

SCOTTS MIRACLE-GRO CO

Form DEF 14A

December 20, 2006

Table of Contents

OMB APPROVAL

OMB Number:	3235-0059
Expires:	February 28, 2006
Estimated average burden hours per response	12.75

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

The Scotts Miracle-Gro Company

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

SEC 1913 (02-02)

Persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

Table of Contents

The Scotts Miracle-Gro Company
Proxy Statement for 2007 Annual Meeting of Shareholders

TABLE OF CONTENTS

PROXY STATEMENT

AUDIT COMMITTEE MATTERS

THE SCOTTS MIRACLE-GRO COMPANY THE AUDIT COMMITTEE POLICIES AND
PROCEDURES REGARDING APPROVAL OF SERVICES PROVIDED BY THE INDEPENDENT
REGISTERED PUBLIC ACCOUNTING FIRM

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

PROPOSAL NUMBER 2 SHAREHOLDER PROPOSAL REQUESTING REPORT ON EFFORTS TO
OPPOSE LOCAL ENVIRONMENTAL HEALTH POLICIES

YOUR BOARD OF DIRECTORS RECOMMENDS A VOTE AGAINST THE SHAREHOLDER
PROPOSAL.

SHAREHOLDER PROPOSALS FOR 2008 ANNUAL MEETING

OTHER BUSINESS

ANNUAL REPORT ON FORM 10-K

ELECTRONIC DELIVERY OF FUTURE SHAREHOLDER COMMUNICATIONS

HOUSEHOLDING OF ANNUAL MEETING MATERIALS

Table of Contents

The Scotts Miracle-Gro Company
14111 Scottslawn Road
Marysville, Ohio 43041

December 20, 2006

Dear Fellow Shareholders:

The Annual Meeting of Shareholders (the Annual Meeting) of The Scotts Miracle-Gro Company will be held at 10:00 a.m., Eastern Time, on Thursday, January 25, 2007, at The Berger Learning Center, 14111 Scottslawn Road, Marysville, Ohio 43041. The accompanying Notice of Annual Meeting of Shareholders and Proxy Statement contain detailed information about the business to be conducted at the Annual Meeting.

The Board of Directors has nominated four directors, each to serve for a term of three years to expire at the 2010 Annual Meeting of Shareholders (Proposal Number 1). The Board of Directors recommends that you vote FOR each of the nominees.

You are being asked to consider and act upon the shareholder proposal described in the Proxy Statement (Proposal Number 2), if such proposal is properly presented at the Annual Meeting. The Board of Directors recommends that you vote AGAINST the shareholder proposal.

Only shareholders of record at the close of business on November 28, 2006, the record date, are entitled to receive notice of and to vote at the Annual Meeting.

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 in person, please record your vote on the accompanying proxy card and return it promptly in the postage-paid envelope provided. Alternatively, if you are a registered shareholder, you may transmit voting instructions for your common shares via the Internet or telephonically in accordance with the specific instructions on your proxy card.

Sincerely,

James Hagedorn
President, Chief Executive Officer
and Chairman of the Board

Table of Contents

The Scotts Miracle-Gro Company

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To Be Held Thursday, January 25, 2007**

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders (the Annual Meeting) of The Scotts Miracle-Gro Company (the Company) will be held at The Berger Learning Center, 14111 Scottslawn Road, Marysville, Ohio 43041, on Thursday, January 25, 2007, at 10:00 a.m., Eastern Time, for the following purposes:

1. To elect four directors, each to serve for a term of three years to expire at the 2010 Annual Meeting of Shareholders.
2. To consider and act upon the shareholder proposal described in the Proxy Statement, if such proposal is properly presented at the Annual Meeting.
3. To transact such other business as may properly come before the Annual Meeting or any adjournment.

The close of business on November 28, 2006, has been fixed by the Board of Directors of the Company as the record date for determining the shareholders entitled to receive notice of and to vote at the Annual Meeting.

You are cordially invited to attend the Annual Meeting. Whether or not you plan to attend the Annual Meeting in person, you may ensure your representation by completing, signing, dating and promptly returning the accompanying proxy card. A return envelope, which requires no postage if mailed in the United States, has been provided for your use. Alternatively, if you are a registered shareholder, you may ensure that your common shares are voted at the Annual Meeting by submitting your voting instructions electronically via the Internet or telephonically by following the specific instructions on your proxy card. Voting your common shares by the accompanying proxy card, or electronically through the Internet or by telephone, does not affect your right to vote in person if you attend the Annual Meeting.

By Order of the Board of Directors,

David M. Aronowitz
*Executive Vice President, General Counsel
and Corporate Secretary*

14111 Scottslawn Road
Marysville, Ohio 43041
December 20, 2006

Table of Contents

The Scotts Miracle-Gro Company
14111 Scottslawn Road
Marysville, Ohio 43041

PROXY STATEMENT

for

Annual Meeting of Shareholders
Thursday, January 25, 2007

This Proxy Statement, along with the accompanying proxy card, are being furnished in connection with the solicitation of proxies, on behalf of the Board of Directors of The Scotts Miracle-Gro Company, for use at the Annual Meeting of Shareholders of The Scotts Miracle-Gro Company (the Annual Meeting) to be held at The Berger Learning Center, 14111 Scottslawn Road, Marysville, Ohio 43041, on Thursday, January 25, 2007, at 10:00 a.m., Eastern Time, and at any adjournment or postponement thereof. This Proxy Statement and the accompanying proxy card are first being sent or given to shareholders of The Scotts Miracle-Gro Company on or about December 20, 2006.

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

Only holders of record of the Company's common shares at the close of business on November 28, 2006 will be entitled to receive notice of and to vote at the Annual Meeting. As of November 28, 2006, there were 67,413,056 common shares outstanding. Holders of common shares at the record date are entitled to one vote per common share for the election of directors and upon all matters on which shareholders are entitled to vote. There are no cumulative voting rights in the election of directors. Under the Company's Code of Regulations, a quorum is the presence at the Annual Meeting, in person or by proxy, of a majority of the outstanding common shares entitled to vote. Common shares that have the authority to vote withheld, abstentions and broker non-votes will be counted as present for quorum purposes.

A proxy card for use at the Annual Meeting accompanies this Proxy Statement. You may ensure your representation at the Annual Meeting by completing, signing, dating and promptly returning the accompanying proxy card. A return envelope, which requires no postage if mailed in the United States, has been provided for your use. Alternatively, shareholders holding common shares registered directly with the Company's transfer agent, National City Bank, may transmit their voting instructions electronically via the Internet or by using the toll-free telephone number stated on the proxy card. The deadline for transmitting voting instructions electronically via the Internet or telephonically is

11:59 p.m., Eastern Time, on January 24, 2007. The Internet and telephone voting procedures are designed to authenticate shareholders' identities, to allow shareholders to

Table of Contents

give their voting instructions and to confirm that shareholders' voting instructions have been properly recorded. If you provide voting instructions through the Internet or telephonically, you may incur costs associated with electronic access, such as usage charges from Internet access providers and telephone companies.

If you hold your common shares in street name with a broker/dealer, financial institution or other nominee or holder of record, you may be eligible to appoint your proxy electronically via the Internet or telephonically and may incur costs associated with the electronic access. If you hold your common shares in street name, you are urged to carefully review the information provided to you by the holder of record. This information will describe the procedures to be followed in instructing the holder of record how to vote the street name common shares and how to revoke previously-given instructions. If you hold your common shares in street name and do not provide voting instructions to your broker/dealer within the required time frame before the Annual Meeting, your broker/dealer will have the discretion to vote your common shares on routine matters such as the uncontested election of directors. Your broker/dealer cannot, however, vote your common shares in respect of the shareholder proposal described in this Proxy Statement (if that proposal is properly presented for consideration at the Annual Meeting) without specific instructions from you. Proxies that are signed and submitted by broker/dealers that have not been voted on certain matters are referred to as broker non-votes. Broker non-votes will not count in determining the number of common shares necessary for the approval of the shareholder proposal (if that proposal is properly presented at the Annual Meeting).

You may revoke your proxy at any time before it is actually voted at the Annual Meeting by giving written notice of revocation to the Corporate Secretary of the Company, by accessing the Internet site or using the toll-free number stated on the proxy card and electing revocation as instructed or, if you are a registered shareholder, by attending the Annual Meeting and giving notice of revocation in person. You may also change your vote by choosing one of the following options: executing and returning to the Company a later-dated proxy card; voting in person at the Annual Meeting (but only if you are the registered shareholder); submitting a later-dated electronic vote through the Internet site; or voting by telephone using the toll-free telephone number stated on the proxy card at the later date. Attending the Annual Meeting will not, in and of itself, constitute revocation of a previously-appointed proxy.

Proxies will be solicited by mail and may be further solicited by additional mailings, personal contact, telephone, facsimile or electronic mail by directors, officers and regular employees of the Company, none of whom will receive additional compensation for such solicitation activities. The Company will reimburse its transfer agent, as well as broker/dealers, financial institutions and other custodians, nominees and fiduciaries, for their standard charges and expenses for forwarding proxy materials to the beneficial shareholders. The Company will bear the costs of preparing, assembling, printing and mailing this Proxy Statement, the accompanying proxy card and any other related materials, as well as all other costs incurred in connection with the solicitation of proxies on behalf of the Board of Directors, other than the Internet access fees and telephone service fees described above.

