the other party harmless from any and all damage, loss, liability and expense (including, without limitation, reasonable expenses of investigation and reasonable attorneys' fees and expenses) incurred or suffered by such other party as a result of any misrepresentation or breach of warranty, covenant or agreement contained in the Agreement. There are no monetary limitations on such indemnification.

EXPENSES

Whether or not the Merger Transactions are consummated, all costs and expenses incurred in connection with the Agreement will be borne by the party incurring them. All applicable sales, use or transfer taxes, if any, and all capital gains or income taxes of the Miracle-Gro Shareholders or any Miracle-Gro Company that may be due and payable as a result of any of the Merger Transactions or the transactions contemplated by the Agreement, whether levied on the Company, Merger Subsidiary, any Miracle-Gro Company or any Miracle-Gro Shareholder, shall be borne by the Miracle-Gro Shareholders.

MIRACLE-GRO SHAREHOLDER LIMITED PARTNERSHIP

The Miracle-Gro Shareholders (other than John Kenlon) have agreed to form the Partnership and contribute the Company's securities they receive pursuant to the Merger Transactions to such partnership. Such Miracle-Gro Shareholders, other than Horace Hagedorn, will be the initial general partners of the Partnership. The partnership interest of Horace Hagedorn will be a non-voting limited partnership interest, which Mr. Hagedorn presently intends to contribute to charity. The partners have agreed that certain matters, including the disposition of the Company's securities, if such disposition would result in the Partnership's owning less than 35% of the then outstanding voting power of the Company, will require a supermajority vote of the general partners, and

have agreed to certain restrictions on the transfer of interests in the Partnership. The Miracle-Gro Shareholders and John Kenlon have entered into an agreement under which Mr. Kenlon has granted the Partnership an irrevocable proxy on the Company's securities he receives pursuant to the Merger Transactions, and has granted the Partnership a right of first refusal on transfers of such securities.

PROPOSAL NO. 1

PROPOSAL TO APPROVE ACQUISITION OF ONE-THIRD OR MORE BUT LESS THAN A MAJORITY OF THE VOTING POWER OF THE COMPANY

The Miracle-Gro Shareholders, according to the acquiring person statement provided by them to the Company pursuant to Section 1701.831 of the GCL, do not currently own any Common Shares of the Company. As described above (see "THE AGREEMENT"), at the Effective Time of the Merger Transactions they will receive 195,000 shares of Class A Convertible Preferred Stock of the Company. Each share of Class A Convertible Preferred Stock is entitled to that number of votes per share equal to the number of Common Shares into which such Class A Convertible Preferred Stock could be converted at the date of determination. As of the date hereof, each share of Class A Convertible Preferred Stock would be entitled to approximately 52.6 votes per share. See "DESCRIPTION OF THE CAPITAL STOCK OF THE COMPANY - Class A Convertible Preferred Stock." As a result, immediately following the Merger Transactions, the Miracle-Gro Shareholders, as a group, would be able to exercise approximately 35% of the voting power of the Company.

Section 1701.831 of the GCL defines a "control share acquisition" to include an acquisition of the Company's shares which would give the acquiring person voting power falling within one of the following three categories: (a) one-fifth or more but less than one-third of the voting power, (b) one-third or more but less than a majority of the voting power, and (c) a majority or more of the voting power. See "PROTECTION AGAINST NON-NEGOTIATED TAKEOVERS." The Acquisition constitutes such a "control share acquisition." Pursuant to the GCL, approval of any "control share acquisition" of a public company must be submitted to the company's shareholders. The Miracle-Gro Shareholders have delivered to the Company the acquiring person statement required by the GCL, a copy of which is attached hereto as Appendix III and made a part hereof. At the Annual Meeting, shareholders of the Company will be asked to consider a proposal to allow the Miracle-Gro Shareholders, as a group, to complete a "control share acquisition" with respect to the Company's shares.

EFFECT OF APPROVAL OF ACQUISITION

If the Acquisition is approved and the Merger Transactions are consummated, the Miracle-Gro Shareholders also will receive Warrants to purchase an additional 3,000,000 Common Shares of the Company. Approval of the Acquisition will enable the Miracle-Gro Shareholders to acquire additional voting securities of the Company, on exercise of the Warrants or otherwise, so long as they do not acquire securities evidencing more than a majority of the voting power of the Company. Until the fifth anniversary of the Effective Time of the Merger, however, the Miracle-Gro Shareholders have agreed that they will not acquire securities having more than 43% (or, in certain limited circumstances, 44%) of the voting power of the Company. See "THE AGREEMENT - Standstill Provisions - Standstill Restrictions" for additional restrictions on the power of the Miracle-Gro Shareholders to acquire additional Common Shares of the Company.

RECOMMENDATION AND VOTE

For the Acquisition to be approved, the affirmative vote of the holders of a majority of the voting power of the Company represented at the Annual Meeting and the affirmative vote of the holders of a majority of the portion of such voting power excluding "Interested Shares" is required. At least a majority of the voting power of the Company, and a majority of the portion of such voting power excluding the voting power of "Interested Shares," must be represented at the Annual Meeting in person or by proxy. "Interested Shares" are defined by the GCL to include (i) shares held by the Acquiring Person (i.e., the Miracle-Gro Shareholders, as a group), (ii) shares held by

an officer of the Company elected or appointed by the Board of Directors, (iii) shares held by employees of the Company who are also directors and (iv) shares purchased after a control share acquisition is announced if the aggregate consideration paid by the person acquiring such shares exceeds \$250,000 or the number of shares acquired exceeds one-half of one percent of the voting power of the Company. As indicated elsewhere in this Proxy Statement/Prospectus, officers and directors as a group own approximately 9% of the Company's outstanding Common Shares, and the Miracle-Gro Shareholders do not currently own any outstanding Common Shares.

YOUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE ADOPTION OF THE PROPOSED CONTROL SHARE ACQUISITION OF ONE-THIRD OR MORE BUT LESS THAN A MAJORITY OF THE VOTING POWER OF THE COMPANY.

PROPOSAL NO. 2

PROPOSED AMENDMENT TO ARTICLE FOURTH OF
THE AMENDED ARTICLES OF INCORPORATION

PROPOSED AMENDMENT

The Amended Articles of Incorporation of the Company currently authorize 35,000,000 shares, all of which are Common Shares, each without par value. Each Common Share entitles the holder thereof to one vote on each matter properly submitted to the shareholders for their vote.

The Board of Directors proposes that the shareholders adopt an amendment to the Amended Articles of Incorporation increasing the authorized number of Common Shares from 35,000,000 shares to 50,000,000 shares and authorizing 195,000 voting preferred shares designated Class A Convertible Preferred Stock. Proposed amended Article FOURTH is set forth in Appendix IV attached hereto and made a part hereof. The following summary of the proposed amendment is qualified in its entirety by reference to Appendix IV.

The terms of the Class A Convertible Preferred Stock were negotiated with the Miracle-Gro Shareholders and are part of the Agreement. Dividends will be payable on the Class A Convertible Preferred Stock at the rate of \$50.00 per share per year. Dividends will be cumulative and will be payable quarterly. In the event that the Company fails to pay all or any portion of the accrued but unpaid dividends for two consecutive quarters, the Miracle-Gro Shareholders shall be entitled to elect three additional directors until such time as the accrued but unpaid dividends are paid to the holders of the Class A Convertible Stock, at which time such new directors shall be removed and the Board of Directors shall be reduced to the number in effect immediately prior to the increase. In the event of liquidation, dissolution or winding up of the Company, the holders of the Class A Convertible Preferred Stock will be entitled to receive \$1,000 per share, plus accumulated unpaid dividends, before any amount will be paid to the holders of the Common Shares. Each share of Class A Convertible Preferred Stock will be entitled to the number of votes equal to the number of Common Shares into which it is convertible and will vote together with the Common Shares as a single class. Each share of the Class A Convertible Preferred Stock will be convertible at any time into the number of Common Shares determined by dividing \$1,000 by the Conversion Price, initially \$19 per Common Share subject to adjustment in the event of stock dividends, stock splits, share combinations, asset distributions, recapitalizations and similarly dilutive events. See "DESCRIPTION OF THE CAPITAL STOCK - Class A Convertible Preferred Stock." The Class A Convertible Preferred Stock will be subject to redemption at any time after five years from the date of issuance, for \$1,000 per share plus accrued unpaid dividends.

EFFECT OF ADOPTION OF AMENDMENT

Pursuant to the Agreement, the 195,000 shares of Class A Convertible Preferred Stock are to be issued to the Miracle-Gro Shareholders. The current Amended Articles of Incorporation do not authorize a class of preferred shares. Therefore, the Merger Transactions cannot be consummated unless this amendment to the Amended Articles of Incorporation is adopted.

The existing shareholders will have no preemptive rights to acquire any of the shares to be issued in connection with the Merger Transactions.

If the proposed amendment is adopted, the additional Common Shares will be available, free from any preemptive rights, for issuance from time to time to such persons and for such considerations as the Board of Directors may determine, without necessarily requiring further action by the shareholders. The Common Shares may be used for various corporate purposes, including stock splits and dividends, acquisitions, public offerings and stock options and other employee benefit plans. Depending on the terms thereof, the issuance of the additional Common Shares and preferred shares may have a dilutive effect on the equity interest of the Company's then-existing shareholders. Except for the transactions described herein, there are no present plans to issue any of the additional Common Shares which will be authorized by the adoption of the amendment to Article FOURTH, nor are there any pending negotiations, discussions, agreements or understandings which would involve the issuance of any of such shares.

RECOMMENDATION AND VOTE

The affirmative vote of the holders of two-thirds of the outstanding Common Shares is required to approve the amendment.

YOUR BOARD OF DIRECTORS RECOMMENDS A VOTE FOR APPROVAL OF THE AMENDMENT.

PROPOSAL NO. 3

PROPOSED AMENDMENT TO ADOPT NEW ARTICLE NINTH OF THE AMENDED ARTICLES OF INCORPORATION

PROPOSED AMENDMENT

If adopted, Article NINTH would require the affirmative vote of at least two-thirds (2/3) of the voting power of the Company to authorize any of the following transactions: (1) a further amendment to Article NINTH of the Amended Articles of Incorporation, (2) a merger or consolidation of the Company with another corporation and requiring shareholder approval, (3) a combination or majority share acquisition involving the issuance of shares of the Company and requiring shareholder approval, (4) a sale or other disposition of all or substantially all of the assets of the Company and (5) a dissolution of the Company. On all other matters, the affirmative vote of a majority of the voting power of the Company would be required. Proposed Article NINTH is set forth in Appendix V attached hereto and made a part hereof.

EFFECT OF ADOPTION OF AMENDMENT

Under Ohio law and the Amended Articles of Incorporation, each of the transactions listed above currently requires the affirmative vote of at least two-thirds (2/3) of the voting power of the Company. The proposed amendment fixes this voting requirement in the Amended Articles of Incorporation so that it cannot be affected by changes in Ohio law. In addition, the proposed amendment will make the adoption of future amendments to the Amended Articles of Incorporation -- other than an amendment to change the vote required to authorize the listed transactions -- easier by reducing the vote required from two-thirds (2/3) to a majority.

RECOMMENDATION AND VOTE

The affirmative vote of the holders of two-thirds of the outstanding Common Shares is required to approve the amendment.

YOUR BOARD OF DIRECTORS RECOMMENDS A VOTE FOR APPROVAL OF THE AMENDMENT.

PROPOSAL NOS. 4 AND 5

PROPOSED AMENDMENTS TO SECTION 2.02
OF THE CODE OF REGULATIONS

PROPOSED AMENDMENTS TO SUBPARAGRAPHS (A) AND (B) (PROPOSAL NO. 4)

Ohio law permits the regulations of an Ohio corporation to provide for the classification of directors into separate classes of not fewer than three directors per class. The Board of Directors proposes to amend Subparagraphs (A) and (B) of Section 2.02 of the Code of Regulations by deleting them in their entirety and substituting therefor new Subparagraphs (A) and (B). The proposed amendments are set forth in Appendix VI attached hereto and made a part hereof. The following summary of the proposed amendment is qualified in its entirety by reference to Appendix VI.

Under existing Section 2.02(A) and (B) of the Company's Code of Regulations, the number of directors is nine; the number of directors can be changed by the affirmative vote of the holders of a majority of the voting shares of the Company; directors serve for terms of one year and each director is elected annually for a term of one year.

The proposed amendments to Section 2.02(A) and (B) provide that, until changed as provided in Section 2(C) of the Amended Articles of Incorporation, by action of the directors or by amendment of the Code of Regulations, the number of directors shall be nine, divided into three uniform classes. If the amendment is adopted, three directors will be elected to serve initially for one year, three directors will be elected to serve initially for two years and three directors will be elected to serve for three years. The election of each class will be a separate election. At each annual meeting after the 1995 Annual Meeting, directors will be elected to serve for terms of three years so that the term of one class of directors shall expire in each year.

PROPOSED AMENDMENT TO SUBPARAGRAPH (C) (PROPOSAL NO. 5)

Existing Section 2.02(C) of the Code of Regulations gives the directors the power to change the number of directors and to fill any vacancy which is created by an increase in the number of directors; provided, however, that the number of directors may not be less than three. The proposed amendment to Section 2.02(C) eliminates the authority of the directors to increase the number of directors to more than twelve. The proposed amendment to Section 2.02(C) is set forth in Appendix VI attached hereto and made a part hereof.

EFFECT OF ADOPTION OF AMENDMENTS

Pursuant to the Agreement, the Company has agreed, as soon as practicable after the Effective Time of the Merger Transactions, to take such action as may be necessary to increase the number of directors to twelve, divided into three classes of four directors each, and to fill the vacancy in each class with a director designated by the Miracle-Gro Shareholder Representative. See "THE AGREEMENT - Standstill Provisions - Board of Directors." It is currently anticipated that Horace Hagedorn, John Kenlon and James Hagedorn will be elected directors of the Company following the Merger Transactions. See "ELECTION OF DIRECTORS - Miracle-Gro Directors."

Approval of the proposed amendments to Subparagraphs (A), (B) and (C) of Section 2.02 is a condition precedent to the Merger Transactions. If either of the proposed amendments to Section 2.02 is not adopted, the Merger Transactions cannot be consummated unless the Company, Merger Subsidiary, Miracle-Gro and the Miracle-Gro Shareholders agree to waive the condition precedent.

Although there has been no significant problem of continuity in the past, the establishment of three-year terms provides for the greatest possible degree of continuity of director service, and may assist in attracting qualified candidates for election as directors.

A classified board may deter certain mergers, tender offers or other future takeover attempts which some or a majority of shareholders may deem to be in their best interests. In addition, a classified board would generally prevent shareholders who do not approve of the policies of the Board of Directors from replacing a majority of the Board for two years, unless they can obtain the vote of the holders of two-thirds of the voting power to amend the Code of Regulations to eliminate the classified board. The amendments, if adopted, would be applicable to every election of directors, not just to elections occurring after a change in control of the Company. See "PROTECTION AGAINST NON-NEGOTIATED TAKEOVERS."

If the proposed amendment to Subparagraphs (A) and (B) of Section 2.02 is adopted, the shareholders could change the number of directors only by amending the Code of Regulations. See "PROPOSED AMENDMENT TO SECTION 6.01 OF THE CODE OF REGULATIONS."

RECOMMENDATION AND VOTE

The affirmative vote of the holders of a majority of the outstanding Common Shares is required to adopt the amendments.

YOUR BOARD OF DIRECTORS RECOMMENDS A VOTE FOR APPROVAL OF PROPOSAL NO. 4 AND PROPOSAL NO. 5.

PROPOSAL NO. 6

PROPOSED AMENDMENT TO SECTION 6.01 OF THE CODE OF REGULATIONS

PROPOSED AMENDMENT

Currently, Section 6.01 of the Code of Regulations provides that the Regulations can be amended, or new Regulations adopted, by the affirmative vote of the holders of a majority of the voting power of the Company. If the proposed amendment to Subparagraphs (A) and (B) of the Code of Regulations is adopted, it is proposed to amend Section 6.01 to increase the vote required to amend Sections 1.02 (Calling of Meetings), 2.02 (Number of Directors and Term of Office) and 6.01 (Amendments) to two-thirds of the voting power of the Company. If the proposed amendment to Subparagraphs (A) and (B) of Section 2.02 of the Code of Regulations is not adopted, it is proposed to amend Section 6.01 to increase the vote required to amend only Sections 1.02 and 6.01 to two-thirds. The proposed amendments to Section 6.01 of the Code of Regulations are set forth in Appendix VII attached hereto and made a part hereof.

EFFECT OF ADOPTION OF AMENDMENT

Section 1.02 of the Regulations provides that the holders of a majority of the voting power of the Company can call a meeting of shareholders. Under Ohio law, a lesser percentage of the voting power could call a shareholders' meeting if the Regulations so specified. The proposed amendment will make it more difficult to amend Section 1.02 to reduce the percentage of the voting power required to call a meeting.

The proposed amendment will also protect the classified board in new Section 2.02(A) and (B) if it is adopted. As noted above, the classified board may deter certain mergers, tender offers or other future takeover attempts which some or a majority of shareholders may deem to be in their best interests. In addition, a classified board would generally prevent shareholders who do not approve of the policies of the Board of Directors from replacing a majority of the Board for two years, unless they can obtain the vote of the holders of two-thirds of the

voting power to amend the Code of Regulations to eliminate the classified board. See "PROTECTION AGAINST NON-NEGOTIATED TAKEOVERS." If Subparagraphs (A) and (B) of Section 2.02 are not amended to create a classified board, the proposed amendment to Section 6.01 will not include Section 2.02.

Finally, the proposed amendment will make it more difficult to amend the Code of Regulations in the future by increasing to two-thirds the vote required to adopt such amendments.

RECOMMENDATION AND VOTE

The affirmative vote of the holders of a majority of the outstanding Common Shares is required to adopt the amendment.

YOUR BOARD OF DIRECTORS RECOMMENDS A VOTE FOR APPROVAL OF THE AMENDMENT.

PROTECTION AGAINST NON-NEGOTIATED TAKEOVERS

The proposal to amend the Code of Regulations to classify the Board of Directors, together with the proposed amendment to Section 6.01 of the Regulations to protect the classified board and the procedure for calling shareholder meetings, may have an anti-takeover impact and may make tender offers, proxy contests and certain mergers more difficult. See "PROPOSED AMENDMENTS TO SECTION 2.02 OF THE CODE OF REGULATIONS" and "PROPOSED AMENDMENT TO SECTION 6.01 OF THE CODE OF REGULATIONS."

Except for the Acquisition, the Board of Directors is not aware of any efforts to obtain control of the Company or to effect substantial accumulations of the Common Shares.

The Amended Articles of Incorporation and Code of Regulations of the Company do not presently contain any provisions intended by the Company to have or, to the knowledge of the Board of Directors having, an anti-takeover effect. Ohio law, however, contains several provisions, applicable to the Company, which are designed to encourage potential acquirors to make financially attractive, non-coercive offers and to negotiate directly with the Board of Directors. The following paragraphs outline these Ohio statutory provisions and their effects.

Section 1701.831 of the GCL (the "Ohio Control Share Acquisition Statute") requires shareholder approval of any proposed "control share acquisition" of an Ohio corporation. A "control share acquisition" is the acquisition, directly or indirectly, by any person (including any individual, partnership, corporation, limited liability company, society, association or two or more persons who have a joint or common interest) of shares of a corporation that, when added to all other shares of the corporation that may be voted, directly or indirectly, by the acquiring person, would entitle such person to exercise or direct the exercise of 20% or more (but less than 33 1/3%) of the voting power of the corporation in the election of directors or 33 1/3% or more (but less than a majority) of such voting power or a majority or more of such voting power. Under the GCL, the control share acquisition must be approved in advance by the holders of a majority of the outstanding voting shares represented at a meeting at which a quorum is present and by the holders of a majority of the portion of the outstanding voting shares represented at such a meeting excluding the voting shares owned by the acquiring shareholder and certain "interested shares," including shares owned by officers elected or appointed by the directors of the corporation and by directors of the corporation who are also employees of the corporation.

The purpose of the Ohio Control Share Acquisition Statute is to give shareholders of Ohio corporations a reasonable opportunity to express their views on a proposed shift in control, thereby reducing the coercion inherent in an unfriendly takeover. The provisions of the Ohio Control Share Acquisition Statute grant to the shareholders of the Company the assurance that they will have adequate time to evaluate the proposal of the acquiring person, that they will be permitted to vote on the issue of authorizing the acquiring person's purchase program to go forward in the same manner and with the same proxy information that would be available to them if a proposed merger of the Company were before them and, most importantly, that the interests of all shareholders will be taken

into account in connection with such vote and the probability will be increased that they will be treated equally regarding the price to be offered for their Common Shares if the implementation of the proposal is approved.

The Ohio Control Share Acquisition Statute applies not only to traditional tender offers but also to open market purchases, privately negotiated transactions and original issuances by an Ohio corporation, whether friendly or unfriendly. The procedural requirements of the Ohio Control Share Acquisition Statute could render approval of any control share acquisition difficult in that a majority of the voting power of the Company, EXCLUDING "interested shares," must be represented at the meeting and must be voted in favor of the acquisition. It is recognized that any corporate defense against persons seeking to acquire control may have the effect of discouraging or preventing offers which some shareholders might find financially attractive. On the other hand, the need on the part of the acquiring person to convince the shareholders of the Company of the value and validity of his offer may cause such offer to be more financially attractive in order to gain shareholder approval.

Chapter 1704 of the GCL (the "Merger Moratorium Statute") generally prohibits a wide range of business combinations and other transactions (including mergers, consolidations, asset sales, loans, disproportionate distributions of property and disproportionate issuances or transfers of shares or rights to acquire shares) between an Ohio corporation and a person that owns, alone or with others, shares representing at least 10% of the voting power of the corporation (an "Interested Shareholder") for a period of three years after such person becomes an Interested Shareholder, unless, prior to the date that the Interested Shareholder became such, the directors approve either the transaction or the acquisition of the corporation's shares that resulted in the person becoming an Interested Shareholder. Following the three-year moratorium period, the corporation may engage in covered transactions with an Interested Shareholder only if, among other things, (i) the transaction receives the approval of the holders of 2/3 of all the voting shares and the approval of the holders of a majority of the voting shares held by persons other than an Interested Shareholder or (ii) the remaining shareholders receive an amount for their shares equal to the higher of the highest amount paid in the past by the Interested Shareholder for the corporation's shares or the amount that would be due the shareholders if the corporation were to dissolve. The Merger Moratorium Statute is designed to prevent many of the self-dealing activities that often accompany highly-leveraged acquisitions by prohibiting an Interested Shareholder from using the corporation or its assets or shares for his special benefit. The Merger Moratorium Statute will encourage potential tender offerors to negotiate with the Board of Directors of the Company to ensure that the shareholders of the Company receive fair and equitable consideration for their shares. However, the Merger Moratorium Statute presents potential pitfalls for unwary shareholders. Close attention to the impact of common corporate actions, such as the grant of employee stock options and loans to Interested Shareholders in the ordinary course of business, is necessary to determine whether such actions are encompassed by the Merger Moratorium Statute.

Because the Board of Directors has approved the Acquisition, the Merger Moratorium Statute will not be triggered by the Acquisition.

Section 1707.041 of the GCL provides in part that no offeror may make a control bid pursuant to a tender offer or a request or invitation for tenders unless, on the day the offeror commences a control bid, it files with the Ohio Division of Securities (the "Securities Division") and the target company certain information in respect of the offeror, his ownership of the company's shares and his plans for the company (including, among other things, plans to terminate employee benefit plans, close any plant or facility or reduce the work force). If the Securities Division determines that the offeror's disclosures are inadequate, it must act within three calendar days from the date of the offeror's filing to issue a suspension order. If a bid is suspended, a hearing must be held within ten calendar days from the date of the Securities Division's suspension order. The hearing procedure must be completed no later than sixteen calendar days after the date on which the suspension was imposed. A control bid is the purchase of or offer to purchase any equity security of an issuer with certain connections to Ohio from a resident of Ohio if (i) after the purchase of such security, the offeror would directly or indirectly be the beneficial owner of more than 10% of any class of the issued and outstanding equity securities of the issuer or (ii) the offeror is the issuer, there is a pending control bid by a person other than the issuer and the number of the issued and outstanding shares of the company would be reduced by more than 10%. Section 1707.041 does not apply when

the offeror or the target company is a bank, a bank holding company or a savings and loan holding company and the control bid is subject to approval by the appropriate federal regulatory agency.

Section 1707.043 of the Ohio Revised Code (the "Profit Recovery Statute") permits an Ohio corporation to recover any profit realized from the disposition of equity securities of the corporation by a person or group who made a proposal to acquire control of the corporation within eighteen months before the disposition of the equity securities. Certain profits are not recoverable pursuant to the Profit Recovery Statute, including profits that do not exceed \$250,000 in the aggregate, profits with respect to securities that were acquired prior to April 11, 1990 or more than eighteen months prior to the date on which the acquisition proposal was made and profits realized by a person or group that establishes in court that its motives were not manipulative.

Neither Section 1707.041 nor 1707.043 is applicable to the Acquisition.

PROPOSAL NO. 7

ELECTION OF DIRECTORS

NOMINEES FOR ELECTION

If the proposed amendment to Subparagraphs (A) and (B) of Section 2.02 of the Code of Regulations of the Company is adopted, three directors will be elected initially for terms of one year, three directors will be elected initially for terms of two years and three directors will be elected for terms of three years, as indicated below. The election of each class of directors shall be a separate election. If the proposed amendment to Subparagraphs (A) and (B) of Section 2.02 of the Code of Regulations of the Company is not adopted, nine directors will be elected for a term of one year. See "PROPOSED AMENDMENTS TO SECTION 2.02 OF THE CODE OF REGULATIONS."

The Board of Directors of the Company has no reason to believe that any of the nominees will not serve if elected, but if any of them should become unavailable or unable to serve as a director, and if prior to the Annual Meeting, the Board designates a substitute nominee, the persons named in the accompanying proxy card will vote for the substitute nominee designated by the Board.

The following information with respect to the principal occupation or employment, other affiliations and business experience of each director during the last five years has been furnished to the Company by each director. Except where indicated, each director has had the same principal occupation for the last five years. All of the directors were first appointed or elected at the various dates set forth below and have been elected annually since their respective appointments.

Information Concerning Nominees as of January 15, 1995:

Proposed Class I Directors (one year terms):

THEODORE J. HOST, age 49 President, Chief Operating Officer
and Director of the Company since 1991

Prior to joining the Company, Mr. Host was Senior Vice President, Marketing with Coca-Cola USA from 1990 to 1991 and was with American Home Products, Inc. for twenty-three years, serving as President of the Boyle-Midway Household Products division for five years before joining Coca-Cola USA.

Committee Membership: None at this time

KAREN GORDON MILLS, age 41 Director of the Company since 1994

Ms. Mills is President of MMP Group, Inc., a management company that monitors equity investments and provides consulting and investment banking services. From 1983 to 1993, she served as Managing Director at E.S. Jacobs and Company and as Chief Operating Officer of its Industrial Group. Ms. Mills is currently on the boards of Triangle Pacific Corp., Armor All Products, Inc. and Arrow Electronics, Inc.

Committee Membership: Nominating

TADD C. SEITZ, age 53 Chairman of the Board, Chief Executive Officer and Director of the Company since 1987

Mr. Seitz has been the Chief Executive Officer of the Company since 1987. He was also President of the Company's main operating subsidiary from 1983 until 1991. Previously, Mr. Seitz served as the Company's Director of Marketing and as General Manager of The W. Atlee Burpee Company. Mr. Seitz has been employed by the Company for twenty-one years. Mr. Seitz also serves as a director of Holophane Corporation.

Committee Membership: Executive (Chairman) and Nominating

Proposed Class II Directors (two year terms):

JAMES B BEARD, age 59 Director of the Company since 1989

Dr. Beard is Professor Emeritus of Turfgrass Physiology and Ecology at Texas A&M University where he served from 1975 to 1992. Presently, he is President and Chief Scientist at the International Sports Turf Institute. Dr. Beard is the author of six books and over 500 scientific articles on turfgrass science and is an active lecturer and consultant both nationally and internationally. He is a Fellow of the American Association of the Advancement of Science and was the first President of the International Turfgrass Society.

Committee Membership: Audit

JOHN M. SULLIVAN, age 59 Director of the Company since 1994

Mr. Sullivan was Chairman of the Board from 1987 to 1993, and President and Chief Executive Officer from 1984 to 1993, of Prince Holdings, Inc., a corporation which, through its subsidiaries, manufactures sporting goods. Since his retirement from Prince Holdings, Inc. and its subsidiaries in 1993, Mr. Sullivan has served as an independent director for various corporations, none of which, other than the Company, is registered under or subject to the requirements of the Exchange Act or the Investment Company Act of 1940.

Committee Membership: Compensation and Nominating

L. JACK VAN FOSSEN, age 57 Director of the Company since 1993

Mr. Van Fossen has been President and Chief Executive Officer of Red Roof Inns, Inc., an owner and operator of motels, since 1991. From 1988 to 1991, Mr. Van Fossen was self-employed as an independent business consultant. Mr. Van Fossen also serves as a director of Cardinal Health, Inc.

Committee Membership: Audit

Proposed Class III Directors (three year terms):

JOHN S. CHAMBERLIN, age 66 Director of the Company since 1989

Since 1988, Mr. Chamberlin has served as an advisor for investment firms. In 1990 and 1991, he was Chief Executive Officer of N.J. Publishing, Inc. He has been Senior Advisor to Mancuso & Co. since 1990,

Chairman of Life Fitness Co. since 1992, Chairman of WNS, Inc. since 1993 and a director of Healthsouth Corporation since 1993. He was also a director of The Travelers Insurance Company until December, 1993 and was a director of Curaflex Health Services, Inc. from 1992 to July 1994.

Committee Memberships: Executive and Compensation

JOSEPH P. FLANNERY, age 62 Director of the Company since 1987

Mr. Flannery was a consultant to Clayton, Dubilier & Rice, Inc. from September 1988 to December 1990. Mr. Flannery has been President, Chief Executive Officer and Chairman of the Board of Directors of Uniroyal Holding, Inc. since 1986. Mr. Flannery is also a director of Ingersoll Rand Company, Kmart Corporation, Newmont Mining, Newmont Gold Company, Arvin Industries, Inc. and APS Holding Corporation.

Committee Membership: Compensation (Chairman)

DONALD A. SHERMAN, age 43 Director of the Company since 1988

Mr. Sherman has been President of Waterfield Mortgage Company in Fort Wayne, Indiana, since 1989.

Committee Membership: Audit (Chairman)

RECOMMENDATION AND VOTE

Under Ohio law and the Company's Code of Regulations, the three nominees for election in each class (or the nine nominees if the proposed amendment to Subparagraphs (A) and (B) of Section 2.02 is not adopted) receiving the greatest number of votes will be elected.

Common Shares represented by the accompanying proxy card will be voted FOR the election of the above nominees unless authority to vote for one or more nominees is withheld. Shareholders may withhold authority to vote for the entire slate as nominated or, by writing the name of one or more nominees in the space provided in the proxy card, withhold the authority to vote for such nominee or nominees. Common Shares as to which the authority to vote is withheld and broker non-votes will be counted for quorum purposes but will not be counted toward the election of directors, or toward the election of the individual nominees specified on the form of proxy.

YOUR BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF THE ABOVE NOMINEES.

MIRACLE-GRO DIRECTORS

As noted above (see "THE AGREEMENT - Standstill Provisions - Board of Directors"), the Company has agreed, as soon as practicable after the Effective Time of the Merger Transactions, to take such action as may be necessary to increase the number of directors to twelve and to elect the persons named below for the terms indicated below (or for one-year terms if only the proposal to amend Subparagraph (C) of Section 2.02 of the Code of Regulations is adopted and the parties waive the amendment of Subparagraphs (A) and (B) of Section 2.02 of the Code of Regulations as a condition precedent to the Merger Transactions):

HORACE HAGEDORN, age 79

Horace Hagedorn founded Miracle-Gro in 1950, and has been an owner of the company since that time. He has served as Chief Executive Officer of Miracle-Gro since 1985. Previously, he was Senior Vice President at the SSC&B advertising agency. Prior to that he worked in sales at the National Broadcasting Company. His philanthropic interests include the "Miracle-Gro Kids" program, in which 50 needy fifth grade children are fully

sponsored through a four-year college scholarship. He serves as a Trustee on the boards of the North Shore University Hospital and the Institute for Community Development, both in Manhasset, New York, and the board of the Buckley Country Day School in Roslyn, New York. Mr. Hagedorn's recognitions include the "Man of the Year" award from the National Lawn and Garden Distributors Association, and the Distinguished Service Medal from the Garden Writers of America Association. He was elected New York Regional Area "Entrepreneur of the Year" in 1993. Horace Hagedorn is the father of James Hagedorn.

JOHN KENLON, age 63

John Kenlon has been the President of Miracle-Gro since December 1985; President of Miracle-Gro UK since its incorporation in May 1992; and Vice Chairman of the Board and Executive Vice President of Miracle-Gro Delaware since its incorporation in November 1993. Mr. Kenlon began his association with Miracle-Gro in 1960 when the corporate sales totaled \$125,000.

JAMES HAGEDORN, age 39

James Hagedorn has been Executive Vice President of Miracle-Gro since 1989 and a Director of Miracle-Gro since 1985. He is also President of Miracle-Gro Delaware and Executive Vice President of Miracle-Gro UK. Mr. Hagedorn became a director and principal of Miracle-Gro Products in 1985. He was previously an officer and an F-16 pilot in the United States Air Force. Mr. Hagedorn also serves on the boards of Miracle Holdings Ltd., and Miracle Garden Care, both U.K. companies. He is also a board member of several not-for-profit corporations, including: The Farms for City Kids Foundation, Clark Botanic Garden, Children's House and North Shore University Hospital. Mr. Hagedorn is Chairman of the Sands Point, NY Zoning Board of Appeals. James Hagedorn is the son of Horace Hagedorn.

BENEFICIAL OWNERSHIP OF COMMON SHARES

The following table furnishes certain information as of January 15, 1995 (except as otherwise noted), as to the Common Shares beneficially owned by each of the nominees for election as a director of the Company, by each of the executive officers of the Company named in the Summary Compensation Table and by all directors and executive officers of the Company as a group, and, to the Company's knowledge, by the only person beneficially owning more than 5% of the outstanding Common Shares.

Amount and Nature of Beneficial Ownership(1)

Name of Beneficial Owner or Number of Persons in Group -----	Common Shares Presently Held -----	Common Shares Which Can be Acquired Upon Exercise of Options Exercisable Within 60 Days -----	Total -----	Percent of Class -----	
				1/15/95 -----	Post-Merger -----
Government of Singapore Investment Corporation Pte Ltd 250 North Bridge Road #33-00 Raffles City Tower Singapore 0607	1,135,500(3)	0	1,135,500(3)	6.08%(3)	3.92%(3)
James B Beard	16,727	8,000	24,727	(4)	(4)
John S. Chamberlin	22,727	8,000	30,727	(4)	(4)

Joseph P. Flannery	25,454	8,000	33,454	(4)	(4)
Theodore J. Host (5)	45,454(6)	216,222	261,676	1.38%	(4)
Karen Gordon Mills	0	0	0	(4)	(4)
Tadd C. Seitz(5)	462,454	127,389	589,843	3.14%	2.03%
Donald A. Sherman	22,727	8,000	30,727	(4)	(4)
John M. Sullivan	1,000	4,000	5,000	(4)	(4)
L. Jack Van Fossen	1,200	4,000	5,200	(4)	(4)
J. Blaine McKinney(5)	1,100	40,666	41,766	(4)	(4)
Richard B. Stahl(5)	77,545(7)	21,890	99,435	(4)	(4)
Paul D. Yeager(5)	140,885(8)	27,538	168,423	(4)	(4)
All directors and executive officers as a group (18 persons)	1,244,123(9)	473,705	1,717,828	8.97%	5.84%

- (1) Unless otherwise indicated, the beneficial owner has sole voting and investment power as to all of the Common Shares reflected in the table.
- (2) The percent of class is based upon the sum of 18,667,064 Common Shares outstanding on January 15, 1995, and the number of Common Shares as to which the named person has the right to acquire beneficial ownership upon the exercise of options exercisable within 60 days of January 15, 1995.
- (3) Based on information contained in Amendment No. 1 to a Schedule 13D dated October 18, 1994 filed with the Commission, Government of Singapore Investment Corporation Pte Ltd, an agency of the Singapore government and an investment manager, shares voting and investment power with respect to 803,000 Common Shares with the Government of Singapore, shares voting and investment power with respect to 303,500 Common Shares with the Monetary Authority of Singapore and shares voting and investment power with respect to 29,000 Common Shares with the Board of Commissioners of Currency, Singapore.
- (4) Represents ownership of less than 1% of the outstanding Common Shares of the Company.
- (5) Executive officer of the Company named in the Summary Compensation Table.
- (6) Includes 45,454 Common Shares which were issued to Mr. Host at the time of his employment by the Company and which are pledged to Bank One, N.A.
- (7) Includes 25,000 Common Shares held in the Richard B. Stahl and Nancy E. Stahl 1992 Charitable Remainder Trust. In his capacity as trustee of said Trust, Mr. Stahl exercises sole voting and investment power with respect to such Common Shares. Also includes 1,000 Common Shares held by the son of Mr. Stahl who shares his home.

- (8) Includes 100 Common Shares held by each of Mr. Yeager's wife and his two daughters who share his home.
- (9) See Notes (6), (7) and (8) above. Also includes Common Shares held by the respective spouses of executive officers of the Company and by their children who reside with them.

To the Company's knowledge, based solely on a review of the copies of the reports furnished to the Company and written representations that no other reports were required, during the fiscal year ended September 30, 1994 (the "1994 Fiscal Year"), all filing requirements applicable to officers, directors and greater than 10% beneficial owners of the Company under Section 16(a) of the Exchange Act were complied with.

EXECUTIVE OFFICERS

The executive officers of the Company, their positions as of January 31, 1995, their ages and years with the Company (and its predecessors) are set forth below.

Name ----	Age ---	Position(s) Held -----	Years with the Company (and its Predecessors) -----
Tadd C. Seitz	53	Director, Chairman of the Board and Chief Executive Officer	22
Theodore J. Host	49	Director, President and Chief Operating Officer	3
Paul D. Yeager	56	Executive Vice President and Chief Financial Officer	20
Richard B. Stahl	59	Senior Vice President, Professional Business Group	27
J. Blaine McKinney	51	Senior Vice President, Consumer Business Group	2
Bernard R. Ford	51	Vice President, Strategy and Business Development	16
Michael P. Kelty	44	Senior Vice President, Technology and Operations	15
Lawrence M. McCartney	54	Vice President, Information Systems	20
Lisle J. Smith	38	Vice President, Administration and Planning	1
Robert A. Stern	52	Vice President, Human Resources	12
Craig D. Walley	51	Vice President, Corporate Communications, General Counsel and Secretary	10
Robert M. Webb	52	Vice President, Manufacturing & Logistics	14

Executive officers serve at the discretion of the Board of Directors (and, in the case of Mr. Host, pursuant to an Employment Agreement). See "Executive Compensation - Company Employment Agreements."

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

On January 23, 1995, Mr. Seitz submitted his resignation as Chief Executive Officer of the Company to be effective as of the date of the 1995 Annual Meeting. Mr. Seitz has been the Chief Executive Officer of the Company since 1987. He was also President of the Company's main operating subsidiary from 1983 until 1991. Previously, Mr. Seitz served as the Company's Director of Marketing and as General Manager of The W. Atlee Burpee Company.

On January 23, 1995, the Board of Directors of the Company appointed Mr. Host as successor to Mr. Seitz as Chief Executive Officer of the Company effective as of the date of the 1995 Annual Meeting. Mr. Host has been President and Chief Operating Officer of the Company since 1991. From 1990 to 1991, he was Senior Vice President, Marketing for Coca-Cola USA. He was President of the Boyle-Midway Household Products Division of American Home Products, Inc. for five years before joining Coca-Cola USA.

Mr. Yeager has been an Executive Vice President of the Company since 1991 and a Vice President and the Chief Financial Officer of the Company and its predecessors since 1980. He was first Assistant Comptroller and then Comptroller of the Company's predecessor from 1974 to 1980.

Mr. Stahl has been Senior Vice President, Professional Business Group, of the Company since 1994. From 1987 to 1994, he was Vice President and General Manager of the Company's Professional Business Group. Mr. Stahl joined the Company in 1967 as a technical representative in the golf course division.

Mr. McKinney has been Senior Vice President, Consumer Business Group, of the Company since 1992. From 1990 to 1992, he was Vice President of Marketing and Sales of Salov, N.A., a manufacturer of consumer products. From 1989 to 1990, he was Director of Sales of Rickett & Colman, Ltd., a consumer products company.

Mr. Ford has been Vice President, Strategy and Business Development of the Company since 1987. Other positions that Mr. Ford has held with the Company and its predecessors include Director of Market Development, Director of Export Marketing Services and Director of Marketing.

Dr. Kelty has been Senior Vice President, Technology and Operations, of the Company since 1994. From 1988 to 1994, he served first as Director, then as Vice President of Research and Development of the Company. Prior to that, Dr. Kelty was the Director of Advanced Technology Research of the Company, and from 1983 to 1987 he was Director, Chemical Technology Development of the Company and its predecessors.

Mr. McCartney has been Vice President, Information Systems, of the Company since 1989. He joined the predecessor of the Company in 1974 as Systems and Programming Manager, and was Director, Information Systems, of the Company and its predecessors from 1976 until 1989.

Mr. Smith has been Vice President, Administration and Planning, of the Company since 1994. Prior to joining the Company in 1993, he served as Chief Financial Officer of Grace-Sierra Horticultural Products Company from 1991 to 1993, and as Treasurer and Controller of that corporation from 1987 to 1991.

Mr. Stern has been Vice President, Human Resources, of the Company and its predecessors since 1984.

Mr. Walley has been Vice President, General Counsel and Secretary of the Company and its predecessors since 1985.

Mr. Webb has been a Vice President of the Company since 1988. He was Vice President - Operations of Hyponex Corporation from 1980 until 1988.

It is currently anticipated that James Hagedorn will become Senior Vice President of the Company and Manager of the Company's Consumer Garden Group as soon as practicable after the Merger Transactions become effective. It is not currently anticipated that any other employee of Miracle-Gro will become an executive officer of the Company; however, it is anticipated that Horace Hagedorn will be named Vice Chairman of the Board of Directors upon the consummation of the Merger Transactions.

PERFORMANCE GRAPH

The following line graph compares the yearly percentage change in the Company's cumulative total stockholder return (as measured by dividing (i) the sum of (A) the cumulative amount of dividends for the measurement period, assuming dividend reinvestment, and (B) the difference between the price of the Company's Common Shares at the end and the beginning of the measurement period; by (ii) the price of the Company's Common Shares at the beginning of the measurement period) against the cumulative return of the Standard & Poor's 500 Composite Stock Index ("S&P 500 Comp") and of an index comprised of the common stock of Duracell International, Inc., First Brands Corp., Lesco Inc., Newell Co., Rubbermaid Inc. and Stanley Works (the "Peer Group") for the period from January 31, 1992 to September 30, 1994. The Company's Common Shares became

registered under Section 12 of the Exchange Act on January 31, 1992. The comparison assumes \$100 was invested on January 31, 1992 in the Company's Common Shares and in each of the foregoing indices and assumes reinvestment of dividends.

[Performance Graph has been filed on Form SE]

REPORT OF THE COMPENSATION COMMITTEE

NOTWITHSTANDING ANYTHING TO THE CONTRARY SET FORTH IN THE COMPANY'S PREVIOUS FILINGS UNDER THE SECURITIES ACT OR THE EXCHANGE ACT THAT MIGHT INCORPORATE FUTURE FILINGS, INCLUDING THIS PROXY STATEMENT/PROSPECTUS, IN WHOLE OR IN PART, THIS REPORT AND THE GRAPH SET FORTH ABOVE UNDER "PERFORMANCE GRAPH" SHALL NOT BE INCORPORATED BY REFERENCE INTO ANY SUCH FILINGS.

The Compensation Committee of the Board of Directors of the Company (the "Committee") is comprised of three outside directors, none of whom was formerly an officer of the Company. During the 1994 fiscal year, none of the Company's executive officers served on the board of any organization of which a Committee member was an executive officer or on the compensation committee of any organization of which any director of the Company was an executive officer. The Committee has retained outside legal counsel and compensation consultants.

Role of the Compensation Committee

The Committee has the oversight responsibility for the Company's executive compensation program. The Committee reviews the general compensation philosophy of the Company and, in consideration thereof, determines the forms and terms of compensation to be paid to executive officers of the Company. Prior to the beginning of each fiscal year, the Committee reviews the performance of the Chief Executive Officer and the Chief Operating Officer and determines the amount of salary adjustment, if any, each should receive. At the same time, the Committee establishes the goals to be met by the executive officers of the Company during the fiscal year and targets the levels at which bonuses will be paid under the Company's Executive Annual Incentive Plan (the "Bonus Plan"). At the end of each fiscal year, the Committee determines the extent to which goals have been met or exceeded by the executive officers of the Company and awards bonuses accordingly. In addition, the Committee is charged with administering the Company's 1992 Long Term Incentive Plan (the "1992 LTIP") and makes awards of stock options and performance shares pursuant thereto.

Compensation Philosophy

In designing the compensation program for the executive officers of the Company, the Committee follows the belief that the amounts of compensation received by the executive officers should reflect not only the value created for shareholders during the fiscal year but also the extent to which the Company's short-term and long-term strategic goals and objectives have been advanced. The compensation program has been designed to achieve the following objectives:

- o Compensation should be meaningfully related to the value created for shareholders. The Committee has linked executive performance to corporate performance by measuring the Company's year-to-year gains in net income, setting a target at the median net income gain of all S & P 500 companies. Executives are then rewarded with awards under the Bonus Plan based upon the Company's performance.
- o The various elements of the compensation program should support the short and long term strategic goals and objectives of the Company by rewarding the Company's executive officers based upon the achievement of these goals.

- o The various elements of the compensation program should enable the Company to recruit, maintain and motivate the executive talent required to meet the Company's strategic goals.
- o The various elements of the compensation program should reflect and promote the Company's values and reward individuals for outstanding contributions to the Company's success.
- o Performance should be a key determinant of pay.
- o Minimum stock ownership must be attained by all corporate officers and directors.

Committee Activity

During the 1994 fiscal year, the Committee determined that the Company would be better served by the retention of a new compensation consulting firm. The Company identified and recommended a new consultant which the Committee approved. Thereafter, the Committee directed that management of the Company and the consultant review the existing executive compensation program and propose modifications prior to the beginning of the 1995 fiscal year. The consultant confirmed that for the 1995 fiscal year and beyond the existing compensation program should:

- o Target base salaries at the competitive 50th percentile of base salaries for executive officers in similar positions at corporations of similar sales volume and net income growth performance.
- o Target payoffs under the Bonus Plan at the competitive 50th percentile of short-term incentives for executive officers in similar positions in companies comparable to the Company.

The comparative group of companies used to calculate base salaries and bonuses was larger than the Peer Group identified in the Performance Graph.

The consultant recommended and the Committee approved the following changes to the Company's executive compensation program:

- o Targets for awards under the Bonus Plan have been established to measure year-to-year gains in net income before accounting changes. Targets have been set at the comparative performance levels of companies in the S & P 500, as previously discussed under "Compensation Philosophy" above.
- o Grants of stock options under the 1992 LTIP are to be set at the 75th percentile of stock option grants made to executive officers in similar positions in a group of comparative manufacturing and consumer products companies identified by the consultant with compensation data adjusted to reflect the Company's sales volume. The comparative companies are a part of the large proprietary data base which the consultant maintains. All such grants are to be in the form of non-qualified stock options with exercise prices equal to the closing "asked" price of the Company's Common Shares on the date of grant.
- o Beginning in fiscal 1995, discontinuation of the performance share component of the Company's 1992 LTIP to focus value creation on stock options and simplify long term incentives.

Salary Adjustments, Bonus Awards and Stock Grants During the 1994 Fiscal Year

Salary Adjustments. Continuing the Company's philosophy of strengthening the performance-related pay components, base salary merit increases for 1994 for executive officers as a group were an aggregate 3%. Based on

the recommendation of the Company's compensation consultant and the continuing low rate of inflation, the Committee determined that a 3% merit increase target was sufficient to maintain competitive positioning of base salaries of the Company's executive officers at the 50th percentile of the comparative group of companies previously discussed.

During the 1994 fiscal year, the Committee increased the base salary component of the compensation of Mr. Seitz, Chairman and Chief Executive Officer of the Company, by 4%. At the December 1993 Compensation Committee Meeting, the Committee considered the attainment of 1993 fiscal year goals and the completion of the acquisition of the Republic Tool and Manufacturing Company when determining the performance of Mr. Seitz for that period. The Committee also considered that Mr. Seitz' base salary was at the low end of the competitive range.

Bonus Awards. (a) Bonuses granted pursuant to the Bonus Plan. The payments made under the Bonus Plan were based on Earnings before Interest, Taxes and Amortization ("EBITA") (60%) and Average Working Capital plus Average Capital Expense ("AWC+ACE") (40%). EBITA was 92.2% of the target level, and AWC + ACE was 78.6% of target level, leading to a composite corporate performance for the purposes of the Bonus Plan of 86.7%. This measure was used in the calculation of executive bonuses, including the bonus paid to Mr. Seitz.

(b) Adjustment Bonuses. The Committee recognized the contribution of certain executive officers to the acquisition and successful, non-dilutive integration of the operations of Grace-Sierra Horticultural Products Company ("Grace-Sierra") into those of the Company and the impact of the discontinuance of the performance share component of the 1992 LTIP by making a one time, additional bonus (the "Adjustment Bonus") to those executives impacted by both. The Adjustment Bonus in total represented approximately 13% of aggregate salaries of the executive officers who received an Adjustment Bonus, and was allocated based on the loss of opportunity resulting from the termination of the performance share component of the 1992 LTIP and such executive officer's participation in the successful integration of Grace-Sierra. The amount of the adjustment bonus paid to Mr. Seitz was \$56,345.

Stock Options and Performance Share Awards. Based on the recommendation of the Company's previous compensation consultant, the Committee determined the aggregate value of the awards to be made to each executive officer under the 1992 LTIP for the 1994 fiscal year. The value of such awards was then divided equally between options and performance shares, and was based upon the closing "asked" price of the Company's Common Shares on the date of grant. The number of options granted to each executive officer was then determined based upon the Black-Scholes valuation of the value of an option with a ten-year term. Stock option grants and performance share awards made to Mr. Seitz are reflected in the table on page ___ of this Proxy Statement/Prospectus.

As previously indicated, after the grant of performance share awards for fiscal 1994, the Committee determined to discontinue the performance share component of the 1992 LTIP. As a result of such discontinuance, the Committee approved the vesting of previous grants of performance shares at the initial grant level as they mature (i.e., without applying performance standards to the number of shares granted). Awards which matured at the end of the 1994 fiscal year were vested or paid to plan participants.

Submitted by the Compensation Committee of the Company.

Joseph P. Flannery, Chairman, Jack Chamberlin and Jack Sullivan

EXECUTIVE COMPENSATION

Summary of Cash and Certain Other Compensation

The following table shows, for the fiscal years ended September 30, 1994, 1993 and 1992, compensation awarded or paid to, or earned by, the Company's Chief Executive Officer and the four other most highly compensated executive officers of the Company.

SUMMARY COMPENSATION TABLE

Name and Principal Office -----	Fiscal Year ----	Annual Compensation -----		Long-Term Compensation Awards -----	All Other Compensation (\$)(2) -----
		Salary (\$) ---	Bonus (\$) ---	Securities Underlying Options/SARs(1) -----	
Tadd C. Seitz:					
Chairman of the	1994	\$362,500	\$228,965	129,447	\$3,270
Board and Chief	1993	\$341,725	\$189,780	85,019	\$3,270
Executive Officer	1992	\$323,925	\$191,066	0	--
Theodore J. Host:					
President and	1994	\$307,833	\$196,650	82,567	\$3,270
Chief Operating	1993	\$283,750	\$162,963	53,108	\$3,270
Officer	1992	\$292,745	\$250,000	136,364(3)	--
Paul D. Yeager:					
Executive Vice	1994	\$202,250	\$125,000	25,342	\$3,270
President and Chief	1993	\$192,750	\$115,103	18,739	\$3,270
Financial Officer	1992	\$173,950	\$ 91,827	0	--
J. Blaine McKinney:					
Senior Vice	1994	\$191,667	\$105,000	31,658	\$1,907
President,	1993	\$177,333	\$ 87,365	35,409	--
Consumer Business Group	1992	\$ 58,333	\$ 30,000	0	--
Richard B. Stahl:					
Senior Vice President	1994	\$180,333	\$ 89,000	14,932	\$3,270
and General Manager,	1993	\$163,600	\$ 89,679	14,546	\$3,270
Professional Business Group	1992	\$155,000	\$ 82,800	0	--

(1) Except as noted, these numbers represent options for Common Shares granted pursuant to the Company's 1992 Long Term Incentive Plan. See the table under "OPTION GRANTS IN LAST FISCAL YEAR" for more detailed information on such options.

(2) In accordance with the transition provisions of the revised rules governing the disclosure of executive compensation adopted by the Commission, amounts of "All Other Compensation" are excluded for the Company's 1992 fiscal year. Includes contributions to the PSP.

(3) These options expire on January 8, 2002; provided, however, that if Mr. Host's active employment with the Company and its subsidiaries is terminated for cause, these options will be forfeited.

Grants of Options

The following table sets forth information concerning individual grants of options made during the 1994 Fiscal Year to each of the executive officers named in the Summary Compensation Table. The Company has never granted stock appreciation rights.

OPTION GRANTS IN LAST FISCAL YEAR

Name	Number of Securities Underlying Options Granted(#)	% of Total Options Granted to Employees in Fiscal Year	Exercise Price (\$/Share)	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term(1)	
					5%(\$)	10%(\$)
Tadd C. Seitz	87,840(2)(3) 41,607(3)(4)	22.5% 10.6%	\$17.25 \$16.25	9/30/03 11/03/02	\$953,064 \$372,840	\$2,414,722 \$ 918,142
Theodore J. Host	56,580(2)(3) 25,987(3)(4)	14.5% 6.6%	\$17.25 \$16.25	9/30/03 11/03/02	\$613,893 \$232,869	\$1,555,384 \$ 573,455
Paul D. Yeager	16,180(2)(3) 9,162(3)(4)	4.1% 2.3%	\$17.25 \$16.25	9/30/03 11/03/02	\$175,553 \$ 82,101	\$ 444,788 \$ 202,178
J. Blaine McKinney	21,680(2)(3) 9,978(3)(4)	5.5% 2.5%	\$17.25 \$16.25	9/30/03 11/03/02	\$235,228 \$ 89,413	\$ 595,983 \$ 220,184
Richard B. Stahl	7,820(2)(3) 7,112(3)(4)	2.0% 1.8%	\$17.25 \$16.25	9/30/03 11/03/02	\$ 84,847 \$ 63,731	\$ 214,972 \$ 156,940

(1) The amounts reflected in this table represent certain assumed rates of appreciation only. Actual realized values, if any, on option exercises will be dependent on the actual appreciation of the Common Shares of the Company over the term of the options. There can be no assurances that the Potential Realizable Values reflected in this table will be achieved.

