

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-K  
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D)  
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED JULY 31, 2000 COMMISSION FILE NO. 0-8675

OIL-DRI CORPORATION OF AMERICA  
(Exact name of Registrant as specified in its Charter)

DELAWARE  
(State or other jurisdiction of  
incorporation or organization)  
410 NORTH MICHIGAN AVENUE, SUITE 400  
CHICAGO, ILLINOIS  
(Address of principal executive offices)

36-2048898  
(I.R.S. Employer Identification No.)

60611-4213  
(Zip Code)

The Registrant's telephone number, including area code: (312) 321-1515

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

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
---------------------	--

Common Stock, par value \$.10 per share	New York Stock Exchange
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Securities registered pursuant to Section 12(g) of the Act:

NONE  
(Title of Class)

Number of Shares of each class of the Registrant's Common Stock outstanding as of September 29, 2000:

Common Stock -- 5,470,435 shares (including 1,281,769 treasury shares)  
Class B Stock -- 1,765,083 shares (including 342,241 treasury shares)  
Class A Common Stock -- 0 shares

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

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

Aggregate market value of the Registrant's Common Stock owned by non-affiliates -- \$35,950,460 (based on the closing price on September 29, 2000).

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents are incorporated herein by reference:

1. The Registrant's Proxy Statement for its 2000 Annual Meeting of Stockholders ("Proxy Statement"), which will be filed with the Securities and Exchange Commission not later than November 28, 2000 (120 days after the end of the Registrant's fiscal year ended July 31, 2000), is incorporated into Part III of this Annual Report on Form 10-K, as indicated herein.

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## PART I

## ITEM 1. BUSINESS

Oil-Dri Corporation of America was incorporated in 1969 in Delaware as the successor to an Illinois corporation incorporated in 1946 which was the successor to a partnership which commenced business in 1941. Except as otherwise indicated herein or as the context otherwise requires, references herein to "Registrant" or to "Company" are to Oil-Dri Corporation of America and its subsidiaries. The Registrant is a leader in developing, manufacturing and marketing sorbent products and related services for the consumer, fluids purification, agricultural, and industrial and automotive markets. The Registrant's products are principally produced from clay minerals and, to a lesser extent, other sorbent materials. Consumer products, consisting primarily of cat litter, are sold through the grocery products industry, mass merchandisers, warehouse clubs, and pet specialty retail outlets. Fluids purification products, consisting primarily of bleaching, filtration and clarification clays, are sold to processors and refiners of edible and petroleum-based oils. Agricultural products, which include carriers for crop protection chemicals and fertilizers, drying agents, soil conditioners, sports field products, pellet binders for animal feeds and flowability aids, are sold to manufacturers of agricultural chemicals and distributors of other agricultural and sports turf products. Industrial and automotive products, consisting primarily of oil, grease and water sorbents (both clay and non-clay), are sold to distributors of industrial cleanup and automotive products, environmental service companies and retail outlets.

The Registrant's sorbent technologies include absorbent and adsorbent products. Absorbents, like sponges, draw liquids up into their many pores. Examples of the Registrant's absorbent products are CAT'S PRIDE(R) Premium cat litter and other cat litters, OIL-DRI ALL PURPOSE(R) clay floor absorbent and AGSORB(R) granular agricultural chemical carriers.

Adsorbent products attract liquids, impurities, metals and surfactants to themselves and form low level chemical bonds. The Registrant's adsorbents are used for cleanup and filtration mediums. The Registrant's adsorbent products include OIL-DRI LITE(R) sorbents for industrial cleanup, PURE-FLO(R), PURE-FLO(R) Supreme, PERFORM(TM) and SELECT(TM) bleaching clays for edible oils, fats and tallows, and ULTRA-CLEAR(R) clarification aids for petroleum-based oils and by-products.

The Registrant has pursued a strategy of developing products for consumer, fluids purification, agricultural and industrial and automotive uses, where the Registrant's marketing, manufacturing and research and development capabilities can play important roles. The Registrant's products are sold through its specialized divisional sales staffs supported by technical service representatives and through a network of industrial distributors and food brokers. The Registrant maintains its own research and development facility and staff.

Certain financial information on segments is contained in Note 4 of the "Notes to Consolidated Financial Statements," incorporated herein by reference. Information concerning total revenue of classes of similar products accounting for more than 10% of consolidated revenues in any of the last three fiscal years is not separately provided because it is the same as the information on net sales of segments furnished in Note 4 of the "Notes to Consolidated Financial Statements."

Certain financial information about the Registrant's foreign and domestic operations is contained in Note 4 of the "Notes to Consolidated Financial Statements," incorporated herein by reference.

## Consumer Products

The Registrant's cat litter products, in both coarse granular and fine granular clumping (scoopable) forms, are sold under the Registrant's CAT'S PRIDE(R) and LASTING PRIDE(R) brand names, FRESH STEP(R) brand manufactured for The Clorox Company, Arm & Hammer(R) SUPER STOP(TM) brand manufactured for Church & Dwight Co., Inc., and private label cat litters manufactured for mass merchandisers, wholesale clubs, drug chains, pet superstores and retail grocery stores. Alternative litters, made from recycled paper, are sold under the DUST STOPPER(R) (coarse) and SCOOP 'N FLUSH(R) (scoopable) brand cat litter and are marketed through similar channels. The Registrant also packages and markets CAT'S

PRIDE(R) KAT KIT cat litter in a disposable tray. These products are sold through independent food brokers and the Registrant's representatives to major grocery outlets such as Publix, Kroger, Stop and Shop and others. LASTING PRIDE(R) cat litter is principally sold to mass merchandisers such as Wal-Mart and K-Mart.

The Registrant and The Clorox Company have long-term arrangements, expiring in January 2005, under which they developed FRESH STEP(R) premium-priced cat litter products and under which the Registrant has a long-term exclusive right to supply The Clorox Company's requirements for FRESH STEP(R) coarse cat litter up to certain levels. The Registrant and The Clorox Company are discussing possible extension of this agreement. FRESH STEP(R) brand, which is owned, trademarked and marketed by The Clorox Company, utilizes the Registrant's special low density, highly absorbent clay mineral. FRESH STEP(R) cat litter contains microencapsulated odor controllers which are activated by the cat. According to independently published supermarket industry reports, FRESH STEP(R) coarse cat litter was the largest dollar grossing branded cat litter sold through grocery chains in the United States in the 52-week period ended August 6, 2000.

In the first quarter of fiscal year 2000, the Registrant and Church & Dwight Co., Inc. entered into a long-term supply agreement whereby the Registrant is the exclusive manufacturer for a new cat litter, Arm and Hammer(R) SUPER STOP(TM). This traditional or non-clumping cat litter utilizes an odor control formula developed by Church & Dwight. Church & Dwight will control all aspects of sales and marketing of this brand.

Traditional coarse granular clay litters once represented approximately 98% of the market. Beginning in 1990, the cat litter market changed and traditional coarse litters are now complemented by new, fine granule clumping (scoopable) products. These clumping products have the characteristic of binding together and expanding when moisture is introduced. The Registrant's clumping cat litter is based on naturally occurring organic ingredients which are biodegradable. On an industry-wide basis, clumping cat litters have assumed market shares in excess of approximately 53% of retail dollar sales volume in the grocery industry and 65% of retail dollar sales volume in the mass merchandiser industry in the 52-week period ended August 6, 2000, compared with 52% and 63%, respectively, in a similar period last year.

In fiscal 1998, the Registrant purchased Salubrius, Inc., a manufacturer of dog biscuits. Subsequently renamed Phoebe Products Company, it has conducted test market studies on its SMART SNACKS(TM) line of dog biscuits, jerky treats and rawhides. While market test results appear satisfactory, the Registrant cannot assure additional distribution of this product line extension due to the high costs associated with new product launches and the highly competitive nature of this market segment.

#### Fluids Purification Products Group

Fluids purification products include PURE-FLO(R) and PURE-FLO(R) Supreme bleaching clays and ULTRA-CLEAR(R) clarification aids. These products are supported by a team of technical sales and support representatives employed by the Company and the services of the Registrant's research and development group. The products are marketed in the United States and international markets.

PURE-FLO(R) bleaching clays, used in the bleaching of edible oils, remove impurities and color bodies from these oils. The primary customers for these products are refiners of food oils. ULTRA-CLEAR(R) clarification aids are used as filtration and purification mediums for jet fuel and other petroleum-based oils. These products adsorb unwanted moisture and other impurities, and are primarily sold to oil refiners.

The Registrant also produces PERFORM(TM) and SELECT(TM) bleaching clays, which offer performance advances to refiners. The PERFORM(TM) products are the next generation of bleaching clays, providing increased activity for hard-to-bleach oils. The SELECT(TM) line of products is used earlier in the process stream to remove a variety of impurities from edible oils. SELECT(TM) bleaching clays can also be used to replace the water wash step in the caustic refining of edible oils.

#### Agricultural Products Group

The Registrant produces and markets a wide range of granular and powdered mineral absorbent products that are used with crop protection chemicals, animal feed, fertilizers, other horticultural applications and

sports field and turf management. Products include AGSORB(R) agricultural chemical carriers and drying agents; FLO-FRE(R), a highly absorbent microgranule flowability aid; PEL-UNITE(R) and CONDITIONADE(R) pelleting aids used in the manufacture of animal feeds, TERRA GREEN(R) and SOILMASTER(R) soil conditioners and POULTRY GUARD(TM) litter amendments used in controlling ammonia levels in commercial poultry houses.

The AGSORB(R) carriers are used as mediums of distribution for crop protection chemicals, including herbicides, fungicides, insecticides, and fertilizers. AGSORB(R) customized carriers are designed to reduce dust and to increase accuracy of application. The Registrant's AGSORB(R) drying agent is used to prevent clogging in specialized farm machinery and enables farmers to evenly apply granular fertilizers and liquid pesticides to their fields in one application. The Registrant has also developed the AGSORB(R) product as a blending agent for fertilizers and chemicals used in the lawn and garden market. SOILMASTER(R) products include ball field maintenance and turf conditioner products.

Agricultural products are marketed in the United States by technical salesmen employed by the Company who sell to crop protection chemical manufacturers, feed producers and agricultural product distributors. The Registrant's principal customers for these products include the agricultural groups of Monsanto, DowElanco and Zeneca.

In October 1999 the Registrant acquired Pro's Choice, Inc., a marketer and distributor of sports field products. Previously, the Registrant had supplied Pro's Choice with specialty clay products for use in these markets. Products include SOILMASTER(R) Infield Conditioner, which improves drainage and prevents compaction on baseball infields and other surfaces, and SOILMASTER(R) Green Soil Conditioner, which improves oxygen, water and nutrient flow to the root zone of turf surfaces. The Registrant's principal customers for these products include professional baseball teams, colleges, municipalities and park districts.

#### Industrial and Automotive Products

Products for industrial applications include the Registrant's oil, grease and water sorbents, which are cost effective floor maintenance products that provide a nonslip and nonflammable surface for workers. These products are sold through a wide range of distribution channels and have achieved a high level of brand name recognition. The Registrant distributes clay-based sorbents sold in granular form and in other configurations such as pillows and socks. The Registrant also distributes non-clay sorbents including its OIL-DRI Industrial Pad and OIL-DRI Industrial Rug, which are made of needle-punched polypropylene.

The Registrant sells its industrial products through a distributor network that includes industrial, auto parts, safety, sanitary supply, chemical and paper distributors and environmental service companies. The Registrant supports the efforts of the industrial distributors with specialized divisional sales personnel.

The Registrant also produces for the consumer market OIL-DRI Automotive, a floor absorbent for home and garage use. This product is sold through automobile parts distributors and mass merchandisers.

#### Transportation Services

In the second quarter of fiscal 1998, the Registrant exited the transportation business and formed a strategic alliance with CRST International, Inc., which since that time has serviced the majority of the Registrant's over-the-road shipping requirements.

#### Patents

The Registrant has obtained or applied for patents for certain of its processes and products. These patents expire at various times, beginning in 1999. Patented processes and products are not material to the Registrant's overall business.

#### Foreign

SAULAR(R) cat litter manufactured and marketed by Favorite Products Company, Ltd. (d.b.a. Oil-Dri Canada), the Registrant's wholly owned Canadian subsidiary, is a leading cat litter brand sold in Canada.

Favorite Products Company, Ltd. also packages and markets the SAULAR(R) KAT-KIT(TM)disposable cat litter tray and litter. Certain of the products sold in Canada are blends of clay and synthetic sorbent materials.

The Registrant's wholly owned subsidiary in England, Oil-Dri, U.K., Ltd., packages clay granules produced by the Registrant's domestic manufacturing facilities and, for certain applications, blends a synthetic sorbent material which it manufactures locally. Oil-Dri, U.K., Ltd. markets these products, primarily in the United Kingdom, as an oil and grease absorbent and as a cat litter.

The Registrant's wholly owned subsidiary in Switzerland, Oil-Dri S.A., performs various management, sales and administrative functions for the Registrant and its foreign subsidiaries.

The Company's foreign operations are subject to the normal risks of doing business overseas, such as currency devaluations and fluctuations, restrictions on the transfer of funds and import/export duties. The Registrant's foreign subsidiaries to date have not been materially affected by these risks.

#### Backlog; Seasonality

At July 31, 2000 and 1999, the Registrant's backlog of orders was approximately \$2,913,000 and \$2,534,000, respectively. The Registrant does not consider its clay sorbent business, taken as a whole, to be seasonal to any material extent. However, certain business activities of certain customers of the Registrant (such as agricultural) are subject to such factors as crop acreage planted and product formulation cycles.

#### Customers

Sales to Wal-Mart Stores, Inc. accounted for approximately 20% of the Registrant's net sales for the fiscal year ended July 31, 2000. Sales to The Clorox Company accounted for approximately 9% of the Registrant's net sales for the fiscal year ended July 31, 2000. The Clorox Company and the Registrant are parties to a long-term supply contract. The loss of any other of the Registrant's customers would not have a materially adverse effect on the Registrant.

#### Competition

The Registrant has approximately six principal competitors in the United States, some of which have substantially greater financial resources than the Company, which compete with the Registrant in certain markets and with respect to certain products. Price, service and technical support, product quality and delivery are the principal methods of competition in the Registrant's markets and competition has historically been very vigorous. The Registrant believes that it can compete favorably in all of its present markets.

#### Reserves

The Registrant mines sorbent materials, consisting of either montmorillonite, attapulgite or diatomaceous earth on leased or owned land near its manufacturing facilities in Mississippi, Georgia, Illinois and Oregon, and on leased and owned land in Florida (see "Item 2--Properties" below). The Registrant estimates that its proven recoverable reserves of these sorbent materials aggregate approximately 489,118,000 tons. Based on its rate of consumption during the 2000 fiscal year, the Registrant considers its proven recoverable reserves adequate to supply the Registrant's needs for over 45 years. It is the Registrant's policy to attempt to add to reserves in most years, but not necessarily in every year, an amount at least equal to the amount of reserves consumed in that year. The Registrant has a program of exploration for additional reserves and, although reserves have been acquired, the Registrant cannot assure that such additional reserves will continue to become available. The Registrant's use of these reserves will be subject to compliance with existing and future federal and state statutes and regulations regarding mining and environmental compliance. Also, requirements for environmental compliance may restrict exploration or use of lands that might otherwise be utilized as a source of reserves. During the fiscal year ended July 31, 2000, the Registrant utilized these reserves to produce substantially all of the sorbent minerals that it sold.

In 1997, the Registrant acquired rights to mineral reserves on approximately 5,907 acres in Nevada. This acreage is in addition to approximately 415 acres acquired in 1991 in Washoe County, Nevada. The Registrant estimates that there are over 300,000,000 tons of proven reserves of sorbent materials on the combined

acreage. Mining and processing these reserves requires the approval of federal, state and local agencies. The Registrant has received federal approval to mine these properties and is in the process of obtaining all other necessary state and local approvals. In the future, the Registrant hopes to develop facilities so as to use these reserves as a source of supply for its West Coast customers. However, there can be no assurance that this will be accomplished.

In 1998, mineral reserves on approximately 778 acres in Tennessee and 755 acres in Illinois were acquired in conjunction with the purchase of Oil-Dri, Mounds Production Company.

#### Mining Operations

The Registrant has conducted mining operations in Ripley, Mississippi since 1963; in Ochlocknee, Georgia since 1971; in Christmas Valley, Oregon since 1979; in Blue Mountain, Mississippi since 1989; and in Mounds, Illinois since 1998.

The Registrant's raw materials are surface mined on a year-round basis, generally using large earth moving scrapers and bulldozers to remove overburden, and then loaded into dump trucks with backhoe or dragline equipment for movement to the processing facilities. The mining and hauling of the Registrant's clay is performed by the Registrant and by independent contractors.

The Registrant's current operating mines range in distance from immediately adjacent to several miles from its processing plants. Access to processing facilities from the mining areas is generally by private road, and in some instances public highways are utilized.

Each of the Registrant's processing facilities maintains stockpiles of unprocessed clay of approximately one to three weeks production requirements.

Proven reserves are those reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; grade and/or quality are computed from results of detailed sampling, and (b) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well established. Probable reserves are computed from information similar to that used for proven reserves, but the sites for inspection, sampling, and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven reserves, is high enough to assume continuity between points of observation.

The Registrant employs a staff of geologists and mineral specialists who estimate and evaluate existing and potential reserves in terms of quality, quantity and availability.

The following schedule summarizes, for each of the Registrant's manufacturing facilities, the net book value of land and other plant and equipment:

	LAND	PLANT AND EQUIPMENT
	-----	-----
	(IN THOUSANDS)	
Ochlocknee, Georgia.....	\$2,697	\$15,578
Ripley, Mississippi.....	\$1,543	\$11,439
Mounds, Illinois.....	\$ 325	\$ 8,461
Blue Mountain, Mississippi.....	\$ 952	\$ 7,503
Christmas Valley, Oregon.....	\$ 100	\$ 449

#### Employees

As of July 31, 2000, the Registrant employed 713 persons, 75 of whom were employed by the Registrant's foreign subsidiaries. The Registrant's corporate offices, research and development center and manufacturing facilities are adequately staffed and no material labor shortages are anticipated. Approximately 43 of the Registrant's employees in the U.S. and approximately 19 of the Registrant's employees in Canada are represented by labor unions, which have entered into separate collective bargaining agreements with the Company. Employee relations are considered satisfactory.



## Environmental Compliance

The Registrant's mining and manufacturing operations and facilities in Georgia, Mississippi, Oregon and Illinois are required to comply with state surface mining statutes and various federal, state and local statutes, regulations and ordinances which govern the discharge of materials, water and waste into the environment and restrict mining on "wetlands" or otherwise regulate the Registrant's operations. In recent years, environmental regulation has grown increasingly stringent, a trend which the Registrant expects will continue. The Registrant endeavors to stay in substantial compliance with applicable environmental controls and regulations and to work with regulators to correct any deficiency. As a result, expenditures relating to environmental compliance have increased over the years; however, these expenditures have not been material. The Registrant continues, and will continue, to incur costs in connection with reclaiming exhausted mining sites. The costs of reclamation have not had a material effect on its mining costs. These costs are treated as part of the Registrant's mining expense.

In addition to the environmental requirements relating to mining and manufacturing operations and facilities, there is increasing federal and state legislation and regulation with respect to the labeling, use, and disposal after use, of various of the Registrant's products. The Registrant endeavors to stay in substantial compliance with that legislation and regulation and to assist its customers in that compliance.

The Registrant cannot assure that, despite its best efforts, it will always be in compliance with environmental legislation and regulations or with requirements regarding the labeling, use, and disposal after use, of its products; nor can it assure that from time to time enforcement of such requirements will not have an adverse impact on its business.

## Energy

The Registrant uses coal, natural gas and recycled fuel oil as permitted for energy sources in the processing of its clay products. In prior years, the Registrant has switched from natural gas to other energy sources during certain months due to seasonal unavailability and the higher cost of natural gas relative to other fuels.

## Research and Development

At the Registrant's research facility, the research and development staff develops new products and applications and improves existing products. The staff and various consultants consist of geologists, mineralogists and chemists. In the past several years, the Registrant's research efforts have resulted in a number of new sorbent products and processes including PURE-FLO(R) Supreme, PURE-FLO(R) B80, B81, PERFORM(TM), SELECT(TM) and POULTRY GUARD(TM) absorbents, and CAT'S PRIDE(R) Scoopable, LASTING PRIDE(R), DUST STOPPER(R) and SCOOP 'N FLUSH(R) cat litters. The technical center produces prototype samples and tests new products for customer trial and evaluation.

The Registrant spent approximately \$1,951,000, \$2,110,000 and \$2,376,000 during its fiscal years ended July 31, 2000, 1999 and 1998, respectively, for research and development. None of such research and development was customer sponsored, and all research and development costs are expensed in the year in which incurred.

## ITEM 2. PROPERTIES

The Registrant's properties are generally described below:

## LAND HOLDINGS &amp; MINERAL RESERVES

	LAND OWNED ----- (ACRES)	LAND LEASED ----- (ACRES)	LAND UNPATENTED CLAIMS ----- (ACRES)	TOTAL ----- (ACRES)	PROVEN RESERVES ----- (000S OF TONS)	PROBABLE RESERVES ----- (000S OF TONS)
Florida.....	537	446	--	983	4,512	1,092
Georgia.....	1,944	1,739	--	3,683	43,821	11,174
Illinois.....	161	598	--	759	8,334	6,000
Mississippi.....	2,384	1,331	--	3,715	121,282	111,483
Nevada.....	495	--	5,907	6,402	306,830	248,874
Oregon.....	400	--	220	620	89	311
Tennessee.....	778	--	--	778	4,250	4,250
	-----	-----	-----	-----	-----	-----
	6,699	4,114	6,127	16,940	489,118	383,184
	=====	=====	=====	=====	=====	=====

TOTAL  
-----  
(000S OF TONS)

Florida.....	5,604
Georgia.....	54,995
Illinois.....	14,334
Mississippi.....	232,765
Nevada.....	555,704
Oregon.....	400
Tennessee.....	8,500
	-----
	872,302
	=====

See "Item 1. Business--Reserves"

There are no mortgages on the property owned by the Registrant. The Mississippi, Georgia, Oregon, Tennessee, Nevada, Florida and Illinois properties are primarily mineral in nature. Parcels of such land are also sites of manufacturing facilities operated by the Registrant. The Illinois land also includes the site of the Registrant's research and development facility. The Registrant owns approximately one acre of land in Laval, Quebec, Canada, which is the site of the processing and packaging facility for the Registrant's Canadian subsidiary.

The Registrant's mining operations are conducted on leased or owned land and, in Oregon, unpatented mining claims. The Georgia, Illinois, Florida and Mississippi mining leases, with expiration dates ranging from 2000 to 2053, no one of which is material, generally require that the Registrant pay a minimum monthly rental to continue the lease term. This rental payment is applied against a royalty related to the number of unprocessed, or in some cases processed, tons of mineral extracted from the leased property.

Of the Registrant's total reserves, certain claims in Nevada and Oregon are unpatented mining claims leased by the Registrant, on which the Registrant has the right to conduct mining activities. The validity of title to unpatented mining claims is dependent upon numerous factual matters. The Registrant believes the unpatented mining claims it leases are in compliance with all applicable federal, state and local mining laws, rules and regulations. In fiscal 2000, the Bureau of Land Management determined that the Registrant's claim on certain Nevada properties are locatable in nature. This ruling has the effect of perfecting the Registrant's right to mine these claims. In the past, members of Congress and the executive branch of the federal government have proposed amendments to existing federal mining laws. These amendments could have a prospective effect on mining operations on federal lands and include, among other changes, the imposition of royalty fees on the mining of unpatented claims, the elimination or restructuring of the patent system and an increase in fees for the maintenance of unpatented claims. To the extent that future proposals may result in the imposition of royalty fees on unpatented lands, the mining of the Registrant's unpatented claims may become uneconomic. The Registrant cannot predict the form that any such amendments might take or whether or when such amendments might be adopted.

The Registrant operates manufacturing facilities at Ripley, Mississippi; Ochlocknee, Georgia; Christmas Valley, Oregon; Blue Mountain, Mississippi and Mounds, Illinois; production and packaging plants at Laval, Quebec, Canada and Wisbech, United Kingdom; a non-clay sorbents processing and warehousing facility in Alpharetta, Georgia; and a dog biscuit manufacturing plant in Kiel, Wisconsin. The Registrant's facilities at Ripley, Mississippi; Ochlocknee, Georgia; Christmas Valley, Oregon; Mounds, Illinois; Alpharetta, Georgia; Kiel, Wisconsin; Laval, Quebec, Canada and Wisbech, United Kingdom are wholly owned by the Registrant and the Registrant's facility at Blue Mountain, Mississippi is owned in part by the Registrant, with the balance leased as hereinafter described. The Registrant is a party to leases that relate to certain plant acquisition and expansion projects at the Registrant's facility at Blue Mountain, Mississippi. The Blue Mountain, Mississippi



lease was entered into with the Town of Blue Mountain, Mississippi in 1988 in connection with the issuance by the Town of \$7,500,000 in aggregate principal amount of industrial revenue bonds (\$5,000,000 of which has been subsequently retired), full payment of which is guaranteed by the Registrant. Upon expiration of the leases in 2008, a subsidiary of the Registrant has the right to purchase the leased property for \$100 upon full payment of the bonds. The land on which the manufacturing facility at Wisbech, United Kingdom is located is leased pursuant to a long-term lease arrangement with the Port Authority of Wisbech which expires in 2032. The facilities in Alpharetta, Georgia and Kiel, Wisconsin are leased.

All of the Registrant's domestic manufacturing facilities, whether owned or leased, consist of related steel frame, sheet steel covered or brick buildings of various heights, with concrete floors and storage tanks. The buildings occupy approximately 208,000 square feet at Ripley, Mississippi; 247,000 square feet at Ochlocknee, Georgia; 129,000 square feet at Mounds, Illinois; 18,000 square feet at Christmas Valley, Oregon; 26,000 square feet at Alpharetta, Georgia; 16,000 square feet at Kiel, Wisconsin and 140,000 square feet at Blue Mountain, Mississippi. The Registrant maintains railroad siding facilities near the Ripley, Mississippi; Ochlocknee, Georgia; Blue Mountain, Mississippi; Mounds, Illinois and Laval, Quebec, Canada manufacturing facilities. Equipment at all facilities is in good condition, well maintained and adequate for current processing levels.