If you participate in The Scotts Company LLC Retirement Savings Plan (the RSP) and common shares have been allocated to your account in the RSP, you will be entitled to instruct the trustee of the RSP how to vote the common shares. You may receive your proxy card separately. If you do not give the trustee of the RSP voting instructions, the trustee will not vote the common shares.

If you participate in The Scotts Miracle-Gro Company Discounted Stock Purchase Plan (the Discounted Stock Purchase Plan), you will be entitled to vote the number of common shares credited to your custodial account (including any fractional common shares) on any matter submitted to the Company's shareholders for consideration at the Annual Meeting. If you do not vote or grant a valid proxy with respect to common shares credited to your custodial account, those common shares will be voted by the custodian under the Discounted Stock Purchase Plan in accordance with any stock exchange or other rules governing the custodian in the voting of common shares held for customer accounts.

The results of shareholder voting for the Annual Meeting will be tabulated by or under the direction of the inspectors of election appointed by the Company's Board of Directors for the Annual Meeting. Common

Table of Contents

shares represented by properly executed proxy cards returned to the Company prior to the Annual Meeting or represented by properly authenticated electronic voting instructions timely recorded through the Internet or by telephone will be counted toward the establishment of a quorum for the Annual Meeting even though they are marked Abstain, Against, Withhold All or For All Except or are not marked at all.

Those common shares represented by properly executed proxy cards, or properly authenticated voting instructions recorded electronically through the Internet or by telephone, that are timely received prior to the Annual Meeting and not revoked, will be voted as directed by the shareholder. The common shares represented by all valid proxies timely received prior to the Annual Meeting which do not specify how the common shares should be voted will be voted as recommended by the Company's Board of Directors, except in the case of broker non-votes, where applicable, as follows: (i) **FOR** the election as directors of each of the four nominees of the Board of Directors listed below under the caption **PROPOSAL NUMBER 1 ELECTION OF DIRECTORS** ; and (ii) **AGAINST** the shareholder proposal described in this Proxy Statement, if that proposal is properly presented for consideration at the Annual Meeting. No appraisal rights exist for any action proposed to be taken at the Annual Meeting.

Table of Contents**BENEFICIAL OWNERSHIP OF SECURITIES OF THE COMPANY**

The common shares are the Company's only outstanding class of voting securities. The following table furnishes certain information regarding the beneficial ownership of the Company's common shares as of November 28, 2006 (unless otherwise indicated below) by each of the current directors of the Company, by each of the nominees of the Board of Directors for election as a director of the Company, by each of the individuals named in the Summary Compensation Table and by all current directors and executive officers of the Company as a group, as well as by the only persons known to the Company to beneficially own more than 5% of the outstanding common shares.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership(1)(2)				Percent of Class(3)(4)
	Common Shares Presently Held	Common Share Equivalent(3)	Common Shares Which Can Be Acquired Upon Exercise of Options/SARs Currently Exercisable or Which Will First Become Exercisable Within 60 Days	Total	
David M. Aronowitz(5)	35,509(6)	12,966	172,000	220,475	(7)
Mark R. Baker	7,000	1,220	14,000	22,220	(7)
Robert F. Bernstock(5)(8)	0	0	0	0	(7)
Gordon F. Brunner	3,350	3,934	47,500	54,784	(7)
Arnold W. Donald	2,000	1,394	79,000	82,394	(7)
David C. Evans(5)	8,600(9)	0	24,000	32,600	(7)
Joseph P. Flannery	4,000	0	90,000	94,000	(7)
James Hagedorn(5)	20,983,937(10)	10,876	1,140,000	22,134,813	32.27%
Thomas N. Kelly Jr.	0	0	6,000	6,000	(7)
Katherine Hagedorn Littlefield	20,843,851(11)	0	71,000	20,914,851	30.99%
Karen G. Mills	10,000	2,836	132,000	144,836	(7)
Christopher L. Nagel(5)	51,900(12)	3,188	92,000	147,088	(7)
Patrick J. Norton	40,200(13)	0	232,000	272,200	(7)
Stephanie M. Shern	2,000	0	48,000	50,000	(7)
Denise S. Stump(5)	10,318(14)	236	23,000	33,554	(7)
John M. Sullivan	1,000	0	115,000	116,000	(7)
John Walker, Ph.D.	2,200	0	24,000	26,200	(7)
All current directors and executive officers as a group (16 individuals)	21,162,014(15)	36,650(15)	2,309,500(15)	23,508,164	33.66%
Hagedorn Partnership, L.P.	20,843,851(16)	0	0	20,843,851	30.92%

800 Port Washington Blvd Port Washington, NY 11050 Morgan Stanley and affiliated institutional investment managers(17)	6,332,720(18)	0	0	6,332,720	9.39%
1585 Broadway New York, NY 10036 EARNEST Partners, LLC(19)	5,209,303(20)	0	0	5,209,303	7.73%
1180 Peachtree Street NE, Suite 2300 Atlanta, GA 30309 Columbia Wanger Asset Management, L.P.(21)	4,087,500(22)	0	0	4,087,500	6.06%
227 West Monroe Street, Suite 3000 Chicago, IL 60606					

- (1) Unless otherwise indicated, the beneficial owner has sole voting and dispositive power as to all common shares reflected in the table. All fractional common shares have been rounded to the nearest whole common share. The mailing address of each of the current executive officers and directors of the Company is 14111 Scottslawn Road, Marysville, Ohio 43041.
- (2) All common share amounts have been adjusted to reflect the 2-for-1 stock split of the Company's common shares distributed on November 9, 2005.

Table of Contents

- (3) Common Share Equivalents figures include common shares attributable to the named executive officer's account relating to common share units under The Scotts Company LLC Executive Retirement Plan (the Executive Retirement Plan), and to the named director's account holding stock units received, in lieu of the director's annual cash retainer and any other fees paid for service as a director, under The Scotts Miracle-Gro Company 1996 Stock Option Plan (the 1996 Plan), The Scotts Miracle-Gro Company 2003 Stock Option and Incentive Equity Plan (the 2003 Plan) and The Scotts Miracle-Gro Company 2006 Long-Term Incentive Plan (the 2006 Plan), although under the terms of each of the Executive Retirement Plan, the 1996 Plan, the 2003 Plan and the 2006 Plan, the named individual has no voting or dispositive power with respect to the portion of his or her account attributed to common shares of the Company. For this reason, these common share equivalents are not included in the computation of the Percent of Class figures in the table.
- (4) The Percent of Class computation is based upon the sum of (i) 67,413,056 common shares outstanding on November 28, 2006 and (ii) the number of common shares, if any, as to which the named person or group has the right to acquire beneficial ownership upon the exercise of options and stock appreciation rights (SARs) which are currently exercisable or which will first become exercisable within 60 days after November 28, 2006.
- (5) Individual named in the Summary Compensation Table.
- (6) Represents 700 common shares held directly, 1,400 common shares that are the subject of a restricted stock grant made to Mr. Aronowitz on December 1, 2004 as to which the restriction period will lapse on December 1, 2007, 24,200 common shares that are the subject of restricted stock grants made to him on October 12, 2005 as to which the restriction period will lapse for 4,200 common shares on October 12, 2008 and for 20,000 common shares on October 12, 2009, 5,600 common shares that are the subject of a restricted stock grant made to him on October 11, 2006 as to which the restriction period will lapse on October 11, 2009, four common shares held in an open-market Associate Stock Purchase Plan and 3,605 common share units that are allocated to his account and held by the trustee under the RSP.
- (7) Represents ownership of less than 1% of the outstanding common shares of the Company.
- (8) Mr. Bernstock began his employment with the Company on June 2, 2003 and left the organization effective September 12, 2006. Please see the discussion below in **EXECUTIVE COMPENSATION Employment Agreements and Termination of Employment and Change-in-Control Arrangements**.
- (9) Represents 3,000 common shares that are the subject of a restricted stock grant made to Mr. Evans on October 12, 2005 as to which the restriction period will lapse on October 12, 2008 and 5,600 common shares that are the subject of a restricted stock grant made to him on October 11, 2006 as to which the restriction period will lapse on October 11, 2009.
- (10) Mr. Hagedorn is a general partner of Hagedorn Partnership, L.P., a Delaware limited partnership (the Hagedorn Partnership), and has shared voting and dispositive power with respect to the common shares held by the Hagedorn Partnership and those subject to the right to vote and right of first refusal in favor of the Hagedorn Partnership. See note (16) below. Includes, in addition to those common shares described in note (16) below, 30,000 common shares held directly, 26,600 common shares that are the subject of a restricted stock grant made to Mr. Hagedorn on December 1, 2004 as to which the restriction period will lapse on December 1, 2007, 28,600 common shares that are the subject of a restricted stock grant made to him on October 12, 2005 as to which the restriction period will lapse on October 12, 2008, 33,100 common shares that are the subject of a restricted stock grant made to him on October 11, 2006 as to which the restriction period will lapse on October 11, 2009, 20,978 common share units that are allocated to his account and held by the trustee under

the RSP and 808 common shares held in a custodial account under the Discounted Stock Purchase Plan.