(2) These options were granted under the Company's 1992 Long Term Incentive Plan and become exercisable in three approximately equal installments on each of the first three anniversaries of the date of grant, subject to the right of the Compensation Committee of the Company's Board of Directors to accelerate the exercisability of such options in its discretion.

(3) In the event of a "change in control" (as defined in the 1992 Long Term Incentive Plan), each option will be canceled in exchange for a payment in cash of an amount equal to the excess of the highest price paid (or offered) for Common Shares during the preceding 30 trading days over the exercise price for such option. Notwithstanding the foregoing, if the Compensation Committee determines that the holder of the option will receive a new award (or have his prior award honored) in a manner which preserves its value and eliminates the risk that the value of the award will be forfeited due to an involuntary termination, no settlement will occur as a result of a change in control. In the event of termination of employment by reason of retirement, long term disability or death, the options may thereafter be exercised in full for a period of 5 years, subject to the stated term of the options. The options are forfeited if the holder's employment is terminated for cause. In the event an option holder's employment is terminated for any reason other than retirement, long term disability, death or cause, any exercisable options held by him at the date of termination may be exercised for a period of 30 days.

(4) These options (or a percent thereof) were originally to be earned under the 1992 Long Term Incentive Plan based upon the Company's performance during the 1994 Fiscal Year. However, on December 13, 1994, the Company's Board of Directors approved its Compensation Committee's recommendation to grant 100% of the Common Shares subject to these options as of September 30, 1994.

Option Exercises and Holdings

The following table sets forth information with respect to unexercised options held as of the end of the 1994 Fiscal Year by each of the executive officers named in the Summary Compensation Table. No options were exercised during the 1994 Fiscal Year.

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR
AND FISCAL YEAR-END OPTION VALUES

Name	Number of Securities Underlying Options Exercised	Value Realized(\$)	Number of Securities Underlying Unexercised Options at FY-End (#)		Value of Unexercised In-the-Money Options at FY-End\$(1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Tadd C. Seitz	0	--	98,873	157,200	\$ 0	\$ 0
Theodore J. Host	0	--	198,126	99,900	\$ 763,638	\$ 0
Paul D. Yeager	0	--	12,623	40,621	\$ 0	\$ 0
J. Blaine McKinney	0	--	28,721	48,325	\$ 0	\$ 0
Richard B. Stahl	0	--	16,912	19,679	\$ 0	\$ 0

(1) "Value of Unexercised In-the-Money Options at FY-End" is based upon the fair market value of the Company's Common Shares on September 30, 1994 (\$15.50) less the exercise price of in-the-money options at the end of the 1994 Fiscal Year.

Pension Plans

The Company maintains a tax-qualified non-contributory defined benefit pension plan (the "Pension Plan"). All employees of the Company and its subsidiaries (except for Hyponex Corporation, a wholly-owned subsidiary of the Company ("Hyponex"), and O. M. Scott & Sons, Ltd., a wholly owned subsidiary of the Company in United Kingdom) are eligible to participate upon meeting certain age and service requirements. The following table shows the estimated annual benefits (assuming payment made in the form of a single life annuity) payable upon retirement at normal retirement age (65 years of age) to an employee in specified compensation and years of service classifications.

PENSION PLANS TABLE (1)

Annualized Average Final Pay	Years of Service				
	10	15	20	25	30
\$ 100,000	\$13,279.50	\$19,919.25	\$26,559.00	\$33,198.75	\$39,838.50
250,000	35,779.50	53,669.25	71,559.00	89,448.75	107,338.50
500,000	73,279.50	109,919.25	146,559.00	183,198.75	219,838.50
750,000	110,579.50	166,169.25	221,559.00	276,948.75	332,338.50
1,000,000	148,279.50	222,419.25	296,559.00	370,698.75	444,838.50
1,250,000	185,779.50	278,669.25	371,559.00	464,448.75	557,338.50

- (1) The Code places certain limitations on the annual pension benefits which can be paid from the Pension Plan. Such limitations are not reflected in the table. This table reflects the total aggregate benefits payable annually upon retirement under both the Pension Plan and The Scotts Company Excess Benefit Plan (the "Excess Benefit Plan"), which is discussed below. The Pension Plan and the Excess Benefit Plan require an offset of 1.25% of the Social Security primary insurance amount ("PIA") for each year of service and such amount has been deducted from the figures in the table. The PIA used in developing the above figures is \$13,764.00. Thus, the offset is \$5,161.50 for a person with 30 years of service. The maximum possible offset is \$6,882.00 for a person with 40 years of service.

Monthly benefits under the Pension Plan upon normal retirement (age 65) are based upon an employee's average final pay and years of service, and are reduced by 1.25% of the employee's PIA times the number of years of such employee's service. Average final pay is the average of the 60 highest consecutive months' compensation during the 120 months prior to retirement. Pay includes all earnings and a portion of sales incentive payments, management incentive payments and executive incentive payments, but does not include earnings in connection with foreign service, the value of a company car, separation or other special allowances and commissions. Additional provisions for early retirement are included.

At September 30, 1994, the credited years of service (including certain prior service with ITT Corporation, from whom the Company was acquired in 1986) and the 1994 annual covered compensation for purposes of the Pension Plan and the Excess Benefit Plan of the five executive officers of the Company named in the Summary Compensation Table were as follows:

	Years of Service		Covered Compensation
	-----		-----
Mr. Seitz	18 years	9 months	\$587,965
Mr. Host	2 years	10 months	\$501,650
Mr. Stahl	18 years	9 months	\$264,733
Mr. Yeager	25 years	1 month	\$324,000
Mr. McKinney	2 years	4 months	\$291,667

Effective October 1, 1993, the Company also established the Excess Benefit Plan which provides additional benefits to participants in the Pension Plan whose benefits are reduced by limitations imposed under Sections 415 and 401(a)(17) of the Code. Under the Excess Benefit Plan, executive officers and certain key employees will receive, at the same time and in the same form as benefits paid under the Pension Plan, additional monthly benefits in an amount which, when added to the benefits paid to the participant under the Pension Plan, will equal the benefit amount such participant would have earned but for the limitations imposed by the Code to the extent such limitations apply.

Company Employment Agreements

The Company entered into an Employment Agreement with Mr. Host effective October 1991 providing for his continued employment as President and Chief Operating Officer of the Company until December 1996 at an annual base salary of at least \$270,000 per year, plus incentive bonus under The Scotts Company Executive Incentive Plan. If Mr. Host's employment is terminated for specified reasons, the Employment Agreement provides that he will receive, subject to certain limitations, his full base salary which would have been paid until the first anniversary of his date of termination.

In connection with the entering into of his Employment Agreement, Mr. Host received a signing bonus of \$250,000, and in January 1992, pursuant to such Agreement, purchased 45,454 Common Shares at a purchase price of \$9.90 per share, and pursuant to a Stock Option Plan and Agreement dated as of January 9, 1992, was granted options, which vested one-third on the date of grant and one-third on each of the first and second anniversaries of his date of employment, to purchase 136,364 Common Shares at a purchase price of \$9.90 per share. These options expire on January 8, 2002; provided, however, that if Mr. Host's active employment with the Company and its subsidiaries is terminated for cause, these options will be forfeited.

Miracle-Gro Employment Agreements

In connection with and as a condition to the Merger Transactions, the Company or New Miracle-Gro intends to enter into employment agreements with the following employees of Miracle-Gro: Horace Hagedorn, John Kenlon and James Hagedorn. Under such employment agreements, Horace Hagedorn will serve as Chief Executive Officer of New Miracle-Gro, John Kenlon will serve as President of New Miracle-Gro and James Hagedorn will serve as Senior Vice President of the Company, each for a term of at least three years.

CERTAIN MATTERS PERTAINING TO THE BOARD OF DIRECTORS

Committees and Meetings of the Board

The Company's Board of Directors held nine regularly scheduled or special meetings (including telephonic meetings) during the 1994 Fiscal Year. The Company's Board of Directors has four standing committees: an Executive Committee, an Audit Committee, a Nominating Committee and a Compensation Committee.

Each current member of the Board of Directors of the Company nominated for election attended at least 75% of the aggregate of the total number of meetings of the Board of Directors of the Company and the total number of meetings held by the committees of such Board on which he or she served during the period he or she served.

Executive Committee. The Executive Committee has the authority, with certain exceptions, to take all actions that may be taken by its full Board of Directors. It may meet between regularly scheduled meetings to take such action as is necessary for the operation of the Company. The Executive Committee did not meet during the 1994 Fiscal Year.

Audit Committee. The Audit Committee reviews and approves the scope and results of any outside audit of the Company, and the fees therefor, and makes recommendations to the Board of Directors or management concerning auditing and accounting matters and the selection of outside auditors. The Audit Committee met three times during the 1994 Fiscal Year.

Nominating Committee. The Nominating Committee, which was established in December, 1994, recommends policies on the composition of the Board and nominees for membership on the Board. It did not meet during the 1994 Fiscal Year.

Compensation Committee. The Compensation Committee reviews, considers and acts upon matters of salary and other compensation and benefits of all officers and other employees of the Company and acts upon all matters concerning, and exercises such authority as is delegated to it under the provisions of, any benefit, retirement or pension plan. The Compensation Committee met five times during the 1994 Fiscal Year.

Compensation of Directors

Each director of the Company, other than any director employed by the Company, receives a \$25,000 annual retainer for Board and committee meetings plus all reasonable travel and other expenses of attending such meetings.

Directors, other than those employed by the Company (the "Nonemployee Directors"), receive an annual grant on the first business day following the date of each annual meeting of shareholders (commencing with the 1994 Annual Meeting) of options to purchase 4,000 Common Shares at an exercise price equal to the fair market value of the underlying Common Shares on the date of the grant. In addition, on November 11, 1992, each of the Nonemployee Directors of the Company on that date (Messrs. Beard, Chamberlin, Flannery and Sherman and Henry O. Timnick (who is no longer a director of the Company)) was granted options to purchase 4,000 Common Shares at an exercise price of \$16.25. Options granted to Nonemployee Directors become exercisable six months after the date of grant and remain exercisable until the earlier to occur of (i) the tenth anniversary of the date of grant or (ii) the first anniversary of the date the Nonemployee Director ceases to be a member of the Company's Board of Directors.

DESCRIPTION OF THE CAPITAL STOCK OF THE COMPANY

The authorized capital stock of the Company consists of 35,000,000 Common Shares, each without par value. At January 15, 1995, 1,364,589 Common Shares, were reserved for issuance upon the exercise of outstanding employee stock options. If the Merger Transactions are consummated, an additional 3,000,000 Common Shares will be reserved for issuance upon exercise of the Warrants and 10,263,158 Common Shares will be reserved for issuance upon conversion of the Class A Convertible Preferred Stock. See "THE AGREEMENT - Terms of the Merger Transactions."

If the proposed amendment to Article FOURTH of the Amended Articles is adopted, the authorized capital stock of the Company will consist of 50,000,000 Common Shares each without par value, and 195,000 voting preferred shares designated Class A Convertible Preferred Stock. The following description of capital stock of the Company assumes this amendment is adopted. See "PROPOSED AMENDMENT TO ARTICLE FOURTH OF THE AMENDED ARTICLES OF INCORPORATION."

Holders of Common Shares are entitled to one vote for each share held of record on each matter submitted to a vote of shareholders. Holders of Class A Preferred Stock are entitled to the number of votes equal to the number of Common Shares into which the Class A Preferred Stock is convertible (approximately 52.6 votes per share initially), as described below. The Common Shares and the Class A Convertible Preferred Stock will vote together as a single class. Shareholders have no cumulative voting rights, which means that the holders of shares entitled to exercise more than fifty percent (50%) of the voting power are able to elect all of the directors (or all of the directors in each class of directors if the proposed amendment to Subparagraphs (A) and (B) of Section 2.02 of the Code of Regulations is adopted). The Company has agreed that, until the fifth anniversary of the Effective Time of the Merger Transactions, it will take such action as may be required to cause three directors designated by the Miracle-Gro Shareholder Representative to be elected to the Board of Directors of the Company (one director to each class of directors if the proposed amendment to Subparagraphs (A) and (B) of Section 2.02 of the Code of Regulations is adopted). See "THE AGREEMENT - Standstill Provisions - Board of Directors" and "PROPOSED AMENDMENTS TO SECTION 2.02 OF THE CODE OF REGULATIONS - Effect of Adoption of Amendments."

Under Ohio law and the Company's Amended Articles of Incorporation, the affirmative vote of the holders of shares entitled to exercise at least two-thirds (2/3) of the voting power is necessary for certain corporate

actions, including merger or consolidation with another corporation, combination or majority share acquisition, sale or other disposition of all or substantially all of the corporation's property and assets, voluntary dissolution of the Company or amendment of the Amended Articles of Incorporation. If the proposal to adopt new Article NINTH to the Amended Articles of Incorporation is adopted, the vote required to amend the Amended Articles of Incorporation -- other than amendments to change the vote required to authorize the listed transactions -- will be reduced to a majority. If the proposal to adopt new Article NINTH is not adopted, the affirmative vote of the holders of shares entitled to exercise at least two-thirds (2/3) of the voting power will be necessary to adopt any amendment to the Amended Articles of Incorporation. See "PROPOSED AMENDMENT TO ADOPT NEW ARTICLE NINTH OF THE AMENDED ARTICLES OF INCORPORATION."

See "PROPOSED AMENDMENT TO ARTICLE FOURTH OF THE AMENDED ARTICLES OF INCORPORATION," "PROPOSED AMENDMENTS TO SECTION 2.02 OF THE CODE OF REGULATIONS," "PROPOSED AMENDMENT TO SECTION 6.01 OF THE CODE OF REGULATIONS" and "PROTECTION AGAINST NON-NEGOTIATED TAKEOVERS" for a description of provisions in the Company's Amended Articles of Incorporation and Code of Regulations and in Ohio law which might have the effect of delaying or preventing a change of control of the Company.

COMMON SHARES

Holders of Common Shares are entitled to receive dividends when and if declared by the Board of Directors out of funds legally available therefor, subject to the rights of holders of the Class A Cumulative Preferred Stock, as described below, and to any contractual restrictions on the payment of dividends. Upon consummation of the Merger Transactions, in the event the Company receives additional free cash flow, as expected, the Company plans to consider some or all of the following: investment in the Company's business, including research and development, paying down debt, a Common Share buyback and a Common Share dividend.

Upon dissolution, liquidation or sale of all or substantially all the assets of the Company, after payment in full of all amounts required to be paid to creditors and to the holders of the Class A Convertible Preferred Stock, as described below, the holders of Common Shares will be entitled to receive pro rata the remaining assets of the Company available for distribution.

The holders of Common Shares do not have preemptive, subscription, redemption or conversion rights.

CLASS A CONVERTIBLE PREFERRED STOCK

The 195,000 shares of Class A Convertible Preferred Stock are to be issued to the Miracle-Gro Shareholders in connection with the Merger Transactions. See "THE AGREEMENT - Terms of the Agreement."

Dividends shall be payable on the Class A Convertible Preferred Stock at the rate of \$50.00 per share per year. Dividends shall be cumulative and shall be payable quarterly. No dividends or other distributions (other than stock dividends) and no redemption, repurchase or other acquisition for value (other than from employees pursuant to obligations existing, or upon foreclosure of loans existing, prior to the Effective Time) shall be made with respect to the Common Shares until cumulative dividends on the Class A Convertible Preferred Stock, and all amounts payable on redemption of the Class A Convertible Preferred Stock, have been paid in full or set apart for payment. In the event that the Company fails to pay all or any portion of the accrued but unpaid dividends for two consecutive quarters, Miracle-Gro Shareholders shall be entitled to elect three additional directors until such time as the accrued but unpaid dividends are paid to the holders of the Class A Convertible Preferred Stock, at which time such new directors shall be removed and the Board of Directors shall be reduced to the number in effect immediately prior to the increase.

In the event of liquidation, dissolution or winding up of the Company, the holders of the Class A Convertible Preferred Stock shall be entitled to receive \$1,000 per share, plus accumulated unpaid dividends, before any amount will be paid to the holders of the Common Shares.

Each share of the Class A Convertible Preferred Stock shall be convertible at any time into the number of Common Shares determined by dividing \$1,000 by the Conversion Price, initially \$19 per Common Share subject to adjustment in the event of stock dividends, stock splits, share combinations, asset distributions, recapitalizations and similarly dilutive events.

The Class A Convertible Preferred Stock will be subject to redemption at any time after five years from the date of issuance, for \$1,000 per share plus accrued unpaid dividends.

The holders of Class A Convertible Preferred Stock do not have preemptive or subscription rights, except as set forth in the Agreement. See "THE AGREEMENT - Standstill Provisions."

THE WARRANTS

In connection with the Merger Transactions, and pursuant to the Agreement, the Company will issue three separate series of Warrants, designated Series A, B and C, which will be indistinguishable from each other except with respect to the exercise price. Each series of Warrants will be exercisable for 1,000,000 Common Shares, which collectively represents approximately 8% of the Company's Common Shares on a fully diluted basis. The number of Common Shares for which the Warrants will be exercisable will be adjusted in the event of stock dividends, stock splits, share combinations, asset distributions, recapitalizations and similarly dilutive events.

Each Warrant will be exercisable for eight and one-half years from the Effective Time. Each Warrant will provide that to the extent that exercise of such Warrant would increase the Total Voting Power of the Miracle-Gro Shareholders to more than 43% during the Standstill Period (excluding the unexercised Warrants) or to more than 49% after the Standstill Period (including the unexercised Warrants), such Warrant will not be exercisable for Common Shares but rather will be exercisable only for the spread between the exercise price thereof and the fair market value of the Company's Common Shares at the time of exercise. The Warrants will provide that the exercise price thereof may be paid in Common Shares or by reducing the number of Common Shares for which such Warrants would otherwise be exercisable. The Miracle-Gro Shareholders may not exercise any voting rights with respect to the Common Shares underlying the Warrants until, and to the extent, they are exercised for Common Shares.

The exercise prices for the Series A, Series B and Series C Warrants are \$21 per Common Share, \$25 per Common Share and \$29 per Common Share, respectively.

DESCRIPTION OF CAPITAL STOCK OF THE MIRACLE-GRO COMPANIES

The authorized capital stock of Miracle-Gro consists of 20,000 shares of voting common stock, without par value, and 20,000 shares of non-voting common stock, without par value. As of the date hereof there are outstanding 13,405 shares of Miracle-Gro's voting common stock and 13,405.284 shares of Miracle-Gro's non-voting common stock. Such voting and non-voting stock is held by eight people.

The authorized capital stock of Miracle-Gro Delaware consists of 1,500 shares of voting common stock, without par value, and 1,500 shares of non-voting common stock, without par value. As of the date hereof there are outstanding 1,000 shares of Miracle-Gro Delaware's voting common stock and 999.8 shares of Miracle-Gro Lawn Product's non-voting common stock. Such voting and non-voting stock is held by eight people.

The authorized capital stock of Miracle-Gro UK consists of 20,000 shares of voting common stock, without par value, and 20,000 shares of non-voting common stock, without par value. As of the date hereof there

are outstanding 4,997.274 shares of Miracle-Gro UK's voting common stock and 4,997.106 shares of Miracle-Gro UK's non-voting common stock. Such voting and non-voting stock is held by eight people.

The authorized capital stock of Nurseries consists of 500 shares, without par value. As of the date hereof there is outstanding one share of Nurseries stock held by one person.

For all of the Miracle-Gro Companies, each outstanding share of voting common stock entitles the holder to one vote on all matters submitted to a vote of shareholders. Holders of shares of common stock (whether voting or non-voting) of each of the Miracle-Gro Companies have equal dividend and liquidation rights, and no holder has any preemptive rights to subscribe for any securities of his or her respective company.

COMPARISON OF SHAREHOLDER RIGHTS

The Miracle-Gro Companies are closely held corporations, each with eight or fewer individual shareholders, all but one of whom are members of the Hagedorn family. The rights of the shareholders of the Miracle-Gro Companies are governed primarily by agreements among those shareholders. Following the Merger Transactions, the Miracle-Gro Shareholders will hold shares in the Company, an Ohio corporation, and their rights will be governed by Ohio law and the Company's Amended Articles of Incorporation and Code of Regulations. Set forth below is a summary of some of the significant features of Ohio law and the Amended Articles of Incorporation and Regulations of the Company. The Company is proposing amendments to its Amended Articles of Incorporation and Code of Regulations. See "PROPOSED AMENDMENT TO ARTICLE FOURTH OF THE AMENDED ARTICLES OF INCORPORATION," "PROPOSED AMENDMENT TO ADOPT NEW ARTICLE NINTH OF THE AMENDED ARTICLES OF INCORPORATION," "PROPOSED AMENDMENTS TO SECTION 2.02 OF THE CODE OF REGULATIONS," and "PROPOSED AMENDMENT TO SECTION 6.01 OF THE CODE OF REGULATIONS." The following discussion assumes these amendments are adopted.

MERGERS AND CONSOLIDATIONS

Under the GCL and the Company's Amended Articles of Incorporation, an agreement of merger or consolidation must be approved by the directors of each constituent corporation and adopted by shareholders of each constituent Ohio corporation (other than the surviving corporation in the case of a merger) holding at least 2/3 of the corporation's voting power. In the case of a merger, the agreement must also be adopted by the shareholders of the surviving corporation by similar vote, if one or more of the following conditions exist: (a) the articles or regulations of the surviving corporation then in effect require that the agreement be adopted by the shareholders or by the holders of a particular class of shares of that corporation; (b) the agreement conflicts with the articles or regulations of the surviving corporation then in effect, or changes the articles or regulations, or authorizes any action that, if it were being made or authorized apart from the merger, would otherwise require adoption by the shareholders or by the holders of a particular class of shares of that corporation; (c) the merger involves the issuance or transfer by the surviving corporation to the shareholders of the other constituent corporation or corporations of such number of shares of the surviving corporation as will entitle the holders of the shares immediately after the consummation of the merger to exercise 1/6 or more of the voting power of that corporation in the election of directors; or (d) the agreement of merger makes such change in the directors of the surviving corporation as would otherwise require action by the shareholders or by the holders of a particular class of shares of that corporation.

OTHER CORPORATE TRANSACTIONS

Subject to certain exceptions, under the GCL and the Company's Amended Articles of Incorporation, the approval of 2/3 of the voting power of the Company is required for (i) the consummation of combinations and majority share acquisitions involving the transfer or issuance of such number of shares as would entitle the holders thereof to exercise at least 1/6 of the voting power of such corporation in the election of directors immediately after the consummation of such transaction, (ii) the disposition of all or substantially all of the corporation's assets other than in the regular course of business and (iii) voluntary dissolutions.

See "PROTECTION AGAINST NON-NEGOTIATED TAKEOVERS."

SPECIAL MEETINGS

Under the GCL, persons who may call a special meeting of shareholders include the chairman of the board, the president, or, in case of the president's absence, death, or disability, the vice-president authorized to exercise the authority of the president in the absence of the latter; the directors by action at a meeting or a majority of the directors acting without a meeting; persons holding 25% or more of the voting power of all shares entitled to vote, unless the articles or regulations specify a smaller or larger portion, but not more than 50%; or such other officers or persons as the articles or regulations may authorize. The Regulations authorize the Chairman of the Board, the President (or, in the event of his absence, death or disability, the Vice President authorized to exercise the authority of the President in the absence of the latter), the Secretary or the Board of Directors to call a special meeting of shareholders. In addition, the Regulations authorize a special meeting of shareholders to be called by persons holding at least a majority of all shares outstanding and entitled to vote thereat.

CLASS VOTING

Under the GCL, holders of a particular class of shares are entitled to vote as a separate class if the rights of such class are affected by mergers, consolidations or amendments to the articles.

REMOVAL OF DIRECTORS AND FILLING OF VACANCIES

Under the Regulations, a director or directors may be removed from office, with or without cause, by the affirmative vote of the holders of at least a majority of the voting power of the Company which entitles them to elect directors in place of those to be removed. Vacancies in the Board of Directors of the Company and any newly-created directorships resulting from any increase in the number of the directors may be filled by the directors, acting by the vote of a majority of the directors then in office, even if less than a quorum. A director elected to the Board to fill a vacancy would hold office for the unexpired portion of the term of the director whose place has been filled. A director elected by the Board to fill a newly created directorship resulting from an increase in the number of directors would hold office until the next election of the class for which the director was elected.

AMENDMENT TO THE ARTICLES

Under the GCL, an amendment to the articles must be adopted by the affirmative vote of the holders of shares entitling them to exercise 2/3 of the voting power of the corporation on the proposal, or a different proportion but not less than a majority of the voting power, as provided in the articles. New Article NINTH of the Amended Articles of Incorporation reduces the vote required to amend any provision of the Amended Articles of Incorporation except Article NINTH to a majority. See "PROPOSED AMENDMENT TO ADOPT NEW ARTICLE NINTH OF THE AMENDED ARTICLES OF INCORPORATION."

APPRAISAL RIGHTS

Under the GCL, dissenting shareholders are entitled to appraisal rights in connection with the lease, sale, exchange, transfer or other disposition of all or substantially all of the assets of a corporation and in connection with amendments to its articles which change the rights of shareholders in a substantially prejudicial manner. In addition, shareholders of an Ohio corporation being merged into a new corporation are also entitled to appraisal rights. Shareholders of an acquiring corporation are entitled to appraisal rights in a merger, combination or majority share acquisition in which such shareholders are entitled to voting rights.

DIVIDENDS

An Ohio corporation may pay dividends out of surplus, however created, in cash, property or shares. An Ohio corporation must notify its shareholders if a dividend is paid out of capital surplus.

Under the GCL, a corporation may repurchase its own shares if authorized to do so by its articles or under certain other circumstances but may not do so if immediately thereafter its assets would be less than its liabilities plus its stated capital, if any, or if the corporation is insolvent or would be rendered insolvent by such a purchase or redemption. Article FIFTH of the Amended Articles of Incorporation permits the Company to repurchase shares to the extent permitted by law.

DIRECTOR AND OFFICER LIABILITY AND INDEMNIFICATION

Under Section 1701.13(E) of the Ohio Revised Code, directors, officers, employees and agents of Ohio corporations have an absolute right to indemnification for expenses (including attorneys' fees) actually and reasonably incurred by them to the extent they are successful in defense of any action, suit or proceeding, including derivative actions, brought against them, or in defense of any claim, issue or matter asserted in any such proceeding. A director or officer is entitled to such indemnification if his success is "on the merits or otherwise," thus mandating indemnification if the indemnitee is successful on the merits or if he is successful, for example, in asserting a procedural defense, such as a claim that the action is barred by the applicable statute of limitations or if he is released pursuant to a negotiated settlement without making payment or providing other consideration. Directors (but not officers, employees or agents) are entitled to mandatory payment of expenses by the corporation as they are incurred, in advance of the final disposition of the action, suit or proceeding, provided the director agrees to cooperate with the corporation concerning the matter and to repay the amount advanced if it is proved by clear and convincing evidence that his act or failure to act was done with deliberate intent to cause injury to the corporation or with reckless disregard for the corporation's best interests.

The GCL permits a corporation to indemnify directors, officers, employees or agents of the corporation in circumstances where indemnification is not mandated by the statute if certain statutory standards are satisfied. A corporation may grant indemnification in actions other than actions brought by, or derivatively in the right of, the corporation if the indemnitee has acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the corporation, and with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. Such indemnification is permitted against expenses (including attorneys' fees) as well as judgments, fines and amounts paid in settlement actually and reasonably incurred by the indemnitee.

An Ohio corporation may also provide indemnification in actions brought by, or derivatively in the right of, the corporation for attorneys' fees and expenses actually and reasonably incurred in connection with the defense or settlement of an action if the officer, director, employee or agent acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the corporation. Ohio law does not expressly authorize indemnification against judgments, fines and amounts paid in settlement in such actions. The corporation may not indemnify a director, officer, employee or agent in such actions for attorneys' fees and expenses if the director, officer, employee or agent is adjudged to be liable to the corporation for negligence or misconduct in the performance of his duties to the corporation, unless and only to the extent that a court determines that, despite the adjudication of liability, such person is fairly and reasonably entitled to indemnity.

The GCL grants express power to an Ohio corporation to purchase and maintain insurance or furnish similar protection, including but not limited to trust funds, letters of credit and self-insurance, for director, officer, employee or agent liability. Such insurance may be purchased for, or other protection provided to, any director, officer, employee or agent, regardless of whether that individual is otherwise eligible for indemnification by the corporation.

The Regulations provide for indemnification consistent with Section 1701.13(E) of the Ohio Revised Code. The Regulations provide that the Company must indemnify officers and directors against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement incurred in connection with any pending, threatened or completed action (whether criminal, civil, administrative or investigative) by reason of the fact that such individual is or was a director, officer, employee or agent of Scotts or is or was serving at the request of Scotts Ohio as a director, trustee, officer, employee, member, manager or agent of another corporation or other entity so long as such individual acted in good faith and in a manner he reasonably believed was in, or not opposed to, the best interests of Scotts and, with respect to any criminal matter, he had no reasonable cause to believe his conduct was unlawful. The Regulations forbid Scotts Ohio from indemnifying an officer or director if such person is adjudged to be liable for acting with reckless disregard for the best interests of Scotts or misconduct (other than negligence) in the performance of his duty to Scotts unless and only to the extent a court, in view of all the circumstances, concludes that such person is fairly and reasonably entitled to such indemnity as the court deems proper. The Regulations create a presumption that a director or officer has acted in good faith

and in a manner he reasonably believed to be in, or not opposed to, the best interests of Scotts, and with respect to any criminal matter to have had no reasonable cause to believe his conduct was unlawful. Because of this presumption, Scotts believes that a director or officer will not have the initial burden of showing that he acted in good faith or in a manner he reasonably believed to be in, or not opposed to, the best interests of Scotts. In addition, the Regulations require Scotts to advance expenses on behalf of officers and directors if they agree in writing to repay such amounts if they are not successful in the litigation.

The Regulations state that the indemnification provided thereby is not exclusive of any other rights to which any person seeking indemnification may be entitled. Additionally, the Regulations provide that Scotts may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of Scotts, or who is or was serving another entity at the request of Scotts, against any liability asserted against him and incurred by him in such capacity, or arising out of his status as such, whether or not Scotts would have the obligation or power to indemnify him under the Regulations. The Regulations also authorize Scotts to purchase and maintain trust funds, letters of credit or self-insurance on behalf of any person who is or was a director, officer, employee or agent of Scotts or who is serving or has served another entity at the request of Scotts.

Ohio has codified the directors' common law duty of care and, in part, their common law duty of loyalty. Section 1701.59(B) of the Ohio Revised Code provides in pertinent part: "A director shall perform his duties as a director, including his duties as a member of any committee of the directors upon which he may serve, in good faith, in a manner he reasonably believes to be in or not opposed to the best interests of the corporation, and with the care that an ordinarily prudent person in a like position would use under similar circumstances."

Under Ohio law, a director is not liable for monetary damages unless it is proved by clear and convincing evidence that his action or failure to act was undertaken with deliberate intent to cause injury to the corporation or with reckless disregard for the best interests of the corporation. This higher standard of proof must be met in any action brought against a director for breach of his duties, including any action involving or affecting (i) a change or potential change in control of the corporation, (ii) a termination or potential termination of a director's service to the corporation as a director or (iii) a director's service in any other position or relationship with the corporation. The higher standard of proof, however, does not affect the liability of directors for unlawful loans, dividends or distributions under Section 1701.95 of the Ohio Revised Code. There is no comparable provision limiting the liability of officers, employees or agents of Ohio corporations.

Ohio law provides specific statutory authority for directors, when determining what they reasonably believe to be in the best interests of the corporation, to consider, in addition to the interests of the corporation's shareholders, other factors such as the interests of the corporation's employees, suppliers, creditors and customers; the economy of the state and nation; community and societal considerations; the long-term and the short-term interests of the corporation and its shareholders; and the possibility that these interests may be best served by the continued independence of the corporation.

INFORMATION ABOUT THE MIRACLE-GRO COMPANIES

BUSINESS OF THE MIRACLE-GRO COMPANIES

The Miracle-Gro Companies market and distribute throughout the United States and Canada the leading line of water-soluble plant foods. These products are designed to be dissolved in water, creating a dilute nutrient solution which is poured over plants and rapidly absorbed by their roots and leaves.

The Miracle-Gro(R) branded line of products was established in 1951 by nurseryman Otto Stern and advertising executive Horace Hagedorn through a combination of the production activities of Stern's Nurseries, Inc. with the marketing and sales activities of Hagedorn Sales Company, Inc. The products were initially marketed through mail order catalogues and later through retail outlets. In 1985 Mr. Hagedorn acquired Stern's Nurseries, Inc. from Mr. Stern and formed Stern's Miracle-Gro Products, Inc.

Stern's Miracle-Gro(R) All-Purpose Water-Soluble Plant Food is the Miracle-Gro Companies' leading product, accounting for approximately 60% of sales in their last fiscal year. Other water-soluble plant foods in the product line include Miracid(R) for acid loving plants, Miracle-Gro for Roses, Miracle-Gro for Tomatoes and Miracle-Gro Lawn Food. The Miracle-Gro Companies also sell a line of hose-end applicators for their water-soluble plant foods, the Miracle-Gro No-Clog(R) Garden and Lawn Feeder line, which allow consumers to apply water-soluble fertilizers to large areas quickly and easily with no mixing or measuring required. The Miracle-Gro Companies also market a line of products for houseplant use including Liquid Miracle-Gro, African Violet Food, Plant Food Spikes and Leaf Shine. In addition, in 1994, the Miracle-Gro Companies began a test market of a granular lawn product, and plan to expand the test market in 1995.

All of the products sold by the Miracle-Gro Companies (other than those produced by Miracle-Gro UK) are produced under contract by independent fertilizer blending and packaging companies.

International

Miracle-Gro UK was formed in 1990 as the marketing arm for expansion into the United Kingdom ("U.K."). The Company operated in a venture with the Garden and Professional Products Division of Imperial Chemical Industries, Plc., which subsequently spun-off that business, along with others, into a new company called Zeneca Garden Care ("Zeneca"). The venture agreement provided for Zeneca to contract the packaging and distribution of Miracle-Gro products in the U.K. in return for a share of the operating profits. On December 31, 1994, the Garden and Professional Products Division of Zeneca was sold to Miracle Garden Care, a wholly-owned subsidiary of Miracle Holdings. Miracle Holdings is a newly formed company established by Miracle-Gro UK and certain institutional investors for the purpose of pursuing the lawn and garden care business in the U.K. and elsewhere. Miracle-Gro UK received a 32.5% equity interest in Miracle Holdings in return for its transfer to Miracle Holdings of Miracle-Gro's European business and the grant to Miracle Garden Care, pursuant to the license agreement described below, of rights to certain trademarks. In addition, Miracle-Gro UK has certain rights to buy out substantially all of the equity stakes of the other investors in Miracle Holdings at certain future times. The option to buy out the other investors in Miracle Holdings will extend to the Company after the Merger Transactions.

The territory covered by the licensing agreement between Miracle-Gro UK and Miracle Garden Care covers all of Europe, including the U.K. and Ireland. Exclusive rights to certain Miracle-Gro trademarks for this territory were licensed to Miracle Garden Care under this agreement for a period of time ranging from five to twenty years. The actual length of the license period will be determined based upon the joint venture's achievement of certain operating profit goals and upon whether Miracle Garden Care elects to make a public offering of its stock. Following completion of the Merger Transactions, the territory in which Miracle Garden Care has the right to sell Miracle-Gro branded products will be limited to the U.K. and Ireland, and Miracle Garden Care will have the right to manufacture all such products sold in the rest of Europe.

Only five years after introduction, Miracle-Gro UK's water soluble plant foods are the leading such products in the U.K. In addition, Miracle Garden Care sells a line of lawn care products and other products which had been part of the Zeneca product line.

Marketing and Promotion

Miracle-Gro products are sold through a direct sales force to certain large retailers and also via lawn and garden wholesale distributors. The percentage of sales to mass merchandisers, warehouse-type clubs and large

buying groups has increased in recent years. The top ten accounts (which includes three wholesale distributors who resell to a variety of accounts) represented 67% of the Miracle-Gro Companies' business in 1994.

The Miracle-Gro(R) line of water-soluble plant foods can be found in most retail outlets which sell garden fertilizer products. Major retailers which carry Miracle-Gro(R) branded items include Wal-Mart, Home Depot, K-Mart, Target and Lowe's Stores. Warehouse-type clubs such as Sam's Club and Price Costco also feature the products, as do nursery chains such as Frank's Nursery and Crafts. Hardware cooperatives, such as Cotter and Co., Ace Hardware Corp. and Servistar Hardware Stores, carry portions of the Miracle-Gro line. The houseplant items are also carried in stores with traditionally small garden sections, such as supermarkets and drugstores.

The Miracle-Gro Companies have adopted a "pull-through" marketing strategy, generating demand for the products at the consumer level to create sales from the retail shelves. This is accomplished by an intensive national advertising program in the spring and early summer months, with the focus on television commercials, mostly during prime-time. This advertising campaign is supported by drive-time radio advertising on a national and local basis, as well as print advertising in dozens of regional and national magazines.

Competition

The Miracle-Gro Companies sell their products, which are generally non-proprietary, in a very competitive marketplace. They compete primarily against regional brands, and private label products on both a regional and national basis. The competitors are generally larger and have greater financial and product development resources than the Miracle-Gro Companies and often sell their products at lower prices than the Miracle-Gro Companies. The Miracle-Gro Companies maintain their strong market position by virtue of an extensive advertising campaign, and by the quality of their products. However, there can be no assurance that expanded marketing efforts by existing competitors, or new entrants, will not erode the business or profit margins of the Miracle-Gro Companies.

MARKET PRICE OF AND DIVIDENDS ON COMMON STOCK OF THE MIRACLE-GRO COMPANIES

Each of the Miracle-Gro Companies is a privately held company for which there is no established public trading market.

For information regarding distributions to the shareholders of the Miracle-Gro Companies, see "INFORMATION ABOUT THE MIRACLE-GRO COMPANIES - Selected Financial Data," below, and the Stern's Miracle-Gro Products, Inc. and Affiliated Companies Combined Financial Information appearing elsewhere in this Proxy Statement/Prospectus.

SELECTED FINANCIAL DATA

THE MIRACLE-GRO COMPANIES SELECTED HISTORICAL COMBINED FINANCIAL DATA

The following table sets forth selected historical combined financial data of the Miracle-Gro Companies and has been derived from the Miracle-Gro Companies' Combined Financial Statements and Notes thereto as of September 30, 1993 and 1994 and for the three years ended September 30, 1994 included elsewhere herein. The selected historical financial data as of December 31, 1993 and 1994, respectively are derived from unaudited combined financial statements included herein. Such unaudited combined financial statements have been prepared on the same basis as the Miracle-Gro Companies' Combined Financial Statements, and Miracle-Gro's management believes that such unaudited combined financial statements contain all adjustments necessary for a fair presentation of the financial information presented (consisting only of normal recurring adjustments). Interim results are not necessarily indicative of results for the full year. The selected historical combined financial data should be read in conjunction with the Miracle-Gro Companies' Combined Financial Statements and Notes thereto and "THE MIRACLE-GRO COMPANIES - Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere herein.

	FISCAL YEAR ENDED SEPTEMBER 30,					THREE MONTHS ENDED DECEMBER 31,	
	1990	1991	1992	1993 (2)	1994	1993	1994
	(DOLLARS IN THOUSANDS, EXEMPT RATIOS)					(UNAUDITED)	(UNAUDITED)
STATEMENT OF OPERATIONS DATA:							
Net sales.....	\$62,654,541	\$72,493,930	\$93,146,626	\$92,779,345	\$107,421,014	\$14,078,419	\$15,254,564
Cost of sales.....	32,842,981	37,013,637	46,647,377	46,833,142	52,255,083	7,024,720	7,702,435
Gross profit.....	29,811,560	35,480,293	46,499,249	45,946,203	55,165,931	7,053,699	7,552,129
Advertising expense.....	13,040,696	12,585,281	15,706,008	14,946,888	17,412,363	1,309,807	1,521,469
Selling expense.....	762,756	695,772	867,495	951,119	1,138,862	204,994	227,489
General and administrative expense.....	3,387,127	4,413,000	4,941,438	5,678,104	6,541,282	1,591,251	2,240,898
Other (income) expense, net.....	(342,562)	74,425	91,915	859,188	549,331	269,952	818,074
Total operating expenses.....	16,848,017	17,768,478	21,606,856	22,435,299	25,641,838	3,376,004	4,807,930
Income from operations.....	12,963,543	17,711,815	24,892,393	23,510,904	29,524,093	3,677,695	2,744,199
Interest (income)/expense, net.....	(304,142)	(155,257)	77,337	311,934	125,422	(774)	2,656

Income before income taxes....	13,267,685	17,867,072	24,815,056	23,198,970	29,398,671	3,678,469	2,741,543
Income taxes.....	164,413	284,034	732,204	527,384	489,705	120,000	148,753
Net income.....	<u>\$13,103,272</u>	<u>\$17,583,038</u>	<u>\$24,082,652</u>	<u>\$22,671,586</u>	<u>\$ 28,908,966</u>	<u>\$ 3,558,469</u>	<u>\$ 2,592,790</u>
BALANCE SHEET DATA (END OF PERIOD):							
Working capital.....	\$17,158,736	\$19,984,119	\$26,200,156	\$24,271,635	\$ 30,693,805	\$18,628,768	\$18,745,052
Capital investment.....	342,749	362,389	193,767	412,653	913,509	236,675	113,197
Property, plant and equipment, net.....	986,103	1,116,376	1,067,679	1,238,283	1,777,707	1,422,155	1,218,950
Total assets.....	21,497,019	25,043,036	32,925,169	29,707,050	39,406,782	35,874,372	46,052,013
Total shareholders' equity....	18,439,841	19,036,495	23,944,835	22,173,657	29,110,597	16,763,873	17,166,218

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The following discussion of the results of operation, liquidity and capital resources of the Miracle-Gro Companies for the three months ended December 31, 1994 and 1993, and the years ended September 30, 1994, 1993 and 1992 should be read in conjunction with the Miracle-Gro Companies' combined financial statements and the notes thereto appearing elsewhere in this Proxy Statement/Prospectus and the information under "INFORMATION ABOUT THE MIRACLE-GRO COMPANIES -- Selected Financial Data ."

The Miracle-Gro Companies' combined financial statements are presented to reflect the combined financial position and results of operations of the Miracle-Gro Companies, which are being acquired by the Company in the Merger Transactions. Each Miracle-Gro Company is controlled (directly or indirectly) by the same group of

shareholders. Accordingly, the assets, liabilities and equity of the individual Miracle-Gro Companies have been combined. All material intercompany transactions and balances have been eliminated in such combination.

Each of the Miracle-Gro Companies (except Nurseries, which is immaterial to the combined group) has elected to be treated as a Subchapter S Corporation under the Code. Therefore, federal and most state income taxes are paid by their Miracle-Gro Shareholders. As a result, the Miracle-Gro combined financial statements include only those state and local income taxes payable directly by the Miracle-Gro Companies. Because those companies are not taxable under the Code, no deferred taxes have been provided in the combined financial statements. See Note 2 in the Notes to the Stern's Miracle-Gro Products, Inc. and Affiliate Companies Combined Financial Statements appearing elsewhere in this Proxy Statement/Prospectus.

Results of Operations

Three Months Ended December 31, 1994 Compared with Three Months Ended December 31, 1993

Net sales for the quarter ended December 31, 1994 were \$15.3 million compared to \$14.1 million for the quarter ended December 31, 1993. The increase of \$1.2 million, or 8.4%, is attributable to sales volume increases in the U.K. Net sales in the U.S. and Canada were \$11.9 million compared to \$12.6 million for the three months ended December 31, 1994 and 1993, respectively, a decrease of \$0.7 million, or 5.9%. Net sales in the U.K. were \$3.4 million compared to \$1.4 million for the three months ended December 31, 1994 and 1993, respectively, an increase of \$2.0 million, or 132.9%.

Cost of sales of \$7.7 million (50.5% of net sales) for the quarter ended December 31, 1994 compared to \$7.0 million (49.9% of net sales) for the corresponding quarter in the prior year. This increase was primarily due to the new lawn food which had a higher cost of sales than most of the other Miracle-Gro products.

Operating expenses of \$4.8 million for the quarter ended December 31, 1994 increased \$1.4 million, or 30.7%, in the quarter ended December 31, 1993. The two major components of this increase were increases in legal expenses and bonuses paid to Zeneca. The legal expenses were related to the Agreement with the Company in the U.S. and to a licensing agreement with Miracle Garden Care in the U.K. This licensing agreement gave Miracle Garden Care a license to produce and market Miracle-Gro products in exchange for approximately 32.5% of the stock in Miracle Holdings, the parent of Miracle Garden Care.

Net income of \$2.6 million for the three months ended December 31, 1994 was a decrease of \$1.0 million from \$3.6 million for the comparable period of the prior year. This is mainly attributable to legal expenses and the increased performance bonuses in the U.K. referred to above.

Fiscal 1994 Compared with Fiscal 1993

Net sales for the fiscal year ended September 30, 1994 were \$107.4 million compared to \$92.8 million for the fiscal year ended September 30, 1993. The increase of \$14.6 million, or 15.8%, is attributable to increased sales volume across Miracle-Gro's product lines. Net sales in the U.S. and Canada were \$99.2 million compared to \$87.1 million for the years ended September 30, 1994 and 1993, respectively, an increase of \$12.1 million, or 13.9%. Net sales in the U.K. were \$8.2 million in fiscal 1994 compared to fiscal 1993, an increase of \$2.5 million, or 44%.

Cost of sales was \$52.3 million (48.6% of net sales) for fiscal 1994 compared to \$46.8 million (50.5% of net sales) for fiscal 1993. The increase in cost of sales in fiscal 1994 was due to the higher sales volume. The improved gross margin in fiscal 1994 was due primarily to lower chemical and packaging costs and an increased proportion of direct sales to major retailers which carry a higher margin.

Operating expenses of \$25.6 million in fiscal 1994 increased over the prior year by \$3.2 million, or 14.3%. The major components of this increase were increased spending on merchandising programs designed to obtain increased shelf presence, increased personnel expense and increased profit payments due to U.K. distributors.

Net interest expense of \$0.1 million in fiscal 1994 decreased by \$0.2 million from the prior year due to increased cash levels in 1994 which generated higher interest income.

Net income of \$28.9 million in fiscal 1994 increased by \$6.2 million from \$22.7 million in fiscal 1993. This increase is primarily attributable to increased sales volume and gross margin, partially offset by increased operating expenses.

Fiscal 1993 Compared with Fiscal 1992

Net sales for the fiscal year ended September 30, 1993 were \$92.8 million compared to \$93.1 million for the fiscal year ended September 30, 1992. The decrease of \$0.3 million, or 0.4%, was primarily attributable to an unusually cold and wet springtime weather pattern throughout the U.S. Net sales in the U.S. and Canada were \$87.1 million compared to \$88.6 million for the years ended September 30, 1993 and 1992, respectively, a decrease of \$1.5 million, or 1.7%. Net sales in the U.K. were \$5.7 million for fiscal 1993 compared to \$4.5 million for fiscal 1992, an increase of \$1.2 million, or 26.0%.

Cost of sales of \$46.8 million (50.5% of net sales) for fiscal 1993 compares to \$46.6 million (50.1% of net sales) for fiscal 1992. The increase as a percentage of net sales is attributable primarily to a shift in sales toward lower margin products.

Operating expenses of \$22.4 million in fiscal 1993 represents an increase from the prior year of \$0.8 million, or 3.8%. The major components of this increase were a rise in G&A expenses due to increased personnel expense and increased losses due to uncollectable receivables.

Net interest expense of \$0.3 million in fiscal 1993 was an increase of \$0.2 million from the prior year due to higher inventory levels in 1993 which required increased borrowing, generating more interest expense.

Net income of \$22.7 million in fiscal 1993 represents a decrease of \$1.4 million from the previous year's \$24.1 million due primarily to the factors discussed above.

Liquidity and Capital Resources

Capital expenditures totaled \$0.1 million and \$0.2 million for the three months ended December 31, 1994 and 1993, respectively, and \$0.9 million and \$0.4 million for the fiscal years ended September 30, 1994 and 1993, respectively. In 1994 Miracle-Gro's main expenditures were for new computers and a new telephone system. Miracle-Gro UK's expenditures for both years were for production machinery in the U.K. The Miracle-Gro Companies do not anticipate any major capital expenditures in fiscal 1995.

Current assets of \$44.1 million of December 31, 1994 increased by \$9.9 million compared to current assets of \$34.2 million on December 31, 1993. This increase was due to higher levels of inventory in the U.K. and inventory of the new lawn food products. Both of these inventories are needed for the expected increased demand.

Total assets of \$46.1 million on December 31, 1994 increased by \$10.2 million compared to total assets of \$35.9 million on December 31, 1993. This increase was primarily due to the increased inventory levels.

Total liabilities of \$28.9 million on December 31, 1994 increased by \$9.8 million compared to the total liabilities of \$19.1 million on December 31, 1993. This increase was due to the increased accounts payable in the U.K. and a line of credit incurred by Miracle-Gro Delaware. The increased accounts payable in the U.K. was

due to the increased inventory production and legal costs regarding the licensing agreement discussed above. The Miracle-Gro Delaware line of credit was used to build inventory.

Shareholders equity of \$17.2 million on December 31, 1994 increased by \$0.4 million compared with shareholders equity of \$16.8 million on December 31, 1993. This increase was primarily due to capital stock purchases of Miracle-Gro Delaware and timing of Subchapter-S distributions. Shareholders equity of \$29.1 million on September 30, 1994 reflected an increase of \$6.9 million compared with shareholders equity on September 30, 1993. This increase was primarily due to undistributed Subchapter-S earnings.

The primary sources of liquidity for the Miracle-Gro Companies are funds generated by operations, borrowings under a \$25 million line of credit with Chase Manhattan Bank ("Chase") that is secured by both accounts receivable and inventory, and borrowings under a \$10 million line of credit with the Hagedorn Family Fund, a private partnership, the partners of which are six of the Miracle-Gro Shareholders. The Chase line of credit is renewed annually and is currently scheduled to expire on March 31, 1995, but is expected to be extended in February 1995 for an additional year. Both lines of credit bear interest at an interest rate of 1/4% under the Chase prime lending rate. Interest on the Chase line of credit is payable on a monthly basis. Borrowings under the Chase line of credit traditionally start in December and are fully paid by the following May. All outstanding balances on this line have always been completely paid by the end of the fiscal year in which they were incurred. On December 31, 1994 borrowings under the Chase and Hagedorn Family Fund lines of credit were \$13.3 million and \$7.2 million, respectively. These borrowings are used to fund working capital requirements during the period when the Miracle-Gro Companies offer customers spring dating terms for payment. The Hagedorn Family Fund line of credit is payable on demand and had monthly interest payments made through December 31, 1994. In connection with the Merger Transactions, this line of credit will not earn interest after December 31, 1994 and the maximum amount to be borrowed is \$8.5 million. After the closing of the Merger Transactions, this line of credit will be paid in full.

In the opinion of Miracle-Gro's management, cash flows from operations and capital resources will be sufficient to meet future working capital needs.

Inflation

Miracle-Gro is subject to the effects of changing prices. In recent history these increases have not had any material impact. Historically, Miracle-Gro has been able to pass along inflationary increases in its costs.

DISSENTERS' RIGHTS

Shareholders of the Company have no dissenters' rights with respect to the Merger Transactions, the Acquisition or any other matter to be considered at the Annual Meeting.

The Miracle-Gro Shareholders have unanimously approved the Merger Transactions. Therefore, none of the Miracle-Gro Shareholders has any dissenters' rights with respect to the Merger Transactions.

VALIDITY OF SHARES OF CLASS A CONVERTIBLE PREFERRED STOCK

The validity of the shares of Class A Convertible Preferred Stock offered hereby will be passed upon for the Company by Vorys, Sater, Seymour and Pease, Columbus, Ohio.

EXPERTS

The consolidated balance sheets of the Company as of September 30, 1993 and 1994, and the consolidated statements of income, changes in shareholder's equity (deficit) and cash flows for each of the three years in the

period ended September 30, 1994, incorporated in this Proxy Statement/Prospectus by reference have been incorporated herein in reliance on the report of Coopers & Lybrand L.L.P., independent accountants ("Coopers & Lybrand"), given upon their authority as experts in accounting and auditing.

The combined balance sheets of the Miracle-Gro Companies as of September 30, 1993 and 1994, and the combined statements of income and retained earnings and cash flows for each of the three years in the period ended September 30, 1994, are included in this Proxy Statement/Prospectus in reliance on the report of Joel E. Sammett & Co., independent accountants, given upon their authority as experts in accounting and auditing.

INDEPENDENT AUDITORS

The Board of Directors of the Company has appointed Coopers & Lybrand as the Company's independent auditors for the 1995 fiscal year. Coopers & Lybrand, a certified public accounting firm, has served as the Company's independent auditors since 1986.

A representative of Coopers & Lybrand is expected to be present at the Annual Meeting to respond to appropriate questions and to make such statements as he may desire.

SHAREHOLDER PROPOSALS FOR 1996 ANNUAL MEETING

Proposals by shareholders intended to be presented at the 1996 Annual Meeting of Shareholders must be received by the Secretary of the Company no later than November [8], 1995, to be included in the Company's proxy, notice of meeting and proxy statement relating to such meeting and should be mailed to The Scotts Company, 14111 Scottslawn Road, Marysville, Ohio 43041, Attention: Secretary.

OTHER BUSINESS

The Board of Directors is aware of no other matter that will be presented for action at the 1995 Annual Meeting. If any other matter requiring a vote of the shareholders properly comes before the Annual Meeting, the persons authorized under management proxies will vote and act according to their best judgments in light of the conditions then prevailing.

ANNUAL REPORT

The Company's 1994 Annual Report to Shareholders containing audited financial statements for the 1994 Fiscal Year is being mailed to all shareholders of record with this Proxy Statement/Prospectus.