All of the Registrant's foreign facilities are owned and consist of related steel frame, sheet steel covered or brick buildings of various heights, with concrete floors and storage tanks. The buildings occupy 22,500 square feet at Laval, Quebec, Canada and 66,850 square feet at Wisbech, United Kingdom.

The Registrant's research and development facility is located on owned land in Vernon Hills, Illinois and consists of brick buildings of approximately 19,100 square feet, including a pilot plant facility.

The Registrant's principal office, consisting of approximately 20,000 square feet in Chicago, Illinois, is presently occupied under a lease expiring on June 30, 2008.

#### ITEM 3. LEGAL PROCEEDINGS

There are no material pending legal proceedings.

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

Not applicable.

## ITEM 401(B) OF REGULATION S-K. EXECUTIVE OFFICERS OF THE REGISTRANT

The following table gives certain information with respect to the Executive Officers of the Registrant.

NAME(1) -----	PRINCIPAL OCCUPATION FOR LAST FIVE YEARS -----	AGE ---
Richard M. Jaffee.....	Chairman of the Board of the Registrant; President from 1960 to June 1995; Chief Executive Officer from 1962 until 1997.	64
Daniel S. Jaffee(2).....	President and Chief Executive Officer of the Registrant; President and Chief Operating Officer from June 1995 until August 1997; Chief Executive Officer of Favorite Products Company, Ltd., a subsidiary of the Registrant since 1990; Chief Financial Officer of the Registrant from 1990 to 1995; Group Vice-President, Consumer Products of the Registrant from 1994 to 1995.	36
Richard V. Hardin(3).....	Group Vice-President, Technology, of the Registrant.	61
Eugene W. Kiesel.....	Vice-President & General Manager, Global Fluids Purification Group of the Registrant since October 1997; Vice-President of Radian International, LLC, a subsidiary of Dow Chemical Company from July 1996 to October 1997; General Manager of ACS, a division of Dow Chemical Company from November 1993 to July 1996.	43
Wade R. Bradley.....	Vice-President, Global Consumer Products of the Registrant since June 2000; Vice-President, Industrial & Automotive Products Group from December 1998 to June 2000; General Manager, Industrial & Automotive Products Group from June 1995 to December 1998.	39
Thomas F. Cofsky(3).....	Vice-President of Manufacturing and Logistics of the Registrant since June 1999; Vice-President of Logistics, Quality & Service from February 1996 to June 1999; General Manager, Logistics, Quality & Service from February 1995 to February 1996.	39
Jeffrey M. Libert.....	Vice-President & Chief Financial Officer of the Registrant since April 2000; Vice-President of Corporate Development and Planning from June 1998 to April 2000; Manager of Production Planning from August 1995 to June 1998; Plant Controller and Operations Associate from August 1993 to August 1995.	33

The term of each executive officer expires at the 2000 Annual Meeting of the Stockholders and when his successor is elected and qualified.

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- (1) Of the persons in this table, only Richard M. Jaffee and Daniel S. Jaffee are directors.
- (2) Daniel S. Jaffee is Richard M. Jaffee's son.
- (3) Richard V. Hardin and Thomas F. Cofsky are Richard M. Jaffee's sons-in-law.

## PART II

## ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED SECURITY HOLDER MATTERS

Information concerning stock prices and dividends with regard to the Common Stock of the Registrant, which is traded on the New York Stock Exchange, and information concerning dividends with regard to the Class B Stock of the Registrant, for which there is no established public trading market, is contained in Note 14 of the "Notes to Consolidated Financial Statements," incorporated herein by reference. No shares of Class A common stock are outstanding. The Registrant's ability to pay dividends is limited by the Registrant's Credit Agreement with Harris Trust and Savings Bank dated January 29, 1999. See Note 5 of "Notes to Consolidated Financial Statements," incorporated herein by reference. Information concerning a private placement of \$25,000,000 in principal amount of notes in April 1998 is incorporated herein by reference to Note 5 of the "Notes to the Consolidated Financial Statements." The notes were sold in reliance on the exemption from registration under the Securities Act of 1933 contained in Section 4(2) thereof, based on the fact that they were privately sold in their entirety to two financial institutions. Information with respect to holders of Common Stock and Class B Stock is contained in Note 7 of the "Notes to Consolidated Financial Statements" incorporated herein by reference.

## ITEM 6. SELECTED FINANCIAL DATA

## TEN YEAR SUMMARY OF FINANCIAL DATA

	2000	1999	1998	1997
(IN THOUSANDS EXCEPT FOR PER SHARE AMOUNTS)				
<b>SUMMARY OF OPERATIONS</b>				
Net Sales.....	\$175,119	\$173,985	\$160,252	\$156,616
Cost of Sales.....	125,184	119,126	110,096	108,687
Gross Profit.....	49,935	54,859	50,156	47,929
Selling, General and Administrative Expenses....	42,942	43,108	38,598	37,260
Restructuring and Special Charges.....	1,239	--	3,129	--
Income from Operations.....	5,754	11,751	8,429	10,669
<b>Other Income (Expense)</b>				
Interest Income.....	206	480	491	637
Interest Expense.....	(3,185)	(3,185)	(2,049)	(1,775)
Foreign Exchange (Losses) Gains.....	(173)	(124)	(146)	--
Other, Net.....	446	1,114	(119)	(17)
Total Other Expense, Net.....	(2,706)	(1,715)	(1,823)	(1,155)
Income before Income Taxes.....	3,048	10,036	6,606	9,514
Income Taxes.....	821	2,860	1,883	2,721
Net Income.....	\$ 2,227	\$ 7,176	\$ 4,723	\$ 6,793
<b>AVERAGE SHARES OUTSTANDING</b>				
Basic.....	5,647	5,827	6,125	6,596
Dilutive.....	5,677	5,996	6,165	6,599
<b>NET INCOME PER SHARE</b>				
Basic.....	\$ 0.39	\$ 1.23	\$ 0.77	\$ 1.03
Dilutive.....	\$ 0.39	\$ 1.20	\$ 0.77	\$ 1.03
<b>IMPORTANT HIGHLIGHTS</b>				
Total Assets.....	\$132,844	\$133,750	\$134,215	\$114,558
Long-Term Debt.....	\$ 39,434	\$ 38,150	\$ 39,976	\$ 17,052
Working Capital.....	\$ 38,875	\$ 37,141	\$ 36,283	\$ 31,165
Working Capital Ratio.....	3.6	3.3	3.1	3.0
Book Value per Share.....	\$ 13.01	\$ 13.00	\$ 12.15	\$ 12.03
Dividends Declared.....	\$ 1,900	\$ 1,904	\$ 1,808	\$ 1,936
Capital Expenditures.....	\$ 6,001	\$ 8,495	\$ 6,496	\$ 5,395
Depreciation and Amortization.....	\$ 9,099	\$ 8,497	\$ 7,832	\$ 7,587
Operating Cash Flows, less Capital Expenditures.....	\$ (33)	\$ 1,165	\$ 2,330	\$ 8,349
Long-Term Debt to Total Capital.....	35.1%	33.9%	35.8%	18.1%
Net Income as a Percent of Net Sales.....	1.3%	4.1%	3.0%	4.3%
Return on Average Stockholder's Equity.....	3.0%	9.8%	6.3%	8.8%
Gross Profit as a Percent of Net Sales.....	28.5%	31.5%	31.3%	30.6%
Operating Expenses as a Percent of Net Sales.....	25.2%	24.8%	26.0%	23.8%

## YEAR ENDED JULY 31

1996	1995	1994	1993	1992	1991
\$153,787	\$152,899	\$147,147	\$140,866	\$124,585	\$106,054
107,730	108,268	102,457	97,396	85,116	74,370
46,057	44,631	44,690	43,470	39,469	31,684
39,153	31,921	30,394	29,553	28,967	21,778
921	--	--	--	--	--
5,983	12,710	14,296	13,917	10,502	9,906
587	448	441	452	515	602
(1,917)	(1,921)	(1,752)	(1,729)	(1,884)	(1,363)
(7)	(5)	3	(88)	63	(23)
137	(84)	171	(298)	15	50
(1,200)	(1,562)	(1,137)	(1,663)	(1,291)	(734)
4,783	11,148	13,159	12,254	9,211	9,172
1,409	3,145	3,307	2,834	2,110	2,092
\$ 3,374	\$ 8,003	\$ 9,852	\$ 9,420	\$ 7,101	\$ 7,080
6,806	6,932	6,990	6,995	6,994	7,004
6,807	6,936	7,011	7,031	7,026	7,055
\$ 0.50	\$ 1.15	\$ 1.41	\$ 1.35	\$ 1.02	\$ 1.01
\$ 0.50	\$ 1.15	\$ 1.41	\$ 1.34	\$ 1.01	\$ 1.00
\$117,693	\$116,988	\$112,267	\$102,117	\$ 95,018	\$ 89,394
\$ 18,978	\$ 20,422	\$ 21,521	\$ 17,766	\$ 18,831	\$ 20,176
\$ 30,399	\$ 33,074	\$ 29,337	\$ 26,043	\$ 24,359	\$ 24,763
2.7	3.1	3.0	2.7	2.8	3.4
\$ 11.46	\$ 11.35	\$ 10.51	\$ 9.50	\$ 8.66	\$ 7.93
\$ 2,022	\$ 2,047	\$ 1,807	\$ 1,679	\$ 1,548	\$ 1,422
\$ 7,184	\$ 7,032	\$ 13,559	\$ 9,158	\$ 8,040	\$ 10,416
\$ 7,926	\$ 7,808	\$ 6,798	\$ 5,835	\$ 5,407	\$ 4,831
\$ 6,869	\$ 5,285	\$ (3,734)	\$ 5,080	\$ 645	\$ (1,310)
19.7%	20.7%	22.8%	21.1%	24.0%	26.6%
2.2%	5.2%	6.7%	6.7%	5.7%	6.7%
4.3%	10.6%	14.1%	14.9%	12.3%	13.4%
29.9%	29.2%	30.4%	30.9%	31.7%	29.9%
26.1%	20.9%	20.7%	21.0%	23.3%	20.5%



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

Results of Operations

Fiscal 2000 Compared to Fiscal 1999

Consolidated net sales for the year ended July 31, 2000, were \$175,119,000, an increase of 0.7% over net sales of \$173,985,000 in fiscal 1999. This increase was due to increased sales in the Consumer Products and Industrial and Automotive Products segments, partially offset by decreased sales in the Agricultural Products and Fluids Purification Products segments. Basic and diluted net income per share was \$0.39 for fiscal 2000, versus basic net income per share of \$1.23 and diluted net income per share of \$1.20 in fiscal 1999. This decrease was due to a restructuring charge recorded in the second quarter of fiscal 2000, additional manufacturing costs associated with the start-up of the Church & Dwight Co., Inc. supply agreement, significant increases in energy costs used in the Company's manufacturing processes, increased costs of packaging and distribution, unfavorable foreign exchange rate fluctuations and a decline in demand for agricultural carriers. The restructuring charge, which covered severance costs for certain eliminated positions (\$604,000) and the write-off of non-performing assets (\$635,000). This charge reduced income before taxes by \$1,239,000, net income by \$879,000 and basic and fully diluted net income per share by \$0.16 and \$0.15 respectively for the year ended July 31, 2000.

Net sales for the Consumer Products segment for fiscal 2000 were \$115,614,000, an increase of 0.8% over net sales of \$114,704,000 in fiscal 1999. Increased sales of co-packaged cat litter, primarily FRESH STEP(R) manufactured for the Clorox Company and Arm & Hammer SUPER STOP(TM) brand manufactured for Church & Dwight Co., Inc., offset reduced sales of branded products and the reduced grocery distribution for paper cat litter products. Consumer Products' operating income declined 18.0% from \$17,331,000 in fiscal 1999 to \$14,212,000 in fiscal 2000. This decline was due to significant increases in energy costs used in the Company's manufacturing processes, packaging costs, distribution costs, inefficient trade spending, start-up costs of the Church & Dwight supply agreement and unfavorable sales mix relative to fiscal 1999.

Net sales of the Fluids Purification Products segment for fiscal 2000 were \$22,669,000, a decrease of 1.7% from net sales of \$23,071,000 in fiscal 1999. While North American and Latin American sales of PURE FLO(R) bleaching clays and ULTRA CLEAR(R) clarification aids increased over fiscal 1999 levels, European sales, specifically by the Company's United Kingdom subsidiary, decreased. Export sales were also hampered by the relative strength of the U.S. dollar versus other currencies, particularly the Euro. Operating income for the Fluids Purification Products segment decreased 25.4% from \$5,641,000 in fiscal 1999 to \$4,209,000 in fiscal 2000. This decrease was due to higher manufacturing costs, competitive activities leading to defensive pricing strategies and unfavorable exchange rate fluctuations.

Net sales of the Agricultural Products segment for fiscal 2000 were \$18,199,000, a decrease of 4.8% from net sales of \$19,119,000 in fiscal 1999. This decline is due to reduced crop protection product formulations by the Company's agricultural chemical customers resulting from a depressed farm economy. Agricultural Products operating income decreased 45.6% from \$3,464,000 in fiscal 1999 to \$1,883,000 in fiscal 2000, due to the unfavorable sales mix, increased manufacturing costs and railcar expenses.

Net sales of the Industrial and Automotive Products segment for fiscal year 2000 were \$18,637,000, an increase of 9.0% from net sales of \$17,091,000 in fiscal 1999 due to increased sales volume of clay-based industrial and automotive products and price increases instituted during the year. Industrial and Automotive Products' operating income increased 28.7% from \$783,000 in fiscal 1999 to \$1,008,000 in fiscal 2000 due to the increase in sales discussed above.

Consolidated gross profit as a percentage of net sales for fiscal 2000 decreased to 28.5% from 31.5% in fiscal 1999. This decline was due to an unfavorable sales mix in the Consumer Products and Agricultural Products segments, defensive pricing strategies in the overseas markets of the Fluids Purification Products segment, reduced export profitability due to unfavorable exchange rate fluctuation, startup costs associated with the Church & Dwight Co., Inc. agreement as well as higher manufacturing costs in the form of increased energy, packaging and distribution costs.

Operating expenses as a percentage of net sales increased to 25.2% for fiscal 2000 from 24.8% in fiscal 1999. Excluding the restructuring charge recorded in the second quarter, operating expenses as a percentage of net sales were 24.5%.

Interest expense was unchanged in dollar terms from fiscal 1999 to fiscal 2000. Reductions in notes payable from scheduled debt service was offset by line of credit draws during the year. At July 31, 2000, outstanding borrowings against the Company's revolving credit agreements was \$3,020,000.

Interest income declined \$274,000 from fiscal 1999 due to lower levels of funds available for investment.

The Company's effective tax rate was 26.9% of income before tax in fiscal 2000 and 28.5% in fiscal 1999. The reduction in the rate was due to current year net operating losses carried back to prior years, resulting in income tax refunds receivable.

Total assets of the Company decreased \$906,000 or 0.7% during the year ended July 31, 2000. Current assets increased slightly from fiscal 1999 year end balances primarily due to decreased cash and cash equivalents and accounts receivable balances, offset by increases in inventories, income taxes receivable and prepaid expenses. Property, plant and equipment, net of accumulated depreciation, decreased \$3,236,000 during the year as depreciation expense exceeded capital expenditures.

Total liabilities increased \$637,000 or 1.1% during the year due primarily to increased noncurrent notes payable balances, partially offset by decreased accrued expenses and deferred compensation. Current liabilities decreased \$855,000 or 5.4% from July 31, 1999 balances, due to decreases in accrued salary, wages and commissions and current maturities of notes payable.

#### Expectations

The Company anticipates net sales for fiscal 2001 will be higher than the net sales in fiscal 2000. Sales of branded cat box absorbents are expected to be flat during the year consistent with projected sales in the overall category. However, profitability of branded cat box absorbents is expected to increase moderately due to improved spending controls. Sales of contract manufactured and private label litters are expected to increase moderately. Within the agricultural products segment, sales of agricultural carriers are expected to be flat due to the slow agricultural economy. Moderate sales growth is expected from market growth and increased market share of our poultry litter and sports turf products. Sales of the Company's fluid purification products and industrial and automotive products are expected to increase moderately in fiscal 2001.

#### Liquidity and Capital Resources

The current ratio increased to 3.6 at July 31, 2000 from 3.3 at July 31, 1999. Working capital increased \$1,734,000 during fiscal 2000 to \$38,875,000. Cash provided by operations continues to be the Company's primary source of funds to finance ordinary investing and financing activities. During the year, the balances of cash, cash equivalents and investment securities decreased \$2,980,000. Cash provided by operating activities of \$5,956,000, cash on hand and line of credit draws were used to fund capital expenditures (\$6,001,000), principal payments on long term debt (\$2,226,000), dividend payments (\$1,911,000), and purchases of the Company's common stock (\$1,751,000). Total cash and investment balances held by the Company's foreign subsidiaries at July 31, 2000 and July 31, 1999 were \$2,366,000 and \$2,692,000, respectively.

The Company believes that cash on hand, cash flow from operations and borrowing capability under its committed credit facility are adequate to fund the Company's cash requirements for fiscal 2001. Should the Company undertake strategic acquisitions requiring funds in excess of its internally generated cash flow, it might be required to incur additional debt.

#### Results of Operations

##### Fiscal 1999 Compared to Fiscal 1998

Consolidated net sales for the year ended July 31, 1999, were \$173,985,000, an increase of 8.6% over net sales of \$160,252,000 in fiscal 1998. Excluding the \$2,372,000 of fiscal 1998 sales from the transportation business, which was divested last year, sales increased 10.2% in fiscal 1999. Net income for fiscal 1999 was

\$7,176,000, an increase of 51.9% from \$4,723,000 earned in fiscal 1998. Basic net income per share for fiscal 1999 was \$1.23 and diluted net income per share was \$1.20, versus \$0.77 per share (basic and diluted) earned in fiscal 1998. A significant portion of the year-to-year increase in net income and net income per share was due to a special charge recorded in the second quarter of fiscal 1998 to cover the costs of exiting the transportation business and writing off certain non-performing assets. This charge reduced pre-tax income by \$3,129,000, net income by \$2,237,000 and net income per share by \$0.36 for the year ended July 31, 1998.

Net sales of the Consumer Products segment for fiscal 1999 were \$114,704,000, an increase of 12.7% over net sales of \$101,766,000 in fiscal 1998. This growth was primarily due to incremental sales from the introduction of SCOOP 'N FLUSH(R) and DUST STOPPER(R) paper litters and the acquisition of Oil-Dri, Mounds Production Company, partially offset by the loss of sales to Sam's Club, which in fiscal 1998 discontinued carrying the Company's cat litter products. Consumer Products' operating income declined 3.9% from \$18,034,000 in fiscal 1998 to \$17,331,000 in fiscal 1999. This decline was due to nonrecurring development, marketing and slotting costs related to the launch of the paper litters in fiscal 1999.

Net sales of the Fluids Purification Products segment for fiscal 1999 were \$23,071,000, an increase of 8.1% over net sales of \$21,337,000 in fiscal 1998. Sales of ULTRA-CLEAR(R) clarification aids grew in fiscal 1999, and demand for PURE-FLO(R) was particularly strong in the United Kingdom. Fluids Purification Products' operating income increased 27.8% from \$4,413,000 in fiscal 1998 to \$5,641,000 in fiscal 1999 due to productivity improvements and favorable changes in sales mix.

Net sales of the Agricultural Products segment for fiscal 1999 were \$19,119,000, a decrease of 1.5% from net sales of \$19,403,000 in fiscal 1998. This overall decline is due to sharply reduced demand for agricultural carriers as a result of a depressed farm economy and the growth of biotechnology products. Agricultural Products' operating income increased 7.4% from \$3,225,000 in fiscal 1998 to \$3,464,000 in fiscal 1999 due to a decrease in advertising expenditures.

Net sales of the Industrial and Automotive Products segment for fiscal 1999 were \$17,091,000, an increase of 11.2% from net sales of \$15,374,000 in fiscal 1998 due to incremental sales from last year's acquisition of Oil-Dri, Mounds Production Company. Industrial and Automotive Products' operating income increased 26.7% from \$618,000 in fiscal 1998 to \$783,000 in fiscal 1999, primarily as a result of decreased advertising expenditures.

Consolidated gross profit as a percentage of net sales for fiscal 1999 increased to 31.5% from 31.3% in fiscal 1998. Changes in sales mix, a companywide effort to reduce costs and exiting the transportation business contributed to this increase.

Operating expenses as a percentage of net sales decreased to 24.8% for fiscal 1999 from 26.0% in fiscal 1998. This decrease is primarily due to a pre-tax special charge of \$3,129,000 recorded in the second quarter of fiscal 1998 for the cost of exiting the transportation business and writing off certain non-performing assets, partially offset by nonrecurring development, marketing and slotting costs related to the launch of the paper litters in fiscal 1999.

Interest expense increased \$1,136,000 while interest income decreased \$11,000. The higher interest expense is primarily due to the fixed rate financing secured during the third quarter of fiscal 1998 which was used to fund the purchase of Oil-Dri, Mounds Production Company, repay draws against the Company's line of credit and for general working capital purposes.

The Company's effective tax rate was 28.5% of pre-tax income in fiscal 1999 and fiscal 1998.

Total assets of the Company decreased \$465,000 or 0.3% during the year ended July 31, 1999. Current assets decreased \$529,000 or 1.0% from fiscal 1998 year-end balances primarily due to decreased cash and cash equivalents, partially offset by increases in inventory, prepaid expenses and accounts receivable levels. Property, plant and equipment, net of accumulated depreciation, decreased \$37,000 during the year as depreciation expense essentially offset new capital expenditures.

Total liabilities decreased \$3,164,000 or 5.1% during the year due primarily to decreases in accrued expenses and in notes payable, partially offset by an increase in accounts payable. Current liabilities decreased

\$1,387,000 or 8.0% from July 31, 1998 balances, due to decreases in accrued expenses, partially offset by increases in accounts payable and in the current maturities of notes payable.

#### Foreign Operations

Net sales by the Company's foreign subsidiaries during fiscal 2000 were \$13,394,000 or 7.6% of total Company sales. This represents a decrease of 7.6% from fiscal 1999 in which foreign subsidiary sales were \$14,501,000 or 8.3% of total Company sales. This decrease is due to lower sales of fluids purification products in the United Kingdom. Net loss of the foreign subsidiaries for fiscal 2000 was \$27,000, a decrease of 104.6% from net income of \$590,000 earned in fiscal 1999. This decrease was primarily due to unfavorable changes in sales mix and the loss of a key customer in the United Kingdom. Identifiable assets of the Company's foreign subsidiaries as of July 31, 2000 were \$10,083,000, a decrease of \$981,000 from \$11,064,000 as of July 31, 1999.

Net sales by the Company's foreign subsidiaries during fiscal 1999 were \$14,501,000 or 8.3% of total Company sales. This represents an increase of 3.7% from fiscal 1998 in which foreign subsidiary sales were \$13,987,000 or 8.7% of total Company sales. The increase is due to higher demand for fluids purification products in the United Kingdom. Net income of the foreign subsidiaries for fiscal 1999 was \$590,000, a decrease of 6.9% from \$634,000 earned in fiscal 1998. This decrease was primarily due to unfavorable changes in sales mix. Identifiable assets of the Company's foreign subsidiaries as of July 31, 1999 were \$11,064,000, a decrease of \$696,000 from \$11,760,000 as of July 31, 1998. The decrease is primarily due to lower inventories and cash and cash equivalents.

#### Year 2000

The Year 2000 ("Y2K") issue was a result of computer programs using a two-digit format, as opposed to four digits, to indicate the year. Such computer systems would have been unable to interpret dates beyond 1999, which could have caused a system failure or application errors, leading to disruptions in operations.

As of the date of this report, the Company has not experienced any material problems related to Y2K, nor has the Company received any significant complaints regarding Y2K issues related to its products. Also, the Company is not aware of any significant Y2K issues affecting the Company's major customers or suppliers.

#### Forward-Looking Statements

Certain statements in this report, including, but not limited to, those under the heading "Expectations" and those statements elsewhere in this report that use forward-looking terminology such as "expect," "would," "could," "should," "estimates," and "believes" are "forward-looking statements" within the meaning of that term in the Securities Exchange Act of 1934, as amended. Actual results may differ materially from those reflected in these forward-looking statements, due primarily to continued vigorous competition in the grocery, mass merchandiser and club markets, the level of success of new products, and the cost of product introductions and promotions in the consumer market. These forward-looking statements also involve the risk of changes in market conditions in the overall economy and, for the fluids purification and agricultural markets, in planting activity, crop quality, and overall agricultural demand, including export demand and foreign exchange rate fluctuations. Other factors affecting these forward-looking statements may be detailed from time to time in reports filed with the Securities and Exchange Commission.

#### ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company did not have any derivative financial instruments as of July 31, 2000. However, the Company is exposed to interest rate risk. The Company employs policies and procedures to manage its exposure to changes in the market risk of its cash equivalents and short-term investments. The Company believes that the market risk arising from holdings of its financial instruments is not material.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

## CONSOLIDATED BALANCE SHEETS

	JULY 31,	
	2000	1999
	-----	-----
	(IN THOUSANDS OF DOLLARS)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents.....	\$ 1,388	\$ 4,362
Investment securities.....	1,219	1,225
Accounts receivable, less allowance of \$836 in 2000 and \$358 in 1999.....	24,438	25,365
Inventories.....	16,928	15,165
Income taxes receivable.....	2,267	--
Prepaid expenses.....	7,719	6,963
	-----	-----
Total Current Assets.....	53,959	53,080
	-----	-----
PROPERTY, PLANT AND EQUIPMENT, AT COST		
Buildings and leasehold improvements.....	20,769	20,391
Machinery and equipment.....	88,737	87,536
Office furniture and equipment.....	9,532	8,658
Vehicles.....	5,166	5,118
	-----	-----
	124,204	121,703
Less accumulated depreciation and amortization.....	(76,033)	(69,631)
	-----	-----
Construction in progress.....	48,171	52,072
Land.....	3,722	3,199
	7,719	7,577
	-----	-----
Total Property, Plant and Equipment, Net.....	59,612	62,848
	-----	-----
OTHER ASSETS		
Goodwill and intangibles (Net of accumulated amortization of \$2,664 in 2000 and \$2,128 in 1999).....	10,324	9,780
Deferred income taxes.....	2,606	3,045
Other.....	6,343	4,997
	-----	-----
Total Other Assets.....	19,273	17,822
	-----	-----
Total Assets.....	\$132,844	\$133,750
	=====	=====

	JULY 31,	
	2000	1999
	-----	-----
	(IN THOUSANDS OF DOLLARS)	
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Current maturities of notes payable.....	\$ 1,750	\$ 2,226
Accounts payable.....	4,804	4,842
Dividends payable.....	473	484
Accrued expenses		
Salaries, wages and commissions.....	2,111	3,016
Trade promotions and advertising.....	1,159	1,166
Freight.....	1,385	1,119
Other.....	3,402	3,086
	-----	-----
Total Current Liabilities.....	15,084	15,939
	-----	-----
<b>NONCURRENT LIABILITIES</b>		
Notes payable.....	39,434	38,150
Deferred compensation.....	3,112	3,206
Other.....	2,250	1,948
	-----	-----
Total Noncurrent Liabilities.....	44,796	43,304
	-----	-----
Total Liabilities.....	59,880	59,243
	-----	-----
<b>STOCKHOLDERS' EQUITY</b>		
Common Stock, par value \$.10 per share, issued 5,470,435 shares in 2000 and 5,470,252 shares in 1999.....	547	547
Class B Stock, par value \$.10 per share, issued 1,765,083 shares in 2000 and 1,765,266 shares in 1999.....	177	177
Additional paid-in capital.....	7,698	7,702
Retained earnings.....	90,757	90,430
Restricted unearned stock compensation.....	(10)	(9)
Cumulative translation adjustments.....	(1,310)	(1,159)
	-----	-----
97,859	97,688	
Less treasury stock, at cost (1,283,769 Common shares and 342,241 Class B shares in 2000 and 1,163,764 Common shares and 342,241 Class B shares in 1999).....	(24,895)	(23,181)
	-----	-----
Total Stockholders' Equity.....	72,964	74,507
	-----	-----
Total Liabilities and Stockholders' Equity.....	\$132,844	\$133,750
	=====	=====

The accompanying notes are an integral part of the consolidated financial statements.

## CONSOLIDATED STATEMENTS OF INCOME

	YEAR ENDED JULY 31,		
	2000	1999	1998
	-----		
	(IN THOUSANDS EXCEPT FOR PER SHARE DATA)		
NET SALES.....	\$175,119	\$173,985	\$160,252
COST OF SALES.....	125,184	119,126	110,096
	-----		
GROSS PROFIT.....	49,935	54,859	50,156
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.....	42,942	43,108	38,598
RESTRUCTURING AND SPECIAL CHARGES.....	1,239	--	3,129
	-----		
INCOME FROM OPERATIONS.....	5,754	11,751	8,429
	-----		
OTHER INCOME (EXPENSE)			
Interest income.....	206	480	491
Interest expense.....	(3,185)	(3,185)	(2,049)
Foreign exchange losses.....	(173)	(124)	(146)
Other investment income.....	254	939	--
Other, net.....	192	175	(119)
	-----		
Total Other Expense, Net.....	(2,706)	(1,715)	(1,823)
	-----		
INCOME BEFORE INCOME TAXES.....	3,048	10,036	6,606
INCOME TAXES.....	821	2,860	1,883
	-----		
NET INCOME.....	\$ 2,227	\$ 7,176	\$ 4,723
	=====		
NET INCOME PER SHARE			
Basic.....	\$ 0.39	\$ 1.23	\$ 0.77
	=====		
Dilutive.....	\$ 0.39	\$ 1.20	\$ 0.77
	=====		
AVERAGE SHARES OUTSTANDING			
Basic.....	5,647	5,827	6,125
	=====		
Dilutive.....	5,677	5,996	6,165
	=====		

The accompanying notes are an integral part of the consolidated financial statements.

## CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	COMMON & CLASS B STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	RESTRICTED UNEARNED STOCK COMPENSATION	TREASURY STOCK	OTHER COMPREHENSIVE INCOME	TOTAL STOCKHOLDERS' EQUITY
	-----	-----	-----	-----	-----	-----	-----
	(IN THOUSANDS)						
BALANCE, JULY 31, 1997.....	\$724	\$7,686	\$82,243	\$(18)	\$(12,398)	\$ (907)	\$77,330
Net Income.....	--	--	4,723	--	--	--	4,723
Cumulative Translation Adjustments.....	--	--	--	--	--	(244)	(244)
Total Comprehensive Income.....							4,479
Dividends Declared.....	--	--	(1,808)	--	--	--	(1,808)
Purchases of Treasury Stock.....	--	--	--	--	(8,237)	--	(8,237)
Issuance of stock under 1995 Long-Term Incentive Plan.....	--	16	--	(77)	61	--	--
Amortization of Restricted Common Stock Compensation.....	--	--	--	44	--	--	44
BALANCE, JULY 31, 1998.....	724	7,702	85,158	(51)	(20,574)	(1,151)	71,808
Net Income.....	--	--	7,176	--	--	--	7,176
Cumulative Translation Adjustments.....	--	--	--	--	--	(8)	(8)
Total Comprehensive Income.....							7,168
Dividends Declared.....	--	--	(1,904)	--	--	--	(1,904)
Purchases of Treasury Stock.....	--	--	--	--	(2,607)	--	(2,607)
Amortization of Restricted Common Stock Compensation.....	--	--	--	42	--	--	42
BALANCE, JULY 31, 1999.....	724	7,702	90,430	(9)	(23,181)	(1,159)	74,507
Net Income.....	--	--	2,227	--	--	--	2,227
Cumulative Translation Adjustments.....	--	--	--	--	--	(151)	(151)
Total Comprehensive Income.....							2,076
Dividends Declared.....	--	--	(1,900)	--	--	--	(1,900)
Purchases of Treasury Stock.....	--	--	--	--	(1,751)	--	(1,751)
Issuance of Stock Under 1995 Long-Term Incentive Plan.....	--	(4)	--	(33)	37	--	--
Amortization of Restricted Common Stock Compensation.....	--	--	--	32	--	--	32
BALANCE, JULY 31, 2000.....	<u>\$724</u>	<u>\$7,698</u>	<u>\$90,757</u>	<u>\$(10)</u>	<u>\$(24,895)</u>	<u>\$(1,310)</u>	<u>\$72,964</u>

The accompanying notes are an integral part of the consolidated financial statements.



## CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEAR ENDED JULY 31,		
	2000	1999	1998
	----- (IN THOUSANDS) -----		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income.....	\$2,227..	\$ 7,176	\$ 4,723
-----			
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization.....	9,099..	8,497	7,832
Non-cash restructuring and special charges.....	716....	--	1,689
Deferred income taxes.....	439....	652	(1,251)
Provision for bad debts.....	523....	8	2
(Increase) decrease in			
Accounts receivable.....	404....	(1,163)	(4,282)
Income taxes receivable.....	(2,267)	--	--
Inventories.....	(1,763)	(1,906)	(2,381)
Prepaid expenses and taxes.....	(756)	(1,405)	(873)
Other assets.....	(2,426)	(788)	(637)
Increase (decrease) in			
Accounts payable.....	(38)	426	366
Accrued expenses.....	(410)	(1,637)	649
Deferred compensation.....	(94)	32	424
Other.....	302	(341)	250
	-----	-----	-----
Total Adjustments.....	3,729	2,375	1,788
	-----	-----	-----
Net Cash Provided by Operating Activities.....	5,956	9,551	6,511
-----			
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditures.....	(6,001)	(8,495)	(6,496)
Proceeds from sale of property, plant and equipment.....	12	109	78
Purchases of investment securities.....	(1,219)	(1,225)	(1,173)
Dispositions of investment securities.....	1,225	1,173	1,544
Proceeds from sale of investments.....	--	--	709
Purchase of Oil-Dri, Mounds Production Company assets.....	--	--	(14,657)
Other.....	(9)	5	32
	-----	-----	-----
Net Cash Used in Investing Activities.....	(5,992)	(8,433)	(19,963)
-----			
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Principal payments on long-term debt.....	(2,226)	(2,084)	(1,937)
Proceeds from issuance of long-term debt.....	3,033	400	25,000
Dividends paid.....	(1,911)	(1,865)	(1,839)
Purchase of treasury stock.....	(1,751)	(2,607)	(8,237)
Other.....	(83)	(10)	(122)
	-----	-----	-----
Net Cash (Used in) Provided by Financing Activities.....	(2,938)	(6,166)	12,865
-----			
NET DECREASE IN CASH AND CASH EQUIVALENTS.....	(2,974)	(5,048)	(587)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR.....	4,362	9,410	9,997
	-----	-----	-----
CASH AND CASH EQUIVALENTS, END OF YEAR.....	\$ 1,388	\$ 4,362	\$ 9,410
	=====	=====	=====

The accompanying notes are an integral part of the consolidated financial statements.

## NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

## Principles of Consolidation

The consolidated financial statements include the accounts of Oil-Dri Corporation of America and its subsidiaries, all of which are wholly owned. All significant intercompany balances and transactions have been eliminated from the consolidated financial statements.

## Management Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## Revenue Recognition

Revenues from sales of products are recognized upon shipment.

## Income Taxes

Deferred income taxes reflect the impact of temporary differences between the assets and liabilities recognized for financial reporting purposes and amounts recognized for tax purposes.

No provision has been made for possible income taxes which may be paid on the distribution of approximately \$16,953,000 and \$20,391,000 as of July 31, 2000 and 1999, respectively, of retained earnings of foreign subsidiaries, as substantially all such amounts are intended to be indefinitely invested in these subsidiaries or no additional income taxes would be incurred when such earnings are distributed. It is not practicable to determine the amount of income taxes or withholding taxes that would be payable upon the remittance of assets that represent those earnings.

## Interest Rate Derivative Instruments

An interest rate swap agreement which expired on August 1, 1998 was utilized in the management of interest rate exposure. Interest differentials on the swap contract (Note 5) are recorded as interest expense in the contract period incurred. The Company recognized additional interest expense of \$15,100 and \$57,000 in fiscal years 1999 and 1998, respectively, as a result of this contract.

## Reclassification

Certain items in prior year financial statements have been reclassified to conform to the presentation used in fiscal 2000.

## Translation of Foreign Currencies

Assets and liabilities of foreign subsidiaries, where the local currency is the functional currency, are translated at the exchange rates in effect at period end. Income statement items are translated at the average exchange rate on a monthly basis. Resulting translation adjustments are recorded as a separate component of stockholders' equity.

## Cash Equivalents

Cash equivalents are highly liquid investments with maturities of three months or less when purchased.

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)  
Inventories

Inventories are valued at the lower of cost (first-in, first-out) or market. The composition of inventories as of July 31 is as follows:

	2000	1999
	----	----
	( IN THOUSANDS )	
Finished goods.....	\$10,251	\$ 9,593
Packaging.....	5,273	4,267
Other.....	1,404	1,305
	-----	-----
	\$16,928	\$15,165
	=====	=====

Concentration of Credit Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash investments and accounts receivable. The Company places its cash investments in government backed instruments, both foreign and domestic, and with other quality institutions. Concentrations of credit risk with respect to accounts receivable are subject to the financial condition of certain major customers, principally the customer referred to in Note 4. The Company generally does not require collateral to secure customer receivables.

Property, Plant and Equipment

Property, plant and equipment expenditures are generally depreciated using the straight-line method over their estimated useful lives as follows:

	YEARS
	-----
Buildings and leasehold improvements.....	5-30
Machinery and equipment.....	2-20
Office furniture and equipment.....	2-10
Vehicles.....	2-8

Research and Development

Research and development costs of \$1,951,000, \$2,110,000 and \$2,376,000 were charged to expense as incurred for the years ended July 31, 2000, 1999 and 1998, respectively.

Intangibles and Goodwill

Intangibles and goodwill are amortized on a straight-line basis over periods ranging from 15 to 40 years. The Company periodically reviews goodwill and other intangibles to assess recoverability from projected undiscounted cash flows of the related operating entities.

Advertising Costs

The Company defers recognition of advertising production costs until the first time the advertising takes place; other advertising costs are expensed as incurred. Advertising expenses were \$4,095,000, \$4,577,000 and \$4,352,000 for the years ended July 31, 2000, 1999 and 1998, respectively.

Fair Value of Financial Instruments

Non-derivative financial instruments included in the consolidated balance sheets are cash and cash equivalents, investment securities and notes payable. These instruments, except for notes payable, were carried at amounts approximating fair value as of July 31, 2000 and 1999. The fair value of notes payable was estimated based on future cash flows discounted at current interest rates available to the Company for debt

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)  
with similar maturities and characteristics. The fair value of notes payable as of July 31, 2000 was less than its carrying value by approximately \$2,880,000 and was greater than its carrying value by approximately \$261,000 as of July 31, 1999.

#### New Accounting Standards

In July 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 130, "Reporting Comprehensive Income." This statement established standards for reporting comprehensive income in the financial statements. The Company adopted this standard in July 1999 and has elected to disclose comprehensive income, which for the Company includes net income and foreign currency translation adjustments, in the consolidated statements of stockholders' equity.

In June 1997, the FASB issued SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information." This statement established new standards for the way companies report information about operating segments and requires that those enterprises report selected information about operating segments in the financial reports issued to shareholders. The Company adopted this standard in July 1999 (see Note 4).

In February 1998, the FASB issued SFAS No. 132, "Employers' Disclosure about Pension and Other Postretirement Benefits." This statement revises employers' disclosures about pensions and other postretirement benefit plans. It does not change the measurement or recognition of those plans in the financial statements. The Company's adoption of this new standard in July 1999 did not result in material changes to the previously reported amounts. See Note 9 for further discussion.

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" which requires companies to recognize all derivatives as assets or liabilities measured at their fair value. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and whether it qualifies for hedge accounting. Although the impact of this statement has not been fully assessed, the Company believes adoption of this statement as amended by SFAS No. 137, which will occur by July 2001, will not have a material financial statement impact.

#### NOTE 2 -- RESTRUCTURING AND SPECIAL CHARGES

In the second quarter of fiscal 2000, the Company recorded a pre-tax restructuring charge of \$1,239,000 against income from operations, as follows (in thousands):

Severance costs.....	\$ 604
Non-performing asset.....	635
	-----
Restructuring charge.....	\$1,239
	=====

The severance costs are related to a realignment of the Company's personnel costs to bring them more in line with current levels of sales and profitability. The severance accrual represents 13 employees that were terminated during fiscal 2000. The majority of the positions terminated are at the selling, general and administrative level.

The net book value of the non-performing asset consisted of specific production equipment that has been scrapped. The equipment had been used primarily in the Agricultural Products segment. The net book value of this asset was approximately 1% of the net book value of all fixed assets outstanding as of January 31, 2000.

The Company recorded a pre-tax special charge of \$3,129,000 in the second quarter of fiscal 1998 to cover the cost of exiting the transportation business (\$1,508,000), to write off certain other non-performing assets (\$932,000), and to cover other exit costs (\$689,000). The transportation business exit costs consisted primarily of trailer rehabilitation, employee severance, and professional fees. None of these items was individually significant.

## NOTE 2 -- RESTRUCTURING AND SPECIAL CHARGES (CONTINUED)

At July 31, 2000, \$81,000 of the restructuring charges remained in current liabilities. A summary of the balance sheet activity for the years ended July 31 is presented below:

	2000 ----	1999 ----	1998 ----
	(IN THOUSANDS)		
Beginning balance.....	\$ 0	\$ 358	\$ 0
Restructuring and special charges.....	1,239	--	3,129
Utilization of special charges:			
Transportation business exit costs.....	--	(68)	(1,440)
Write-off of non-performing assets.....	--	(124)	(808)
Other exit costs.....	--	(166)	(523)
Utilization of restructuring charge:			
Severance costs.....	(523)	--	--
Write-off of non-performing assets.....	(635)	--	--
	-----	-----	-----
Balance at end of year.....	\$ 81	\$ 0	\$ 358
	=====	=====	=====

## NOTE 3 -- ACQUISITION

On April 20, 1998, the Company completed the purchase of the Fuller's Earth absorbent business of American Colloid Co., a wholly owned subsidiary of Amcol International, for approximately \$14,657,000 including transaction expenses. The purchase includes a production plant and mineral reserves in Mounds, Illinois ("Oil-Dri, Mounds Production Company"), and mineral reserves located in Paris, Tennessee. At the time of acquisition, the business had annual sales approximating \$15,000,000. The Company financed the acquisition through a fixed rate private debt placement. The acquisition was accounted for as a purchase, with the excess purchase price over fair market value of the underlying assets allocated to intangibles, including supply contracts and non-compete covenants. These intangibles are being amortized over periods from 15 to 40 years.

## NOTE 4 -- OPERATING SEGMENTS

SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" establishes standards for reporting information about operating segments. Under this standard, the Company has four reportable operating segments: Consumer Products, Fluids Purification Products, Agricultural Products, and Industrial and Automotive Products. These segments are managed separately because each business has different economic characteristics. A complete description of each segment can be found in Item 1 of this report.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

## NOTE 4 -- OPERATING SEGMENTS (CONTINUED)

Because management does not rely on segment asset allocation, information regarding segment assets is not meaningful and therefore is not reported.

	YEAR ENDED JULY 31					
	NET SALES			OPERATING INCOME		
	2000	1999	1998	2000	1999	1998
	----- (IN THOUSANDS) -----					
Consumer Products.....	\$115,614	\$114,704	\$101,766	\$14,212	\$17,331	\$18,034
Fluids Purification Products.....	22,669	23,071	21,337	4,209	5,641	4,413
Agricultural Products.....	18,199	19,119	19,403	1,883	3,464	3,225
Industrial and Automotive Products.....	18,637	17,091	15,374	1,008	783	618
Total Ongoing Businesses.....	175,119	173,985	157,880	21,312	27,219	26,290
Total Exited Businesses(1).....	0	0	2,372	0	0	35
TOTAL SALES/OPERATING INCOME.....	\$175,119	\$173,985	\$160,252	\$21,312	\$27,219	\$26,325
Less: Restructuring and Special Charges(2).....				1,239	--	3,129
Corporate Expenses.....				14,046	14,478	15,032
Interest Expense, net of interest income.....				2,979	2,705	1,558
INCOME BEFORE INCOME TAXES.....				3,048	10,036	6,606
INCOME TAXES.....				821	2,860	1,883
NET INCOME.....				\$ 2,227	\$ 7,176	\$ 4,723
				=====	=====	=====

(1) The Company exited the transportation business during the second quarter of fiscal 1998.

(2) See Note 2 for a discussion of the restructuring and special charges recorded in fiscal 2000 and 1998, respectively.

The following is a summary of financial information by geographic region for the years ended July 31:

	2000	1999	1998
	----- (IN THOUSANDS) -----		
Sales to unaffiliated customers:			
Domestic.....	\$161,725	\$159,484	\$146,265
Foreign subsidiaries.....	\$ 13,394	\$ 14,501	\$ 13,987
Sales or transfers between geographic areas:			
Domestic.....	\$ 6,708	\$ 7,332	\$ 9,200
Income before income taxes:			
Domestic.....	\$ 3,064	\$ 9,263	\$ 5,750
Foreign subsidiaries.....	\$ (16)	\$ 773	\$ 856
Net Income:			
Domestic.....	\$ 2,254	\$ 6,586	\$ 4,089
Foreign subsidiaries.....	\$ (27)	\$ 590	\$ 634
Identifiable assets:			
Domestic.....	\$122,761	\$122,686	\$122,455
Foreign subsidiaries.....	\$ 10,083	\$ 11,064	\$ 11,760

The Company's largest customer accounted for the following percentage of consolidated net sales and net accounts receivable under the Consumer Products segment:

	2000	1999	1998
	----- ----- -----		
Sales for the years ended July 31.....	20%	20%	23%
Accounts receivable as of July 31.....	26%	24%	26%

## NOTE 5 -- NOTES PAYABLE

The composition of notes payable at July 31 is as follows:

	2000	1999
	----	----
	(IN THOUSANDS)	
Town of Blue Mountain, Mississippi		
Principal payable on October 6, 2008. Interest payable monthly at a variable interest rate set weekly based on market conditions for similar instruments. The average rate was 4.12% and 3.50% in fiscal 2000 and 1999 respectively. Payment of these bonds by the Company is guaranteed by a letter of credit issued by Harris Trust and Savings Bank.....	\$ 2,500	\$ 2,500
Teachers Insurance and Annuity Association of America Payable in annual principal installments on November 15; \$1,100,000 in fiscal 2001; and \$1,000,000 in fiscal 2002. Interest is payable semiannually at an annual rate of 9.38%.....	2,100	3,300
Teachers Insurance and Annuity Association of America Payable in annual principal installments on August 15; \$500,000 in fiscal 2002; \$1,000,000 in fiscal 2003; and \$2,500,000 in fiscal 2004 and 2005. Interest is payable semiannually at an annual rate of 7.17%.....	6,500	6,500
Harris Trust and Savings Bank Payable in annual principal installments on June 20; \$650,000 in fiscal 2001 and 2002; and \$350,000 in fiscal 2003. Interest is payable quarterly at an annual rate of 7.78%.....	1,650	2,550
Teachers Insurance and Annuity Association of America and Connecticut General Life Insurance Company Payable in annual principal installments on April 15; \$1,500,000 in fiscal 2003, 2004 and 2005; \$3,000,000 in fiscal 2006; \$4,000,000 in fiscal 2007 and 2008; \$1,500,000 in fiscal 2009; \$3,000,000 in fiscal 2010; \$2,000,000 in fiscal 2011; and \$1,500,000 in fiscal 2012 and 2013. Interest is payable semiannually at an annual rate of 6.55%.....	25,000	25,000
Harris Trust and Savings Bank Credit Agreement.....	3,020	--
Other.....	414	526
	-----	-----
	41,184	40,376
Less current maturities of notes payable.....	(1,750)	(2,226)
	-----	-----
	\$39,434	\$38,150
	=====	=====

On January 29, 1999, the Company entered into a Credit Agreement with Harris Trust and Savings Bank which provides for up to \$15,000,000 in committed unsecured revolving credit loans and/or letters of credit (not to exceed \$5,000,000). This agreement terminates on January 29, 2004, or such earlier date as provided for in the agreement. Additionally, the Company decreased its uncommitted line of credit agreement, which is renewable on an annual basis, with Harris Trust and Savings Bank to \$15,000,000 in fiscal 1999. Outstanding borrowings against this or prior lines were \$3,020,000 and \$0 at July 31, 2000 and 1999, respectively.

In April 1998, the Company completed a private debt placement of \$25,000,000 at 6.55% with Teachers Insurance and Annuity Association of America (\$14,000,000) and Connecticut General Life Insurance Company (\$11,000,000). The proceeds of this fixed rate note were used to fund the purchase of the Company's production facility in Mounds, Illinois, repay draws against the Company's line of credit and for general working capital purposes.

The agreements with the Town of Blue Mountain, Mississippi, Teachers Insurance and Annuity Association of America, Harris Trust and Savings Bank and Connecticut General Life Insurance Company impose working capital requirements, dividend and financing limitations, minimum tangible net worth

## NOTE 5 -- NOTES PAYABLE (CONTINUED)

requirements and other restrictions. The Company's new Credit Agreement with Harris Trust and Savings Bank indirectly restricts dividends by requiring the Company to maintain tangible net worth, as defined, in the amount of \$50,000,000 plus 40% of cumulative annual earnings from July 31, 1998.

In prior years, the Town of Blue Mountain, Mississippi issued long-term bonds to finance the purchase of substantially all of the assets of certain plant expansion projects, and leased the projects to the Company and various of its subsidiaries (with the Company and various of its wholly owned subsidiaries as guarantors) at rentals sufficient to pay the debt service on the bonds.

The following is a schedule by year of future maturities of notes payable as of July 31, 2000:

	(IN THOUSANDS)
2002.....	\$ 2,164
2003.....	2,850
2004.....	7,020
2005.....	4,080
Later years.....	23,320
	-----
	\$39,434
	=====

## NOTE 6 -- INCOME TAXES

The provision for income tax expense consists of the following:

	2000	1999	1998
	----	----	----
	(IN THOUSANDS)		
Current			
Federal.....	\$(1,450)	\$1,324	\$ 2,159
Foreign.....	11	182	194
State.....	(409)	702	781
	-----	-----	-----
	(1,848)	2,208	3,134
Deferred			
Federal.....	1,046	649	(436)
Operating loss carryforward.....	1,371	91	(611)
Foreign.....	--	1	25
State.....	252	(89)	(229)
	-----	-----	-----
	2,669	652	(1,251)
Total Income Tax Provision.....	\$ 821	\$2,860	\$ 1,883
	=====	=====	=====

Principal reasons for variations between the statutory federal rate and the effective rates for the years ended July 31 were as follows:

	2000	1999	1998
	----	----	----
U.S. federal statutory income tax rate.....	34.0%	34.0%	34.0%
Depletion deductions allowed for mining.....	(5.0)	(12.0)	(15.1)
State income tax (benefit)/expense, net of federal tax (benefit)/expense.....	(3.4)	4.0	2.2
Valuation allowance without income tax benefit.....	(3.3)	4.6	10.4
Difference in effective tax rate of foreign subsidiaries.....	(0.1)	(1.0)	(1.1)
Alternative minimum and foreign tax credits.....	3.8	1.9	(0.2)
Other.....	0.9	(3.0)	(1.7)
	-----	-----	-----
	26.9%	28.5%	28.5%
	=====	=====	=====



## NOTE 6 -- INCOME TAXES (CONTINUED)

The consolidated balance sheets as of July 31 included the following tax effects of cumulative temporary differences:

	2000		1999	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
	(IN THOUSANDS)			
Depreciation.....	\$ --	\$1,000	\$ --	\$1,608
Deferred compensation.....	1,207	--	1,244	--
Postretirement benefits.....	548	--	474	--
Other assets.....	617	--	633	--
Accrued expenses.....	255	--	486	--
Tax credits.....	635	--	750	--
Operating loss carryforward.....	1,125	--	2,768	--
Other.....	--	259	40	--
	-----	-----	-----	-----
Valuation allowance.....	4,387	1,259	6,395	1,608
	(522)	--	(1,742)	--
	-----	-----	-----	-----
Total deferred taxes.....	\$3,865	\$1,259	\$ 4,653	\$1,608
	=====	=====	=====	=====

As of July 31, 2000, for federal income tax purposes there were regular tax operating loss carryforwards of approximately \$2,899,000, which begin to expire in the year 2013. Tax credits of approximately \$635,000, primarily consisting of foreign tax credits expiring in 2001 and later years, are also being carried forward. A valuation allowance has been established for \$522,000 of the deferred tax benefit related to those tax credits for which it is more likely than not that the benefit will not be realized. The net decrease in the valuation allowance of \$1,220,000 is the result of an addition to the allowance of \$522,000 for foreign tax credits, as previously described, and the reduction in the reverse of \$1,742,000, relating to net operating loss carryforwards. Due to higher levels of taxable income at the parent company level in the current year, the Company was able to utilize approximately \$4,574,000 of net operating loss carryforwards. It is anticipated that the remaining net operating loss carryforwards will be utilized in future years.