Mr. Hagedorn also owns 4.975 shares, or 0.05% of the outstanding shares, of Scotts Italia S.r.l., an indirect subsidiary of the Company. Mr. Hagedorn is a nominee shareholder to satisfy the two shareholder requirement for an Italian corporation. The remaining 94.525 shares of Scotts Italia S.r.l. are held by OM Scott International Investments, Ltd., an indirect subsidiary of the Company.

Table of Contents

- (11) Ms. Littlefield is a general partner and the Chair of the Hagedorn Partnership and has shared voting and dispositive power with respect to the common shares held by the Hagedorn Partnership and those subject to the right to vote and right of first refusal in favor of the Hagedorn Partnership. See note (16) below.
- (12) Represents 1,400 common shares that are the subject of a restricted stock grant made to Mr. Nagel on December 1, 2004 as to which the restriction period will lapse on December 1, 2007, 5,200 common shares that are the subject of a restricted stock grant made to him on October 12, 2005 as to which the restriction period will lapse on October 12, 2008, 38,000 common shares that are the subject of a restricted stock grant made to him on October 1, 2006 as to which the restriction period will lapse for 19,000 common shares on October 1, 2007 and for 19,000 common shares on October 1, 2009 and 7,300 common shares that are the subject of a restricted stock grant made to him on October 11, 2006 as to which the restriction period will lapse on October 11, 2009.
- (13) Represents 40,000 common shares held by Mr. Norton directly and 200 common shares owned by Mr. Norton's spouse.
- (14) Represents 1,000 common shares that are the subject of a restricted stock grant made to Ms. Stump on December 1, 2004 as to which the restriction period will lapse on December 1, 2007, 4,200 common shares that are the subject of a restricted stock grant made to her on October 12, 2005 as to which the restriction period will lapse on October 12, 2008, 4,900 common shares that are the subject of a restricted stock grant made to her on October 11, 2006 as to which the restriction period will lapse on October 11, 2009 and 218 common shares held in a custodial account under the Discounted Stock Purchase Plan.
- (15) See notes (6) and (9) through (14) above and note (16) below.
- (16) The Hagedorn Partnership owns 20,622,027 common shares of record. The Hagedorn Partnership has the right to vote, and a right of first refusal with respect to, 221,824 common shares of the Company held by John Kenlon and his children pursuant to the Miracle-Gro Merger Agreement described below. Mr. James Hagedorn, Ms. Katherine Hagedorn Littlefield, Mr. Paul Hagedorn, Mr. Peter Hagedorn, Mr. Robert Hagedorn and Ms. Susan Hagedorn are siblings, general partners of the Hagedorn Partnership and former shareholders of Stern's Miracle-Gro Products, Inc. ("Miracle-Gro Products"). The general partners share voting and dispositive power with respect to the securities held by the Hagedorn Partnership and those subject to the right to vote and right of first refusal in favor of the Hagedorn Partnership. Mr. James Hagedorn and Ms. Katherine Hagedorn Littlefield are directors of the Company. Community Funds, Inc., a New York not-for-profit corporation ("Community Funds"), is a limited partner of the Hagedorn Partnership.

The Amended and Restated Agreement and Plan of Merger, dated as of May 19, 1995 (the "Miracle-Gro Merger Agreement"), among The Scotts Company, ZYX Corporation, Miracle-Gro Products, Stern's Nurseries, Inc., Miracle-Gro Lawn Products Inc., Miracle-Gro Products Limited, the Hagedorn Partnership, the general partners of the Hagedorn Partnership, Horace Hagedorn, Community Funds and John Kenlon, as amended by the First Amendment to Amended and Restated Agreement and Plan of Merger, dated as of October 1, 1999 (the "First Amendment"), limits the ability of the Hagedorn Partnership, Community Funds, Horace Hagedorn and John Kenlon (the "Miracle-Gro Shareholders") to acquire additional voting securities of the Company. See **The Miracle-Gro Merger Agreement and the First Amendment** below.

- (17) All information presented in this table regarding Morgan Stanley and its affiliated institutional investment managers was derived from the Form 13F Holdings Report for the quarter ended September 30, 2006 (the "Morgan Stanley Form 13F") filed by Morgan Stanley with the Securities and Exchange Commission (the "SEC") on November 15, 2006.

- (18) In the Morgan Stanley Form 13F, Morgan Stanley reported the following: (a) Morgan Stanley & Co. Incorporated had shared investment discretion and sole voting authority with respect to 32,954 common shares; (b) Morgan Stanley Capital Services Inc. had shared investment discretion and sole voting authority with respect to 11,013 common shares; (c) Morgan Stanley DW Inc. had shared investment discretion and sole voting authority with respect to 818 common shares; (d) Morgan Stanley Investment Advisors Inc. had shared investment discretion and sole voting authority with respect to 657 common

Table of Contents

shares; (e) Morgan Stanley Investment Management Inc. had shared investment discretion and sole voting authority with respect to 3,684,982 common shares and shared investment discretion and no voting authority with respect to 470,735 common shares; and (f) Morgan Stanley Investment Management Limited had shared investment discretion and sole voting authority with respect to 1,829,481 common shares and shared investment discretion and no voting authority with respect to 302,080 common shares.

- (19) All information presented in this table regarding EARNEST Partners, LLC (EARNEST) was derived from the Form 13F Holdings Report Amendment for the quarter ended September 30, 2006 (the EARNEST Form 13F), filed by EARNEST with the SEC on November 13, 2006.
- (20) In the EARNEST Form 13F, EARNEST reported sole investment discretion with respect to 5,209,303 common shares, sole voting authority with respect to 1,874,071 common shares, shared voting authority with respect to 1,669,732 common shares and no voting authority with respect to 1,665,500 common shares.
- (21) All information presented in this table regarding Columbia Wanger Asset Management, L.P. (Columbia) was derived from the Form 13F Holdings Report for the quarter ended September 30, 2006 (the Columbia Form 13F) filed by Columbia with the SEC on November 6, 2006.
- (22) In the Columbia Form 13F, Columbia reported sole investment discretion with respect to 4,087,500 common shares, sole voting authority with respect to 3,867,500 common shares and no voting authority with respect to 220,000 common shares.

The Miracle-Gro Merger Agreement and the First Amendment

Under the terms of the First Amendment, the Miracle-Gro Shareholders may not collectively acquire, directly or indirectly, beneficial ownership of Voting Stock (defined in the Miracle-Gro Merger Agreement, as amended by the First Amendment, to mean the common shares and any other securities issued by the Company which are entitled to vote generally for the election of directors of the Company) representing more than 49% of the total voting power of the outstanding Voting Stock, except pursuant to a tender offer for 100% of that total voting power, which tender offer is made at a price per share which is not less than the market price per share on the last trading day before the announcement of the tender offer and is conditioned upon the receipt of at least 50% of the Voting Stock beneficially owned by shareholders of the Company other than the Miracle-Gro Shareholders and their affiliates and associates.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended (the Exchange Act), requires the Company s directors and executive officers, and any persons beneficially holding more than 10 percent of the Company s outstanding common shares, to file statements reporting their initial beneficial ownership of common shares, and any subsequent changes in beneficial ownership, with the SEC by specified due dates that have been established by the SEC. Based solely upon the Company s review of (a) Section 16(a) statements filed on behalf of these persons for their transactions during the Company s fiscal year ended September 30, 2006 (the 2006 fiscal year) and (b) representations received from one or more of these persons that no other Section 16(a) statement was required to be filed by them for the Company s 2006 fiscal year, the Company believes that all Section 16 filing requirements applicable to its directors and executive officers and persons beneficially holding more than 10 percent of the Company s outstanding common shares were complied with during the Company s 2006 fiscal year.

PROPOSAL NUMBER 1

ELECTION OF DIRECTORS

There are currently 12 individuals serving as members of the Board of Directors of the Company, divided into three classes with regular three-year staggered terms. The Class III directors hold office for terms expiring at the Annual Meeting, the Class I directors hold office for terms expiring in 2008 and the Class II directors hold office for terms expiring in 2009. John Walker, Ph.D., who has served as a Class I director since 1998, will continue to serve as a director of the Company until the Company's next regularly scheduled Board of

Table of Contents

Directors' meeting. John M. Sullivan, who retired briefly earlier this year and agreed to return to the Board to fill a vacancy, and who has served as a Class II director since 1994, will also continue to serve as a director of the Company until the Company's next regularly scheduled Board of Directors' meeting. The Company anticipates that, by the time of the next regularly scheduled Board of Directors' meeting, two individuals will be identified for consideration and recommendation by the Company's Governance and Nominating Committee, and appointed by the Company's Board of Directors, to fill the vacancies created by Messrs. Sullivan and Walker's retirement in accordance with the Company's Code of Regulations and other governing documents.

