

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, 1994 Commission File No. 0-8675

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

Delaware	36-2048898
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(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer identifi- cation no.)
410 North Michigan Avenue Chicago, Illinois	60611
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(Address of principal executive offices)	(Zip Code)

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

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

None  
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(Title of Class)

Number of Shares of each class of Registrant's common stock outstanding as  
of September 30, 1994:

Common Stock - 5,100,623 shares (including 283,696 treasury shares)  
Class B Stock - 2,132,895 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    X                    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 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 Registrant's Common Stock owned by  
non-affiliates - \$88,884,934 (based on the closing price on September 30,  
1994).

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents are incorporated herein by reference:

1. Registrant's Proxy Statement for its 1994 Annual Meeting of Stockholders ("Proxy Statement"), which will be filed with the Securities and Exchange Commission not later than November 28, 1994 (120 days after the end of Registrant's fiscal year ended July 31, 1994), is incorporated into Part III of this Annual Report on Form 10-K, as indicated herein.
2. The following portions of Registrant's 1994 Annual Report to Stockholders ("Annual Report"), which is an exhibit to this Annual Report on Form 10-K, are incorporated into Parts I, II and IV of this Annual Report on Form 10-K, as indicated herein (page numbers refer to the Annual Report):
  - a) Common Stock on page 34.
  - b) Five-Year Summary of Financial Data on page 13.
  - c) Management's Discussion and Analysis of Financial Condition and Results of Operations on pages 14 to 17.
  - d) Consolidated Statements of Income on page 20.
  - e) Consolidated Statements of Stockholders' Equity on page 21.
  - f) Consolidated Statements of Financial Position on pages 18 and 19.
  - g) Consolidated Statements of Cash Flows on page 22.
  - h) Notes to Consolidated Financial Statements on pages 23 to 33.
  - i) Independent Auditor's Report on page 34.
  - j) Selected Quarterly Financial Data on page 33.

## 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 leading developer, manufacturer and marketer of sorbent products and related services for the consumer, industrial and environmental, agricultural and specialty 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 to the grocery products industry and to mass merchandising retail outlets. Industrial and environmental products, consisting primarily of oil, grease and water sorbents, are sold to distributors of industrial cleanup and automotive products, environmental service companies, as well as retail outlets. Agricultural products, which include carriers for crop protection chemicals and fertilizers, drying agents, soil conditioners, pellet binders and flowability aids, are sold to manufacturers of agricultural chemicals and distributors of other agricultural products. Fluid purification products, consisting primarily of bleaching, filtration and clarification clays, are sold to processors and refiners of edible and petroleum-based oils.

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

Adsorbent products, like magnets, 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 and environmental cleanup, PURE-FLO(R) and PURE-FL0(R) Supreme 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 value-added and branded products for consumer, industrial and environmental, agricultural and fluid purification uses, where the Registrant's marketing 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 approximately 2000 industrial distributors and 85 food brokers. The Registrant maintains its own research and development facility and staff. The Registrant's transportation subsidiary delivers Oil-Dri products and the products of its customers and other third parties.

Certain financial information about Registrant's foreign and domestic operations is contained in Note 2 of Notes to Consolidated Financial Statements on page 25 of the Annual Report and is incorporated herein by reference.

#### Cat Box Absorbents

The Registrant's cat litter products, in both coarse granular and fine granular clumping forms, are sold under the Registrant's CAT'S PRIDE(R) and LASTING PRIDE(TM) brand names, FRESH STEP(R) and CONTROL(R) brands manufactured for The Clorox Company and private label cat litters manufactured for mass merchandisers, wholesale clubs, drug chains, pet superstores and retail grocery stores. These products are sold through independent food brokers and the Registrant's representatives to major grocery outlets such as Albertsons, Fleming Foods, Safeway and others. LASTING PRIDE(TM) is principally sold to mass merchandisers such as Wal-Mart, K-Mart and others and to wholesale clubs such as Sam's.

The Registrant and The Clorox Company have long-term arrangements under which they developed FRESH STEP(R) and CONTROL(R) premium-priced cat litter products. FRESH STEP(R) and CONTROL(R) brands, which are owned, trademarked and marketed by The Clorox Company, both utilize the Registrant's special low density, highly absorbent clay mineral. FRESH STEP(R) contains microencapsulated odor controllers which are activated by the cat. CONTROL(R), developed by the Registrant and licensed to The Clorox Company, contains an odor inhibiting agent. The Registrant has a long-term exclusive right to supply The Clorox Company's requirements for FRESH STEP(R) and CONTROL(R) up to certain levels. According to independently published supermarket industry reports, FRESH STEP(R) was the largest dollar grossing cat litter brand sold through grocery chains in the United States during the year ended July 17, 1994.

The cat litter market has undergone significant change over the past 4 years. Traditional coarse granular clay litters, once representing approximately 98% of the market, are competing with new, fine granule clumping 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 38% of retail dollar sales volume in the grocery industry and 48% of retail dollar sales volume in the mass merchandiser industry in the 52 week period ended July 17, 1994, compared with 34% and 42%, respectively, in a similar period last year.

#### Industrial and Environmental Sorbents

Products for industrial users 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 to a wide range of distribution channels and have achieved a high level of recognition. The Registrant distributes clay-based sorbents sold in granular form and in the form of a pillow and a sock. The Registrant also distributes non-clay sorbents including its OIL-DRI(R) Industrial Pad and OIL-DRI(R) Industrial Rug, which are made of needle-punched polypropylene.

The Registrant has added polypropylene products to its industrial sorbents product line and also entered the marine oil spill response market through its acquisition of Industrial Environmental Products, Inc. ("IEP") in April, 1990. IEP was a distributor and marketer of these products, primarily in the southeast United States. The Registrant purchases the majority of these polypropylene products under an agreement with a single unaffiliated supplier. The Registrant has recently acquired equipment affording it the capability to cut these polypropylene products, acquired in the bulk form, to customer specifications. The polypropylene products will collect up to approximately 15 times their own weight in liquids and offer the added benefit of incinerability and recyclability in accordance with environmentally permissible methods. OIL-DRI(R) Sorbent Booms and OIL-DRI(R) Sorbent Pads, which are made from meltblown polypropylene, will

selectively remove oil from the surface of any body of water. They can be used for emergency spill response or for cleaning and maintenance. The Registrant's needle-punched polypropylene products will adsorb oil and aqueous liquids from industrial floors and surfaces.