## NOTE 7 -- STOCKHOLDERS' EQUITY

The authorized capital stock of the Company at July 31, 2000 and 1999 consisted of 15,000,000 shares of Common Stock, 7,000,000 shares of Class B Stock and 30,000,000 shares of Class A Common Stock, each with a par value of \$.10 per share. There are no Class A shares currently outstanding.

The Common Stock and Class B Stock are equal, on a per share basis, in all respects except as to voting rights, conversion rights, cash dividends and stock splits or stock dividends. The Class A Common Stock is equal, on a per share basis, in all respects, to the Common Stock except as to voting rights and stock splits or stock dividends. In the case of voting rights, Common Stock is entitled to one vote per share and Class B Stock is entitled to ten votes per share, while Class A Common Stock generally has no voting rights. Common Stock and Class A Common Stock have no conversion rights. Class B Stock is convertible on a share-for-share basis into Common Stock at any time and is subject to mandatory conversion under certain circumstances.

Common Stock is entitled to cash dividends, as and when declared or paid, equal to 133 1/3% on a per share basis of the cash dividend paid on Class B Stock. Class A Common Stock is entitled to cash dividends on a per share basis equal to the cash dividend on Common Stock. Additionally, while shares of Common Stock, Class A Common Stock and Class B Stock are outstanding, the sum of the per share cash dividend paid on shares of Common Stock and Class A Common Stock, must be equal to at least 133 1/3% of the sum of the per share cash dividend paid on Class B Stock and Class A Common Stock. See Note 5 regarding dividend restrictions.

Shares of Common Stock, Class A Common Stock and Class B Stock are equal in respect of all rights to dividends (other than cash) and distributions in the form of stock or other property (including stock dividends)

## NOTE 7 -- STOCKHOLDERS' EQUITY (CONTINUED)

and split-ups) in each case in the same ratio except in the case of a Special Stock Dividend. The Special Stock Dividend, which can be issued only once, is either a dividend of one share of Class A Common Stock for each share of Common Stock and Class B Stock outstanding or a recapitalization, in which half of each outstanding share of Common Stock and Class B Stock would be converted into a half share of Class A Common Stock.

In December 1999, the Board of Directors of the Company authorized the repurchase, from time to time, of up to 350,000 additional shares of the Company's stock. This authorization, in addition to previous authorizations, totals 1,916,771 shares. As of July 31, 2000, 1,127,330 shares of Common Stock and 342,241 shares of Class B Stock have been repurchased under these authorizations.

The number of holders of record of Common Stock and Class B stock on July 31, 2000 was 1,117 and 32, respectively, as reported by the Company's transfer agent. The Company's Common Stock is traded on the New York Stock Exchange. There is no established trading market for the Class B Stock.

## NOTE 8 -- STOCK OPTION PLANS

The Company instituted the Oil-Dri Corporation of America 1995 Long Term Incentive Plan during the fiscal year ended July 31, 1996. On December 9, 1997, the stockholders voted to increase the number of shares available for grant under the 1995 Plan from 500,000 to 1,000,000 and further authorized the grant of Class B Shares under the Plan to certain members of the Richard M. Jaffee family. Generally, other than grants to Richard M. Jaffee family members, shares of stock awarded under the 1995 Plan will be Class A Common Stock, except that, if there is no Class A Common Stock issued and publicly traded on a securities exchange when such awards are exercised, the shares awarded would be Common Stock. On December 7, 1999, the stockholders voted to increase the number of shares available for grant under the 1995 Plan from 1,000,000 to 1,500,000. On June 9, 2000 the 1995 Plan was amended to provide 100% vesting and a three year exercise period upon the death or disability of a grantee or upon a grantee's retirement with age plus years of service equal to at least 80. The Plan provides for various other types of awards. Awards of restricted stock in the amount of 2,500 and 4,500 shares were made during the fiscal years ended July 31, 2000, and 1998 respectively. On September 18, 1998, 840,125 shares which had been issued in prior fiscal years under the 1995 Plan at an average price of \$14.83 were reissued at an exercise price of \$11.25. The reissued options awarded to members of the Richard M. Jaffee family covered Class B shares. A new vesting period applied to all the reissued options.

The Oil-Dri Corporation of America 1988 Stock Option Plan terminated on December 12, 1995, for purposes of future grants. The outstanding options under this plan will remain outstanding and exercisable in accordance with their respective terms.

The Company instituted the Oil-Dri Corporation of America Outside Director's Stock Plan on June 9, 1998. All shares of stock issued under this plan will be shares of Common Stock issued from Treasury Stock. The Plan provides for stock option grants and various other types of awards.

## NOTE 8 -- STOCK OPTION PLANS (CONTINUED)

A summary of option transactions under the plans follows:

	1988 OPTION PLAN			1995 OPTION PLAN		
	NUMBER OF SHARES (WEIGHTED AVERAGE OPTION PRICE)			NUMBER OF SHARES (WEIGHTED AVERAGE OPTION PRICE)		
	2000	1999	1998	2000	1999	1998
	(IN THOUSANDS EXCEPT FOR PER SHARE AMOUNTS)					
Outstanding, Beginning of Year.....	144	186	199	884	881	324
Per						
Share						
Granted.....	\$(19.27)	\$(18.49)	\$(18.49)	\$(11.37)	\$(14.84)	\$(14.88)
Per	--	--	--	167	882	1,036
Share						
Exercised.....	--	--	--	\$(12.37)	\$(11.29)	\$(15.33)
Per	--	--	--	--	--	--
Share						
Canceled/Terminated.....	--	--	--	--	--	--
Per	35	42	13	245	39	37
Share						
Canceled/Reissued.....	\$(19.25)	\$(15.85)	\$(18.59)	\$(11.43)	\$(13.51)	\$(15.62)
Per	--	--	--	--	840	442
Share						
Outstanding, End of Year.....	--	--	--	--	\$(14.83)	\$(15.94)
Per	109	144	186	806	884	881
Share						
Share	\$(19.27)	\$(19.27)	\$(18.49)	\$(11.56)	\$(11.37)	\$(14.84)

	OUTSIDE DIRECTOR'S PLAN			COMBINED PLANS		
	NUMBER OF SHARES (WEIGHTED AVERAGE OPTION PRICE)			NUMBER OF SHARES (WEIGHTED AVERAGE OPTION PRICE)		
	2000	1999	1998	2000	1999	1998
	(IN THOUSANDS EXCEPT FOR PER SHARE AMOUNTS)					
Outstanding, Beginning of Year.....	70	70	--	1,098	1,137	523
Per						
Share						
Granted.....	\$(14.63)	\$(14.63)	--	\$(12.61)	\$(15.42)	\$(16.25)
Per	10	--	70	177	882	1,106
Share						
Exercised.....	\$(14.75)	--	\$(14.63)	\$(12.50)	\$(11.29)	\$(15.28)
Per	--	--	--	--	--	--
Share						
Canceled/Terminated.....	--	--	--	--	--	--
Per	--	--	--	280	81	50
Share						
Canceled/Reissued.....	--	--	--	\$(12.40)	\$(14.73)	\$(16.36)
Per	--	--	--	--	840	442
Share						
Outstanding, End of Year.....	--	--	--	--	\$(14.83)	\$(15.94)
Per	80	70	70	995	1,098	1,137
Share						
Share	\$(14.64)	\$(14.63)	\$(14.63)	\$(12.65)	\$(12.61)	\$(15.42)

As of July 31, 2000, the Company has reserved 684,750 and 120,000 shares of Common Stock for future grants and issuances under the Oil-Dri Corporation of America 1995 Long Term Incentive Plan and the Oil-Dri Corporation of America Outside Director's Stock Plan, respectively.

Exercise prices of the options outstanding under the 1988 Option Plan range between \$17.75 and \$19.38 per share with a weighted average price of \$19.27 per share and a weighted remaining average contractual life at July 31, 2000 of 3.8 years. As of July 31, 2000 all of the 109,250 options outstanding were exercisable.

The weighted average exercise price of options outstanding under the Outside Director's Stock Plan is \$14.64 with a weighted average contractual life of 8.0 years. As of July 31, 2000, 70,000 of these options were exercisable.

## NOTE 8 -- STOCK OPTION PLANS (CONTINUED)

Exercise prices of the options outstanding under the 1995 Long Term Incentive Plan range between \$8.19 and \$15.13 per share with a weighted average exercise price of \$11.56 per share and a weighted remaining average contractual life of 8.3 years at July 31, 2000. As of July 31, 2000, 10,250 of these options were exercisable.

The Company has elected to continue to account for stock-based compensation using the intrinsic value method under APB Opinion No. 25. Consequently, no compensation expense has been recognized for stock options. If compensation expense for the Company's stock options issued in the fiscal years ended July 31, 2000, 1999 and 1998 had been determined based on the fair value method of accounting, as defined in SFAS No. 123, the Company's net income and net income per share would have been reduced to the pro forma amounts indicated below:

	2000	1999	1998
	----	----	----
	(IN THOUSANDS EXCEPT FOR PER SHARE AMOUNTS)		
Net income as reported.....	\$2,227	\$7,176	\$4,723
Pro forma.....	\$1,651	\$6,515	\$4,430
Net income per share as reported			
Basic.....	\$ 0.39	\$ 1.23	\$ 0.77
Dilutive.....	\$ 0.39	\$ 1.20	\$ 0.77
Pro forma			
Basic.....	\$ 0.29	\$ 1.12	\$ 0.72
Dilutive.....	\$ 0.29	\$ 1.09	\$ 0.72

The fair value of issued stock options is estimated on the grant date using the Black-Scholes Option Pricing Method with the following assumptions:

	2000	1999	1998
	----	----	----
Dividend Yields.....	3.1%	2.8%	2.1%
Volatility.....	30.9%	25.8%	25.6%
Risk-free Interest Rate.....	6.1%	5.9%	5.7%
Expected Life (Years).....	5.4	5.4	5.4

The weighted average fair value of the options granted, including the effect of repricing in fiscal year 1999, was \$3.66, \$1.42 and \$4.55 for the fiscal years ended July 31, 2000, 1999 and 1998, respectively.

## NOTE 9 -- EMPLOYEE BENEFIT PLANS

The Company and its subsidiaries have defined benefit pension plans for eligible salaried and hourly employees. Benefits are based on a formula of years of credited service and levels of compensation or stated amounts for each year of credited service. The assets of these plans are invested in various high quality marketable securities.

The net periodic pension cost for the years ended July 31 consists of the following:

	2000	1999	1998
	----	----	----
	(IN THOUSANDS)		
Service cost.....	\$ 499	\$ 539	\$ 438
Interest cost on projected benefit obligations.....	642	591	538
Earnings on plan assets.....	(904)	(686)	(1,060)
Net amortization and deferral.....	(105)	(33)	422
Net pension cost.....	\$ 132	\$ 411	\$ 338
	=====	=====	=====

## NOTE 9 -- EMPLOYEE BENEFIT PLANS (CONTINUED)

The funded status of the plans at July 31 is as follows:

	2000	1999
	----	----
	(IN THOUSANDS)	
Actuarial Present Value of Benefit Obligations		
Accumulated Benefit Obligations		
Vested.....	\$ 6,600	\$ 6,194
Nonvested.....	400	337
	-----	-----
Total Accumulated Benefit Obligations.....	\$ 7,000	\$ 6,531
	=====	=====
Projected Benefit Obligations.....	\$ 8,700	\$ 8,370
Plan Assets at Fair value.....	11,040	10,059
	-----	-----
Excess of Plan Assets Over Projected Benefit Obligations.....	2,340	1,689
Unrecognized Net Gain.....	(3,679)	(3,303)
Unrecognized Prior Service Cost.....	534	581
Unrecognized Net Excess Plan Assets as of August 1, 1987, Being Recognized Principally Over 21 Years.....	(211)	(238)
	-----	-----
Accrued Pension Included in Noncurrent Liabilities--Other.....	\$(1,016)	\$(1,271)
	=====	=====

Reconciliation of the assets and liabilities of the plans at July 31 is as follows:

	2000	1999
	----	----
	(IN THOUSANDS)	
Change in Plan Assets		
Plan assets at fair value, beginning of year.....	\$10,059	\$ 8,524
Actual return on plan assets.....	852	1,322
Contributions.....	387	464
Benefits paid.....	(258)	(251)
	-----	-----
Plan assets at fair value, end of year.....	\$11,040	\$10,059
	=====	=====
Change in Projected Benefit Obligation		
Projected benefit obligation, beginning of year.....	\$ 8,370	\$ 8,943
Service cost.....	499	539
Interest cost.....	642	592
Change in discount rate.....	(368)	(1,131)
Other assumption changes.....	(259)	--
Plan amendments.....	--	3
Actuarial loss (gain).....	74	(325)
Benefits paid.....	(258)	(251)
	-----	-----
Projected benefit obligation, end of year.....	\$ 8,700	\$ 8,370
	=====	=====

Assumptions used in the previous calculations are as follows:

	2000	1999
	----	----
Discount rate.....	8.0%	7.75%
Rate of increase in compensation levels for net pension costs.....	5.0%	5.0%
Rate of increase in compensation levels for projected benefit obligations.....	4.5%	5.0%
Long-term expected rate of return on assets.....	9.0%	8.0%

The Company has funded the plans based upon actuarially determined contributions that take into account the amount deductible for income tax purposes and the minimum contribution required under the Employee Retirement Income Security Act of 1974 (ERISA), as amended.

## NOTE 9 -- EMPLOYEE BENEFIT PLANS (CONTINUED)

For the years ended July 31, 2000, 1999 and 1998, the Company maintained a 401(k) savings plan under which the Company matches a portion of employee contributions. The plan is available to essentially all domestic employees at the beginning of the month following thirty or sixty days of employment. During the period May 1, 1998 through July 31, 1999, domestic employees were eligible to participate at the beginning of the fiscal quarter following thirty or sixty days of employment. Prior to May 1, 1998, domestic employees were eligible to participate after one year of service and the attainment of age 21. The Company's contributions to this plan, and to similar plans maintained by the Company's foreign subsidiaries, were \$489,000, \$449,000 and \$226,000 for fiscal years 2000, 1999 and 1998, respectively.

## NOTE 10 -- DEFERRED COMPENSATION

In December 1995, the Company adopted the Oil-Dri Corporation of America Deferred Compensation Plan. This plan has permitted Directors and certain management employees to defer portions of their compensation and earn interest on the deferred amounts. During the period January 1, 1999 through September 30, 2000, participants' returns were tied to the performance of various investment elections. The compensation, which has been deferred since the inception of the original plan, has been accrued as well as earnings thereon. The Company has purchased life insurance contracts on some participants to partially fund both the original plan and the new plan.

## NOTE 11 -- COMMITMENTS AND CONTINGENCIES

The Company became a guarantor of certain leases for transportation equipment reassigned to CRST International, Inc. (CRST) during fiscal 1998, when exiting the transportation business. Remaining payments due under these lease agreements by CRST are \$299,000, \$156,000 and \$65,000 for fiscal years 2001, 2002 and 2003, respectively.

The Company is involved in various litigation of a nature that is normal to its business. While it is impossible at this time to determine with certainty the ultimate outcome of these or other lawsuits, each lawsuit is either covered by insurance or adequate provisions have been made for probable losses with respect thereto as can best be determined at this time. Management therefore believes that none of the pending litigation will have a material adverse effect on the financial condition of the Company or on results of operations.

## NOTE 12 -- LEASES

The Company's mining operations are conducted on leased or owned property. These leases generally provide the Company with the right to mine as long as the Company continues to pay a minimum monthly rental, which is applied against the per ton royalty when the property is mined.

The Company leases its corporate offices in Chicago, Illinois (20,000 square feet), office, production and warehouse space in Alpharetta, Georgia (26,000 square feet), office and production facilities in Kiel, Wisconsin (16,000 square feet) and office facilities in Europe. The office space in Chicago is subject to a lease expiring in fiscal 2008. The Alpharetta, Georgia and Kiel, Wisconsin leases expire in fiscal 2003. The facilities in Europe are leased on a year-to-year basis.

In addition, the Company leases railcars, mining equipment, warehouse space, data processing equipment, and office equipment. In most cases, the Company expects that, in the normal course of business, leases will be renewed or replaced by other leases. Prior to exiting the transportation business, the Company leased tractors and trailers.

## NOTE 12 -- LEASES (CONTINUED)

The following is a schedule by year of future minimum rental requirements under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of July 31, 2000:

	(IN THOUSANDS)
2001.....	\$ 2,658
2002.....	1,543
2003.....	1,287
2004.....	1,244
2005.....	988
Later years.....	3,626
	-----
	\$11,346
	=====

The following schedule shows the composition of total rental expense for all operating leases, including those with terms of one month or less which were not renewed as of the years ended July 31:

	2000	1999	1998
	----	----	----
	(IN THOUSANDS)		
Transportation equipment.....	\$1,099	\$ 898	\$1,237
Office facilities.....	480	475	441
Warehouse facilities.....	452	216	190
Mining properties			
Minimum.....	191	186	202
Contingent.....	295	410	403
Other.....	594	630	298
	-----	-----	-----
	\$3,111	\$2,815	\$2,771
	=====	=====	=====

## NOTE 13 -- OTHER CASH FLOW INFORMATION

Cash payments for interest and income taxes were as follows:

	2000	1999	1998
	----	----	----
	(IN THOUSANDS)		
Interest.....	\$2,836	\$2,879	\$1,398
	=====	=====	=====
Income Taxes.....	\$2,051	\$3,152	\$2,619
	=====	=====	=====

## NOTE 14 -- SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

A summary of selected information for 2000 and 1999 is as follows:

	FISCAL 2000 QUARTER ENDED				
	OCTOBER 31	JANUARY 31	APRIL 30	JULY 31	TOTAL
	(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)				
Net Sales.....	\$44,549	\$45,880	\$42,604	\$42,086	\$175,119
Gross Profit.....	\$13,580	\$12,084	\$12,061	\$12,210	\$ 49,935
Net Income.....	\$ 1,479	\$ (599)	\$ 560	\$ 787	\$ 2,227
Net Income Per Share					
Basic.....	\$ 0.26	\$ (0.11)	\$ 0.10	\$ 0.14	\$ 0.39
Dilutive.....	\$ 0.25	\$ (0.10)	\$ 0.10	\$ 0.14	\$ 0.39
Dividends Per Share					
Common.....	\$ 0.09	\$ 0.09	\$ 0.09	\$ 0.09	\$ 0.36
Class B.....	\$ 0.07	\$ 0.07	\$ 0.07	\$ 0.07	\$ 0.27
Company Common Stock Price					
Range:					
High.....	\$ 16.13	\$ 15.63	\$ 12.81	\$ 10.25	
Low.....	\$ 9.75	\$ 11.75	\$ 6.88	\$ 7.75	

	FISCAL 1999 QUARTER ENDED				
	OCTOBER 31	JANUARY 31	APRIL 30	JULY 31	TOTAL
	(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)				
Net Sales.....	\$43,670	\$47,435	\$42,405	\$40,475	\$173,985
Gross Profit.....	\$14,085	\$15,208	\$13,015	\$12,551	\$ 54,859
Net Income.....	\$ 2,028	\$ 2,276	\$ 1,195	\$ 1,677	\$ 7,176
Net Income Per Share					
Basic.....	\$ 0.34	\$ 0.39	\$ 0.21	\$ 0.29	\$ 1.23
Dilutive.....	\$ 0.34	\$ 0.38	\$ 0.20	\$ 0.28	\$ 1.20
Dividends Per Share					
Common.....	\$ 0.08	\$ 0.09	\$ 0.09	\$ 0.09	\$ 0.35
Class B.....	\$ 0.06	\$0.0675	\$0.0675	\$0.0675	\$ 0.2625
Company Common Stock Price					
Range:					
High.....	\$ 14.13	\$ 15.50	\$ 15.94	\$ 16.38	
Low.....	\$ 10.81	\$ 13.44	\$ 14.25	\$ 13.63	



## INDEPENDENT AUDITOR'S REPORT

STOCKHOLDERS AND BOARD OF DIRECTORS  
Oil-Dri Corporation of America

We have audited the consolidated balance sheets of OIL-DRI CORPORATION OF AMERICA AND SUBSIDIARIES as of July 31, 2000 and 1999, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended July 31, 2000. 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 that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of OIL-DRI CORPORATION OF AMERICA AND SUBSIDIARIES as of July 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended July 31, 2000 in conformity with generally accepted accounting principles.

BLACKMAN KALLICK BARTELSTEIN, LLP

Chicago, Illinois

September 15, 2000

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

None.

## PART III

## ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this Item is (except for information set forth below concerning the Board of Directors and information in Part I, hereof, concerning executive officers) contained in the Registrant's Proxy Statement for its 2000 Annual Meeting of stockholders ("Proxy Statement") under the caption "1. Election of Directors" and is incorporated herein by this reference.

## BOARD OF DIRECTORS

Richard M. Jaffee  
Chairman

Daniel S. Jaffee  
President and Chief Executive Officer

J. Steven Cole(1)  
President, Cole & Associates,  
Chairman, Sav-A-Life Systems, Inc.

Arnold W. Donald  
Senior Vice-President, Monsanto Life Sciences Co.

Ronald B. Gordon  
Chief Executive Officer, Beiersdorf North America

Thomas D. Kuczmariski  
Senior Partner and President, Kuczmariski  
& Associates, Inc.

Joseph C. Miller  
Vice-Chairman

Paul J. Miller  
Partner, Sonnenschein Nath & Rosenthal

Haydn H. Murray  
Professor Emeritus of Geology, Indiana University,  
President, H.H. Murray & Associates

Allan H. Selig(2)  
President and Chairman, Selig Lease Company,  
Commissioner of Major League Baseball

(1)Audit Committee Chair  
(2)Compensation Committee Chair

## ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is contained in the Registrant's Proxy Statement under the captions "Executive Compensation," "Report of the Compensation and the Stock Option Committees of Oil-Dri Corporation of America on Executive Compensation," "Compensation Committee Interlocks and Insider Participation" and "Performance Graph" and is incorporated herein by this reference.

## ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item is contained in the Registrant's Proxy Statement under the captions "General -- Principal Stockholders" and "Security Ownership of Management" and is incorporated herein by this reference.

## ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item is contained in the Registrant's Proxy Statement under the caption "Compensation Committee Interlocks and Insider Participation" and is incorporated herein by this reference.

## PART IV

## ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a)(1) The following financial statements are contained herein.

Consolidated Balance Sheets as of July 31, 2000 (audited) and July 31, 1999 (audited).

Consolidated Statements of Income for the fiscal years ended July 31, 2000 (audited), July 31, 1999 (audited) and July 31, 1998 (audited).

Consolidated Statements of Stockholders' Equity for the fiscal years ended July 31, 2000 (audited), July 31, 1999 (audited) and July 31, 1998 (audited).

Consolidated Statements of Cash Flows for the fiscal years ended July 31, 2000 (audited), July 31, 1999 (audited) and July 31, 1998 (audited).

Notes to Consolidated Financial Statements.

Independent Auditor's Report.

(a)(2) The following financial statement schedules are contained herein:

Independent Auditor's Report on Schedules.

Schedules to Financial Statements, as follows:

Schedule II -- Valuation and Qualifying Accounts, years ended July 31, 2000, 1999 and 1998.

(a)(3) The following documents are exhibits to this Report:

- (3)(a)(1) Articles of Incorporation of the Registrant, as amended.
- (3)(b)(2) Bylaws of the Registrant, as amended June 16, 1995.
- (10)(c)(1)(3) Agreement ("Clorox Agreement") dated January 12, 1981 between The Clorox Company and the Registrant, as amended. (Confidential treatment of certain portions of this Exhibit has been granted.)
- (10)(c)(2)(4) Amendment to Clorox Agreement dated March 3, 1989, as accepted by the Registrant on March 20, 1989, between The Clorox Company and the Registrant. (Confidential treatment of certain portions of this Exhibit has been granted.)
- (10)(c)(3)(5) Amendment to Clorox Agreement dated February 14, 1991, between The Clorox Company and the Registrant. (Confidential treatment of certain portions of this Exhibit has been granted.)
- (10)(d)(6) Description of 1987 Executive Deferred Compensation Program.\*
- (10)(e)(1)(7) Salary Continuation Agreement dated August 1, 1989 between Richard M. Jaffee and the Registrant ("1989 Agreement").\*
- (10)(e)(2)(8) Extension and Amendment, dated October 9, 1998, to the 1989 Agreement.\*
- (10)(f)(9) 1988 Stock Option Plan.\*
- (10)(g)(10) Note Agreement, dated April 5, 1991, between the Registrant and Teacher's Insurance and Annuity Association of America regarding \$8,000,000 9.38% Senior Notes due November 15, 2001.
- (10)(h)(11) Note Agreement, dated as of April 15, 1993, between the Registrant and Teacher's Insurance and Annuity Association of America regarding \$6,500,000 7.17% Senior Notes due August 15, 2004.