At the Annual Meeting, four Class III directors will be elected. The four individuals currently serving as Class III directors—Mark R. Baker, Joseph P. Flannery, Katherine Hagedorn Littlefield and Patrick J. Norton—have been designated by the Board of Directors as nominees for re-election as directors of the Company at the Annual Meeting. Each individual was recommended by the Governance and Nominating Committee.

The individuals elected as Class III directors at the Annual Meeting will hold office for three-year terms to expire at the Annual Meeting of Shareholders of the Company to be held in 2010 and until their respective successors are duly elected and qualified, or until their earlier death, resignation or removal. The Board of Directors has no reason to believe that any of the nominees of the Board will be unable or unwilling to serve as a director of the Company if elected. If any nominee who would otherwise receive the required number of votes becomes unable or unwilling to serve as a candidate for election as a director, the individuals designated as proxy holders reserve full discretion to vote the common shares represented by the proxies they hold for the election of the remaining nominees and for the election of any substitute nominee designated by the Board of Directors following recommendation by the Governance and Nominating Committee.

The Board of Directors has reviewed, considered and discussed each director's relationships, either directly or indirectly, with the Company and its subsidiaries, including those listed under **CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**, and the compensation and other payments each director has, directly or indirectly, received from or made to the Company and its subsidiaries in order to determine whether such director qualifies as independent for purposes of the applicable sections of the Listed Company Manual (the NYSE Rules) of the New York Stock Exchange (NYSE) and the applicable rules and regulations of the SEC (the SEC Rules), and has determined that the Board has at least a majority of independent directors. The Board of Directors has determined that each of the following directors (and his or her immediate family members) have no financial ties, either directly or indirectly, with the Company or its subsidiaries (other than director compensation and ownership of common shares and common share equivalents as described in this Proxy Statement) and no relationships (either directly or as a partner, member, shareholder or officer of an organization that has a relationship) with the Company and its subsidiaries (including commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships) other than as a director of the Company, and thus qualifies as independent: Mark R. Baker, Gordon F. Brunner, Arnold W. Donald, Joseph P. Flannery, Thomas N. Kelly Jr., Karen G. Mills, Stephanie M. Shern, John M. Sullivan and John Walker, Ph.D. Mr. Donald is also a director of Scotts Miracle-Gro Foundation, an Ohio nonprofit corporation formed for charitable and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the Internal Revenue Code). The current primary activity of Scotts Miracle-Gro Foundation is to fund the Miracle-Gro Cap Kids at COSI, a program designed to provide academic and other support services to a select group of economically and socially disadvantaged students in the Columbus (Ohio) Public School District. Mr. Hagedorn, Ms. Littlefield and Mr. Norton do not qualify as independent. Mr. Hagedorn is the President and Chief Executive Officer of the Company and Ms. Littlefield is his sister. Mr. Norton was an associate of the Company until January 31, 2006.

The following information, as of November 28, 2006, with respect to the age, principal occupation or employment, other affiliations and business experience during the last five years of each director or nominee for re-election as a director, has been furnished to the Company by each director or nominee. Except where indicated, each director or

nominee has had the same principal occupation for the last five years.

Table of Contents

Nominees Standing for Re-Election to the Board of Directors

Class III Terms to Expire at the 2010 Annual Meeting

Mark R. Baker, age 49, Director of the Company since 2004

Mr. Baker has served as Chief Executive Officer of Gander Mountain Company (Gander Mountain), an outdoor retailer specializing in hunting, fishing and camping gear, since September 2002. He was appointed as the President of Gander Mountain in June 2003 and was elected as a director of Gander Mountain in April 2004. Prior to his service with Gander Mountain, he was the Executive Vice President, Merchandising of The Home Depot, Inc., a leading home improvement retailer, from October 2000.

Committee Memberships: Compensation and Organization; Governance and Nominating (Chair)

Joseph P. Flannery, age 74, Director of the Company since 1987

Mr. Flannery has been President, Chief Executive Officer and Chairman of the Board of Directors of Uniroyal Holding, Inc., an investment management company, since 1986. Mr. Flannery is also a director of one other public company, ArvinMeritor, Inc.

Committee Membership: Compensation and Organization; Governance and Nominating

Katherine Hagedorn Littlefield, age 51, Director of the Company since 2000

Ms. Littlefield has been a director of the Company since July 2000. Ms. Littlefield is the Chair of the Hagedorn Partnership. She also serves on the boards for Hagedorn Family Foundation, Inc., a charitable organization, Adelphi University and The Pennington School. She is the sister of James Hagedorn, the President, Chief Executive Officer and Chairman of the Board of the Company.

Committee Memberships: Finance; Innovation & Technology

Patrick J. Norton, age 56, Director of the Company since 1998

Mr. Norton retired on January 1, 2003, after having served as Executive Vice President and Chief Financial Officer of Scotts since May 2000 and as interim Chief Financial Officer of Scotts from February 2000 to May 2000. From January 1, 2003 until January 31, 2006, Mr. Norton acted as an adviser for the Company, primarily for the Scotts LawnService® business. Mr. Norton is a director of one other public company, Greif, Inc. Mr. Norton serves as an independent director for the privately-held company Svoboda Collins LLC. He is also a director of Scotts Miracle-Gro Foundation.

Committee Membership: Finance

Table of Contents

Directors Continuing in Office
Class I Terms to Expire at the 2008 Annual Meeting

Stephanie M. Shern, age 58, Director of the Company since 2003

Mrs. Shern is the founder of Shern Associates LLC, a retail consulting and business advisory firm formed in February 2002. From May 2001 to February 2002, Mrs. Shern served as the Senior Vice President and Global Managing Director of Retail and Consumer Products at Kurt Salmon Associates, a management consulting firm specializing in retailing and consumer products. From 1995 to April 2001, Mrs. Shern was the Vice Chairman and Global Director of Retail and Consumer Products for Ernst & Young LLP. Mrs. Shern is a CPA and a member of the American Institute of CPAs and the New York State Society of CPAs. Mrs. Shern is currently a director of three other public companies: Embarq Corporation; Royal Ahold; and GameStop Corp.

Committee Membership: Audit (Chair)

James Hagedorn, age 51, Chairman of the Board of the Company since January 2003, Chief Executive Officer of the Company since May 2001, President of the Company since November 2006 and Director of the Company since 1995

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

Committee Membership: None at this time

Karen G. Mills, age 53, Director of the Company since 1994; Lead Independent Director since 2006

Since June 1999, Ms. Mills has been a Managing Director and Founder of Solera Capital, a venture capital fund based in New York. Since January 1993, she has also been President of MMP Group, Inc., which invests in and advises growth companies in the consumer, media and industrial sectors. Ms. Mills is currently a director of Arrow Electronics, Inc. She also serves as the Chair of the Maine Counsel on Jobs Innovation and the Economy, is the Chair of the Overseers Visiting Committee to the Harvard Business School and serves on the Governors Counsel for the redevelopment of the Brunswick Naval Air Station.

Committee Memberships: Audit; Finance (Chair)

Table of Contents

Class II Terms to Expire at the 2009 Annual Meeting

Arnold W. Donald, age 51, Director of the Company since 2000

Since January 1, 2006, Mr. Donald has been the President and Chief Executive Officer for the Juvenile Diabetes Research Foundation International. From March 2000 until May 2005, Mr. Donald served as Chairman of Merisant Company, a seller of health, nutritional and lifestyle products, including leading global tabletop sweetener brands Equal® and Canderel®. He serves as a director of four other public companies: Crown Holdings, Inc.; Oil-Dri Corporation of America; The Laclede Group, Inc.; and Carnival Corporation. Mr. Donald serves as a director for numerous educational and charitable organizations including the St. Louis Science Center, Missouri Botanical Garden, Opera Theatre of St. Louis, Scotts Miracle-Gro Foundation, St. Louis Art Museum, BJC Health System, Washington University, Dillard University and Carleton College. In 1998, he was appointed by President Clinton to serve on the President's Export Council for international trade and appointed again by President Bush in November 2002. He is also a member of the Executive Leadership Council, the Kennedy School of Government Dean's Council and the National Science Teachers Association Advisory Board.

Committee Memberships: Compensation and Organization (Chair)

Gordon F. Brunner, age 68, Director of the Company since 2003

Mr. Brunner served as the Chief Technology Officer as well as a member of the board of directors of The Procter & Gamble Company, a manufacturer of family, personal and household care products, until his retirement on November 1, 2000 after 40 years of service. Mr. Brunner is a partner in the Cincinnati Living Longer ProActive Health Center and serves as a director of one other public company, Third Wave Technologies, Inc., as well as privately-held Iams Imaging and Beverage Holdings, LLC. He also serves on the boards for Christ Hospital (Cincinnati, Ohio), the Wisconsin Alumni Research Foundation, Xavier University and the Elizabeth Gamble Deaconess Home Association.