The form of proxy and the Proxy Statement/Prospectus have been approved by the Board of Directors of the Company and are being mailed and delivered to shareholders by its authority.

Craig D. Walley
Vice President and Secretary

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THE SCOTTS COMPANY AND SUBSIDIARIES
PRO FORMA CONSOLIDATED FINANCIAL INFORMATION
PRELIMINARY

Introduction

On January 26, 1995, The Scotts Company ("Scotts" or "the Company"), the Miracle-Gro Companies ("Miracle-Gro") and the Miracle-Gro Shareholders entered into a merger agreement ("the Agreement"). Pursuant to the Agreement, Miracle-Gro will become wholly owned by the Company and the Company will issue \$195 million of face amount Class A Convertible Preferred Stock and warrants to purchase three million common shares. The transaction will be accounted for using the purchase method of accounting. The Class A Convertible Preferred Shares will be convertible into common shares at \$19.00 per share, will pay dividends at a rate of 5.0% per annum, will be non-callable for five years and will be subject to certain restrictions on transfer. The warrants will be exercisable for eight and one-half years in three series for one million common shares each at \$21.00, \$25.00 and \$29.00 per share, respectively.

The purchase price for the Miracle-Gro Companies in these pro forma financial statements is based on the fair value of the Class A Convertible Preferred Shares and warrants as of closing and is estimated to be approximately \$200 million. The transaction is subject to, among other things, approval of the Company's shareholders.

This pro forma consolidated financial information is preliminary and will likely be affected by changes in the market value of Scotts common shares, timing of closing the transaction and other factors beyond the control of the Company or Miracle-Gro.

The following unaudited Pro Forma Consolidated Statement of Income gives effect to the merger of Scotts and Miracle-Gro as if the transaction, which is expected to be completed by early April 1995, had taken place on October 1, 1993. The following unaudited Pro Forma Consolidated Balance Sheet gives effect to the acquisition as if the transaction had occurred on December 31, 1994.

The unaudited pro forma adjustments are described in the accompanying notes to the pro forma consolidated financial statements. The unaudited pro forma consolidated financial statements should be read in conjunction with the notes thereto and the consolidated financial statements of Scotts included in the Company's Annual Report on Form 10-K for the year ended September 30, 1994, and the combined financial statements of Miracle-Gro presented elsewhere in this Form S-4.

The pro forma consolidated financial statements do not purport to be indicative of the Company's financial position at December 31, 1994 or the results of operations which actually would have occurred had the acquisition taken place on October 1, 1993, nor do they purport to indicate the future results of operations of the merged companies.

THE SCOTTS COMPANY AND SUBSIDIARIES
 PRO FORMA CONSOLIDATED STATEMENT OF INCOME
 PRELIMINARY
 For the year ended September 31, 1994
 (Unaudited)

(in thousands except per share amounts)

	THE SCOTTS COMPANY HISTORICAL	SIERRA PRO FORMA REFER TO NOTE (A)	SUBTOTAL PRO FORMA AS PREVIOUSLY PRESENTED	MIRACLE-GRO HISTORICAL	PRO FORMA ADJUSTMENTS	PRO FORMA
Net Sales	\$606,339	\$20,826	\$627,165	\$107,421	\$ (8,355) (1)	\$726,231
Cost of Sales	319,730	10,642	330,372	52,255	(7,305) (1) (2)	375,322
Gross Profit	288,609	10,184	296,793	55,166	(1,050)	350,909
Marketing	100,106	5,233	105,339	18,551	(129) (1) (3)	123,761
Distribution	84,407	989	85,396	-	2,957 (4)	88,353
General and administrative	30,189	2,086	32,275	6,541	(2,081) (1) (5)	36,735
Research and development	10,352	906	11,258	-	-	11,258
Other expense, net	2,283	582	2,865	550	2,866 (1) (6)	6,281
Income from operations	59,272	388	59,660	29,524	(4,663)	84,521
Interest expense	17,450	1,460	18,910	125	-	19,035
Income before income taxes and extraordinary item	41,822	(1,072)	40,750	29,399	(4,663)	65,486
Income taxes	17,947	(965)	16,982	490	11,250 (7)	28,722
Net Income before extraordinary item	\$ 23,875	\$ (107)	\$ 23,768	\$ 28,909	\$(15,913)	\$ 36,764
Earnings per common share - primary and fully diluted	\$ 1.27		\$ (1.27)			\$ 1.27

See Notes to Pro Forma Consolidated Statement of Income

THE SCOTTS COMPANY AND SUBSIDIARIES
 NOTES TO PRO FORMA CONSOLIDATED STATEMENT OF INCOME
 PRELIMINARY
 For the year ended September 30, 1994
 (Unaudited)

(amounts in thousands)

I. PRO FORMA ADJUSTMENTS

Prior Significant Acquisition

(A) On December 17, 1993, Scotts purchased Grace-Sierra Horticultural Products Company ("Sierra"). The pro forma consolidated statement of income for the year ended September 30, 1994 reflects this acquisition as if it had occurred on October 1, 1992, as previously reported, giving effect to pro forma adjustments for depreciation and amortization of tangible and intangible assets, interest and expenses on acquisition indebtedness, and income taxes. The Company's consolidated balance sheet as of December 31, 1994 and consolidated statement of income for the three months ended December 31, 1994 include Sierra for the entire period.

Miracle-Gro Limited Transaction

(1) The historical combined financial statements of Miracle-Gro include the revenues and expenses of Miracle-Gro Products Limited ("Limited"). On December 31, 1994, Limited entered into an agreement to exchange its equipment and a license for distribution of Miracle-Gro products in certain areas of Europe for a 32.5% equity interest in a U.K. based garden products company. In future periods, this investment will be accounted for on the equity method. Accordingly, the Pro Forma Consolidated Statement of Income has been adjusted to reflect the net income of Limited for the year ended September 30, 1994 as if it had been accounted for as an equity investment as follows:

To reclassify Limited income statement accounts:

Net sales	\$	8,355
Cost of sales	\$	4,456
Marketing expense	\$	1,868
General and administrative expense	\$	304
Other expense	\$	807

Net income as reclassified to pro forma other expense, net	\$	920
		=====

This reclassification reflects the historical Limited results and not the results that would have been reported had the 32.5% interest in the U.K. based garden products company been held for the year. The historical income of Limited reflected on the equity method of accounting is not necessarily indicative of Limited's share of future earnings attributable to its equity investment.

Miracle-Gro Acquisition

The following pro forma adjustments are made to reflect the application of purchase accounting and certain adjustments to conform the Miracle-Gro financial statement classifications to the Scotts presentation.

(2) To record additional depreciation (\$50); to reclassify distribution expense (\$2,957) recorded as cost of sales to distribution; and to reclassify depreciation (\$58) to cost of sales from general and administrative.

THE SCOTTS COMPANY AND SUBSIDIARIES
NOTES TO PRO FORMA CONSOLIDATED STATEMENT OF INCOME
PRELIMINARY
For the year ended September 30, 1994
(Unaudited)

(amounts in thousands)

- (3) To reclassify sales and marketing related salaries and fringe benefits (\$1,739) from general and administrative to marketing.
- (4) To reclassify distribution expense (\$2,957) from cost of sales.
- (5) To record additional depreciation on buildings and amortization of a favorable land lease (\$20); to reclassify sales and marketing salaries (\$1,739) to marketing; and to reclassify depreciation (\$58) to cost of sales.
- (6) To record amortization of acquired trademarks and goodwill (\$4,593) over 40 years.
- (7) To record additional income tax expense assuming Miracle-Gro had been taxed as C Corporations and to record the tax effect of pro forma adjustments; historically Miracle-Gro shareholders had elected Subchapter S Corporation status under the Internal Revenue Code.

II. EARNINGS PER COMMON SHARE

For purposes of computing earnings per share, the convertible preferred stock is considered a common stock equivalent. Pro forma primary and fully-diluted earnings per share for the year ended September 30, 1994 are calculated using the weighted average common shares outstanding for Scotts of 18,784,729 and the common shares that would have been issued assuming conversion of preferred stock at the beginning of the year of 10,263,158 common shares. The computation of pro forma primary earnings per share assuming reduction of earnings for preferred dividends and no conversion of preferred stock was antidilutive.

THE SCOTTS COMPANY AND SUBSIDIARIES

PRO FORMA CONSOLIDATED STATEMENT OF INCOME
 PRELIMINARY
 For the three months ended December 31, 1994
 (Unaudited)

(in thousands except per share amounts)

	The Scotts Company Historical	Miracle-Gro Historical	Pro Forma Adjustments	Pro Forma
	-----	-----	-----	-----
Net Sales	\$98,019	\$15,255	\$(3,368)(1)	\$109,906
Cost of Sales	53,520	7,702	(2,093)(1)(2)	59,129
Gross Profit	44,499	7,553	(1,275)	50,777
Marketing	19,902	1,749	357 (1)(3)	22,008
Distribution	14,540		546 (4)	15,086
General and Administrative	2,765	2,241	(746)(1)(5)	4,260
Research and development	5,967			5,967
Other expense, net	995	818	(266)(1)(6)	1,547
Income from operations	330	2,745	(1,166)	1,909
Interest expense	5,694	3		5,697
Income (loss) before income taxes and extraordinary item	(5,364)	2,742	(1,166)	(3,788)
Income taxes	(2,226)	149	948 (7)	(1,129)
Net income (loss)	\$(3,138)	\$ 2,593	(2,114)	\$ (2,659)
	=====	=====	=====	=====
Earnings per common share - primary and fully diluted	\$ (0.17)			\$ (0.27)
	=====			=====

See Notes to Pro Forma Consolidated Statement of Income

THE SCOTTS COMPANY AND SUBSIDIARIES
 NOTES TO PRO FORMA CONSOLIDATED STATEMENT OF INCOME
 PRELIMINARY
 For the three months ended December 31, 1994
 (Unaudited)

(amounts in thousands)

I. PRO FORMA ADJUSTMENTS

Miracle-Gro Limited Transaction

- (1) The historical combined financial statements of Miracle-Gro include the revenues and expenses of Miracle-Gro Products Limited ("Limited"). On December 31, 1994, Limited entered into an agreement to exchange its equipment and a license for distribution of Miracle-Gro products in certain areas of Europe for a 32.5% equity interest in a U.K. based garden products company. In future periods, this investment will be accounted for on the equity method. Accordingly, the Pro Forma Consolidated Statement of Income has been adjusted to reflect the net income of Limited for the three months ended December 31, 1994 as if it had been accounted for as an equity investment as follows:

To reclassify Limited income statement accounts:

Net sales	\$ 3,368
Cost of sales	\$ (1,575)
Marketing expense	\$ (78)
General and administrative	\$ (301)
Other expense	\$ (839)

Net income as reclassified to pro forma other expense, net	\$ 575 =====

This reclassification reflects the historical Limited results and not the results that would have been reported had the 32.5% interest in U.K. based garden products company been held for the period. The historical income of Limited reflected on the equity method of accounting is not necessarily indicative of Limited's share of future earnings attributable to its equity investment.

Miracle-Gro Acquisition

The following pro forma adjustments are made to reflect the application of purchasing accounting and certain adjustments to conform the Miracle-Gro financial statement classifications to the Scotts presentation.

- (2) To record additional depreciation (\$13); to reclassify distribution expense (\$546) recorded as cost of sales to distribution; and to reclassify depreciation (\$15) to cost of sales from general and administrative.
- (3) To reclassify sales and marketing related salaries and fringe benefits (\$435) from general and administrative to marketing.
- (4) To reclassify distribution expense (\$546) from cost of sales.

- (5) To record additional depreciation on buildings and amortization of a favorable land lease (\$5); to reclassify sales and marketing salaries (\$435) to marketing; and to reclassify depreciation (\$15) to cost of sales.
- (6) To record amortization of acquired trademarks and goodwill (\$1,148) over 40 years.
- (7) To record additional income tax expense assuming Miracle-Gro had been taxed as C Corporations and to record the tax effect of pro forma adjustments; historically Miracle-Gro stockholders had elected Subchapter S Corporation status under the Internal Revenue Code.

II. EARNINGS PER COMMON SHARE

For purposes of computing earnings per share, the convertible preferred stock is considered to be a common stock equivalent. Pro forma primary and fully-diluted earnings per share for the three months ended December 31, 1994 are calculated using the weighted average common shares outstanding for Scotts of 18,667.064. The pro forma net loss of \$2,659 has been increased by the preferred stock dividend of \$2,438 to determine the loss applicable to common shares. The computation of pro forma primary earnings per share assuming conversion of the preferred stock at the beginning of the three month period was antidilutive.

THE SCOTTS COMPANY AND SUBSIDIARIES

PRO FORMA CONSOLIDATED BALANCE SHEET

PRELIMINARY
As of December 31, 1994
(Unaudited)

(in thousands)

	The Scotts Company Historical -----	Miracle-Gro Historical -----	Pro Forma Adjustments -----	Pro Forma -----
ASSETS				
Current assets				
Cash	\$ 5,410	-	-	\$ 5,410
Accounts receivable, net	128,454	\$ 15,277	\$ (2,633) (2)	41,098
Inventories	145,095	28,429	(4,021) (2)	169,503
Prepaid and other current assets	19,735	425	300 (2)(3)	20,460
	-----	-----	-----	-----
Total current assets	298,694	44,131	(6,354)	336,471
Property, plant and equipment, net	141,556	1,783	396 (2)(4)	143,735
Trademarks, patents and other intangibles	27,485		75,000 (5)	102,485
Goodwill	103,926		108,703 (5)	212,629
Other assets	4,957	138	10,186 (2)	15,281
	-----	-----	-----	-----
Total assets	\$ 576,618 =====	\$ 46,052 =====	\$ 187,931 =====	\$ 810,601 =====
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Revolving credit	\$ 68,062	\$ 16,931		\$ 84,993
Current portion of term debt	5,540			5,540
Accounts payable	53,565	6,438	\$ 5,614 (2)(6)	65,617
Other current liabilities	36,100	2,017	2,792 (2)(8)	40,909
	-----	-----	-----	-----
Total current liabilities	163,267	25,386	8,406	197,059
Long-term debt	217,618	3,500	(3,500) (2)	217,618
Post retirement benefits other than pensions	27,180			27,180
Other noncurrent liabilities	3,492		1,191 (3)(7)	4,683
	-----	-----	-----	-----
Total liabilities	411,557	28,886	6,097	446,540
	-----	-----	-----	-----
Shareholders' Equity				
Preferred stock			187,200 (1)	187,200
Common stock	211	9,456	(9,456) (1)	211
Capital in excess of par value	193,418	240	11,560 (1)	205,218
Retained earnings	10,737	7,470	(7,470) (1)	10,737
Cumulative translation gain	2,136			2,136
Treasury stock	(41,441)			(41,441)
	-----	-----	-----	-----
Total shareholders' equity	165,061	17,166	181,834	364,061
	-----	-----	-----	-----
Total liabilities and shareholders' equity	\$ 576,618 =====	\$ 46,052 =====	\$187,931 =====	\$810,601 =====

See Notes to Pro Forma Consolidated Balance Sheet

THE SCOTTS COMPANY AND SUBSIDIARIES
 NOTES TO CONSOLIDATED BALANCE SHEET
 PRELIMINARY
 As of December 31, 1994
 (Unaudited)
 (amounts in thousands)

- (1) To record the issuance of 5% convertible preferred stock with an estimated market value of \$187,200 and a face value of \$195,000 and warrants to purchase common stock with an estimated market value of \$11,800 as consideration to acquire Miracle-Gro, and to eliminate the historical shareholders' equity of Miracle-Gro.
- (2) On December 31, 1994, Limited entered into an agreement to exchange its equipment and a license for distribution of Miracle-Gro products in certain areas of Europe for a 32.5% equity interest in a U.K. based garden products company. Current assets, comprised primarily of accounts receivable and inventories will be disposed of in satisfaction of current liabilities and long-term debt with any residual cash remaining with Limited. The pro forma effect is as follows:

To record the contribution of equipment at net book value and Investment in the new company at fair value:

Equipment	\$ (604)
Other assets-investment	\$ 10,186

To reflect disposition of assets in satisfaction of liabilities:

Accounts receivable	\$ (2,633)
Inventories	\$ (4,021)
Prepaid and other current assets	\$ (140)
Accounts payable	\$ 2,486
Accrued liabilities	\$ 808
Long-term debt	\$ 3,500

- (3) To record a current deferred tax asset (\$440) and non-current deferred tax liability (\$400) for differences in the financial reporting and tax bases of certain acquired liabilities and fixed assets.
- (4) To record buildings and equipment (\$1,000) at estimated fair value.
- (5) To record the estimated fair value of Miracle-Gro trademarks (\$75,000) and to record the excess of purchase price over the underlying value of net assets acquired (goodwill).
- (6) To record the estimated liability (\$8,100) for distributions to be made to Miracle-Gro shareholders pursuant to the purchase agreement. The total liability is estimated to be \$22,000 based on the expected increase in Miracle-Gro's net assets from normal operations through the transaction closing date.
- (7) To record the excess of the projected benefit obligation over the plan assets (\$791) of the Miracle-Gro defined benefit pension plan.
- (8) To record for estimated transaction costs (\$3,600).

STERN'S MIRACLE-GRO PRODUCTS, INC.
AND
AFFILIATED COMPANIES
COMBINED FINANCIAL INFORMATION
FOR
FISCAL YEAR ENDED SEPTEMBER 30, 1994
AND
THREE MONTHS ENDED DECEMBER 31, 1994

F-11

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Stern's Miracle-Gro Products, Inc.

We have audited the accompanying combined balance sheets of Stern's Miracle-Gro Products, Inc. and affiliated companies as of September 30, 1993 and 1994, and the related combined statements of income and retained earnings, and cash flows for each of the three years in the period ended September 30, 1994. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of Stern's Miracle-Gro Products, Inc. and affiliated companies as of September 30, 1993 and 1994, and the combined results of their operations and their combined cash flows for each of the three years in the period ended September 30, 1994, in conformity with generally accepted accounting principles.

Joel E. Sammet & Co.
Certified Public Accountants

New York, New York
January 26, 1995

STERN'S MIRACLE-GRO PRODUCTS, INC. AND AFFILIATED COMPANIES

COMBINED BALANCE SHEETS

AS OF

SEPTEMBER 30,

	1993	1994
	-----	-----
ASSETS		
Current Assets		

Cash and cash equivalents	\$11,746,627	\$16,403,197
Accounts receivable - trade	1,412,207	3,344,878
Inventories	14,825,635	16,796,721
Other current assets	320,559	373,080
	-----	-----
Total Current Assets	28,305,028	36,917,876
	-----	-----
Property and equipment - cost	2,655,982	3,489,965
Less: Accumulated depreciation	1,417,699	1,712,258
	-----	-----
	1,238,283	1,777,707
	-----	-----
Other Assets	163,739	139,085
	-----	-----
TOTAL ASSETS	\$29,707,050	\$38,834,668
	=====	=====

See notes to combined financial statements.

STERN'S MIRACLE-GRO PRODUCTS, INC. AND AFFILIATED COMPANIES

COMBINED BALANCE SHEETS

AS OF

SEPTEMBER 30,

	1993	1994
	-----	-----
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		

Accounts payable	\$ 484,311	\$ 1,103,347
Other current liabilities	1,784,992	3,636,278
Due to United Kingdom Distributor	1,157,361	780,657
Accrued taxes	606,729	703,789
	-----	-----
Total Current Liabilities	4,033,393	6,224,071
	-----	-----
Long-term debt	3,500,000	3,500,000
	-----	-----
Total Liabilities	7,533,393	9,724,071
	-----	-----
Stockholders' Equity		

Capital stock	8,456,106	9,456,006
Paid in capital	240,000	240,000
Retained earnings	13,477,845	19,414,885
	-----	-----
Total	22,173,951	29,110,891
Less: Treasury stock	294	294
	-----	-----
Total Stockholders' Equity	22,173,657	29,110,597
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$29,707,050	\$38,834,668
	=====	=====

See notes to combined financial statements.

STERN'S MIRACLE-GRO PRODUCTS, INC. AND AFFILIATED COMPANIES

COMBINED STATEMENT OF INCOME AND RETAINED EARNINGS

FOR THE YEARS ENDED SEPTEMBER 30,

	1992	1993	1994
	-----	-----	-----
Net sales	\$93,146,626	\$92,779,345	\$107,421,014
Cost of goods sold	46,647,377	46,833,142	52,255,083
	-----	-----	-----
Gross profit	46,499,249	45,946,203	55,165,931
	-----	-----	-----
Advertising expenses	15,706,008	14,946,888	17,412,363
Selling expenses	867,495	951,119	1,138,862
General and administrative expenses	4,941,438	5,678,104	6,541,282
Other income (expense) - net	91,915	859,188	549,331
	-----	-----	-----
Total Operating Expenses	21,606,856	22,435,299	25,641,838
	-----	-----	-----
Operating profit	24,892,393	23,510,904	29,524,093
Interest expense - net	77,337	311,934	125,422
	-----	-----	-----
Income before taxes	24,815,056	23,198,970	29,398,671
Provision for state income taxes	732,204	527,384	489,705
	-----	-----	-----
Net income	24,082,852	22,671,586	28,908,966
Retained earnings - October 1,	10,581,589	15,489,929	13,477,845
	-----	-----	-----
Total	34,664,441	38,161,515	42,386,811
Less: Distribution to shareholders	19,174,512	24,683,670	22,971,926
	-----	-----	-----
RETAINED EARNINGS			
- SEPTEMBER 30,	\$15,489,929	\$13,477,845	\$ 19,414,885
	=====	=====	=====

See notes to combined financial statements.

STERN'S MIRACLE-GRO PRODUCTS, INC. AND AFFILIATED COMPANIES

COMBINED STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30,

	1992	1993	1994
	-----	-----	-----
Cash Flows From (Used by) Operating Activities			

Net income	\$24,082,852	\$22,671,586	\$28,908,966
	-----	-----	-----
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities			

Depreciation and amortization	236,092	243,625	377,239
Changes in Assets and Liabilities			

(Increase) Decrease in accounts receivable	1,147,187	677,638	(1,932,671)
(Increase) Decrease in inventories	(1,511,723)	(2,095,818)	(1,971,086)
(Increase) Decrease in other current assets	11,052	(37,550)	(52,521)
(Increase) Decrease in other assets	-0-	-0-	(37,500)
(Decrease) Increase in accounts payable	1,463,141	(1,305,432)	619,036
(Decrease) Increase in other current liabilities	310,652	(141,509)	1,571,642
	-----	-----	-----
Total Adjustments	1,656,401	(2,659,046)	(1,425,861)
	-----	-----	-----
Net Cash Flows From Operating Activities	25,739,253	20,012,540	27,483,105
	-----	-----	-----
Cash Flows From (Used in) Investing Activities			

Cost of fixed asset acquisitions	(193,768)	(412,653)	(913,509)
Cost of intangible assets acquired	-0-	(47,316)	-0-
Sale of fixed assets	6,372	-0-	-0-
	-----	-----	-----
Net Cash Flows (Used in) Investing Activities	(187,396)	(459,969)	(913,509)
	-----	-----	-----

See notes to combined financial statements.

STERN'S MIRACLE-GRO PRODUCTS, INC. AND AFFILIATED COMPANIES

COMBINED STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30,

	1992	1993	1994
	-----	-----	-----
Cash Flows From (Used in) Financing Activities			
Note payments received from shareholders	\$ 59,000	\$ 59,000	\$ 59,000
Paid in capital contributed	-0-	240,000	-0-
Capital stock issued	-0-	-0-	999,900
Purchase of treasury stock	-0-	(294)	-0-
Distribution to shareholders	(19,174,512)	(24,683,669)	(22,971,926)
Increase in loan payable	1,200,000	-0-	-0-
	-----	-----	-----
Net Cash Flows (Used in) Financing Activities	(17,915,512)	(24,384,963)	(21,913,026)
	-----	-----	-----
Net increase (decrease) in cash and equivalents	7,636,345	(4,832,392)	4,656,570
Cash and equivalents at beginning of year	8,942,674	16,579,019	11,746,627
	-----	-----	-----
CASH AND EQUIVALENTS AT END OF YEAR	\$16,579,019 =====	\$11,746,627 =====	\$16,403,197 =====
Supplemental Cash Flow Information:			

Interest Paid	\$ 640,078 =====	\$ 688,944 =====	\$ 645,626 =====
Income Taxes Paid	\$ 557,970 =====	\$ 561,531 =====	\$ 260,766 =====

See notes to combined financial statements.

STERN'S MIRACLE-GRO PRODUCTS, INC. AND AFFILIATED COMPANIES

NOTES TO COMBINED FINANCIAL STATEMENTS

SEPTEMBER 30, 1994

NOTE 1 ORGANIZATION AND BASIS OF PRESENTATION

The accompanying combined financial statements include the accounts of Stern's Miracle-Gro Products, Inc. ("MG, Inc."), Miracle-Gro Products, Ltd. ("MG, Ltd."), Miracle-Gro Lawn Products, Inc. ("Lawn Products") and Stern's Nurseries, Inc. ("Stern's"), collectively "The Company" or "Miracle-Gro".

The Company is engaged in the marketing and distribution of plant foods and lawn and garden products primarily in the United States, Canada and through MG, Ltd. in the United Kingdom.

The combined financial statements are presented to reflect the combined financial position and results of operations of the companies to be acquired pursuant to the transaction described in the second paragraph of Note 11. Each of the above companies is controlled by the same group of shareholders (directly or indirectly). Accordingly, the assets, liabilities and equity of the individual entities have been combined. All material intercompany transactions and balances have been eliminated in combination. Another company similarly controlled, Necessary Organics, Inc., has not been included in the presentation as it is not part of the group of companies to be acquired.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOREIGN CURRENCY

The functional currency of the Company is the United States Dollar. MG, Ltd. operates in the United Kingdom, but is essentially financed and supported by the United States affiliated companies. Exchange gains and losses are included in determining net income. Exchange gains and (losses) were (\$88,544), (\$604,888) and \$228,495 for fiscal years ended September 30, 1992, 1993 and 1994, respectively.

REVENUE RECOGNITION

Revenue is recognized upon the shipment of products to customers.

STERN'S MIRACLE-GRO PRODUCTS, INC. AND AFFILIATED COMPANIES

NOTES TO COMBINED FINANCIAL STATEMENTS

SEPTEMBER 30, 1994

INVENTORIES

Inventories are valued at the lower of cost or market under the Last-In First-Out (LIFO) method. At September 30, 1993 and 1994 inventories were comprised of the following:

	1993	1994
	----	----
Raw Materials	\$ 4,946,812	\$ 5,858,804
Finished Goods	9,689,738	10,579,723
	-----	-----
FIFO Cost	\$14,636,550	\$16,438,527
LIFO Reserve	189,085	358,194
	-----	-----
	\$14,825,635	\$16,796,721
	=====	=====

INCOME TAXES

Each of the affiliated companies in the combined financial statements (except for Stern's) has elected to be treated as a Subchapter S Corporation under the Internal Revenue Code. Therefore, federal and most state income taxes are paid by their shareholders. As a result, the Combined Financial Statements include only those state and local income taxes payable directly by the affiliated companies.

Had such companies been C Corporations, additional provisions for income taxes of \$8,450,000, \$8,056,000 and \$10,400,000 would have been required in the fiscal years ended September 30, 1992, 1993 and 1994, respectively.

As the entities are not taxable under the Internal Revenue Code, no deferred taxes have been provided in the combined statements.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost and depreciated over their estimated useful lives and under methods as established under the Internal Revenue Code.

ACCOUNTS RECEIVABLE

Accounts receivable are directly written-off to bad debt expense when it is determined that they are uncollectible. Bad debt expense amounted to (\$9,223), \$241,198 and \$46,394 in fiscal years ended September 30, 1992, 1993 and 1994, respectively.

STERN'S MIRACLE-GRO PRODUCTS, INC. AND AFFILIATED COMPANIES

NOTES TO COMBINED FINANCIAL STATEMENTS

SEPTEMBER 30, 1994

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include highly liquid debt instruments with an original maturity of three months or less.

The Company has cash and cash equivalent accounts maintained in Sterling and Canadian Dollars. The United States Dollar equivalent balance of the accounts at September 30, was:

	1993 -----	1994 -----
Sterling	\$2,804,000 =====	\$1,586,000 =====
Canadian Dollars	\$1,411,000 =====	\$ 877,000 =====

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment, at cost, at September 30, 1993 and 1994 consisted of the following:

	1993 -----		1994 -----	
	Gross -----	Net ---	Gross -----	Net ---
Building	\$ 349,265	\$ 107,150	\$ 349,265	\$ 83,865
Building improvements	436,785	309,936	487,186	335,042
Furniture and fixtures	345,216	54,454	614,708	248,169
Molds	624,977	135,980	721,077	173,889
Equipment	394,777	313,126	777,680	575,893
Transportation equipment	504,962	317,637	540,049	360,849
TOTAL	\$2,655,982 =====	\$1,238,283 =====	\$3,489,965 =====	\$1,777,707 =====

The Company recognized depreciation expense on property and equipment of \$236,092, \$242,147 and \$374,085 in fiscal years ended September 30, 1992, 1993, and 1994, respectively.

STERN'S MIRACLE-GRO PRODUCTS, INC. AND AFFILIATED COMPANIES

NOTES TO COMBINED FINANCIAL STATEMENTS

SEPTEMBER 30, 1994

The Company leases the land upon which its corporate headquarters is located under an operating lease agreement expiring on September 30, 2062, at a net rental of \$12,000 per year. The agreement also provides the Company with the right of first refusal on any sale of the land. Future minimum rentals as of September 30, 1994 under this agreement are as follows:

1995	\$ 12,000
1996	12,000
1997	12,000
1998	12,000
1999	12,000
thereafter	756,000

NOTE 4 RELATED PARTY TRANSACTIONS

The Company periodically borrows for working capital purposes from an affiliated entity, The Hagedorn Family Fund ("HFF"). Borrowings under this facility bear interest at 1/4% below the prime lending rate. The maximum borrowings under this facility during the fiscal year ended September 30, 1994 were \$5,000,000.

MG, Ltd. has a note payable to the HFF of \$3,500,000 as of September 30, 1994. This note bears interest at 1/4% below the prime lending rate and is due on demand.

NOTE 5 EMPLOYEE BENEFIT PLANS

The Company maintains a Defined Benefit Pension Plan qualified under Section 401 of the Internal Revenue Code covering substantially all full-time employees who have completed six months of service and reached the age of 20.5 years. The benefits under this plan are 29.5% of the participants' average monthly salary attained during their five highest consecutive years.

STERN'S MIRACLE-GRO PRODUCTS, INC. AND AFFILIATED COMPANIES

NOTES TO COMBINED FINANCIAL STATEMENTS

SEPTEMBER 30, 1994

The following table sets forth the plan's funded status as of January 31, 1993 and 1994:

	1993 ----	1994 ----
Actuarial present value of benefit obligations:		
Accumulated benefit obligations:		
Vested benefits	\$(1,253,995)	\$(1,493,723)
Nonvested benefits	(11,647)	(11,147)
Additional obligation for projected compensation increases	(589,403)	(662,166)
	-----	-----
Projected benefit obligation for services rendered to date	(1,855,045)	(2,167,036)
Plan assets at fair value	1,143,447	1,315,712
	-----	-----
Plan assets less than projected benefit obligation	(711,598)	(851,324)
Unrecognized net obligation	25,857	24,336
Unrecognized net loss	535,597	608,707
	-----	-----
Accrued pension liability	\$ (150,144)	\$ (218,281)
	=====	=====

Periodic pension expense for fiscal years ended September 30 includes the following components:

	1992 ----	1993 ----	1994 ----
Service cost	\$127,237	\$170,128	\$193,506
Interest cost	79,186	131,998	153,338
Actual return on plan assets	(2,807)	(27,765)	(9,337)
Net amortization and deferral	(72,401)	(37,564)	(76,544)
	-----	-----	-----
Net pension expense	\$131,215	\$236,797	\$260,963
	=====	=====	=====

The weighted average settlement rate used in determining the actuarial present value of the projected benefit obligation was 8.5%. Future compensation was assumed to increase at 7% annually and the long-term rate of return on plan assets was 8.5% for the plan years ended January 31, 1992, 1993 and 1994.

The Company has adopted a salary reduction Plan under Internal Revenue Code Section 401(K). The Company's contribution thereto was \$25,000, \$29,000 and \$33,000 respectively for the fiscal years ended September 30, 1992, 1993 and 1994, and the related expenses were \$11,303, \$11,035 and \$12,153 resulting in a total expense of \$36,303, \$40,035 and \$45,153 respectively.

NOTES TO COMBINED FINANCIAL STATEMENTS

SEPTEMBER 30, 1994

NOTE 6 LINE OF CREDIT ARRANGEMENT

The Company maintains a secured line of Credit facility with the Chase Manhattan Bank for up to \$25,000,000. This line bears interest at a rate of prime less 1/4% and expires on March 31, 1995. During the fiscal year ended September 30, 1994, the Company's maximum borrowings on this facility were \$13,135,000.

NOTE 7 CONCENTRATION OF CREDIT RISK

Financial instruments that subject the Company to credit risk are accounts receivable. The Company sells its products through a distributor network and directly to mass merchandisers. In fiscal year ended September 30, 1992 four customers accounted for 17.7%, 11.9%, 11% and 6.8% of sales, respectively. In fiscal year ended September 30, 1993 four customers accounted for 19.8%, 10%, 9.8% and 7.8% of sales, respectively. In fiscal year ended September 30, 1994 four customers accounted for 18.8%, 10.3%, 7.5% and 5.8% of sales, respectively.

NOTE 8 STOCKHOLDER'S EQUITY

For purposes of these combined statements, the stockholders' equity of each of the affiliated companies has been combined as if the companies had been combined as of the beginning of the first period presented. The following table summarizes stockholders' equity activity since September 30, 1991:

COMMON STOCK	MG, Inc.	MG, Ltd.	Lawn Products	Stern's	Total
- - - - -	- - - - -	- - - - -	- - - - -	- - - - -	- - - - -
Balance as of October 1, 1991	\$7,454,906 =====	\$1,000,000 =====		\$1,200 =====	\$8,456,106 =====
Balance as of September 30, 1992	7,454,906 =====	1,000,000 =====		1,200 =====	8,456,106 =====
Balance as of September 30, 1993	7,454,906 =====	1,000,000 =====		1,200 =====	8,456,106 =====
Issuance of Common Stock of Lawn Products, Inc.			\$999,900 -----		999,900 -----
Balance as of September 30, 1994	\$7,454,906 =====	\$1,000,000 =====	\$999,900 =====	\$1,200 =====	\$9,456,006 =====

STERN'S MIRACLE-GRO PRODUCTS, INC. AND AFFILIATED COMPANIES

NOTES TO COMBINED FINANCIAL STATEMENTS

SEPTEMBER 30, 1994

RETAINED EARNINGS	MG, Inc.	MG, Ltd.	Lawn Product	Stern's	Total
-----	-----	-----	-----	-----	-----
Balance as of October 1, 1991	\$11,173,081 =====	\$(591,492) =====		-0-	\$10,581,589 =====
Net Income	24,683,670	(600,818)		-0-	24,082,852
Distributions to shareholders	(19,174,512) -----	-----		---	(19,174,512) -----
Balance as of September 30, 1992	\$16,682,239 =====	\$(1,192,310) =====		-0- ===	\$15,489,929 =====
Net Income	22,971,766	(300,180)		-0-	22,671,586
Distributions to shareholders	(24,683,670) -----	-----		---	(24,683,670) -----
Balance as of September 30, 1993	\$14,970,335 =====	\$(1,492,490) =====		-0- ===	\$13,477,845 =====
Net Income	28,501,169	919,289	\$(511,492)	-0-	28,908,966
Distributions to shareholders	(22,971,926) -----	-----	-----	---	(22,971,926) -----
Balance as of September 30, 1994	\$20,499,578 =====	\$(573,201) =====	\$(511,492) =====	-0- ===	\$19,414,885 =====

STERN'S MIRACLE-GRO PRODUCTS, INC. AND AFFILIATED COMPANIES

NOTES TO COMBINED FINANCIAL STATEMENTS

SEPTEMBER 30, 1994

NOTE 9 SEGMENT INFORMATION

The Company operates primarily in the United States and the United Kingdom. A summary of the Company's operations by geographic region is presented below:

	1992	1993	1994
	----	----	----
SALES:			
United States	\$88,640,138	\$87,100,160	\$ 99,213,260
United Kingdom	4,506,488	5,679,185	8,207,754
	-----	-----	-----
Total Sales	\$93,146,626	\$92,779,345	\$107,421,014
	=====	=====	=====
NET INCOME:			
United States	\$24,683,670	\$22,971,766	\$27,989,677
United Kingdom	(600,818)	(300,180)	919,289
	-----	-----	-----
Total Net Income	\$24,082,852	\$22,671,586	\$28,908,966
	=====	=====	=====
IDENTIFIABLE ASSETS:			
United States	\$26,962,851	\$24,656,191	\$32,397,154
United Kingdom	5,963,518	5,050,859	6,437,514
	-----	-----	-----
Total Assets	\$32,926,369	\$29,707,050	\$38,834,668
	=====	=====	=====

NOTE 10 UNITED KINGDOM DISTRIBUTION AGREEMENT

The Company, through MG, Ltd., had a joint-venture agreement with a major English corporation for manufacture and distribution of its products in the United Kingdom. Joint-venture profit payments were made by the Company to this English corporation in the amounts of \$257,000 and \$770,000 for the fiscal years ended September 30, 1993 and 1994, respectively. This agreement was scheduled to terminate on October 1, 1995. The Company had given notice that it would not renew this agreement beyond October 1, 1995. Subsequently, on December 31, 1994 the Company, through MG, Ltd., entered into the transaction described in the first paragraph of Note 11. This transaction terminates the earlier agreement, effective December 31, 1994.

NOTES TO COMBINED FINANCIAL STATEMENTS

SEPTEMBER 30, 1994

NOTE 11 SUBSEQUENT EVENTS

On December 31, 1994, Miracle-Gro Limited entered into an agreement to exchange its equipment and a license for distribution of Miracle-Gro products in certain areas of Europe for a 32.5% equity interest in a garden products company. Miracle-Gro Limited was granted an option to acquire the remaining 67.5% interest in this company within a three year period. The initial period of the license is five years and may be extended up to twenty years from January 1, 1995, depending on the circumstances defined in the license agreement. Miracle-Gro Products Limited is entitled to annual royalties for the first five years of the license.

On January 26, 1995, the Company entered into an agreement with The Scotts Company (Scotts) whereby Scotts will purchase all the outstanding stock of the Company in exchange for \$195,000,000 convertible preferred stock and 3,000,000 common stock warrants of Scotts. Such securities are being registered on this Form S-4 in connection with this transaction. The preferred stock will have a dividend yield of 5.0% and will be convertible to common shares of Scotts at \$19.00 per share. Each of the common stock warrants gives the holder the right to purchase one common share of Scotts. The warrants are exercisable 1,000,000 warrants at \$21.00 per share, 1,000,000 warrants at \$25.00 per share and 1,000,000 warrants at \$29.00 per share. Accordingly, the estimated purchase price will be approximately \$200,000,000. The transaction requires the approval of the Scotts shareholders.

STERN'S MIRACLE-GRO PRODUCTS, INC. AND AFFILIATED COMPANIES

COMBINED BALANCE SHEET

(Unaudited)

	December 31, 1993	December 31, 1994	September 30, 1994
	-----	-----	-----
ASSETS			
Current assets			
Cash and equivalents	\$ 1,352,675	\$ 0	\$16,403,197
Accounts receivable, net	13,383,557	15,276,721	3,344,878
Inventories	19,233,461	28,429,448	16,796,721
Other current assets	269,574	424,678	373,080
	-----	-----	-----
Total current assets	34,239,267	44,130,847	36,917,876
	-----	-----	-----
Property and equipment, net	1,422,155	1,218,950	1,777,707
Other assets	212,950	702,216	139,085
	-----	-----	-----
Total Assets	\$35,874,372	\$46,052,013	\$38,834,668
	=====	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Revolving credit line	\$11,055,000	\$16,931,000	\$ 0
Accounts payable	3,133,403	6,438,087	1,103,347
Other current liabilities	632,412	644,431	3,636,278
Due to United Kingdom distributor	285,932	783,851	780,657
Accrued taxes	503,752	588,426	703,789
	-----	-----	-----
Total current liabilities	15,610,499	25,385,795	6,224,071
	-----	-----	-----
Long-term debt	3,500,000	3,500,000	3,500,000
	-----	-----	-----
Total liabilities	19,110,499	28,885,795	9,724,071
	-----	-----	-----
Stockholders' equity			
Capital stock	8,456,106	9,456,006	9,456,006
Paid in capital	240,000	240,000	240,000
Retained earnings	8,068,061	7,470,506	19,414,885
Treasury stock	(294)	(294)	(294)
	-----	-----	-----
Total stockholders' equity	16,763,873	17,166,218	29,110,597
	-----	-----	-----
Total Liabilities and Stockholders' Equity	\$35,874,372	\$46,052,013	\$38,834,668
	=====	=====	=====

See Notes to Combined Financial Statements

STERN'S MIRACLE-GRO PRODUCTS, INC. AND AFFILIATED COMPANIES

COMBINED STATEMENT OF INCOME AND RETAINED EARNINGS

(Unaudited)

	Three Months Ended December 31,	
	1993	1994
Net sales	\$14,078,419	\$15,254,564
Cost of sales	7,024,720	7,702,435
Gross profit	7,053,699	7,552,129
Advertising expenses	1,309,807	1,521,469
Selling expenses	204,994	227,489
General and administrative expenses	1,591,251	2,240,898
Other expense (income), net	269,952	818,074
Operating expenses	3,376,004	4,807,930
Operating profit	3,677,695	2,744,199
Interest expense (income), net	(774)	2,656
Income before taxes	3,678,469	2,741,543
Provision for state income taxes	120,000	148,753
Net income	3,558,469	2,592,790
Retained earnings - October 1,	13,477,845	19,414,885
Distributions to shareholders	8,968,253	14,537,169
Retained earnings - December 31,	\$ 8,068,061	\$ 7,470,506

See Notes to Combined Financial Statements

STERN'S MIRACLE-GRO PRODUCTS, INC. AND AFFILIATED COMPANIES

COMBINED STATEMENT OF CASH FLOWS

(Unaudited)

	Three Months Ended December 31,	
	1993	1994
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 3,558,469	\$ 2,592,790
Adjustments to reconcile net loss to net cash provided by operations		
Depreciation and amortization	52,803	108,035
Net change in components of working capital	(15,806,085)	(21,385,444)
Other	(49,211)	788
Net cash used in operating activities	(12,244,024)	(18,683,831)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in fixed assets	(236,675)	(113,197)
Net cash used in investing activities	(236,675)	(113,197)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in notes payable	11,055,000	16,931,000
Distributions to shareholders	(8,968,253)	(14,537,169)
Net cash provided by financing activities	2,086,747	2,393,831
Net increase (decrease) in cash and equivalents	(10,393,952)	(16,403,197)
Cash and equivalents at beginning of period	11,746,627	16,403,197
Cash and equivalents at end of period	\$ 1,352,675	\$ 0
	=====	=====
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	\$ 63,414	\$ 81,145
Income taxes paid	33,448	1,539

See Notes to Combined Financial Statements

STERN'S MIRACLE-GRO PRODUCTS, INC. AND AFFILIATED COMPANIES

NOTES TO COMBINED FINANCIAL STATEMENTS

Three Months Ended December 31, 1994

NOTE 1 ORGANIZATION AND BASIS OF PRESENTATION

The accompanying combined quarterly financial statements include the accounts of Stern's Miracle-Gro Products, Inc. ("MG, Inc."), Miracle-Gro Products Limited ("MG Ltd"), Miracle-Gro Lawn Products, Inc. ("Lawn Products") and Stern's Nurseries, Inc. ("Stern's"), collectively "the Company" or "Miracle-Gro". The Company is engaged in the marketing and distribution of plant foods and lawn and garden products primarily in the United States, Canada and through MG Ltd. in the United Kingdom. The Company's business is highly seasonal with approximately 80% of sales occurring in its second and third fiscal quarters.

The combined financial statements are presented to reflect the combined financial position and results of operations of the companies to be acquired pursuant to the transaction described in Note 5. Each of the above companies is controlled by the same group of shareholders, directly or indirectly. Accordingly, the assets, liabilities and stockholders' equity of the individual entities have been combined. All material intercompany transactions and balances have been eliminated in combination. Another company similarly controlled, Necessary Organics, Inc., has not been included in the presentation as it is not part of the group of companies to be acquired.

The consolidated balance sheets as of December 31, 1993 and 1994, the related combined statements of income and retained earnings, and cash flows for the three months then ended are unaudited; however, in the opinion of Miracle-Gro's management, such financial statements contain all adjustments necessary for the fair presentation of the Company's financial position and results of operations. Interim results reflect all normal recurring adjustments and are not necessarily indicative of results for a full year. The interim financial statements and notes are presented as specified by Regulation S-X of the Securities Exchange Act of 1934, and should be read in conjunction with the financial statements and the accompanying notes in the Company's fiscal 1994 annual financial statements included elsewhere herein.

NOTE 2 INVENTORIES

Inventories consist of the following:

	December 31 1993	December 31 1994	September 30 1994
	-----	-----	-----
Raw materials	\$ 5,867,487	\$ 7,913,418	\$ 6,216,998
Finished goods	13,365,974	20,516,030	10,579,723
	-----	-----	-----
	\$19,233,461	\$28,429,448	\$16,796,721
	=====	=====	=====

STERN'S MIRACLE-GRO PRODUCTS, INC. AND AFFILIATED COMPANIES

NOTES TO COMBINED FINANCIAL STATEMENTS

Three Months Ended December 31, 1994

NOTE 3 INCOME TAXES

Each of the affiliated companies in the combined financial statements (except for Stern's) has elected to be treated as a Subchapter S Corporation under the Internal Revenue Code. Therefore, federal and most state income taxes are paid by their stockholders. As a result, the combined financial statements include only those state and local income taxes payable directly by the affiliated companies.

Had the affiliated companies been C Corporations, additional provisions for income taxes of \$1,263,104 and \$882,067 would have been incurred in the three months ended December 31, 1993 and 1994, respectively.

As the entities are not taxable under the Internal Revenue Code, no deferred taxes have been provided in the combined financial statements.

NOTE 4 SIGNIFICANT TRANSACTIONS

On December 31, 1994, MG Ltd entered into an agreement to exchange its equipment and a license for distribution of Miracle-Gro products in certain areas of Europe for a 32.5% equity interest in a U.K. based garden products company. The initial period of the license is five years and may be extended up to twenty years from January 1, 1995, depending on the circumstances defined in the license agreement. MG Ltd is entitled to annual royalties for the first five years of the license.

The exchange is being accounted for at historical cost, with MG Ltd's investment being equal to the book value of its assets contributed to the new company. The investment will be accounted for on the equity method, with MG Ltd recognizing its proportionate share of the new company's net income and/or losses, as well as royalty income.

NOTE 5 SUBSEQUENT EVENTS

On January 26, 1995, the Company entered into a merger agreement with The Scotts Company ("Scotts") whereby Scotts will acquire all the outstanding stock of Miracle-Gro in exchange for \$195,000,000 face amount convertible preferred stock and warrants to purchase 3,000,000 common shares of Scotts. Such securities are being registered on this Form S-4 in connection with this transaction. The preferred stock will have a dividend yield of 5.0% per annum and will be convertible into Scotts common stock at \$19.00 per share. The warrants are exercisable for eight one-half years in the aggregate for 1,000,000 common shares at \$21.00 per share, 1,000,000 common shares at \$25.00 per share and 1,000,000 common shares at \$29.00 per share. The total purchase price is based on the fair value of the convertible preferred stock and warrants as of closing and is estimated to be approximately \$200,000,000. The transaction requires approval of the Scotts shareholders.

AGREEMENT AND PLAN OF MERGER

dated as of

January 26, 1995

among

STERN'S MIRACLE-GRO PRODUCTS, INC.
STERN'S NURSERIES, INC.
MIRACLE-GRO LAWN PRODUCTS INC.
MIRACLE-GRO PRODUCTS LIMITED

(the "Miracle-Gro Constituent Companies")

HORACE HAGEDORN
JAMES HAGEDORN
KATHERINE HAGEDORN LITTLEFIELD
PAUL HAGEDORN
PETER HAGEDORN
ROBERT HAGEDORN
SUSAN HAGEDORN
JOHN KENLON

(the "Shareholders")

THE SCOTTS COMPANY

("Scotts")

and

ZYX CORPORATION

("Merger Subsidiary")

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AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER dated as of January 24, 1995, among STERN'S MIRACLE-GRO PRODUCTS INC., a New Jersey corporation (the "Company"), STERN'S NURSERIES, INC., a New York corporation ("Nurseries"), MIRACLE-GRO LAWN PRODUCTS INC., a Delaware corporation ("Miracle-Gro Delaware"), MIRACLE-GRO PRODUCTS LIMITED, a New York corporation ("Miracle-Gro UK", and collectively with the Company, Nurseries, Miracle-Gro Delaware and Miracle-Gro UK, the "Miracle-Gro Constituent Companies"), the shareholders of the Miracle-Gro Constituent Companies as listed on the signature pages hereof (the "Shareholders"), The Scotts Company, an Ohio corporation ("Scotts"), and ZYX CORPORATION, an Ohio corporation and a direct, wholly-owned subsidiary of Scotts ("Merger Subsidiary").

WHEREAS, upon the terms and subject to the conditions of this Agreement and in accordance with the General Corporation Law of the State of Ohio (the "Ohio Law"), the Business Corporation Act of the State of New Jersey (the "New Jersey Law"), the Business Corporation Law of the State of New York (the "New York Law") and the General Corporation Law of the State of Delaware (the "Delaware Law," and, collectively with the Ohio Law, the New Jersey Law and the New York Law, the "Applicable Corporate Statutes"), the Miracle-Gro Constituent Companies and Scotts have agreed to effectuate a business combination transaction pursuant to which Merger Subsidiary will merge with and into the Company (the "Merger"), and, immediately subsequent to the Merger, Nurseries shall transfer substantially all of its assets, including but not limited to all intellectual property rights to the Company (the "Asset Transfer") and Miracle-Gro Delaware and Miracle-Gro UK will merge with and into the Company (collectively, the "Subsequent Mergers" and, together with the Merger and the Asset Transfer, the "Merger Transactions"); and

WHEREAS, the respective Boards of Directors of each of the Miracle-Gro Constituent Companies, Scotts and Merger Subsidiary have determined that the Merger Transactions are fair to and in the best interests of their respective companies and shareholders and have approved and adopted this Agreement and have approved the Merger Transactions and the other transactions contemplated hereby and recommended approval and adoption of this Agreement and approval of the Merger Transactions by their respective shareholders; and

WHEREAS, for federal income tax purposes, it is intended that each of the Merger Transactions qualify as a reorganization under the provisions of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code");

NOW, THEREFORE, in consideration of the foregoing and the respective representations, warranties, covenants and agreements set forth in this Agreement, the parties hereto agree as follows:

ARTICLE I

THE MERGER TRANSACTIONS

SECTION 1.01. The Merger Transactions; Effective Time. (a) Upon the terms and subject to the conditions set forth in this Agreement and in accordance with the Applicable Corporate Statutes, as soon as practicable after the satisfaction or, to the extent permitted hereunder, waiver of all conditions to the Merger Transactions set forth in Article IX, (i) Merger Subsidiary shall be merged with and into the Company, in accordance with Ohio Law and New Jersey Law, whereupon the separate existence of Merger Subsidiary shall cease and the Company shall be the surviving corporation, and (ii) immediately subsequent thereto, (x) Nurseries shall transfer substantially all of its assets, including but not limited to all intellectual property rights, but excluding its liabilities, to the Company and (y) Miracle-Gro Delaware and Miracle-Gro UK will separately merge with and into the Company, whereupon the separate existence of Miracle-Gro Delaware and Miracle-Gro UK shall cease, and the Company shall be the surviving corporation (the "Surviving Corporation").

(b) As soon as practicable after satisfaction or, to the extent permitted hereunder, waiver of all conditions to the Merger Transactions set forth in Article IX, the Miracle-Gro Constituent Companies and Merger Subsidiary will file certificates of merger with the Secretaries of State of the States of New Jersey, Ohio, New York and Delaware, in such forms as required by and executed in accordance with the provisions of, and shall make all other filings or recordings required by the applicable corporate statutes in connection with the Merger Transactions. The Merger and each of the Subsequent Mergers shall become effective at such time as the applicable certificate of merger is duly filed with the Secretary of State of the applicable states or at such later time as is specified in such certificates of merger (the last such effective time being the "Effective Time").

(c) From and after the Effective Time, the Surviving Corporation shall possess all the rights, privileges, powers and franchises and be subject to all of the restrictions, disabilities and duties of the Company, Miracle-Gro Delaware, Miracle-Gro UK and Merger Subsidiary, all as provided under the Applicable Corporate Statutes.

SECTION 1.02. Closing. Unless this Agreement shall have been terminated and abandoned pursuant to Section 10.01 and subject to the satisfaction or, to the extent permitted hereunder, waiver of the conditions set forth in Article IX, the consummation of the Merger Transactions will take place as promptly as practicable (and in any event within two business days) after satisfaction or waiver of the conditions set forth in Article IX, at the offices of Vorys, Sater, Seymour and Pease, 52 East Gay Street, Columbus, Ohio, unless another date or place is agreed to in writing by the Company and Scotts.

SECTION 1.03. Effect of the Merger Transactions. At the Effective Time, the effect of the Merger Transactions shall be as provided in the Applicable Corporate Statutes. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time, except as

otherwise provided herein, all the property, rights, privileges, powers and franchises of the Miracle-Gro Constituent Companies and Merger Subsidiary shall vest in the Surviving Corporation, and all debts, liabilities and duties of the Company, Miracle-Gro Delaware, Miracle-Gro UK and Merger Subsidiary shall become the debts, liabilities and duties of the Surviving Corporation.

SECTION 1.04. Conversion of Securities.