- (10)(i)(12) Credit Agreement, dated as of September 21, 1994, between the Registrant and Harris Trust and Savings Bank regarding \$5,000,000 7.78% Term Loan Note and \$5,000,000 Revolving Credit Note.
- (10)(j) The Oil-Dri Corporation of America Deferred Compensation Plan adopted November 15, 1995, as amended and restated effective October 1, 2000.\*
- (10)(k) The Oil-Dri Corporation of America 1995 Long Term Incentive Plan as amended and restated effective June 9, 2000.\*
- (10)(l)(13) \$10,000,000 unsecured line of credit agreement dated as of July 25, 1996 between the Registrant and Harris Trust and Savings Bank.
- (10)(m)(14) \$25,000,000 Note Purchase Agreement dated as of April 15, 1998 between the Registrant and Teachers Insurance and Annuity Association of America and Cigna Investments, Inc.
- (10)(n) The Oil-Dri Corporation of America Outside Director Stock Plan as amended and restated effective October 16, 1999.\*
- (10)(o)(15) \$15,000,000 unsecured line of credit agreement dated January 29, 1999 between the Company and Harris Trust and Savings Bank.
- (10)(p)(16) \$15,000,000 unsecured, uncommitted line of credit agreement dated January 29, 1999 between the Company and Harris Trust and Savings Bank.
- (10)(q)(17) Split Dollar Life Insurance Agreements dated February 26, 1999.\*
- (10)(r)(18) Agreement ("Church & Dwight Agreement") dated May 19, 1999 between Church & Dwight Co., Inc. and the Registrant. (Confidential treatment of certain portions of this Exhibit has been granted.)

(b) Reports on Form 8-K.

Report on Form 8-K was filed by the Registrant on July 24, 2000, Reporting on Item 5., Other events.

- (11) Statement re: Computation of Income per Share
- (21) Subsidiaries of the Registrant.
- (23) Consent of Blackman Kallick Bartelstein, LLP.
- (27) Financial Data Schedule.

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\* Management contract or compensatory plan or arrangement.

- (1) Incorporated by reference to Exhibit (4.1) to the Registrant's Registration Statement on Form S-8 (Registration No. 333-57625), made effective on June 24, 1998.
- (2) Incorporated by reference to Exhibit (3)(b) to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 1995.
- (3) Incorporated by reference to Exhibit (10)(f) to the Registrant's Registration Statement on Form S-2 (Registration No. 2-97248) made effective on May 29, 1985.
- (4) Incorporated by reference to Exhibit (10)(e)(2) to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 1989.
- (5) Incorporated by reference to Exhibit (10)(e)(3) to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 1991.
- (6) Incorporated by reference to Exhibit (10)(f) to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 1988.
- (7) Incorporated by reference to Exhibit (10)(g) to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 1989.
- (8) Incorporated by reference to Exhibit (10)(n) to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 1998.

- (9) Incorporated by reference to Exhibit (4)(a) to the Registrant's Registration Statement on Form S-8 (Registration No. 33-29650), made effective on June 30, 1989.
- (10) Incorporated by reference to Exhibit (10)(h) to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 1991.
- (11) Incorporated by reference to Exhibit (10)(i) to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 1993.
- (12) Incorporated by reference to Exhibit (10)(i) to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 1994.
- (13) Incorporated by reference to Exhibit (10)(l) to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 1996.
- (14) Incorporated by reference to Exhibit (10)(m) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended April 30, 1998.
- (15) Incorporated by reference to Exhibit (10)(o) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended January 31, 1999.
- (16) Incorporated by reference to Exhibit (10)(p) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended January 31, 1999.
- (17) Incorporated by reference to Exhibit (10)(q) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended January 31, 1999.
- (18) Incorporated by reference to Exhibit (10)(r) to the Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 1999.

The Registrant agrees to furnish the following agreements upon the request of the Commission:

Exhibit (4)(b)	Letter of Credit Agreement, dated as of October 1, 1988 between Harris Trust and Savings Bank and Blue Mountain Production Company in the amount of \$2,634,590 in connection with the issuance by Town of Blue Mountain, Mississippi of Variable/Fixed Rate Industrial Development Revenue Bonds, Series 1988 B (Blue Mountain Production Company Project) in the aggregate principal amount of \$2,500,000 and related Indenture of Trust, Lease Agreement, Remarketing Agreement and Guaranties.
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## SIGNATURES

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

OIL-DRI CORPORATION OF AMERICA  
(Registrant)  
By /s/ DANIEL S. JAFFEE

-----  
Daniel S. Jaffee,  
President and Chief Executive  
Officer, Director

Dated: October 13, 2000

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

/s/ RICHARD M. JAFFEE October 13, 2000

-----  
Richard M. Jaffee  
Chairman of the Board of Directors

/s/ JEFFREY M. LIBERT October 13, 2000

-----  
Jeffrey M. Libert  
Vice President  
Chief Financial Officer  
Principal Financial Officer  
Principal Accounting Officer

/s/ J. STEVEN COLE October 13, 2000

-----  
J. Steven Cole  
Director

/s/ ARNOLD W. DONALD October 13, 2000

-----  
Arnold W. Donald  
Director

/s/ RONALD B. GORDON October 13, 2000

-----  
Ronald B. Gordon  
Director

/s/ THOMAS D. KUZCMARSKI October 13, 2000

-----  
Thomas D. Kuzcmarski  
Director

/s/ JOSEPH C. MILLER October 13, 2000

-----  
Joseph C. Miller  
Director

/s/ PAUL J. MILLER October 13, 2000

-----  
Paul J. Miller  
Director

/s/ HAYDN H. MURRAY

October 13, 2000

-----  
Haydn H. Murray  
Director

/s/ ALLAN H. SELIG

October 13, 2000

-----  
Allan H. Selig  
Director

## INDEPENDENT AUDITOR'S REPORT ON SCHEDULES

Board of Directors  
Oil-Dri Corporation of America  
Chicago, Illinois

In connection with our audit of the consolidated financial statements of OIL-DRI CORPORATION OF AMERICA AND SUBSIDIARIES as of July 31, 2000 and 1999 and for each of the three years in the period ended July 31, 2000, which report thereon dated September 15, 2000, is incorporated by reference in this Annual Report on Form 10-K, we also examined the financial statement schedules listed in the accompanying index at Item 14(A)(2). In our opinion, these financial statement schedules present fairly, when read in conjunction with the related consolidated financial statements, the financial data required to be set forth therein.

Blackman Kallick Bartelstein, LLP

September 15, 2000



## OIL-DRI CORPORATION OF AMERICA AND SUBSIDIARIES

## VALUATION AND QUALIFYING ACCOUNTS

	YEAR ENDED JULY 31		
	2000	1999	1998
	----- (IN THOUSANDS) -----		
Allowance for doubtful accounts:			
Beginning balance.....	\$358	\$351	\$261
Additions charged to expense*	523	8	201
Deductions**.....	45	1	111
	-----	-----	-----
Balance at end of year.....	\$836	\$358	\$351
	=====	=====	=====

\* Includes transfers from Special Charge Reserve in fiscal 1998.

\*\* Net of recoveries.

Inventory obsolescence reserve:			
Beginning balance.....	\$ 358	\$ 540	\$365
Additions charged to expense.....	--	300	300
Deductions.....	102	482	125
	-----	-----	-----
Balance at end of year.....	\$ 256	\$ 358	\$540
	=====	=====	=====
Valuation reserve for income taxes:			
Beginning balance.....	\$1,742	\$ 648	\$730
Additions charged to expense.....	522	1,094	--
Deductions.....	1,742	--	82
	-----	-----	-----
Balance at end of year.....	\$ 522	\$1,742	\$648
	=====	=====	=====

## EXHIBIT INDEX

EXHIBIT  
NUMBER

- - - - -

- (10)(j) The Oil-Dri Corporation of America Deferred Compensation Plan as amended and restated effective October 1, 2000.
- (10)(k) The Oil-Dri Corporation of America 1995 Long Term Incentive Plan as amended and restated effective June 9, 2000.
- (10)(n) The Oil-Dri Corporation of America Outside Director Stock Plan as amended and restated effective October 16, 1999.
- (11) Computation of Net Income per share
- (21) Subsidiaries of the Registrant
- (23) Consent of Blackman Kallick Bartelstein, LLP
- (27) Financial Data Schedule

Note: Shareholders may receive copies of the above listed exhibits, without fee, by written request to Investor Relations, Oil-Dri Corporation of America, 410 North Michigan Avenue, Suite 400, Chicago, Illinois 60611-4213

THE OIL-DRI CORPORATION OF AMERICA DEFERRED COMPENSATION PLAN  
As Amended and Restated Effective October 1, 2000

ARTICLE 1 - INTRODUCTION

1.1 PURPOSE OF PLAN

Oil-Dri Corporation of America, a Delaware Corporation has adopted the Plan set forth herein to provide a means by which certain employees and non-employee directors may elect to defer receipt of designated percentages or amounts of their Compensation and bonuses.

1.2 STATUS OF PLAN

The Plan is intended to be "a plan which is unfunded and is maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees" within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of the Employee Retirement Income Security Act of 1974 ("ERISA"), and shall be interpreted and administered to the extent possible in a manner consistent with that intent.

ARTICLE 2 - DEFINITIONS

Wherever used herein, the following terms have the meanings set forth below, unless a different meaning is clearly required by the context:

2.1 ACCOUNT means for each Participant, the bookkeeping account established for his or her benefit under Section 5.1.

2.2 CHANGE OF CONTROL has the meaning set forth in the Oil-Dri Corporation of America 1995 Long-Term Incentive Plan.

2.3 CODE means the Internal Revenue Code of 1986, as amended from time to time. Reference to any section or subsection of the Code includes reference to any comparable or succeeding provisions of any legislation which amends, supplements or replaces such section or subsection.

2.4 COMPANY means Oil-Dri Corporation of America, any successor to all or a major portion of the Company's assets or business which assumes the obligations of the Company, and each other entity that is affiliated with the Company which adopts the Plan with the consent of Oil-Dri Corporation of America.

2.5 COMPENSATION means base salary, retainer or meeting fees payable to a Participant by the Company or an affiliate. Base salary is determined before giving effect to Elective Deferrals and other salary reduction amounts which are not included in the Participant's gross income under Code sections 125, 401(k), 402(h) or 403(b).

2.6 EARNINGS means the Company's long-term borrowing cost in effect during the quarter for which Earnings are being credited plus one percent. Prior to October 1, 2000 Earnings means the reported composite rate of return experienced by the investment portfolio(s) chosen by a Plan Participant as crediting indices and for the portfolio referred to as the Oil-Dri Declared Rate Fund, Earnings means the Company's long-term borrowing cost ("Interest") in effect during the quarter for which Earnings are being credited. Prior to January 1, 1999, Earnings means Interest as defined in this paragraph 2.6. For Participants who retired prior to January 1, 1999, Earnings will continue to mean Interest as defined in this paragraph 2.6.

2.7 EFFECTIVE DATE means the date as of which the Plan first becomes effective, December 15, 1995.

2.8 ELECTION FORM means the participation election form as approved and prescribed by the Plan Administrator.

2.9 ELECTIVE DEFERRAL means the portion of Compensation which is deferred by a Participant under Section 4.1.

2.10 ELIGIBLE EMPLOYEE OR DIRECTOR generally means each employee of the Company who is at a salary grade of Grade 10 or higher at the time he or she elects to make Elective Deferrals or a non-employee who is a member of the Company's Board of Directors. The Company reserves the right to from time to time extend eligibility to participate in the Plan to a management employee of the Company who is at a salary grade less than Grade 10.

2.11 ERISA means the Employee Retirement Income Security Act of 1974, as amended from time to time. Reference to any section or subsection of ERISA includes reference to any comparable or succeeding provisions of any legislation which amends, supplements or replaces such section or subsection.

2.12 INSOLVENT means either (i) the Company is unable to pay its debts as they become due, or (ii) the Company is subject to a pending proceeding as a debtor under the United States Bankruptcy Code.

2.13 PARTICIPANT means any individual who participates in the Plan in accordance with Article 3.

2.14 PLAN means the Oil-Dri Corporation of America Deferred Compensation Plan and all amendments thereto.

2.15 PLAN ADMINISTRATOR means the person, persons or entity designated by the Company from time to time to administer the Plan. If no such person or entity is so serving at any time, Oil-Dri Corporation of America shall be the Plan Administrator.

2.16 PLAN YEAR means the 12-month period beginning January 1 and ending December 31.

2.17 TOTAL AND PERMANENT DISABILITY means the inability of a Participant to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months, and the permanence and degree of which shall be supported by medical evidence satisfactory to the Plan Administrator.

ARTICLE 3 - PARTICIPATION

3.1 COMMENCEMENT OF PARTICIPATION

Any individual who elects to defer part of his or her Compensation in accordance with Section 4.1 shall become a Participant in the Plan as of the date such deferrals commence in accordance with Section 4.1.

3.2 CONTINUED PARTICIPATION

A Participant in the Plan shall continue to be a Participant so long as any amount remains credited to his or her Account.

## ARTICLE 4 - ELECTIVE DEFERRALS

## 4.1 ELECTIVE DEFERRALS

An individual who is an Eligible Employee or Director on the Effective Date may, by completing an Election Form and filing it with the Plan Administrator on or before the Effective Date, elect to defer a percentage or dollar amount of one or more payments of Compensation, on such terms as the Plan Administrator may permit, which are for services to be performed by the Participant in the Plan Year immediately following the Effective Date. A Participant may, by completing an Election Form and filing it with the Plan Administrator on or before March 15 of any Plan Year, elect to defer a percentage of any bonuses payable under the Oil-Dri Corporation of America Annual Incentive Plan in such Plan Year. A Participant other than a non-employee director may elect to defer only up to 50% of base salary, provided that such deferral shall equal a minimum of \$5,000 and up to 100% of any bonuses earned under the Oil-Dri Corporation of America Annual Incentive Plan for any Plan Year. A Participant who is a non-employee director may elect to defer all or any part of such Participant's Compensation. Any individual who becomes an Eligible Employee or Director after the Effective Date may, by completing an Election Form and filing it with the Plan Administrator within 30 days after becoming an Eligible Employee or Director, elect to defer a percentage or dollar amount of one or more payments of Compensation, on such terms as the Plan Administrator may permit, which are for services to be performed by the Participant after the date on which the individual files the Election Form. Any Eligible Employee or Director who has not otherwise initially elected to defer Compensation in accordance with this paragraph 4.1 may elect to defer a percentage or dollar amount of one or more payments of Compensation, on such terms as the Plan Administrator may permit, commencing with Compensation paid in the next succeeding Plan Year, by completing an Election Form and filing it with the Plan Administrator on or before November 15 of the year preceding such Plan Year. A Participant's Compensation shall be reduced in accordance with the Participant's election hereunder and amounts deferred hereunder shall be credited to the Participant's Account as of the date the amounts would have been paid to the Participant absent the deferral election. Elective Deferrals shall not be in effect for any Participant during any period in which such Participant is eligible to receive benefits under the Company's Long Term Disability policy.

An election to defer a percentage or dollar amount of Compensation for any Plan Year or any bonus payable under the Oil-Dri Corporation of America Annual Incentive Plan in such plan year, shall apply for only such Plan Year. For each succeeding Plan Year an Eligible Employee or Director must make a new deferral election by completing and filing with the Plan Administrator an Election Form on or before the 15th of November preceding that Plan Year with respect to Compensation (except that elections for the Plan Year 1996 may be made up to and including the effective date of December 15, 1995) and before the 15th of March with respect to any bonus payable under the Oil-Dri Corporation of America Annual Incentive Plan in such Plan Year.

## ARTICLE 5 - ACCOUNTS

## 5.1 ACCOUNTS

The Plan Administrator shall establish a bookkeeping Account for each Participant reflecting Elective Deferrals made for the Participant's benefit and any distributions to the Participant, together with any adjustments for Earnings. The Plan Administrator shall provide the Participant as soon as practicable after the end of the Plan Year with a statement of his or her Account as of the last business day of the Plan Year, reflecting the amounts of deferrals, earnings, and distributions of such Account since the prior statement. Prior to October 1, 2000 and subsequent to January 1, 1999 the Plan Administrator shall provide each Participant with a statement showing the status of his or her account as of the end of the calendar quarter.

## 5.2 EARNINGS CREDITED

Each Participant's Account shall be adjusted for Earnings. Effective October 1, 2000 Earnings adjustments shall be calculated at a rate equal to the Company's long-term borrowing cost in effect during the quarter for which the Participant's Account is being adjusted plus one percent.

Prior to October 1, 2000, Earnings adjustments shall be calculated at a rate computed as if the Participant's Account had been invested in whole and fractional shares of the investment portfolio(s) selected by the Participant as crediting indices. For purposes of computing these Earnings adjustments, Elective Deferrals shall be assumed to have been invested in shares of the crediting indices on each date a transaction is credited to or debited from the Participant's account, at the trading price of the crediting indices on such date or the first business day thereafter. Earnings adjustments shall be computed as if all dividends paid on the crediting indices were reinvested in whole or fractional shares on the date paid.

Prior to January 1, 1999 the rate for calculation of Earnings shall be the Company's long-term borrowing cost ("Interest") in effect during the quarter for which the Participant's Account is being adjusted. For Participants who retired prior to January 1, 1999, the rate for calculation of Earnings will continue to be the Interest rate as defined in paragraph 2.6.

## 5.3 CREDITING INDICES

Effective October 1, 2000 no crediting indices shall be offered under the Plan.

Prior to October 1 and subsequent to January 1, 1999 the Company shall select investment portfolios to serve as crediting indices. Each Participant may designate any combination (in increments of not less than 5%) of these portfolios to be used as the crediting indices for his or her account. Participants do not have an ownership interest in the investment portfolio(s) chosen by them as crediting indices. Each Participant may change his or her designated portfolio(s) to be effective the first day of any quarter by submitting the appropriate form to the Plan Administrator at least ten days prior to the first day of such quarter. Any designation of new crediting indices will result in an Earnings adjustment equivalent to a sale of shares in the current crediting indices and a purchase of shares in the new crediting indices on the first day of the quarter or the first business day thereafter. The Company may from time to time change the selection of investment portfolios offered to Participants as crediting indices. The Plan Administrator shall notify each Participant of any such change in investment portfolios.

## ARTICLE 6 - VESTING

## 6.1 GENERAL

A Participant shall be immediately vested in, i.e., shall have a nonforfeitable right to, all Elective Deferrals, and all Earnings attributable thereto, credited to his or her Account.

## ARTICLE 7 - PAYMENTS

## 7.1 ELECTION AS TO TIME AND FORM OF PAYMENT

A Participant shall elect on the Election Form the date at which the Elective Deferrals (including any Earnings attributable thereto) will commence to be paid to the Participant. Such date must be at least five years following the date at which such Elective Deferrals commence or the date of retirement, whichever occurs first. The Participant shall also elect thereon for payments to be paid in either:

- a. a single lump sum; or
- b. annual installments over a period elected by the Participant up to 15 years, the amount of each installment to equal the balance of his or her Account immediately prior to the installment divided by the number of installments remaining to be paid ("Annual Installments").

Each such election will be effective only for deferrals (including any Earnings attributable thereto) for the Plan Year for which it is made. Except as provided in Sections 7.2, 7.3, 7.4, 7.5 or 7.6, payment of a Participant's Account shall be made in accordance with the Participant's elections under this Section 7.1. Such elections will be irrevocable except that a Participant who has elected to receive payments only upon retirement, may change the method of payment by completing a new Election Form more than one year in advance of retirement.

## 7.2 CHANGE OF CONTROL

The Plan will terminate upon a Change of Control. Immediately prior to the consummation of a transaction resulting in a Change of Control or, if not possible, as soon as possible following a Change of Control, each Participant shall be paid his or her entire Account balance in a single lump sum.

## 7.3. TERMINATION OF EMPLOYMENT PRIOR TO RETIREMENT AGE

Upon termination of a Participant's employment for any reason other than death prior to the attainment of the Retirement Age, which is age 55, the Participant's entire Account shall be paid to the Participant in a single lump sum as soon as practicable following the end of the quarter in which such termination occurs.



#### 7.4 DISABILITY

If a Participant suffers a Total and Permanent Disability prior to the complete distribution of his or her Account balance, the following provisions shall apply:

- a. If the Participant is receiving disability benefits under the Company's short-term or long-term disability plan, the Participant will be treated as actively employed and payment from the Participant's account shall not be made. The Participant may, at his or her election, apply for payment because of Unforeseen Emergency under Section 7.6.
- b. If disability benefits under the Company's disability plans cease due to recovery from the Total and Permanent Disability, and the Participant does not return to employment with the Company, the Participant's Account shall be paid to the Participant as provided in Section 7.3.

#### 7.5 DEATH

If a Participant dies prior to the complete distribution of his or her Account, the balance of the Account shall be paid, according to the Participant's irrevocable election on the Election Form, to the Participant's designated beneficiary or beneficiaries. Payment in a single lump sum shall be made as soon as practicable following the end of the quarter in which death occurs. Payment in annual installments shall commence the year immediately following the year in which death occurs.

Any designation of beneficiary and form of payment to such beneficiary shall be made by the Participant on a designation/change of beneficiary form filed with the Plan Administrator and may be changed by the Participant at any time by filing another designation/change of beneficiary form containing the revised instructions. If no beneficiary is designated or no designated beneficiary survives the Participant, payment shall be made to the Participant's surviving spouse, or, if none, to his or her issue per stirpes, in a single payment. If no spouse or issue survives the Participant payment shall be made in a single lump sum to the Participant's estate.

#### 7.6 UNFORESEEN EMERGENCY

If a Participant suffers an unforeseen emergency, as defined herein, the Plan Administrator, in its sole discretion, may pay to the Participant only that portion, if any, of his or her Account which the Plan Administrator determines is necessary to satisfy the emergency need, including at the discretion of the Plan Administrator any amounts necessary to pay any federal, state and local income taxes reasonably anticipated to result from the distribution.

A Participant requesting emergency payment shall apply for the payment in writing in a form approved by the Plan Administrator and shall provide such additional information as the Plan Administrator may require. For purposes of this paragraph, "unforeseen emergency" means an immediate and heavy financial need resulting from any of the following:

- a. expenses which are not covered by insurance and which the Participant or his or her spouse or dependent has incurred as a result of sudden and unexpected illness or accident; or
- b. expenses which are not covered by insurance and which the Participant or his or her spouse or dependent has incurred or must incur as a result of a casualty loss.

#### 7.7 TAXES

All federal, state and local taxes that the Plan Administrator determines are required to be withheld from any payments made pursuant to this Article 7 shall be withheld.

#### 7.8 CLAIMS PROCEDURE

A Participant or beneficiary (a "Claimant") entitled to benefits may file a claim for such benefits with the Plan Administrator, in such form as permitted by the Plan Administrator. The claim will be evaluated and a decision rendered within ninety (90) days, unless special circumstances require an additional ninety (90) day extension of time.

A Claimant shall be given written notice of whether the claim is granted or denied, in whole or in part, including (1) specific reasons for the denial, (2) references to pertinent Plan provisions on which the denial is based, (3) a description of any additional material or information necessary to perfect the claim and explanation as to why necessary, and (4) the Claimant's right to seek review of the denial.

If denied, in whole or in part, the Claimant may make a written request for review of such denial to the Plan Administrator within 60 days after receipt of the denial, and may include pertinent documents, issues and comments to aid the Plan Administrator. The request will be evaluated and a decision rendered within sixty (60) days, unless special circumstances require an additional sixty (60) day extension of time. The written decision will specify reasons for the decision and references to Plan provisions upon which the decision is based.

A Claimant who fails to file a claim, or submit a request for review of an initial claim shall have no right to review and shall have no right to bring action in any court. The denial of the claim shall be final and binding on all persons for all purposes.

#### 7.9 SECTION 162(m) LIMITATIONS

In the event that any amount to be paid pursuant to Section 7.1, 7.3, 7.4, 7.5 or 7.6 would, in the Company's judgment, result in the non-deductibility, under Section 162(m) of the code, of any portion of such Participant's income payable by or attributable to the Company for the year in which such amount is to be paid, such amount shall not be paid in such year. Such nondeductible amount shall be payable in the following calendar year, as an addition to the annual installment scheduled to be paid in such following calendar year, if applicable, subject to the provisions of this Section 7.9.

**ARTICLE 8 - PLAN ADMINISTRATOR****8.1 PLAN ADMINISTRATION AND INTERPRETATION**

The Plan Administrator shall oversee the administration of the Plan. The Plan Administrator shall have complete control and authority to determine the rights and benefits and all claims, demands and actions arising out of the provisions of the Plan of any Participant, beneficiary, deceased Participant, or other person having or claiming to have any interest under the Plan. The Plan Administrator shall have complete discretion to interpret the Plan and to decide all matters under the Plan. Such interpretation and decision shall be final, conclusive and binding on all Participants and any person claiming under or through any Participant, in the absence of clear and convincing evidence that the Plan Administrator acted arbitrarily and capriciously. Any individual(s) serving as Plan Administrator who is a Participant will not vote or act on any matter relating solely to himself or herself. In such case, the Oil-Dri Corporation of America will appoint an individual to act as Plan Administrator to take such actions. When making a determination or calculation, the Plan Administrator shall be entitled to rely on information furnished by a Participant, a beneficiary or the Company. The Plan Administrator shall have the responsibility for complying with any reporting and disclosure requirements of ERISA.

**8.2. POWERS, DUTIES, PROCEDURES, ETC.**

The Plan Administrator shall have such powers and duties, may adopt such rules and tables, may act in accordance with such procedures, may appoint such officers or agents, may delegate such powers and duties, may receive such reimbursements, and shall follow such claims and appeal procedures with respect to the Plan as it may establish.