The Registrant sells its industrial and environmental products to approximately 2,000 distributors. These include industrial, auto parts, safety, sanitary supply, chemical and paper distributors and environmental service companies. The Registrant supports the efforts of the industrial distributors with 7 specialized divisional sales personnel.

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

#### Agricultural Carriers and Absorbents

The Registrant produces and markets a wide range of granular and powdered mineral absorbent products that are used with crop protection chemicals, animal feed and fertilizers. Products include AGSORB(R) agricultural chemical carriers and drying agents; FLO-FRE(R), a highly absorbent microgranule flowability aid; PEL-UNITE(R) and CONDITIONADE(TM), pelleting aids, used in the manufacture of animal feeds, and TERRA GREEN(R) Soil Conditioner.

The AGSORB(R) Carriers are used as mediums of distribution for crop protection chemicals 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 AGSORB(R) as a blending agent for fertilizers and chemicals used in the lawn and garden market.

Agricultural products are marketed in the United States by seven 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. The Registrant's service programs, technical expertise and high product quality have increased sales of these products.

#### Fluid Adsorbents

Fluid purification products include PURE-FLO(R) Bleaching Clays, ULTRA-CLEAR(R) Clarification Aids, and PURE-FLO(R) Supreme. These products are supported by a team of seven 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 Aid is used as a filtration and purification medium for jet fuel and other petroleum based oils. This product adsorbs unwanted moisture and other impurities, and is primarily sold to oil refiners.

#### Transportation Services

Oil-Dri Transportation Company leases or contracts for approximately 130 tractors, 260 trailers, 80 covered rail hopper cars and other special use equipment for the delivery of the Registrant's products in package and bulk form. Through this subsidiary, the Registrant is better able to control costs, maintain delivery schedules and assure equipment availability. Oil-Dri Transportation Company performs transportation services for the Registrant on outbound movements from the Registrant's production plants. To offset costs further, Oil-Dri Transportation Company transports third parties' products on return trips.

#### Patents

Registrant has obtained or applied for patents for certain of its processes and products. These patents expire at various times, beginning in 1996. Patented processes and products are not material to Registrant's overall business.

#### Foreign

SAULAR(R), manufactured and marketed by Favorite Products Company, Ltd., the Registrant's wholly-owned Canadian subsidiary, is a leading brand of cat litter sold in Canada. Favorite Products Company, Ltd. also packages and markets the SAULAR KAT-KIT which contains cat litter in a disposable tray. 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's 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 to date has not been materially affected by these risks.

#### Backlog; Seasonality

At July 31, 1994 and 1993, Registrant's backlog of orders was approximately \$2,621,000 and \$2,456,000, 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's (such as agricultural) are subject to such factors as crop acreage planted and product formulation cycles.

#### Customers

Sales to The Clorox Company accounted for approximately 10% of the Registrant's net sales for the fiscal year ended July 31, 1994. Clorox and the Registrant are parties to long-term supply contracts. Sales to Wal-Mart accounted for approximately 24% of the Registrant's net sales for the fiscal year ended July 31, 1994. The loss of any other of Registrant's customers would not have a materially adverse effect on the Registrant.

#### Competition

Registrant has approximately seven principal competitors in the United States, some of which compete with the Registrant only 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 Registrant's markets and competition has historically been very vigorous. The Registrant believes that it can compete favorably in all its present markets.

#### Reserves

Registrant mines sorbent materials, consisting of either Montmorillonite, Attapulgite or diatomaceous earth on leased or owned land near its mills in Mississippi, Georgia 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 168,723,000 tons. Based on its rate of consumption during the 1994 fiscal year, Registrant considers its proven recoverable reserves adequate to supply Registrant's needs for approximately 51 years. It is the Registrant's policy to add to reserves each year an amount at least equal to the amount of reserves consumed in that year. Registrant has a program of exploration for additional reserves and, although reserves have increased, Registrant cannot assure that such reserves will continue to increase. The Registrant's use of these reserves will be subject to compliance with existing and future federal and state statute regulations regarding mining and environmental compliance and certain product specifications. Among other things, 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, 1994, the Registrant utilized these reserves to produce substantially all of the sorbent minerals that it sold.

In April 1991, the Registrant acquired mineral reserves on approximately 709 acres in Washoe County, Nevada. The Registrant estimates that there are 26 million tons of proven reserves of sorbent materials on this acreage. Mining these reserves requires the approval of federal, state and local agencies, which approvals the Registrant is currently in the process of seeking. 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 to whether this will be accomplished.

## Mining Operations

The Registrant has conducted mining operations in Ripley, Mississippi since 1963; in Ochlocknee, Georgia since 1971; in Christmas Valley, Oregon since 1979; and in Blue Mountain, Mississippi since 1989, which had been operated for one year by Ami-Dri, Inc.

The Registrant's raw materials are open pit 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 -----
Ochlocknee, Georgia	\$ 1,572,115	\$21,491,502
Ripley, Mississippi	1,067,237	14,633,224
Blue Mountain, Mississippi	792,977	8,060,432
Christmas Valley, Oregon	68,044	759,188

## Employees

As of July 31, 1994, the Registrant employed 698 persons, 46 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 70 of the Registrant's employees in the U.S. and approximately 20 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 and Oregon are required to comply with state strip 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 claimed deficiency. As a result, expenditures relating to environmental compliance have increased. In the 1994 fiscal year, the Registrant expended approximately \$1,500,000 on equipment and other aspects of environmental control and compliance and expects that it will spend approximately \$1,140,000 in the 1995 fiscal year and that these costs will continue at comparable levels in the future. The Registrant continues, and will continue, to incur costs in connection with reclaiming mined out areas; 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 natural gas and fuel oil as energy sources for the processing of its clay products. In prior years, the Registrant has switched from natural gas to fuel oil during the winter months due to the seasonal unavailability and higher cost of natural gas relative to fuel oil. The Registrant also utilizes a significant amount of diesel fuel in its transportation operation.