Committee Memberships: Governance and Nominating; Innovation & Technology (Chair)

Thomas N. Kelly Jr., age 59, Director of the Company since 2006

On August 11, 2006, the Board of Directors of the Company, upon the recommendation of the Governance and Nominating Committee, appointed Mr. Kelly to fill the vacancy in Class II. Mr. Kelly had been recommended to the Governance and Nominating Committee by Stephanie M. Shern, a director of the Company, who knew Mr. Kelly from her service on the board of directors of Nextel Communications which became Sprint Nextel Corporation. Mr. Kelly served as Executive Vice President, Transition Integration of Sprint Nextel Corporation from December 2005 until April 2006. He was the Chief Strategy Officer of Sprint Nextel Corporation from August 2005 until December 2005. He served as the Executive Vice President and Chief Operating Officer at Nextel Communications from February 2003 until August 2005. He served as Executive Vice President and Chief Marketing Officer at Nextel Communications from 1996 until February 2003. Mr. Kelly is a

director for Gracenote, a privately-held company located in Emeryville, CA, and the Greater Washington Sports Alliance in Washington, D.C. He also volunteers for several school and youth athletic organizations in Northern Virginia.

Committee Memberships: Audit; Compensation and Organization

Table of Contents

Recommendation and Vote

Under Ohio law and the Company's Code of Regulations, the four nominees for election in Class III receiving the greatest number of votes FOR election will be elected as directors of the Company. Common shares represented by properly executed and returned proxy cards or properly authenticated voting instructions recorded through the Internet or by telephone will be voted FOR the election of the Board of Directors' nominees unless authority to vote for one or more of the nominees is withheld. Common shares as to which the authority to vote is withheld will not be counted toward the election of directors or toward the election of the individual nominees specified on the form of proxy. The individuals designated as proxy holders cannot vote for more than four nominees for election as Class III directors at the Annual Meeting.

YOUR BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE FOR THE ELECTION OF ALL OF THE ABOVE-NAMED CLASS III DIRECTOR NOMINEES.

Meetings of the Board and Attendance at Annual Meetings of Shareholders

The Board of Directors held 10 regularly scheduled or special meetings during the Company's 2006 fiscal year. Each incumbent member of the Board of Directors attended at least 75% of the aggregate of the total number of meetings of the Board of Directors and of the Board committees on which he or she served, in each case during the period such director served in the 2006 fiscal year.

Although the Company does not have a formal policy requiring members of the Board of Directors to attend annual meetings of the shareholders, the Company encourages all incumbent directors and director nominees to attend each annual meeting of shareholders. Ten of the eleven then incumbent directors and director nominees attended the Company's last annual meeting of shareholders held on January 26, 2006.

In accordance with the Company's Corporate Governance Guidelines and applicable NYSE Rules, the non-management directors of the Company met in executive session (without management participation) at every regularly scheduled meeting of the Board of Directors during the Company's 2006 fiscal year. The independent directors meet in executive session as appropriate matters for their consideration arise but, in any event, at least once a year. At its January 26, 2006 meeting, upon recommendation of the Governance and Nominating Committee and with the support of management, the Board of Directors elected Karen G. Mills to serve as Lead Independent Director. Ms. Mills serves in this capacity at the pleasure of the Board of Directors and will continue to so serve until her successor is elected and qualified. Ms. Mills presides at the executive sessions of the non-management directors and of the independent directors.

Communications with the Board

The Board of Directors believes it is important for shareholders and other interested parties to have a process by which to send communications to the Board and its individual members. Accordingly, shareholders and other interested parties who wish to communicate with the Board of Directors, the Lead Independent Director, the non-management directors as a group or a particular director may do so by addressing such correspondence to the name(s) of the specific director(s), to the Non-Management Directors as a group or to the Board of Directors as a whole, and sending it in care of the Company, to the Company's executive offices at 14111 Scottslawn Road, Marysville, Ohio 43041. The mailing envelope must contain a clear notation indicating that the enclosed letter is an Interested Party/Shareholder Board Communication, an Interested Party/Shareholder Lead Independent Director Communication, an Interested Party/Shareholder Non-Management Director Communication, or an Interested Party/Shareholder Director Communication, as appropriate. All such letters must identify the author as a shareholder or other interested party (indicating such interest) and clearly indicate whether the correspondence is directed to all

members of the Board of Directors, to the non-management directors as a group or to certain specified individual directors. Correspondence marked personal and confidential will be delivered to the intended recipient(s) without opening. Copies of all letters will be circulated to the appropriate director or directors. There is no screening process in respect of communications from shareholders and other interested parties.

Table of Contents

Committees of the Board

The Board of Directors has five significant standing committees: the Audit Committee; the Compensation and Organization Committee; the Finance Committee; the Governance and Nominating Committee; and the Innovation & Technology Committee.

Audit Committee

The Audit Committee is organized and conducts its business pursuant to a written charter adopted by the Board of Directors. A copy of the Audit Committee's charter is posted under the governance link on the Company's Internet website at <http://investor.scotts.com> and is available in print to any shareholder who requests it from the Corporate Secretary of the Company. At least annually, the Audit Committee evaluates its performance, reviewing and assessing the adequacy of its charter and recommending any proposed changes to the full Board of Directors, as necessary, to reflect changes in regulatory requirements, authoritative guidance and evolving practices.

The Audit Committee is responsible for (1) overseeing the accounting and financial reporting processes of the Company, (2) overseeing the audits of the financial statements of the Company, (3) appointing, compensating and overseeing the work of the independent registered public accounting firm employed by the Company for the purpose of preparing or issuing an audit report or related work, (4) establishing procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, auditing matters or other compliance matters, (5) assisting the Board of Directors in its oversight of: (a) the integrity of the Company's financial statements; (b) the Company's compliance with applicable laws, rules and regulations, including applicable NYSE Rules; (c) the independent registered public accounting firm's qualifications and independence; and (d) the performance of the Company's internal audit function; and (6) undertaking the other matters required by applicable SEC Rules and NYSE Rules. Pursuant to its charter, the Audit Committee has the authority to engage and compensate such independent counsel and other advisors as the Audit Committee deems necessary to carry out its duties.

Each member of the Audit Committee qualifies as an independent director under the applicable NYSE Rules and under SEC Rule 10A-3. The Board of Directors believes each member of the Audit Committee is qualified to discharge his or her duties on behalf of the Company and its subsidiaries and satisfies the financial literacy requirement of the NYSE Rules. The Board of Directors has determined that Stephanie M. Shern qualifies as an audit committee financial expert as that term is defined in the applicable SEC Rules by virtue of her experience described on page 10. None of the members of the Audit Committee serves on the audit committee of more than two other public companies.

The Audit Committee met 15 times during the 2006 fiscal year. The Audit Committee's report relating to the Company's 2006 fiscal year appears on pages 39 and 40.

Compensation and Organization Committee

The Compensation and Organization Committee is organized and conducts its business pursuant to a written charter adopted by the Board of Directors. A copy of the Compensation and Organization Committee charter is posted under the governance link on the Company's Internet website located at <http://investor.scotts.com> and is available in print to any shareholder who requests it from the Corporate Secretary of the Company. At least annually, in consultation with the Governance and Nominating Committee, the Compensation and Organization Committee reviews and reassesses the adequacy of its charter and performs a Committee performance evaluation.

The Compensation and Organization Committee reviews, considers and acts upon matters concerning salary and other compensation and benefits of all executive officers and certain other employees of the Company. In addition, the

Compensation and Organization Committee acts upon all matters concerning, and exercises such authority as is delegated to it under the provisions of, any benefit, retirement or pension plan maintained by the Company. The Compensation and Organization Committee also advises the Board of Directors regarding executive officer organizational issues and succession plans and serves as the committee administering the 1996 Plan, the 2003 Plan, the 2006 Plan, The Scotts Company LLC Executive/Management

Table of Contents

Incentive Plan (the Executive Incentive Plan) and the Discounted Stock Purchase Plan. The Compensation and Organization Committee met 7 times during the 2006 fiscal year. Pursuant to its charter, the Compensation and Organization Committee has the authority to retain special counsel, compensation consultants and other experts or consultants as it deems appropriate to carry out its functions and to approve the fees and other retention terms for any such counsel, consultants or experts.

Each member of the Compensation and Organization Committee qualifies as an independent director under the applicable NYSE Rules, an outside director for purposes of Section 162(m) of the Internal Revenue Code, and a non-employee director for purposes of Rule 16b-3 under the Exchange Act. The Compensation and Organization Committee's report on executive compensation appears on pages 33 through 37.

Finance Committee

The Finance Committee provides oversight of the financial strategies and policies of the Company and its subsidiaries. It reviews investments, stock repurchase programs and dividend payments; provides oversight of cash management and bank agreements; and plays a large role in overseeing the Company's acquisitions and acquisition financing. The Finance Committee met 7 times during the 2006 fiscal year.

Governance and Nominating Committee

The Governance and Nominating Committee is organized and conducts its business pursuant to a written charter adopted by the Board of Directors. A copy of the Governance and Nominating Committee charter is posted under the governance link on the Company's Internet website located at <http://investor.scotts.com> and is available in print to any shareholder who requests it from the Corporate Secretary of the Company. At least annually, the Governance and Nominating Committee reviews and reassesses the adequacy of its charter and performs a Committee performance evaluation.