**8.3 INFORMATION**

To enable the Plan Administrator to perform its functions, the Company shall supply full and timely information to the Plan Administrator on all matters relating to the compensation of Participants, their employment, retirement, death, termination of employment, and such other pertinent facts as the Plan Administrator may require.

**8.4 INDEMNIFICATION OF PLAN ADMINISTRATOR**

The Company agrees to indemnify and to defend to the fullest extent permitted by law any officer(s) or employee(s) who serve as Plan Administrator (including any such individual, whether a present or former employee, who formerly served as Plan Administrator) against all liabilities, damages, costs and expenses (including attorneys' fees and amounts paid in settlement of any claims approved by Oil-Dri Corporation of America) occasioned by any act or omission to act in connection with the Plan, if such act or omission is in good faith.

## ARTICLE 9 - AMENDMENT AND TERMINATION

## 9.1 AMENDMENTS

Oil-Dri Corporation of America shall have the right to amend the Plan from time to time, subject to Section 9.3, by an instrument in writing which has been executed on Oil-Dri Corporation of America's behalf by its Chief Executive Officer or his delegate designated in writing, with the specific approval of the board of directors.

## 9.2 TERMINATION OF PLAN

This Plan is strictly a voluntary undertaking on the part of the Company and shall not be deemed to constitute a contract between the Company and any Eligible Employee or Director (or any other employee) or a consideration for, or an inducement or condition of employment for the performance of the services by an Eligible Employee or Director (or other employee). Oil-Dri Corporation of America reserves the right to terminate the Plan at any time, subject to Section 9.3, by an instrument in writing which has been executed on Oil-Dri Corporation of America's behalf by its Chief Executive Officer or his delegate designated in writing, with the specific approval of the board of directors. In addition, the Plan shall terminate upon a Change of Control in accordance with Section 7.2.

## 9.3 EXISTING RIGHTS

No amendment or termination of the Plan shall adversely affect the rights of any Participant with respect to amounts that have been credited to his or her Account prior to the date of such amendment or termination.

## ARTICLE 10 - MISCELLANEOUS

## 10.1 NO FUNDING

The Plan constitutes a mere promise by the Company to make payments in accordance with the terms of the Plan and Participants and beneficiaries shall have the status of general unsecured creditors of the Company. Nothing in the Plan will be construed to give any employee or any other person rights to any specific assets of the Company or of any other person. In all events, it is the intent of the Company that the Plan be treated as unfunded for tax purposes and for purposes of Title I of ERISA.

## 10.2 NON-ASSIGNABILITY

None of the benefits, payments, proceeds or claims of any participant or beneficiary shall be subject to any claim of any creditor of any Participant or beneficiary, nor shall any Participant or beneficiary have any right to alienate, anticipate, commute, pledge, encumber or assign any of the benefits or payments or proceeds which he or she may expect to receive, contingently or otherwise, under the Plan.

### 10.3 LIMITATION OF PARTICIPANT'S RIGHTS

Nothing contained in the Plan shall confer upon any person a right to be employed or to continue in the employ of the Company, or interfere in any way with the right of the Company to terminate the employment of a Participant in the Plan at any time, with or without cause.

### 10.4 PARTICIPANTS BOUND

Any action with respect to the Plan taken by Oil-Dri Corporation of America, the Plan Administrator or the Company or any action authorized by or taken at the direction of the Plan Administrator or the Company shall be conclusive upon all Participants and beneficiaries entitled to benefits under the Plan.

### 10.5 RECEIPT AND RELEASE

Any payment to any Participant or beneficiary in accordance with the provisions of the Plan shall, to the extent thereof, be in satisfaction of claims against the Company and/or, the Plan Administrator under the Plan, and the Plan Administrator may require such Participant or beneficiary, as a condition precedent to such payment, to execute a receipt and release to such effect. If any Participant or beneficiary is determined by the Plan Administrator to be incompetent by reason of physical or mental disability, including minority, to give a valid receipt and release, the Plan Administrator may cause payment or payments becoming due to such person to be made to another person for his or her benefit without responsibility on the part of the Plan Administrator or the Company to follow the application of such funds.

### 10.6 GOVERNING LAW

The Plan shall be construed, administered, and governed in all respects under and by the laws of the state of Illinois. If any provision shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions hereof shall continue to be fully effective.

### 10.7 HEADINGS AND SUBHEADINGS

Headings and subheadings in this Plan are inserted for convenience only and are not to be considered in the construction of the provisions thereof.

OIL-DRI CORPORATION OF AMERICA  
1995 LONG TERM INCENTIVE PLAN

AS AMENDED AND RESTATED  
JUNE 9, 2000

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OIL DRI CORPORATION OF AMERICA  
1995 LONG-TERM INCENTIVE PLAN  
(AS AMENDED)

1. Establishment, Purpose and Effective Date and Termination of the Oil-Dri Corporation of America 1988 Stock Option Plan.

(a) Establishment. The Company hereby establishes the Oil-Dri Corporation of America 1995 Long-Term Incentive Plan ("Plan").

(b) Purpose. The primary purpose of the Plan is to provide a means by which key employees of the Company and its Subsidiaries can acquire and maintain stock ownership, thereby strengthening their commitment to the success of the Company and its Subsidiaries and their desire to remain employed by the Company and its Subsidiaries, focusing their attention on managing the Company as an equity owner, and aligning their interests with those of the Company's stockholders. The Plan also is intended to attract and retain key employees and to provide such employees with additional incentive and reward opportunities designed to encourage them to enhance the profitable growth of the Company and its Subsidiaries.

(c) Effective Date. The Plan shall become effective upon its adoption by the Board, subject to the approval of the votes of a majority of the shares of Common Stock and Class B Stock of the Company voting together present or represented by proxy at the 1995 annual meeting of stockholders. Until such approval shall have been obtained, no Option, stock appreciation right, or performance unit shall be exercised, no stock bonus shall be granted, no performance share shall be paid, and no shares of restricted stock shall become nonforfeitable. If such shareholder approval is not obtained at the 1995 annual meeting of shareholders, all Awards shall automatically become null and void and no further Awards shall be granted.

(d) Termination of the Oil-Dri Corporation of America 1988 Stock Option Plan. Effective upon stockholder approval of this Plan, the Oil-Dri Corporation of America 1988 Stock Option Plan shall terminate and the shares of Stock allotted for stock option grants under that plan, which are not the subject of outstanding options granted under that plan, shall not be available for the granting of any further options or other awards under that plan or any other employee or director plan or arrangement of the Company. The options outstanding under the Oil-Dri Corporation of America 1988 Stock Option Plan shall remain outstanding and exercisable in accordance with their respective terms.

2. Definitions. As used in the Plan, terms defined parenthetically immediately after their use shall have the respective meanings provided by such definitions and the terms set forth below shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

(a) "Award" means Options, shares of restricted Stock, stock appreciation rights, performance units, or performance shares stock bonuses or shares of phantom stock granted under the Plan.

(b) "Award Agreement" means the written agreement by which an Award is evidenced.

(c) "Beneficial Owner", "Beneficially Owned", "Beneficially Owning", and "Beneficial Ownership" shall have the meanings applicable under Rule 13d-3 promulgated under the 1934 Act.

(d) "Board" means the board of directors of the Company.

(e) "Change in Capitalization" means any increase or reduction in the number of shares of Stock, or any change in the shares of Stock or exchange of shares of Stock for a different number or kind of shares or other securities by reason of a stock dividend (either as a dividend of the same class of Stock or as a dividend of a different class of Stock), stock split, reverse stock split, share combination, reclassification, recapitalization, merger, consolidation, spin-off, split-up, reorganization, issuance of warrants or rights, liquidation, exchange of shares, repurchase of shares, change in corporate structure, or similar event, of or by the Company.

(f) "Change of Control" means any of the following

- (i) Class B Stock, together with the Common Stock held by the Beneficial Owner of the Class B Stock, has less than 50% of the Voting Power of the Company, and
  - (A) the acquisition by any person or group of Beneficial Ownership of stock possessing more than 20% of the Voting Power of the Company, except that (i) no such person or group shall be deemed to own beneficially (a) any securities acquired directly from the Company pursuant to a written agreement with the Company, or (b) any securities held by the Company or a Subsidiary or any employee benefit plan (or any related trust) of the Company or a Subsidiary, and (ii) no Change of Control shall be deemed to have occurred solely by reason of any such acquisition by a corporation with respect to which, after such acquisition, more than 60% of both the then-outstanding common shares of such corporation and the Voting Power of such corporation are then Beneficially Owned, directly or indirectly, by the persons who were the Beneficial Owners of the Stock and voting securities of the Company immediately before such acquisition in substantially the same proportions as their ownership, immediately before such acquisition, of the then outstanding Stock or the Voting Power of the Company, as the case may be; or
  - (B) individuals who, as of the Effective Date, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided that any individual who becomes a director after the Effective Date whose election or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of the Company (as such terms are used in Rule 14a-11 under the 1934 Act); or
- (ii) approval by the stockholders of the Company of (A) a merger, reorganization or consolidation with respect to which the individuals and entities who were the respective Beneficial Owners of the Stock and Voting Power of the Company immediately before such merger, reorganization or consolidation do not, immediately after such merger, reorganization or consolidation, beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding common shares and the Voting Power of the corporation resulting from such merger, reorganization or consolidation, (B) a liquidation or dissolution of the Company or (C) the sale or other disposition of all or substantially all of the assets of the Company.

For purposes of this definition, "person" means such terms as used in SEC Rule 13d-5(b) under the 1934 Act, and "group" means two or more persons acting together in such a way to be deemed a person for purposes of Section 13(d) of the 1934 Act.

Notwithstanding the foregoing, a Change of Control shall be deemed not to have occurred with respect to any Grantee or Transferee with respect to an Award initially issued to such Grantee if such Grantee is, by written agreement, a participant on such Grantee's own behalf in a transaction in which the persons (or their affiliates) with whom such Grantee has the written agreement cause the Change of Control to occur and, pursuant to the written agreement, the Grantee has or is to acquire an equity interest in the resulting entity.

(g) "Committee" means the committee of the Board appointed pursuant to Article 4.

(h) "Company" means Oil-Dri Corporation of America, a Delaware corporation.

(i) "Disability" means for purposes of the exercise of an incentive stock option, a disability within the meaning of Section 22(e)(3) of the Code, and for all other purposes, a mental or physical condition which, in the opinion of the Committee, renders a Grantee unable or incompetent to carry out the job responsibilities which such Grantee held or the duties to which such Grantee was assigned at the time the disability was incurred, and which is expected to be permanent or for an indefinite duration.

(j) "Effective Date" means the date that the Plan is adopted by the Board.

(k) "Fair Market Value" of any security of the Company or any other issuer means, as of any applicable date:

(i) if the security is listed for trading on the New York Stock Exchange, the closing price, regular way, of the security as reported on the New York Stock Exchange Composite Tape, or if no such reported sale of the security shall have occurred on such date, on the next preceding date on which there was such a reported sale, or

(ii) if the security is not so listed, but is listed on another national securities exchange or authorized for quotation on the National Association of Securities Dealers Inc.'s NASDAQ National Market Systems ("NASDAQ/NMS"), the closing price, regular way, of the security on such exchange or NASDAQ/NMS, as the case may be, or if no such reported sale of the security shall have occurred on such date, on the next preceding date on which there was such a reported sale, or

(iii) if the security is not listed for trading on a national securities exchange or authorized for quotation on NASDAQ/NMS, the average of the closing bid and asked prices as reported by the National Association of Securities Dealers Automated Quotation System ("NASDAQ") or, if no such prices shall have been so reported for such date, on the next preceding date for which such prices were so reported, or

(iv) if the security is not listed for trading on a national securities exchange or is not authorized for quotation on NASDAQ/NMS or NASDAQ, the fair market value of the security as determined in good faith by the Committee.

(v) in the case of Stock which is being acquired through exercise of an Option and payment of the Option Price is being made through simultaneous sale through a broker of shares of unrestricted Stock acquired on exercise, as permitted under Regulation T of the Federal Reserve Board, the selling price of the Stock sold in such simultaneous sale.

(l) "Grant Date" means the date of grant of an Award determined in accordance with Article 6.

(m) "Grantee" means an individual who has been granted an Award.

(n) "Holder" means a person who holds an Award, either as a Grantee or a Transferee.

(o) "Incentive Stock Option" means an Option satisfying the requirements of Section 422 of the Internal Revenue Code and designated by the Committee as an Incentive Stock Option.

(p) "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended, and regulations and rulings thereunder. References to a particular Section of the Internal Revenue Code shall include references to successor provisions.

(q) "Jaffee Family" means Richard M. Jaffee, Robert D. Jaffee and any other person who is a beneficial owner of Class B Stock, a beneficial owner's spouse, or a parent or lineal descendent (including any adopted child) of any parent of any beneficial owner or of any beneficial owner's spouse.

(r) "Measuring Period" has the meaning specified in Article 6(f)(ii)(B).

(s) "Minimum Consideration" means the \$.10 par value per share of Stock or such larger amount determined pursuant to resolution of the Board to be capital within the meaning of Section 154 of the Delaware General Corporation Law.

(t) "1934 Act" means the Securities Exchange Act of 1934, as amended.

(u) "Nonqualified Stock Option" means an Option which is not an Incentive Stock Option or other type of statutory stock option under the Internal Revenue Code.

(v) "Option" means an option to purchase Stock granted under the Plan.

(w) "Option Price" means the per share purchase price of (i) Stock subject to an Option or (ii) restricted Stock subject to an Option.

(x) "Performance Goals" has the meaning set forth in Article 6(j).

(y) "Performance Percentage" has the meaning specified in Article 6(f)(ii)(C).

(z) "Person" means a person within the meaning of Sections 13(d) or 14(d) of the 1934 Act.

(aa) "Plan" has the meaning set forth in Article 1(a).

(bb) "SEC" means the Securities and Exchange Commission.

(cc) "Section 16 Grantee" means a person subject to potential liability with respect to equity securities of the Company under Section 16(b) of the 1934 Act.

(dd) "Stock" means Class A Common Stock or if no Class A Common Stock is issued and publicly traded on any securities market described in Article 2(k) above, then Common Stock par value \$.10 per share, of the Company and, with respect to any Award made in shares of Class B Stock to a member of the Jaffee Family who is an employee of the Company or one of its Subsidiaries that is more than 50% owned by the Company, Class B Stock. Class A Common Stock, Class B Stock and Common Stock shall have the meaning as provided in the Company's Certificate of Incorporation.

(ee) "Subsidiary" means for purposes of grants of incentive stock options, a corporation as defined in Section 424(f) of the Internal Revenue Code, with the Company being treated as the employer corporation for purposes of this definition and, for all other purposes, a corporation with respect to which the Company owns, directly or indirectly, 25% of the then-outstanding common shares.

(ff) "10% Owner" means a person who owns stock (including stock treated as owned under Section 424(d) of the Internal Revenue Code) possessing more than 10% of the Voting Power of the Company.

(gg) "Transferee" means a person who is the Holder of an Award as the result of a transfer of the Award in accordance with the terms of the Award and the Plan.

(hh) "Termination of Employment" occurs the first day on which an individual is for any reason no longer employed by the Company or any of its Subsidiaries, or with respect to an individual who is an employee of a Subsidiary, the first day on which the Company no longer owns Voting Securities possessing at least 25% of the Voting Power of such Subsidiary.

(ii) "Voting Power" means the combined voting power of the then outstanding Voting Securities.

(jj) "Voting Securities" means, with respect to the Company or any Subsidiary, any securities issued by the Company or such Subsidiary, respectively, which generally entitle the holder thereof to vote for the election of directors of the Company.

### 3. Scope of the Plan.

(a) Number of Shares Available Under the Plan. The maximum number of shares of Stock that may be made the subject of Awards granted under the Plan is 1,500,000 (or the number and kind of shares of Stock or other securities to which such shares of Stock are adjusted upon a Change in Capitalization pursuant to Article 18). The Company shall

reserve for the purpose of the Plan, out of its authorized but unissued shares of Stock or out of shares held in the Company's treasury, or partly out of each, such number of shares as shall be determined by the Board. The Board shall have the authority to cause the company to purchase from time to time shares of Stock to be held as treasury shares and used for or in connection with Awards.

(b) Reduction in the Available Shares in Connection with Awards Grants. Upon the grant of an Award, the number of shares of Stock available under Article 3(a) for the granting of further Awards shall be reduced as follows:

(i) Performance Units Denominated in Dollars. In connection with the granting of each performance unit denominated in dollars, the number of shares of Stock available under Article 3(a) for the granting of further Awards shall be reduced by the quotient of (x) the dollar amount represented by the performance unit divided by (y) the Fair Market Value of a share of Stock on the date immediately preceding the Grant Date of the performance unit.

(ii) Other Awards. In connection with the granting of each Award, other than a performance unit denominated in dollars, the number of shares of Stock available under Article 3(a) for the granting of further Awards shall be reduced by a number of shares equal to the number of shares of Stock in respect of which the Award is granted or denominated.

Notwithstanding the foregoing, where two or more Awards are granted with respect to the same shares of Stock, such shares shall be taken into account only once for purposes of this Article 3(b).

(c) Effect of the Expiration or Termination of Awards. If and to the extent an Award expires, terminates or is canceled or forfeited for any reason without having been exercised in full (including, without limitation, a cancellation of an Option pursuant to Article 4(c)(vi)), the shares of Stock associated with the expired, terminated, canceled or forfeited portion of the Award (to the extent the number of shares available for the granting of Awards was reduced pursuant to Article 3(b)) shall again become available for Awards under the Plan.

In addition, during the period that any Awards remain outstanding under the Plan the Committee may make good faith adjustments with respect to the number of shares of Stock attributable to such Awards for purposes of calculating the maximum number of shares available for the granting of future Awards under the Plan.

(d) Maximum Number of Options and Stock Appreciation Rights to any Individual Grantee. No individual Grantee may be granted Options and stock appreciation rights to purchase more than one-fourth of the maximum number of shares of Stock that may be made subject of Awards under the Plan as set forth in Article 3(a).

#### 4. Administration.

(a) Committee Administration. Subject to Article 4(b), the Plan shall be administered by the Committee, which shall consist of not less than three "disinterested persons" within the meaning of Rule 16b-3 under the 1934 Act; provided, however, that the membership of the Committee shall be subject to such changes (including, if appropriate, a change in the minimum number of members of the Committee) as the Board deems appropriate and permissible to permit transactions pursuant to the Plan to be exempt from potential liability under Section 16(b) of the 1934 Act.

(b) Board Reservation and Delegation. The Board may, in its discretion, reserve to itself or delegate to another committee of the Board any or all of the authority and responsibility of the Committee with respect to Awards to Grantees who are not Section 16 Grantees at the time any such delegated authority or responsibility is exercised. Such other committee may consist of one or more directors who may, but need not be, officers or employees of the Company or of any of its Subsidiaries. To the extent that the Board has reserved to itself or delegated the authority and responsibility of the Committee to such other committee, all references to the Committee in the Plan shall be to the Board or to such other committee.

(c) Committee Authority. The Committee shall have full and final authority, in its discretion, but subject to the express provisions of the Plan, as follows:

(i) to grant Awards,

(ii) to determine (A) when Awards may be granted and (B) whether or not specific Awards shall be identified with other specific Awards, and if so, whether they shall be exercisable cumulatively with, or alternatively to, such other specific Awards,

(iii) to interpret the Plan and to make all determinations necessary or advisable for the administration of the Plan,

(iv) to prescribe, amend, and rescind rules and regulations relating to the Plan, including without limitation, rules with respect to the exercisability and non-forfeitability of Awards upon the Termination of Employment of a Grantee regardless of whether the Award is held by such Grantee or a Transferee of an Award initially issued to such Grantee,

(v) to determine the terms and provisions of the Award Agreements, including Performance Goals, if any, which need not be identical and, with the consent of the Holder, to modify any such Award Agreement at anytime, provided that the consent of the Holder shall not be required for any amendment which (A) does not adversely affect the rights of the Holder, or (B) is necessary or advisable (as determined by the Committee) to carry out the purpose of the Award as a result of any new or change in existing applicable law, regulation, ruling or judicial decision; provided that any such change shall be applicable only to Awards which have not been exercised;

(vi) to cancel, with consent of the Holder, outstanding Awards,

(vii) to accelerate or extend (subject to Article 6(a)(ii)) the time during which any Award or Grant of Award may be exercised and to accelerate or waive any or all of the restrictions and conditions applicable to, any Award,

(viii) to make such adjustment or modifications to Awards to Grantees working outside the United States as are necessary and advisable to fulfill the purposes of the Plan,

(ix) to authorize any action of or make any determination by the Company as the Committee shall deem necessary or advisable for carrying out the purposes of the Plan, and

(x) to impose such additional conditions, restrictions, and limitations upon the grant, exercise or retention of Awards as the Committee may, before or concurrently with the grant thereof deem appropriate, including, without limitation, requiring simultaneous exercise of related identified Awards, and limiting the percentage of Awards which may from time to time be exercised by a Holder.

(d) Committee Determinations Final. The determination of the Committee on all matters relating to the Plan or any Award Agreement shall be conclusive and final. No member of the Committee shall be liable for any action or determination made in good faith with respect to the Plan or any Award.

5. Eligibility. Awards may be granted to any employee of the Company or any of its Subsidiaries. In selecting the individuals to whom Awards may be granted, as well as in determining the number of shares of Stock subject to, and the other terms and conditions applicable to, each Award, the Committee shall take into consideration such factors as it deems relevant in promoting the purposes of the Plan.

6. Conditions to Grants.

(a) General Conditions.

(i) The Grant Date of an Award shall be the date on which the Committee grants the Award or such later date as specified in advance by the Committee.

(ii) The term of each Award (subject to Article 6(c) with respect to Incentive Stock Options) shall be a period of not more than ten years from the Grant Date, and shall be subject to earlier termination as provided herein or in the applicable Award Agreement.

(iii) The Committee may grant Awards with terms and conditions which differ among the Grantees thereof. To the extent not set forth in the Plan, the terms and conditions of each Award shall be set forth in an Award Agreement.

(b) Grant of Options and Option Price. The Committee may, in its discretion, grant Options to acquire unrestricted Stock or restricted Stock to any employee eligible under Article 5 to receive Awards. No later than the Grant Date of any Option, the Committee shall determine the Option Price which shall not be less than 100% of the Fair Market Value of the Stock on the Grant Date.

(c) Grant of Incentive Stock Options. At the time of the grant of any Option, the Committee may designate that such Option shall be an Incentive Stock Option. Any Option designated as an Incentive Stock Option:

(i) shall have an Option Price of (A) not less than 100% of the Fair Market Value of the Stock on the Grant Date or (B) in the case of a 10% Owner, not less than 110% of the Fair Market Value of the Stock on the Grant Date;

(ii) shall have a term of not more than ten years (five years, in the case of 10% Owner) from the Grant Date, and shall be subject to earlier termination as provided herein or in the applicable Award Agreement;

(iii) shall not have an aggregate Fair Market Value (determined for each Incentive Stock Option at its Grant Date) of Stock with respect to which Incentive Stock Options are exercisable for the first time by such Grantee during any calendar year (under the Plan and any other employee stock option plan of the Grantee's employer or any parent or subsidiary thereof ("Other Plans")), determined in accordance with the provisions of Section 422 of the Internal Revenue Code, which exceeds \$100,000 (the "\$100,000 Limit");

(iv) shall, if, with respect to any grant, the aggregate Fair Market Value of Stock (determined on the Grant Date) of all Incentive Stock Options previously granted under the Plan and any Other Plans ("Prior Grants") and any Incentive Stock Options under such grant (the "Current Grant") which are exercisable for the first time during any calendar year would exceed the \$100,000 Limit, be exercisable as follows:

(A) the portion of the Current Grant exercisable for the first time by the Grantee during any calendar year which would be, when added to any portions of any Prior Grants exercisable for the first time by the Grantee during such calendar year with respect to Stock which would have an aggregate Fair Market Value (determined as of the respective Grant Date for such Options) in excess of the \$100,000 Limit shall, notwithstanding the terms of the Current Grant, be exercisable for the first time by the Grantee in the first subsequent calendar year or years in which it could be exercisable for the first time by the Grantee when added to all Prior Grants without exceeding the \$100,000 Limit; and

(B) if, viewed as of the date of the Current Grant, any portion of a Current Grant could not be exercised under the provisions of Article 6(c)(iv)(A) during any calendar year commencing with the calendar year in which it is first exercisable through and including the last calendar year in which it may by its terms be exercised, such portion of the Current Grant shall not be an Incentive Stock Option, but shall be exercisable as a separate Nonqualified Stock Option at such date or dates as are provided in the Current Grant;

(v) shall be granted within ten years from the earlier of the date of the Plan is adopted by the Board or the date the Plan is approved by the stockholders of the Company; and

(vi) shall require the Grantee to notify the Committee of any disposition of any Stock issue pursuant to the exercise of the Incentive Stock Option under the circumstances described in Section 421(b) of the Internal Revenue Code (relating to certain disqualifying dispositions) within ten days of such disposition.

## (d) Grant of Shares of Restricted Stock.

(i) The Committee may, in its discretion, grant shares of restricted Stock to any employee eligible under Article 5 to receive Awards.

(ii) Shares of restricted Stock will be Class A Common Stock or if no Class A Common Stock is publicly traded on any securities market described in Article 2(k) on the Grant Date of such shares of restricted Stock, then such shares of restricted Stock shall be Common Stock; shares of restricted Stock shall be Class B Stock if a grant of restricted stock is made in shares of Class B Stock to a member of the Jaffee Family who is an employee of the Company or one of its Subsidiaries that is more than 50% owned by the Company.