## 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), PURE-FLO(R) Supreme, CAT'S PRIDE(R) Scoopable, and LASTING PRIDE(TM). The technical center produces prototype samples and test run quantities of new products for customer trial and evaluation.

Registrant spent approximately \$1,875,000, \$1,509,000 and \$1,450,000 during its fiscal years ended July 31, 1994, 1993 and 1992, 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 they are incurred.

## Other

The Registrant holds approximately a 14% equity interest in Kamterter, Inc., a research and development company located in Lincoln, Nebraska. Kamterter applies biotechnology in the agricultural field and utilizes the Registrant's clay products in a development-stage process to prime seeds. At July 31, 1994, the Registrant's investment, at cost, in Kamterter was approximately \$717,000. Kamterter has a substantial negative net worth and for the 12 months ended February 28, 1994, was generating operating losses. While Kamterter's business is continuing, the Registrant cannot predict Kamterter's future financial condition or results of operations.

## Item 2. PROPERTIES

Registrant's properties are generally described below:

LAND HOLDINGS & MINERAL RESERVES						
	LAND OWNED	LAND LEASED	TOTAL	PROVEN RESERVES	PROBABLE RESERVES	TOTAL
	(acres)	(acres)	(acres)	(1,000's of tons)	(1,000's of tons)	(1,000's of tons)
Georgia	1,193	2,004	3,197	45,505	9,836	55,341
Mississippi	1,969	1,423	3,392	115,085	121,701	236,786
Oregon	360	800	1,160	3,621	-	3,621
Florida	537	446	983	4,512	1,092	5,604
Nevada	709	-	709	26,292	-	26,292
Illinois	4	-	4	-	-	-
	4,772	4,673	9,445	195,015	132,629	327,644

See "Item 1. Business-Reserves"

There are no mortgages on the property owned by Registrant. The Mississippi, Georgia, Oregon and Florida land is used primarily for mining. Parcels of such land are also sites of mills operated by Registrant. The Illinois land is the site of 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. The Georgia, Florida and Mississippi mining leases, with expiration dates ranging from 1999 to 2053, no one of which is material, generally provide for a lease term which continues as long as the Registrant pays a minimum monthly rental. 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.

The Registrant operates mills at Ripley, Mississippi, Ochlocknee, Georgia, Christmas Valley, Oregon, and Blue Mountain, Mississippi; production and packaging plants at Laval, Quebec, Canada and Wisbech, United Kingdom. Registrant's facilities at Ripley, Mississippi, Christmas Valley, Oregon, Laval, Quebec, Canada and Wisbech, United Kingdom are wholly owned by Registrant and Registrant's mills at Ochlocknee, Georgia and Blue Mountain, Mississippi are owned in-part by Registrant. Registrant is a party to leases that relate to certain plant expansion projects at the Registrant's mill at Ochlocknee, Georgia and certain plant acquisition and expansion projects at the Registrant's mill at Blue Mountain, Mississippi. The Georgia lease was entered into with The Thomasville Payroll Development Authority in 1982 in connection with the issuance by the Authority of \$4,000,000 in aggregate principal amount of industrial revenue bonds, full payment of which is guaranteed by the Registrant. At the end of the term of the lease, in fiscal 1995, and because the bonds have been fully paid, a subsidiary of the Registrant has the right to purchase, and is in the process of, purchasing the leased property for \$10. 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, 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 mill 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.

All of Registrant's domestic mills, 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 201,000 square feet at Ripley, Mississippi, 247,000 square feet at Ochlocknee, Georgia, 18,000 square feet at Christmas Valley, Oregon and 140,000 square feet at Blue Mountain, Mississippi. Registrant maintains railroad siding facilities near the Ripley, Mississippi, Ochlocknee, Georgia and Blue Mountain, Mississippi mills. Equipment at all mills 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 32,500 square feet at Wisbech, United Kingdom.

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

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

Not applicable.

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

Not applicable.

## Item 401(b) OF REGULATION S-K. EXECUTIVE OFFICERS OF REGISTRANT

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

Name (5)	Principal Occupation For Last Five Years	Age
Richard M. Jaffee	President and Chief Executive Officer of the Registrant	58
Norman B. Gershon	Vice President, International Operations of the Registrant; Managing Director of Oil-Dri, S.A., a subsidiary of the Registrant; Vice President, European Operations of the Registrant from 1973 to 1991.	58
Bruce H. Sone	Vice President, Consumer Products - Mass Merchandising Division of the Registrant; Vice President and General Manager of Consumer Products Division of the Registrant from 1985 until 1992.	54
Joseph C. Miller	Senior Vice President of the Registrant for Consumer, Industrial & Environmental and Transportation; Group Vice President of the Registrant for Sales, Marketing and Distribution, from 1990 to 1993; Vice President of Corporate Planning and Marketing for the Registrant from 1989 to 1990; President of Whiteford Systems, a transportation service company, from 1989 to 1990;	52
Richard V. Hardin(1) (3)	Group Vice President, Technology, of the Registrant; Group Vice President, New Technologies of the Registrant from 1989 to 1991.	55
Herbert V. Pomerantz (3)	Senior Vice President, Agricultural and Specialty Products and Research and Development of the Registrant; Vice President, Polymers of Unocal Corporation, a diversified energy and natural gas resource company from 1986 to 1993.	54

Daniel S. Jaffee (2) Group Vice President, Canadian Operations and Consumer Products-Grocery Division of the Registrant; Chief Financial Officer of the Registrant; Chief Executive Officer of Favorite Products Company, Ltd., a subsidiary of the Registrant; Group Vice President, Canadian Operations and Consumer Products - Grocery Division of the Registrant from 1992 until 1994; Group Vice President, Domestic and Canadian Operations of the Registrant from 1990 until 1992; Group Vice President of Canadian Operations, Management Information Systems and Finance of the Registrant in 1990; Product Manager in the Industrial and Agricultural Divisions of the Registrant from 1987 to 1989.

30

The term of each executive officer expires at the 1994 Annual Meeting of the Stockholders and Board of Directors respectively, and when his successor is elected and qualified.