(a) At the effective time of the Merger, by virtue of the Merger and without any action on the part of the Company or any of the Shareholders, all issued and outstanding shares of capital stock of the Company immediately prior to the effective time of the Merger shall be converted into that number of shares of Class A Convertible Preferred Stock of Scotts set forth in Schedule 1.04(a) having the terms set forth in Annex A attached hereto (the "Convertible Preferred Stock"), that number of Series A warrants of Scotts set forth in Schedule 1.04(a) having the terms set forth in Annex B hereto (the "Series A Warrants"), that number of Series B warrants of Scotts set forth in Schedule 1.04(a) having the terms set forth in Annex C hereto (the "Series B Warrants"), and that number of Series C warrants of Scotts set forth in Schedule 1.04(a) having the terms set forth in Annex D hereto (the "Series C Warrants" and, collectively with the Series A Warrants and the Series B Warrants, the "Warrants"), and such Convertible Preferred Stock, Series A Warrants, Series B Warrants and Series C Warrants (collectively, the "Merger Consideration") shall be legally and beneficially owned by the Shareholders as set forth in Schedule 1.04(a). The holders of such certificates previously evidencing shares of capital stock of the Company outstanding prior to the effective time of the Merger shall cease to have any rights with respect to such shares of capital stock except as otherwise provided herein or by applicable law.

(b) At the effective time of the merger of Miracle-Gro Delaware with and into the Company, by virtue of the merger of Miracle-Gro Delaware with and into the Company and without any action on the part of the Company, Miracle-Gro Delaware or any of the Shareholders, all issued and outstanding shares of capital stock of Miracle-Gro Delaware immediately prior to the effective time of such Subsequent Merger shall be converted into that number of shares of Convertible Preferred Stock and Warrants set forth in Schedule 1.04(a), and such Merger Consideration shall be legally and beneficially owned by the Shareholders as set forth in Schedule 1.04(b). The holders of such certificates previously evidencing shares of capital stock of Miracle-Gro Delaware outstanding prior to the effective time of the Merger shall cease to have any rights with respect to such shares of capital stock except as otherwise provided herein or by applicable law.

(c) At the effective time of the merger of Miracle-Gro UK with and into the Company, by virtue of the merger of Miracle-Gro UK with and into the Company and without any action on the part of the Company, Miracle-Gro UK or any of the Shareholders, all issued and outstanding shares of capital stock of Miracle-Gro UK immediately prior to the effective time of such Subsequent Merger shall be converted into that number of shares of Convertible Preferred Stock and Warrants set forth in Schedule 1.04(c), and such Merger Consideration shall

be legally and beneficially owned by the Shareholders as set forth in Schedule 1.04(c). The holders of such certificates previously evidencing shares of capital stock of Miracle-Gro Delaware outstanding prior to the effective time of the Merger shall cease to have any rights with respect to such shares of capital stock except as otherwise provided herein or by applicable law.

(d) At the effective time of the Asset Transfer and in consideration therefor, Nurseries shall receive that number of shares of Convertible Preferred Stock set forth in Schedule 1.04(d), and such Merger Consideration shall be legally and beneficially owned by Nurseries as set forth Schedule 1.04(d).

(e) Each share of capital stock held by any Miracle-Gro Constituent Company as treasury stock immediately prior to the Effective Time shall automatically be cancelled and extinguished without any conversion thereof, and no payment shall be made with respect thereto.

(f) Each share capital stock of Merger Subsidiary issued and outstanding immediately prior to the Effective Time shall be converted into and become one fully paid and non-assessable common share, without par value, of the Surviving Corporation with the same rights, powers and privileges as the shares so converted and shall constitute the only outstanding shares of capital stock of the Surviving Corporation.

(g) Notwithstanding the foregoing, the aggregate amount of Merger Consideration shall consist of (i) 195,000 shares representing \$195 million face amount of Convertible Preferred Stock; (ii) Series A Warrants to purchase 1,000,000 common shares, without par value, of Scotts (the "Scotts Common Stock"); (iii) Series B Warrants to purchase 1,000,000 shares of Scotts Common Stock and (iv) Series C Warrants to purchase 1,000,000 shares of Scotts Common Stock.

SECTION 1.05. Surrender. (a) At the Effective Time, the holders of shares of capital stock of the Company, Miracle-Gro Delaware and Miracle-Gro UK outstanding immediately prior to the Effective Time shall be entitled to receive the Merger Consideration set forth opposite their names in Schedule 1.04(a), Schedule 1.04(b) and Schedule 1.04(c) upon surrender to Scotts of all certificates which formerly represented all outstanding shares of capital stock of the Company, Miracle-Gro Delaware and Miracle-Gro UK. At the Effective Time Nurseries shall be entitled to receive the Merger Consideration set forth in Schedule 1.04(d).

(b) After the Effective Time, the stock transfer books of the Miracle-Gro Constituent Companies shall be closed, and there shall be no further registration of transfers of shares of capital stock of any of the Miracle-Gro Constituent Companies on the records of any of the Miracle-Gro Constituent Companies. If, after the Effective Time, certificates representing shares of capital stock of any of the Miracle-Gro Constituent Companies are presented to the Surviving Corporation, they shall be cancelled and exchanged for the Merger Consideration provided for, and in accordance with the procedures set forth, in this Article I.

(c) No dividends or other distributions declared or made after the Effective Time which have a record date after the Effective Time shall be paid to the holder of any unsurrendered certificates representing shares of capital stock of any Miracle-Gro Constituent Company with respect to the shares of Convertible Preferred Stock they are entitled to receive until such certificates shall have been surrendered to the Surviving Corporation.

SECTION 1.06. Nurseries Liquidation. Promptly following the Effective Time, Nurseries shall liquidate in accordance with New York Law.

ARTICLE II

THE SURVIVING CORPORATION

SECTION 2.01. Reincorporation. Immediately after the Effective Time, the Surviving Corporation shall be merged with and into a newly-formed, wholly-owned subsidiary of the Surviving Corporation which shall be an Ohio corporation ("New Miracle-Gro")(the "Reincorporation"). The effect of the Reincorporation shall be as provided under Ohio Law and New Jersey Law. Without limiting the generality of the foregoing, and subject thereto, at the effective time of the Reincorporation, all the property, rights, privileges, powers and franchises of the Surviving Corporation shall vest in New Miracle-Gro, and all debts, liabilities and duties of the Surviving Corporation shall become the debts, liabilities and duties of New Miracle-Gro. It is intended that the Reincorporation qualify as a reorganization under the provisions of Section 368(a)(1)(F) of the Code.

SECTION 2.02. Articles of Incorporation; Code of Regulations. (a) At the effective time of the Merger, the Certificate of Incorporation and the By-laws of the Company, as in effect immediately prior to such effective time, shall be the Certificate of Incorporation and the By-laws of the Surviving Corporation.

(b) At the effective time of the Subsequent Mergers, the Certificate of Incorporation and the By-laws of the Company, as in effect immediately prior to such effective time, shall be the Certificate of Incorporation and the By-laws of the Surviving Corporation.

(c) At the effective time of the Reincorporation, the Articles of Incorporation and the Code of Regulations of New Miracle-Gro, as in effect immediately prior to such effective time, shall be the Articles of Incorporation and the Code of Regulations of New Miracle-Gro, except that the name of New Miracle-Gro shall be changed to "Scotts' Miracle-Gro Products, Inc."

SECTION 2.03. Directors and Officers. From and after the respective effective times of the Merger, the Subsequent Mergers and the Reincorporation, until successors are duly elected or appointed and qualified in accordance with applicable law, (i) the directors of New Miracle-Gro at the Effective Time shall be the directors of the Surviving Corporation and New

Miracle-Gro, respectively, and (ii) the officers of the Surviving Corporation and New Miracle-Gro shall be the officers set forth on Schedule 2.03.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE MIRACLE-GRO CONSTITUENT COMPANIES AND THE SHAREHOLDERS

Each of the Miracle-Gro Constituent Companies and the Shareholders, jointly and severally, represent and warrant to Scotts and Merger Subsidiary that:

SECTION 3.01. Corporate Existence and Power. Each of the Miracle-Gro Constituent Companies is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, and has all corporate powers and all governmental licenses, authorizations, consents and approvals required to own, lease and operate its properties and to carry on its business as now conducted or as heretofore conducted by the Miracle-Gro Constituent Companies, except to the extent the failure to have such powers, licenses, authorizations, consents or approvals would not, individually or in the aggregate, have a material adverse effect on the business, assets, results of operations or condition (financial or otherwise) of the Miracle-Gro Constituent Companies, taken as a whole (a "Company Material Adverse Effect"). Each of the Miracle-Gro Constituent Companies is duly qualified or licensed to do business as a foreign corporation, and is in good standing, in each jurisdiction where the character of the property owned or leased by it or the nature of its activities makes such qualification or licensing necessary, except for those jurisdictions where the failure to be so qualified or licensed and in good standing would not, individually or in the aggregate, have a Company Material Adverse Effect.

SECTION 3.02. Organizational Documents. Each of the Miracle-Gro Constituent Companies has heretofore delivered to Scotts true and complete copies of the certificate of incorporation and by-laws, or equivalent organizational documents, of such Miracle-Gro Constituent Company, in each case as currently in effect. None of the Miracle-Gro Constituent Companies is in violation of any provision of its certificate of incorporation, by-laws or equivalent organizational documents, except for such violations that would not, individually or in the aggregate, have a Company Material Adverse Effect.

SECTION 3.03. Corporate Authorization. The execution, delivery and performance by the Miracle-Gro Constituent Companies of this Agreement and the consummation by the Miracle-Gro Constituent Companies of the transactions contemplated hereby are within the corporate powers of each of the Miracle-Gro Constituent Companies and have been duly authorized by all necessary corporate action. This Agreement constitutes a valid and binding agreement of each of the Miracle-Gro Constituent Companies. The Merger, the Subsequent Mergers and the Asset Transfer, respectively, have been approved by the unanimous vote of all of the outstanding capital shares of each of the respective Miracle-Gro Constituent Companies.

SECTION 3.04. Governmental Authorization. The execution, delivery and performance by the Miracle-Gro Constituent Companies and the Shareholders of this Agreement and the consummation of the transactions contemplated by the Agreement by the Miracle-Gro Constituent Companies require no consent, approval, authorization or permit of, or filing with or notification to any governmental or regulatory authority, except (A) for (i) the filing of certificates of merger and/or other appropriate merger documents in accordance with New Jersey Law and Ohio Law; (ii) compliance with any applicable requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations thereunder (the "HSR Act"); (iii) compliance with any applicable provisions of the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder (the "Securities Act"), state securities or "blue sky" laws and state takeover laws; (iv) compliance with any applicable requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (the "Exchange Act"); and (v) any applicable requirements of non-United States competition, antitrust and investment laws and (B) where failure to obtain such consents, approvals, authorizations or permits, or to make such filings or notifications, would not prevent or delay the consummation of the Merger or otherwise prevent any Miracle-Gro Constituent Company from performing its obligations under this Agreement, and would not, individually or in the aggregate, have a Company Material Adverse Effect.

SECTION 3.05. Non-Contravention. The execution, delivery and performance by the Miracle-Gro Constituent Companies and the Shareholders of this Agreement and the consummation by the Miracle-Gro Constituent Companies and the Shareholders of the transactions contemplated hereby do not and will not (i) contravene or conflict with the certificate of incorporation, by-laws or equivalent organizational documents of any Miracle-Gro Constituent Company; (ii) assuming compliance with the matters referred to in Section 3.04, contravene or conflict with or constitute a violation of any provision of any law, rule, regulation, judgment, injunction, order or decree binding upon or applicable to any Miracle-Gro Constituent Company or any Shareholder; (iii) constitute a default under or give rise to a right of termination, cancellation or acceleration of any right or obligation of any Miracle-Gro Constituent Company or to a loss of any benefit to which any Miracle-Gro Constituent Company is entitled under any provision of any agreement, contract or other instrument binding upon any Miracle-Gro Constituent Company or any license, franchise, permit or other similar authorization held by any Miracle-Gro Constituent Company; or (iv) result in the creation or imposition of any Lien on any asset of any Miracle-Gro Constituent Company, except, in the case of clauses (ii), (iii) and (iv), for any such conflicts, violations, defaults, breaches or other occurrences which would not prevent or delay consummation of the Merger, or otherwise prevent any Miracle-Gro Constituent Company from performing its obligations under this Agreement, and would not, individually or in the aggregate, have a Company Material Adverse Effect. For purposes of this Agreement, "Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset.

SECTION 3.06. Capitalization. (a) The authorized capital stock of the Company consists of 20,000 shares of Voting Common Stock, without par value, and 20,000 shares of

Non-Voting Common Stock, without par value. As of the date hereof there are, and as of the Effective Time there will be, outstanding 13,405 shares of Voting Common Stock and 13,405.284 shares of Non-Voting Common Stock. All outstanding shares of capital stock of the Company have been, and at the Effective Time will be, duly authorized and validly issued and are, and at the Effective Time will be, fully paid and nonassessable.

(b) The authorized capital stock of Miracle-Gro Delaware consists of 1,500 shares of Voting Common Stock, without par value, and 1,500 shares of Non-Voting Common Stock, without par value. As of the date hereof there are, and as of the Effective Time there will be, outstanding 1,000 shares of Voting Common Stock and 999.8 shares of Non-Voting Common Stock. All outstanding shares of capital stock of Miracle-Gro Delaware have been, and at the Effective Time will be, duly authorized and validly issued and are, and at the Effective Time will be, fully paid and nonassessable.

(c) The authorized capital stock of Miracle-Gro UK consists of 20,000 shares of Voting Common Stock, without par value, and 20,000 shares of Non-Voting Common Stock, without par value. As of the date hereof there are, and as of the Effective Time there will be, outstanding 4,997.274 shares of Voting Common Stock and 4,997.106 shares of Non-Voting Common Stock. All outstanding shares of capital stock of Miracle-Gro UK have been, and at the Effective Time will be, duly authorized and validly issued and are, and at the Effective Time will be, fully paid and nonassessable.

(d) Except as set forth in this Section, there are, and at the Effective Time will be, outstanding (i) no shares of capital stock or other voting securities of any of the Miracle-Gro Constituent Companies, (ii) no securities of any of the Miracle-Gro Constituent Companies convertible into or exchangeable for shares of capital stock or voting securities of any of the Miracle-Gro Constituent Companies, and (iii) no options or other rights to acquire from any of the Miracle-Gro Constituent Companies, and no obligation of any of the Miracle-Gro Constituent Companies to issue, any capital stock, voting securities or securities convertible into or exchangeable for capital stock or voting securities of any of the Miracle-Gro Constituent Companies (the items in clauses (i), (ii) and (iii) being referred to collectively as the "Company Securities"). There are, and at the Effective Time will be, no outstanding obligations of any of the Miracle-Gro Constituent Companies, to repurchase, redeem or otherwise acquire any Company Securities or make any material investment in any other Person. None of the Miracle-Gro Constituent Companies has, or at the Effective Time will have, any Subsidiaries. "Subsidiary" means with respect to any of the Miracle-Gro Constituent Companies, any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are directly or indirectly owned by any of the Miracle-Gro Constituent Companies.

SECTION 3.07. Financial Statements. The audited combined financial statements of the Miracle-Gro Constituent Companies as of September 30, 1993 and 1994 and for the three fiscal years ended September 30, 1994, which have previously been provided to Scotts fairly present, in conformity with generally accepted accounting principles applied on a consistent basis

(except as may be indicated in the notes thereto), the combined financial position of the Miracle-Gro Constituent Companies as of the dates thereof and their combined results of operations and changes in financial position for the periods then ended (subject to normal and recurring year-end adjustments in the case of any unaudited interim financial statements which were not, and are not expected, individually or in the aggregate, to be, material in amount). For purposes of this Agreement, "Balance Sheet" means the combined balance sheet of the Miracle-Gro Constituent Companies as of September 30, 1994 and "Balance Sheet Date" means September 30, 1994.

SECTION 3.08. Disclosure Documents. The information with respect to the Miracle-Gro Constituent Companies that the Company furnishes to Scotts in writing specifically for use in Scotts' proxy or information statement (together with any amendments thereof, or supplements thereto, the "Scotts Proxy Statement") to be filed with the Securities and Exchange Commission (the "SEC") in connection with the Merger Transactions will not, at the time of the filing of such Scotts Proxy Statement or at the time it is first mailed to the shareholders of Scotts, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

SECTION 3.09. Absence of Certain Changes. Since the Balance Sheet Date and except as disclosed to Scotts in Section 3.09 of the disclosure schedule previously delivered to Scotts by the Company (the "Company Disclosure Schedule"), the Miracle-Gro Constituent Companies have conducted their business only in the ordinary course consistent with past practice and there has not been:

(a) any event, occurrence or development of a state of circumstances or facts which has had or reasonably could be expected to have a Company Material Adverse Effect;

(b) any declaration, setting aside or payment of any dividend or other distribution with respect to any shares of capital stock of any of the Miracle-Gro Constituent Companies, or any repurchase, redemption or other acquisition by any Miracle-Gro Constituent Company of any outstanding shares of capital stock or other securities of, or other ownership interests in, any Miracle-Gro Constituent Company;

(c) any amendment of any material term of any outstanding security of any Miracle-Gro Constituent Company;

(d) any incurrence, assumption or guarantee by any Miracle-Gro Constituent Company of any indebtedness for borrowed money;

(e) any creation or assumption by any Miracle-Gro Constituent Company of any Lien on any material asset other than in the ordinary course of business consistent with past practices;

(f) any making of any loan, advance or capital contribution to or investment in any individual, corporation, partnership, limited liability company, association, trust or other entity or organization, including a government or political subdivision or any agency or instrumentality thereof (each, a "Person"), other than loans, advances or capital contributions to or investments in any Miracle-Gro Constituent Company made in the ordinary course of business consistent with past practices;

(g) any transaction or commitment made, or any contract or agreement entered into, by any Miracle-Gro Constituent Company relating to its assets or business (including the acquisition or disposition of any assets) or any relinquishment by any Miracle-Gro Constituent Company of any contract or other right, in either case, material to the Miracle-Gro Constituent Companies, taken as a whole, other than transactions and commitments in the ordinary course of business consistent with past practice and those contemplated by this Agreement;

(h) any change in any method of accounting or accounting practice by any Miracle-Gro Constituent Company, except for any such change required by reason of a concurrent change in generally accepted accounting principles;

(i) any (i) grant of any severance or termination pay to any director, officer, employee or agent of any Miracle-Gro Constituent Company, (ii) entering into of any employment, deferred compensation or other similar agreement (or any amendment to any such existing agreement) with any director, officer, employee or agent of any Miracle-Gro Constituent Company, (iii) increase in benefits payable under any existing severance or termination pay policies or employment agreements or (iv) increase in compensation, bonus or other benefits payable to directors, officers, employees or agents of any Miracle-Gro Constituent Company, other than in the ordinary course of business consistent with past practice or, in the case of employment agreements, as contemplated by Section 9.02(v); or

(j) any labor dispute, other than routine individual grievances, or any activity or proceeding by a labor union or representative thereof to organize any employees of any Miracle-Gro Constituent Company, which employees were not subject to a collective bargaining agreement at the Balance Sheet Date, or any lockouts, strikes, slowdowns, work stoppages or threats thereof by or with respect to such employees.

SECTION 3.10. No Undisclosed Material Liabilities. Except as and to the extent set forth in the Balance Sheet or as otherwise set forth in Section 3.10 of the Company Disclosure Schedule, none of the Miracle-Gro Constituent Companies had any liability or obligation of any nature (whether accrued, contingent, absolute, determined, determinable or otherwise) that (i) would be required to be reflected on a combined balance sheet of the Miracle-Gro Constituent Companies (including the notes thereto) or (ii) would have, or could reasonably be likely to have, individually or in the aggregate, a Company Material Adverse Effect.

SECTION 3.11. Litigation. Except as set forth in Section 3.11 of the Company Disclosure Schedule, there is no claim, action, suit, investigation or proceeding pending against or, to the knowledge of the Company or the Shareholders, threatened against any of the Miracle-Gro Constituent Companies or any of their respective properties before any court or arbitrator or any governmental body, agency or official which, individually or in the aggregate, would reasonably be likely to have a Company Material Adverse Effect or would reasonably be likely to impair the ability of any Miracle-Gro Constituent Company to consummate the Merger Transactions or the other transactions contemplated by this Agreement.

SECTION 3.12. Taxes. Each of the Miracle-Gro Constituent Companies has timely filed all federal, state, local and foreign income, gross income, gross receipts, gains, premium, sales, use, ad valorem, transfer, franchise, profits, withholding, payroll, employment, excise, severance, stamp, occupation, license, lease, environmental, customs, duties, property, windfall profits and all other tax returns, statements, reports and forms (the "Tax Returns") required to be filed with the appropriate tax authority through the date hereof, the failure of which to file would result in a Company Material Adverse Effect, and shall timely file all such Tax Returns required to be filed on or before the Effective Time. To the best knowledge of the Company and the Shareholders, such Tax Returns are and will be true, correct and complete in all material respects. Each of the Miracle-Gro Constituent Companies has paid and discharged all federal, state, local and foreign Taxes due from them, other than such Taxes that are adequately reserved as shown on the Balance Sheet. Neither the Internal Revenue Service nor any other taxing agency or authority, domestic or foreign, is now asserting or, to the best knowledge of the Company and the Shareholders, threatening to assert against any of the Miracle-Gro Constituent Companies any material deficiency or claim for additional Taxes. There are no unexpired waivers by any of the Miracle-Gro Constituent Companies of any statutes of limitations with respect to Taxes which, individually or in the aggregate would have a Company Material Adverse Effect. The accruals and reserves for Taxes reflected in the Balance Sheet are adequate for the periods covered. Each of the Miracle-Gro Constituent Companies has withheld or collected and paid over to the appropriate governmental authorities or is properly holding for such payment all Taxes required by law to be withheld or collected, except to the extent that the failure to so withhold or collect and pay would not, individually or in the aggregate, have a Company Material Adverse Effect. There are no Liens for Taxes upon the assets of any of the Miracle-Gro Constituent Companies, which, individually or in the aggregate would have a Company Material Adverse Effect or other than Liens for current Taxes not yet due and payable. None of the Miracle-Gro Constituent Companies has agreed to make, or is required to make, any adjustment under Section 481(a) of the Code. None of the Miracle-Gro Constituent Companies is a party to any agreement, contract, arrangement or plan that has resulted, or could result, individually or in the aggregate, in the payment of "excess parachute payments" within the meaning of Section 280G of the Code. Each of the Miracle-Gro Constituent Companies, other than Nurseries, is, and at all times since January 1, 1985, has been, an S corporation within the meaning of Section 1361(a)(1) of the Code (or the corresponding provisions of preceding law) and is not subject to the tax imposed on certain built-in gains under Section 1374 of the Code or the tax imposed under Section 1375 of the Code. For purposes of this Agreement, "Taxes" shall mean all taxes, charges and other assessments,

including any interest, penalties or additions to tax with respect thereto. For purposes of this Section 3.12 only, a Company Material Adverse Effect shall mean a Loss (as hereafter defined) in excess of \$500,000.

SECTION 3.13. ERISA. (a) Section 3.13(a) of the Company Disclosure Schedule includes a list identifying each "employee benefit plan," as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974 ("ERISA"), which (i) is subject to any provision of ERISA and (ii) is maintained, administered or contributed to by any Miracle-Gro Constituent Company or any affiliate (as defined below) and covers any employee or former employee of any Miracle-Gro Constituent Company or any affiliate or under which any Miracle-Gro Constituent Company or any affiliate has any liability. Copies of such plans (and, if applicable, related trust agreements) and all amendments thereto and written interpretations thereof have been furnished to Scotts together with (x) the three most recent annual reports (Form 5500 including, if applicable, Schedule B thereto) prepared in connection with any such plan and (y) the most recent actuarial valuation report prepared in connection with any such plan. Such plans are referred to collectively herein as the "Employee Plans." For purposes of this Section, "affiliate" of any Person means any other Person which, together with such Person, would be treated as a single employer under Section 414 of the Code. The only Employee Plans which individually or collectively would constitute an "employee pension benefit plan" as defined in Section 3(2) of ERISA (the "Pension Plans") are identified as such in the list referred to above. The Company has provided Scotts with complete age, salary, service and related data as of December 31, 1994 for employees and former employees of each of the Miracle-Gro Constituent Companies and any affiliate covered under the Pension Plans.

(b) Except as otherwise identified in Section 3.13(b) of the Company Disclosure Schedule, no Employee Plan constitutes a "multiemployer plan", as defined in Section 3(37) of ERISA (a "Multiemployer Plan"), and no Employee Plan is maintained in connection with any trust described in Section 501(c)(9) of the Code. The only Employee Plans that are subject to Title IV of ERISA (the "Retirement Plans") are identified in the list of such Employee Plans heretofore provided to Scotts by the Company. As of the Balance Sheet Date, the fair market value of the assets of each Retirement Plan (excluding for these purposes any accrued but unpaid contributions) exceeded the present value of all benefits accrued under such Retirement Plan determined on a termination basis using the assumptions established by the Pension Benefit Guaranty Corporation (the "PBGC") as in effect on such date. No "accumulated funding deficiency," as defined in Section 412 of the Code, has been incurred with respect to any Pension Plan, whether or not waived. The Company and the Shareholders know of no "reportable event," within the meaning of Section 4043 of ERISA for which the 30-day notice requirement to the PBGC has not been waived, and no event described in Section 4041, 4042, 4062 or 4063 of ERISA has occurred in connection with any Employee Plan, other than a "reportable event" that, individually or in the aggregate, will not have a Company Material Adverse Effect. No condition exists and no event has occurred that would constitute grounds for termination of any Retirement Plan or, with respect to any Employee Plan which is a Multiemployer Plan, presents a material risk of a complete or partial withdrawal under Title IV of ERISA and neither any Miracle-Gro Constituent Company nor any of their respective

affiliates has incurred any material liability under Title IV of ERISA arising in connection with the termination of, or complete or partial withdrawal from, any plan covered or previously covered by Title IV of ERISA. If a "complete withdrawal" by any Miracle-Gro Constituent Company and all of its respective affiliates were to occur as of the Effective Time with respect to all Employee Plans which are Multiemployer Plans, neither any Miracle-Gro Constituent Company nor any such affiliate would incur any material withdrawal liability under Title IV of ERISA. To the Company's and the Shareholders' knowledge, nothing done or omitted to be done and no transaction or holding of any asset under or in connection with any Employee Plan has or will make any Miracle-Gro Constituent Company or any officer or director of any Miracle-Gro Constituent Company subject to any liability under Title I of ERISA or liable for any tax pursuant to Section 4975 of the Code that could, individually or in the aggregate, have a Company Material Adverse Effect.

(c) Each Employee Plan which is intended to be qualified under Section 401(a) of the Code is so qualified and has been so qualified during the period from its adoption to date, and each trust forming a part thereof is exempt from tax pursuant to Section 501(a) of the Code. The Company has furnished to Scotts copies of the most recent Internal Revenue Service determination letters with respect to each such Plan. Each Employee Plan has been maintained in material compliance with its terms and with the requirements prescribed by any and all statutes, orders, rules and regulations, including but not limited to ERISA and the Code, which are applicable to such Plan.

(d) There is no contract, agreement, plan or arrangement covering any employee or former employee of any Miracle-Gro Constituent Company or any affiliate that, individually or collectively, could give rise to the payment of any amount that would not be deductible pursuant to the terms of Sections 162(a)(1) or 280G of the Code.

(e) Section 3.13(e) of the Company Disclosure Schedule sets forth a list of each employment, severance or other similar contract, arrangement or policy and each plan or arrangement (written or oral) providing for insurance coverage (including any self-insured arrangements), workers' compensation, disability benefits, supplemental unemployment benefits, vacation benefits, retirement benefits or for deferred compensation, profit-sharing, bonuses, stock options, stock appreciation or other forms of incentive compensation or post-retirement insurance, compensation or benefits which (i) is not an Employee Plan, (ii) is entered into, maintained or contributed to, as the case may be, by any of the Miracle-Gro Constituent Companies or any of their respective affiliates and (iii) covers any employee or former employee of any of the Miracle-Gro Constituent Companies or any of their respective affiliates. Such contracts, plans and arrangements as are described above, copies or descriptions of all of which have been furnished previously to Scotts are referred to collectively herein as the "Benefit Arrangements." Each Benefit Arrangement has been maintained in substantial compliance with its terms and with the requirements prescribed by any and all statutes, orders, rules and regulations that are applicable to such Benefit Arrangement.

(f) The excess of the present value of the projected liability in respect of post-retirement health and medical benefits for retired employees of any Miracle-Gro Constituent Companies and their respective affiliates, determined using assumptions that are reasonable in the aggregate, over the fair market value of any fund, reserve or other assets segregated for the purpose of satisfying such liability (including for such purposes any fund established pursuant to Section 401(h) of the Code) does not in the aggregate exceed \$1,000,000. No condition exists that would prevent any Miracle-Gro Constituent Company from amending or terminating any Employee Plan or Benefit Arrangement providing health or medical benefits in respect of any active employee of any of the Miracle-Gro Constituent Companies other than limitations imposed under the terms of a collective bargaining agreement.

(g) Except as set forth in Section 3.13(g) of the Company Disclosure Schedule, no Miracle-Gro Constituent Company is a party to or subject to any union contract or any employment contract or arrangement providing for annual future compensation of \$50,000 or more with any officer, consultant, director or employee.

(h) The consummation of the transactions contemplated hereby will not result in any material acceleration of benefits, or the modification of the terms of any benefits, payable to or for the benefit of any officer, director or employee of any Miracle-Gro Constituent Company, including any acceleration of vesting of stock options or any changes in any amounts or timing of any amounts payable under any incentive arrangement.

SECTION 3.14. Trademarks, Patents and Copyrights. (a) Section 3.14(a) of the Company Disclosure Schedule sets forth a true and complete list of (i) all patents, patent rights, trademarks, trademark rights, trade names, copyrights, service marks, trade secrets, applications for trademarks and for service marks, know-how and other proprietary rights and information used or held for use in connection with the business of the Miracle-Gro Constituent Companies (collectively, "Intellectual Property Rights") and (ii) all licenses, commitments and other agreements to which any Miracle-Gro Constituent Company is a party providing for the license of any Intellectual Property Rights to or from any other Person.

(b) Except as set forth in Section 3.14(b) of the Company Disclosure Schedule, the Miracle-Gro Constituent Companies own or possess adequate licenses or other rights to use all of the Intellectual Property Rights; there are no Intellectual Property Rights necessary for use in connection with the business of the Miracle-Gro Constituent Companies which are not owned or possessed by the Miracle-Gro Constituent Companies or which, upon completion of the Merger Transactions, will not be owned or possessed by the Company; and neither the Company nor the Shareholders is aware of any assertion or claim challenging the validity of any of the Intellectual Property Rights; and the conduct of the business of the Miracle-Gro Constituent Companies, to the best knowledge of the Company and the Shareholders, does not conflict in any way with any patent, patent right, license, trademark, trademark right, trade name, trade name right, service mark or copyright of any third party. To the best knowledge of the Company and the Shareholders, there are no infringements of any proprietary rights owned by

or licensed by or to any Miracle-Gro Constituent Company that individually or in the aggregate would have a Company Material Adverse Effect.

SECTION 3.15. Material Contracts. (a) Except for agreements, contracts, plans, leases, arrangements or commitments (in each case, oral or written) set forth in Section 3.15(a) of the Company Disclosure Schedule, no Miracle-Gro Constituent Company is a party to or subject to:

(i) any lease providing for annual rental payments of \$50,000 or more;

(ii) any contract for the purchase of materials, supplies, goods, services, equipment or other assets providing for annual payments by any Miracle-Gro Constituent Company of \$50,000 or more;

(iii) any sales, distribution or other similar agreement providing for the sale by any Miracle-Gro Constituent Company of materials, supplies, goods, services, equipment or other assets that provides for annual payments to any Miracle-Gro Constituent Company of \$100,000 or more;

(iv) any partnership, joint venture or other similar contract arrangement or agreement;

(v) any contract relating to indebtedness for borrowed money or the deferred purchase price of property (whether incurred, assumed, guaranteed or secured by any asset), except contracts relating to indebtedness incurred in the ordinary course of business in an amount not exceeding \$25,000;

(vi) any license agreement, franchise agreement or agreement in respect of similar rights granted to or held by any Miracle-Gro Constituent Company;

(vii) any agency, dealer, sales representative or other similar agreement;

(viii) any contract or other document that substantially limits the ability of any Miracle-Gro Constituent Company to compete in any line of business or with any Person or in any area or which would so restrict any of the Miracle-Gro Constituent Companies after the Effective Time; or

(ix) any other contract or commitment not made in the ordinary course of business that is material to the Company or any other Miracle-Gro Constituent Company.

(b) Each agreement, contract, lease, arrangement and commitment disclosed in Section 3.15(a) of the Company Disclosure Schedule or required to be disclosed pursuant to this Section is a valid and binding agreement of such Miracle-Gro Constituent Company and is in full force

and effect, and neither any Miracle-Gro Constituent Company nor, to the knowledge of the Company and the Shareholders, any other party thereto is in default in any material respect under the terms of any such agreement, contract, plan, lease arrangement or commitment.

SECTION 3.16. Compliance with Laws. No Miracle-Gro Constituent Company is in violation of, or has violated, any applicable provisions of any laws, rules, statutes, ordinances or regulations, except for violations that would not, individually or in the aggregate, have a Company Material Adverse Effect.

SECTION 3.17. Finders' Fees. No investment banker, broker, finder or other intermediary (other than CS First Boston Corporation ("CS First Boston")) has been retained by, or authorized to act on behalf of, any Miracle-Gro Constituent Company and entitled to any fee or commission in connection with the Merger Transactions or the transactions contemplated by this Agreement. The Company has previously furnished to Scotts a complete and correct copy of all agreements between CS First Boston and any Miracle-Gro Constituent Company (or any Shareholder) pursuant to which such firm would be entitled to any payment relating to the Merger Transactions or the transactions contemplated by this Agreement.

SECTION 3.18. Other Information. The statements contained in the documents and certificates furnished or to be furnished by any of the Miracle-Gro Constituent Companies or the Shareholders pursuant to this Agreement and in connection with the transactions contemplated by this Agreement, when considered in their entirety and taking into account all subsequent corrections, modifications and amplifications of previously delivered information, do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not misleading. Notwithstanding anything herein to the contrary, none of the Miracle-Gro Constituent Companies nor any Shareholder makes any representation or warranty regarding any financial projection relating to the Company and/or the other Miracle-Gro Constituent Companies or any other indications of future financial performance or results of any Miracle-Gro Constituent Company.

SECTION 3.19. Environmental Compliance. Except as set forth in Section 3.19 of the Company Disclosure Schedule:

(a) No written notice, notification, demand, request for information, citation, summons, complaint or order has been issued or filed, no penalty has been assessed and no investigation or review is pending, or to the knowledge of the Company or the Shareholders, after due inquiry, threatened by any governmental or other entity, and there are no existing orders, decrees or agreements in effect or, to the knowledge of the Company or the Shareholders, after due inquiry, threatened, (i) with respect to any alleged material violation of any Environmental Law (as hereafter defined) in connection with the conduct of the business of any of the Miracle-Gro Constituent Companies (for purposes of this Section 3.19, the Miracle-Gro Constituent Companies shall include any predecessor of any of the Miracle-Gro Constituent Companies) or (ii) with respect to any alleged failure to have any permit, certificate, license, approval, registration or authorization required by any Environmental Law in connection with the conduct

of the business of the Miracle-Gro Constituent Companies or (iii) with respect to any generation, treatment, storage, recycling, transportation, disposal or release (including a release as defined in 42 USC Section 9601) ("Release") of any polluting material, including petroleum, its derivatives, by-products and other hydrocarbons ("Polluting Substance").

(b)(i) No Miracle-Gro Constituent Company has, other than as a generator, handled any Polluting Substance, on any property now or previously owned or leased by any Miracle-Gro Constituent Company; (ii) no asbestos is present at any property now or previously owned or leased by any Miracle-Gro Constituent Company; (iii) there are no underground storage tanks currently in use or, to the knowledge of the Company or the Shareholders, abandoned at any property now or previously owned or leased by any Miracle-Gro Constituent Company which have been used to store or have contained a substance which is regulated by Environmental Laws or which, if Released into the environment, would result in pollution, (iv) there has been no Release of a Polluting Substance with respect to which any of the Miracle-Gro Constituent Companies may reasonably be required to perform investigation or remediation, other than routine spills and leaks which are addressed in the ordinary course of business, at, on or under any property now or previously owned or leased by any Miracle-Gro Constituent Company and (v) no Hazardous Substance (as defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA")) is present in a reportable or threshold planning quantity, where such a quantity has been established by statute, ordinance, rule, regulation or order, at, on or under any property now or previously owned by any Miracle-Gro Constituent Company.

(c) To the knowledge of the Company and the Shareholders, no Miracle-Gro Constituent Company has transported or arranged for the transportation (directly or indirectly) of any Hazardous Substance (as defined in CERCLA) to any location which is listed or proposed for listing on the nationwide priorities list established under CERCLA or on any similar state list.

(d) To the knowledge of the Company and the Shareholders, no oral or written notification of a Release of a Hazardous Substance (as defined in CERCLA) has been filed by or on behalf of any Miracle-Gro Constituent Company, and no property now or previously owned or leased by any Miracle-Gro Constituent Company is listed, or to the knowledge of the Company or the Shareholders, proposed for listing, on the National Priorities List promulgated pursuant to CERCLA.

(e) There are no environmental Liens on any asset of any Miracle-Gro Constituent Company and no government actions have been taken or are in process which could subject any of such assets to such Liens.

(f) Except as set forth in Section 3.19(f) of the Company Disclosure Schedule, there have been no material environmental investigations, studies, audits, tests, reviews or other analyses conducted by or which are in the possession of any of the Miracle-Gro Constituent Companies in relation to any property or facility now or previously owned or leased by any Miracle-Gro Constituent Company.

(g) For purposes of this Agreement, "Environmental Law" means all applicable Federal, state and local laws, rules and regulations, including common law, orders, decrees, permits and other binding requirements relating to pollution, the preservation of the environment and Releases of pollutants into the environment or the workplace.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF SCOTTS AND MERGER SUBSIDIARY

Scotts and Merger Subsidiary, jointly and severally, represent and warrant to the Miracle-Gro Constituent Companies and the Shareholders that:

SECTION 4.01. Corporate Existence and Power. Each of Scotts and Merger Subsidiary is a corporation duly incorporated, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, and has all corporate powers and all governmental licenses, authorizations, consents and approvals required to own, lease and operate its properties and to carry on its business as now conducted except to the extent the failure to have such powers, licenses, authorizations, consents or approvals would not, individually or in the aggregate, have a material adverse effect on the business, assets, results of operations or condition (financial or otherwise) of Scotts and its consolidated Subsidiaries, taken as a whole (a "Scotts Material Adverse Effect"). Each of Scotts and Merger Subsidiary is duly qualified or licensed to do business as a foreign corporation, and is in good standing, in each jurisdiction where the character of the property owned or leased by it or the nature of its activities makes such qualification or licensing necessary, except for those jurisdictions where the failure to be so qualified or licensed and in good standing would not, individually or in the aggregate, have a Scotts Material Adverse Effect. Since the date of its incorporation, Merger Subsidiary has not engaged in any activities other than in connection with or as contemplated by this Agreement or in connection with arranging any financing required to consummate the transactions contemplated hereby.

SECTION 4.02. Organizational Documents. Scotts has heretofore delivered to the Company true and complete copies of the Articles of Incorporation and Code of Regulations of Scotts, Merger Subsidiary and New Miracle-Gro, in each case as currently in effect. Neither Scotts nor Merger Subsidiary is in violation of any provision of its Articles of Incorporation or Code of Regulations, except for such violations that would not, individually or in the aggregate, have a Scotts Material Adverse Effect.

SECTION 4.03. Corporate Authorization. The execution, delivery and performance by Scotts and Merger Subsidiary of this Agreement and the consummation by Scotts and Merger Subsidiary of the transactions contemplated hereby are within the corporate powers of each of Scotts and Merger Subsidiary and have been duly authorized by all necessary corporate action (other than the required approval by Scotts' shareholders of the matters set forth in Sections

9.01(iii) and (iv) (the "Scotts Shareholder Consent"). This Agreement constitutes a valid and binding agreement of Scotts and Merger Subsidiary.

SECTION 4.04. Governmental Authorization. The execution, delivery and performance by Scotts and Merger Subsidiary of this Agreement and the consummation by Scotts and Merger Subsidiary of the transactions contemplated by the Agreement require no consent, approval, authorization or permit of, or filing with or notification to any governmental or regulatory authority, except (A) for (i) the filing of a certificate of merger and/or other appropriate merger documents in accordance with New Jersey Law and Ohio Law, (ii) compliance with any applicable requirements of the HSR Act; (iii) compliance with any applicable requirements of the Securities Act, state securities or "blue sky" laws and state takeover laws; (iv) compliance with any applicable requirements of Exchange Act; and (v) any applicable requirements of non-United States competition, antitrust and investment laws and (B) where failure to obtain such consents, approvals, authorizations or permits, or to make such filings or notifications, would not prevent or delay the consummation of the Merger or otherwise prevent Scotts or Merger Subsidiary from performing its obligations under this Agreement, and would not, individually or in the aggregate, have a Scotts Material Adverse Effect.

SECTION 4.05. Non-Contravention. The execution, delivery and performance by Scotts and Merger Subsidiary of this Agreement and the consummation by Scotts and Merger Subsidiary of the transactions contemplated hereby, assuming receipt of the Scotts Shareholder Consent, do not and will not (i) contravene or conflict with the Articles of Incorporation or Code of Regulations of Scotts or Merger Subsidiary; (ii) assuming compliance with the matters referred to in Section 4.04, contravene or conflict with or constitute a violation of any provision of law, rule regulation, judgment, injunction, order or decree binding upon Scotts or Merger Subsidiary; (iii) assuming satisfaction or waiver of the conditions set forth in Section 9.01(i) and Section 9.01(ii), constitute a default under or give rise to any right of termination, cancellation or acceleration of any right or obligation of Scotts or Merger Subsidiary or to a loss of any material benefit to which Scotts or Merger Subsidiary is entitled under any material agreement, contract or other instrument binding upon Scotts or Merger Subsidiary; or (iv) result in the creation or imposition of any Lien on any asset of Scotts or Merger Subsidiary, except, in the case of clauses (ii), (iii) and (iv), for any such conflicts, violations, defaults, breaches or other occurrences which would not prevent or delay consummation of the Merger, or otherwise prevent Scotts or Merger Subsidiary from performing its obligations under this Agreement, and would not, individually or in the aggregate, have a Scotts Material Adverse Effect.

SECTION 4.06. Capitalization. (a) As of the date hereof, the authorized capital stock of Scotts consists of 35,000,000 shares of Scotts Common Stock. As of January 15, 1995, there were outstanding 18,667,064 shares of Scotts Common Stock and employee stock options to purchase an aggregate of 1,428,705 shares of Scotts Common Stock (of which options to purchase an aggregate of 575,816 shares were exercisable). All of the outstanding common shares of Scotts have been duly authorized and validly issued and are fully paid and nonassessable. Except as set forth in this Section and except for changes since January 15, 1995, resulting from the exercise of employee stock options outstanding on such date, there are

outstanding (i) no shares of capital stock or other voting securities of Scotts, (ii) no securities of Scotts convertible into or exchangeable for shares of capital stock or voting securities of Scotts, and (iii) no options or other rights to acquire from Scotts, and no obligation of Scotts to issue, any capital stock, voting securities or securities convertible into or exchangeable for capital stock or voting securities of Scotts (the items in clauses (i), (ii) and (iii) being referred to collectively as the "Scotts Securities"). There are no outstanding obligations of Scotts or any of its Subsidiaries to repurchase, redeem or otherwise acquire any Scotts Securities. "Subsidiary," with respect to Scotts, means any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are directly or indirectly owned by Scotts.

(b) The authorized capital stock of Merger Subsidiary consists of 1,000 common shares, without par value. As of the date hereof, there are outstanding 1,000 common shares. All of the outstanding common shares of Merger Subsidiary have been duly authorized and validly issued and are fully paid and nonassessable. Except as set forth in this Section, there are outstanding (i) no shares of capital stock or other voting securities of Merger Subsidiary, (ii) no securities of Merger Subsidiary convertible into or exchangeable for shares of capital stock or voting securities of Merger Subsidiary, and (iii) no options or other rights to acquire from Merger Subsidiary, and no obligation of Merger Subsidiary to issue, any capital stock, voting securities or securities convertible into or exchangeable for capital stock or voting securities of Merger Subsidiary.

(c) The Merger Consideration, when issued in accordance with this Agreement, will be duly authorized, validly issued, in the case of the Convertible Preferred Stock, fully paid and non-assessable, and, in the case of the Warrants, valid and binding obligations of Scotts.

SECTION 4.07. SEC Filings; Financial Statements. (a) Scotts has filed all forms, reports and documents required to be filed by it with the SEC since September 30, 1992, and has heretofore made available to the Company and the Shareholders, in the form filed with the SEC (excluding any exhibits thereto, unless otherwise specifically requested by the Company or the Shareholders), (i) its Annual Reports on Form 10-K for the fiscal years ended September 30, 1992, 1993 and 1994, respectively; (ii) all proxy statements relating to meetings of Scotts' shareholders (whether annual or special) held since October 1, 1992; and (iii) all other reports and registration statements (other than Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed prior to September 30, 1994) filed with the SEC since October 1, 1992 (the forms, reports and other documents referred to in clauses (i) through (iii) being referred to herein, collectively, as the "Scotts Disclosure Documents"). The Scotts Disclosure Documents and any other forms, reports or other documents filed by Scotts with the SEC after the date of this Agreement but prior to the Effective Time (x) were prepared, or will be prepared, in accordance with the Securities Act or the Exchange Act, as the case may be, and (y) did not at the time they were filed, or will not at the time they are filed, with the SEC contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements made therein, in the light of the circumstances under

which they were made, not misleading; provided, however, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with information furnished to Scotts by any Miracle-Gro Constituent Company or any Shareholder. Notwithstanding anything herein to the contrary, neither Scotts nor Merger Subsidiary makes any representation or warranty regarding any financial projection relating to Scotts or any of its Subsidiaries or any other indications of future financial performance or results of Scotts or any of its Subsidiaries.

(b) Each of the consolidated financial statements (including any notes thereto) contained in the Annual Report on Form 10-K for the fiscal year ended September 30, 1994 (the "1994 Form 10-K"), was prepared in accordance with generally accepted accounting principles and fairly presents the consolidated financial position, results of operations and cash flows of Scotts and its consolidated subsidiaries as at the respective dates thereof and for the respective periods indicated therein.

(c) Except as and to the extent set forth in the consolidated balance sheet included in the 1994 Form 10-K, or as otherwise set forth in Section 4.07 of the disclosure schedule previously delivered to the Company by Scotts (the "Scotts Disclosure Schedule"), Scotts had no liability or obligation of any nature (whether accrued, contingent, absolute, determined, determinable or otherwise) that (i) would be required to be reflected in such consolidated balance (including the notes thereto) or (ii) would have, or could reasonably be likely to have, individually or in the aggregate, a Scotts Material Adverse Effect.

SECTION 4.08. Absence of Certain Changes. Since September 30, 1994, and except as disclosed to the Company in Section 4.08 of the Scotts Disclosure Statement or as otherwise contemplated by this Agreement, Scotts has conducted its business only in the ordinary course consistent with past practice and there has not been:

(a) any event, occurrence or development of a state of circumstances or facts which has had or reasonably could be expected to have a Scotts Material Adverse Effect;

(b) any declaration, setting aside or payment of any dividend or other distribution with respect to any shares of capital stock of Scotts, or any repurchase, redemption or other acquisition by Scotts or any of its Subsidiaries of any outstanding shares of capital stock or other securities of, or other ownership interests in, Scotts;

(c) any amendment of any material term of any outstanding security of Scotts;

(d) any incurrence, assumption or guarantee by Scotts of indebtedness for borrowed money, which incurrence, assumption or guarantee is material to Scotts and its Subsidiaries, taken as a whole;

(e) any creation or assumption by Scotts of a Lien on any material asset, which creation or assumption is material to Scotts and its Subsidiaries, taken as a whole, other than those in the ordinary course of business consistent with past practices;

(f) any making of any loan, advance or capital contribution to or investment in any Person, which is material to Scotts and its Subsidiaries, taken as whole, other than loans, advances or capital contributions to or investments in any Subsidiary of Scotts made in the ordinary course of business consistent with past practices;

(g) any transaction or commitment made, or any contract or agreement entered into, by Scotts or its Subsidiaries relating to their respective assets or business (including the acquisition or disposition of any assets) or any relinquishment by Scotts or its Subsidiaries of any contract or other right, in either case, material to Scotts and its Subsidiaries, taken as a whole, other than transactions and commitments in the ordinary course of business consistent with past practice and those contemplated by this Agreement;

(h) any change in any method of accounting or accounting practice by Scotts, except for any such change required by reason of a concurrent change in generally accepted accounting principles; or

(i) any labor dispute, other than routine individual grievances, or any activity or proceeding by a labor union or representative thereof to organize any employees of Scotts, which employees were not subject to a collective bargaining agreement at September 30, 1994, or any lockouts, strikes, slowdowns, work stoppages or threats thereof by or with respect to such employees.

SECTION 4.09. No Undisclosed Material Liabilities. Except as and to the extent set forth in the 1994 Form 10-K, or as otherwise set forth in Section 4.09 of the Scotts Disclosure Schedule, neither Scotts nor any of its Subsidiaries had any liability or obligation of any nature (whether accrued, contingent, absolute, determined, determinable or otherwise) that (i) would be required to be reflected on a consolidated balance sheet of Scotts and its Subsidiaries (including the notes thereto) or (ii) would have, or could reasonably be likely to have, individually or in the aggregate, a Scotts Material Adverse Effect.

SECTION 4.10. Litigation. Except as set forth in the 1994 Form 10-K or in Section 4.10 of the Scotts Disclosure Schedule, there is no claim, action, suit, investigation or proceeding pending against or, to the knowledge of Scotts, threatened against Scotts or any of its Subsidiaries or any of their respective properties before any court or arbitrator or any governmental body, agency or official which, individually or in the aggregate, would reasonably be likely to have a Scotts Material Adverse Effect or would reasonably be likely to have impair

the ability of Scotts or Merger Subsidiary to consummate the Merger or the other transactions contemplated by this Agreement.

SECTION 4.11. Taxes. Scotts and each of its Subsidiaries has timely filed all Tax Returns required to be filed with the appropriate tax authority through the date hereof, the failure of which to file would result in a Scotts Material Adverse Effect, and shall timely file all such Tax Returns required to be filed on or before the Effective Time. To the best knowledge of Scotts, such Tax Returns are and will be true, correct and complete in all material respects. Scotts and each of its Subsidiaries has paid and discharged all federal, state, local and foreign Taxes due from them, other than such Taxes that are adequately reserved as shown on the balance sheet of Scotts included in the 1994 Form 10-K (the "Scotts Balance Sheet"). Neither the Internal Revenue Service nor any other taxing agency or authority, domestic or foreign, is now asserting or, to the best knowledge of Scotts, threatening to assert against Scotts or any of its Subsidiaries any material deficiency or claim for additional Taxes. There are no unexpired waivers by Scotts or any of its Subsidiaries of any statutes of limitations with respect to Taxes which, individually or in the aggregate would have a Scotts Material Adverse Effect. The accruals and reserves for Taxes reflected in the Scotts Balance Sheet are adequate for the periods covered. Scotts and each of its Subsidiaries has withheld or collected and paid over to the appropriate governmental authorities or is properly holding for such payment all Taxes required by law to be withheld or collected, except to the extent that the failure to so withhold or collect and pay would not, individually or in the aggregate, have a Scotts Material Adverse Effect. There are no Liens for Taxes upon the assets of Scotts or any of its Subsidiaries, which, individually or in the aggregate would have a Scotts Material Adverse Effect or other than Liens for current Taxes not yet due and payable. Scotts has not agreed to make, and is not required to make, any adjustment under Section 481(a) of the Code. Neither Scotts nor any of its Subsidiaries is a party to any agreement, contract, arrangement or plan that has resulted, or could result, individually or in the aggregate, in the payment of "excess parachute payments" within the meaning of Section 280G of the Code. For purposes of this Section 4.11 only, a Scotts Material Adverse Effect shall mean a Loss (as hereafter defined) in excess of \$500,000.

SECTION 4.12. ERISA. (a) Section 4.12(a) of the Scotts Disclosure Schedule includes a list identifying each material "employee benefit plan," as defined in Section 3(3) of ERISA, which (i) is subject to any provision of ERISA and (ii) is maintained, administered or contributed to by Scotts, any of its Subsidiaries or any affiliate (as defined below) and covers any employee or former employee of Scotts, any of its Subsidiaries or any affiliate or under which Scotts, any of its Subsidiaries or any affiliate has any liability. Copies of such plans (and, if applicable and available, related trust agreements) and all amendments thereto have been furnished to the Company. Such plans are referred to collectively herein as the "Scotts Employee Plans." For purposes of this Section, "affiliate" of any Person means any other Person which, together with such Person, would be treated as a single employer under Section 414 of the Code. The only Employee Plans which individually or collectively would constitute an "employee pension benefit plan" as defined in Section 3(2) of ERISA (the "Scotts Pension Plans") are identified as such in the list referred to above. Scotts has provided the Company with (x) complete age, salary, service and related data as of December 31, 1994 for employees and former employees of

Scotts, any of its Subsidiaries and any affiliate covered under the Scotts Pension Plans who had a salary in excess of \$100,000 for the fiscal year ended September 30, 1994 and (y) the two most recent annual reports (Form 5500 including, if applicable, Schedule B thereto) prepared in connection with any such plan.

(b) Except as otherwise identified in Section 4.12(b) of the Scotts Disclosure Schedule, no Scotts Employee Plan constitutes a "multiemployer plan", as defined in Section 3(37) of ERISA (a "Scotts Multiemployer Plan"), and no Scotts Employee Plan is maintained in connection with any trust described in Section 501(c)(9) of the Code. The only Scotts Employee Plans that are subject to Title IV of ERISA (the "Scotts Retirement Plans") are identified in the list of such Plans heretofore provided to the Company by Scotts. As of the Scotts Balance Sheet Date, the fair market value of the assets of each Scotts Retirement Plan (excluding for these purposes any accrued but unpaid contributions) exceeded the present value of all benefits accrued under such Scotts Retirement Plan determined on a termination basis using the assumptions established by the PBGC as in effect on such date. No "accumulated funding deficiency," as defined in Section 412 of the Code, has been incurred with respect to any Scotts Pension Plan, whether or not waived. Scotts knows of no "reportable event," within the meaning of Section 4043 of ERISA for which the 30-day notice requirement to the PBGC has not been waived, and no event described in Section 4041, 4042, 4062 or 4063 of ERISA has occurred in connection with any Scotts Employee Plan, other than a "reportable event" that, individually or in the aggregate, will not have a Scotts Material Adverse Effect. No condition exists and no event has occurred that would constitute grounds for termination of any Scotts Retirement Plan or, with respect to any Scotts Employee Plan which is a Scotts Multiemployer Plan, presents a material risk of a complete or partial withdrawal under Title IV of ERISA and neither Scotts, any of its Subsidiaries nor any of their respective affiliates has incurred any material liability under Title IV of ERISA arising in connection with the termination of, or complete or partial withdrawal from, any plan covered or previously covered by Title IV of ERISA. If a "complete withdrawal" by Scotts, its Subsidiaries and all of their respective affiliates were to occur as of the Effective Time with respect to all Scotts Employee Plans which are Scotts Multiemployer Plans, neither Scotts, its Subsidiaries nor any such affiliate would incur any material withdrawal liability under Title IV of ERISA. To Scotts' knowledge, nothing done or omitted to be done and no transaction or holding of any asset under or in connection with any Scotts Employee Plan has or will make Scotts or any of its Subsidiaries or any officer or director of Scotts or any of its Subsidiaries subject to any liability under Title I of ERISA or liable for any tax pursuant to Section 4975 of the Code that could, individually or in the aggregate, have a Scotts Material Adverse Effect.