(iii) Before the grant of any shares of restricted Stock, the Committee shall determine, in its discretion:

(A) whether the certificates for such shares shall be delivered to the Grantee or held (together with a stock power executed in blank by the Grantee) in escrow by the Secretary of the Company until such shares become nonforfeitable or are forfeited,

(B) the per share purchase price of such shares, which may be zero, provided, however, that

(1) the per share purchase price of all such shares (other than treasury shares) shall not be less than the Minimum Consideration for each such share; and

(2) if such shares are to be granted to a Section 16 Grantee and the purchase price is to be in excess of the Minimum Consideration, to the extent necessary so that such grant qualifies for the exemption provided pursuant to Rule 16b-3 under the 1934 Act, the per share purchase price of any such shares shall be at least 50% of the Fair Market Value of the Stock on the Grant Date;

(C) the restrictions applicable to such grant; and

(D) whether the payment to the Grantee of dividends, or a specified portion thereof, declared or paid on such shares by the Company shall be deferred until the lapsing of the restrictions imposed upon such shares shall be held by the Company for the account of the Grantee, whether such dividends shall be reinvested in additional shares of restricted Stock (to the extent shares are available under Article 3) subject to the same restrictions and other terms as apply to the shares with respect to which such dividends are issued or otherwise reinvested in Stock or held in escrow, whether interest will be credited to the account of the Grantee with respect to any dividends which are not reinvested in restricted or unrestricted Stock, and whether any Stock dividends issued with respect to the restricted Stock to be granted shall be treated as additional shares of restricted Stock.

(iv) Payment of the purchase price (if greater than zero) for shares of restricted Stock shall be made in full by the Grantee before the delivery of such shares and, in any event, no later than ten days after the Grant Date for such shares. Such payment may be made, as determined in advance by either the Board or the Committee in its discretion, in any one or any combination of the following:

(A) cash, or

(B) shares of restricted or unrestricted Class A Common Stock or Common Stock or Class B Stock owned by the Grantee prior to such grant and valued at its Fair Market Value on the business day immediately preceding the date of payment;

provided, however, that in the case of payments in shares of restricted or unrestricted Class A Common Stock or Common Stock or Class B Stock

(1) if the purchase price for restricted Stock ("New Restricted Stock") is paid with shares of restricted Class A Common Stock or restricted Common Stock or restricted Class B Stock ("Old Restricted Stock"), the restrictions applicable to the New Restricted Stock shall be the same as if the Grantee had paid for the New



Restricted Stock in cash unless, in the judgment of the Committee, the Old Restricted Stock was subject to a greater risk of forfeiture, in which case a number of shares of New Restricted Stock equal to the number of shares of Old Restricted Stock tendered in payment for New Restricted Stock shall be subject to the same restrictions as the Old Restricted Stock, determined immediately before such payment.

(v) Upon the date that shares of restricted Common Stock become non-forfeitable, the Company shall exchange such shares of Common Stock for an equal number of shares of Class A Common Stock if such shares of restricted Stock have been granted as shares of Common Stock and if such Class A Common Stock is issued and publicly traded on any securities market as described in Article 2(k).

(vi) The Committee may, but need not, provide that all or any portion of a Grantee's Award of restricted Stock shall be forfeited:

(A) except as otherwise specified in the Award Agreement, upon the Grantee's Termination of Employment within a specified time period after the Grant Date, or

(B) if the Company or the Grantee does not achieve specified performance goals within a specified time period after the Grant Date and Before the Grantee's Termination of Employment, or

(C) upon failure to satisfy such other restrictions as the Committee may specify in the Award Agreement.

(vii) If a share of restricted Stock is forfeited, then

(A) the Grantee shall be deemed to have resold such share of restricted Stock to the Company at the lesser of (1) the purchase price paid by the Grantee (such purchase price shall be deemed to be zero dollars (\$0) if no purchase price was paid) or (2) the Fair Market Value of a share of Stock on the date of such forfeiture;

(B) the Company shall pay to the Grantee the amount determined under clause (A) of this sentence, if not zero, as soon as is administratively practicable, but in any case within 90 days after forfeiture; and

(C) such share of restricted Stock shall cease to be outstanding, and shall no longer confer on the Grantee thereof any rights as a stockholder of the Company, from and after the date of the Company's tender of the payment specified in clause (B) of this sentence, whether or not such tender is accepted by the Grantee, or the date the restricted Stock is forfeited if no purchase price was paid for the restricted Stock.

(viii) Any share of restricted Stock shall bear an appropriate legend specifying that such share is non-transferable and subject to the restrictions set forth in the Plan. If any shares of restricted Stock become nonforfeitable, the Company shall cause certificates for such shares to be issued or reissued without such legend and delivered to the Grantee or, at the request of the Grantee, shall cause such shares to be credited to a brokerage account specified by the Grantee.

(e) Grant of Stock Appreciation Rights. The Committee may grant stock appreciation rights to any employee eligible under Article 5 to receive Awards. When granted, stock appreciation rights may, but need not, be identified with shares of Stock subject to a specific Option awarded to the Grantee (including any Option granted on or before the Grant Date of the stock appreciation rights) in a number equal to or different from the number of stock appreciation rights so granted. If stock appreciation rights are identified with shares of Stock subject to an Option then, unless otherwise provided in the applicable Award Agreement, (i) the Grantee's associated stock appreciation rights shall terminate upon the exercise, expiration, termination, forfeiture, or cancellation of such Option and (ii) the stock appreciation right and such Option can only be transferred pursuant to Article 7 to the same Transferee.

(f) Grant of Performance Units and Performance Shares.

(i) The Committee may, in its discretion, grant performance units or performance shares to any employee eligible under Article 5 to receive Awards.

(ii) Before the grant of any performance unit or performance share, the Committee shall:

(A) determine Performance Goals applicable to such grant,

(B) designate a period, of not less than one year nor more than five years, for the measurement of the extent to which Performance Goals are attained (the "Measuring Period"), and

(C) assign a "Performance Percentage" to each level of attainment of Performance Goals during the Measuring Period, with the percentage applicable to minimum attainment being zero percent (0%) and the percentage applicable to optimum attainment to be determined by the Committee from time to time.

(g) Grant of Phantom Stock. The Committee may, in its discretion, grant shares of phantom stock to any employee who is eligible under Article 5 to receive Awards and is employed outside the United States. Such phantom stock shall be subject to the terms and conditions established by the Committee and set forth in the applicable Award Agreement.

(h) Grant of Stock Bonuses. The Committee may grant shares of Stock as a bonus to any individual eligible under Article 5 to receive Awards.

(i) Tandem Awards. The Committee may grant and identify any Award with any other Award granted under the Plan, on terms and conditions determined by the Committee.

(j) Performance Goals. Performance Goals shall mean the goals applicable to an Award which shall be set forth in a written document prior to the commencement of the Grantee's services to which the Performance Goals under the Award relate and while the outcome is still substantially uncertain. In establishing Performance Goals, the Committee may consider such factor or factors relating to performance as it deems appropriate, including net income, growth in net income, earnings per share, growth of earnings per share return on equity, return on capital, or any other business criteria as contemplated in Section 162(m) of the Code. The Committee, if applicable, shall certify in writing prior to payment of compensation related to any applicable performance unit, performance share, restricted stock or share of phantom stock that the Performance Goals and any other material terms were satisfied. The Committee may, at any time, modify Performance Goals as a result of changes required in applicable laws. If a Grantee is promoted, demoted or transferred to a different business unit of the Company during a performance period, then, to the extent the Committee determines the Performance Goals are no longer appropriate, the Committee may adjust, change or eliminate the Performance Goals or as it deems appropriate in order to make them appropriate and comparable to the initial Performance Goals.

7. Non-transferability. Except as hereinafter provided, each Award granted hereunder shall by its terms not be assignable or transferable, and may be exercised, during the Grantee's lifetime, only by the Grantee. Notwithstanding the foregoing (a) if the Award is exercisable after the Grantee's death, it may be exercised by the Grantee's legal representative or by a beneficiary designated in writing by the Grantee to exercise his or her Award after the Grantee's death, and (b) the Grantee may transfer an Award held by such Grantee (other than an Incentive Stock Option or restricted Stock) (i) for no consideration to any of the following permissible transferees: any member of the Grantee's Immediate Family, and any general or limited partnership each of the partners of which are members of the Grantee's Immediate Family and which prohibits a transfer of all or any part of any interest in the partnership except to the partnership or to any of the foregoing; and (ii) to such other person or entity, and on such terms and conditions, as the Committee, in its discretion, may permit. Any Award so transferred shall be subject after transfer to all of the terms and conditions of such Award prior to the transfer and shall not be further transferable without the consent of the Committee. "Immediate Family" means, with respect to a particular Grantee, that Grantee's spouse, any parent and any lineal descendent (including any adopted child) of any parent of that Grantee or of that Grantee's spouse, and any trustee, guardian or custodian for any of the foregoing. Each share of restricted Stock shall be non-transferable until such share becomes nonforfeitable.

#### 8. Exercise.

(a) Exercise of Options. Subject to Article 4(c)(vii), 11 and 12 and such terms and conditions as the Committee may impose, each Option shall be exercisable in one or more installments commencing not earlier than the first anniversary of the Grant Date of such Option; provided, however, that all Options shall become fully (100%) exercisable upon the occurrence of a Change of Control regardless of whether the acceleration of the exercisability of such Options would cause

such Options to lose their eligibility for treatment as Incentive Stock Options. Notwithstanding the foregoing, Options may not be exercised by a Grantee for twelve months following a hardship distribution to the Grantee, to the extent such exercise is prohibited under Treasury Regulation Section 1.401(k)-1(d)(2)(iv)(B)(4). Each Option shall be exercised by delivery to the Company of written notice of intent to purchase a specific number of shares of Stock or restricted Stock subject to the Option. Such stock will be Class A Common Stock or if no Class A Common Stock is publicly traded on any securities market described in Article 2(k) on the date such options are exercised, then Common Stock and with respect to an Option held by a member of the Jaffee Family on Class B stock, Class B Stock. The Option Price of any shares of Stock or restricted Stock as to which an Option shall be exercised shall be paid in full at the time of the exercise. Payment may be made, as determined in advance by either the Board or the Committee in its discretion, in any one or any combination of the following:

(i) cash,

(ii) shares of restricted or unrestricted Class A Common Stock or Common Stock or Class B Stock owned by the Holder prior to the exercise of the Option and valued at its Fair Market Value on the last business day immediately preceding the date of exercise, or

(iii) through simultaneous sale through a broker of shares of unrestricted Stock acquired on exercise, as permitted under Regulation T of the Federal Reserve Board. Where payment of the Option Price is made through simultaneous sale, the Option Price shall be paid in full immediately following the settlement date of such sale.

Payment of the option price with Stock simultaneously acquired by option exercise may be made, with the consent in advance of the Board or the Committee.

If restricted Class A Common Stock or Common Stock or Class B Stock ("Tendered Restricted Stock") is used to pay the Option Price for Stock, then a number of shares of Stock acquired on exercise of the Option equal to the number of shares of Tendered Restricted Stock shall be subject to the same restrictions as the Tendered Restricted Stock, determined as of the date of exercise of the Option. If the Option Price for restricted Stock is paid with Tendered Restricted Stock, and if the Committee determines that the restricted Stock acquired on exercise of the Option shall be subject to restrictions ("Greater Restrictions") that cause it to have a greater risk of forfeiture than the Tendered Restricted Stock, then notwithstanding the preceding sentence, all the restricted Stock acquired on exercise of the Option shall be subject to such Greater Restrictions.

Shares of unrestricted Stock acquired by a Holder on exercise of an Option shall be delivered to the Holder or, at the request of the Holder, shall be credited directly to a brokerage account specified by the Holder.

(b) Exercise of Stock Appreciation Rights. Subject to Article 4(c)(vii), 11 and 12 and such terms and conditions as the Committee may impose, each stock appreciation right shall be exercisable not earlier than the first anniversary of the Grant Date of such stock appreciation right and, if such stock appreciation right is identified with an Option, to the extent such Option may be exercised unless otherwise provided by the Committee, Stock appreciation rights shall be exercised by delivery to the Company of written notice of intent to exercise a specific number of stock appreciation rights. Unless otherwise provided in the applicable Award Agreement, the exercise of stock appreciation rights which are identified with shares subject to an Option shall result in the forfeiture of such Option to the extent of such exercise.

The benefit for each stock appreciation right exercised shall be equal to the excess, if any, of

(i) the Fair Market Value of a share of Stock on the date of such exercise, over

(ii) an amount equal to

(A) in the case of a stock appreciation right identified with a share of Stock subject to an Option, the Option Price of such Option, unless the Committee in the grant of the stock appreciation right specified a higher amount, or

(B) in the case of any other stock appreciation right, the Fair Market Value of a share of Stock on the Grant Date of such stock appreciation right, unless the Committee in the grant of the stock appreciation right specified a higher amount;

provided that the Committee, in its discretion, may provide that the benefit for any stock appreciation right shall not exceed a maximum amount (i.e. a cap) set by Committee, which cap may be expressed as (i) a percentage of the excess amount described above (not to exceed 100%), (ii) a percentage of the Fair Market Value of a share of Stock on the Grant Date of the stock appreciation right, or (iii) a fixed dollar amount. The benefit upon the exercise of a stock appreciation right shall be payable in cash, except that the Committee, with respect to any particular exercise, may, in its discretion, pay benefits wholly or partly in Stock delivered to the Holder or credited to a brokerage account specified by the Holder.

(c) Exercise of Performance Units.

(i) Subject to Article 4(c)(vii), 11 and 12 and such terms and conditions as the Committee may impose, and unless otherwise provided in the applicable Award Agreement, if, with respect to any performance unit, the minimum Performance Goals have been achieved during the applicable Measuring Period, then such performance unit shall be deemed exercised on the date on which it first becomes exercisable.

(ii) The benefit for each performance unit exercised shall be an amount equal to the product of

(A) The Unit Value (as defined below), multiplied by

(B) the Performance Percentage attained during the Measuring Period for such performance unit.

(iii) The Unit Value shall be, as specified by the Committee,

(A) a dollar amount,

(B) an amount equal to the Fair Market Value of a share of Stock on the Grant Date,

(C) an amount equal to the Fair Market Value of a share of Stock on the exercise date of the performance unit, plus, if so provided in the Award Agreement, an amount ("Dividend Equivalent Amount") equal to the Fair Market Value of the number of shares of Stock that would have been purchased if each dividend paid on a share of Stock on or after the Grant Date and on or before the exercise date were invested in shares of Stock at a purchase price equal to its Fair Market Value on the respective dividend payment date, or

(D) an amount equal to the Fair Market Value of a share of Stock on the exercise date of the performance unit (plus, if so specified in the Award Agreement, a Dividend Equivalent Amount), reduced by the Fair Market Value of a share of Stock on the Grant Date of the performance unit.

(iv) The benefit upon the exercise of a performance unit shall be payable to the Holder (or at the request of the Holder, deliver to a brokerage account specified by the Holder), as soon as is administratively practicable (but in any event within 90 days) after the later of (A) the date the Holder is deemed to exercise such performance unit, or (B) the date (or dates in the event of installment payments) as provided in the applicable Award Agreement. Such benefit shall be payable in cash, except that the Committee, with respect to any particular exercise, may, provide in the Award Agreement that benefits may be paid wholly or partly in Stock. The number of shares of Stock payable in lieu of cash shall be determined by valuing the Stock at its Fair Market Value on the business day next preceding the date such benefit is to be paid.

(d) Payment of Performance Shares. Subject to Article 4(c)(vii), 11 and 12 and such terms and conditions as the Committee may impose, and unless otherwise provided in the applicable Award Agreement, if the minimum Performance Goals specified by the Committee with respect to an Award of performance shares have been achieved during the applicable Measuring Period, then the Company shall pay to the Holder of such Award (or, at the request of the Holder, deliver to a brokerage account specified by the Holder) shares of Stock equal in number to the product of the number of the performance share(s) specified in the applicable Award Agreement multiplied by the Performance Percentage achieved

during such Measuring Period, except to the extent that the Committee in its discretion determines that cash be paid in lieu of some or all of such shares of Stock. The amount of cash payable in lieu of a share of Stock shall be determined by valuing such share at its Fair Market Value on the business day next preceding the date such cash is to be paid. Payment pursuant to this Article 8(d) shall be made as soon as administratively practicable (but in any event within 90 days) after the end of the applicable Measuring Period. Any performance shares with respect to which the performance goals have not been achieved by the end of the applicable Measuring Period shall expire.

(e) Payment of Phantom Stock Awards. Upon the vesting of a phantom stock Award, the Holder shall be entitled to receive a cash payment in respect of each share of phantom stock which shall be equal to the Fair Market Value of a share of Stock as of the date the phantom stock Award was granted, or such other date as determined by the committee at the time the phantom stock Award was granted. The Committee may at the time a phantom stock Award is granted, provide a limitation on the amount payable in respect of each share of phantom stock.

(f) Full Vesting upon Change of Control. In the event of a Change of Control, all unvested Awards shall become immediately vested and exercisable; provided that the benefit payable with respect to any performance unit or performance share with respect to which the Measuring Period has not ended as of the date of such Change of Control shall be equal to the product of the Unit Value multiplied successively by each of the following:

(1) a fraction, the numerator of which is the number of months (including as a whole month any partial month) that have elapsed since the beginning of such Measuring Period until the date of such Change of Control and the denominator of which is the number of months (including as a whole month any partial month) in the Measuring Period; and

(2) a percentage equal to the greater of the target percentage, if any, specified in the applicable Award Agreement or the maximum percentage, if any, that would be earned under the terms of the applicable Award Agreement assuming that the rate at which the performance goals have been achieved as of the date of such Change of Control would continue until the end of the Measuring Period.

(g) Pooling of Interests. If the Committee in its discretion determines that the exercise of an Award would preclude the use of pooling of interests accounting following a sale of the Company which is reasonably likely to occur and that such preclusion of pooling would have a material adverse effect on the sale of the Company, the Committee, in its discretion, may take such action as it deems appropriate in order to preserve the pooling of interests accounting including either unilaterally barring the exercise of such Award by canceling the Award prior to the Change of Control or by causing the Company to pay the Award rights benefit in Stock if it determines that such payment would not cause the transaction to be ineligible for pooling.

(h) Exercise, Cancellation, Expiration or Forfeiture of Tandem Awards. Upon the exercise, cancellation, expiration, forfeiture or payment in respect of any Award which is identified with any other Award (the "Tandem Award") pursuant to Article 6(i), the Tandem Award shall automatically terminate to the extent of the number of shares in respect of which the Award is so exercised, canceled, expired, forfeited or paid, unless otherwise provided by the Committee at the time of grant of the Tandem Award or thereafter.

(i) Vesting and Exercise Period upon Disability, Death or Retirement.

(i) Disability or Death. In the event a Grantee's employment is terminated as a result of the Grantee's Disability, as determined under a Company sponsored long-term disability plan or if the Grantee is not a participant in such a plan, then as determined by a review of medical evidence by a qualified independent review agent, or as a result of the Grantee's death, all unvested Awards shall become immediately vested and exercisable; provided that the benefit payment with respect to any performance unit or performance share with respect to which the Measuring Period has not ended as of the date of such termination of employment, shall be computed as specified in Article 8 (f), but substituting the words "date of such termination of employment" for the words "date of such Change of Control". The Holder of such Awards, or in the case of a deceased Grantee who has not transferred his Awards pursuant to Article 7 the Grantee's legal representative or beneficiary, shall have three years from the date of the Grantee's termination of employment to exercise the Awards, provided that this exercise period shall not extend the term (duration) of the Award.

(ii) Retirement. In the event a Grantee's employment is terminated as a result of the Grantee's retirement and (a) the Grantee is eligible for an immediate benefit under a Company sponsored defined benefit pension plan and (b) the Grantee's age plus years of service on the date of retirement equal at least eighty, all unvested Awards shall become immediately vested and exercisable; provided that the benefit payment with respect to any performance unit or performance share with respect to which the Measuring Period has not ended as of the date of such retirement, shall be computed as specified in Article 8 (f) above, but substituting the words "date of such termination of employment" for the words "date of such Change of Control". The Holder of such Award shall have three years from the date of the Grantee's termination of employment to exercise the Award, provided that this exercise period shall not extend the term (duration) of the Award.

In the event a Grantee's employment is terminated as a result of the Grantee's retirement and the Grantee's age plus years of service on the date of retirement are equal to less than eighty, the vesting and exercise of Awards shall be governed by the respective Award Agreements.

9. Effect of Certain Transactions. With respect to any Award which relates to Stock, in the event of a merger or consolidation of the Company (a "Transaction"), the Plan and the Awards issued hereunder shall continue in effect in accordance with their respective terms and each Holder shall be entitled to receive in respect of each share of Stock subject to any outstanding Awards, upon the vesting, payment or exercise of the Award (as the case may be), the same number and kind of stock, securities, cash, property, or other consideration that each holder of a share of Stock was entitled to receive in the Transaction in respect of a share of Stock. With respect to any Award which relates to stock, in the event of a liquidation or dissolution of the Company, the Committee may take such actions as it deems appropriate.

10. Mandatory Withholding Taxes. The Company shall have the right to deduct from any distribution of cash to any Holder an amount equal to the federal, state and local income taxes and other amounts as may be required by law to be withheld (the "Withholding Taxes") with respect to any Award. If a Holder is to experience a taxable event in connection with the receipt of shares pursuant to an Option exercise or the vesting or payment of another type of Award (a "Taxable Event"), the Holder shall pay the Withholding Taxes to the Company prior to the issuance, or release from escrow, of such shares or payment of such Award. Payment of the applicable Withholding Taxes may be made, as determined in advance by the Board or the Committee in its discretion, in any one or any combination of (i) cash, (ii) shares of restricted or unrestricted Class A Common Stock or Common Stock or Class B Stock owned by the Holder prior to the Taxable Event and valued at its Fair Market Value on the business day immediately preceding the date of exercise, or (iii) by making a Tax Election (as described below). For purposes of this Article 10, a Holder may make a written election (the "Tax Election"), to have withheld a portion of the shares then issuable to him or her having an aggregate Fair Market Value, on the date preceding the date of such issuance, equal to the Withholding Taxes.

11. Termination of Employment. The Award Agreement pertaining to each Award shall set forth the terms and conditions applicable to such Award upon a Termination of Employment of the Grantee by the Company, a Subsidiary or an operating division or unit, as the Committee may, in its discretion, determine at the time the Award is granted or thereafter; provided, however, that if a Grantee's employment is terminated as a result of (i) the Grantee's conviction of a felony which is, in the opinion of the Committee, likely to result in injury of a material nature to the Company or a Subsidiary, or (ii) the gross and habitual negligence by the Grantee in the performance of the Grantee's duties to the Company or its Subsidiaries (termination for "Cause"), the Grantee's shares of restricted stock that are forfeitable, subject to the provisions of Article 6(d)(vii) regarding repayment of certain amounts to the Grantee, and any unexercised option, stock appreciation right, performance unit, performance share or share of phantom stock shall thereupon terminate. If a Grantee has transferred an Award pursuant to Article 7, then, upon a Termination of Employment of such Grantee, the terms and conditions applicable to such Award, including the time of its termination, shall be the same as would have applied to the Award if the Grantee had not transferred it.

12. Securities Law Matters.

(a) If the Committee deems it necessary to comply with the Securities Act of 1933, the Committee may require a written investment intent representation by the Holder and may require that a restrictive legend be affixed to certificates for shares of Stock.

(b) If, based upon the opinion of counsel for the Company, the Committee determines that the exercise or non-forfeiture of, or delivery of benefits pursuant to, any Award would violate any applicable provision of (i) federal or state securities law or (ii) the listing requirements of any national securities exchange on which are listed any of the Company's equity securities, then the Committee may postpone any such exercise, non-forfeiture or delivery, as the case may be, but the Company shall use its best efforts to cause such exercise, non-forfeiture or delivery to comply with all such provisions at the earliest practicable date.

(c) Subject to Articles 12(a) and (b) above, no shares of Stock shall be issued to any Holder in respect of any Award prior to the time a registration statement under the Securities Act of 1933 is effective with respect to such shares.

13. No Funding Required. Benefits payable under the Plan to any person shall be paid directly by the Company. The Company shall not be required to fund, or otherwise segregate assets to be used for payment of, benefits under the Plan.

14. No Employment Rights. Neither the establishment of the Plan, nor the granting of any Award shall be construed to (a) give any Grantee the right to remain employed by the Company or any of its Subsidiaries or to any benefits not specifically provided by the Plan or (b) in any manner modify the right of the Company or any of its Subsidiaries to modify, amend, or terminate any of its employee benefit plans.

15. Rights as a Stockholder. A Holder shall not, by reason of any Award (other than restricted Stock), have any right as a stockholder of the Company with respect to the shares of Stock which may be deliverable upon exercise or payment of such Award until such shares have been delivered to him. Shares of restricted Stock held by a Grantee or held in escrow by the Secretary of the Company shall confer on the Grantee all rights of a stockholder of the Company, except as otherwise provided in the Plan.

16. Nature of Payments. Any and all grants, payments of cash, or deliveries of shares of Stock hereunder shall constitute special incentive payments to the Grantee and shall not be taken into account in computing the amount of salary or compensation of the Grantee for the purpose of determining any pension, retirement, death or other benefits under (a) any pension, retirement, profit-sharing, bonus, life insurance or other employee benefit plan of the Company or any of its Subsidiaries or (b) any agreement between the Company or any Subsidiary, on the one hand, and the Grantee, on the other hand, except as such plan or agreement shall otherwise expressly provide.

17. Non-Uniform Determinations. Neither the Committee's nor the Board's determinations under the Plan need be uniform and may be made by the Committee or the Board selectively among persons who receive, or are eligible to receive, Awards (whether or not such persons are similarly situated). Without limiting the generality of the foregoing, the Committee shall be entitled, among other things, to make non-uniform and selective determinations, to enter into non-uniform and selective Award Agreements as to (a) the identity of the Grantees, (b) the terms and provisions of Awards, and (c) the treatment of Terminations of Employment.