- (1) Richard V. Hardin is Richard M. Jaffee's son-in-law.
- (2) Daniel S. Jaffee is Richard M. Jaffee's son.
- (3) Each person listed in this table is a director of the Registrant except for Richard V. Hardin and Herbert V. Pomerantz.

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 Registrant, which is traded on the New York Stock Exchange, and information concerning dividends with regard to the Class B Stock of Registrant, for which there is no established public trading market, is contained on page 34 of the Annual Report under the caption "Common Stock" and is incorporated herein by this reference. Registrant's ability to pay dividends was limited by its Guaranty Agreement (entered into in connection with the issuance of bonds by the Thomasville Payroll Development Authority) with Continental Illinois National Bank and Trust and Company of Chicago (now Bank of America Illinois which expired on August 1, 1994) and is limited by the Registrant's Credit Agreement with Harris Trust and Savings Bank dated September 21, 1994. See Note 3 of "Notes to Consolidated Financial Statements" in the Annual Report, incorporated herein by reference.

Item 6. SELECTED FINANCIAL DATA

See the "Five Year Summary of Financial Data" on page 13 of the Annual Report, incorporated herein by reference.

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

See "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 14 to 17 of the Annual Report, incorporated herein by reference.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See "Consolidated Statements of Income," "Consolidated Statements of Stockholders' Equity," "Consolidated Statements of Financial Position," "Consolidated Statements of Cash Flows," "Notes to Consolidated Financial Statements" and "Independent Auditor's Report" on pages 23 to 34 of the Annual Report, "Five Year Summary of Financial Data" on page 13 of the Annual Report, and "Selected Quarterly Financial Data" on page 33 of the Annual Report, incorporated herein by reference.

Item 9. DISAGREEMENTS 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 in Part I, thereof, concerning executive officers contained in the Registrant's Proxy Statement for its 1994 Annual Meeting of stockholders ("Proxy Statement") under the caption "Election of Directors" and is incorporated herein by this reference.

## Item 11. EXECUTIVE COMPENSATION

The information required by this Item is contained in the Registrant's Proxy Statement for its 1994 Annual Meeting of stockholders ("Proxy Statement") under the caption "Executive Compensation Committee Report on Executive Compensation" 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 for its 1994 Annual Meeting of stockholders ("Proxy Statement") under the caption "Principal Shareholder" and "Election of Directors" 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 for its 1994 Annual Meeting of stockholders ("Proxy Statement") under the caption "Compensation Committee Interlocks and Insider Participation" and is incorporated herein by this reference.

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

(a)(1) The following financial statements are contained on pages 18 to 34 of the Annual Report and are incorporated herein by this reference:

Consolidated Statements of Financial Position as of July 31, 1994 (audited) and July 31, 1993 (audited).

Consolidated Statements of Income for the fiscal years ended July 31, 1994 (audited), July 31, 1993 (audited) and July 31, 1992 (audited).

Consolidated Statements of Stockholders' Equity for the fiscal years ended July 31, 1994 (audited), July 31, 1993 (audited) and July 31, 1992 (audited).

Consolidated Statements of Cash Flows for the fiscal years ended July 31, 1994 (audited), July 31, 1993 (audited) and July 31, 1992 (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 I - Marketable Securities - Other Investments, July 31, 1994.
- Schedule V - Property, Plant and Equipment, years ended July 31, 1994, 1993 and 1992.
- Schedule VI - Accumulated Depreciation, Depletion and Amortization of Property, Plant and Equipment, years ended July 31, 1994, 1993 and 1992.
- Schedule VIII - Valuation and Qualifying Accounts, years ended July 31, 1994, 1993 and 1992.
- Schedule IX - Bonds, Mortgages and Similar Debt, July 31, 1994 and 1993.
- Schedule X - Supplementary Income Statement Information, years ended July 31, 1994, 1993 and 1992.

- (a)(3) The following documents are exhibits to this Report:
- (3)(a)1 Certificate of Incorporation of Registrant, as amended.
- (3)(b)2 By-Laws of Registrant, as amended.
- (10)(a)3 Lease Agreement, dated as of September 1, 1982, between Oil-Dri Corporation of Georgia, The Thomasville Development Authority and Continental Illinois National Bank and Trust Company of Chicago.
- (10)(b)4 Guaranty Agreement, dated as of September 1, 1982, between Registrant and Continental Illinois National Bank and Trust Company of Chicago.
- (10)(c)(1)5 Agreement ("Clorox Agreement") dated January 12, 1981 between The Clorox Company and Registrant, as amended. (Confidential treatment of certain portions of this Exhibit has been granted.)
- (10)(c)(2)6 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.)
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(1) Incorporated by reference to Exhibit 4 to Registrant's Quarterly Report on Form 10-Q for the quarter ended January 31, 1991.

(2) Incorporated by reference to Exhibit 3(b) to Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 1988.

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- (10)(d)8 Description of Deferred Compensation Plan.\*
- (10)(e)9 Salary Continuation Agreement dated August 1, 1989 between Richard M. Jaffee and the Registrant.\*
- (10)(f)10 1988 Stock Option Plan.
- (10)(g)11 Note Agreement, dated April 5, 1991, between Registrant and the Teacher's Insurance and Annuity Association of America regarding \$8,000,000 9.38% Senior Notes due November 15, 2001.
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- (11) Statement re: computation of per share earnings.
- (13) 1994 Annual Report to Stockholders of Registrant.
- (22) Subsidiaries of Registrant.
- (24) Consent of Blackman Kallick Bartelstein.
- (27)

\*Management contract or compensatory plan or arrangement.

-----  
 (8) Incorporated by reference to Exhibit 10(f) to Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 1988.

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(10) Incorporated by reference to Exhibit 4(a) to Registrant's Registration Statement on Form S-8, filed June 30, 1989, Registration No. 33-29650.

(11) Incorporated by reference to Exhibit 10(h) to Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 1991.

(12) Incorporated by reference to Exhibit 10(i) to Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 1993.

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.

(b) No reports on Form 8-K were filed by Registrant with the Commission during the last fiscal quarter of the fiscal year ended July 31, 1994.