(c) Each Scotts Employee Plan which is intended to be qualified under Section 401(a) of the Code is so qualified and has been so qualified during the period from its adoption to date, and each trust forming a part thereof is exempt from tax pursuant to Section 501(a) of the Code. Scotts has furnished to the Company copies of the most recent Internal Revenue Service determination letters with respect to each such Plan. Each Scotts Employee Plan has been maintained in material compliance with its terms and with the requirements prescribed by any

and all statutes, orders, rules and regulations, including but not limited to ERISA and the Code, which are applicable to such Plan.

(d) There is no contract, agreement, plan or arrangement covering any employee or former employee of Scotts, any of its Subsidiaries or any affiliate that, individually or collectively, could give rise to the payment of any amount that would not be deductible pursuant to the terms of Sections 162(a)(1) or 280G of the Code.

(e) Section 4.12(e) of the Scotts Disclosure Schedule sets forth a list of each material employment, severance or other similar contract, arrangement or policy and each plan or arrangement (written or oral) providing for insurance coverage (including any self-insured arrangements), disability benefits, supplemental unemployment benefits, retirement benefits or for deferred compensation, stock options, stock appreciation or post-retirement insurance, compensation or benefits which (i) is not a Scotts Employee Plan, (ii) is entered into, maintained or contributed to, as the case may be, by Scotts, its Subsidiaries or any of their respective affiliates and (iii) covers any domestic employee or former employee of Scotts, any of its Subsidiaries or any of their respective affiliates. Such contracts, plans and arrangements as are described above are referred to collectively herein as the "Scotts Benefit Arrangements." Scotts has furnished or made available to the Company copies or descriptions of such Scotts Benefit Arrangements. Each Scotts Benefit Arrangement has been maintained in substantial compliance with its terms and with the requirements prescribed by any and all statutes, orders, rules and regulations that are applicable to such Scotts Benefit Arrangement.

(f) The excess of the present value of the projected liability in respect of post-retirement health and medical benefits for retired employees of Scotts, its Subsidiaries and their respective affiliates, determined using assumptions that are reasonable in the aggregate, over the fair market value of any fund, reserve or other assets segregated for the purpose of satisfying such liability (including for such purposes any fund established pursuant to Section 401(h) of the Code) does not in the aggregate exceed \$20,000,000. No condition exists that would prevent Scotts or any of its Subsidiaries from amending or terminating any Scotts Employee Plan or Scotts Benefit Arrangement providing health or medical benefits in respect of any active employee of Scotts or any of its Subsidiaries other than limitations imposed under the terms of a collective bargaining agreement.

(g) Except as set forth in Section 4.12(g) of the Scotts Disclosure Schedule, neither Scotts nor any of its Subsidiaries is a party to or subject to any union contract or any employment contract or arrangement providing for annual future compensation of \$100,000 or more with any domestic officer, consultant, director or employee.

(h) The consummation of the transactions contemplated by this Agreement will not result in any material acceleration of benefits, or the modification of the terms of any benefits, payable to or for the benefit of any officer, director or employee of Scotts or any of its Subsidiaries, including any acceleration of vesting of stock options or any changes in the amounts or timing of any amounts payable under any incentive arrangement.

SECTION 4.13. Trademarks, Patents and Copyrights. (a) Section 4.13(a) of the Scotts Disclosure Schedule sets forth a true and complete list of (i) all patents, patent rights, trademarks, trademark rights, trade names, copyrights, service marks, trade secrets, applications for trademarks and for service marks, know-how and other proprietary rights and information used or held for use in connection with the business of Scotts as currently conducted (collectively, "Scotts Intellectual Property Rights") and (ii) all licenses, commitments and other agreements to which Scotts or any of its Subsidiaries is a party providing for the license of any Intellectual Property Rights to or from any other Person.

(b) Except as set forth in Section 4.13(b) of the Scotts Disclosure Schedule, Scotts and its Subsidiaries own or possess adequate licenses or other rights to use all of the Scotts Intellectual Property Rights; there are no Scotts Intellectual Property Rights necessary for use in connection with the business of Scotts as currently conducted which are not owned or possessed by Scotts or its Subsidiaries; and Scotts is not aware of any assertion or claim challenging the validity of any of the Scotts Intellectual Property Rights; and the conduct of the business of Scotts as currently conducted, to the best knowledge of Scotts, does not conflict in any way with any patent, patent right, license, trademark, trademark right, trade name, trade name right, service mark or copyright of any third party. To the best knowledge of Scotts, there are no infringements of any proprietary rights owned by or licensed by or to Scotts or any of its Subsidiaries that individually or in the aggregate would have a Scotts Material Adverse Effect.

SECTION 4.14. Material Contracts. (a) Except for agreements, contracts, plans, leases, arrangements or commitments (in each case, oral or written) set forth in Section 4.14(a) of the Scotts Disclosure Schedule or set forth in the exhibit list to the 1994 Form 10-K, neither Scotts nor any of its Subsidiaries is a party to or subject to:

(i) any lease which is material to Scotts and its Subsidiaries, taken as a whole;

(ii) any contract for the purchase of materials, supplies, goods, services, equipment or other assets which is material to Scotts and its Subsidiaries, taken as a whole;

(iii) any sales, distribution or other similar agreement which is material to Scotts and its Subsidiaries, taken as a whole;

(iv) any partnership, joint venture or other similar contract arrangement or agreement which is material to Scotts and its Subsidiaries, taken as a whole;

(v) any contract relating to indebtedness for borrowed money or the deferred purchase price of property (whether incurred, assumed, guaranteed or secured by any asset), which is material to Scotts and its Subsidiaries, taken as a whole;

(vi) any license agreement, franchise agreement or agreement in respect of similar rights, which is material to Scotts and its Subsidiaries, taken as a whole

(vii) any agency, dealer, sales representative or other similar agreement which is material to Scotts and its Subsidiaries, taken as a whole;

(viii) any contract or other document that substantially limits the ability of Scotts or any of its Subsidiaries to compete in any material line of business or in a material way with any Person or in any area or which would so restrict Scotts or any of its Subsidiaries after the Effective Time; or

(ix) any other contract or commitment of Scotts or any of its Subsidiaries not made in the ordinary course of business that is material to Scotts and its Subsidiaries, taken as a whole.

(b) Each agreement, contract, lease, arrangement and commitment disclosed in Section 4.14(a) of the Scotts Disclosure Schedule or required to be disclosed pursuant to this Section is a valid and binding agreement of Scotts or such Subsidiary and is in full force and effect, and neither Scotts, such Subsidiary nor, to the knowledge of Scotts, any other party thereto is in default in any material respect under the terms of any such agreement, contract, plan, lease arrangement or commitment.

SECTION 4.15. Compliance with Laws. Neither Scotts nor any of its Subsidiaries is in violation of, or has violated, any applicable provisions of any laws, rules, statutes, ordinances or regulations, except for violations that would not, individually or in the aggregate, have a Scotts Material Adverse Effect.

SECTION 4.16. Finders' Fees. No investment banker, broker, finder or other intermediary (other than Smith Barney, Inc. ("Smith Barney")) has been retained by, or authorized to act on behalf of, Scotts and entitled to any fee or commission in connection with the Merger or the transactions contemplated by this Agreement. Scotts has previously furnished to the Company a complete and correct copy of all agreements between Smith Barney and Scotts pursuant to which such firm would be entitled to any payment relating to the Merger or the transactions contemplated by this Agreement.

SECTION 4.17. Environmental Compliance. Except as set forth in Section 4.17 of the Scotts Disclosure Schedule:

(a) No written notice, notification, demand, request for information, citation, summons, complaint or order has been issued or filed, no penalty has been assessed and no investigation or review is pending, or to the knowledge of Scotts, after due inquiry, threatened by any governmental or other entity, and there are no existing orders, decrees or agreements in effect or, to the knowledge of Scotts, after due inquiry, threatened, (i) with respect to any alleged material violation of any Environmental Law in connection with the conduct of the business of

Scotts (for purposes of this Section 4.17, Scotts shall include any predecessor of Scotts) or (ii) with respect to any alleged failure to have any permit, certificate, license, approval, registration or authorization required by Environmental Law in connection with the conduct of the business of Scotts or (iii) with respect to any Release of a Polluting Substance with respect to which Scotts is or may be liable, except in each case such alleged material violation, alleged failure or Release which could not reasonably be expected, individually or in the aggregate, to result in a Loss (as hereafter defined) by Scotts in excess of \$100,000.

(b) Except as set forth in Section 4.17(b) of the Scotts Disclosure Schedule, (i) Scotts has not, other than as a generator, handled any Polluting Substance on any property now or previously owned or leased by Scotts or its Subsidiaries; (ii) no asbestos is present at any property now or previously owned or leased by Scotts or its Subsidiaries; (iii) there are no underground storage tanks currently in use or, to the knowledge of Scotts, abandoned at any property now or previously owned or leased by Scotts or any of its Subsidiaries which have been used to store or have contained a substance which is regulated by Environmental Laws or which, if released into the environment, would result in pollution, (iv) there has been no Release of any Polluting Substance with respect to which Scotts or any of its Subsidiaries may reasonably be required to perform investigation or remediation, other than routine spills and leaks which are addressed in the ordinary course of business, at, on or under any property now or previously owned or leased by Scotts or any of its Subsidiaries and (v) no Hazardous Substance (as defined in CERCLA) is present in a reportable or threshold planning quantity, where such a quantity has been established by statute, ordinance, rule, regulation or order, at, on or under any property now or previously owned by Scotts or any of its Subsidiaries.

(c) To the knowledge of Scotts, neither Scotts nor any of its Subsidiaries has transported or arranged for the transportation (directly or indirectly) of any Hazardous Substance (as defined in CERCLA) to any location which is listed or proposed for listing on the Nationwide Priorities List established under CERCLA or on any similar state list.

(d) To the knowledge of Scotts, no oral or written notification of a Release of a Hazardous Substance (as defined in CERCLA) has been filed by or on behalf of Scotts or any of its Subsidiaries, and no property now or previously owned or leased by Scotts or any of its Subsidiaries is listed, or to the knowledge of Scotts, proposed for listing, on the National Priorities List promulgated pursuant to CERCLA.

(e) There are no environmental Liens on any asset of Scotts or any of its Subsidiaries and no government actions have been taken or are in process which could subject any of such assets to such Liens.

(f) Except as set forth in Section 4.17(f) of the Scotts Disclosure Schedule, there have been no material environmental investigations, studies, audits, tests, reviews or other analyses conducted by or which are in the possession of Scotts in relation to any property or facility now or previously owned or leased by Scotts or any of its Subsidiaries.

SECTION 4.18. Opinion of Financial Advisor. Scotts received the opinion of Smith Barney orally on January 24, 1995 to the effect that, as of such date, the Merger Transactions are fair to the shareholders of Scotts from a financial point of view and a copy of the written confirmatory opinion to such effect will be delivered to the Company promptly upon receipt.

ARTICLE V

COVENANTS OF THE MIRACLE-GRO CONSTITUENT COMPANIES AND THE SHAREHOLDERS

Each of the Miracle-Gro Constituent Companies and the Shareholders, jointly and severally, agree that:

SECTION 5.01. Conduct of the Business of the Miracle-Gro Constituent Companies. From the date hereof until the Effective Time unless Scotts shall otherwise have consented in writing, the Miracle-Gro Constituent Companies shall conduct their respective businesses in the ordinary course consistent with past practice and shall use their best efforts to preserve intact their business organizations and relationships with third parties and to keep available the services of their present officers and employees. Without limiting the generality of the foregoing, from the date hereof until the Effective Time, except as contemplated or required by this Agreement or set forth in Section 5.01 of the Company Disclosure Schedule, none of the Miracle-Gro Constituent Companies shall, directly or indirectly, do, or propose or agree to do, any of the following without the prior written consent of Scotts:

(a) adopt or propose any change in their respective certificates of incorporation or bylaws or equivalent organizational documents;

(b) merge or consolidate with any other Person or acquire a material amount of assets of any other Person;

(c) lease, license or otherwise dispose of any material assets or property except (i) pursuant to existing contracts or commitments or (ii) in the ordinary course consistent with past practice;

(d) declare, set aside, make or pay any dividend or other distribution, payable in cash, stock, property or otherwise, with respect to any of their respective capital stock;

(e) reclassify, combine, split, subdivide or redeem, purchase or otherwise acquire, directly or indirectly, any of their respective capital stock;

(f) increase the compensation payable or to become payable to any of the Miracle-Gro Constituent Companies' executive officers, directors or employees,

except for increases in the ordinary course of business consistent with past practice, or grant any severance or termination pay to, or enter into any employment or severance agreement with any director or executive officer, or establish, adopt, enter into or amend in any material respect or take action to accelerate any rights or benefits under any collective bargaining, bonus, profit sharing, thrift, compensation, stock option, restricted stock, pension, retirement, deferred compensation, employment, termination, severance or other plan, agreement, trust, fund, policy or arrangement for the benefit of any director, executive officer or employee;

(g) agree or commit to do any of the foregoing; or

(h) take or agree or commit to take any action that would make any representation and warranty of the Miracle-Gro Constituent Companies or the Shareholders hereunder inaccurate in any respect at, or as of any time prior to, the Effective Time.

SECTION 5.02. Access to Information; Confidentiality. (a) From the date hereof until the Effective Time, the Company shall afford Scotts, its officers, directors, employees, counsel, financial advisors, auditors and other authorized representatives (the "Scotts Representatives") reasonable access to the offices, properties, books and records of each of the Miracle-Gro Constituent Companies, will furnish to Scotts and the Scotts Representatives such financial and operating data and other information as such Persons may reasonably request and will instruct the Miracle-Gro Constituent Companies' employees, counsel and financial advisors to cooperate with Scotts in its investigation of the business of the Miracle-Gro Constituent Companies; provided that no investigation pursuant to this Section shall affect any representation or warranty given by the Miracle-Gro Constituent Companies and the Shareholders to Scotts and Merger Subsidiary hereunder.

(b) All information obtained by Scotts pursuant to this Section shall be kept confidential in accordance with the confidentiality agreements dated as of October 3, 1994, between Scotts and the Company.

SECTION 5.03. Other Offers. From the date hereof until the later of the termination of this Agreement and the Effective Time, none of the Miracle-Gro Constituent Companies, the Shareholders or any officer, director, employee or other agent of any of the Miracle-Gro Constituent Companies will, directly or indirectly, (i) take any action to solicit, initiate or encourage any inquiries or the making or implementation of any proposal or offer with respect to a merger, acquisition, consolidation or similar transaction involving, or any purchase of all or any significant portion of the assets or any equity securities of, any Miracle-Gro Constituent Company (a "Company Acquisition Proposal"), other than the transactions contemplated by this Agreement, or (ii) engage in negotiations with, or disclose any nonpublic information relating to any of the Miracle-Gro Constituent Companies or afford access to the properties, books or records of any of the Miracle-Gro Constituent Companies to, any Person that the Company

believes may be considering making, or has made, a Company Acquisition Proposal. The Company will promptly notify Scotts upon receipt of any Company Acquisition Proposal or any indication that any Person is considering making a Company Acquisition Proposal or any request for nonpublic information relating to any of the Miracle-Gro Constituent Companies or for access to the properties, books or records of any of the Miracle-Gro Constituent Companies by any Person that may be considering making, or has made, a Company Acquisition Proposal and will keep Scotts fully informed of the status and details of any such Company Acquisition Proposal, indication or request.

SECTION 5.04. Notices of Certain Events. The Company shall promptly notify Scotts of:

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

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

(iii) the occurrence, or non-occurrence, of any event the occurrence, or non-occurrence, of which would be likely to cause (x) any representation or warranty contained in this Agreement to be untrue or inaccurate or (y) any covenant, condition or agreement contained in this Agreement not to be complied with or satisfied; and

(iv) any failure of any Miracle-Gro Constituent Company or any Shareholder to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder;

provided, however, that the delivery of any notice pursuant to this Section shall not limit or otherwise affect the remedies available hereunder to Scotts.

SECTION 5.05. Certain Loans. (a) The parties acknowledge that Miracle-Gro Delaware owes \$5.0 million to the Hagedorn Family Fund. The parties agree that such amount shall be paid, without interest, as follows: All available cash at such company (or the successor division of New Miracle-Gro treated for this purpose as a separate business unit), including all amounts received from the sale of inventory or the collection of accounts receivable, shall be paid to the Hagedorn Family Fund until the amount set forth in the first sentence of this paragraph has been repaid in full. If such amount has not been paid in full by the close of business on September 30, 1995, Scotts will cause Miracle-Gro Delaware or New Miracle-Gro, as its successor, to pay the remaining balance immediately following such date.

(b) The parties acknowledge that Miracle-Gro UK owes \$3.5 million to the Hagedorn Family Fund. The parties agree that payment shall be made as follows, without interest: All available cash at such company (or the successor division of New Miracle-Gro treated for this purpose as a separate business unit), including all amounts received from the sale of inventory or the collection of accounts receivable, shall be paid to the Hagedorn Family Fund, such payments to continue until the close of business on September 30, 1995, or until there is no remaining cash or inventory, at which point such payments shall cease. If the amount set forth in the first sentence of this paragraph (b) has not been repaid in full on such date the outstanding balance shall be forgiven.

(c) Following the Effective Time, Scotts shall operate the businesses of Miracle-Gro Delaware and Miracle-Gro UK in the ordinary course of business and will not take any action restricting the sale of inventory, the collection of accounts receivable, or any other action which would interfere with the payments contemplated by this Section 5.05.

ARTICLE VI

STANDSTILL AND VOTING PROVISIONS; RESTRICTIONS ON TRANSFER

SECTION 6.01. Certain Definitions. For purposes of this Article VI only, the following terms have the following meanings:

(a) "Affiliate" and "Associate" shall have the meaning set forth in Rule 405 of Regulation C under the Securities Act.

(b) "beneficial ownership" and "beneficially own" shall have the meanings set forth in Rule 13d-3 under the Exchange Act.

(c) "group" shall have the meaning comprehended by Section 13(d)(3) of the Exchange Act; provided that, for purposes of this Agreement, the Shareholders shall not by themselves, or together with any Permitted Transferee, constitute a "group."

(d) The "Market Price" of a share of Scotts Common Stock on any date means (i) the last reported sales price of the Scotts Common Stock on the principal national securities exchange on which the Scotts Common Stock is listed or admitted to trading or, if no such reported sale takes place on any such day, the average of the closing bid and asked prices thereon, as reported in The Wall Street Journal, or (ii) if the Scotts Common Stock shall not be listed or admitted to trading on a national securities exchange, the last reported sales price on the NASDAQ National Market System or, if no such reported sale takes place on any such day, the average of the closing bid and asked prices thereon, as reported in The Wall Street Journal, or (iii) if the Scotts Common Stock shall not be quoted on such National Market System nor listed or admitted to trading on a national securities exchange, then the average of the closing

bid and asked prices, as reported by The Wall Street Journal for the over-the-counter market, or (iv) if there is no public market for the Scotts Common Stock, the fair market value of a share of Scotts Common Stock as determined in good faith by the Board of Directors of Scotts after consultation with an independent investment bank of national repute (whose report will be made available to the Shareholders prior to such determination of fair market value).

(e) "Permitted Transferee" means the Shareholders, on the one hand, and any other Shareholder, any lineal descendant of any Shareholder, any member of the immediate family of any Shareholder or such descendant, any heir of the foregoing, any trust for the benefit of any of the foregoing (including a voting trust), any private charitable foundation or any partnership, limited liability company or corporation owned or controlled by some or all of the foregoing or any charity (public or private) which is transferred a non-controlling interest (except as otherwise required by applicable law) in a Permitted Transferee, on the other; provided, that such Permitted Transferee has agreed in writing to be bound by the terms of this Agreement as if it were a "Shareholder" hereunder.

(f) "Shareholder Representative" means a Shareholder who is a natural person and has been chosen in writing, with notice thereof to Scotts, by a majority of the Shareholders based on their then percentage of beneficial ownership of Total Voting Power.

(g) "Standstill Percentage" means 43% of Total Voting Power.

(h) "Total Voting Power" means, at any time, the aggregate number of votes which may be cast by holders of outstanding Voting Stock.

(i) "Voting Stock" means the Scotts Common Stock, the Convertible Preferred Stock and any other securities (including voting preferred shares) issued by Scotts which are entitled to vote generally for the election of directors of Scotts, whether currently outstanding or hereafter issued (other than securities having such powers only upon the occurrence of a contingency).

(j) "Voting Stock Equivalents" means the Warrants and any other security that is not Voting Stock but is convertible into or exchangeable for Voting Stock or is an option to purchase such securities or Voting Stock.

SECTION 6.02. Board of Directors. (a) At the Effective Time, Scotts will take such action as may be necessary to increase the size of the Board of Directors to 12 and to fill a vacancy existing in each of the three classes of directors (assuming the amendment of the Code of Regulations of Scotts as contemplated by Section 9.01(v) hereof) with a director designated by the Shareholder Representative (or in the event that the condition set forth in Section 9.01(v) is waived by the parties, with three directors designated by the Shareholder Representative) (each, a "Miracle-Gro Director" and, collectively, the "Miracle-Gro Directors"). Scotts acknowledges and accepts that the initial three Miracle-Gro Directors are the persons named in

Section 9.02(iv), it being understood that any future successor designees will be reasonably acceptable to the Scotts Board of Directors.

(b) Until the earlier of the fifth anniversary of the Effective Time and such time as the Shareholders no longer beneficially own at least 19% of the Voting Stock, Scotts covenants and agrees as follows:

(i) except as contemplated by this Agreement or as required in the terms of the Convertible Preferred Stock, Scotts will not take or recommend to its shareholders any action which would cause the Board of Directors of Scotts to consist of any number of directors other than twelve directors divided into three classes of four directors each;

(ii) to the extent that, and for so long as, Scotts maintains a Nominating Committee and/or an Executive Committee of the Board of Directors, such committee(s) shall consist of four directors, one of whom shall be a Miracle-Gro Director;

(iii) to the extent that, and for so long as, any of the Miracle-Gro Directors is qualified under the then-current rules and regulations of the Nasdaq National Market, or any exchange on which the Scotts Common Stock is listed, the rules and regulations under the Code relating to the qualification of employee stock benefit plans and Scotts' Code of Regulations, the Audit Committee, Compensation Committee and any newly created committees of the Board of Directors shall consist of four directors, and one of the Miracle-Gro Directors shall be entitled to sit on such committee(s) to the same extent, and on the same basis, as the other members of the Board of Directors; and

(iv) subject to the fiduciary duties of the members of the Nominating Committee to Scotts' shareholders, Scotts will use its best efforts to cause the Nominating Committee to recommend for election to the class of directors whose terms expire in any year, one Miracle-Gro Director; provided, that if the Shareholders vote all of their outstanding shares of Voting Stock in favor of the election of such Miracle-Gro Director and such Miracle-Gro Director nevertheless is not elected by the shareholders of Scotts, or if such Miracle-Gro Director is not nominated for election or is not recommended for election by the Scotts Board, the provisions of this Article VI shall no longer be in effect.

SECTION 6.03. Rule 145. With a view to making available to the Shareholders the benefits of Rule 145 promulgated under the Securities Act, and any other similar rules or regulations of the SEC which may at any time permit the Shareholders to sell or distribute without registration the Scotts Common Stock issued upon conversion of the Convertible Preferred Stock or upon exercise of the Warrants, Scotts agrees to use its best efforts to file with the SEC in a timely manner all reports and other documents required to be filed by it under the Exchange Act.

SECTION 6.04. Registration Rights. Scotts will comply with the provisions regarding registration rights contained in Annex E hereto.

SECTION 6.05. Reservation of Shares. Scotts will reserve and keep available out of its authorized but unissued shares of Scotts Common Stock the full number of shares at any time deliverable on conversion of the Convertible Preferred Stock or exercise of the Warrants.

SECTION 6.06. Standstill Restrictions. Until the fifth anniversary of the Effective Time, the Shareholders covenant and agree as follows:

(a) Without the prior written consent of Scotts, the Shareholders shall not, and shall not permit any of their respective Affiliates or Associates to, directly or indirectly, authorize or make a tender or exchange offer for, or purchase or otherwise acquire, or agree to acquire or obtain, directly or indirectly, beneficial ownership of any Voting Stock, if the effect of such acquisition would be to increase the outstanding number of shares of Voting Stock then beneficially owned by the Shareholders, their Affiliates and their Associates, in the aggregate, to an amount representing more than the Standstill Percentage. It is expressly understood and agreed that, for purposes of this Section 6.06 only, the Warrants, until exercised and subject to the terms of such exercise, do not constitute beneficial ownership of outstanding shares of Voting Stock.

(b) Notwithstanding the foregoing, the Shareholders shall not be obligated to dispose of any shares of Voting Stock if their aggregate percentage of Total Voting Power is increased as a result of a recapitalization of Scotts or a repurchase of securities by Scotts or any other action taken by Scotts or its Subsidiaries; provided, that, to the extent that any such recapitalization or repurchase would increase the Standstill Percentage by more than 1%, such Shareholders shall be obligated to dispose of shares of Voting Stock sufficient to reduce their aggregate percentage of Total Voting Power to less than the Standstill Percentage plus 1%. If Scotts repurchases any of its Voting Stock and such repurchases result in the Shareholders owning more than the Standstill Percentage, but less than the Standstill Percentage plus 1%, at the effective time of such repurchases, the Shareholders shall not be obligated to divest themselves of the Voting Stock to fall within the foregoing percentage limitation, but shall not acquire any additional Voting Stock unless such acquisition would otherwise be permitted under this Section 6.06.

(c) Subject to the limitations of subparagraph (a) of this Section 6.06, the Shareholders, their Affiliates and Associates, as a group, shall have the right to purchase Voting Stock in the open market in an amount up to the Standstill Percentage.

(d) Except as otherwise provided herein, no Shareholder shall join any group or otherwise act in concert with any third person other than Permitted Transferees for the purpose of acquiring, holding or disposing of Voting Stock.

SECTION 6.07. Additional Standstill Restrictions. After the fifth anniversary of the Effective Time, the Shareholders covenant and agree as follows:

(a) The Shareholders shall not, and shall not permit any of their respective Affiliates or Associates to, directly or indirectly, authorize or make a tender or exchange offer for, or

purchase or otherwise acquire, or agree to acquire or obtain, directly or indirectly, beneficial ownership of any Voting Stock, if the effect of such acquisition would be to increase the number of shares of Voting Stock then beneficially owned by the Shareholders, their Affiliates and their Associates, in the aggregate, to an amount representing more than 49% of Total Voting Power, unless such acquisition is made pursuant to a tender offer for 100% of Total Voting Power which tender offer is (i) 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 such tender offer and (ii) conditioned upon the acquisition by the Shareholders, their Affiliates and their Associates of beneficial ownership of shares of Voting Stock representing at least 50% of the then outstanding Total Voting Power not beneficially owned by the Shareholders or their Affiliates or Associates. It is expressly understood and agreed that, for purposes of this Section 6.07, the Warrants, until exercised and subject to the terms of such exercise, do not constitute beneficial ownership of outstanding shares of Voting Stock.

(b) Subject to the limitations of subparagraph (a) of this Section 6.07, the Shareholders, their Affiliates and Associates, in the aggregate, shall have the right to purchase Voting Stock in the open market in an amount up to their aggregate percentage ownership permitted under such subparagraph (a).

(c) Except as otherwise provided herein, no Shareholder shall join any group or otherwise act in concert with any third person other than Permitted Transferees for the purpose of acquiring, holding or disposing of Voting Stock.

SECTION 6.08. Voting. Until the earlier of the fifth anniversary of the Effective Time and such time as the Shareholders no longer beneficially own at least 19% of the Voting Stock:

(a) The Shareholders will take all such action as may be required so that all shares of Voting Stock owned by the Shareholders, their Affiliates and Associates, as a group, are voted (in person or by proxy) (i) for Scotts' nominees to the Board of Directors of Scotts, in accordance with the recommendation of the Nominating Committee of the Board of Directors, and (ii) on all matters to be voted on by holders of Voting Stock, in accordance with the recommendation of the Board of Directors, except with respect to a proposal as to which shareholder approval is required under Ohio Law relating to (v) an acquisition of Voting Stock of Scotts, (w) a merger or consolidation, (x) a sale of all or substantially all of the assets of Scotts, (y) a recapitalization of Scotts or (z) an amendment to the Articles of Incorporation or Code of Regulations of Scotts which would materially adversely affect the rights of the Shareholders. Each Shareholder shall be present, in person or by proxy, at all duly held meetings of shareholders of Scotts so that all shares of Voting Stock held by the Shareholders may be counted for the purposes of determining the presence of a quorum at such meetings.

(b) Except as consented to by Scotts in writing, no Shareholder shall deposit any shares of Voting Stock owned by him or her in a voting trust that is not a Permitted Transferee or, subject any such shares to any similar arrangement or agreement with or for the benefit of any Person that is not a Permitted Transferee with respect to the voting of such shares.

(c) Without Scotts' prior written consent, no Shareholder shall solicit proxies with respect to any Voting Stock or become a participant in any election contest (as such terms are used in Rule 14a-11 of Regulation 14A under the Exchange Act) relating to the election of directors of Scotts.

(d) Without the prior consent of the Shareholder Representative, Scotts shall not (i) issue Voting Stock or Voting Stock Equivalents constituting in the aggregate more than 12.5% of Total Voting Power, other than pursuant to stock option or other employee benefit plans in the ordinary course of business, consistent with past practice; or (ii) in any single transaction or series of related transactions outside of the ordinary course of business, make an acquisition or disposition of assets which would require disclosure pursuant to Item 2 of Form 8-K under the Exchange Act; provided, however, that if five-sixths of the Board of Directors of Scotts determines that it is in the best interests of Scotts and its shareholders to make an acquisition pursuant to clause (ii) above without the consent of the Shareholder Representative, such acquisition may be made without the consent of the Shareholder Representative.

SECTION 6.09. Restrictions on Transfers of Voting Stock and Warrants.

(a) Prior to the fifth anniversary of the Effective Time, no Shareholder shall, directly or indirectly, sell or transfer any Scotts Common Stock except:

(i) to Scotts or any Person or group approved by Scotts;

(ii) to any Permitted Transferee;

(iii) pursuant to a merger or consolidation of Scotts or pursuant to a plan of liquidation of Scotts, which has been approved by the Board of Directors of Scotts;

(iv) provided that the rights of the Shareholders under this Agreement shall not transfer to the transferee of such securities, pursuant to a bona fide public offering registered under the Securities Act (which shall be structured to distribute such shares or other securities, if any, through an underwriter or otherwise in such a manner as, to the extent practicable, will not result in any Person or group beneficially owning 3% or more of Total Voting Power being transferred to a single person or group);

(v) subject to Section 6.10, provided that the rights of the Shareholders under this Agreement shall not transfer to the transferee of such securities, pursuant to Rule 144, Rule 145 or Rule 144A under the Securities Act or otherwise, (x) if any such sale will not, to the knowledge of the Shareholder, result in any Person or group beneficially owning 3% or more of Total Voting Power to a single person or group and (y) if all such sales by the Shareholders within the preceding three months do not exceed, in the aggregate, the greatest of the limits set forth in Rule 144(e)(1) under the Securities Act;

(vi) in response to an offer to purchase or exchange for cash or other consideration any Voting Stock (x) which is made by or on behalf of Scotts, or (y) which

is made by another person or group and is approved by the Board of Directors of Scotts within the time such Board is required, pursuant to regulations under the Exchange Act, to advise the shareholders of Scotts of such Board's position on such offer; or

(vii) subject to Section 6.10, in any transfer not otherwise described herein so long as such transfer does not, directly or indirectly, result, to the best knowledge of the Shareholder, after reasonable inquiry, in any Person or group beneficially owning 3% or more of Total Voting Power.

(b) No Shareholder shall, directly or indirectly, sell or transfer (x) any Convertible Preferred Stock or other Voting Stock or Voting Stock Equivalents (other than Scotts Common Stock) or (y) prior to the fifth anniversary of the Effective Time, any Warrants, except:

(i) to Scotts or any Person or group approved by Scotts;

(ii) to any Permitted Transferee; or

(iii) pursuant to a merger or consolidation of Scotts or pursuant to a plan of liquidation of Scotts.

(iv) Convertible Preferred Stock convertible into Scotts Common Stock representing in the aggregate no more than 15% of the outstanding shares of Scotts Common Stock on a fully diluted basis or any number of Warrants:

(1) subject to Section 6.10, provided that the rights of the Shareholders under this Agreement shall not transfer to the transferee of such securities and provided that the Shareholders do not sell or transfer Warrants pursuant to this clause (1) more than once per fiscal quarter in the aggregate, pursuant to Rule 145 or Rule 144A under the Securities Act or otherwise, (x) if any such sale will not to the knowledge of the Shareholder, result in any Person or group beneficially owning 3% or more of Total Voting Power and (y) if all such sales by the Shareholders within the preceding three months do not exceed, in the aggregate, the greatest of the limits set forth in Rule 144(e)(1) under the Securities Act; or

(2) subject to Section 6.10, in any transfer not otherwise described herein so long as such transfer does not, directly or indirectly, result, to the best knowledge of the Shareholder, after reasonable inquiry, in any Person or group beneficially owning 3% or more of Total Voting Power.

SECTION 6.10. Right of First Offer. Prior to making any sale or transfer of shares of Scotts Common Stock pursuant to Section 6.09(a) (v) or (vii) or of the Convertible Preferred Stock or Warrants pursuant to Section 6.09(b)(iv), the selling Shareholder (the "Selling Shareholder") will give Scotts the opportunity to purchase such shares in the following manner:

(a) The Selling Shareholder shall give notice (the "Transfer Notice") to Scotts in writing of such intention specifying the number of shares of Scotts Common Stock or Convertible Preferred Stock proposed to be sold or transferred, the proposed price therefor (the "Transfer Consideration") and the other material terms upon which such disposition is proposed to be made; provided, that in the case of a sale or transfer of Convertible Preferred Stock made pursuant to Section 6.09(b)(iv), the Transfer Consideration shall be equal to (x) the aggregate Market Price of the shares of Scotts Common Stock into which such shares of Convertible Preferred Stock could be converted at the time of such Transfer Notice multiplied by (B) 105%.

(b) Scotts shall have the right, exercisable by written notice given by Scotts to the Selling Shareholder within two business days after receipt of the Transfer Notice (except in the case of a sale or transfer of Convertible Preferred Stock made pursuant to Section 6.09(b)(iv), in which case, ten business days after receipt of the Transfer Notice), to purchase all or any part of the shares of Scotts Common Stock or Convertible Preferred Stock or the number of Warrants specified in such Transfer Notice for cash in an amount equivalent to the Transfer Consideration.

(c) If Scotts exercises its right of first offer hereunder, the closing of the purchase of the shares of Scotts Common Stock or Convertible Preferred Stock with respect to which such right has been exercised shall take place within ten business days after Scotts gives notice of such exercise, which period of time shall be extended, as necessary, in order to comply with applicable securities and other applicable laws and regulations. Upon exercise of its right of first offer, Scotts and the Selling Shareholder shall be legally obligated to consummate the purchase contemplated thereby and shall use their best efforts to secure any approvals required in connection therewith.

(d) If Scotts does not exercise its right of first offer hereunder within the time specified for such exercise, the Selling Shareholder shall be free, during the period of 90 calendar days following the expiration of such time for exercise, to sell the shares of Scotts Common Stock or Convertible Preferred Stock or the number of Warrants specified in the Transfer Notice pursuant to Section 6.09(a)(v) or (vii) or Section 6.09(b)(iv), respectively, at a price not less than the Transfer Consideration.

(e) In the event that Scotts elects to exercise any of its rights under this Section 6.10, Scotts may specify, prior to closing such purchase, another person as its designee to purchase the shares of Scotts Common Stock or Convertible Preferred Stock to which such notice of intention to exercise such rights relates. If Scotts designates another person as the purchaser pursuant to this Section 6.10, Scotts shall be legally obligated to complete such purchase if its designee fails to do so.

ARTICLE VII

COVENANTS OF SCOTTS AND MERGER SUBSIDIARY

Scotts agrees that:

SECTION 7.01. Conduct of the Business of Scotts. From the date hereof until the Effective Time, unless the Company shall otherwise have consented in writing, Scotts shall, and shall cause its Subsidiaries to, conduct its business in the ordinary course consistent with past practice and shall use its best efforts to preserve intact its business organization and relationships with third parties. Except as contemplated or required by this Agreement or set forth in Section 7.01 of the Scotts Disclosure Schedule, Scotts shall not, and shall cause its Subsidiaries not to, do, or propose or agree to do, any of the following without the prior written consent of the Company:

(a) adopt or propose any change in its Articles of Incorporation or Code of Regulations;

(b) merge or consolidate with any other Person or acquire a material amount of assets of any other Person;

(c) lease, license or dispose of any assets or property, which assets or property is material to Scotts and its Subsidiaries, taken as a whole, except (i) pursuant to existing contracts or commitments or (ii) in the ordinary course consistent with past practice ;

(d) declare, set aside, make or pay any dividend or other distribution, payable in cash, stock, property or otherwise, with respect to any of Scotts' capital stock;

(e) reclassify, combine, split, subdivide or redeem, purchase or otherwise acquire, directly or indirectly, a material amount of its capital stock;

(f) agree or commit to do any of the foregoing; or

(g) take or agree or commit to take any action that would make any representation and warranty of Scotts or Merger Subsidiary hereunder inaccurate in any respect at, or as of any time prior to the Effective Time.

SECTION 7.02. Access to Information; Confidentiality. (a) From the date hereof until the Effective Time, Scotts shall afford the Company, its officers, directors, employees, counsel, financial advisors, auditors and other authorized representatives (the "Company Representatives") reasonable access to the offices, properties, books and records of Scotts and Merger Subsidiary, will furnish to the Company and the Company Representatives such financial and operating data and other information as such Persons may reasonably request and will instruct Scotts' employees, counsel and financial advisors to cooperate with the Company in its investigation of the business of Scotts and its Subsidiaries; provided that no investigation

pursuant to this Section shall affect any representation or warranty given by Scotts and Merger Subsidiary to the Company and the Shareholders hereunder.

(b) All information obtained by the Company pursuant to this Section shall be kept confidential in accordance with the confidentiality agreements dated as of October 3, 1994, between Scotts and the Company.

SECTION 7.03. Obligations of Merger Subsidiary. Scotts will take all action necessary to cause Merger Subsidiary to perform its obligations under this Agreement and to consummate the Merger on the terms and conditions set forth in this Agreement.

SECTION 7.04. Other Offers. From the date hereof until the later of the termination of this Agreement and the Effective Time, neither Scotts nor any officer, director, employee or other agent of Scotts will, directly or indirectly, (i) take any action to solicit, initiate or encourage any inquiries or the making or implementation of any proposal or offer with respect to a merger, acquisition, consolidation or similar transaction involving, or any purchase of all or any significant portion of the assets or any equity securities of, Scotts (a "Scotts Acquisition Proposal"), other than the transactions contemplated by this Agreement, or (ii) engage in negotiations with, or disclose any nonpublic information relating to Scotts or afford access to the properties, books or records of Scotts to, any Person that Scotts believes may be considering making, or has made, a Scotts Acquisition Proposal. Scotts will promptly notify the Company upon receipt of any Scotts Acquisition Proposal or any indication that any Person is considering making a Scotts Acquisition Proposal or any request for nonpublic information relating to Scotts or for access to the properties, books or records of Scotts by any Person that may be considering making, or has made, a Scotts Acquisition Proposal and will keep the Company fully informed of the status and details of any such Scotts Acquisition Proposal, indication or request.

SECTION 7.05. Notices of Certain Events. Scotts shall promptly notify the Company of:

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

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

(iii) the occurrence, or non-occurrence, of any event the occurrence, or non-occurrence, of which would be likely to cause (x) any representation or warranty contained in this Agreement to be untrue or inaccurate or (y) any covenant, condition or agreement contained in this Agreement not to be complied with or satisfied; and

(iv) any failure of Scotts or Merger Subsidiary to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder;

provided, however, that the delivery of any notice pursuant to this Section shall not limit or otherwise affect the remedies available hereunder to the Company.

SECTION 7.06. Proxy Statement and Shareholder Vote. (a) As promptly as practicable after the execution of this Agreement, Scotts shall prepare and file with the SEC (i) the Scotts Proxy Statement relating to Scotts' 1995 Annual Meeting of Shareholders or a Special Meeting of Shareholders at which the Scotts Shareholder Consent will be solicited (the "Scotts Shareholder Meeting"), (ii) a registration statement on Form S-4 in which the Proxy Statement shall be included as a prospectus, in connection with the registration under the Securities Act of the Merger Consideration (the "Registration Statement"). Scotts shall use its best efforts to cause the Registration Statement to become effective as promptly as practicable, and shall take all actions required under any applicable federal or state securities laws in connection with the issuance of the Merger Consideration. Scotts shall take such action as is necessary to ensure that the Proxy Statement and the Registration Statement comply with the Exchange Act and the Securities Act, respectively. As promptly as practicable after review by the SEC, Scotts shall mail the Scotts Proxy Statement to its shareholders. The Scotts Proxy Statement shall include the recommendation of the Board of Directors of Scotts in favor of (i) the amendment of Scotts' Articles of Incorporation to authorize the Convertible Preferred Stock; (ii) the acquisition by the Shareholders of more than 33-1/3% (but less than 50%) of Scotts' voting power, as contemplated by Section 1701.831 of the Ohio Law; and (iii) the amendment of Scotts' Code of Regulations to implement a classified Board of Directors consisting of three classes of up to four directors each, to require a two-thirds vote of Shareholders on certain matters and to implement certain limitations on the ability of shareholders to call special meetings. Attached hereto as Annex G is each of the amendments to Scotts' Articles of Incorporation and Code of Regulations which is proposed to be adopted by the shareholders of Scotts at the Scotts Shareholder Meeting.

(b) Scotts will ensure that the Scotts Proxy Statement and the Registration Statement will not, at the time (i) each such document is filed with the SEC, (ii) each such document is first published, sent or given to shareholders of Scotts, (iii) the Registration Statement is declared effective by the SEC, (iv) the Scotts Shareholder Meeting is convened and (v) the Effective Time occurs, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they are made, not misleading (except to the extent that any untrue statement or omission or alleged untrue statement or omission was made or omitted in reliance upon information furnished to Scotts by the Company or the Shareholders).

SECTION 7.07. Director and Officer Indemnification. From and after the Effective Time, Scotts will cause the Surviving Corporation to indemnify and hold harmless the present and former officers and directors of the Miracle-Gro Constituent Companies in respect of acts or omissions occurring prior to the Effective Time to the extent provided under such Miracle-Gro Constituent Company's certificate of incorporation and by-laws, or equivalent organizational documents, in effect on the date hereof; provided, that such indemnification shall be subject to any limitation imposed from time to time under applicable law, and, provided, further, that such

indemnification shall not apply to claims made by or on behalf of any stockholder or former stockholder of any Miracle-Gro Constituent Company.

SECTION 7.08. Employee Benefits. From and after the Effective Time through the later of December 31, 1995 and such date as the employees of the Miracle-Gro Constituent Companies commence participation in Scotts' employee benefits plans, as described in the following sentence (the "Plan Transfer Date"), Scotts will cause the Surviving Corporation and/or New Miracle-Gro to provide benefits to the Miracle-Gro Constituent Companies' employees that are comparable to those provided by the Miracle-Gro Constituent Companies immediately prior to the Effective Time. From and after the Plan Transfer Date, all employees of the Surviving Corporation shall become participants in the employee benefit plans and programs maintained by Scotts for similarly situated employees of Scotts. Such employee benefit plans that are health benefit plans shall (i) recognize expenses and claims that were incurred by such employees in the year in which the Effective Time occurs and recognized for similar purposes under the Miracle-Gro Constituent Companies' plans as of the Effective Time, and (ii) provide coverage (without any required waiting period) for pre-existing health conditions to the extent covered under the applicable plans or programs of the Miracle-Gro Constituent Companies' plans as of the Effective Time. In addition, such employee benefit plans and programs shall credit such employees with years of service with the Miracle-Gro Constituent Companies for all plan purposes; provided, however, that no such crediting shall be required to the extent that it would result in a duplication of benefits. Scotts will cause New Miracle-Gro, as successor corporation, to perform the obligations of the Company under the agreements set forth in Section 7.08 of the Miracle-Gro Disclosure Schedule.

SECTION 7.09. Employee Stock Options. Subject to the fiduciary duties of Scotts' Board of Directors and appropriate authorization therefrom, Scotts agrees to use reasonable efforts to fund the issuance of Scotts Common Stock pursuant to the exercise of employee stock options granted after the date hereof through shares of Scotts Common Stock held as treasury stock, which are acquired after the date hereof, or through open market or privately negotiated repurchases of Scotts Common Stock.

ARTICLE VIII

COVENANTS OF SCOTTS, THE MIRACLE-GRO CONSTITUENT COMPANIES AND THE SHAREHOLDERS

The parties hereto agree that:

SECTION 8.01. Best Efforts. Subject to the terms and conditions of this Agreement, each party will use its best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate the transactions contemplated by this Agreement as promptly as possible.

SECTION 8.02. Certain Filings. The Miracle-Gro Constituent Companies and Scotts shall cooperate with one another (a) in connection with the preparation of the Scotts Proxy Statement and the Registration Statement (including, but not limited to, the preparation of any financial statements or pro forma financial statements required to be included therein), and (b) in determining whether any action by or in respect of, or filing with, any governmental body, agency or official, or authority is required, or any actions, consents, approvals or waivers are required to be obtained from parties to any material contracts, in connection with the consummation of the transactions contemplated by this Agreement and (c) in seeking any such actions, consents, approvals or waivers or making any such filings, furnishing information required in connection therewith or with the Scotts Proxy Statement or the Registration Statement and seeking timely to obtain any such actions, consents, approvals or waivers.

SECTION 8.03. Public Announcements. Scotts and the Company will consult with each other before issuing any press release or otherwise making any public statement with respect to this Agreement or any transaction contemplated herein and, except as may be required by applicable law or any listing agreement with any national securities exchange, Scotts will not issue any such press release or make any such public statement prior to such consultation and no Miracle-Gro Constituent Company will issue any such press release or make any such public statement without the prior written consent of Scotts, which shall not be unreasonably withheld.

SECTION 8.04. Further Assurances. At and after the Effective Time, the officers and directors of the Surviving Corporation will be authorized to execute and deliver, in the name and on behalf of the Company or Merger Subsidiary, any deeds, bills of sale, assignments or assurances and to take and do, in the name and on behalf of the Company or Merger Subsidiary, any other actions and things to vest, perfect or confirm of record or otherwise in the Surviving Corporation any and all right, title and interest in, to and under any of the rights, properties or assets of the Company acquired or to be acquired by the Surviving Corporation as a result of, or in connection with, the Merger.

SECTION 8.05. Tax Matters. (a) The Shareholders shall be solely responsible for preparing and filing on a timely basis all Tax Returns with respect to the income, business, assets, operations, activities, status or other matters of the Miracle-Gro Constituent Companies for all taxable periods ending at or before the Effective Time. The Shareholders shall be solely responsible for and shall pay on a timely basis all taxes due thereon.

(b) Scotts shall be solely responsible for preparing and filing on a timely basis all Tax Returns with respect to the income, business, assets, operations, activities, status or other matters of the Company for all taxable periods beginning after the Effective Time. Scotts shall be solely responsible for and shall pay on a timely basis all taxes due thereon.

(c) The Shareholders and Scotts shall jointly prepare all Tax Returns with respect to the income, business, assets, operations, activities, status or other matters of the Miracle-Gro Constituent Companies for all taxable periods beginning before and ending after the Effective Time ("Straddle Periods"). The Shareholders and Scotts shall allocate any liability for taxes

relating to Straddle Periods on the basis of an interim closing of the books as of the Effective Time.

(d) The Shareholders and Scotts agree to furnish to each other, upon written request, as promptly as practicable, such information and reasonable assistance relating to the Miracle-Gro Constituent Companies as is necessary for the filing of any Tax Return required to be filed after the Effective Time. The Shareholders and Scotts also agree to cooperate with each other in the conduct of any audit or other proceeding involving one or more of the Miracle-Gro Constituent Companies or any successor corporation. In any such case, each party shall use its best efforts to cause its financial advisors, auditors and other authorized representatives to cooperate therewith.

SECTION 8.06. Tax Treatment. (a) The Company and the Shareholders agree to accept the opinion of Skadden, Arps, Slate, Meagher & Flom, substantially in the form of Annex H hereto, in satisfaction of the condition set forth in Section 9.03(iv). The Company agrees that the representations and warranties set forth in the officer's certificate with respect to each of the Miracle-Gro Companies, which certificates are attached to such Annex H, are true and correct in all material respects as of the date hereof, and, assuming such representations and warranties continue to be true and correct in all material respects immediately prior to the Effective Time and that an authorized officer of Scotts and Merger Subsidiary executes the officer's certificate of Scotts and Merger Subsidiary attached to such Annex H, agree to cause an authorized officer of each of the Miracle-Gro Constituent Companies to execute such officer's certificates.

(b) None of the Shareholders, the Miracle-Gro Constituent Companies, Scotts or Merger Subsidiary has taken, or will take, any action or omitted to take any action which would (i) cause the representations and warranties in the officer's certificates (attached to Annex H) not to be true and correct in all material respects and (ii) cause any of the Merger Transactions to fail to qualify as a reorganization under Section 368(a) of the Code or otherwise jeopardize the status of any of the Merger Transactions as a tax-free reorganization within the meaning of Section 368(a) of the Code. The Shareholders and the Miracle-Gro Constituent Companies agree to use their best efforts to cause each of the Merger Transactions to qualify as tax-free reorganizations within the meaning of Section 368(a) of the Code.

(c) Scotts agrees to cause the Surviving Corporation and New Miracle-Gro not to take any action or omit to take any action at or after the Effective Time if Scotts reasonably believes after consultation with counsel that such action or inaction, respectively, would jeopardize the status of any of the Merger and the Subsequent Mergers as a tax-free reorganization within the meaning of Section 368(a) of the Code.

SECTION 8.07. Tax Gross-Up. (a) Notwithstanding anything herein to the contrary, the parties hereby agree that prior to the Effective Time the Miracle-Gro Constituent Companies shall distribute to the Shareholders an amount equal to \$22 million. The Company may borrow funds to finance the payment of such distribution. Unless specifically requested by the

Shareholder Representative, (i) no funds or assets will be supplied by Scotts directly or indirectly to repay such loan, and (ii) in the event that the Surviving Corporation determines that it does not have sufficient funds to repay such loan, it shall use its best efforts to borrow funds for such repayment without a guarantee or other credit support from Scotts.

(b) In the event that pursuant to Section 1366 of the Code, the aggregate taxable income of the Shareholders with respect to the aggregate income of the Miracle-Gro Constituent Companies for the fiscal year commencing October 1, 1994, and ending at the Effective Time exceeds \$22 million by up to \$1 million (such excess being the "Excess Amount"), Scotts shall cause New Miracle-Gro to distribute to the Shareholders an additional amount of cash equal to 46% of such Excess Amount. The foregoing distribution shall be made so as to qualify under Section 1371(e)(1) of the Code and, in any event, shall be made not later than 30 days following the date on which the said aggregate income of the Miracle-Gro Constituent Companies, or any portion thereof, is determined to exceed \$22 million.

(c) In the event that the distribution contemplated by Section 8.07(b) does not qualify as a distribution under Section 1371(e)(1) of the Code, Scotts shall pay the Shareholders an amount which, after the payment of all Taxes due from the Shareholders with respect to such amount, shall equal 46% of the Excess Amount. The amount to be paid to the Shareholders pursuant to this subsection shall not exceed \$852,000.

ARTICLE IX

CONDITIONS TO THE MERGER

SECTION 9.01. Conditions to the Obligations of Each Party. The respective obligations of the Company, the Shareholders, Scotts and Merger Subsidiary to consummate the Merger are subject to the satisfaction of the following conditions, any or all of which may be waived, in whole or in part, to the extent permitted by this Agreement and by applicable law:

(i) Scotts shall have received the consent of the Requisite Banks (as defined in the Third Amended and Restated Credit Agreement dated as of April 7, 1992, as amended (the "Credit Agreement"), among Scotts, the Banks listed therein and Chemical Bank, as Agent) to the Merger Transactions and the other transactions contemplated herein, and the Credit Agreement provisions relating to restricted payments, operating and financial condition ratios and events of default shall have been appropriately amended in contemplation of the transactions contemplated by this Agreement, all of which shall be reasonably satisfactory to the Miracle-Gro Constituent Companies;

(ii) Scotts shall have received the consent to the Merger Transactions and the other transactions contemplated herein by the holders of a majority of aggregate principal amount of Scotts' outstanding 9-7/8% Senior Subordinated Notes due August 1, 2004,

pursuant to the terms of the Indenture dated as of June 1, 1994, as supplemented (the "Notes Indenture"), between Scotts and Chemical Bank, as trustee;

(iii) Scotts' shareholders shall have approved the acquisition by the Shareholders of more than 33-1/3% (but less than 50%) of Scotts' voting power, in accordance with the provisions of Section 1701.831 of Ohio Law;

(iv) shareholders representing more than 66-2/3% of the outstanding Scotts Common Stock shall have approved the amendment of Scotts' Articles of Incorporation to authorize the issuance of the Convertible Preferred Stock;

(v) shareholders representing more than a majority of the outstanding Scotts Common Stock shall have approved the amendment of Scotts' Code of Regulations to authorize a classified Board of Directors;

(vi) the applicable waiting period under the HSR Act relating to the Merger shall have expired or been terminated;

(vii) no provision of any applicable law or regulation and no judgment, injunction, order or decree shall prohibit the consummation of the Merger;

(viii) other than the filing of certificates of merger and/or other merger documents in accordance with New Jersey Law and Ohio Law, all authorizations, consents, waivers, orders or approvals required to be obtained, and all filings, notices or declarations required to be made, by the Company, Scotts and Merger Subsidiary prior to the consummation of the Merger shall have been obtained from, and made with, all required governmental or regulatory authorities except for such authorizations, consents, waivers, orders, approvals, filings, notices or declarations the failure of which to obtain or make would not, at or after the Effective Time, individually or in the aggregate, have a Company Material Adverse Effect or a Scotts Material Adverse Effect; and

(ix) the Registration Statement shall have been declared effective under the Securities Act and there shall be no stop order or threatened stop order with respect thereto.