18. Adjustments. In the event of Change in Capitalization, the Committee shall, in its sole discretion, make equitable adjustment of

(a) the aggregate number and class of shares of Stock or other stock or securities available under Article 3,

(b) the number and class of shares of Stock or other stock or securities covered by an Award,

(c) the Option Price applicable to outstanding Options,

(d) the terms of performance unit and performance share grants, and

(e) the Fair Market Value of Stock to be used to determine the amount of the benefit payable upon exercise of stock appreciation rights, performance units, performance shares or phantom stock.

19. Amendment of the Plan. The Board may from time to time in its discretion amend or modify the Plan without the approval of the stockholders of the Company, except as such stockholder approval may be required (a) to retain Incentive Stock Option treatment under Section 422 of the Internal Revenue Code or (b) under the listing requirements of any securities exchange on which any of the Company's equity securities are listed.

20. Termination of the Plan. The Plan shall terminate on the tenth (10th) anniversary of the Effective Date or at such earlier time as the Board may determine. Any termination, shall not affect any Award then outstanding under the Plan.

21. No Illegal Transactions. The Plan and all Awards granted pursuant to it are subject to all laws and regulations of any governmental authority which may be applicable thereto; and notwithstanding any provision of the Plan or any Award, Holders shall not be entitled to exercise Awards or receive the benefits thereof and the Company shall not be obligated to deliver any Stock or pay any benefits to a Holder if such exercise, delivery, receipt or payment of benefits would constitute a violation by the Holder or the Company of any provision of any such law or regulation.

22. Governing Law. Except where preempted by federal law, the law of the State of Delaware shall be controlling in all matters relating to the Plan, without giving effect to the conflicts of law principles thereof.

23. Severability. If all or any part of the Plan is declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity shall not serve to invalidate any portion of the Plan not declared to be unlawful or invalid. Any Article or part of an Article so declared to be unlawful or invalid shall, if possible, be construed in a manner which will give effect to the terms of such Article or part of an Article to the fullest extent possible while remaining lawful and valid.



OIL-DRI CORPORATION OF AMERICA  
OUTSIDE DIRECTOR STOCK PLAN  
(AMENDED AND RESTATED EFFECTIVE 10/16/99)

ARTICLE 1. ESTABLISHMENT, OBJECTIVES, AND DURATION

1.1. Establishment of the Plan. Oil-Dri Corporation of America, a Delaware corporation (the "Company"), hereby establishes its Outside Director Stock Plan (the "Plan").

1.2. Objectives of the Plan. The objectives of the Plan are to enhance the ability of the Company to attract and retain the best-qualified directors, to increase the identity of interest between directors and the Company's shareholders, and to provide additional incentives for directors to maximize the long-term success of the Company's business.

1.3. Duration of the Plan. The Plan shall become effective on June 9, 1998 (the "Effective Date") upon its adoption by the Board (which term is hereinafter defined to include the Executive Committee of the Board). Subject to the right of the Board to amend or terminate the Plan pursuant to Article 14, (i) Awards may be granted from time to time on or after the Effective Date so long as Shares reserved for delivery under Section 4.1 remain available and (ii) Compensation earned by the Outside Directors from time to time after the Effective Date may be deferred.

ARTICLE 2. DEFINITIONS

For purposes of the Plan, the following capitalized terms shall have the meanings set forth below:

2.1. "Account": see Section 8.1.

2.2. "Award" means, individually or collectively, a grant by the Committee under this Plan of Options, Restricted Stock, Stock, or Stock Units, whether formula-based or otherwise.

2.3. "Annual Meeting" means an annual meeting of the shareholders of the Company.

2.4. "Award Agreement" means an agreement between the Company and an Outside Director setting forth the terms applicable to an Award. Except as otherwise provided in the Plan, the terms of an Award Agreement need not be the same for each Outside Director, nor for each grant, and may reflect distinctions based on the reasons for termination of Service.

2.5. "Board" means the Board of Directors of the Company or the Executive Committee of the Board of Directors of the Company.

2.6. "Committee" means the Compensation Committee of the Board, which shall be comprised entirely of Outside Directors.

2.7. "Company": see Section 1.1.

2.8. "Compensation" means all retainer, meeting, committee and chair fees payable in cash to an Outside Director for Service.

2.9. "Deferral Election" see Section 10.2.

2.10. "Director" means any member of the Board.

2.11. "Distribution Election" see Section 8.6.

2.12. "Effective Date": see Section 1.3.

2.13. "Exchange Act" means the Securities Exchange Act of 1934, as amended.

2.14. "Expiration Date": see Section 5.4.

2.15. "Fair Market Value" generally means, as of any specified date, the closing price of the Shares on the New York Stock Exchange, or any other national stock exchange or national market system on which the Shares are then traded, on the specified date, or if no reported sale of Shares shall have occurred on such date, on the next preceding date on which there was such a

reported sale. However, in an instance in which Shares are being acquired through a cashless exercise of Options through a broker-deal as specified in Section 5.6 (iii) of the Plan, Fair Market Value means the selling price of the Shares in said cashless exercise.

2.16. "Option" means an option to purchase Shares granted under Article 5.

2.17. "Option Price" means the price at which a Share may be purchased under an Option.

2.18. "Outside Director" means a Director who is not an employee of the Company or a Subsidiary.

2.19. "Period of Restriction" means the period established by the Committee in its discretion during which the transfer of Restricted Stock is limited in some manner, and the Shares are subject to a substantial risk of forfeiture, all as provided in Article 6.

2.20. "Restricted Stock" means an Award granted under Article 6.

2.21. "Rule 16b-3" means Rule 16b-3 (or a successor rule) of the Securities and Exchange Commission under the Exchange Act, as such Rule may be amended from time to time.

2.22. "Service" means an Outside Director's service on the Board or any Board committee.

2.23. "Shares" means shares of Common Stock of the Company.

2.24. "Stock" means an Award of Shares granted under Article 7.

2.25. "Stock Units" means the units in which an Account is denominated. A Stock Unit is an unsecured obligation of the Company that is intended, subject to the terms of Article 8, to represent the economic equivalent of one Share.

2.26. "Subsidiary" means any corporation, partnership, joint venture, limited liability company, or other entity in which the Company owns securities representing a majority of the aggregate voting power.

#### ARTICLE 3. ADMINISTRATION

3.1. General. The Plan shall be administered by the Committee. Except as may be limited by law, the articles of incorporation or bylaws of the Company, or the Plan, the Committee shall have full power and discretion to determine the amounts, types and terms of Awards; to determine the terms of any Award Agreement; to construe and interpret the Plan and any Award Agreement; to establish, amend, or waive rules for the Plan's administration; to make all other determinations which may be necessary or advisable for the administration of the Plan; and (subject to Section 14.3) to amend the terms of any outstanding Award. To the extent permitted by law, the Committee shall have the authority to delegate administrative duties to officers or Directors of the Company.

3.2. Decisions Binding. All determinations and decisions made by the Committee under the Plan shall be final, conclusive and binding on all persons, including the Company, its shareholders, Outside Directors, and their respective estates and beneficiaries.

#### ARTICLE 4. SHARES SUBJECT TO THE PLAN

4.1. Shares Available for Grants. Subject to adjustment as provided in Section 4.2, the number of Shares reserved for delivery under the Plan is 200,000. If any Shares subject to any Award are forfeited or such Award otherwise terminates without the delivery of such Shares, the Shares subject to such Award, to the extent of any such forfeiture or termination, shall again be available for the delivery under the Plan. Shares delivered pursuant the Plan may be treasury stock or newly-issued Shares.

4.2. Adjustments in Authorized Shares. In the event of any change in corporate capitalization (such as a stock split, stock dividend, spin-off, or other distribution of stock or property of the Company), or any merger, consolidation, separation, reorganization (whether or not tax-free) or any partial or complete liquidation of the Company, the Committee may make such adjustment in the number and class of Shares which may be delivered under Section 4.1 as it may determine in its discretion to be appropriate.

#### ARTICLE 5. OPTIONS

5.1. Award of Options. Subject to the terms of the Plan, Options may be awarded to Outside Directors in such number, upon such terms, and at such time or times as the Committee shall determine in its discretion.

5.2. Award Agreement. Each Option shall be evidenced by an Award Agreement that shall specify the Option Price, the Expiration Date of the Option, the number of Shares subject to the Option, and such other provisions as the Committee may determine.

5.3. Option Price. The Option Price for each grant of an Option shall not be less than 100% of the Fair Market Value of a Share on the date the Option is granted.

5.4. Duration of Options. Each Option shall expire at such time as the Committee shall determine at the time of grant (the "Expiration Date"), but in no event after the tenth anniversary of the date of such grant.

5.5. Exercise of Options. Each Option shall be exercisable at such times prior to the Expiration Date and be subject to such restrictions and conditions as the Committee shall determine in its discretion, including without limitation restrictions on the Shares acquired pursuant to the exercise of such Option.

5.6. Payment. Options shall be exercised by the delivery of a written notice of exercise to the Company, setting forth the number of Shares with respect to which the Option is

to be exercised. Upon the exercise of any Option, the exercise price shall be immediately paid in full by any one or a combination of the following means:

(i) cash or its equivalent,

(ii) with the prior approval of the Committee, delivery of Shares already owned by the Outside Director and valued at the Fair Market Value thereof on the date of exercise,

(iii) with the prior approval of the Committee, a cashless exercise through a broker-dealer approved for this purpose by the Company. Where payment of the Option Price is made through simultaneous sale, the Option Price shall be paid in full immediately following the settlement date of such sale.

5.7. Termination of Service. Each Award Agreement shall set forth the extent to which the Outside Director shall have the right to exercise an Option after termination of Service, but in no event shall any Option be exercised after its Expiration Date.

5.8. Nontransferability of Options. Except as may otherwise be specified by the Committee in its discretion, no Option may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than (i) by will, (ii) by the laws of descent and distribution, or (iii) pursuant to a beneficiary designation in accordance with Article 11.

#### ARTICLE 6. RESTRICTED STOCK

6.1. Award of Restricted Stock. Subject to the terms of the Plan, Restricted Stock may be awarded to Outside Directors in such number of Shares, upon such terms, and at such time or times as the Committee shall determine in its discretion.

6.2. Restricted Stock Agreement. Each Restricted Stock Award shall be evidenced by an Award Agreement that shall specify the Period of Restriction, the number of Shares of Restricted Stock granted, and such other provisions as the Committee may determine.

6.3. Nontransferability. Except may as otherwise be specified by the Committee in its discretion, Restricted Stock may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated until after the end of the applicable Period of Restriction. Shares of Restricted Stock shall vest and become freely transferable after the end of the applicable Period of Restriction.

6.4. Other Restrictions. The Committee may impose such other conditions and/or restrictions on any Restricted Stock as it deems advisable, including without limitation a stipulated purchase price for any Share of Restricted Stock. The Company may retain possession of the certificates representing Shares of Restricted Stock until all conditions and/or restrictions applicable to such Shares have been satisfied.

6.5. Voting Rights. Shares of Restricted Stock shall have the same voting rights as unrestricted Shares.

6.6. Dividends and Other Distributions. Shares of Restricted Stock shall have the same dividend rights as unrestricted Shares; provided, however, that (i) the Committee may in its discretion provide that dividends shall be reinvested in additional Shares of Restricted Stock based on the Fair Market Value of the Shares on the applicable dividend payment date and on such other terms as may be determined by the Committee in its discretion and (ii) the Committee may impose any restrictions it deems appropriate on dividends payable in any form other than cash.

6.7. Termination of Service. The extent, if any, to which the Outside Director shall have the right to receive unvested Shares of Restricted Stock following termination of the Outside Director's Service shall be set forth in each Restricted Stock Award Agreement and, subject to Section 14.3, may subsequently be modified by the Committee in its discretion.

## ARTICLE 7. STOCK

7.1. Award of Stock. Subject to the provisions of the Plan, Shares of Stock may be awarded to Outside Directors in such number, upon such terms, and at such time or times as the Committee shall determine in its discretion.

7.2. Award Agreement. Each Stock Award may, but need not, be evidenced by an Award Agreement that shall specify the number of Shares to which the Award pertains, the purchase price (if any), and such other provisions as the Committee shall determine.

## ARTICLE 8. STOCK UNITS AND ACCOUNTS

8.1. Accounts. One or more accounts (each, an "Account") shall be created and maintained on the books of the Company for each Outside Director to which shall be credited all Stock Units that may be attributed to such Outside Director from time to time in connection with (i) Awards of Stock Units by the Committee pursuant to Article 9, (ii) deferrals of Compensation by such Outside Director pursuant to Article 10, or (iii) the automatic reinvestment of dividend equivalents pursuant to Section 8.3. Accounts shall be maintained solely for accounting purposes and shall not require a segregation of any assets of the Company.

8.2. Vesting. Stock Units awarded by the Committee pursuant to Article 9 shall become vested and nonforfeitable upon such terms as the Committee may determine. Stock Units credited to an Outside Director's Account by reason of his or her election to defer Compensation pursuant to Article 10 shall at all times be fully vested and nonforfeitable. Any additional Stock Units resulting from the crediting of dividend equivalents to an Outside Director's Account or Accounts pursuant to Section 8.3 shall be vested and nonforfeitable to the same extent and at the same time or times as the underlying Stock Units on account of which such dividend equivalents were credited.

8.3. Dividend Equivalents. Dividend equivalents shall be earned on Stock Units and credited to an Outside Director's Account as of any date (a "Dividend Payment Date") on which



the Company pays any dividend on the outstanding Shares (a "Dividend"). Such dividend equivalents shall be expressed as a number of Stock Units equal to:

(i) the number of Stock Units credited to an Outside Director's Account as of the record date for such Dividend multiplied by the value of the per Share amount of such Dividend (as determined by the Committee in the case of dividends paid other than in cash),

divided by:

(ii) the Fair Market Value of a Share as of the Dividend Payment Date.

8.4. Amount of Payment. The amount of value payable to an Outside Director on account of a Stock Unit as of the date of any payment determined in accordance with Section 8.5 shall equal the Fair Market Value of a Share on such date.

8.5. Timing and Method of Payment. The value of vested Stock Units shall be paid to an Outside Director in a lump sum as soon as administratively possible following the termination of such Outside Director's service as a Director, except that (i) the Committee may otherwise provide in an Award Agreement, (ii) an Outside Director may otherwise provide in Distribution Election, or (iii) the Company may defer such payment on account of any or all Stock Units for up to six months after the date of such termination of such service to the extent necessary to ensure the availability of an exemption under Rule 16b-3. All payments on account of Stock Units shall be made in cash unless the Committee determines in its discretion to make a payment or payments in Shares; provided that any fractional Shares shall be paid in cash based on the Fair Market Value of a Share on the date of such payment.

8.6. Distribution Elections. The Committee may in its discretion permit the Outside Director to specify in a written notice delivered to the Secretary of the Company (a "Distribution Election") such Outside Director's election with respect to (i) when payment to such Outside Director in respect of Stock Units (whether resulting from an Award under Article 9 or from deferrals pursuant Article 10) shall commence, and (ii) whether such payment shall be in a lump sum or in such number of annual installments as the Outside Director may designate, subject to a

maximum number of installments that the Committee shall determine from time to time, but not in excess of ten (10). To the extent the Committee permits Distribution Elections, an Outside Director may make or change such a Distribution Election as to the entire balance of his or her Account at any time or from time to time, but only by a Distribution Election filed with the Company no later than December 31 of the year next preceding such Outside Director's termination of service as a Director. Any Distribution Election that is not timely made or changed shall be disregarded.

8.7. Nontransferability of Stock Units. Except as may otherwise be specified by the Committee in its discretion, no Stock Unit may be transferred in any manner other than (i) by will, (ii) by the laws of descent and distribution, or (iii) pursuant to a beneficiary designation in accordance with Article 11.

8.8. Unsecured Obligation. An Outside Director shall be a general unsecured creditor of the Company with respect to all Stock Units credited to his or her Account or Accounts. The Committee may, but is not required to, establish a so-called "rabbi" trust or similar mechanism to fund the Company's obligations under this Plan; provided, however, that any funds contained therein shall remain subject to the claims of the Company's general creditors.

#### ARTICLE 9. AWARD OF STOCK UNITS BY THE COMMITTEE

9.1. Award of Stock Units. Subject to the terms of the Plan, Stock Units may be awarded to Outside Directors in such number, upon such terms, and at such time or times as the Committee shall determine in its discretion. Stock Units may be awarded in substitution for, or replacement of, the rights or interests (whether vested or unvested) of Outside Directors under other plans of the Company.

9.2. Award Agreement. Each Stock Unit Award shall be evidenced by an Award Agreement that shall specify the number of Stock Units to which the Award pertains, the vesting of such Stock Units, the extent (if any) to which a payment is to be made in respect of Stock

Units that are unvested upon the termination of an Outside Director's Service, and such other provisions as the Committee shall determine.

ARTICLE 10. DEFERRALS BY OUTSIDE DIRECTORS

10.1. Deferral Election. An Outside Director may elect to defer receipt of all or any specified portion of any Compensation payable to him or her, and to have such amounts credited to his or her Account in accordance with Section 10.3; provided, however, that the Committee may in its discretion (i) provide that any such election shall be subject to the prior approval of the Committee or (ii) suspend the right of all Outside Directors to defer receipt of Compensation to be received after the date of such suspension.

10.2. Timing of Deferral Election. A deferral election shall be made by written notice (an "Deferral Election") filed with the Secretary of the Company:

- (i) on or before the Effective Date (covering Compensation to be earned after the Effective Date),
- (ii) no more than 30 days after a Outside Director is first elected or appointed to the Board (covering Compensation to be earned at any time after the filing of such election),
- (iii) on or before the date of any Annual Meeting (covering Compensation to be earned after such Annual Meeting), or
- (iv) on or before such other date or dates as may be approved in advance by the Committee (covering Compensation earned for such period or periods commencing after such other date as may be specified by the Committee).

Subject to Section 8.6, a Deferral Election may be accompanied by a Distribution Election. Subject to Section 10.1, any Deferral Election shall continue in effect (including with respect to the Compensation relating to subsequent periods) unless and until revoked or modified by a new Deferral Election filed with the Secretary of the Company. Amounts credited to an Outside

Director's Account prior to the effective date of any such revocation or modification of a deferral election shall not be affected by such revocation or modification. An Outside Director who has revoked a Deferral Election may file a new Deferral Election to defer Compensation relating exclusively to services to be rendered during the calendar year following the year in which such new Deferral Election is filed with the Company.

10.3. Deferrals Credited to Account. Any Compensation deferred by an Outside Director pursuant to this Article 10 shall be allocated to his or her Account and deemed to be invested in a number of Stock Units equal to (i) the amount of such Compensation divided by (ii) the Fair Market Value of a Share on the date Compensation would otherwise have been paid.

#### ARTICLE 11. BENEFICIARY DESIGNATION

Unless the Committee in its discretion determines otherwise, each Outside Director may from time to time name any beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under the Plan is to be paid in the event of such Outside Director's death before he or she receives any or all of such benefit. Each such designation shall revoke all prior designations by such Outside Director, shall be in a form prescribed by the Company, and will be effective only when filed by the Outside Director in writing with the Company during the Outside Director's lifetime. In the absence of any such designation, benefits remaining unpaid at the Outside Director's death shall be paid to his or her estate.

#### ARTICLE 12. TAX WITHHOLDING

If any federal, state, and local tax withholding may from time to time be required in respect of the grant, vesting or exercise of any Award or the settlement of any Stock Unit (any such event, "Taxability Event"), the Company shall have the authority to withhold, or require an Outside Director to remit to the Company, an amount sufficient to satisfy such tax withholding. The Company may defer the payment of cash or delivery of Shares in connection with a Taxability Event until such withholding requirements have been satisfied. The Committee may, in its

discretion, permit an Outside Director to elect, subject to such conditions as the Committee may require, to have the Company withhold Shares otherwise deliverable pursuant to the Plan and having a Fair Market Value sufficient to satisfy all or part of any Outside Director's estimated total federal, state, and local tax obligation associated with a Taxability Event.

#### ARTICLE 13. RIGHTS OF DIRECTORS

Nothing in the Plan shall interfere with or limit in any way the right of the Company's shareholders to terminate any Outside Director's Service at any time, nor confer upon any Outside Director any right to continue in Service.

#### ARTICLE 14. AMENDMENT, MODIFICATIONS, AND TERMINATION

14.1. Amendment, Modification, and Termination. Subject to the terms of the Plan, the Board may at any time and from time to time, alter, amend, suspend or terminate the Plan in whole or in part without the approval of the Company's shareholders, except that no such amendment shall increase the number of Shares available for delivery under the Plan, change the minimum Option Price or maximum term of an option, or change the requirements relating to the composition of the Committee.

14.2. Adjustment of Awards Upon the Occurrence of Certain Unusual or Nonrecurring Events. In connection with any unusual or nonrecurring events (including, without limitation, the events described in Section 4.2) affecting the Company or of changes in applicable laws, regulations, or accounting principles, the Committee may in its discretion adjust:

(i) the terms of Options, Restricted Stock, Stock and Stock Units (including without limitation in the number, class and/or price of Shares or Stock Units subject to, or to be distributed in connection with, outstanding Awards or Stock Units) and

(ii) the criteria specified in the Award Agreements related to outstanding Awards,

whenever the Committee determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits intended to be made available under the Plan.

14.3. Awards Previously Granted. Notwithstanding any other provision of the Plan to the contrary, no termination, amendment, or modification of the Plan shall adversely affect in any material way any previously granted Award, without the written consent of the Outside Director holding such Award.

#### ARTICLE 15. NONALIENABILITY

Except as may otherwise be specified by the Committee in its discretion, no Award, Stock Unit, nor any right to a payment of Stock Units pursuant to Section 8.5 shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, or garnishment by creditors of the Outside Director or the Outside Director's beneficiary, other than (i) by will, (ii) by the laws of descent and distribution, or (iii) pursuant to a beneficiary designation in accordance with Article 11.

#### ARTICLE 16. SUCCESSORS

All obligations of the Company under the Plan shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company. The Company and such successor shall be jointly and severally liable for all of the Company's obligations under the Plan.

#### ARTICLE 17. LEGAL CONSTRUCTION

17.1. Gender and Number. Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine; the plural shall include the singular and the singular shall include the plural.

17.2. Articles and Sections. Except where otherwise indicated by the context, any reference to an "Article" or "Section" shall be to an Article or Section of this Plan.

17.3. Severability. If any part of the Plan is declared to be unlawful or invalid, such unlawfulness or invalidity shall not invalidate any other part of the Plan. Any part of the Plan so declared to be unlawful or invalid shall, if possible, be construed in a manner which will give effect to the terms of such part to the fullest extent possible while remaining lawful and valid.

17.4. Legal Compliance. If the Company determines that the exercise or nonforfeiture of, or delivery of benefits pursuant to, any Award or Deferral Election would violate any applicable provision of (i) federal or state securities laws or (ii) the listing requirements of any national securities exchange or national market system on which are then listed any of the Company's equity securities, then the Company may postpone any such exercise, nonforfeiture or delivery, as applicable, but the Company shall use all reasonable efforts to cause such exercise, nonforfeiture or delivery to comply with all such provisions at the earliest practicable date. If the Company deems necessary to comply with any applicable securities law, the Company may require a written investment intent representation by an Outside Director and may require that a restrictive legend be affixed to certificates for Shares delivered pursuant to the Plan.

17.5. Governing Law. The Plan and all Award Agreements shall be construed in accordance with and governed by the laws of the State of Illinois, without regard to the conflict of laws principles thereof.

OIL-DRI CORPORATION OF AMERICA  
 COMPUTATION OF NET INCOME PER SHARE  
 (IN THOUSANDS EXCEPT FOR PER SHARE AMOUNTS)

	YEAR ENDED JULY 31				
	2000	1999	1998	1997	1996
	-----	-----	-----	-----	-----
Net income available to stockholders (numerator)	\$2,227 =====	\$7,176 =====	\$4,723 =====	\$6,793 =====	\$3,374 =====
Shares Calculation (denominator)					
Average shares outstanding - basic	5,647	5,827	6,125	6,596	6,806
Effect of Dilutive Securities:					
Potential Common Stock relating to stock options	30 -----	169 -----	40 -----	3 -----	1 -----
Average shares outstanding - assuming dilution	5,677 =====	5,996 =====	6,165 =====	6,599 =====	6,807 =====
Net Income Per Share:					
Basic	\$ 0.39 =====	\$ 1.23 =====	\$ 0.77 =====	\$ 1.03 =====	\$ 0.50 =====
Dilutive	\$ 0.39 =====	\$ 1.20 =====	\$ 0.77 =====	\$ 1.03 =====	\$ 0.50 =====



## SUBSIDIARIES OF THE REGISTRANT

SUBSIDIARY -----	STATE OR COUNTRY OF INCORPORATION -----
Oil-Dri Corporation of Georgia	Georgia
Oil-Dri Production Company	Mississippi
Mounds Production Company, L.L.C.	Delaware
Oil-Dri, S.A.	Switzerland
Favorite Products Company, Ltd.	Canada
Blue Mountain Production Co.	Mississippi
Oil-Dri (U.K.) Ltd.	United Kingdom
Ochlocknee Holding Co., S.A.	Spain
Ochlocknee Mining Co., S.A.	Spain
Oil-Dri Corporation of Nevada	Nevada
Phoebe Products Company	Delaware
Mounds Management, Inc.	Delaware
B.T. Acquisition Company	Illinois

Exhibit 23

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our reports and to all references to our Firm included in or by incorporation by reference made a part of the Annual Report on Form 10-K of Oil-Dri Corporation of America for the fiscal year ended July 31, 2000 and the Registration Statement on Form S-8 relating to the 1995 Long Term Incentive Plan and the 1988 Stock Option Plan.

Blackman Kallick Bartelstein, LLP

October 25, 2000

12-MOS  
JUL-31-2000  
JUL-31-2000  
1,388,000  
1,219,000  
25,274,000  
836,000  
16,928,000  
53,959,000  
135,645,000  
76,033,000  
132,844,000  
15,084,000  
39,434,000  
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724,000  
72,240,000  
132,844,000  
175,119,000  
175,119,000  
125,184,000  
125,184,000  
43,179,000  
523,000  
3,185,000  
3,048,000  
821,000  
2,227,000  
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2,227,000  
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