## 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/ Richard M. Jaffee  
Richard M. Jaffee,  
President

Dated: October 21, 1994

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 21, 1994  
Richard M. Jaffee  
President and Director  
(Principal executive officer)

/s/ Daniel S. Jaffee                      October 21, 1994  
Daniel S. Jaffee  
Group Vice President,  
Canadian Operations and  
Consumer Products/Grocery Division,  
Chief Financial Officer,  
Director

/s/ Donald J. Deegan                      October 21, 1994  
Donald J. Deegan  
Principal Accounting  
Officer

Robert D. Jaffee Director	October 21, 1994
Norman B. Gershon Director	October 21, 1994
Bruce H. Sone Director	October 21, 1994
/s/ J. Steven Cole J. Steven Cole Director	October 21, 1994
/s/ Joseph C. Miller Joseph C. Miller Director	October 21, 1994
/s/ Edgar D. Jannotta Edgar D. Jannotta Director	October 21, 1994
/s/ Paul J. Miller Paul J. Miller Director	October 21, 1994
/s/ Haydn H. Murray Haydn H. Murray Director	October 21, 1994

October 21, 1994

Allan H. Selig  
Director



[LOGO]

## 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, 1994 and 1993 and for each of the three years in the period ended July 31, 1994, which report thereon dated August 26, 1994, except for the third and fourth paragraphs of Note 3 as to which the date is September 21, 1994, 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  
August 26, 1994

[BLACKMAN KALLICK BARTELSTEIN LETTERHEAD]

## OIL-DRI CORPORATION OF AMERICA AND SUBSIDIARIES

## Marketable Securities - Other Investments

July 31, 1994

Name of Issuer and Title of Each Issue	Number of Shares or Units - Principal Amount of Bonds or Notes	Cost of Each Issue	Amount Included in the Combined Balance Sheet as:		Value Based on Market Quotations at Year End
			Cash Equivalent	Marketable Securities	
U.S. Government Obligations (a)	\$1,448,666	\$1,448,666	\$ -	\$1,448,666	\$1,448,666
Certificates of Deposit	103,913	103,913	-	103,913	103,913
Canadian Government Obligation (a)(b)	941,246	941,246	-	941,246	941,246
Demand Notes(a)	3,350,874	3,350,874	3,350,874	-	3,350,874
Tax Exempt Municipal Bonds	857,598	860,469	-	857,598	857,598
Money Market Funds	3,143,681	3,143,681	3,143,681	-	3,143,681
	<u>\$9,845,978</u>	<u>\$9,848,849</u>	<u>\$6,494,555(c)</u>	<u>\$3,351,423</u>	<u>\$9,845,978</u>

(a) No individual security issue exceeds 2% of total assets.

(b) Translated at July 31, 1994 exchange rate.

(c) Also included in the balance sheet caption "Cash and Cash Equivalents" are cash, other deposits and outstanding checks of -\$100,240.

## OIL-DRI CORPORATION OF AMERICA AND SUBSIDIARIES

## Property, Plant and Equipment

Years Ended July 31, 1994, 1993, and 1992

Classification	Balance at Beginning of Period	Adjustment of Account Because of Foreign Exchange Variances	Additions at Cost	Transfers and Retirements	Balance at End of Period
YEAR ENDED JULY 31, 1994					
Building and Leasehold Improvements	\$13,466,680	\$(24,917)	\$1,565,131	\$(264,877)	\$14,742,017
Machinery and Equipment	60,638,523	(53,108)	5,567,417	(588,929)	65,563,903
Office Furniture and Equipment	5,394,714	(16,829)	1,506,648	456,907	7,341,440
Vehicles	130,280	1,193	-	(17,227)	114,246
Construction in-Progress	3,178,584	-	11,282,736	(7,624,410)	6,836,910
Land and Mineral Rights	5,054,263	(8,311)	548,343	-	5,594,295
<b>Total</b>	<b>\$87,863,044</b>	<b>\$(101,972)</b>	<b>\$20,470,275</b>	<b>\$(8,038,536)</b>	<b>\$100,192,811</b>
YEAR ENDED JULY 31, 1993					
Building and Leasehold Improvements	\$12,016,466	\$(85,388)	\$1,807,579	\$(271,977)	\$13,466,680
Machinery and Equipment	53,937,023	(271,795)	8,557,937	(1,584,642)	60,638,523
Office Furniture and Equipment	4,462,164	(35,425)	1,122,764	(154,789)	5,394,714
Vehicle	1,212,997	(29,185)	3,788	(1,057,320)	130,280
Construction in-Progress	4,788,735	-	9,243,296	(10,853,447)	3,178,584
Land and Mineral Rights	4,783,045	(1,322)	275,223	(2,683)	5,054,263
<b>Total</b>	<b>\$81,200,430</b>	<b>\$(423,115)</b>	<b>\$21,010,587</b>	<b>\$(13,924,858)</b>	<b>\$87,863,044</b>
YEAR ENDED JULY 31, 1992					
Building and Leasehold Improvements	\$ 9,712,230	\$ 14,856	\$2,702,962	\$(413,582)	\$12,016,466
Machinery and Equipment	57,077,414	83,424	4,135,891	(7,359,706)	53,937,023
Office Furniture and Equipment	3,317,702	18,338	1,183,333	(57,209)	4,462,164
Vehicles	1,220,395	6,630	60,222	(74,250)	1,212,997
Construction in-Progress	4,437,657	-	7,188,451	(6,837,373)	4,788,735
Land and Mineral Rights	4,608,468	(606)	477,539	(302,356)	4,783,045
<b>Total</b>	<b>\$80,373,866</b>	<b>\$122,642</b>	<b>\$15,748,398</b>	<b>\$(15,044,476)</b>	<b>\$81,200,430</b>

## OIL-DRI CORPORATION OF AMERICA AND SUBSIDIARIES

Accumulated Depreciation, Depletion and  
Amortization of Property, Plant and Equipment