The Governance and Nominating Committee recommends policies on the composition of the Board of Directors and nominees for membership on the Board of Directors and Board committees. The Governance and Nominating Committee also makes recommendations to the full Board of Directors and the Chairman of the Board regarding committee selection, including committee chairs and rotation practices, the overall effectiveness of the Board of Directors and of management (in the areas of Board of Directors relations and corporate governance), director compensation and developments in corporate governance practices. The Governance and Nominating Committee is responsible for developing a policy with regard to the consideration of candidates for election or appointment to the Board of Directors recommended by shareholders of the Company and procedures to be followed by shareholders in submitting such recommendations, consistent with any shareholder nomination requirements which may be set forth in the Company's Code of Regulations and applicable laws, rules and regulations. In considering potential nominees, the Governance and Nominating Committee conducts its own search for available, qualified nominees and will consider candidates from any reasonable source, including shareholder recommendations. The Governance and Nominating Committee is also responsible for developing and recommending to the Board of Directors corporate governance guidelines applicable to the Company and overseeing the evaluation of the Board of Directors and management.

Each member of the Governance and Nominating Committee qualifies as an independent director under the applicable NYSE Rules. The Governance and Nominating Committee met 4 times during the 2006 fiscal year.

Innovation & Technology Committee

The Innovation & Technology Committee was formed in May 2004 to assist the Board of Directors in providing counsel to the Company's senior management on strategic management of global science, technology and innovations issues and to act as the Board of Director's liaison to the Company's Innovation and Technology Advisory Board. The Innovation & Technology Committee is organized and conducts its business pursuant to a written charter adopted by the Board of Directors and met 3 times during the 2006 fiscal year. A copy of the Innovation & Technology Committee charter is posted under the [governance](#) link

Table of Contents

on the Company's Internet website located at <http://investor.scotts.com> and is available in print to any shareholder who requests it from the Corporate Secretary of the Company.

Nomination of Directors

As described above, the Company has a standing Governance and Nominating Committee that has responsibility for, among other things, providing oversight on the broad range of issues surrounding the composition and operation of the Board of Directors, including identifying candidates qualified to become directors and recommending director nominees to the Board of Directors.

When considering candidates for the Board of Directors, the Governance and Nominating Committee evaluates the entirety of each candidate's credentials and does not have any specific eligibility requirements or minimum qualifications that must be met by a Governance and Nominating Committee-recommended nominee. However, under the Company's Corporate Governance Guidelines, in general, a director is not to stand for re-election once he or she has reached the age of 72. The Governance and Nominating Committee and the full Board of Directors will review individual circumstances and may from time to time choose to renominate a director who is 72 or older. The Governance and Nominating Committee may consider any factors it deems appropriate, including: judgment; skill; diversity; strength of character; experience with businesses and organizations of comparable size or scope; experience as an executive of, or advisor to, a publicly traded or private company; experience and skill relative to other Board of Directors members; specialized knowledge or experience; and desirability of the candidate's membership on the Board of Directors and any committees of the Board of Directors.

The Governance and Nominating Committee considers candidates for the Board of Directors from any reasonable source, including shareholder recommendations, and does not evaluate candidates differently based on who has made the recommendation. Pursuant to its written charter, the Governance and Nominating Committee has the authority to retain consultants and search firms to assist in the process of identifying and evaluating candidates and to approve the fees and other retention terms for any such consultant or search firm. During the Company's 2006 fiscal year through the date of this Proxy Statement, the Company paid \$100,000 to the search firm Christian and Timbers, LLC for assistance with the evaluation and selection process for the Company's director search. The Board of Directors, taking into account the recommendations of the Governance and Nominating Committee, selects nominees to stand for election as directors.

Shareholders may recommend director candidates for consideration by the Governance and Nominating Committee by giving written notice of the recommendation to the Corporate Secretary of the Company. The recommendation should include the candidate's name, age, business address and principal occupation or employment, as well as a description of the candidate's qualifications, attributes and other skills. A written statement from the candidate consenting to serve as a director, if so elected, should accompany any such recommendation.

Corporate Governance Guidelines

In accordance with applicable NYSE Rules, the Board of Directors has adopted Corporate Governance Guidelines to promote the effective functioning of the Board of Directors and its committees and to reflect the Company's commitment to the highest standards of corporate governance. The Board of Directors, with the assistance of the Governance and Nominating Committee, periodically reviews the Corporate Governance Guidelines to ensure they are in compliance with all applicable requirements. The Corporate Governance Guidelines are posted under the [governance](#) link on the Company's Internet website located at <http://investor.scotts.com> and are available in print to any shareholder who requests them from the Corporate Secretary of the Company.

Code of Business Conduct and Ethics

In accordance with applicable NYSE Rules and SEC Rules, the Board of Directors has adopted The Scotts Miracle-Gro Company Code of Business Conduct and Ethics which is available under the governance

Table of Contents

link on the Company's Internet website located at <http://investor.scotts.com> and in print to any shareholder who requests it from the Corporate Secretary of the Company.

All of the employees of the Company and its subsidiaries, including its executive officers, and directors of the Company are required to comply with the Company's Code of Business Conduct and Ethics. The Sarbanes-Oxley Act of 2002 requires companies to have procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls, or auditing matters and to allow for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters. The Company's procedures for these matters are set forth in the Code of Business Conduct and Ethics.

Compensation of Directors

Each director of the Company who is not an employee of the Company or its subsidiaries (a non-employee director) receives a \$40,000 annual retainer for Board of Directors and Board committee meetings plus reimbursement of all reasonable travel and other expenses of attending such meetings. Members of the Audit Committee receive an additional \$5,000 annually. However, Thomas N. Kelly Jr.'s annual cash retainer for the 2006 calendar year was paid on a pro-rated basis for the period of his service on the Board of Directors and Board committees during the 2006 calendar year following his appointment on August 11, 2006.

Prior to January 26, 2006, non-employee directors were able to elect, under the 1996 Plan and the 2003 Plan, to receive all or a portion, in 25% increments, of their annual cash retainer and other fees paid for service as a director in cash or in stock units. If stock units were elected, the non-employee director received a number of stock units determined by dividing the chosen dollar amount by the closing price of the Company's common shares on NYSE on the first trading day following the date of the annual meeting of shareholders of the Company for which the deferred amount otherwise would have been paid. Final distributions are to be made in cash or common shares, as elected by the non-employee director, upon the date that the non-employee director ceases to be a member of the Board of Directors, upon the date the non-employee director has specified in his or her deferral form or upon a change in control (as defined in each of the 1996 Plan and the 2003 Plan), whichever is earliest. If stock units are to be settled in cash, the amount distributed will be calculated by multiplying the number of stock units to be settled in cash by the fair market value of the Company's common shares. If stock units are to be settled in common shares, the number of common shares distributed will equal the whole number of stock units to be settled in common shares, with the fair market value of any fractional stock units distributed in cash. Distributions may be made either in a lump sum or in installments over a period of up to ten years, as elected by the non-employee director. However, upon a change in control, each outstanding stock unit held by a non-employee director will be settled for a lump sum cash payment equal to (1) the highest price per share offered in conjunction with the transaction resulting in the change in control or (2) in the event of a change in control not related to a transfer of common shares, the highest closing price of a common share of the Company as reported on NYSE on any of the 30 consecutive trading days ending on the last trading day before the change in control occurs (the change in control price per common share). Following the approval of the Company's 2006 Plan at the 2006 Annual Meeting of Shareholders on January 26, 2006, non-employee directors may no longer elect to receive stock units under the 1996 Plan or the 2003 Plan.

The non-employee directors may elect, under the 2006 Plan, to receive all or a portion (in 25% increments) of their annual cash retainer and other fees paid for service as a director in cash or in stock units. If stock units are elected, the non-employee director receives a number of stock units determined by dividing the chosen dollar amount by the closing price of the Company's common shares on NYSE on the first trading day following the date of the annual meeting of shareholders of the Company for which the deferred amount otherwise would have been paid. Final distributions are to be made in cash or common shares, as elected by the non-employee director, upon the date that the non-employee director ceases to be a member of the Board of Directors, upon the date the non-employee director has specified in his or her deferral form or upon a change in control (as defined in the 2006 Plan), whichever is earliest. If

stock units are to be settled in cash, the amount distributed will be calculated by multiplying the number of stock units to be settled in cash by the fair market value of the Company's common shares. If stock units are to be settled in common shares, the

Table of Contents

number of common shares distributed will equal the whole number of stock units to be settled in common shares, with the fair market value of any fractional stock units distributed in cash. Distributions may be made either in a lump sum or in installments over a period of up to ten years, as elected by the non-employee director. However, upon a change in control, each outstanding stock unit held by a non-employee director will be settled for a lump sum cash payment equal to the change in control price per common share.

The number of common shares subject to stock units held by each of the non-employee directors as of November 28, 2006 is shown in the beneficial ownership table under the caption **BENEFICIAL OWNERSHIP OF SECURITIES OF THE COMPANY** on page 4.