SECTION 9.02. Conditions to the Obligations of Scotts and Merger Subsidiary. The obligations of Scotts and Merger Subsidiary to consummate the Merger are subject to the satisfaction of the following further conditions, any or all of which may be waived, in whole or in part, to the extent permitted by this Agreement and by applicable law:

(i) the Miracle-Gro Constituent Companies and the Shareholders shall have performed in all material respects their respective agreements and covenants required by this Agreement to be performed by them at or prior to the Effective Time; the

representations and warranties of the Miracle-Gro Constituent Companies and the Shareholders contained in this Agreement and in any certificate delivered by any Miracle-Gro Constituent Company or Shareholder pursuant hereto shall be true and correct in all material respects at and as of the Effective Time as if made at and as of such time, and Scotts shall have received a certificate signed by the Chief Executive Officer and Chief Financial Officer of the Company to the foregoing effect;

(ii) since the date of this Agreement, there shall have been no change, occurrence or circumstance in the business, results of operations or condition (financial or otherwise) of the Miracle-Gro Constituent Companies having or reasonably likely to have, individually or in the aggregate, a Company Material Adverse Effect, and Scotts shall have received a certificate of the Chief Executive Officer of the Company to such effect;

(iii) no court, arbitrator or governmental body, agency or official shall have issued any order, and there shall not be any statute, rule or regulation, restraining or prohibiting the consummation of the Merger or the effective operation of the business of the Company after the Effective Time;

(iv) Scotts shall have received Employment Agreements substantially in the forms attached hereto as Annex F-1, F-2 and F-3 executed by Horace Hagedorn, John Kenlon and James Hagedorn, respectively; and

(v) Scotts shall have received all documents it may reasonably request relating to the existence of the Company and the authority of the Company to enter to, deliver and perform this Agreement, all in form and substance satisfactory to Scotts.

SECTION 9.03. Conditions to the Obligations of the Miracle-Gro Constituent Companies and the Shareholders. The obligations of the Miracle-Gro Constituent Companies and the Shareholders to consummate the Merger Transactions are subject to the satisfaction of the following further conditions, any or all of which may be waived, in whole or in part, to the extent permitted by this Agreement and by applicable law:

(i) Scotts and Merger Subsidiary shall have performed in all material respects their respective agreements and covenants required by this Agreement to be performed by them at or prior to the Effective Time; the representations and warranties of Scotts and Merger Subsidiary contained in this Agreement and in any certificate delivered by Scotts or Merger Subsidiary pursuant hereto shall be true and correct in all material respects at and as of the Effective Time as if made at and as of such time, and the Company shall have received a certificate signed by the Chief Executive Officer and Chief Financial Officer of Scotts to the foregoing effect;

(ii) since the date of this Agreement, there shall have been no change, occurrence or circumstance in the business, results of operations or condition (financial or otherwise) of Scotts having or reasonably likely to have, individually or in the aggregate, a Scotts

Material Adverse Effect, and the Company shall have received a certificate of the Chief Executive Officer of Scotts to such effect;

(iii) no court, arbitrator or governmental body, agency or official shall have issued any order, and there shall not be any statute, rule or regulation, restraining or prohibiting the consummation of the Merger or the effective operation of the business of Scotts after the Effective Time;

(iv) the Company and the Shareholders shall have received the opinion of Skadden, Arps, Slate, Meagher & Flom substantially in the form attached hereto as Annex H to the effect that each of the Merger and each of the Subsequent Mergers constitutes a tax-free reorganization pursuant to Section 368(a) of the Code; and

(v) the Company shall have received all documents it may reasonably request relating to the existence of Scotts and Merger Subsidiary and the authority of Scotts and Merger Subsidiary to enter to, deliver and perform this Agreement, all in form and substance satisfactory to the Company.

ARTICLE X

TERMINATION

SECTION 10.01. Termination. This Agreement may be terminated and the Merger may be abandoned at any time prior to the Effective Time (notwithstanding any approval of this Agreement by the Shareholders or of the shareholders of Scotts):

(a) by mutual written consent of the parties hereto;

(b) by any party if the Merger has not been consummated by September 30, 1995;

(c) by any party if, prior to the Effective Time, the Market Price (as defined in Section 6.01) of Scotts Common Stock shall be less than the "Target Amount" for ten consecutive trading days, the "Target Amount" being the lesser of \$12 per share and the amount determined by multiplying \$12 by a percentage equal to 100% minus the percentage decline, if any, in the Standard & Poors 500 Index (as reported by The Wall Street Journal) from the date of this Agreement to the date of the first day of such ten consecutive day trading period;

(d) by any party if there shall be any law or regulation that makes consummation of the Merger illegal or otherwise prohibited or if any judgment, injunction, order or decree enjoining Scotts or any Miracle-Gro Constituent Company from consummating

any of the Merger Transactions is entered and such judgment, injunction, order or decree shall become final and nonappealable; and

(e) by Scotts, upon a breach of any representation, warranty, covenant or agreement on the part of any Miracle-Gro Constituent Company or any Shareholder set forth in this Agreement, or if any representation or warranty of the Miracle-Gro Constituent Companies and the Shareholders shall have become untrue, in either case such that the conditions set forth in Section 9.02 would be incapable of being satisfied by September 30, 1995 (or as otherwise extended); provided that, in any case, a willful breach shall be deemed to cause such conditions to be incapable of being satisfied for purposes of this Section 10.01(e);

(f) by the Miracle-Gro Constituent Companies and the Shareholders, upon a breach of any representation, warranty, covenant or agreement on the part of Scotts or Merger Subsidiary set forth in this Agreement, or if any representation or warranty of Scotts or Merger Subsidiary shall have become untrue, in either case such that the conditions set forth in Section 9.03 would be incapable of being satisfied by September 30, 1995 (or as otherwise extended); provided that, in any case, a willful breach shall be deemed to cause such conditions to be incapable of being satisfied for purposes of this Section 10.01(f); and

(g) by any party hereto if the Scotts' Shareholders shall fail to approve the acquisition contemplated by Section 9.01(iii) at the Scotts Shareholder Meeting.

SECTION 10.02. Effect of Termination. If this Agreement is terminated pursuant to Section 10.01, this Agreement shall become void and of no effect with no liability on the part of any party hereto, except that the agreements contained in Sections 5.02, 7.02 and 12.03 shall survive the termination hereof; provided, however, that nothing herein shall relieve any party from liability for the willful breach of any of its representations, warranties, covenants or agreements set forth in this Agreement.

ARTICLE XI

SURVIVAL; INDEMNIFICATION

SECTION 11.01. Survival. The representations and warranties of the parties hereto contained in this Agreement or in any certificate or other writing delivered pursuant hereto or in connection herewith shall survive until the Effective Time and shall thereupon terminate and be of no further force and effect; provided, that the representations and warranties contained in Sections 3.12 and 4.11 shall survive until expiration of the applicable statutory period of limitations (giving effect to any waiver, mitigation or extension thereof), if later. Notwithstanding the preceding sentence, any representation or warranty in respect of which indemnity may be sought under Section 11.02 or 11.03 shall survive the time at which it would

otherwise terminate pursuant to the preceding sentence, if notice of the specific inaccuracy or breach thereof giving rise to such right to indemnity shall have been given to the party against whom such indemnity may be sought prior to such time.

SECTION 11.02. Indemnification. (a) The Company and each Shareholder hereby jointly and severally indemnify Scotts against and agree to hold it harmless from any and all damage, loss, liability and expense (including, without limitation, reasonable expenses of investigation and reasonable attorneys' fees and expenses in connection with any action, suit or proceeding) (collectively, "Loss") incurred or suffered by Scotts arising out of any misrepresentation or breach of warranty, covenant or agreement made or to be performed by the Company or the Shareholders pursuant to this Agreement.

(b) Scotts hereby indemnifies the Company and the Shareholders against and agrees to hold them harmless from any and all Loss incurred or suffered by the Company and/or the Shareholders arising out of any misrepresentation or breach of warranty, covenant or agreement made or to be performed by Scotts pursuant to this Agreement.

SECTION 11.03. Procedures. (a) The party seeking indemnification under Section 11.02 (the "Indemnified Party") agrees to give prompt notice to the party against whom indemnity is sought (the "Indemnifying Party") of the assertion of any claim, or the commencement of any suit, action or proceeding in respect of which indemnity may be sought under such Section. The Indemnifying Party may, and at the request of the Indemnified Party shall, participate in and control the defense of any such suit, action or proceeding at its own expense. The Indemnifying Party shall not be liable under Section 11.02 for any settlement effected without its consent of any claim, litigation or proceeding in respect of which indemnity may be sought hereunder; provided that such consent is not unreasonably withheld.

(b) The Indemnified Party shall cooperate fully in all aspects of any matter for which indemnity is sought pursuant to this Article XI with respect to an action brought by a third party, including, in such case, by providing reasonable access to employees and officers (as witnesses or otherwise) and other information.

ARTICLE XII

MISCELLANEOUS

SECTION 12.01. Notices. All notices, requests and other communications to any party hereunder shall be in writing (including telecopy, telex or similar writing) and shall be given,

if to Scotts or Merger Subsidiary, to:

The Scotts Company
14111 Scottslawn Road

Marysville, OH 43041
Attn.: Craig D. Walley, General Counsel
Telecopy: (513) 644-7072

with a copy to:

G. Robert Lucas, II
Vorys, Sater, Seymour and Pease
52 East Gay Street
Columbus, OH 43215
Telecopy: (614) 464-6350

to: if to the Company, the Shareholders or the Shareholder Representative,

Stern's Miracle-Gro Products, Inc.
800 Port Washington Boulevard
Port Washington, NY 11050
Attn.: John Kenlon, President
Telecopy: (516) 883-6563

with a copy to:

Horace Hagedorn
800 Port Washington Boulevard
Port Washington, NY 11050
Telecopy: (516) 883-6563

with a further copy to:

J. Michael Schell
Skadden, Arps, Slate, Meagher & Flom
919 Third Avenue
New York, NY 10022
Telecopy: (212) 735-2000

and a further copy to:

Jonathan R. Karis
Hutchins, Wheeler & Dittmar
101 Federal Street
Boston, MA 02110
Telecopy: (617) 951-1295

or such other address or telecopy number as such party may hereafter specify for the purpose by notice to the other parties hereto. Each such notice, request or other communication shall be effective (i) if given by telecopy, when such telecopy is transmitted to the telecopy number specified in this Section and the appropriate confirmation is received or (ii) if given by any other means, when delivered at the address specified in this Section.

SECTION 12.02. Amendments; No Waivers. Any provision of this Agreement may be amended or waived prior to the Effective Time if, and only if, such amendment or waiver is in writing and signed, in the case of an amendment, by the parties hereto or in the case of a waiver, by the party against whom the waiver is to be effective; provided that after the adoption of this Agreement by the shareholders of Scotts, no such amendment or waiver shall, without the further approval of such shareholders, alter or change (i) the amount or kind of consideration to be received in exchange for any shares of capital stock of the Company, (ii) any term of the Articles of Incorporation of the Surviving Corporation or (iii) any of the terms or conditions of this Agreement if such alteration or change would adversely affect the holders of any shares of capital stock of Scotts.

(b) No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

SECTION 12.03. Expenses; Taxes. All costs and expenses incurred in connection with this Agreement shall be paid by Scotts in the case of the costs and expenses of Scotts and Merger Subsidiary, and by the Shareholders in the case of the costs and expenses of the Miracle-Gro Constituent Companies and the Shareholders which have not been paid at the Effective Time. Notwithstanding the foregoing, all applicable sales, use or transfer taxes, if any, and all capital gains or income taxes of any of the Shareholders or any of the Miracle-Gro Constituent Companies, in each case, that may be due and payable as a result of the Merger or the transactions contemplated by this Agreement, whether levied on any Miracle-Gro Constituent Company, any of the Shareholders, Scotts or Merger Subsidiary, shall be borne by the Shareholders.

SECTION 12.04. 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.

SECTION 12.05. Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely

as possible to the fullest extent permitted by applicable law in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the extent possible.

SECTION 12.06. Entire Agreement. This Agreement (together with the exhibits and annexes, the Company Disclosure Schedule, the Scotts Disclosure Schedule and the other documents delivered pursuant hereto) and the confidentiality agreements between the Company and Scotts constitute the entire agreement of the parties and supersede all prior agreements and undertakings, both written and oral, among the parties, or any of them, with respect to the subject matter hereof.

SECTION 12.07. Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, provided that no party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the written consent of the other parties.

SECTION 12.08. Governing Law. This Agreement shall be construed in accordance with and governed by the law of the State of Ohio.

SECTION 12.09. Counterparts; Effectiveness. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement shall become effective when each party hereto shall have received counterparts hereof signed by all of the other parties hereto.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

MIRACLE-GRO CONSTITUENT COMPANIES:

STERN'S MIRACLE-GRO PRODUCTS, INC.

By /s/ Horace Hagedorn

Title: Chairman and Chief Executive Officer

STERN'S NURSERIES, INC.

By /s/ Horace Hagedorn

Title: Chief Executive Officer

MIRACLE-GRO LAWN PRODUCTS INC.

By /s/ John Kenlon

Title: President

MIRACLE-GRO PRODUCTS LIMITED

By /s/ James Hagedorn

Title: Executive Vice President

SHAREHOLDERS:

/s/ Horace Hagedorn

HORACE HAGEDORN

/s/ James Hagedorn

JAMES HAGEDORN

/s/ Katherine Hagedorn Littlefield

KATHERINE HAGEDORN LITTLEFIELD

/s/ Paul Hagedorn

PAUL HAGEDORN

/s/ Peter Hagedorn

PETER HAGEDORN

/s/ Robert Hagedorn

ROBERT HAGEDORN

/s/ Susan Hagedorn

SUSAN HAGEDORN

/s/ John Kenlon

JOHN KENLON

SCOTTS:

THE SCOTTS COMPANY

By /s/ Tadd C. Seitz

Title: Chief Executive Officer

MERGER SUBSIDIARY:

ZYG CORPORATION, an Ohio corporation

By /s/ Theodore J. Host

Title: President

OFFICERS OF SURVIVING CORPORATION
AND NEW MIRACLE-GRO

Horace Hagedorn - Chairman and Chief Executive Officer
John Kenlon - President and Chief Operating Officer
James Hagedorn - Executive Vice President
Craig D. Walley - Secretary

TERMS OF
CLASS A CONVERTIBLE PREFERRED STOCK

1. Designation. This series of Preferred Stock shall be designated Class A Convertible Preferred Stock, without par value (the "Class A Preferred").

2. Authorized Number. The number of shares constituting the Class A Preferred shall be One Hundred Ninety-Five Thousand (195,000) shares.

3. Dividends. (a) The holders of the Class A Preferred shall be entitled to receive, ratably with the holders of any other series of Preferred Stock with Parity Rights (as defined below) as to dividends based on their respective dividend rates, annual cumulative dividends in cash on each outstanding share of Class A Preferred at the rate of \$50.00 per share per annum. Such cumulative dividends shall be paid in equal amounts (other than with respect to the initial dividend period) quarterly on June 30, September 30, December 31 and March 31 of each year (unless such day is not a business day, in which event on the next business day) as declared by the Board of Directors to the extent legally permitted, to holders of record as they appear on the register for the Class A Preferred on the June 15, September 15, December 15 and March 15 immediately preceding the relevant Dividend Payment Date (as hereinafter defined), out of any funds at the time legally available therefor, shall accrue until so paid from the date of issuance of the applicable shares of Class A Preferred, and shall be deemed to accrue from day to day, whether or not declared. A quarterly dividend period shall begin on the day following each June 30, September 30, December 31 and March 31 (each a "Dividend Payment Date," whether or not a dividend is paid on such date) and end on the next succeeding Dividend Payment Date. Notwithstanding the foregoing, the first quarterly dividend period shall commence on the date of issue, and such dividend shall be paid on June 30, 1995 for the actual number of days in such period. If dividends shall not have been paid, or declared and set apart for payment, upon all outstanding shares of Class A Preferred at the aforesaid times and rates, such deficiency shall be cumulative in full. Any accumulation of dividends shall not bear interest.

(b) No dividends or other distribution (other than dividends payable in Common Stock), and no redemption, purchase or other acquisition for value (other than redemptions, purchases or acquisitions payable in Common Stock or repurchases of Common Stock from employees of the Company pursuant to obligations existing as of the date hereof or upon foreclosure pursuant to loans existing as of the date hereof to employees of the Company secured by Common Stock), shall be made with respect to the Common Stock or any other class or series of the Company's capital stock ranking junior to the Class A Preferred with respect to dividends or liquidation preferences until

cumulative dividends on the Class A Preferred in the full amounts as set forth above for all dividend periods ending, and all amounts payable upon redemption of Class A Preferred, on or prior to the date on which the proposed dividend or distribution is paid, or the proposed redemption, purchase or other acquisition is effected, have been declared and paid or set apart for payment.

(c) (i) If on any Dividend Payment Date all or any portion of the dividend payable on such date is not so paid and at such time all or any portion of the dividend payable on the next preceding Dividend Payment Date remains in arrears, then from such second Dividend Payment Date (herein the commencement of a default period) until all accrued and unpaid dividends for all previous quarterly dividend periods and for the current quarterly dividend period on all shares of Class A Preferred then outstanding shall have been declared and paid, all holders of Class A Preferred, voting separately as a class, shall have the right to elect three directors to the Company's Board of Directors ("Directors").

(ii) Such Directors shall be designated by the Shareholder Representative (as defined in the Merger Agreement) and shall be appointed to the Board, to fill vacancies newly created for such purpose, immediately upon such designation. After the holders of the Class A Preferred shall have exercised their right to elect Directors in any default period and during the continuance of such period, the number of Directors shall not be increased or decreased except by vote of the holders of Class A Preferred as herein provided.

(iii) Immediately upon the expiration of a default period, (x) the right of the holders of Class A Preferred as a class to elect Directors pursuant to this Section 3(c) shall cease, (y) the term of any Directors elected by the holders of Class A Preferred as a class pursuant to this Section 3(c) shall terminate, and (z) the number of Directors shall be such number as was in effect immediately prior to the increase contemplated by this Section 3(c).

4. Liquidation Preference. In the event of any liquidation, dissolution, or winding up of the Company, either voluntary or involuntary, distributions to the shareholders of the Company shall be made in the following manner:

(a) The holders of the Class A Preferred shall be entitled to receive, ratably with the holders of any other series of Preferred Stock with Parity Rights (as defined below) as to liquidation preferences based on their respective preference amounts (which, in the case of the Class A Preferred, shall include any amounts owing in respect of accrued and unpaid dividends), prior and in preference to any distribution of any of the assets or funds of the Company to the holders of the Common Stock (or any other securities of the Company ranking junior to the Class A Preferred as to liquidation preferences), the preference amount (in cash) of \$1,000 per share for each share of Class A Preferred then held by them plus an amount equal to all accrued but unpaid dividends (whether or not

declared) on the Class A Preferred to the date of liquidation, dissolution or winding up. If the assets and funds thus distributed among the holders of the Class A Preferred and of any other series of Preferred Stock with Parity Rights as to liquidation preferences are insufficient to permit the payment to such holders of the full preferential amount described above, then the entire assets and funds of the Company legally available for distribution shall be distributed among the holders of the Class A Preferred and of any other series of Preferred Stock with Parity Rights as to liquidation preferences in the proportion that the aggregate preferential amount of shares of Class A Preferred and of any other series of Preferred Stock with Parity Rights as to liquidation preferences held by each such holder bears to the aggregate preferential amount of all shares of Class A Preferred and of any other series of Preferred Stock with Parity Rights as to liquidation preferences. After payment has been made to the holders of the Class A Preferred and of any other series of Preferred Stock with Parity Rights as to liquidation preferences of the full amounts to which they are entitled, no further amounts shall be paid with respect to the Class A Preferred, and the remaining assets of the Company shall be distributed among the holders of the Common Stock (and other junior securities with regard to liquidation preferences) in accordance with the Restated Articles of Incorporation and applicable law.

(b) For purposes of this Section 4, a merger or consolidation of the Company with or into any other corporation or corporations in which the Company is not the surviving corporation, or a voluntary sale of all or substantially all of the assets of the Company, shall not be treated as a liquidation, dissolution or winding up of the Company (unless in connection therewith, the liquidation, dissolution or winding up of the Company is specifically approved), but shall be treated as provided in Section 7(e) hereof.

5. Provisions Generally Applicable to Dividends and Liquidation.

(a) The term "Parity Rights," as used in this Article FOURTH of the Restated Articles of Incorporation, shall mean dividend rights and liquidation preferences of any series of Preferred Stock of the Company which have preferences upon any liquidation, dissolution, or winding up of the Company or rights with respect to the declaration, payment and setting aside of dividends on a parity with those of the Class A Preferred.

(b) Except as otherwise permitted by the Agreement and Plan of Merger dated as of January 26, 1995 among Stern's Miracle-Gro Products, Inc., Stern's Nurseries, Inc., Miracle-Gro Lawn Products Inc., Miracle-Gro Products Limited, the Shareholders listed therein, the Company and ZYX Corporation (the "Merger Agreement"), the Company will not, by amendment of its Restated Articles of Incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company, but will at all times in good faith assist in the carrying out of all the provisions of

Sections 3 and 4 and in the taking of all such action as may be necessary or appropriate in order to protect the dividend and liquidation rights of the holders of the Class A Preferred against impairment; provided, however, that nothing herein will prevent the Company from creating any new series of Preferred Stock with higher dividend rates or liquidation payments so long as the priority of such rights is not senior to the rights of the Class A Preferred.

6. Voting Rights. Except as otherwise required by law, the holder of each share of Class A Preferred shall be entitled to the number of votes equal to the number of shares of Common Stock into which such share of Class A Preferred could be converted at the record date for determination of the shareholders entitled to vote on such matters, such votes to be counted together with all other shares of stock of the Company having general voting power and not separately as a class or series. Holders of Class A Preferred shall be entitled to receive the same notice of any shareholders' meeting as is provided to holders of Common Stock. Fractional votes by the holders of Class A Preferred shall not, however, be permitted, and any fractional voting rights shall (after aggregating all shares into which shares of Class A Preferred held by each holder could be converted) be rounded to the nearest whole number. The Company will, or will cause the registrar to, transmit to the registered holders of the Class A Preferred all reports and communications from the Company that are generally mailed to holders of its Common Stock.

7. Conversion. The holders of the Class A Preferred have conversion rights as follows (the "Conversion Rights"):

(a) Right to Convert. Each share of Class A Preferred shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such share and prior to the close of business of the Company on the business day next preceding any date set for the redemption thereof (provided that funds sufficient to redeem all shares to be redeemed on such date have been paid or made available for payment as described in Section 8(b)(iii)), at the office of the Company or any transfer agent for the Class A Preferred, into such number of fully paid and nonassessable shares of Common Stock as is determined by dividing \$1,000 by the Conversion Price, determined as hereinafter provided, in effect at the time of conversion. The price at which shares of Common Stock shall be deliverable upon conversion (the "Conversion Price") shall initially be \$19 per share of Common Stock. Such initial Conversion Price shall be subject to adjustment as hereinafter provided.

(b) Accrued Dividends and Fractional Shares. Dividends shall cease to accrue on shares of Class A Preferred surrendered for conversion into Common Stock; provided, however, that any dividends (whether or not declared) upon such shares which were accrued as of but not paid on or before the Dividend Payment Date immediately preceding the conversion date shall be paid in cash upon such conversion or as soon thereafter as permitted by law.

No fractional shares of Common Stock shall be issued upon conversion of Class A Preferred. In lieu of any fractional shares to which the holder would otherwise be entitled, the Company shall, after aggregation of all fractional share interests held by each holder, pay cash equal to such remaining fractional interest multiplied by the Market Price at the time of conversion.

(c) Mechanics of Conversion. Before any holder of Class A Preferred shall be entitled to convert the same into full shares of Common Stock and to receive certificates therefor, such holder shall surrender the certificate or certificates for the Class A Preferred to be converted, duly endorsed, at the office of the Company or of any transfer agent for the Class A Preferred, and shall give written notice to the Company at such office that such holder elects to convert the same. The Company shall, as soon as practicable after such delivery, issue and deliver at such office to such holder of Class A Preferred (or to any other person specified in the notice delivered by such holder), a certificate or certificates for the number of shares of Common Stock to which such holder shall be entitled as aforesaid and a check payable to the holder for any cash amounts payable as the result of a conversion into fractional shares of Common Stock. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the shares of Class A Preferred to be converted, and the person or persons entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock on such date. In case any certificate for shares of Class A Preferred shall be surrendered for conversion of only a part of the shares represented thereby, the Company shall deliver at such office to or upon the written order of the holder thereof, a certificate or certificates for the number of shares of Class A Preferred represented by such surrendered certificate which are not being converted. Notwithstanding the foregoing, the Company shall not be obligated to issue certificates evidencing the shares of Common Stock issuable upon such conversion unless the certificates evidencing Class A Preferred are either delivered to the Company or its transfer agent, or the holder notifies the Company or its transfer agent that such certificates have been lost, stolen or destroyed and executes an agreement satisfactory to the Company to indemnify the Company from any loss incurred by it in connection with such certificates. The issuance of certificates for shares of Common Stock issuable upon conversion of shares of Class A Preferred shall be made without charge to the converting holder for any tax imposed in respect of the issuance thereof; provided that the Company shall not be required to pay any tax which may be payable with respect to any transfer involved in the issue and delivery of any certificate in a name other than that of the holder of the shares of Class A Preferred being converted.

(d) Effects of Certain Events.

(i) Common Stock Dividends, Subdivisions or Combinations. In case the Company shall (A) pay or make a dividend or other distribution to all holders of its Common Stock in shares of its Common Stock, (B) subdivide, split or reclassify the

outstanding shares of its Common Stock into a larger number of shares or (C) combine or reclassify the outstanding shares of its Common Stock into a smaller number of shares, the Conversion Price in effect immediately prior thereto shall be adjusted so that the holder of each outstanding share of Class A Preferred shall thereafter be entitled to receive upon the conversion of such share the number of shares of Common Stock which such holder would have owned and been entitled to receive had such shares of Class A Preferred been converted immediately prior to the happening of any of the events described above or, in the case of a stock dividend or other distribution, prior to the record date for determination of shareholders entitled thereto. An adjustment made pursuant to this clause (i) shall become effective immediately after such record date in the case of a dividend or distribution and immediately after the effective date in the case of a subdivision, split, combination or reclassification.

(ii) Distributions of Assets or Securities Other Than Common Stock.

In case the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock shares of any of its capital stock (other than Common Stock), rights or warrants to purchase any of its securities (other than those referred to in (iii) below), cash (other than any regular quarterly or semi-annual dividend which the Board of Directors of the Company determines), other assets or evidences of its indebtedness, then in each such case the Conversion Price shall be adjusted by multiplying the Conversion Price in effect immediately prior to the date of such dividend or distribution by a fraction, of which the numerator shall be the Average Market Price per share of Common Stock at the record date for determining shareholders entitled to such dividend or distribution less the fair market value (as determined in good faith by the Board of Directors) of the portion of the securities, cash, assets or evidences of indebtedness so distributed applicable to one share of Common Stock, and of which the denominator shall be such Average Market Price per share. An adjustment made pursuant to this clause (ii) shall become effective immediately after such record date.

(iii) Below Market Distributions or Issuances. In case the Company shall issue Common Stock (or rights, warrants or other securities convertible into or exchangeable or exercisable for shares of Common Stock) to all holders of Common Stock at a price per share (or having an effective exercise, exchange or conversion price per share) less than the Average Market Price per share of Common Stock at the record date for the determination of shareholders entitled to receive such Common Stock (or rights, warrants or other securities convertible into or exchangeable or exercisable for shares of Common Stock), then in each such case the Conversion Price shall be adjusted by multiplying the Conversion Price in effect immediately prior to the date of issuance of such Common Stock (or rights, warrants or other securities) by a fraction, the numerator of which shall be the sum of (A) the number of shares of Common Stock outstanding on the date of such issuance (without giving effect to any such issuance) and (B) the number of shares which the aggregate consideration receivable by the Company for the total number of shares of Common Stock so issued (or into or for which such rights, warrants or other securities are convertible, exchangeable or exercisable) would purchase at such Average

Market Price, and the denominator of which shall be the sum of (A) the number of shares of Common Stock outstanding on the date of such issuance (without giving effect to any such issuance) and (B) the number of additional shares of Common Stock so issued (or into or for which such rights, warrants or other securities are convertible, exchangeable or exercisable). An adjustment made pursuant to this clause (iii) shall become effective immediately after the record date for determination of shareholders entitled to receive or purchase such Common Stock (or rights, warrants or other securities convertible into or exchangeable or exercisable for shares of Common Stock). For purposes of this clause (iii), the issuance of any options, rights or warrants or any shares of Common Stock (whether treasury shares or newly issued shares) pursuant to any employee (including consultants and directors) benefit or stock option or purchase plan or program of the Company shall not be deemed to constitute an issuance of Common Stock or options, rights or warrants to which this clause (iii) applies. Notwithstanding anything herein to the contrary, no further adjustment to the Conversion Price shall be made (i) upon the issuance or sale of Common Stock upon the exercise of any rights or warrants or (ii) upon the issuance or sale of Common Stock upon conversion or exchange of any convertible securities, if any adjustment in the Conversion Price was made or required to be made upon the issuance or sale of such rights, warrants or securities.

(iv) Repurchases. In case at any time or from time to time the Company or any subsidiary thereof shall repurchase, by self tender offer or otherwise, any shares of Common Stock of the Company at a weighted average purchase price in excess of the Average Market Price on the business day immediately prior to the earliest of the date of such repurchase, the commencement of an offer to repurchase or the public announcement of either (such date being referred to as the "Determination Date"), the Conversion Price in effect as of such Determination Date shall be adjusted by multiplying such Conversion Price by a fraction, the numerator of which shall be (A) the product of (x) the number of shares of Common Stock outstanding on such Determination Date and (y) the Average Market Price of the Common Stock on such Determination Date minus (B) the aggregate purchase price of such repurchase and the denominator of which shall be the product of (x) the number of shares of Common Stock outstanding on such Determination Date minus the number of shares of Common Stock repurchased by the Company or any subsidiary thereof in such repurchase and (y) the Average Market Price of the Common Stock on such Determination Date. For purposes of this clause (iv), the repurchase or repurchases by the Company or any subsidiary thereof within any 12 month period of not more than 15% of the shares of Common Stock outstanding as of the first date of such period, at a price not in excess of 120% of the Average Market Price as of the Determination Date of any such repurchase, shall not be deemed to constitute a repurchase to which this clause (iv) applies. An adjustment made pursuant to this clause (iv) shall become effective immediately after the effective date of such repurchase.

(e) Certain Reorganizations. In the event of any change, reclassification, conversion, exchange or cancellation of outstanding shares of Common Stock of the Company (other than any reclassification referred to in Section 7(d)(i)), whether pursuant

to a merger, consolidation, reorganization or otherwise, or the sale or other disposition of all or substantially all of the assets and properties of the Company, the shares of Class A Preferred shall, after such merger, consolidation, reorganization or other transaction, sale or other disposition, be convertible into the kind and number of shares of stock or other securities or property, of the Company or otherwise, to which such holder would have been entitled if immediately prior to such event such holder had converted its shares of Class A Preferred into Common Stock at the Conversion Price in effect as of the consummation of such event. The provisions of this Section 7(e) shall similarly apply to successive changes, reclassifications, conversions, exchange or cancellations.

(f) No Impairment. Except as permitted by the Merger Agreement, the Company will not, by amendment of its Restated Articles of Incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company, but will at all times in good faith assist in the carrying out of all the provisions of this Section 7 and in the taking of all such action as may be necessary or appropriate in order to protect the conversion rights of the holders of the Class A Preferred against impairment.

(g) Calculation of Adjustments. No adjustment in the Conversion Price shall be required unless such adjustment would require an increase or decrease of at least 1% in such price; provided, however, that any adjustments which by reason of this subsection (g) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 7 shall be made by the Company and shall be made to the nearest cent or to the nearest one hundredth of a share, as the case may be. Anything in this Section 7 to the contrary notwithstanding, the Company shall be entitled to make such reductions in the Conversion Price, in addition to those required by this Section 7, as it in its sole discretion shall determine to be advisable in order that any stock dividends, subdivision of shares, distribution of rights to purchase stock or securities, or a distribution of securities convertible into or exchangeable for stock hereafter made by the Company to its shareholders shall not be taxable.

(h) Certificate as to Adjustments. Upon the occurrence of each adjustment or readjustment of the Conversion Price pursuant to this Section 7, the Company at its expense shall promptly compute such adjustment or readjustment in accordance with the terms hereof and furnish to each holder of Class A Preferred a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The Company shall, upon the written request at any time of any holder of Class A Preferred, furnish or cause to be furnished to such holder a like certificate setting forth (i) such adjustments and readjustments, (ii) the Conversion Price at the time in effect, and (iii) the number of shares of Common Stock and the

amount, if any, of other property which at the time would be received upon the conversion of Class A Preferred.

(i) Notices.

(A) In the event that the Company shall propose at any time:

(1) to declare any dividend or distribution upon its Common Stock;

(2) to offer for subscription pro rata to the holders of any class or series of its stock any additional shares of stock of any class or series or other rights; or

(3) to effect any transaction of the type described in Section 7(e) hereof involving a change in the Common Stock;

then, in connection with each such event, the Company shall send to the holders of the Class A Preferred:

(i) at least 20 days' prior written notice of the date on which a record shall be taken for such dividend or distribution (and specifying the date on which the holders of Common Stock shall be entitled thereto) or for determining rights to vote in respect of the matters referred to in (1) and (2) above; and

(ii) in the case of the matters referred to in (3) above, at least 20 days' prior written notice of the date when the same shall take place (and specifying the time on which the holders of Common Stock shall be entitled to exchange their Common Stock for securities or other property deliverable upon the occurrence of such event).

(B) In the event of any voluntary or involuntary dissolution, liquidation or winding up of the Company, the Company shall send to the holders of the Class A Preferred at least 20 days' prior written notice.

(C) The Company shall send written notice immediately upon any public announcement with respect to an open market repurchase program, any self tender offer for shares of Common Stock and any other repurchase other than a repurchase of stock of an employee or consultant pursuant to any benefit plan or agreement.

8. Redemption.

(a) Redemption. The Class A Preferred shall not be subject to redemption prior to the last day of the month in which the fifth anniversary of the date of issuance occurs. On or after such date, the Company may, at its option, redeem all or from time to time any part of the shares of Class A Preferred, out of funds legally available therefor, upon giving the Redemption Notice as set forth in Section 8(b) hereof. The redemption payment for each share of Class A Preferred shall be an amount (the "Redemption Payment") in cash equal to the sum of (i) the amount of all accrued and unpaid dividends (whether or not declared) thereon to and including the date fixed for redemption plus (ii) \$1000. In the event of a redemption of only a part of the then outstanding Class A Preferred, the Company shall effect such redemption ratably according to the number of shares held by each holder of Class A Preferred.

(b) Mechanics of Redemption.

(i) At least 30 days, but no more than 60 days, prior to the date fixed for any redemption pursuant to Section 8(a) (the "Redemption Date"), the Company shall send a written notice (the "Redemption Notice") to the holders of shares to be redeemed on such date (the "Redemption Shares") stating: (A) the total number of shares being redeemed; (B) the number of Redemption Shares held by such holder; (C) the Redemption Date and the Redemption Payment; (D) the date on which such holder's conversion rights as to such shares shall terminate; and (E) the manner in which and the place at which such holder is to surrender to the Company the certificate or certificates representing the Redemption Shares.

(ii) Upon the surrender to the Company, in the manner and at the place designated, of a certificate or certificates representing Redemption Shares, the Redemption Payment for such shares shall be payable to the order of the person whose name appears on such certificate or certificates as the owner thereof. All such surrendered certificates shall be cancelled. Upon redemption of only a portion of the shares of Class A Preferred represented by a certificate surrendered for redemption, the Company shall issue and deliver to or upon the written order of the holder of the certificate so surrendered, at the expense of the Company (except for expenses relating to the issuance of such shares to a person other than the record holder of the Redemption Shares), a new certificate representing the unredeemed shares of Class A Preferred represented by the certificate so surrendered.

(iii) On or prior to the Redemption Date, the Company shall have the option to deposit the aggregate of all Redemption Payments for all Redemption Shares (other than Redemption Shares surrendered for conversion prior to such date) in a bank or trust company (designated in the notice of such redemption) doing business in the State of Ohio or the City of New York, having aggregate capital and surplus in excess of \$500,000,000, as a trust fund for the benefit of the respective holders of Redemption

Shares, with irrevocable instructions and authority to the bank or trust company to pay the appropriate Redemption Payment to the holders of Redemption Shares upon receipt of notification from the Company that such holder has surrendered the certificate representing such shares to the Company. Such instructions shall also provide that any such moneys remaining unclaimed at the expiration of one year following the Redemption Date shall thereafter be returned to the Company upon its request as expressed in a resolution of its Board of Directors. The holder of any Redemption Shares in respect of which such deposit has been returned to the Company pursuant to the preceding sentence shall have a claim as an unsecured creditor against the Company for the Redemption Payment in respect thereof, without interest.

(iv) Provided that the Company has given the Redemption Notice described in Section 8(b)(i) and has on or prior to the Redemption Date either paid or made available (as described in Section 8(b)(iii)) Redemption Payments to the holders of Redemption Shares, all Redemption Shares shall be deemed to have been redeemed as of the close of business of the Company on the applicable Redemption Date. Thereafter, the holder of such shares shall no longer be treated for any purposes as the record holder of such shares of Class A Preferred, regardless of whether the certificates representing such shares are surrendered to the Company or its transfer agent, excepting only the right of the holder to receive the appropriate Redemption Payment, without interest, upon such surrender. Such shares so redeemed shall not be transferred on the books of the Company or be deemed to be outstanding for any purpose whatsoever.

(v) The Company shall not be obligated to pay the Redemption Payment to any holder of Redemption Shares unless the certificates evidencing such shares are either delivered to the Company or its transfer agent, or the holder notifies the Company or its transfer agent that such certificates have been lost, stolen or destroyed and executes an agreement satisfactory to the Company to indemnify the Company from any loss incurred by it in connection with such certificates.

(c) Limitation on Redemption. The Company shall not be obligated to redeem any shares of Class A Preferred which have previously been converted into Common Stock. The Company shall not be obligated to redeem shares pursuant to this Section 8 if such redemption would violate any provisions of applicable law. If, after giving the Redemption Notice, the Company is unable, pursuant to applicable law, to redeem some or all unconverted Redemption Shares on any particular Redemption Date, the Company shall promptly notify the holders thereof of the facts that prevent the Company from so redeeming such shares. Thereafter, the Company shall redeem such unredeemed Redemption Shares at such time as it is lawfully able to do so.

9. Status of Converted Shares. If shares of Class A Preferred are converted pursuant to Section 7 hereof or redeemed pursuant to Section 8 hereof, the shares so converted or redeemed shall resume the status of authorized but unissued shares of Preferred Stock of the Company unless otherwise prohibited by applicable law.

10. Notices. All notices, requests, demands, and other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered by hand or when sent by telegram or telecopier (with receipt confirmed), provided a copy is also sent by express (overnight, if possible) courier, addressed (i) in the case of a holder of Class A Preferred, to such holder's address of record, and (ii) in the case of the Company, to the Company's principal executive offices to the attention of the Company's secretary.

11. Amendments and Waivers. Any right, preference, privilege or power of, or restriction provided for the benefit of, the Class A Preferred set forth herein may be amended and the observance thereof may be waived (either generally or in a particular instance and either retroactively or prospectively) with the written consent of the Company and the affirmative vote or written consent of the holders of not less than a majority of the shares of Class A Preferred then outstanding, and any amendment or waiver so effected shall be binding upon the Company and all holders of Class A Preferred.

12. Additional Definitions. As used herein the term "Trading Day" means each Monday, Tuesday, Wednesday, Thursday and Friday which is a day on which the New York Stock Exchange, Inc. is open for trading.

As used herein, the term "Market Price" of a share of Common Stock or of any other security of the Company on any date shall mean: (i) the last reported sales price of the Common Stock or such other security on the principal national securities exchange on which such Common Stock or other security is listed or admitted to trading or, if no such reported sale takes place on such date, the average of the closing bid and asked prices thereon, as reported in The Wall Street Journal, or (ii) if such Common Stock or other security shall not be listed or admitted to trading on a national securities exchange, the last reported sales price on the NASDAQ National Market or, if no such reported sales takes place on any such date, the average of the closing bid and asked prices thereon, as reported in The Wall Street Journal, or (iii) if such Common Stock or other security shall not be quoted on such National Market nor listed or admitted to trading on a national securities exchange, then the average of the closing bid and asked prices, as reported by The Wall Street Journal for the over-the-counter market, or (iv) if there is no public market for such Common Stock or other security, the fair market value of a share of such Common Stock or a unit of such other security as determined in good faith by the Board of Directors of the Company.

The term "Average Market Price" shall mean the average of the Market Prices for the 30 consecutive trading days immediately preceding the date in question.

SERIES A WARRANT TO PURCHASE COMMON SHARES
OF
THE SCOTTS COMPANY

THIS WARRANT WAS ISSUED PURSUANT TO THE AGREEMENT AND PLAN OF MERGER DATED AS OF JANUARY 26, 1995 (THE "MERGER AGREEMENT"), AMONG STERN'S MIRACLE-GRO PRODUCTS, INC., STERN'S NURSERIES, INC., MIRACLE-GRO LAWN PRODUCTS INC., MIRACLE-GRO PRODUCTS LIMITED, THE SHAREHOLDERS LISTED THEREIN, THE SCOTTS COMPANY AND ZYX CORPORATION. NO TRANSFER MAY OCCUR EXCEPT IN CONFORMITY WITH THE TERMS OF THE MERGER AGREEMENT.

No. WA-1 Warrant to Purchase _____
Common Shares, without par value
(subject to adjustment)

Void after [September 30], 2003

For value received, THE SCOTTS COMPANY, an Ohio corporation (the "Company"), hereby certifies that _____, or registered assigns (the "Holder"), is entitled, subject to the terms set forth below and to the Merger Agreement, to purchase from the Company, _____ Common Shares, without par value, of the Company ("Common Stock"), as constituted on [March 31], 1995 (the "Warrant Issue Date"), upon surrender hereof at the principal office of the Company referred to below, with the Notice of Exercise attached hereto duly executed, and simultaneous payment therefor in lawful money of the United States as hereinafter provided at the per share price of \$21 (the "Exercise Price"). The number, character and Exercise Price of such shares of Common Stock are subject to adjustment as provided below. The term "Warrant" as used herein shall include this Warrant and any warrants delivered in substitution or exchange therefor as provided herein. This Warrant is registered and its transfer may be registered upon the books maintained for that purpose by the Company by delivery of this Warrant duly endorsed.

Terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Merger Agreement.

1. Term of Warrant. Subject to the terms and conditions set forth herein, this Warrant shall be exercisable, in whole or in part, during the term commencing on [March 31], 1995 and ending at 5:00 p.m., Eastern time, on the date eight years and six months after the Warrant Issue Date, and shall be void thereafter.

2. Exercise of Warrant.

2.1 Method. The purchase rights represented by this Warrant are exercisable by the Holder in whole or in part, at any time, or from time to time, during the term hereof as described in Section 1 above and subject to Section 2.5, by the surrender of this Warrant and the Notice of Exercise annexed hereto duly completed and executed by the Holder at the principal executive office of the Company at 14111 Scottslawn Road, Marysville, Ohio 43041 (or such other office or agency of the Company as it may designate by notice in writing to the Holder), upon payment in cash or by wire transfer to a bank account designated by the Company or by a certified or cashier's check of the aggregate Exercise Price of the shares to be purchased; provided, however, that, in lieu of cash, such Holder may pay such Exercise Price by exchanging shares of Common Stock having an aggregate Market Price equal to the aggregate Exercise Price or by reducing the number of shares of Common Stock such Holder would otherwise be entitled to upon such exercise by a number of shares of Common Stock having an aggregate Market Price equal to the aggregate Exercise Price.

2.2 Effect. This Warrant shall be deemed to have been exercised at the time of its surrender for exercise together with full payment as provided above, and the person entitled to receive the shares of Common Stock issuable upon such exercise shall be treated for all purposes as the holder of record of such shares at and after such time. As promptly as practicable on or after such date the Company at its expense shall issue to the person entitled to receive the same a certificate for the number of shares of Common Stock issuable upon such exercise. If this Warrant is exercised in part, the Company at its expense will execute and deliver a new Warrant exercisable for the number of shares for which this Warrant may then be exercised.

2.3 Holder Not a Shareholder. The Holder shall neither be entitled to vote nor receive dividends nor be deemed the holder of Common Stock or any other securities of the Company that may at any time be issuable on the exercise hereof for any purpose until the Warrant has been exercised for shares of Common Stock as provided in this Section 2.

2.4 No Fractional Shares or Scrip. No fractional shares or scrip representing fractional shares of Common Stock shall be issued upon the exercise of this Warrant. In lieu of any fractional share to which the Holder would otherwise be entitled, the Company shall make a cash payment equal to the Exercise Price multiplied by such fraction.

2.5 Exercise for Cash in Certain Circumstances.

Notwithstanding the foregoing, (a) until the fifth anniversary of the Warrant Issue Date, in the event, and to the extent that, the exercise of this Warrant would cause the Total Voting Power of the Shareholders to exceed the Standstill Percentage, this Warrant shall not be exercisable for shares of Common Stock but rather shall be exercisable solely for the difference at the time of exercise between the Market Price and the Exercise Price at such time and (b) thereafter, in the event, and to the extent that, the exercise of this Warrant would cause the Total Voting Power of the Shareholders to exceed 49%, this Warrant shall not be exercisable for shares of Common Stock but rather shall be exercisable solely for the difference at the time of exercise between the Market Price and the Exercise Price at such time.

3. Registered Warrants.

3.1 Series. This Warrant is one of a series of Warrants,

designated as Series A, which are identical except as to the number of shares of Common Stock purchasable and as to any restriction on the transfer thereof in order to comply with the Securities Act of 1933 (the "Act") and the regulations of the Securities and Exchange Commission promulgated thereunder or state securities or blue sky laws. Such Warrants are referred to herein collectively as the "Warrants."

3.2 Record Ownership. The Company shall maintain a

register of the Holders of the Warrants (the "Register") showing their names and addresses and the serial numbers and number of Common Shares purchasable, issued to or transferred of record by them from time to time. The Register may be maintained in electronic, magnetic or other computerized form. The Company may treat the person named as the Holder of this Warrant in the Register as the sole owner of this Warrant. The Holder of this Warrant is the person exclusively entitled to receive notifications with respect to this Warrant, exercise it to purchase shares of Common Stock and otherwise exercise all of the rights and powers as the absolute owner hereof.

3.3 Registration of Transfer. To the extent permitted

under the Merger Agreement, transfers of this Warrant may be registered on the Register. Transfers shall be registered when this Warrant is presented to the Company duly endorsed with a request to register the transfer hereof in accordance with the terms of the Merger Agreement. When this Warrant is presented for transfer and duly transferred hereunder, it shall be cancelled and a new Warrant showing the name of the transferee as the Holder thereof shall be issued in lieu hereof. No transfer of this Warrant may take place except in accordance with the terms of the Merger Agreement.

3.4 Worn and Lost Warrants. If this Warrant becomes

worn, defaced or mutilated but is still substantially intact and recognizable, the Company or its agent may issue a new Warrant in lieu hereof upon its surrender. If this Warrant is lost, destroyed or wrongfully taken, the Company shall issue a new Warrant in place of the original Warrant if the Holder so requests by written notice to the Company and the Holder has delivered to

the Company an indemnity agreement reasonably satisfactory to the Company with an affidavit of the Holder that this Warrant has been lost, destroyed or wrongfully taken.

3.5 Restrictions on Transfer. (a) This Warrant and the Common Stock issuable upon the exercise hereof have been registered under the Act on Form S-4, and therefore this Warrant and the Common Stock issuable upon the exercise of this Warrant may not be offered for sale, sold or otherwise transferred unless such offer, sale or other transfer complies with Rule 145 under the Act and is otherwise registered under the appropriate state securities or Blue Sky laws or such transfer is exempt from such registration.

(b) No transfer of this Warrant or the Common Stock issuable upon the exercise hereof may be made except in accordance with the terms of the Merger Agreement.

3.6 Warrant Agent. The Company may, by written notice to the Holder, appoint an agent for the purpose of maintaining the Register, issuing Common Stock or other securities then issuable upon the exercise of this Warrant, exchanging or transferring this Warrant, or any or all of the foregoing. Thereafter, any such registration, issuance, exchange, or transfer, as the case may be, shall be made at the office of such agent.

4. Reservation of Stock. The Company covenants that, during the term this Warrant is exercisable, the Company will reserve from its authorized and unissued Common Stock or Common Stock held in Treasury a sufficient number of shares to provide for the issuance of Common Stock upon the exercise of this Warrant. The Company further covenants that all shares that may be issued upon the exercise of rights represented by this Warrant, upon exercise of the rights represented by this Warrant and payment of the Exercise Price, all as set forth herein, will be duly authorized, validly issued, fully paid and non-assessable. The Company agrees that its issuance of this Warrant shall constitute full authority to its officers who are charged with the duty of executing stock certificates to execute and issue the necessary certificates for shares of Common Stock upon the exercise of this Warrant.

5. Effects of Certain Events.

5.1 Common Stock Dividends, Subdivisions or Combinations. In case the Company shall (A) pay or make a dividend or other distribution to all holders of its Common Stock in shares of its Common Stock, (B) subdivide, split or reclassify the outstanding shares of its Common Stock into a larger number of shares or (C) combine or reclassify the outstanding shares of its Common Stock into a smaller number of shares, the Exercise Price in effect immediately prior thereto shall be adjusted so that the Holder of this Warrant shall thereafter be entitled to receive upon the exercise of this Warrant, subject to Section 2.5, the number of shares of Common Stock which such Holder would have owned and been entitled to receive had such Warrant been exercised immediately prior to the happening of any of the events described above or, in the case of a stock dividend or other distribution, prior to the

record date for determination of shareholders entitled thereto. An adjustment made pursuant to this Section 5.1 shall become effective immediately after such record date in the case of a dividend or distribution and immediately after the effective date in the case of a subdivision, split, combination or reclassification.

5.2 Distributions of Assets or Securities Other Than Common Stock. In case the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock shares of any of its capital stock (other than Common Stock), rights or warrants to purchase any of its securities (other than those referred to in Section 5.3 below), cash (other than any regular quarterly or semi-annual dividend which the Board of Directors of the Company determines), other assets or evidences of its indebtedness, then in each such case the Exercise Price shall be adjusted by multiplying the Exercise Price in effect immediately prior to the date of such dividend or distribution by a fraction, of which the numerator shall be the Average Market Price per share of Common Stock at the record date for determining shareholders entitled to such dividend or distribution less the fair market value (as determined in good faith by the Board of Directors) of the portion of the securities, cash, assets or evidences of indebtedness so distributed applicable to one share of Common Stock, and of which the denominator shall be such Average Market Price per share. An adjustment made pursuant to this Section 5.2 shall become effective immediately after such record date.

5.3 Below Market Distributions or Issuances. In case the Company shall issue Common Stock (or rights, warrants or other securities convertible into or exchangeable or exercisable for shares of Common Stock) to all holders of Common Stock at a price per share (or having an effective exercise, exchange or conversion price per share) less than the Average Market Price per share of Common Stock at the record date for the determination of shareholders entitled to receive such Common Stock (or rights, warrants or other securities convertible into or exchangeable or exercisable for shares of Common Stock), then in each such case the Exercise Price shall be adjusted by multiplying the Exercise Price in effect immediately prior to the date of issuance of such Common Stock (or rights, warrants or other securities) by a fraction, the numerator of which shall be the sum of (A) the number of shares of Common Stock outstanding on the date of such issuance (without giving effect to any such issuance) and (B) the number of shares which the aggregate consideration receivable by the Company for the total number of shares of Common Stock so issued (or into or for which such rights, warrants or other securities are convertible, exchangeable or exercisable) would purchase at such Average Market Price, and the denominator of which shall be the sum of (A) the number of shares of Common Stock outstanding on the date of such issuance (without giving effect to any such issuance) and (B) the number of additional shares of Common Stock so issued (or into or for which such rights, warrants or other securities are convertible, exchangeable or exercisable). An adjustment made pursuant to this Section 5.3 shall become effective immediately after the record date for determination of shareholders entitled to receive or purchase such Common Stock (or rights, warrants or other securities convertible into or exchangeable or exercisable for shares of Common Stock). For purposes of this Section 5.3, the issuance of any options, rights or warrants or any shares of Common Stock (whether treasury shares or newly issued shares) pursuant to

any employee (including consultants and directors) benefit or stock option or purchase plan or program of the Company shall not be deemed to constitute an issuance of Common Stock or options, rights or warrants to which this Section 5.3 applies. Notwithstanding anything herein to the contrary, no further adjustment to the Exercise Price shall be made (i) upon the issuance or sale of Common Stock upon the exercise of any rights or warrants or (ii) upon the issuance or sale of Common Stock upon conversion or exchange of any convertible securities, if any adjustment in the Exercise Price was made or required to be made upon the issuance or sale of such rights, warrants or securities.