Years Ended July 31, 1994, 1993, and 1992

Classification	Balance at Beginning of Period	Adjustment of Account Because of Foreign Exchange Variances	Current Year's Provision	Transfers and Retirements	Balance at End of Period
YEAR ENDED JULY 31, 1994					
Building and Leasehold Improvements	\$ 2,827,059	\$(7,249)	\$ 623,424	\$(67,507)	\$3,375,727
Machinery and Equipment	29,187,868	(45,872)	4,883,628	(360,487)	33,665,137
Office Furniture and Equipment	1,972,188	(8,534)	887,375	(108,879)	2,742,150
Vehicles	144,898	2,115	34,580	(15,360)	166,233
Total	\$34,132,013	\$(59,540)	\$6,429,007	\$(552,233)	\$39,949,247
YEAR ENDED JULY 31, 1993					
Building and Leasehold Improvements	\$ 2,541,247	\$(32,251)	\$503,894	\$(185,831)	\$2,827,059
Machinery and Equipment	26,116,605	(216,815)	4,545,354	(1,257,276)	29,187,868
Office Furniture and Equipment	1,602,299	(27,398)	489,379	(92,092)	1,972,188
Vehicles	613,306	(13,097)	81,934	(537,245)	144,898
Total	\$30,873,457	\$(289,561)	\$5,620,561	\$(2,072,444)	\$34,132,013
YEAR ENDED JULY 31, 1992					
Building and Leasehold Improvements	\$ 2,310,614	\$ 10,771	\$ 422,375	\$(202,513)	\$ 2,541,247
Machinery and Equipment	28,812,990	92,726	4,265,228	(7,054,339)	26,116,605
Office Furniture and Equipment	1,301,223	7,143	347,902	(53,969)	1,602,299
Vehicles	492,241	5,250	141,049	(25,234)	613,306
Total	\$32,917,068	\$ 115,890	\$5,176,554	\$(7,336,055)	\$30,873,457

## OIL-DRI CORPORATION OF AMERICA AND SUBSIDIARIES

## Valuation and Qualifying Accounts

Years Ended July 31, 1994, 1993 and 1992

Description	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Deductions*	Balance at End of Period
Allowance for doubtful accounts:				
Year Ended July 31, 1994	\$195,098	\$ 4,744	\$ 27,902	\$171,940
Year Ended July 31, 1993	\$173,393	\$ 72,890	\$ 51,185	\$195,098
Year Ended July 31, 1992	\$180,340	\$138,808	\$145,755	\$173,393

\*Net of recoveries.

## OIL-DRI CORPORATION OF AMERICA AND SUBSIDIARIES

## Bonds, Mortgages and Similar Debt

July 31, 1994 and 1993

NAME OF ISSUER AND TITLE OF EACH ISSUE	AMOUNT AUTHORIZED BY INDENTURE	AMOUNT ISSUED AND NOT RETIRED OR CANCELLED		NOT HELD BY OR FOR ACCOUNT OF ISSUER THEREOF
		TOTAL	HELD BY OR FOR ACCOUNT OF ISSUER THEREOF	
JULY 31, 1994				
Thomasville Payroll Development Authority	\$ 4,000,000	\$ 592,593	None	\$ 592,593
Town of Blue Mountain, Mississippi	2,500,000	2,500,000	None	2,500,000
Teachers Insurance and Annuity Association of America	8,000,000	7,600,000	None	7,600,000
Teachers Insurance and Annuity Association of America	6,500,000	6,500,000	None	6,500,000
Harris Trust and Savings Bank	5,000,000	5,000,000	None	5,000,000
Other	969,180	572,129	None	572,129
	<u>\$ 26,969,180</u>	<u>\$22,764,722</u>		<u>\$22,764,722</u>
	=====	=====		=====
JULY 31, 1993				
Thomasville Payroll Development Authority	\$ 4,000,000	\$ 1,185,185	None	\$ 1,185,185
Town of Blue Mountain, Mississippi	2,500,000	2,500,000	None	2,500,000
Teachers Insurance and Annuity Association of America	8,000,000	7,600,000	None	7,600,000
Teachers Insurance and Annuity Association of America	6,500,000	6,500,000	None	6,500,000
Other	1,038,697	723,371	None	723,371
	<u>\$22,038,697</u>	<u>\$18,508,556</u>		<u>\$18,508,556</u>
	=====	=====		=====

\*Not including current portions. See Note 3 of Notes to Financial Statements in the 1994 or 1993 Annual Report to Stockholders.

Schedule IX  
(continued)

Amount Included In Sum Extended Under Caption "Bonds, Mortgages and Similar Debt" in Related Balance Sheet*	Amount in Sinking and Other Special Funds of Issuer Thereof	Amount Pledged by Issuer Thereof	Amount Held by Affiliates for Which Statements are Filed Herewith	
			Persons Included in Consolidated Statements	Other
\$ 2,500,000	None	None	None	None
7,100,000	None	None	None	None
6,500,000	None	None	None	None
5,000,000	None	None	None	None
421,243	None	None	None	None
----- \$21,521,243 =====				
\$ 592,593	None	None	None	None
2,500,000	None	None	None	None
7,600,000	None	None	None	None
6,500,000	None	None	None	None
573,348	None	None	None	None
----- \$17,765,941 =====				

## OIL-DRI CORPORATION OF AMERICA AND SUBSIDIARIES

## Supplementary Income Statement Information

Item -----	Charged to Costs and Expenses Year Ended July 31,		
	1994 -----	1993 -----	1992 -----
1. Maintenance and Repairs	\$6,177,054	\$5,889,421	\$5,170,107
2. Depreciation, Depletion, and Amortization of Property, Plant and Equipment	\$6,429,007	\$5,620,561	\$5,176,554
3. Depreciation and Amortization of Intangible Assets	*	*	*
4. Taxes, Other than Income Taxes			
Payroll	\$1,720,977	\$1,595,929	\$1,545,468
Other	955,237	734,957	554,713
	\$2,676,214	\$2,330,886	\$2,100,181
5. Rents	\$3,838,000	\$3,679,000	\$2,922,000
6. Royalties	*	*	*
7. Advertising Costs	\$2,829,908	\$3,427,445	\$4,620,175
8. Research and Development Costs	\$1,875,000	\$1,509,000	\$1,450,000

\*Less than 1% of total sales and revenues.