Prior to January 26, 2006, non-employee directors automatically received an annual grant, on the first business day following the date of each annual meeting of shareholders, of options to purchase 10,000 common shares at an exercise price equal to the fair market value of the common shares on the grant date. Non-employee directors who were members of one or more committees of the Board of Directors received options to purchase an additional 1,000 common shares for each committee on which they served. Additionally, non-employee directors who chaired a committee received options to purchase an additional 2,000 common shares for each committee they chaired. These options were granted under the 1996 Plan or the 2003 Plan. Since the approval of the 2006 Plan, no further automatic grants have been or will be made under the 1996 Plan or the 2003 Plan.

Grants of options to directors under the 2006 Plan are discretionary. On January 27, 2006, consistent with the automatic grants which had previously been made under the 1996 Plan and the 2003 Plan, the individuals then serving as non-employee directors received options to purchase 10,000 common shares. Non-employee directors who were members of one or more committees of the Board of Directors received options to purchase an additional 1,000 common shares for each committee on which they served. Additionally, non-employee directors who chaired a committee received options to purchase an additional 2,000 common shares for each committee they chaired. Each of the options granted on January 27, 2006 has an exercise price of \$49.55, the closing price of the Company's common shares on NYSE on the grant date. The following non-employee directors of the Company were granted options covering the number of common shares shown beside their respective names:

Name	Number of Common Shares Subject to Options Granted on 1/27/06
Mark R. Baker	14,000
Gordon F. Brunner	14,000
Arnold W. Donald	13,000
Joseph P. Flannery	12,000
Katherine Hagedorn Littlefield	12,000
Karen G. Mills	14,000
Patrick J. Norton	11,000
Stephanie M. Shern	13,000
John Walker, Ph.D.	11,000

On May 3, 2006, the date he was re-appointed to the Board of Directors, John M. Sullivan received options to purchase 11,000 common shares at an exercise price of \$44.04, the closing price of the Company's common shares on NYSE on the grant date. This number of common shares was the same as he would have received had he not retired following the 2006 Annual Meeting of Shareholders. On October 11, 2006, Thomas N. Kelly Jr. received an option to purchase 6,000 common shares at an exercise price of \$45.88, the closing price of the Company's common shares on

NYSE on the grant date. This number of common shares was based on the period he would serve on the Board of Directors and Board committees during the 2006 calendar year following his appointment.

Options granted to non-employee directors under the 1996 Plan became exercisable six months after the grant date and options granted to non-employee directors under the 2003 Plan became exercisable either six

Table of Contents

months or twelve months after the grant date. The options granted to non-employee directors under the 2006 Plan, as described above, will become exercisable on January 27, 2007. Once vested, the options remain exercisable until the earlier to occur of the tenth anniversary of the grant date or the first anniversary of the date the non-employee director ceases to be a member of the Company's Board of Directors. However, if the non-employee director ceases to be a member of the Board of Directors after having been convicted of, or pled guilty or nolo contendere to, a felony, his or her options granted under the 1996 Plan, the 2003 Plan or the 2006 Plan will be cancelled on the date he or she ceases to be a director. If the non-employee director ceases to be a member of the Board of Directors after having retired after serving at least one full term, any outstanding options granted under the 1996 Plan, the 2003 Plan or the 2006 Plan will remain exercisable for a period of five years following retirement subject to the stated terms of the options.

Upon a change in control of the Company, each non-employee director's outstanding options granted under the 2003 Plan or the 2006 Plan will be cancelled, unless (a) the Company's common shares remain publicly traded, (b) the non-employee director remains a director of the Company after the change in control or (c) the non-employee director exercises, with the permission of the Compensation and Organization Committee, the non-employee director's outstanding options within 15 days of the date of the change in control. In addition, each non-employee director's outstanding options granted under the 1996 Plan will be cancelled unless the non-employee director exercises, with the permission of the Compensation and Organization Committee, the non-employee director's outstanding options within 15 days of the date of the change in control. For each cancelled option, a non-employee director will receive cash in the amount of, or common shares having a value equal to, the difference between the change in control price per common share and the exercise price per share associated with the cancelled option.

On November 5, 2002, the Company entered into a letter agreement with Patrick J. Norton. As amended on October 25, 2005, this letter agreement provided that from January 1, 2003 through January 31, 2006, Mr. Norton would remain an employee of the Company with limited duties, primarily acting as an advisor for the Scotts LawnService® business. Mr. Norton received an annual fee of \$11,000 for his work as an advisor and received options covering 4,500 common shares (adjusted to 9,000 common shares as a result of the 2-for-1 stock split on the Company's common shares distributed on November 9, 2005) annually. Since December 31, 2005, Mr. Norton has continued to participate in the Company's group medical and dental plans under the prevailing annual COBRA rates and will continue to do so until Mr. Norton's 65th birthday on November 19, 2015.

Compensation and Organization Committee Interlocks and Insider Participation

The Compensation and Organization Committee is currently comprised of Mark R. Baker, Arnold W. Donald, Joseph P. Flannery and Thomas N. Kelly Jr. Each of Messrs. Baker, Donald and Flannery also served on the Compensation and Organization Committee throughout the 2006 fiscal year. Mr. Kelly was appointed to the Compensation and Organization Committee effective August 11, 2006. With respect to the 2006 fiscal year and from October 1, 2006 through the date of this Proxy Statement, there were no interlocking relationships between any executive officer of the Company and any entity whose executive officer served on the Compensation and Organization Committee or any other relationship required to be disclosed under the applicable SEC Rules.

Table of Contents**EXECUTIVE COMPENSATION**

Please see the disclosure in Supplemental Item. Executive Officers of the Registrant included in Part I of the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2006, for information concerning the Company's executive officers.

Summary of Cash and Other Compensation

The following table shows certain summary information for the fiscal years ended September 30, 2006, 2005 and 2004 concerning the compensation awarded to, earned by or paid by the Company and its subsidiaries to (i) the individual who served as the Company's Chief Executive Officer (CEO) during the 2006 fiscal year, (ii) the Company's four other most highly compensated executive officers who were serving as executive officers as of the last day of the 2006 fiscal year (i.e., September 30, 2006) and (iii) one former executive officer of the Company who would have been included except that he was no longer serving as an executive officer as of the last day of the 2006 fiscal year (collectively, the named individuals). All common share amounts and per share grant date market values have been adjusted as appropriate to reflect the 2-for-1 stock split of the Company's common shares distributed on November 9, 2005.

Summary Compensation Table

Name and Principal Position during 2006 Fiscal Year	Fiscal Year	Annual Compensation			Long-Term Compensation Awards		All Other Compensation(\$)
		Salary\$(1)	Bonus\$(1)	Other Annual Compensation	Restricted	Securities	
					Stock Award(s)\$(2)	Underlying Options/SARs(#)(3)	
James Hagedorn President, Chief Executive Officer	2006	\$ 600,000	\$ 416,880	\$ 624,835(4)	\$ 1,215,643	153,000(5)	\$ 81,735(6)
	2005	\$ 600,000	\$ 999,677	\$ 187,031(7)	\$ 917,700	165,200(5)	\$ 102,770
Chairman of the Board(3)	2004	\$ 600,000	\$ 888,000	\$ 80,821(8)	\$ 872,400	180,000(9)	\$ 44,851
Christopher L. Nagel Executive Vice President, North American Consumer Business(10)	2006	\$ 405,400	\$ 172,133	\$ (11)	\$ 221,026	28,200(5)	\$ 47,042(6)
	2005	\$ 374,500	\$ 381,312	\$ (11)	\$ 48,300	34,000(5)	\$ 43,605
	2004	\$ 350,000	\$ 356,125	\$ (11)	\$ 0	40,000(9)	\$ 31,489
David M. Aronowitz Executive Vice President, General Counsel and Corporate Secretary	2006	\$ 400,000	\$ 220,000	\$ (11)	\$ 1,028,621	22,600(5)	\$ 44,762(6)
	2005	\$ 321,000	\$ 326,839	\$ 2,304(14)	\$ 48,300	32,400(5)	\$ 37,450
	2004	\$ 300,000	\$ 305,250	\$ (11)	\$ 0	40,000(9)	\$ 27,565
Debbie S. Stump Executive Vice President, Global Human Resources	2006	\$ 300,000	\$ 127,380	\$ (11)	\$ 178,521	22,600(5)	\$ 35,280(6)
	2005	\$ 278,250	\$ 283,311	\$ (11)	\$ 34,500	20,000(5)	\$ 33,016
	2004	\$ 265,000	\$ 269,638	\$ (11)	\$ 0	19,000(9)	\$ 21,377
David C. Evans Executive Vice President, Chief Financial Officer(16)	2006	\$ 300,000	\$ 104,220	\$ 99(14)	\$ 127,515	15,800(5)	\$ 31,133(6)
	2005	\$ 250,000	\$ 194,506	\$ (11)	\$ 0	20,000(5)	\$ 26,333
	2004	\$ 220,000	\$ 172,842	\$ (11)	\$ 0	24,000(9)	\$ 18,845

Edgar Filing: SCOTTS MIRACLE-GRO CO - Form DEF 14A

Robert F. Bernstock	2006	\$ 625,952	\$ 232,322(19)	\$ 45,866(20)	\$ 744,932	33,800(5)	\$ 2,502,969(2)
Former President(18)	2005	\$ 540,000	\$ 648,007	\$ 2,518(14)	\$ 1,610,000	66,000(5)	\$ 67,003
	2004	\$ 484,500	\$ 589,061	\$ 7(14)	\$ 0	50,000(9)	\$ 86,655

(1) Includes compensation which may be deferred under the RSP and the Executive Retirement Plan.