5.4 Repurchases. In case at any time or from time to time the Company or any subsidiary thereof shall repurchase, by self tender offer or otherwise, any shares of Common Stock of the Company at a weighted average purchase price in excess of the Average Market Price on the business day immediately prior to the earliest of the date of such repurchase, the commencement of an offer to repurchase or the public announcement of either (such date being referred to as the "Determination Date"), the Exercise Price in effect as of such Determination Date shall be adjusted by multiplying such Exercise Price by a fraction, the numerator of which shall be (A) the product of (x) the number of shares of Common Stock outstanding on such Determination Date and (y) the Average Market Price of the Common Stock on such Determination Date minus (B) the aggregate purchase price of such repurchase and the denominator of which shall be the product of (x) the number of shares of Common Stock outstanding on such Determination Date minus the number of shares of Common Stock repurchased by the Company or any subsidiary thereof in such repurchase and (y) the Average Market Price of the Common Stock on such Determination Date. For purposes of this clause (iv), the repurchase or repurchases by the Company or any subsidiary thereof within any 12 month period of not more than 15% of the shares of Common Stock outstanding as of the first date of such period, at a price not in excess of 120% of the Average Market Price as of the Determination Date of any such repurchase, shall not be deemed to constitute a repurchase to which this Section 5.4 applies. An adjustment made pursuant to this Section 5.4 shall become effective immediately after the effective date of such repurchase.

6. Certain Reorganizations. In the event of any change, reclassification, conversion, exchange or cancellation of outstanding shares of Common Stock of the Company (other than any reclassification referred to in Section 5.1), whether pursuant to a merger, consolidation, reorganization or otherwise, or the sale or other disposition of all or substantially all of the assets and properties of the Company, this Warrant shall, after such merger, consolidation, reorganization or other transaction, sale or other disposition, be exercisable for the kind and number of shares of stock or other securities or property, of the Company or otherwise, to which the Holder would have been entitled if immediately prior to such event such Holder had exercised this Warrant for Common Stock at the Exercise Price in effect as of the consummation of such event. The provisions of this Section 6 shall similarly apply to successive changes, reclassifications, conversions, exchange or cancellations.

7. No Impairment. Except as permitted by the Merger Agreement, the Company will not, by amendment of its Restated Articles of Incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company, but will at all times in good faith assist in the carrying out of all the provisions of this Warrant and in the taking of all such action as may be necessary or appropriate in order to protect the exercise rights of the Holder hereof against impairment.

8. Calculation of Adjustments. No adjustment in the Exercise Price shall be required unless such adjustment would require an increase or decrease of at least 1% in such price; provided, however, that any adjustments which by reason of this Section 8 are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Warrant shall be made by the Company and shall be made to the nearest cent or to the nearest one hundredth of a share, as the case may be. Anything in this Warrant to the contrary notwithstanding, the Company shall be entitled to make such reductions in the Exercise Price, in addition to those required by this Warrant, as it in its sole discretion shall determine to be advisable in order that any stock dividends, subdivision of shares, distribution of rights to purchase stock or securities, or a distribution of securities convertible into or exchangeable for stock hereafter made by the Company to its shareholders shall not be taxable.

9. Certificate as to Adjustments. Upon the occurrence of each adjustment or readjustment of the Exercise Price pursuant to this Warrant, the Company at its expense shall promptly compute such adjustment or readjustment in accordance with the terms hereof and furnish to the Holder of this Warrant a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The Company shall, upon the written request at any time of the Holder of this Warrant, furnish or cause to be furnished to such Holder a like certificate setting forth (i) such adjustments and readjustments, (ii) the Exercise Price at the time in effect, and (iii) the number of shares of Common Stock and the amount, if any, of other property which at the time would be received upon the exercise of this Warrant; provided, however, that the Company shall not be required to calculate the effect of Section 2.5 upon such exercise.

10. Notices.

10.1 Dilutive Events. In the event that the Company shall propose at any time:

(1) to declare any dividend or distribution upon its Common Stock;

(2) to offer for subscription pro rata to the holders of any class or series of its stock any additional shares of stock of any class or series or other rights; or

(3) to effect any transaction of the type described in Section 6 hereof involving a change in the Common Stock;

then, in connection with each such event, the Company shall send to the Holders of this Warrant:

(A) at least 20 days' prior written notice of the date on which a record shall be taken for such dividend or distribution (and specifying the date on which the holders of Common Stock shall be entitled thereto) or for determining rights to vote in respect of the matters referred to in (1) and (2) above; and

(B) in the case of the matters referred to in (3) above, at least 20 days' prior written notice of the date when the same shall take place (and specifying the time on which the holders of Common Stock shall be entitled to exchange their Common Stock for securities or other property deliverable upon the occurrence of such event).

10.2 Dissolution; Liquidation. In the event of any voluntary or involuntary dissolution, liquidation or winding up of the Company, the Company shall send to the Holder of this Warrant at least 20 days' prior written notice.

10.3 Repurchase Programs. The Company shall send written notice immediately upon any public announcement with respect to an open market repurchase program, any self tender offer for shares of Common Stock and any other repurchase other than a repurchase of stock of an employee or consultant pursuant to any benefit plan or agreement.

11. Amendments. This Warrant may not be amended without the prior written consent of the Holder.

12. Additional Definition. As used herein, the term "Average Market Price" shall mean the average of the Market Prices for the 30 consecutive trading immediately preceding the date in question.

13. Notices. Any notice, certificate or other communication which is required or convenient under the terms of this Warrant shall be duly given if it is in writing and delivered in person or mailed by first class mail, postage prepaid, and directed to the Holder of the Warrant at its address as it appears on the Register or if to the Company to its principal executive offices. The time when such notice is sent shall be the time of the giving of the notice.

14. Time. Where this Warrant provides for a payment or performance on a Saturday or Sunday or a public holiday in the State of Ohio, such payment or performance may be made on the next succeeding business day, without liability of the Company for interest on any such payment.

15. Rules of Construction. In this Warrant, unless the context otherwise requires, words in the singular number include the plural, and in the plural include the singular, and words of the masculine gender include the feminine and the neuter, and when the sense so indicates, words of the neuter gender may refer to any gender. The numbers and titles of sections contained in this Warrant are inserted for convenience of reference only, and they neither form a part of this Warrant nor are they to be used in the construction or interpretation hereof.

16. Governing Law. This Warrant shall be construed in accordance with and governed by the law of the State of Ohio.

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by its officer thereto duly authorized.

THE SCOTTS COMPANY

By: _____
Name:
Title:

Assignment of Warrant

The undersigned hereby sell(s) and assign(s) and transfer(s) unto

(name, address and SSN or EIN of assignee)
of this Warrant.

(portion of Warrant)

Date: -----

Sign: -----

(Signature must conform in all respects to
name of Holder shown on face of Warrant)

Signature Guaranteed:

Notice of Exercise

[To be completed and signed only upon exercise of Warrant]

The undersigned, the Holder of this Warrant, hereby irrevocably elects to exercise the right to purchase Common Stock, without par value, of The Scotts Company as follows:

 (whole number of Warrants exercised)
 Dollars (\$))

 (number of Warrants exercised times Exercise Price)
 Shares ()

 Dollars (\$))

 (number of shares and Market Price of Common
 Stock in cashless exercise)

[Signature must be guaranteed if name of holder of shares differs from registered Holder of Warrant]

 (name of holder of shares if different than Holder
 of Warrant)

 (address of holder of shares if different than
 address of Holder of Warrant)

 (Social Security or EIN of holder of shares if
 different than Holder of Warrant)

Date: -----

Sign: -----
(Signature must conform in all respects to name of Holder shown on face of this Warrant)

Signature Guaranteed:

RECEIPT FOR WARRANTS

Each of the undersigned individuals hereby acknowledges receipt from The Scotts Company (the "Company") on this [31]st day of [March], 1995, of a separate warrant for the purchase of that number of common shares of the Company indicated opposite the signature of each undersigned individual, respectively, subject to the terms and conditions contained in the warrant.

SIGNATURE - -----	NUMBER OF SHARES -----
- ----- Horace Hagedorn	
- ----- James Hagedorn	
- ----- Katherine Hagedorn Littlefield	
- ----- Paul Hagedorn	
- ----- Robert Hagedorn	
- ----- Susan Hagedorn	
- ----- John Kenlon	

31], 1995 and ending at 5:00 p.m., Eastern time, on the date eight years and six months after the Warrant Issue Date, and shall be void thereafter.

2. Exercise of Warrant.

2.1 Method. The purchase rights represented by this Warrant are exercisable by the Holder in whole or in part, at any time, or from time to time, during the term hereof as described in Section 1 above and subject to Section 2.5, by the surrender of this Warrant and the Notice of Exercise annexed hereto duly completed and executed by the Holder at the principal executive office of the Company at 14111 Scottslawn Road, Marysville, Ohio 43041 (or such other office or agency of the Company as it may designate by notice in writing to the Holder), upon payment in cash or by wire transfer to a bank account designated by the Company or by a certified or cashier's check of the aggregate Exercise Price of the shares to be purchased; provided, however, that, in lieu of cash, such Holder may pay such Exercise Price by exchanging shares of Common Stock having an aggregate Market Price equal to the aggregate Exercise Price or by reducing the number of shares of Common Stock such Holder would otherwise be entitled to upon such exercise by a number of shares of Common Stock having an aggregate Market Price equal to the aggregate Exercise Price.

2.2 Effect. This Warrant shall be deemed to have been exercised at the time of its surrender for exercise together with full payment as provided above, and the person entitled to receive the shares of Common Stock issuable upon such exercise shall be treated for all purposes as the holder of record of such shares at and after such time. As promptly as practicable on or after such date the Company at its expense shall issue to the person entitled to receive the same a certificate for the number of shares of Common Stock issuable upon such exercise. If this Warrant is exercised in part, the Company at its expense will execute and deliver a new Warrant exercisable for the number of shares for which this Warrant may then be exercised.

2.3 Holder Not a Shareholder. The Holder shall neither be entitled to vote nor receive dividends nor be deemed the holder of Common Stock or any other securities of the Company that may at any time be issuable on the exercise hereof for any purpose until the Warrant has been exercised for shares of Common Stock as provided in this Section 2.

2.4 No Fractional Shares or Scrip. No fractional shares or scrip representing fractional shares of Common Stock shall be issued upon the exercise of this Warrant. In lieu of any fractional share to which the Holder would otherwise be entitled, the Company shall make a cash payment equal to the Exercise Price multiplied by such fraction.

2.5 Exercise for Cash in Certain Circumstances. Notwithstanding the foregoing, (a) until the fifth anniversary of the Warrant Issue Date, in the event, and to the

extent that, the exercise of this Warrant would cause the Total Voting Power of the Shareholders to exceed the Standstill Percentage, this Warrant shall not be exercisable for shares of Common Stock but rather shall be exercisable solely for the difference at the time of exercise between the Market Price and the Exercise Price at such time and (b) thereafter, in the event, and to the extent that, the exercise of this Warrant would cause the Total Voting Power of the Shareholders to exceed 49%, this Warrant shall not be exercisable for shares of Common Stock but rather shall be exercisable solely for the difference at the time of exercise between the Market Price and the Exercise Price at such time.

3. Registered Warrants.

3.1 Series. This Warrant is one of a series of Warrants, designated as Series B, which are identical except as to the number of shares of Common Stock purchasable and as to any restriction on the transfer thereof in order to comply with the Securities Act of 1933 (the "Act") and the regulations of the Securities and Exchange Commission promulgated thereunder or state securities or blue sky laws. Such Warrants are referred to herein collectively as the "Warrants."

3.2 Record Ownership. The Company shall maintain a register of the Holders of the Warrants (the "Register") showing their names and addresses and the serial numbers and number of Common Shares purchasable, issued to or transferred of record by them from time to time. The Register may be maintained in electronic, magnetic or other computerized form. The Company may treat the person named as the Holder of this Warrant in the Register as the sole owner of this Warrant. The Holder of this Warrant is the person exclusively entitled to receive notifications with respect to this Warrant, exercise it to purchase shares of Common Stock and otherwise exercise all of the rights and powers as the absolute owner hereof.

3.3 Registration of Transfer. To the extent permitted under the Merger Agreement, transfers of this Warrant may be registered on the Register. Transfers shall be registered when this Warrant is presented to the Company duly endorsed with a request to register the transfer hereof in accordance with the terms of the Merger Agreement. When this Warrant is presented for transfer and duly transferred hereunder, it shall be cancelled and a new Warrant showing the name of the transferee as the Holder thereof shall be issued in lieu hereof. No transfer of this Warrant may take place except in accordance with the terms of the Merger Agreement.

3.4 Worn and Lost Warrants. If this Warrant becomes worn, defaced or mutilated but is still substantially intact and recognizable, the Company or its agent may issue a new Warrant in lieu hereof upon its surrender. If this Warrant is lost, destroyed or wrongfully taken, the Company shall issue a new Warrant in place of the original Warrant if the Holder so requests by written notice to the Company and the Holder has delivered to

the Company an indemnity agreement reasonably satisfactory to the Company with an affidavit of the Holder that this Warrant has been lost, destroyed or wrongfully taken.

3.5 Restrictions on Transfer. (a) This Warrant and the Common Stock issuable upon the exercise hereof have been registered under the Act on Form S-4, and therefore this Warrant and the Common Stock issuable upon the exercise of this Warrant may not be offered for sale, sold or otherwise transferred unless such offer, sale or other transfer complies with Rule 145 under the Act and is otherwise registered under the appropriate state securities or Blue Sky laws or such transfer is exempt from such registration.

(b) No transfer of this Warrant or the Common Stock issuable upon the exercise hereof may be made except in accordance with the terms of the Merger Agreement.

3.6 Warrant Agent. The Company may, by written notice to the Holder, appoint an agent for the purpose of maintaining the Register, issuing Common Stock or other securities then issuable upon the exercise of this Warrant, exchanging or transferring this Warrant, or any or all of the foregoing. Thereafter, any such registration, issuance, exchange, or transfer, as the case may be, shall be made at the office of such agent.

4. Reservation of Stock. The Company covenants that, during the term this Warrant is exercisable, the Company will reserve from its authorized and unissued Common Stock or Common Stock held in Treasury a sufficient number of shares to provide for the issuance of Common Stock upon the exercise of this Warrant. The Company further covenants that all shares that may be issued upon the exercise of rights represented by this Warrant, upon exercise of the rights represented by this Warrant and payment of the Exercise Price, all as set forth herein, will be duly authorized, validly issued, fully paid and non-assessable. The Company agrees that its issuance of this Warrant shall constitute full authority to its officers who are charged with the duty of executing stock certificates to execute and issue the necessary certificates for shares of Common Stock upon the exercise of this Warrant.

5. Effects of Certain Events.

5.1 Common Stock Dividends, Subdivisions or Combinations. In case the Company shall (A) pay or make a dividend or other distribution to all holders of its Common Stock in shares of its Common Stock, (B) subdivide, split or reclassify the outstanding shares of its Common Stock into a larger number of shares or (C) combine or reclassify the outstanding shares of its Common Stock into a smaller number of shares, the Exercise Price in effect immediately prior thereto shall be adjusted so that the Holder of this Warrant shall thereafter be entitled to receive upon the exercise of this Warrant, subject to Section 2.5, the number of shares of Common Stock which such Holder would have owned and been entitled to receive had such Warrant been exercised immediately prior to the happening of any of the

events described above or, in the case of a stock dividend or other distribution, prior to the record date for determination of shareholders entitled thereto. An adjustment made pursuant to this Section 5.1 shall become effective immediately after such record date in the case of a dividend or distribution and immediately after the effective date in the case of a subdivision, split, combination or reclassification.

5.2 Distributions of Assets or Securities Other Than Common Stock.

In case the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock shares of any of its capital stock (other than Common Stock), rights or warrants to purchase any of its securities (other than those referred to in Section 5.3 below), cash (other than any regular quarterly or semi-annual dividend which the Board of Directors of the Company determines), other assets or evidences of its indebtedness, then in each such case the Exercise Price shall be adjusted by multiplying the Exercise Price in effect immediately prior to the date of such dividend or distribution by a fraction, of which the numerator shall be the Average Market Price per share of Common Stock at the record date for determining shareholders entitled to such dividend or distribution less the fair market value (as determined in good faith by the Board of Directors) of the portion of the securities, cash, assets or evidences of indebtedness so distributed applicable to one share of Common Stock, and of which the denominator shall be such Average Market Price per share. An adjustment made pursuant to this Section 5.2 shall become effective immediately after such record date.

5.3 Below Market Distributions or Issuances.

In case the Company shall issue Common Stock (or rights, warrants or other securities convertible into or exchangeable or exercisable for shares of Common Stock) to all holders of Common Stock at a price per share (or having an effective exercise, exchange or conversion price per share) less than the Average Market Price per share of Common Stock at the record date for the determination of shareholders entitled to receive such Common Stock (or rights, warrants or other securities convertible into or exchangeable or exercisable for shares of Common Stock), then in each such case the Exercise Price shall be adjusted by multiplying the Exercise Price in effect immediately prior to the date of issuance of such Common Stock (or rights, warrants or other securities) by a fraction, the numerator of which shall be the sum of (A) the number of shares of Common Stock outstanding on the date of such issuance (without giving effect to any such issuance) and (B) the number of shares which the aggregate consideration receivable by the Company for the total number of shares of Common Stock so issued (or into or for which such rights, warrants or other securities are convertible, exchangeable or exercisable) would purchase at such Average Market Price, and the denominator of which shall be the sum of (A) the number of shares of Common Stock outstanding on the date of such issuance (without giving effect to any such issuance) and (B) the number of additional shares of Common Stock so issued (or into or for which such rights, warrants or other securities are convertible, exchangeable or exercisable). An adjustment made pursuant to this Section 5.3 shall become effective immediately after the record date for determination of shareholders entitled to receive or purchase such Common Stock (or rights, warrants or other securities convertible into or exchangeable or exercisable for shares of Common

Stock). For purposes of this Section 5.3, the issuance of any options, rights or warrants or any shares of Common Stock (whether treasury shares or newly issued shares) pursuant to any employee (including consultants and directors) benefit or stock option or purchase plan or program of the Company shall not be deemed to constitute an issuance of Common Stock or options, rights or warrants to which this Section 5.3 applies. Notwithstanding anything herein to the contrary, no further adjustment to the Exercise Price shall be made (i) upon the issuance or sale of Common Stock upon the exercise of any rights or warrants or (ii) upon the issuance or sale of Common Stock upon conversion or exchange of any convertible securities, if any adjustment in the Exercise Price was made or required to be made upon the issuance or sale of such rights, warrants or securities.

5.4 Repurchases. In case at any time or from time to time the Company or any subsidiary thereof shall repurchase, by self tender offer or otherwise, any shares of Common Stock of the Company at a weighted average purchase price in excess of the Average Market Price on the business day immediately prior to the earliest of the date of such repurchase, the commencement of an offer to repurchase or the public announcement of either (such date being referred to as the "Determination Date"), the Exercise Price in effect as of such Determination Date shall be adjusted by multiplying such Exercise Price by a fraction, the numerator of which shall be (A) the product of (x) the number of shares of Common Stock outstanding on such Determination Date and (y) the Average Market Price of the Common Stock on such Determination Date minus (B) the aggregate purchase price of such repurchase and the denominator of which shall be the product of (x) the number of shares of Common Stock outstanding on such Determination Date minus the number of shares of Common Stock repurchased by the Company or any subsidiary thereof in such repurchase and (y) the Average Market Price of the Common Stock on such Determination Date. For purposes of this clause (iv), the repurchase or repurchases by the Company or any subsidiary thereof within any 12 month period of not more than 15% of the shares of Common Stock outstanding as of the first date of such period, at a price not in excess of 120% of the Average Market Price as of the Determination Date of any such repurchase, shall not be deemed to constitute a repurchase to which this Section 5.4 applies. An adjustment made pursuant to this Section 5.4 shall become effective immediately after the effective date of such repurchase.

6. Certain Reorganizations. In the event of any change, reclassification, conversion, exchange or cancellation of outstanding shares of Common Stock of the Company (other than any reclassification referred to in Section 5.1), whether pursuant to a merger, consolidation, reorganization or otherwise, or the sale or other disposition of all or substantially all of the assets and properties of the Company, this Warrant shall, after such merger, consolidation, reorganization or other transaction, sale or other disposition, be exercisable for the kind and number of shares of stock or other securities or property, of the Company or otherwise, to which the Holder would have been entitled if immediately prior to such event such Holder had exercised this Warrant for Common Stock at the Exercise Price in effect as of the consummation of such event. The provisions of this Section 6 shall

similarly apply to successive changes, reclassifications, conversions, exchange or cancellations.

7. No Impairment. Except as permitted by the Merger Agreement, the Company will not, by amendment of its Restated Articles of Incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company, but will at all times in good faith assist in the carrying out of all the provisions of this Warrant and in the taking of all such action as may be necessary or appropriate in order to protect the exercise rights of the Holder hereof against impairment.

8. Calculation of Adjustments. No adjustment in the Exercise Price shall be required unless such adjustment would require an increase or decrease of at least 1% in such price; provided, however, that any adjustments which by reason of this Section 8 are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Warrant shall be made by the Company and shall be made to the nearest cent or to the nearest one hundredth of a share, as the case may be. Anything in this Warrant to the contrary notwithstanding, the Company shall be entitled to make such reductions in the Exercise Price, in addition to those required by this Warrant, as it in its sole discretion shall determine to be advisable in order that any stock dividends, subdivision of shares, distribution of rights to purchase stock or securities, or a distribution of securities convertible into or exchangeable for stock hereafter made by the Company to its shareholders shall not be taxable.

9. Certificate as to Adjustments. Upon the occurrence of each adjustment or readjustment of the Exercise Price pursuant to this Warrant, the Company at its expense shall promptly compute such adjustment or readjustment in accordance with the terms hereof and furnish to the Holder of this Warrant a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The Company shall, upon the written request at any time of the Holder of this Warrant, furnish or cause to be furnished to such Holder a like certificate setting forth (i) such adjustments and readjustments, (ii) the Exercise Price at the time in effect, and (iii) the number of shares of Common Stock and the amount, if any, of other property which at the time would be received upon the exercise of this Warrant; provided, however, that the Company shall not be required to calculate the effect of Section 2.5 upon such exercise.

10. Notices.

10.1 Dilutive Events. In the event that the Company shall propose at any time:

(1) to declare any dividend or distribution upon its Common Stock;

(2) to offer for subscription pro rata to the holders of any class or series of its stock any additional shares of stock of any class or series or other rights; or

(3) to effect any transaction of the type described in Section 6 hereof involving a change in the Common Stock;

then, in connection with each such event, the Company shall send to the Holders of this Warrant:

(A) at least 20 days' prior written notice of the date on which a record shall be taken for such dividend or distribution (and specifying the date on which the holders of Common Stock shall be entitled thereto) or for determining rights to vote in respect of the matters referred to in (1) and (2) above; and

(B) in the case of the matters referred to in (3) above, at least 20 days' prior written notice of the date when the same shall take place (and specifying the time on which the holders of Common Stock shall be entitled to exchange their Common Stock for securities or other property deliverable upon the occurrence of such event).

10.2 Dissolution; Liquidation. In the event of any voluntary or involuntary dissolution, liquidation or winding up of the Company, the Company shall send to the Holder of this Warrant at least 20 days' prior written notice.

10.3 Repurchase Programs. The Company shall send written notice immediately upon any public announcement with respect to an open market repurchase program, any self tender offer for shares of Common Stock and any other repurchase other than a repurchase of stock of an employee or consultant pursuant to any benefit plan or agreement.

11. Amendments. This Warrant may not be amended without the prior written consent of the Holder.

12. Additional Definition. As used herein, the term "Average Market Price" shall mean the average of the Market Prices for the 30 consecutive trading immediately preceding the date in question.

13. Notices. Any notice, certificate or other communication which is required or convenient under the terms of this Warrant shall be duly given if it is in writing and delivered in person or mailed by first class mail, postage prepaid, and directed to the Holder of the Warrant at its address as it appears on the Register or if to the Company to its principal executive offices. The time when such notice is sent shall be the time of the giving of the notice.

14. Time. Where this Warrant provides for a payment or performance on a Saturday or Sunday or a public holiday in the State of Ohio, such payment or performance may be made on the next succeeding business day, without liability of the Company for interest on any such payment.

15. Rules of Construction. In this Warrant, unless the context otherwise requires, words in the singular number include the plural, and in the plural include the singular, and words of the masculine gender include the feminine and the neuter, and when the sense so indicates, words of the neuter gender may refer to any gender. The numbers and titles of sections contained in this Warrant are inserted for convenience of reference only, and they neither form a part of this Warrant nor are they to be used in the construction or interpretation hereof.

16. Governing Law. This Warrant shall be construed in accordance with and governed by the law of the State of Ohio.

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by its officer thereto duly authorized.

THE SCOTTS COMPANY

By: _____
Name:
Title:

Assignment of Warrant

The undersigned hereby sell(s) and assign(s) and transfer(s) unto _____

(name, address and SSN or EIN of assignee)

_____ of this Warrant.
(portion of Warrant)

Date: _____

Sign: _____

(Signature must conform in all respects to
name of Holder shown on face of Warrant)

Signature Guaranteed:

Notice of Exercise

[To be completed and signed only upon exercise of Warrant]

The undersigned, the Holder of this Warrant, hereby irrevocably elects to exercise the right to purchase Common Stock, without par value, of The Scotts Company as follows:

 (whole number of Warrants exercised)
 Dollars (\$))

 (number of Warrants exercised times Exercise Price)

 Shares ()

 Dollars (\$))

 (number of shares and Market Price of Common Stock
 in cashless exercise)

[Signature must be guaranteed if name of holder of shares differs from registered Holder of Warrant]

 (name of holder of shares if different than Holder
 of Warrant)

 (address of holder of shares if different than
 address of Holder of Warrant)

 (Social Security or EIN of holder of shares if
 different than Holder of Warrant)

Date: _____

Sign: _____

(Signature must conform in all respects to name of Holder shown on face of this Warrant)

Signature Guaranteed:

RECEIPT FOR WARRANTS

Each of the undersigned individuals hereby acknowledges receipt from The Scotts Company (the "Company") on this [31]st day of [March], 1995, of a separate warrant for the purchase of that number of common shares of the Company indicated opposite the signature of each undersigned individual, respectively, subject to the terms and conditions contained in the warrant.

SIGNATURE - - - - -	NUMBER OF SHARES - - - - -
- - - - - Horace Hagedorn	
- - - - - James Hagedorn	
- - - - - Katherine Hagedorn Littlefield	
- - - - - Paul Hagedorn	
- - - - - Robert Hagedorn	
- - - - - Susan Hagedorn	
- - - - - John Kenlon	

31], 1995 and ending at 5:00 p.m., Eastern time, on the date eight years and six months after the Warrant Issue Date, and shall be void thereafter.

2. Exercise of Warrant.

2.1 Method. The purchase rights represented by this Warrant are exercisable by the Holder in whole or in part, at any time, or from time to time, during the term hereof as described in Section 1 above and subject to Section 2.5, by the surrender of this Warrant and the Notice of Exercise annexed hereto duly completed and executed by the Holder at the principal executive office of the Company at 14111 Scottslawn Road, Marysville, Ohio 43041 (or such other office or agency of the Company as it may designate by notice in writing to the Holder), upon payment in cash or by wire transfer to a bank account designated by the Company or by a certified or cashier's check of the aggregate Exercise Price of the shares to be purchased; provided, however, that, in lieu of cash, such Holder may pay such Exercise Price by exchanging shares of Common Stock having an aggregate Market Price equal to the aggregate Exercise Price or by reducing the number of shares of Common Stock such Holder would otherwise be entitled to upon such exercise by a number of shares of Common Stock having an aggregate Market Price equal to the aggregate Exercise Price.

2.2 Effect. This Warrant shall be deemed to have been exercised at the time of its surrender for exercise together with full payment as provided above, and the person entitled to receive the shares of Common Stock issuable upon such exercise shall be treated for all purposes as the holder of record of such shares at and after such time. As promptly as practicable on or after such date the Company at its expense shall issue to the person entitled to receive the same a certificate for the number of shares of Common Stock issuable upon such exercise. If this Warrant is exercised in part, the Company at its expense will execute and deliver a new Warrant exercisable for the number of shares for which this Warrant may then be exercised.

2.3 Holder Not a Shareholder. The Holder shall neither be entitled to vote nor receive dividends nor be deemed the holder of Common Stock or any other securities of the Company that may at any time be issuable on the exercise hereof for any purpose until the Warrant has been exercised for shares of Common Stock as provided in this Section 2.

2.4 No Fractional Shares or Scrip. No fractional shares or scrip representing fractional shares of Common Stock shall be issued upon the exercise of this Warrant. In lieu of any fractional share to which the Holder would otherwise be entitled, the Company shall make a cash payment equal to the Exercise Price multiplied by such fraction.

2.5 Exercise for Cash in Certain Circumstances. Notwithstanding the foregoing, (a) until the fifth anniversary of the Warrant Issue Date, in the event, and to the

extent that, the exercise of this Warrant would cause the Total Voting Power of the Shareholders to exceed the Standstill Percentage, this Warrant shall not be exercisable for shares of Common Stock but rather shall be exercisable solely for the difference at the time of exercise between the Market Price and the Exercise Price at such time and (b) thereafter, in the event, and to the extent that, the exercise of this Warrant would cause the Total Voting Power of the Shareholders to exceed 49%, this Warrant shall not be exercisable for shares of Common Stock but rather shall be exercisable solely for the difference at the time of exercise between the Market Price and the Exercise Price at such time.

3. Registered Warrants.

3.1 Series. This Warrant is one of a series of Warrants, designated as Series C, which are identical except as to the number of shares of Common Stock purchasable and as to any restriction on the transfer thereof in order to comply with the Securities Act of 1933 (the "Act") and the regulations of the Securities and Exchange Commission promulgated thereunder or state securities or blue sky laws. Such Warrants are referred to herein collectively as the "Warrants."

3.2 Record Ownership. The Company shall maintain a register of the Holders of the Warrants (the "Register") showing their names and addresses and the serial numbers and number of Common Shares purchasable, issued to or transferred of record by them from time to time. The Register may be maintained in electronic, magnetic or other computerized form. The Company may treat the person named as the Holder of this Warrant in the Register as the sole owner of this Warrant. The Holder of this Warrant is the person exclusively entitled to receive notifications with respect to this Warrant, exercise it to purchase shares of Common Stock and otherwise exercise all of the rights and powers as the absolute owner hereof.

3.3 Registration of Transfer. To the extent permitted under the Merger Agreement, transfers of this Warrant may be registered on the Register. Transfers shall be registered when this Warrant is presented to the Company duly endorsed with a request to register the transfer hereof in accordance with the terms of the Merger Agreement. When this Warrant is presented for transfer and duly transferred hereunder, it shall be cancelled and a new Warrant showing the name of the transferee as the Holder thereof shall be issued in lieu hereof. No transfer of this Warrant may take place except in accordance with the terms of the Merger Agreement.

3.4 Worn and Lost Warrants. If this Warrant becomes worn, defaced or mutilated but is still substantially intact and recognizable, the Company or its agent may issue a new Warrant in lieu hereof upon its surrender. If this Warrant is lost, destroyed or wrongfully taken, the Company shall issue a new Warrant in place of the original Warrant if the Holder so requests by written notice to the Company and the Holder has delivered to

the Company an indemnity agreement reasonably satisfactory to the Company with an affidavit of the Holder that this Warrant has been lost, destroyed or wrongfully taken.

3.5 Restrictions on Transfer. (a) This Warrant and the Common Stock issuable upon the exercise hereof have been registered under the Act on Form S-4, and therefore this Warrant and the Common Stock issuable upon the exercise of this Warrant may not be offered for sale, sold or otherwise transferred unless such offer, sale or other transfer complies with Rule 145 under the Act and is otherwise registered under the appropriate state securities or Blue Sky laws or such transfer is exempt from such registration.

(b) No transfer of this Warrant or the Common Stock issuable upon the exercise hereof may be made except in accordance with the terms of the Merger Agreement.

3.6 Warrant Agent. The Company may, by written notice to the Holder, appoint an agent for the purpose of maintaining the Register, issuing Common Stock or other securities then issuable upon the exercise of this Warrant, exchanging or transferring this Warrant, or any or all of the foregoing. Thereafter, any such registration, issuance, exchange, or transfer, as the case may be, shall be made at the office of such agent.

4. Reservation of Stock. The Company covenants that, during the term this Warrant is exercisable, the Company will reserve from its authorized and unissued Common Stock or Common Stock held in Treasury a sufficient number of shares to provide for the issuance of Common Stock upon the exercise of this Warrant. The Company further covenants that all shares that may be issued upon the exercise of rights represented by this Warrant, upon exercise of the rights represented by this Warrant and payment of the Exercise Price, all as set forth herein, will be duly authorized, validly issued, fully paid and non-assessable. The Company agrees that its issuance of this Warrant shall constitute full authority to its officers who are charged with the duty of executing stock certificates to execute and issue the necessary certificates for shares of Common Stock upon the exercise of this Warrant.

5. Effects of Certain Events.

5.1 Common Stock Dividends, Subdivisions or Combinations. In case the Company shall (A) pay or make a dividend or other distribution to all holders of its Common Stock in shares of its Common Stock, (B) subdivide, split or reclassify the outstanding shares of its Common Stock into a larger number of shares or (C) combine or reclassify the outstanding shares of its Common Stock into a smaller number of shares, the Exercise Price in effect immediately prior thereto shall be adjusted so that the Holder of this Warrant shall thereafter be entitled to receive upon the exercise of this Warrant, subject to Section 2.5, the number of shares of Common Stock which such Holder would have owned and been entitled to receive had such Warrant been exercised immediately prior to the happening of any of the

events described above or, in the case of a stock dividend or other distribution, prior to the record date for determination of shareholders entitled thereto. An adjustment made pursuant to this Section 5.1 shall become effective immediately after such record date in the case of a dividend or distribution and immediately after the effective date in the case of a subdivision, split, combination or reclassification.

5.2 Distributions of Assets or Securities Other Than Common Stock. In case the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock shares of any of its capital stock (other than Common Stock), rights or warrants to purchase any of its securities (other than those referred to in Section 5.3 below), cash (other than any regular quarterly or semi-annual dividend which the Board of Directors of the Company determines), other assets or evidences of its indebtedness, then in each such case the Exercise Price shall be adjusted by multiplying the Exercise Price in effect immediately prior to the date of such dividend or distribution by a fraction, of which the numerator shall be the Average Market Price per share of Common Stock at the record date for determining shareholders entitled to such dividend or distribution less the fair market value (as determined in good faith by the Board of Directors) of the portion of the securities, cash, assets or evidences of indebtedness so distributed applicable to one share of Common Stock, and of which the denominator shall be such Average Market Price per share. An adjustment made pursuant to this Section 5.2 shall become effective immediately after such record date.

5.3 Below Market Distributions or Issuances. In case the Company shall issue Common Stock (or rights, warrants or other securities convertible into or exchangeable or exercisable for shares of Common Stock) to all holders of Common Stock at a price per share (or having an effective exercise, exchange or conversion price per share) less than the Average Market Price per share of Common Stock at the record date for the determination of shareholders entitled to receive such Common Stock (or rights, warrants or other securities convertible into or exchangeable or exercisable for shares of Common Stock), then in each such case the Exercise Price shall be adjusted by multiplying the Exercise Price in effect immediately prior to the date of issuance of such Common Stock (or rights, warrants or other securities) by a fraction, the numerator of which shall be the sum of (A) the number of shares of Common Stock outstanding on the date of such issuance (without giving effect to any such issuance) and (B) the number of shares which the aggregate consideration receivable by the Company for the total number of shares of Common Stock so issued (or into or for which such rights, warrants or other securities are convertible, exchangeable or exercisable) would purchase at such Average Market Price, and the denominator of which shall be the sum of (A) the number of shares of Common Stock outstanding on the date of such issuance (without giving effect to any such issuance) and (B) the number of additional shares of Common Stock so issued (or into or for which such rights, warrants or other securities are convertible, exchangeable or exercisable). An adjustment made pursuant to this Section 5.3 shall become effective immediately after the record date for determination of shareholders entitled to receive or purchase such Common Stock (or rights, warrants or other securities convertible into or exchangeable or exercisable for shares of Common

Stock). For purposes of this Section 5.3, the issuance of any options, rights or warrants or any shares of Common Stock (whether treasury shares or newly issued shares) pursuant to any employee (including consultants and directors) benefit or stock option or purchase plan or program of the Company shall not be deemed to constitute an issuance of Common Stock or options, rights or warrants to which this Section 5.3 applies. Notwithstanding anything herein to the contrary, no further adjustment to the Exercise Price shall be made (i) upon the issuance or sale of Common Stock upon the exercise of any rights or warrants or (ii) upon the issuance or sale of Common Stock upon conversion or exchange of any convertible securities, if any adjustment in the Exercise Price was made or required to be made upon the issuance or sale of such rights, warrants or securities.

5.4 Repurchases. In case at any time or from time to time the Company or any subsidiary thereof shall repurchase, by self tender offer or otherwise, any shares of Common Stock of the Company at a weighted average purchase price in excess of the Average Market Price on the business day immediately prior to the earliest of the date of such repurchase, the commencement of an offer to repurchase or the public announcement of either (such date being referred to as the "Determination Date"), the Exercise Price in effect as of such Determination Date shall be adjusted by multiplying such Exercise Price by a fraction, the numerator of which shall be (A) the product of (x) the number of shares of Common Stock outstanding on such Determination Date and (y) the Average Market Price of the Common Stock on such Determination Date minus (B) the aggregate purchase price of such repurchase and the denominator of which shall be the product of (x) the number of shares of Common Stock outstanding on such Determination Date minus the number of shares of Common Stock repurchased by the Company or any subsidiary thereof in such repurchase and (y) the Average Market Price of the Common Stock on such Determination Date. For purposes of this clause (iv), the repurchase or repurchases by the Company or any subsidiary thereof within any 12 month period of not more than 15% of the shares of Common Stock outstanding as of the first date of such period, at a price not in excess of 120% of the Average Market Price as of the Determination Date of any such repurchase, shall not be deemed to constitute a repurchase to which this Section 5.4 applies. An adjustment made pursuant to this Section 5.4 shall become effective immediately after the effective date of such repurchase.

6. Certain Reorganizations. In the event of any change, reclassification, conversion, exchange or cancellation of outstanding shares of Common Stock of the Company (other than any reclassification referred to in Section 5.1), whether pursuant to a merger, consolidation, reorganization or otherwise, or the sale or other disposition of all or substantially all of the assets and properties of the Company, this Warrant shall, after such merger, consolidation, reorganization or other transaction, sale or other disposition, be exercisable for the kind and number of shares of stock or other securities or property, of the Company or otherwise, to which the Holder would have been entitled if immediately prior to such event such Holder had exercised this Warrant for Common Stock at the Exercise Price in effect as of the consummation of such event. The provisions of this Section 6 shall

similarly apply to successive changes, reclassifications, conversions, exchange or cancellations.

7. No Impairment. Except as permitted by the Merger Agreement, the Company will not, by amendment of its Restated Articles of Incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company, but will at all times in good faith assist in the carrying out of all the provisions of this Warrant and in the taking of all such action as may be necessary or appropriate in order to protect the exercise rights of the Holder hereof against impairment.

8. Calculation of Adjustments. No adjustment in the Exercise Price shall be required unless such adjustment would require an increase or decrease of at least 1% in such price; provided, however, that any adjustments which by reason of this Section 8 are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Warrant shall be made by the Company and shall be made to the nearest cent or to the nearest one hundredth of a share, as the case may be. Anything in this Warrant to the contrary notwithstanding, the Company shall be entitled to make such reductions in the Exercise Price, in addition to those required by this Warrant, as it in its sole discretion shall determine to be advisable in order that any stock dividends, subdivision of shares, distribution of rights to purchase stock or securities, or a distribution of securities convertible into or exchangeable for stock hereafter made by the Company to its shareholders shall not be taxable.

9. Certificate as to Adjustments. Upon the occurrence of each adjustment or readjustment of the Exercise Price pursuant to this Warrant, the Company at its expense shall promptly compute such adjustment or readjustment in accordance with the terms hereof and furnish to the Holder of this Warrant a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The Company shall, upon the written request at any time of the Holder of this Warrant, furnish or cause to be furnished to such Holder a like certificate setting forth (i) such adjustments and readjustments, (ii) the Exercise Price at the time in effect, and (iii) the number of shares of Common Stock and the amount, if any, of other property which at the time would be received upon the exercise of this Warrant; provided, however, that the Company shall not be required to calculate the effect of Section 2.5 upon such exercise.

10. Notices.

10.1 Dilutive Events. In the event that the Company shall propose at any time:

(1) to declare any dividend or distribution upon its Common Stock;

(2) to offer for subscription pro rata to the holders of any class or series of its stock any additional shares of stock of any class or series or other rights; or

(3) to effect any transaction of the type described in Section 6 hereof involving a change in the Common Stock;

then, in connection with each such event, the Company shall send to the Holders of this Warrant:

(A) at least 20 days' prior written notice of the date on which a record shall be taken for such dividend or distribution (and specifying the date on which the holders of Common Stock shall be entitled thereto) or for determining rights to vote in respect of the matters referred to in (1) and (2) above; and

(B) in the case of the matters referred to in (3) above, at least 20 days' prior written notice of the date when the same shall take place (and specifying the time on which the holders of Common Stock shall be entitled to exchange their Common Stock for securities or other property deliverable upon the occurrence of such event).

10.2 Dissolution; Liquidation. In the event of any voluntary or involuntary dissolution, liquidation or winding up of the Company, the Company shall send to the Holder of this Warrant at least 20 days' prior written notice.

10.3 Repurchase Programs. The Company shall send written notice immediately upon any public announcement with respect to an open market repurchase program, any self tender offer for shares of Common Stock and any other repurchase other than a repurchase of stock of an employee or consultant pursuant to any benefit plan or agreement.

11. Amendments. This Warrant may not be amended without the prior written consent of the Holder.

12. Additional Definition. As used herein, the term "Average Market Price" shall mean the average of the Market Prices for the 30 consecutive trading immediately preceding the date in question.

13. Notices. Any notice, certificate or other communication which is required or convenient under the terms of this Warrant shall be duly given if it is in writing and delivered in person or mailed by first class mail, postage prepaid, and directed to the Holder of the Warrant at its address as it appears on the Register or if to the Company to its principal executive offices. The time when such notice is sent shall be the time of the giving of the notice.

14. Time. Where this Warrant provides for a payment or performance on a Saturday or Sunday or a public holiday in the State of Ohio, such payment or performance may be made on the next succeeding business day, without liability of the Company for interest on any such payment.

15. Rules of Construction. In this Warrant, unless the context otherwise requires, words in the singular number include the plural, and in the plural include the singular, and words of the masculine gender include the feminine and the neuter, and when the sense so indicates, words of the neuter gender may refer to any gender. The numbers and titles of sections contained in this Warrant are inserted for convenience of reference only, and they neither form a part of this Warrant nor are they to be used in the construction or interpretation hereof.

16. Governing Law. This Warrant shall be construed in accordance with and governed by the law of the State of Ohio.

IN WITNESS WHEREOF, the Company has caused this warrant to be executed by its officer thereto duly authorized.

THE SCOTTS COMPANY

By: _____
Name:
Title:

Assignment of Warrant

The undersigned hereby sell(s) and assign(s) and transfer(s) unto

(name, address and SSN or EIN of assignee)
of this Warrant.

(portion of Warrant)

Date: _____

Sign: _____

(Signature must conform in all respects
to name of Holder shown on face of
Warrant)

Signature Guaranteed:

Notice of Exercise

[To be completed and signed only upon exercise of Warrant]

The undersigned, the Holder of this Warrant, hereby irrevocably elects to exercise the right to purchase Common Stock, without par value, of The Scotts Company as follows:

 (whole number of Warrants exercised)
 Dollars (\$))

 (number of Warrants exercised times Exercise Price)
 Shares ()

 Dollars (\$))

 (number of shares and Market Price of Common
 Stock in cashless exercise)

[Signature must be guaranteed if name of holder of shares differs from registered Holder of Warrant]

 (name of holder of shares if different than
 Holder of Warrant)

 (address of holder of shares if different
 than address of Holder of Warrant)

 (Social Security or EIN of holder of shares
 if different than Holder of Warrant)

Date: _____

Sign: _____
 (Signature must conform in all respects to
 name of Holder shown on face of this
 Warrant)

Signature Guaranteed:

RECEIPT FOR WARRANTS

Each of the undersigned individuals hereby acknowledges receipt from The Scotts Company (the "Company") on this [31]st day of [March], 1995, of a separate warrant for the purchase of that number of common shares of the Company indicated opposite the signature of each undersigned individual, respectively, subject to the terms and conditions contained in the warrant.

SIGNATURE - - - - -	NUMBER OF SHARES - - - - -
- - - - - Horace Hagedorn	
- - - - - James Hagedorn	
- - - - - Katherine Hagedorn Littlefield	
- - - - - Paul Hagedorn	
- - - - - Robert Hagedorn	
- - - - - Susan Hagedorn	
- - - - - John Kenlon	

January 26, 1995

The Board of Directors
The Scotts Company
1411 Scottlawn Road
Marysville, OH 43041

Ladies and Gentlemen:

You have requested our opinion as to the fairness, from a financial point of view, to The Scotts Company ("Scotts") of the value of the Merger Consideration (as defined herein) to be paid by Scotts pursuant to the terms and subject to the conditions set forth in the Agreement and Plan of Merger, dated as of January 26, 1995 (the "Merger Agreement"), by and between Scotts and Stern's Miracle-Gro Products, Inc. ("Miracle-Gro Products"), Stern's Nurseries, Inc. ("Nurseries"), Miracle-Gro Lawn Products, Inc. ("Miracle-Gro Delaware") and Miracle-Gro Products Limited ("Miracle-Gro UK", and collectively with Miracle-Gro Products, Nurseries and Miracle-Gro Delaware, "Miracle-Gro") and the shareholders of Miracle-Gro. As more fully described in the Merger Agreement, and subject to the terms and conditions set forth therein, (i)(a) a direct, wholly-owned subsidiary of Scotts will be merged with and into Miracle-Gro Products, (b) immediately thereafter Nurseries will transfer all of its assets (but not its liabilities), to Miracle-Gro Products, and Miracle-Gro Delaware and Miracle-Gro UK will each merge with and into Miracle-Gro Products, and (c) immediately thereafter, Miracle-Gro Products shall be merged with and into a direct, wholly-owned subsidiary of Scotts (collectively, the "Merger") and (ii) collectively, as a group, the shareholders of Miracle-Gro will receive in the aggregate (a) \$195 million face amount (195,000 shares) of Class Convertible Preferred Stock (as more fully described in the Merger Agreement) and (b) three million warrants divided equally into three tranches of one million each (as more fully described in the Merger Agreement) (collectively, the "Warrants", and, collectively with the Class A Convertible Preferred Stock, the "Merger Consideration").

In arriving at our opinion, we reviewed the Merger Agreement and held discussions with certain senior officers, directors and other representatives and advisors of Scotts and certain senior officers and other representatives and advisors of Miracle-Gro concerning the business, operations and prospects of Scotts and Miracle-Gro. We examined certain publicly available business and financial information relating to Scotts and Miracle-Gro as well as certain financial forecasts and other data for Scotts and Miracle-Gro which were provided to us by the respective managements of Scotts and Miracle-Gro. We reviewed the financial terms of the Merger as set forth in the Merger Agreement in relation to, among other things: current and historical market prices and trading volumes of the Scotts Common Stock; the respective companies' historical market prices and trading volumes of the Scotts Common Stock; the respective companies' historical and projected earnings; and the capitalization and financial condition of Scotts and Miracle-Gro. We considered, to the extent publicly available, the financial terms of certain other similar transactions recently effected which we considered comparable to the Merger and analyzed certain financial, stock market and other publicly available information relating to the businesses of other companies whose operations we considered comparable to those of Scotts and Miracle-Gro. We also evaluated the potential pro forma financial impact of the Merger on Scotts. In addition to the foregoing, we conducted such other analyses and examinations and considered such other financial, economic and market criteria as we deemed necessary to arrive at our opinion.

In rendering our opinion, we have assumed and relied, without independent verification, upon the accuracy and completeness of all financial and other information publicly available or furnished to or otherwise discussed with us. With respect to financial forecasts and other information provided to or otherwise discussed with us, we have been advised by the respective managements of Scotts and Miracle-Gro that such forecasts and other information were reasonably prepared on bases reflecting their best currently available estimates and judgments as to the expected future financial performance of Scotts and Miracle-Gro. We also assumed that the Merger will be treated as a tax-free reorganization for federal income tax purposes. Our opinion, as set forth herein, relates to the relative values of Scotts and Miracle-Gro. We are not expressing any opinion as to what the value of the Merger Consideration actually will be when issued pursuant to the Merger or the price at which the Scotts Common Stock

will trade subsequent to the Merger. We have not made or been provided with an independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of Scotts or Miracle-Gro nor have we made any physical inspection of the properties or assets of Scotts or Miracle-Gro. We have not been asked to consider, and our opinion does not address, the relative merits of the Merger as compared to any alternative business strategies that might exist for Scotts or the effect of any other transaction in which Scotts might engage. Our opinion is necessarily based upon financial, stock market and other conditions and circumstances existing and disclosed to us as of the date hereof.

Smith Barney Inc. ("Smith Barney") has been engaged to render financial advisory services to Scotts in connection with the Merger and will receive a fee for our services, a significant portion of which is contingent upon the consummation of the Merger. We also will receive a fee upon the delivery of this opinion. In the ordinary course of our business, we may actively trade the equity and debt securities of Scotts for our own account or for the account of our customers and, accordingly, may at any time hold a long or short position in such securities.

Our advisory services and the opinion expressed herein are provided solely for the use of the Board of Directors of Scotts in its evaluation of the proposed Merger and are not on behalf of, and are not intended to confer rights or remedies upon, Miracle-Gro, any shareholder of Scotts or Miracle-Gro, or any person other than Scotts Board of Directors. Our opinion may not be published or otherwise used or referred to, nor shall any public reference to Smith Barney be made, without our prior written consent.

Based upon and subject to the foregoing, our experience as investment bankers, our work as described above and other factors we deemed relevant, we are of the opinion that as of the date hereof, the value of the Merger Consideration is fair, from a financial point of view, to Scotts.

Very truly yours,

SMITH BARNEY INC.

ACQUIRING PERSON STATEMENT

Pursuant to Section 1701.831 of
the Ohio Revised Code

THE SCOTTS COMPANY
(Names of Issuing Public Corporation)

This Acquiring Person Statement is being delivered to The Scotts Company, an Ohio corporation ("Scotts"), pursuant to Section 1701.831 of the Ohio Revised Code by Horace Hagedorn, James Hagedorn, Katherine Hagedorn Littlefield, Paul Hagedorn, Peter Hagedorn, Robert Hagedorn, Susan Hagedorn and John Kenlon (collectively, the "Shareholders") and relates to the transactions contemplated by the Agreement and Plan of Merger, dated as of January 26, 1995, among Stern's Miracle-Gro Products, Inc., Stern's Nurseries, Inc., Miracle-Gro Lawn Products Inc., Miracle-Gro Products Limited, the Shareholders, Scotts and ZYX Corporation (the "Merger Agreement"). The Shareholders may transfer shares of Scotts to a partnership, in which case the term "Shareholders" shall be deemed to include such partnership.

Item 1. Identity of the Acquiring Person.

The acquiring persons are the Shareholders.

Item 2. Delivery of Acquiring Person Statement.

This Acquiring Person Statement is given pursuant to Section 1701.831 of the Ohio Revised Code.

Item 3. Ownership of Shares by Acquiring Person.

None of the Shareholders owns, directly or indirectly, any shares of Scotts.

Item 4. Range of Voting Power.

The Shareholders propose to acquire one-third or more but less than a majority of Scotts' voting power, as described in subparagraph (b) of paragraph (Z)(1) of Section 1701.01 of the Ohio Revised Code.

Item 5. Terms of the Proposed Control Share Acquisition.

The proposed control share acquisition is to be made pursuant to the terms of the Merger Agreement, which is incorporated herein by reference.

Item 6. Representation of Legality; Financial Capacity.

The Shareholders hereby represent that proposed control share acquisition, if consummated, will not be contrary to law. The information set forth in the Merger Agreement and in the Proxy Statement/Prospectus included in Scotts' Registration Statement on Form S-4, filed with the Securities and Exchange Commission on February 3, 1995, is incorporated herein by reference.

/s/ Horace Hagedorn

HORACE HAGEDORN

/s/ James Hagedorn

JAMES HAGEDORN

/s/ Katherine Hagedorn Littlefield

KATHERINE HAGEDORN LITTLEFIELD

/s/ Paul Hagedorn

PAUL HAGEDORN

/s/ Peter Hagedorn

PETER HAGEDORN

/s/ Robert Hagedorn

ROBERT HAGEDORN

/s/ Susan Hagedorn

SUSAN HAGEDORN

/s/ John Kenlon

JOHN KENLON

PROPOSED AMENDED ARTICLE FOURTH OF
THE AMENDED ARTICLES OF INCORPORATION

FOURTH: The authorized number of shares of the corporation shall be Fifty Million, One Hundred and Ninety-Five Thousand (50,195,000), consisting of Fifty Million (50,000,000) common shares, each without par value, and One Hundred and Ninety-Five Thousand (195,000) shares of Class A Convertible Preferred Stock, without par value (the "Class A Preferred").

The following is a statement of the express terms, powers, preferences, rights, qualifications, limitations and restrictions of the Class A Preferred:

1. Authorized Number. The number of shares constituting the Class A Preferred shall be One Hundred Ninety-Five Thousand (195,000) shares.

2. Dividends. (a) The holders of the Class A Preferred shall be entitled to receive, ratably with the holders of any other class of the corporation's capital stock with Parity Rights (as defined below) as to dividends based on their respective dividend rates, annual cumulative dividends in cash on each outstanding share of Class A Preferred at the rate of \$50.00 per share per annum. Such cumulative dividends shall be paid in equal amounts (other than with respect to the initial dividend period) quarterly on June 30, September 30, December 31 and March 31 of each year (unless such day is not a business day, in which event on the next business day) as declared by the directors to the extent legally permitted, to holders of record as they appear on the register for the Class A Preferred on the June 15, September 15, December 15 and March 15 immediately preceding the relevant Dividend Payment Date (as hereinafter defined), out of any funds at the time legally available therefor; shall accrue until so paid from the date of issuance of the applicable shares of Class A Preferred; and shall be deemed to accrue from day to day, whether or not declared. A quarterly dividend period shall begin on the day following each June 30, September 30, December 31 and March 31 (each a "Dividend Payment Date," whether or not a dividend is paid on such date) and end on the next succeeding Dividend Payment Date. Notwithstanding the foregoing, the first quarterly dividend period shall commence on the date of issue, and such dividend shall be paid on June 30, 1995 for the actual number of days in such period. If dividends shall not have been paid, or declared and set apart for payment, upon all outstanding shares of Class A Preferred at the aforesaid times and rates, such deficiency shall be cumulative in full. Any accumulation of dividends shall not bear interest.