## INDEX TO EXHIBITS

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-----	-----	-----
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(10)(b)(4)	Guaranty Agreement, dated as of September 1, 1982, between Registrant and Continental Illinois National Bank and Trust Company of Chicago.	
(10)(c)(1)(5)	Agreement ("Clorox Agreement") dated January 12, 1981 between The Clorox Company and Registrant, as amended. (Confidential treatment of certain portions of this Exhibit has been granted.)	
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(11)	Statement re: computation of per share earnings.	
(13)	1994 Annual Report to Stockholders of Registrant.	
(22)	Subsidiaries of Registrant.	
(24)	Consent of Blackman Kallick Bartelstein.	
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CREDIT AGREEMENT

BY AND BETWEEN

OIL-DRI CORPORATION OF AMERICA

AND

HARRIS TRUST AND SAVINGS BANK

DATED AS OF SEPTEMBER 21, 1994

## TABLE OF CONTENTS

SECTION	DESCRIPTION	PAGE
SECTION 1.	THE CREDITS	1
Section 1.1.	Revolving Credit	1
Section 1.2.	Term Loan	1
Section 1.3.	Manner and Disbursement of Loans	2
SECTION 2.	INTEREST ON REVOLVING CREDIT LOANS AND CHANGE IN CIRCUMSTANCES	
Section 2.1.	Interest Rate Options	3
Section 2.2.	Computation of Interest	3
Section 2.3.	Manner of Rate Selection	4
Section 2.4.	Change of Law	4
Section 2.5.	Unavailability of Deposits or Inability to Ascertain Adjusted LIBOR	4
Section 2.6.	Taxes and Increased Costs	5
Section 2.7.	Funding Indemnity	6
Section 2.8.	Lending Branch	6
Section 2.9.	Discretion of Bank as to Manner of Funding	6
SECTION 3.	COMPENSATING BALANCES, PREPAYMENTS, TERMINATIONS, EXTENSIONS, APPLICATIONS AND CAPITAL ADEQUACY	7
Section 3.1.	Compensating Balances	7
Section 3.2.	Voluntary Prepayments	7
Section 3.3.	Terminations	8
Section 3.4.	Extensions of the Revolving Credit Commitment	8
Section 3.5.	Place and Application of Payments	8
Section 3.6.	Notations	8
Section 3.7.	Change in Capital Adequacy Requirements	9
SECTION 4.	DEFINITIONS; INTERPRETATION	9
Section 4.1.	Definitions	9
Section 4.2.	Interpretation	15
SECTION 5.	REPRESENTATIONS AND WARRANTIES	15
Section 5.1.	Organization and Qualification	15
Section 5.2.	Subsidiaries	15
Section 5.3.	Corporate Authority and Validity of Obligations	16
Section 5.4.	Use of Proceeds; Margin Stock	16
Section 5.5.	Financial Reports	17

3		
Section 5.6.	No Material Adverse Change	17
Section 5.7.	Full Disclosure	17
Section 5.8.	Good Title	17
Section 5.9.	Litigation and Other Controversies	17
Section 5.10.	Taxes	17
Section 5.11.	Approvals	18
Section 5.12.	Affiliate Transactions	18
Section 5.13.	Investment Company; Public Utility Holding Company	18
Section 5.14.	ERISA	18
Section 5.15.	Compliance with Laws	18
Section 5.16.	Other Agreements	19
Section 5.17.	No Default	19
SECTION 6.	CONDITIONS PRECEDENT	19
Section 6.1.	All Advances.	19
Section 6.2.	Initial Advance	19
SECTION 7.	COVENANTS	20
Section 7.1.	Maintenance of Business	20
Section 7.2.	Maintenance of Properties	21
Section 7.3.	Taxes and Assessments	21
Section 7.4.	Insurance	21
Section 7.5.	Financial Reports	21
Section 7.6.	Inspection	23
Section 7.7.	Tangible Net Worth	23
Section 7.8.	Leverage Ratio	23
Section 7.9.	Liens	23
Section 7.10.	Investments, Loans, Advances and Guaranties	24
Section 7.11.	Mergers, Consolidations and Sales	25
Section 7.12.	Maintenance of Subsidiaries	25
Section 7.13.	ERISA	25
Section 7.14.	Compliance with Laws	26
Section 7.15.	Burdensome Contracts With Affiliates	26
Section 7.16.	Change in the Nature of Business	26
SECTION 8.	EVENTS OF DEFAULT AND REMEDIES	26
Section 8.1.	Events of Default.	26
Section 8.2.	Non-Bankruptcy Defaults.	28
Section 8.3.	Bankruptcy Defaults	28
SECTION 9.	MISCELLANEOUS	29
Section 9.1.	Holidays	29
Section 9.2.	No Waiver, Cumulative Remedies	29
Section 9.3.	Amendments, Etc	29

Section 9.4.	Costs and Expenses	29
Section 9.5.	Documentary Taxes	29
Section 9.6.	Survival of Representations	30
Section 9.7.	Survival of Indemnities	30
Section 9.8.	Notices	30
Section 9.9.	Personal Jurisdiction	31
Section 9.10.	Waiver of Jury Trial	32
Section 9.11.	Construction	32
Section 9.12.	Headings	32
Section 9.13.	Severability of Provisions	32
Section 9.14.	Counterparts	32
Section 9.15.	Binding Nature, Governing Law, Etc.	32

Signature	33
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Exhibit A - Revolving Credit Note
Exhibit B - Term Loan Note
Exhibit C - Compliance Certificate
Schedule 5.2 - Subsidiaries

OIL-DRI CORPORATION OF AMERICA  
CREDIT AGREEMENT

Harris Trust and Savings Bank  
Chicago, Illinois

Ladies and Gentlemen:

The undersigned, Oil-Dri Corporation of America, a Delaware corporation (the "Company"), applies to you (the "Bank") for your commitment, subject to the terms and conditions hereof and on the basis of the representations and warranties hereinafter set forth, to make a revolving credit (the "Revolving Credit") and a term loan available to the Company, all as more fully hereinafter set forth.

Section 1. The Credits.