Table of Contents

- (2) The figures shown in the table represent the dollar value of the restricted common shares granted during each fiscal year. The following table sets forth information relating to grants of restricted common shares made to the named individuals. Each holder of restricted common shares exercises all voting rights associated with the restricted common shares and, upon vesting of the restricted common shares, is entitled to receive any dividends which may be paid on the restricted common shares.

Date of Grant	Recipients (Number of Restricted Common Shares)	Grant Date Closing Market Price Per Common Share	Vesting Schedule(a)
10/11/06	Mr. Hagedorn (33,100) Mr. Nagel (7,300) Mr. Aronowitz (5,600) Ms. Stump (4,900) Mr. Evans (5,600)	\$ 45.88	Awards will vest on 10/11/09.
10/1/06	Mr. Nagel (38,000)	\$ 44.49	Award will vest 50% on 10/1/07 and 50% on 10/1/09.
10/12/05	Mr. Hagedorn (28,600) Mr. Nagel (5,200) Mr. Aronowitz (4,200) Ms. Stump (4,200) Mr. Evans (3,000) Mr. Bernstock (6,400)(b)	\$ 42.505	Awards will vest on 10/12/08 with the exception of Mr. Bernstock s which became fully vested on September 12, 2006. (b)
10/12/05	Mr. Aronowitz (20,000)	\$ 42.505	Award will vest on 10/12/09.
12/1/04	Mr. Hagedorn (26,600) Mr. Nagel (1,400) Mr. Aronowitz (1,400) Ms. Stump (1,000)	\$ 34.50	Awards will vest on 12/1/07. (b)
10/1/04	Mr. Bernstock (50,000)(b)	\$ 32.20	Award became fully vested on September 12, 2006. (b)
11/19/03	Mr. Hagedorn (30,000)	\$ 29.08	Award vested on 11/19/06.

- (a) Vesting is subject to the holder s continued employment with the Company and its subsidiaries on each scheduled vesting date.
- (b) Under the terms of Mr. Bernstock s Separation Agreement and Release of All Claims (discussed below in **Employment Agreements and Termination of Employment and Change-in-Control Arrangements**), all of Mr. Bernstock s outstanding restricted common shares became fully vested on September 12, 2006. Undistributed dividends in the amount of \$35,300 associated with the restricted common shares were distributed to Mr. Bernstock on December 8, 2006.

As of September 30, 2006, the aggregate holdings of restricted common shares and the value of such holdings based on the \$44.49 per share closing market price of the Company s common shares on September 29, 2006, the last trading day of the 2006 fiscal year, for the named individuals were: (i) Mr. Hagedorn (85,200 restricted common shares, \$3,790,548); (ii) Mr. Nagel (6,600 restricted common shares, \$293,634); (iii) Mr. Aronowitz

(25,600 restricted common shares, \$1,138,944); (iv) Ms. Stump (5,200 restricted common shares, \$231,348); and (v) Mr. Evans (3,000 restricted common shares, \$133,470). The holdings of Mr. Hagedorn, Mr. Aronowitz, Ms. Stump and Mr. Evans do not include the 33,100, 5,600, 4,900 and 5,600 restricted common shares, respectively, granted on October 11, 2006 as noted earlier in this footnote since those restricted common shares were granted after the end of the 2006 fiscal year. The holdings of Mr. Nagel do not include the 7,300 restricted common shares granted on October 11, 2006 or the 38,000 restricted common shares granted on October 1, 2006 as noted earlier in this footnote since those restricted common shares were granted after the end of the 2006 fiscal year.

- (3) Mr. Hagedorn, who was then serving as Chief Executive Officer and Chairman of the Board of the Company, was named to the additional position of President of the Company on November 2, 2006.

Table of Contents

Mr. Hagedorn, who had served as President, Chief Executive Officer and Chairman of the Board of the Company during the 2005 fiscal year and the 2004 fiscal year, had been elected Chief Executive Officer and Chairman of the Board of the Company on December 9, 2005.

- (4) This figure includes the value of personal use of Company-owned aircraft of \$555,465, calculated on the basis of the aggregate incremental cost to the Company and its subsidiaries. The incremental cost to the Company of \$320,388 related to the loss of a tax deduction to the Company on account of personal use of Company-owned aircraft under the applicable federal income tax rules is not included. The reported aggregate incremental cost of personal use of Company-owned aircraft was based on the direct operating costs associated with operating a flight from origination to destination, such as fuel, oil, landing fees, crew hotels and meals, on-board catering, trip-related maintenance, and trip-related hangar/parking costs. Since Company-owned aircraft are used primarily for business travel, the calculation method excludes the fixed costs which do not change based on usage, such as pilots' salaries, the purchase costs of Company-owned aircraft and the cost of maintenance not related to trips. In addition, the cost of ferry hours (deadhead flights) is included, which amount was not included in prior years. The reported figure also includes the incremental cost of \$12,000 relating to an auto allowance, \$12,000 paid by the Company for financial counseling for Mr. Hagedorn's benefit, \$39,270 reimbursed by the Company for the payment of taxes, and \$6,100 paid by the Company for a physical examination for Mr. Hagedorn's benefit.
- (5) These amounts represent stock options granted under the 2003 Plan.
- (6) This amount represents aggregate contributions made by the Company and its subsidiaries of \$16,658 to Mr. Hagedorn's account under the RSP and \$64,387 to Mr. Hagedorn's account under the Executive Retirement Plan, as well as premiums of \$690 for Company-paid group term life insurance.
- (7) This figure includes \$149,211 representing the value of personal use of Company-owned aircraft calculated on the basis of the aggregate incremental cost to the Company and its subsidiaries as well as the incremental cost of \$12,000 relating to an auto allowance and \$25,820 reimbursed by the Company for the payment of taxes. The reported aggregate incremental cost of personal use of Company-owned aircraft was based on the direct operating costs associated with operating a flight from origination to destination, such as fuel, oil, landing fees, crew hotels and meals, on-board catering, trip-related maintenance, and trip-related hangar/parking costs. Since Company-owned aircraft are used primarily for business travel, the calculation method excludes the fixed costs which do not change based on usage, such as pilots' salaries, the purchase costs of Company-owned aircraft and the cost of maintenance not related to trips.
- (8) This figure includes \$68,361 representing the value of personal use of the Company-owned aircraft calculated on the basis of the aggregate incremental cost to the Company and its subsidiaries and the incremental cost of \$12,000 relating to an auto allowance and \$460 reimbursed by the Company for the payment of taxes. The reported aggregate incremental cost of personal use of Company-owned aircraft was based on the direct operating costs associated with operating a flight from origination to destination, such as fuel, oil, landing fees, crew hotels and meals, on-board catering, trip-related maintenance, and trip-related hangar/parking costs. Since the Company-owned aircraft are used primarily for business travel, the calculation method excludes the fixed costs which do not change based on usage, such as pilots' salaries, the purchase costs of the Company-owned aircraft and the cost of maintenance not related to trips.
- (9) This number represents freestanding SARs granted under the 2003 Plan.
- (10) Mr. Nagel was named Executive Vice President, North American Consumer Business of the Company on September 12, 2006. He had previously served as Executive Vice President and Chief Financial Officer of the

Company during the reported fiscal years.

- (11) The aggregate incremental cost to the Company and its subsidiaries of perquisites and other personal benefits paid to each named individual for the fiscal year presented did not exceed the reporting threshold set forth in the applicable SEC Rules (i.e., the lesser of \$50,000 or 10% of the total of annual salary and bonus reported for such named individual) and the named individual had no other compensation reportable under this category.
- (12) This amount represents aggregate contributions made by the Company and its subsidiaries of \$11,912 to Mr. Nagel's account under the RSP and \$34,830 to Mr. Nagel's account under the Executive Retirement Plan, as well as premiums of \$300 for Company-paid group term life insurance.

Table of Contents

- (13) This amount represents aggregate contributions made by the Company and its subsidiaries of \$11,858 to Mr. Aronowitz's account under the RSP and \$32,273 to Mr. Aronowitz's account under the Executive Retirement Plan, as well as premiums of \$630 for Company-paid group term life insurance.
- (14) Includes amount reimbursed during the fiscal year for the payment of taxes.
- (15) This amount represents aggregate contributions made by the Company and its subsidiaries of \$17,163 to Ms. Stump's account under the RSP and \$17,427 to Ms. Stump's account under the Executive Retirement Plan, as well as premiums of \$690 for Company-paid group term life insurance.
- (16) Mr. Evans became an executive officer of the Company on September 12, 2006 when he was named Executive Vice President and Chief Financial Officer of the Company. He had previously served during the reported fiscal years as Senior Vice President, Finance and Global Shared Services, of the Company from October 2005 to September 2006 and as Senior Vice President, North America, of the Company from October 2003 to September 2005.
- (17)