(b) No dividends or other distribution (other than dividends payable in common shares), and no redemption, purchase or other acquisition for value (other than redemptions, purchases or acquisitions payable in common shares or repurchases of common shares from employees of the corporation pursuant to obligations existing as of the date hereof or upon foreclosure pursuant to loans existing as of the date hereof to employees of the corporation secured by common shares), shall be made with respect to the common shares or any other class or series of the corporation's capital stock ranking junior to the Class A Preferred with respect to dividends or liquidation preferences until cumulative dividends on the Class A Preferred in the full amounts as set forth above for all dividend periods ending, and all amounts payable upon redemption of Class A Preferred, on or prior to the date on which the proposed dividend or distribution is paid, or the proposed redemption, purchase or other acquisition is effected, have been declared and paid or set apart for payment.

(c)(i) If on any Dividend Payment Date all or any portion of any dividend payable on such date is not so paid and at such time all or any portion of the dividend payable on the next preceding Dividend Payment Date remains in arrears, then from such second Dividend Payment Date, until all accrued and unpaid dividends for all previous quarterly dividend periods and for the current quarterly dividend period on all shares of Class A Preferred then outstanding shall have been declared and paid (herein a "Default Period"), the holders of Class A Preferred, voting separately as a class, shall have the right to increase the number of directors by three and to elect three directors designated by the Shareholder Representative (as defined in the Merger Agreement) to fill the vacancies so created.

(ii) After the holders of Class A Preferred shall have exercised their right to elect directors pursuant to subparagraph (i) hereof, and during the continuance of such Default Period, the number of directors may not be increased or decreased except by vote of the holders of Class A Preferred, voting separately as a separate class.

(iii) Immediately upon the expiration of a Default Period, (x) the right of the holders of Class A Preferred Stock as a class to elect directors pursuant to this Section 2(c) shall cease, (y) the term of any directors elected by the holders of Class A Preferred as a class pursuant to this Section 2(c) shall terminate, and (z) the number of directors shall be such number as was in effect immediately prior to the increase pursuant to this Section 2(c).

3. Liquidation Preference. In the event of any liquidation, dissolution, or winding up of the corporation, either voluntary or involuntary, distributions to the shareholders of the corporation shall be made in the following manner:

(a) The holders of the Class A Preferred shall be entitled to receive, ratably with the holders of any other class or series of the corporation's capital stock with Parity Rights (as defined below) as to liquidation preferences based on their respective preference amounts (which, in the case of the Class A Preferred, shall include any amounts owing in respect of accrued and unpaid dividends), prior and in preference to any distribution of any of the assets or funds of the corporation to the holders of the common shares (or any other securities of the corporation ranking junior to the Class A Preferred as to liquidation preferences), the preference amount (in cash) of \$1,000 per share for each share of Class A Preferred then held by them plus an amount equal to all accrued but unpaid dividends (whether or not declared) on the Class A Preferred to the date of liquidation, dissolution or winding up. If the assets and funds thus distributed among the holders of the Class A Preferred and of any other class or series of the corporation's capital stock with Parity Rights as to liquidation preferences are insufficient to permit the payment to such holders of the full preferential amount described above, then the entire assets and funds of the corporation legally available for distribution shall be distributed among the holders of the Class A Preferred and of any other class or series of the corporation's capital stock with Parity Rights as to liquidation preferences in the proportion that the aggregate preferential amount of shares of Class A Preferred and of any other class or series of the corporation's capital stock with Parity Rights as to liquidation preferences held by each such holder bears to the aggregate preferential amount of all shares of Class A Preferred and of any other class or series of the corporation's capital stock with Parity Rights as to liquidation preferences. After payment has been made to the holders of the Class A Preferred and of any other class or series of the corporation's capital stock with Parity Rights as to liquidation preferences of the full amounts to which they are entitled, no further amounts shall be paid with respect to the Class A Preferred, and the remaining assets of the corporation shall be distributed among the holders of the common shares (and other junior securities with regard to liquidation preferences) in accordance with the Amended Articles of Incorporation and applicable law.

(b) For purposes of this Section 3, a merger or consolidation of the corporation with or into any other corporation or corporations in which the corporation is not the surviving corporation, or a voluntary sale of all or substantially all of the assets of the corporation, shall not be treated as a liquidation, dissolution or winding up of the corporation (unless in connection therewith, the liquidation, dissolution or winding up of the corporation is specifically approved), but shall be treated as provided in Section 6(e) of this Article FOURTH.

4. Provisions Generally Applicable to Dividends and Liquidation.

(a) The term "Parity Rights," as used in this Article FOURTH of the Amended Articles of Incorporation, shall mean dividend rights and liquidation preferences of any class or series of the corporation's capital stock which has preferences upon any liquidation, dissolution, or winding up of the corporation or rights with respect to the declaration, payment and setting aside of dividends on a parity with those of the Class A Preferred.

(b) Except as otherwise permitted by the Agreement and Plan of Merger dated as of January 26, 1995 among Stern's Miracle-Gro Products, Inc., Stern's Nurseries, Inc., Miracle-Gro Lawn Products Inc., Miracle-Gro Products Limited, the Shareholders listed therein, the corporation and ZYX Corporation (the "Merger Agreement"), the corporation will not, by amendment of its Amended Articles of Incorporation or through any

reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the corporation, but will at all times in good faith assist in the carrying out of all the provisions of Sections 2 and 3 of this Article FOURTH and in the taking of all such action as may be necessary or appropriate in order to protect the dividend and liquidation rights of the holders of the Class A Preferred against impairment; provided, however, that nothing herein will prevent the corporation from creating any new class or series of capital stock with higher dividend rates or liquidation payments so long as the priority of such rights is not senior to the rights of the Class A Preferred.

5. Voting Rights. Except as otherwise required by law, the holder of each share of Class A Preferred shall be entitled to the number of votes equal to the number of common shares into which such share of Class A Preferred could be converted at the record date for determination of the shareholders entitled to vote on such matters, such votes to be counted together with all other shares of capital stock of the corporation having general voting power and not separately as a class or series. Holders of Class A Preferred shall be entitled to receive the same notice of any shareholders' meeting as is provided to holders of common shares. Fractional votes by the holders of Class A Preferred shall not, however, be permitted, and any fractional voting rights shall (after aggregating all shares into which shares of Class A Preferred held by each holder could be converted) be rounded to the nearest whole number. The corporation will, or will cause its transfer agent or registrar to, transmit to the registered holders of the Class A Preferred all reports and communications from the corporation that are generally mailed to holders of its common shares.

6. Conversion. The holders of the Class A Preferred have conversion rights as follows (the "Conversion Rights"):

(a) Right to Convert. Each share of Class A Preferred shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such share and prior to the close of business of the corporation on the business day next preceding any date set for the redemption thereof (provided that funds sufficient to redeem all shares to be redeemed on such date have been paid or made available for payment as described in Section 7(b)(iii) of this Article FOURTH), at the office of the corporation or any transfer agent for the Class A Preferred, into such number of fully paid and nonassessable common shares as is determined by dividing \$1,000 by the Conversion Price, determined as hereinafter provided, in effect at the time of conversion. The price at which common shares shall be deliverable upon conversion (the "Conversion Price") shall initially be \$19 per common share. Such initial Conversion Price shall be subject to adjustment as hereinafter provided.

(b) Accrued Dividends and Fractional Shares. Dividends shall cease to accrue on shares of Class A Preferred surrendered for conversion into common shares; provided, however, that any dividends (whether or not declared) upon such shares which were accrued as of but not paid on or before the Dividend Payment Date immediately preceding the conversion date shall be paid in cash upon such conversion or as soon thereafter as permitted by law.

No fractional common shares shall be issued upon conversion of Class A Preferred. In lieu of any fractional shares to which the holder would otherwise be entitled, the corporation shall, after aggregation of all fractional share interests held by each holder, pay cash equal to such remaining fractional interest multiplied by the Market Price (as defined in Section 11 of this Article FOURTH) at the time of conversion.

(c) Mechanics of Conversion. Before any holder of Class A Preferred shall be entitled to convert the same into full common shares of the corporation and to receive certificates therefor, such holder shall surrender the certificate or certificates for the Class A Preferred to be converted, duly endorsed, at the office of the corporation or of any transfer agent for the Class A Preferred, and shall give written notice to the corporation at such office that such holder elects to convert the same. The corporation shall, as soon as practicable after such delivery, issue and deliver at such office to such holder of Class A Preferred (or to any other person specified in the notice delivered by such holder), a certificate or certificates for the number of common shares to which such holder shall be entitled as aforesaid and a check payable to the holder for any cash amounts payable as the result of a conversion into

fractional common shares. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the shares of Class A Preferred to be converted, and the person or persons entitled to receive the common shares issuable upon such conversion shall be treated for all purposes as the record holder or holders of such common shares on such date. In case any certificate for shares of Class A Preferred shall be surrendered for conversion of only a part of the shares represented thereby, the corporation shall deliver at such office to or upon the written order of the holder thereof, a certificate or certificates for the number of shares of Class A Preferred represented by such surrendered certificate which are not being converted. Notwithstanding the foregoing, the corporation shall not be obligated to issue certificates evidencing the common shares issuable upon such conversion unless the certificates evidencing Class A Preferred are either delivered to the corporation or its transfer agent, or the holder notifies the corporation or its transfer agent that such certificates have been lost, stolen or destroyed and executes an agreement satisfactory to the corporation to indemnify the corporation from any loss incurred by it in connection with such certificates. The issuance of certificates for common shares issuable upon conversion of shares of Class A Preferred shall be made without charge to the converting holder for any tax imposed in respect of the issuance thereof; provided that the corporation shall not be required to pay any tax which may be payable with respect to any transfer involved in the issue and delivery of any certificate in a name other than that of the holder of the shares of Class A Preferred being converted.

(d) Effects of Certain Events.

(i) Common Share Dividends, Subdivisions or Combinations. In case the corporation shall (A) pay or make a dividend or other distribution to all holders of its common shares in common shares, (B) subdivide, split or reclassify the outstanding number of common shares into a larger number of common shares or (C) combine or reclassify the outstanding number of its common shares into a smaller number of common shares, the Conversion Price in effect immediately prior thereto shall be adjusted so that the holder of each outstanding share of Class A Preferred shall thereafter be entitled to receive upon the conversion of such share the number of common shares which such holder would have owned and been entitled to receive had such shares of Class A Preferred been converted immediately prior to the happening of any of the events described above or, in the case of a stock dividend or other distribution, prior to the record date for determination of shareholders entitled thereto. An adjustment made pursuant to this clause (i) shall become effective immediately after such record date in the case of a dividend or distribution and immediately after the effective date in the case of a subdivision, split, combination or reclassification.

(ii) Distributions of Assets or Securities Other Than Common Shares. In case the corporation shall, by dividend or otherwise, distribute to all holders of its common shares, shares of any of its capital stock (other than common shares), rights or warrants to purchase any of its securities (other than those referred to in (iii) below), cash (other than any regular quarterly or semi-annual dividend which the directors of the corporation declares), other assets or evidences of its indebtedness, then in each such case the Conversion Price shall be adjusted by multiplying the Conversion Price in effect immediately prior to the date of such dividend or distribution by a fraction, of which the numerator shall be the Average Market Price (as defined in Section 11 of this Article FOURTH) per common share at the record date for determining shareholders entitled to such dividend or distribution less the fair market value (as determined in good faith by the directors) of the portion of the securities, cash, assets or evidences of indebtedness so distributed applicable to one common share, and of which the denominator shall be such Average Market Price per common share. An adjustment made pursuant to this clause (ii) shall become effective immediately after such record date.

(iii) Below Market Distributions or Issuances. In case the corporation shall issue common shares (or rights, warrants or other securities convertible into or exchangeable or exercisable for common shares) to all holders of common shares at a price per share (or having an effective exercise, exchange or conversion price per share) less than the Average Market Price per common share at the record date for the determination of shareholders entitled to receive such common shares (or rights, warrants or other securities convertible into or exchangeable or exercisable for common shares), then in each such case the Conversion Price shall be adjusted by multiplying the Conversion Price in effect immediately prior to the date of issuance of such common shares (or rights, warrants or other securities) by a fraction, the numerator of which shall be the sum of (A) the number of

common shares outstanding on the date of such issuance (without giving effect to any such issuance) and (B) the number of common shares which the aggregate consideration receivable by the corporation for the total number of common shares so issued (or into or for which such rights, warrants or other securities are convertible, exchangeable or exercisable) would purchase at such Average Market Price, and the denominator of which shall be the sum of (A) the number of common shares outstanding on the date of such issuance (without giving effect to any such issuance) and (B) the number of additional common shares so issued (or into or for which such rights, warrants or other securities are convertible, exchangeable or exercisable). An adjustment made pursuant to this clause (iii) shall become effective immediately after the record date for determination of shareholders entitled to receive or purchase such common shares (or rights, warrants or other securities convertible into or exchangeable or exercisable for common shares). For purposes of this clause (iii), the issuance of any options, rights or warrants or any common shares (whether treasury shares or newly issued shares) pursuant to any employee (including consultants and directors) benefit or stock option or purchase plan or program of the corporation shall not be deemed to constitute an issuance of common shares or options, rights or warrants to which this clause (iii) applies. Notwithstanding anything herein to the contrary, no further adjustment to the Conversion Price shall be made (i) upon the issuance or sale of common shares upon the exercise of any rights or warrants or (ii) upon the issuance or sale of common shares upon conversion or exchange of any convertible securities, if any adjustment in the Conversion Price was made or required to be made upon the issuance or sale of such rights, warrants or securities.

(iv) Repurchases. In case at any time or from time to time the corporation or any subsidiary thereof shall repurchase, by self tender offer or otherwise, any common shares of the corporation at a weighted average purchase price in excess of the Average Market Price on the business day immediately prior to the earliest of the date of such repurchase, the commencement of an offer to repurchase or the public announcement of either (such date being referred to as the "Determination Date"), the Conversion Price in effect as of such Determination Date shall be adjusted by multiplying such Conversion Price by a fraction, the numerator of which shall be (A) the product of (x) the number of common shares outstanding on such Determination Date and (y) the Average Market Price of the common shares on such Determination Date minus (B) the aggregate purchase price of such repurchase and the denominator of which shall be the product of (x) the number of common shares outstanding on such Determination Date minus the number of common shares repurchased by the corporation or any subsidiary thereof in such repurchase and (y) the Average Market Price of the common shares on such Determination Date. For purposes of this clause (iv), the repurchase or repurchases by the corporation or any subsidiary thereof within any 12 month period of not more than 15% of the common shares outstanding as of the first date of such period, at a price not in excess of 120% of the Average Market Price as of the Determination Date of any such repurchase, shall not be deemed to constitute a repurchase to which this clause (iv) applies. An adjustment made pursuant to this clause (iv) shall become effective immediately after the effective date of such repurchase.

(e) Certain Reorganizations. In the event of any change, reclassification, conversion, exchange or cancellation of outstanding common shares of the corporation (other than any reclassification referred to in Section 6(d)(i) in this Article FOURTH), whether pursuant to a merger, consolidation, reorganization or otherwise, or the sale or other disposition of all or substantially all of the assets and properties of the corporation, the shares of Class A Preferred shall, after such merger, consolidation, reorganization or other transaction, sale or other disposition, be convertible into the kind and number of shares of stock or other securities or property, of the corporation or otherwise, to which such holder would have been entitled if immediately prior to such event such holder had converted its shares of Class A Preferred into common shares at the Conversion Price in effect as of the consummation of such event. The provisions of this Section 8(e) shall similarly apply to successive changes, reclassifications, conversions, exchange or cancellations.

(f) No Impairment. Except as permitted by the Merger Agreement, the corporation will not, by amendment of its Amended Articles of Incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the corporation, but will at all times in good faith assist in the carrying out of all the provisions of this Section 6 and in the taking of all such action as may be necessary or appropriate in order to protect the conversion rights of the holders of the Class A Preferred against impairment.

(g) Calculation of Adjustments. No adjustment in the Conversion Price shall be required unless such adjustment would require an increase or decrease of at least 1% in such price; provided, however, that any adjustments which by reason of this subsection (g) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 6 shall be made by the corporation and shall be made to the nearest cent or to the nearest one hundredth of a share, as the case may be. Anything in this Section 6 to the contrary notwithstanding, the corporation shall be entitled to make such reductions in the Conversion Price, in addition to those required by this Section 6, as it in its sole discretion shall determine to be advisable in order that any stock dividends, subdivision of shares, distribution of rights to purchase stock or securities, or a distribution of securities convertible into or exchangeable for stock hereafter made by the corporation to its shareholders shall not be taxable.

(h) Certificate as to Adjustments. Upon the occurrence of each adjustment or readjustment of the Conversion Price pursuant to this Section 6, the corporation at its expense shall promptly compute such adjustment or readjustment in accordance with the terms hereof and furnish to each holder of Class A Preferred a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The corporation shall, upon the written request at any time of any holder of Class A Preferred, furnish or cause to be furnished to such holder a like certificate setting forth (i) such adjustments and readjustments; (ii) the Conversion Price at the time in effect; and (iii) the number of common shares and the amount, if any, of other property which at the time would be received upon the conversion of Class A Preferred.

(i) Notices.

(A) In the event that the corporation shall propose at any time:

(1) to declare any dividend or distribution upon its common shares;

(2) to offer for subscription pro rata to the holders of any class or series of its capital stock any additional shares of stock of any class or series or other rights; or

(3) to effect any transaction of the type described in Section 6(e) hereof involving a change in the common shares;

then, in connection with each such event, the corporation shall send to the holders of the Class A Preferred:

(i) at least 20 days' prior written notice of the date on which a record shall be taken for such dividend or distribution (and specifying the date on which the holders of common shares shall be entitled thereto) or for determining rights to vote in respect of the matters referred to in (1) and (2) above; and

(ii) in the case of the matters referred to in (3) above, at least 20 days' prior written notice of the date when the same shall take place (and specifying the date on which the holders of common shares shall be entitled to exchange their common shares for securities or other property deliverable upon the occurrence of such event).

(B) In the event of any voluntary or involuntary dissolution, liquidation or winding up of the corporation, the corporation shall send to the holders of the Class A Preferred at least 20 days' prior written notice.

(C) The corporation shall send written notice immediately upon any public announcement with respect to an open market repurchase program, any self tender offer for common shares and any other repurchase other than a repurchase of stock of an employee or consultant pursuant to any benefit plan or agreement.

7. Redemption.

(a) Redemption. The Class A Preferred shall not be subject to redemption prior to the last day of the month in which the fifth anniversary of the original date of issuance occurs. On or after such date, the corporation may, at its option, redeem all or from time to time any part of the shares of Class A Preferred, out of funds legally available therefor, upon giving the Redemption Notice as set forth in Section 7(b) of this Article FOURTH. The redemption payment for each share of Class A Preferred shall be an amount (the "Redemption Payment") in cash equal to the sum of (i) the amount of all accrued and unpaid dividends (whether or not declared) thereon to and including the date fixed for redemption, plus (ii) \$1,000. In the event of a redemption of only a part of the then outstanding Class A Preferred, the corporation shall effect such redemption ratably according to the number of shares held by each holder of Class A Preferred.

(b) Mechanics of Redemption.

(i) At least 30 days, but no more than 60 days, prior to the date fixed for any redemption pursuant to Section 7(a) of this Article FOURTH (the "Redemption Date"), the corporation shall send a written notice (the "Redemption Notice") to the holders of shares to be redeemed on such date (the "Redemption Shares") stating: (A) the total number of shares being redeemed; (B) the number of Redemption Shares held by such holder; (C) the Redemption Date and the Redemption Payment; (D) the date on which such holder's conversion rights as to such shares shall terminate; and (E) the manner in which and the place at which such holder is to surrender to the corporation the certificate or certificates representing the Redemption Shares.

(ii) Upon the surrender to the corporation, in the manner and at the place designated, of a certificate or certificates representing Redemption Shares, the Redemption Payment for such shares shall be payable to the order of the person whose name appears on such certificate or certificates as the owner thereof. All such surrendered certificates shall be canceled. Upon redemption of only a portion of the shares of Class A Preferred represented by a certificate surrendered for redemption, the corporation shall issue and deliver to or upon the written order of the holder of the certificate so surrendered, at the expense of the corporation (except for expenses relating to the issuance of such shares to a person other than the record holder of the Redemption Shares), a new certificate representing the unredeemed shares of Class A Preferred represented by the certificate so surrendered.

(iii) On or prior to the Redemption Date, the corporation shall have the option to deposit the aggregate of all Redemption Payments for all Redemption Shares (other than Redemption Shares surrendered for conversion prior to such date) in a bank or trust company (designated in the notice of such redemption) doing business in the State of Ohio or the City of New York, having aggregate capital and surplus in excess of \$500,000,000, as a trust fund for the benefit of the respective holders of Redemption Shares, with irrevocable instructions and authority to the bank or trust company to pay the appropriate Redemption Payment to the holders of Redemption Shares upon receipt of notification from the Company that such holder has surrendered the certificate representing such shares to the corporation. Such instructions shall also provide that any such moneys remaining unclaimed at the expiration of one year following the Redemption Date shall thereafter be returned to the corporation upon its request as expressed in a resolution of its directors. The holder of any Redemption Shares in respect of which such deposit has been returned to the corporation pursuant to the preceding sentence shall have a claim as an unsecured creditor against the corporation for the Redemption Payment in respect thereof, without interest.

(iv) Provided that the corporation has given the Redemption Notice described in Section 7(b)(i) of this Article FOURTH and has on or prior to the Redemption Date either paid or made available (as described in Section 7(b)(iii) of this Article FOURTH) Redemption Payments to the holders of Redemption Shares, all Redemption Shares shall be deemed to have been redeemed as of the close of business of the corporation on the applicable Redemption Date. Thereafter, the holder of such shares shall no longer be treated for any purposes as the record holder of such shares of Class A Preferred, regardless of whether the certificates representing such shares are surrendered to the corporation or its transfer agent, excepting only the right of the holder to receive the appropriate

Redemption Payment, without interest, upon such surrender. Such shares so redeemed shall not be transferred on the books of the corporation or be deemed to be outstanding for any purpose whatsoever.

(v) The corporation shall not be obligated to pay the Redemption Payment to any holder of Redemption Shares unless the certificates evidencing such shares are either delivered to the corporation or its transfer agent, or the holder notifies the corporation or its transfer agent that such certificates have been lost, stolen or destroyed and executes an agreement satisfactory to the corporation to indemnify the corporation from any loss incurred by it in connection with such certificates.

(c) Limitation on Redemption. The corporation shall not be obligated to redeem any shares of Class A Preferred which have previously been converted into common shares. The corporation shall not be obligated to redeem shares pursuant to this Section 7 if such redemption would violate any provisions of applicable law. If, after giving the Redemption Notice, the corporation is unable, pursuant to applicable law, to redeem some or all unconverted Redemption Shares on any particular Redemption Date, the corporation shall promptly notify the holders thereof of the facts that prevent the corporation from so redeeming such shares. Thereafter, the corporation shall redeem such unredeemed Redemption Shares at such time as it is lawfully able to do so.

8. Status of Converted Shares. If shares of Class A Preferred are converted pursuant to Section 6 of this Article FOURTH or redeemed pursuant to Section 7 of this Article FOURTH, the shares so converted or redeemed shall resume the status of authorized but unissued shares of Class A Preferred unless otherwise prohibited by applicable law.

9. Notices. All notices, requests, demands, and other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered by hand or when sent by telegram or telecopier (with receipt confirmed), provided a copy is also sent by express (overnight, if possible) courier, addressed (i) in the case of a holder of Class A Preferred, to such holder's address of record, and (ii) in the case of the corporation, to the corporation's principal executive offices to the attention of the corporation's secretary.

10. Amendments and Waivers. Any right, preference, privilege or power of, or restriction provided for the benefit of, the Class A Preferred set forth herein may be amended and the observance thereof may be waived (either generally or in a particular instance and either retroactively or prospectively) with the written consent of the corporation and the affirmative vote or written consent of the holders of not less than a majority of the shares of Class A Preferred then outstanding, and any amendment or waiver so effected shall be binding upon the corporation and all holders of Class A Preferred.

11. Additional Definitions. As used herein the term "Trading Day" means each Monday, Tuesday, Wednesday, Thursday and Friday which is a day on which the New York Stock Exchange, Inc. is open for trading.

As used herein, the term "Market Price" of a common share or of any other security of the corporation on any date shall mean: (i) the last reported sales price of the common shares or such other security on the principal national securities exchange on which such common shares or other security is listed or admitted to trading or, if no such reported sale takes place on such date, the average of the closing bid and asked prices thereon, as reported in The Wall Street Journal, or (ii) if such common shares or other security shall not be listed or admitted to trading on a national securities exchange, the last reported sales price on the NASDAQ National Market or, if no such reported sales takes place on any such date, the average of the closing bid and asked prices thereon, as reported in The Wall Street Journal, or (iii) if such common shares or other security shall not be quoted on such National Market nor listed or admitted to trading on a national securities exchange, then the average of the closing bid and asked prices, as reported by The Wall Street Journal for the over-the-counter market, or (iv) if there is no public market for such common shares or other security, the fair market value of a share of such common shares or a unit of such other security as determined in good faith by the Directors of the corporation.

The term "Average Market Price" shall mean the average of the 30 consecutive trading days immediately preceding the date in question.

PROPOSED ARTICLE NINTH OF
THE AMENDED ARTICLES OF INCORPORATION

NINTH: Notwithstanding any provision of the Ohio Revised Code requiring for any purpose the vote, consent, waiver or release of the holders of shares of the corporation entitling them to exercise two-thirds or any other proportion of the voting power of the corporation or of any class or classes thereof, such action, unless expressly otherwise provided by statute, may be taken by the vote, consent, waiver or release of the holders of the shares entitling them to exercise not less than a majority of the voting power of the corporation or of such class or classes; provided, however, that the affirmative vote of the holders of shares entitling them to exercise not less than two-thirds of the voting power of the corporation, or two-thirds (2/3) of the voting power of any class or classes of shares of the corporation which entitle the holders thereof to vote in respect of any such matter as a class, shall be required to adopt:

- (1) A proposed amendment to this Article NINTH to the Amended Articles of Incorporation of the corporation;
- (2) An agreement of merger or consolidation providing for the proposed merger or consolidation of the corporation with or into one or more other corporations and requiring shareholder approval;
- (3) A proposed combination or majority share acquisition involving the issuance of shares of the corporation and requiring shareholder approval;
- (4) A proposal to sell, exchange, transfer or otherwise dispose of all, or substantially all, the assets, with or without the goodwill, of the corporation; or
- (5) A proposed dissolution of the corporation.

PROPOSED AMENDED SUBPARAGRAPHS
(A), (B) AND (C) OF SECTION 2.02
OF THE CODE OF REGULATIONS

SECTION 2.02. NUMBER AND CLASSIFICATION OF DIRECTORS AND TERM OF OFFICE

(A) Until changed pursuant to Article FOURTH of the Amended Articles of Incorporation, by the amendment of the Regulations, by the adoption of new regulations or by action of the directors pursuant to subsection (C) hereof, the number of directors of the corporation shall be nine, divided into three classes, each of which shall consist of not less than three directors nor more than five directors as may be determined by the directors or as may be required by the provisions of Section 2(c) of Article FOURTH of the Amended Articles of Incorporation. The number of directors in each class shall be, to the greatest extent possible, uniform. The election of each class of directors shall be a separate election. At the 1995 annual meeting of shareholders an election shall be held to elect three persons to serve as directors for three years and until their successors are elected, an election shall be held to elect three persons to serve as directors for two years and until their successors are elected and an election shall be held to elect three persons to serve as directors for one year and until their successors are elected.

(B) At each annual meeting of shareholders after the 1995 annual meeting, directors shall be elected to serve for terms of three years, so that the term of office of one class of directors shall expire in each year.

(C) The directors may change the number of directors and may fill any vacancy that is created by an increase in the number of directors; provided, however, that the directors may not reduce the number of directors to less than three or increase the number of directors to more than twelve.

PROPOSED AMENDED SECTION 6.01
OF THE CODE OF REGULATIONS

IF THE PROPOSED AMENDMENT TO SUBPARAGRAPHS (A) AND (B) OF SECTION 2.02 IS ADOPTED:

Section 6.01. Amendments. The Regulations may be amended, or new regulations may be adopted, at a meeting of shareholders held for such purpose, only by the affirmative vote of the holders of shares entitling them to exercise not less than a majority of the voting power of the corporation on such proposal; provided, however, that Sections 1.02 and 2.02 and this Section 6.01 of these Regulations may be amended, or new regulations which do not contain provisions identical to Sections 1.02 and 2.02 and this Section 6.01 may be adopted, only by the affirmative vote of the holders of shares entitling them to exercise not less than two-thirds (2/3) of the voting power of the corporation on such proposal. In addition, the Regulations may be amended, or new regulations may be adopted without a meeting by the written consent of the holders of shares entitling them to exercise not less than all of the voting power of the corporation on such proposal.

IF THE PROPOSED AMENDMENT TO SUBPARAGRAPHS (A) AND (B) OF SECTION 2.02 IS NOT ADOPTED:

Section 6.01. Amendments. The Regulations may be amended, or new regulations may be adopted, at a meeting of shareholders held for such purpose, only by the affirmative vote of the holders of shares entitling them to exercise not less than a majority of the voting power of the corporation on such proposal; provided, however, that Section 1.02 and this Section 6.01 of these Regulations may be amended, or new regulations which do not contain provisions identical to Sections 1.02 and this Section 6.01 may be adopted, only by the affirmative vote of the holders of shares entitling them to exercise not less than two-thirds (2/3) of the voting power of the corporation on such proposal. In addition, the Regulations may be amended, or new regulations may be adopted without a meeting by the written consent of the holders of shares entitling them to exercise not less than all of the voting power of the corporation on such proposal.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 20. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Division (E) of Section 1701.13 of the Ohio Revised Code governs indemnification by a corporation and provides as follows:

(E)(1) A corporation may indemnify or agree to indemnify any person who was or is a party, or is threatened to be made a party, to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative, other than an action by or in the right of the corporation, by reason of the fact that he is or was a director, officer, employee, member, manager, or agent of the corporation, or is or was serving at the request of the corporation as a director, trustee, officer, employee, or agent of another corporation, domestic or foreign, nonprofit or for profit, a limited liability company, or a partnership, joint venture, trust or other enterprise, against expenses, including attorney's fees, judgments, fines, and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit, or proceeding, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, if he had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit, or proceeding by judgment, order, settlement, or conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, he had reasonable cause to believe that his conduct was unlawful.

(2) A corporation may indemnify or agree to indemnify any person who was or is a party, or is threatened to be made a party, to any threatened, pending, or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee, member, manager, or agent of the corporation, or is or was serving at the request of the corporation as a director, trustee, officer, employee, member, manager, or agent of another corporation, domestic or foreign, nonprofit or for profit, a limited liability company, or a partnership, joint venture, trust, or other enterprise, against expenses, including attorney's fees, actually and reasonably incurred by him in connection with the defense or settlement of such action or suit, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification shall be made in respect of any of the following:

(a) Any claim, issue, or matter as to which such person is adjudged to be liable for negligence or misconduct in the performance of his duty to the corporation unless, and only to the extent that, the court of common pleas or the court in which such action or suit was brought determines, upon application, that, despite the adjudication of liability, but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses as the court of common pleas or such other court shall deem proper;

(b) Any action or suit in which the only liability asserted against a director is pursuant to section 1701.95 of the Revised Code.

(3) To the extent that a director, trustee, officer, employee, member, manager, or agent has been successful on the merits or otherwise in defense of any action, suit, or proceeding referred to in division (E)(1) or (2) of this section, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses, including attorney's fees, actually and reasonably incurred by him in connection with the action suit or proceeding.

(4) Any indemnification under division (E)(1) or (2) of this section, unless ordered by a court, shall be made by the corporation only as authorized in the specific case, upon a determination that indemnification of the director, trustee, officer, employee, member, manager, or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in division (E)(1) or (2) of this section. Such determination shall be made as follows:

(a) By a majority vote of a quorum consisting of directors of the indemnifying corporation who were not and are not parties to or threatened by the action, suit, or proceeding referred to in division (E)(1) or (2) of this section;

(b) If the quorum described in division (E)(4)(a) of this section is not obtainable or if a majority vote of a quorum of disinterested directors so directs, in a written opinion by independent legal counsel other than an attorney, or a firm having associated with it an attorney, who has been retained by or who has performed services for the corporation or any person to be indemnified within the past five years;

(c) By the shareholders; or

(d) By the court of common pleas or the court in which such action, suit or proceeding referred to in division (E)(1) or (2) of this section was brought.

Any determination made by the disinterested directors under division (E)(4)(a) or by independent legal counsel under division (E)(4)(b) of this section shall be promptly communicated to the person who threatened or brought the action or suit by or in the right of the corporation under division (E)(2) of this section, and, within ten days after receipt of such notification, such person shall have the right to petition the court of common pleas or the court in which such action or suit was brought to review the reasonableness of such determination.

(5)(a) Unless at the time of a director's act or omission that is the subject of an action, suit, or proceeding referred to in division (E)(1) or (2) of this section, the articles or the regulations of a corporation state, by specific reference to this division, that the provisions of this division do not apply to the corporation and unless the only liability asserted against a director in an action, suit, or proceeding referred to in division (E)(1) or (2) of this section is pursuant to section 1701.95 of the Revised Code, expenses, including attorney's fees, incurred by a director in defending the action, suit, or proceeding shall be paid by the corporation as they are incurred, in advance of the final disposition of the action, suit, or proceeding, upon receipt of an undertaking by or on behalf of the director in which he agrees to both of the following:

(i) Repay such amount if it is proved by clear and convincing evidence in a court of competent jurisdiction that his action or failure to act involved an act or omission undertaken with deliberate intent to cause injury to the corporation or undertaken with reckless disregard for the best interests of the corporation;

(ii) Reasonably cooperate with the corporation concerning the action, suit, or proceeding.

(b) Expenses, including attorney's fees, incurred by a director, trustee, officer, employee, member, manager, or agent in defending any action, suit, or proceeding referred to in division (E)(1) or (2) of this section, may be paid by the corporation as they are incurred, in advance of the final disposition of the action, suit, or proceeding, as authorized by the directors in the specific case, upon receipt of an undertaking by or on behalf of the director, trustee, officer, employee, member, manager, or agent to repay such amount, if it ultimately is determined that he is not entitled to be indemnified by the corporation.

(6) The indemnification authorized by this section shall not be exclusive of, and shall be in addition to, any other rights granted to those seeking indemnification under the articles, the regulations, any agreement, a vote of shareholders or disinterested directors, or otherwise, both as to action in their official capacities and as to action in another capacity while holding their offices or positions, and shall continue as to a person who has ceased to be a director, trustee, officer, employee, member, manager, or agent and shall inure to the benefit of the heirs, executors, and administrators of such a person.

(7) A corporation may purchase and maintain insurance or furnish similar protection, including, but not limited to, trust funds, letters of credit, or self-insurance, on behalf of or for any person who is or was a director, officer, employee, or agent of the corporation, or is or was serving at the request of the corporation as a director, trustee, officer, employee, member, manager, or agent of another corporation, domestic or foreign, nonprofit or for profit, a limited liability company, or a partnership, joint venture, trust, or other enterprise, against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify him against such liability under this section. Insurance may be purchased from or maintained with a person in which the corporation has a financial interest.

(8) The authority of a corporation to indemnify persons pursuant to division (E)(1) or (2) of this section does not limit the payment of expenses as they are incurred, indemnification, insurance, or other protection that may be provided pursuant to divisions (E)(5), (6), and (7) of this section. Divisions (E)(1) and (2) of this section do not create any obligation to repay or return payments made by the corporation pursuant to division (E)(5), (6), or (7).

(9) As used in division (E) of this section, "corporation" includes all constituent entities in a consolidation or merger and the new or surviving corporation, so that any person who is or was a director, officer, employee, trustee, member, manager, or agent of such a constituent entity, or is or was serving at the request of such constituent entity as a director, trustee, officer, employee, member, manager, or agent of another corporation, domestic or foreign, nonprofit or for profit, a limited liability company, or a partnership, joint venture, trust, or other enterprise, shall stand in the same position under this section with respect to the new or surviving corporation as he would if he had served the new or surviving corporation in the same capacity.

Section 5.01 of the Registrant's Regulations govern indemnification by Registrant and provides as follows:

SECTION 5.01. Mandatory Indemnification. The corporation shall indemnify any officer or director of the corporation who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (including, without limitation, any action threatened or instituted by or in the right of the corporation), by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, trustee, officer, employee, member, manager or agent of another corporation (domestic or foreign, nonprofit or for profit), limited liability company, partnership, joint venture, trust or other enterprise, against expenses (including, without limitation, attorneys' fees, filing fees, court reporters' fees and transcript costs), judgments, fines and amounts paid in settlement if actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and with respect to any criminal action or proceeding, he had no reasonable cause to believe his conduct was unlawful. A person claiming indemnification under this Section 5.01 shall be presumed, in respect of any act or omission giving rise to such claim for indemnification, to have acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and with respect to any criminal matter, to have had no reasonable cause to believe his conduct was unlawful, and the termination of any action, suit or proceeding by judgment, order,

settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, rebut such presumption.

In addition, Registrant has purchased insurance coverage under policies issued by the _____ which insure directors and officers against certain liabilities which might be incurred by them in such capacity.

ITEM 21. EXHIBITS.

Exhibit No. -----	Exhibits -----
2	Agreement and Plan of Merger dated as of January 26, 1995, among the Miracle-Gro Constituent Companies, the Miracle-Gro Shareholders, Scotts and Merger Subsidiary (incorporated by reference to Appendix I to the Proxy Statement/Prospectus in Part I of this Registration Statement)
4(a)	Amendment to Articles of Incorporation of Scotts including the terms of the Class A Convertible Preferred Stock (incorporated by reference to Appendix IV to the Proxy Statement/Prospectus in Part I of this Registration Statement)
4(b)	Articles of Incorporation of Scotts (incorporated by reference to Scotts' Annual Report on Form 10-K (File No. 0-19768) for the fiscal year ended September 30, 1994)
4(c)	Code of Regulations of Scotts (incorporated by reference to Scotts' Annual Report on Form 10-K (File No. 0-19768) for the fiscal year ended September 30, 1994)
4(d)	Form of Series A Warrants (included in Exhibit No. 2)
4(e)	Form of Series B Warrants (included in Exhibit No. 2)
4(f)	Form of Series C Warrants (included in Exhibit No. 2)
5	Opinion of Vorys, Sater, Seymour and Pease regarding legality
12	Computation of Ratio of Earnings to Fixed Charges and Preferred Stock Dividends
23(a)	Consent of Coopers & Lybrand, Independent Accountants
23(b)	Consent of Joel E. Sammet & Co.
23(c)	Consent of Vorys, Sater, Seymour and Pease (included in Exhibit No. 5)
24	Powers of Attorney (included on signature page)
99	Form of Proxy.

ITEM 22. UNDERTAKINGS.

(1) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(2) The undersigned registrant hereby undertakes as follows: that prior to any public reoffering of the securities registered hereunder through use of a prospectus which is a part of this registration statement, by any person or party who is deemed to be an underwriter within the meaning of Rule 145(c), the issuer undertakes that such reoffering prospectus will contain the information called for by the applicable registration form with respect to reofferings by persons who may be deemed underwriters, in addition to the information called for by the other items of the applicable form.

(3) The registrant undertakes that every prospectus (i) that is filed pursuant to paragraph (2) immediately preceding, or (ii) that purports to meet the requirements of section 10(a)(3) of the Securities Act of 1933 and is used in connection with an offering of securities subject to Rule 145, will be filed as a part of an amendment to the registration statement and will not be used until such amendment is effective, and that, for purposes of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(4) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a

claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted against the registrant by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement on Form S-4 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Marysville, State of Ohio, on February 2, 1995.

THE SCOTTS COMPANY

By /s/ Tadd C. Seitz

TADD C. SEITZ
Chairman and Chief Executive Officer

POWER OF ATTORNEY

We, the undersigned directors and officers of The Scotts Company (the "Company"), and each of us, do hereby constitute and appoint Tadd C. Seitz, Theodore J. Host and Paul D. Yeager our true and lawful attorneys and agents, each with full power of substitution, to do any and all acts and things in our name and on our behalf in our capacities as directors and officers of the Company and to execute any and all instruments for us and in our names in the capacities indicated below, which said attorneys or agents, or any of them, may deem necessary or advisable to enable the Company to comply with the Securities Act of 1933, as amended, and any rules, regulations and requirements of the Securities and Exchange Commission, in connection with the filing of this Registration Statement on Form S-4, including specifically but without limitation, power and authority to sign for us or any of us in our names in the capacities indicated below for the Company, any and all amendments (including post-effective amendments) to such Registration Statement; and we do hereby ratify and confirm all that said attorneys and agents, or their substitute or substitutes, or any of them, shall do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

NAME AND TITLE -----	DATE ----	NAME AND TITLE -----	DATE ----
/s/ James B Beard ----- JAMES B BEARD Director	2/2/95	/s/ John S. Chamberlin ----- JOHN S. CHAMBERLIN Director	2/2/95
/s/ Joseph P. Flannery ----- JOSEPH P. FLANNERY Director	2/2/95	/s/ Theodore J. Host ----- THEODORE J. HOST President, Chief Operating Officer and Director	2/2/95
/s/ Karen Gordon Mills ----- KAREN GORDON MILLS Director	2/2/95	/s/ Tadd C. Seitz ----- TADD C. SEITZ Chairman and Chief Executive Officer	2/2/95
/s/ Donald A. Sherman ----- DONALD A. SHERMAN Director	2/2/95	/s/ John M. Sullivan ----- JOHN M. SULLIVAN Director	2/2/95
/s/ L. Jack Van Fossen ----- L. JACK VAN FOSSEN Director	2/2/95	/s/ Paul D. Yeager ----- PAUL D. YEAGER Executive Vice President and Chief Financial Officer (Principal Accounting Officer)	2/2/95

Exhibit Index

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23(b)	Consent of Joel E. Sammet & Co.
23(c)	Consent of Vorys, Sater, Seymour and Pease (included in Exhibit No. 5)
24	Powers of Attorney (included on signature page)
99	Form of Proxy.

February 3, 1995

The Scotts Company
14111 Scottslawn Road
Marysville, Ohio 43041
Ladies and Gentlemen:

We have acted as counsel to The Scotts Company (the "Company") in connection with the registration under the Securities Act of 1933, as amended (the "Act"), on Form S-4 (the "Registration Statement") of the issuance of 195,000 shares of Class A Convertible Preferred Stock, without par value (the "Preferred Shares"), and Series A, B and C Warrants (collectively, the "Warrants") to purchase in the aggregate 3,000,000 common shares, without par value, of the Company (the "Common Shares") in connection with acquisition of Stern's Miracle-Gro Products, Inc. ("Miracle-Gro"). The Preferred Shares and the Warrants are to be issued pursuant to an Agreement and Plan of Merger dated as of January 26, 1995, among Miracle-Gro and its constituent companies, the Shareholders listed on the signature pages thereof, the Company and ZYX Corporation, an Ohio corporation and wholly-owned subsidiary of the Company ("Merger Subsidiary") (the "Agreement").

This opinion is being furnished in accordance with the requirements of Item 601(b)(5) of Regulation S-K of the General Rules and Regulations promulgated under the Act (the "Rules and Regulations").

In connection with the preparation of this opinion, we have examined and are familiar with each of the following:

1. The Amended Articles of Incorporation and Code of Regulations of the Company, each as currently in effect, and the Company's corporate minute book.

2. The proposed amendments to the Amended Articles of Incorporation and Code of Regulations of the Company attached as Appendices IV through VII to the Proxy Statement/Prospectus included in the Registration Statement (the "Proxy Statement/Prospectus").

3. The Registration Statement on Form S-4 filed with the Securities and Exchange Commission through the EDGAR system under the Act on the date hereof.

4. The forms of the Series A, B and C Warrants.
5. The Agreement.
6. The resolutions adopted by the Board of Directors of the Company relating to the issuance of the Preferred Shares and the Warrants and approving the Agreement.
7. Such other records, documents or instruments as in our judgment are necessary or appropriate to enable us to render the opinions herein.

In our examinations and in rendering the opinions set forth below, we have assumed, without independent investigation or examination, (a) the genuineness of all signatures, the authenticity and completeness of all documents submitted to us as copies and the authenticity of such originals of such latter documents; (b) that the final, executed copy of each document submitted to us in draft form will not differ in any material respect from the draft form of such document submitted to us; (c) that, with respect to documents executed by parties other than the Company, such parties had the power, corporate or otherwise, to enter into and perform all obligations thereunder and that such documents were duly authorized by all requisite action, corporate or otherwise, of such parties, that such documents were duly executed and delivered by such parties and that such documents are the valid and binding agreements of such parties; and (d) that the Agreement has been duly authorized, executed and delivered by the parties thereto, other than the Company and Merger Subsidiary, and constitutes valid and binding obligations of the parties thereto, other than the Company and Merger Subsidiary, enforceable against such parties in accordance with its terms. As to the facts material to our opinions expressed herein which were not independently established or verified, we have relied upon oral or written statements and representations of officers and other representatives of the Company and others.

Based upon and subject to the foregoing, and the further qualifications and limitations set forth below, as of the date hereof, we are of the opinion that:

1. Upon adoption of the proposed amendment to Article FOURTH of the Amended Articles of Incorporation of the Company, which amendment is attached as Appendix IV to the Proxy Statement/Prospectus, by the Company's shareholders and the filing of such amendment in accordance with Ohio law, the Preferred Shares will be duly authorized and, when issued in accordance with the terms and conditions of the Agreement, will be validly issued, fully paid and nonassessable.
2. The Warrants, when duly executed by the Company and issued in accordance with the terms and conditions of the Agreement, will be valid and binding obligations of the Company.
3. Assuming (i) the due adoption of the proposed amendment to Article FOURTH of the Amended Articles of Incorporation of the Company, which amendment is attached as Appendix IV to the Proxy Statement/Prospectus, by the Company's shareholders and the filing of such amendment in accordance with Ohio law and (ii) the due execution of the Warrants by the Company and the issuance of the Warrants in accordance with the terms and conditions of the

Agreement, the Common Shares, if or when issued by the Company upon conversion of the Preferred Shares in accordance with the terms of such Article FOURTH and such Registration Statement when it shall become effective and/or pursuant to the Warrants, will be validly issued, fully paid and nonassessable; provided, that, at the time of the conversion of the Preferred Shares and/or the exercise of the Warrants, there are available authorized but unissued common shares, without par value, of the Company, the authorization of which may require future corporate action, including action by the Company's shareholders.

We are members of the Bar of the State of Ohio and do not purport to be experts in the laws of any jurisdiction other than the laws of the State of Ohio and the United States of America.

We hereby consent to the use of our name in the Registration Statement under the caption "Validity of Shares of Class A Convertible Preferred Stock and the Warrants" and to the filing of this opinion as Exhibit 5 to the Registration Statement. In giving this consent, we do not admit that we come within the category of persons whose consent is required under Section 7 of the Act or the Rules and Regulations.

Very truly yours,

VORYS, SATER, SEYMOUR and PEASE

THE SCOTTS COMPANY
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
AND PREFERRED DIVIDENDS

	FISCAL YEAR ENDED SEPTEMBER 30,					Fiscal
	1990	1991	1992	1993	1994	Three Months December 31, 1994
	----- (in thousands except ratio data) -----					-----
COMPUTATION OF EARNINGS:						
Income (loss) before income taxes, extraordinary items and cumulative effect of accounting changes	\$(6,761)	\$4,455	\$26,203	\$35,367	\$41,822	\$(5,364)
Fixed Charges:						
Interest expense	34,531	30,932	15,942	8,454	17,450	5,694
Capitalized interest	0	0	380	0	321	100
Rental expense	1,345	2,001	2,427	3,042	4,305	1,077
Earnings, as defined	\$29,115	\$37,388	\$44,952	\$46,863	\$63,898	\$ 1,507
COMPUTATION OF FIXED CHARGES:						
Interest expense	\$34,531	\$30,932	\$15,942	\$ 8,454	\$17,450	\$ 5,694
Capitalized interest	0	0	380	0	321	100
Rental expense	1,345	2,001	2,427	3,042	4,305	1,077
Fixed Charges	\$35,876	\$32,933	\$18,749	\$11,496	\$22,076	\$ 6,871
Preferred Stock Dividends						
Ratio of Earnings to Fixed Charges and Preferred Stock Dividends(1)(2)(3)	0.00	1.14	2.40	4.08	2.89	0.00

- (1) The ratio of earnings to fixed charges is computed by dividing (a) the sum of (i) income from continuing operations before income taxes, extraordinary items and cumulative effect of changes in accounting method and (ii) the sum of fixed charges and preferred stock dividends. Fixed charges consist of interest on all indebtedness (including amortization of deferred financing costs), capitalized interest and the estimated interest compound of operating leases (assumed to be one-third of total rental expense).
- (2) The fiscal year ended September 30, 1990 reflected a deficiency of earnings to fixed charges and preferred stock dividends in the amount of \$6,761.
- (3) The historical and pro forma three months ended December 31, 1994 reflected a deficiency of earnings to fixed charges and preferred stock dividends in the amount of \$5,364 and \$7,260, respectively.

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

We consent to the incorporation by reference in the Registration Statement on Form S-4 of The Scotts Company of our report dated November 14, 1994 on our audits of the consolidated financial statements and financial statement schedules of The Scotts Company and Subsidiaries as of September 30, 1994 and 1993, and for the years in the period ended September 30, 1994, which report is incorporated by reference in The Scotts Company's Annual Report on Form 10-K for the fiscal year ended September 30, 1994. We also consent to the reference to our Firm under the caption "Experts."

COOPERS & LYBRAND L.L.P.

Columbus, Ohio
February 1, 1995

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

We consent to the inclusion in the Registration Statement on Form S-4 of The Scotts Company of our report dated January 26, 1995 on our audits of the combined financial statements of Stern's Miracle-Gro Products, Inc. and Affiliated Companies as of September 30, 1994 and 1993, and for the years in the period ended September 30, 1994. We also consent to the reference to our Firm under the caption "Experts."

JOEL E. SAMMET & CO.

New York, New York
February 1, 1995

THE SCOTTS COMPANY
 PROXY FOR ANNUAL MEETING OF SHAREHOLDERS TO BE HELD APRIL 6, 1995
 THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned holder(s) of Common Shares of The Scotts Company (the "Company") hereby appoints Paul D. Yeager and Craig D. Walley, and each of them, the Proxies of the undersigned, with full power of substitution, to attend the Annual Meeting of Shareholders of the Company to be held at the Stouffer Dublin Hotel, 600 Metro Place North, Dublin, Ohio, on Thursday, April 6, 1995, at 10:00 a.m., Eastern Standard Time, and any adjournment or adjournments thereof, and to vote all of the Common Shares which the undersigned is entitled to vote at such Annual meeting or at any adjournment or adjournments thereof:

1. To approve the acquisition of one-third or more but less than a majority of the voting power of the Company by the shareholders of Miracle-Gro Products, Inc., Stern's Nurseries, Inc., Miracle-Gro Lawn Products, Inc., and Miracle-Gro Products Limited

/ / FOR / / AGAINST / / ABSTAIN

2. To amend Article FOURTH of the Amended Articles of Incorporation of the Company

/ / FOR / / AGAINST / / ABSTAIN

3. To amend the Amended Articles of Incorporation of the Company to add a new Article NINTH

/ / FOR / / AGAINST / / ABSTAIN

4. To amend Subparagraphs (A) and (B) of Section 2.02 of the Code of Regulations of the Company

/ / FOR / / AGAINST / / ABSTAIN

5. To amend Subparagraph (C) of Section 2.02 of the Code of Regulations of the Company

/ / FOR / / AGAINST / / ABSTAIN

6. To amend Section 6.01 of the Code of Regulations of the Company

/ / FOR / / AGAINST / / ABSTAIN

7. To elect three directors for terms of one year, to elect three directors for terms of two years and to elect three directors for terms of three years (or, if Proposal No. 4 is not adopted, to elect nine directors to serve until the next Annual Meeting of Shareholders).

For terms of one year:

Theodore J. Host, Karen Gordon Mills, Tadd C. Seitz

/ / Vote for all nominees

/ / Vote for all nominees except _____

For terms of two years:

James B Beard, John M. Sullivan, L. Jack Van Fossen

/ / Vote for all nominees

// Vote for all nominees except _____

For terms of three years:

John S. Chamberlin, Joseph P. Flannery, Donald A. Sherman

// Vote for all nominees

// Vote for all nominees except _____

In their discretion, the Proxies are authorized to vote upon such other matters (none known at the time of solicitation of this proxy) as may properly come before the Annual Meeting or any adjournment or adjournments thereof.

WHERE A CHOICE IS INDICATED, THE SHARES REPRESENTED BY THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED OR NOT VOTED AS SPECIFIED. IF NO CHOICE IS INDICATED, THE SHARES REPRESENTED BY THIS PROXY WILL BE VOTED 'FOR' PROPOSAL NOS. 1-6 AND 'FOR' THE ELECTION OF THE NOMINEES LISTED IN ITEM NO. 7 AS DIRECTORS OF THE COMPANY. IF ANY OTHER MATTERS ARE PROPERLY BROUGHT BEFORE THE ANNUAL MEETING OR ANY ADJOURNMENT OR ADJOURNMENTS THEREOF, OR IF A NOMINEE FOR ELECTION AS A DIRECTOR NAMED IN THE PROXY STATEMENT IS UNABLE TO SERVE OR FOR GOOD CAUSE WILL NOT SERVE, THE SHARES REPRESENTED BY THIS PROXY WILL BE VOTED IN THE DISCRETION OF THE PROXIES ON SUCH MATTERS OR FOR SUCH SUBSTITUTE NOMINEE(S) AS THE DIRECTORS MAY RECOMMEND.

(THIS PROXY CONTINUES AND MUST BE SIGNED AND DATED ON THE REVERSE SIDE)

The undersigned hereby acknowledges receipt of the Notice of the Annual Meeting of Shareholders, dated March [8], 1995, the Proxy Statement/Prospectus furnished therewith, and the Annual Report of the Company for the fiscal year ended September 30, 1994. Any proxy heretofore given to vote the Common Shares which the undersigned is entitled to vote at the Annual Meeting of Shareholders is hereby revoked.

Date _____

Shareholder sign name exactly as it is stenciled hereon.

Note: Please fill in, sign and return this proxy in the enclosed envelope. When signing as Attorney, Executor, Administrator, Trustee or Guardian, please give full title as such. If signer is a corporation, please sign the full corporate name by authorized officer. Joint Owners should sign individually. (Please note any change of address on this proxy).

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF THE SCOTTS COMPANY