Section 1.1. Revolving Credit. Subject to the terms and conditions hereof, the Bank agrees to extend a Revolving Credit to the Company which may be availed of by the Company from time to time during the period from and including the date hereof to but not including the Termination Date, at which time the commitment of the Bank to extend credit under the Revolving Credit shall expire. The Revolving Credit may be utilized by the Company in the form of loans (individually a "Revolving Credit Loan" and collectively the "Revolving Credit Loans"), provided that the aggregate principal amount of Revolving Credit Loans outstanding at any one time shall not exceed \$5,000,000 (the "Revolving Credit Commitment", as such amount may be reduced pursuant to Section 3.3 hereof). Each Revolving Credit Loan shall be in a minimum amount of \$200,000 or such greater amount which is an integral multiple of \$100,000. Each Revolving Credit Loan shall be made against and evidenced by a single promissory note of the Company in the form (with appropriate insertions) attached hereto as Exhibit A (the "Revolving Credit Note") payable to the order of the Bank in the principal amount of \$5,000,000. The Revolving Credit Note shall be dated the date of issuance thereof, be expressed to bear interest as set forth in Section 2 hereof, and be expressed to mature on the Termination Date. Without regard to the principal amount of the Revolving Credit Note stated on its face, the actual principal amount at any time outstanding and owing by the Company on account of the Revolving Credit Note shall be the sum of all Revolving Credit Loans made under this Section less all payments of principal actually received by the Bank. During the period from and including the date hereof to but not including the Termination Date, the Company may use the Revolving Credit Commitment by borrowing, repaying and reborrowing Revolving Credit Loans in whole or in part, all in accordance with the terms and conditions of this Agreement.

Section 1.2. Term Loan. Subject to the terms and conditions hereof, the Bank also agrees to make a term loan (the "Term Loan") concurrently herewith to the Company in a single advance in the principal amount of \$5,000,000.

The Term Loan shall be made against the evidenced by a single promissory note of the Company in the form (with appropriate insertions) attached hereto as Exhibit B (the "Term Note") dated the date of issuance thereof and payable to the order of the Bank in the original principal amount of the Term Loan.

The Term Note shall be issued in substitution and replacement for, and shall evidence the unpaid principal balance of that certain Promissory Note of the Company dated April 20, 1994 payable to the order of the Bank in the face principal amount of \$5,000,000 (the "Present Note"). Upon the execution and delivery to the Bank of the Term Note, the Present Note shall be deemed cancelled without further action by the Company or the Bank.

The Term Note shall be expressed to bear interest (computed on the basis of a year of 360 days for the actual number of days elapsed) on the unpaid principal amount thereof from the date the Term Loan is made until maturity (whether by lapse of time, acceleration or otherwise) at the rate per annum equal at all times to 7.78% and after maturity until paid in full at the rate per annum equal at all times to 10.78%. Interest on the Term Loan prior to maturity shall be payable quarterly in arrears on the last day of each March, June, September and December in each year (commencing September 30, 1994) and at maturity. Interest after maturity shall be due and payable upon demand. The Term Note shall be expressed to mature in six installments, commencing on June 20, 1996 and continuing on June 21, 1999 and on the 20th day of June in the years 2000, 2001, 2002 and 2003, with the first installment in the amount of \$500,000, the second installment in the amount of \$1,950,000, the third installment in the amount of \$900,000, the fourth and fifth installments each in the amount of \$650,000 and the last such installment in the full amount of the then unpaid balance of the Term Note. No amount paid or prepaid on the Term Note may be reborrowed.

Section 1.3. Manner and Disbursement of Loans. The Company shall give written or telephonic notice to the Bank (which notice shall be irrevocable once given and, if given by telephone, shall be promptly confirmed in writing) by no later than 11:00 a.m. (Chicago time) on the date the Company requests the Bank to make a Revolving Credit Loan hereunder; provided, however, that telephonic notice may only be given by a Class A Authorized Representative. Each such notice shall specify (i) the date of the Revolving Credit Loan requested (which must be a Business Day) and (ii) and the amount of such Revolving Credit Loan. The Company agrees that the Bank may rely upon any written or telephonic notice given by any person the Bank reasonably and in good faith believes is an Authorized Representative without the necessity of independent investigation and, in the event any telephonic notice conflicts with the written confirmation, such notice shall govern if the Bank has acted in reasonable reliance thereon. Subject to the provisions of Section 6 hereof, the proceeds of each Loan shall be made available to the Company at the principal office of the Bank in Chicago, Illinois, in immediately available funds. Each Revolving Credit Loan shall initially constitute part of the Domestic Rate Portion except to the extent the Company has otherwise timely elected as provided in Section 2 hereof.



SECTION 2. INTEREST ON REVOLVING CREDIT LOANS AND CHANGE IN CIRCUMSTANCES.

Section 2.1. Interest Rate Options. (a) Subject to all of the terms and conditions of this Section 2, portions of the principal indebtedness evidenced by the Revolving Credit Note (all of the indebtedness evidenced by the Revolving Credit Note bearing interest at the same rate for the same period of time being hereinafter referred to as a "Portion") may, at the option of the Company, bear interest with reference to the Domestic Rate (the "Domestic Rate Portion") or with reference to an Adjusted LIBOR ("LIBOR Portions") and Portions may be converted from time to time from one basis to the other. All of the indebtedness evidenced by the Revolving Credit Note which is not part of a LIBOR Portion shall constitute a single Domestic Rate Portion. All of the indebtedness evidenced by the Revolving Credit Note which bears interest with reference to a particular Adjusted LIBOR for a particular Interest Period shall constitute a single LIBOR Portion. There shall not be more than eight (8) LIBOR Portions applicable to the Revolving Credit Note outstanding at any one time. Anything contained herein to the contrary notwithstanding, the obligation of the Bank to create, continue or effect by conversion any LIBOR Portion shall be conditioned upon the fact that at the time no Default or Event of Default shall have occurred and be continuing. The Company hereby promises to pay interest on each Portion at the rates and times specified in this Section 2.

(b) Domestic Rate Portion. The Domestic Rate Portion shall bear interest at the rate per annum equal to the Domestic Rate as in effect from time to time, provided that if the Domestic Rate Portion or any part thereof is not paid when due (whether by lapse of time, acceleration or otherwise) such Portion shall bear interest, whether before or after judgment, until payment in full thereof at the rate per annum determined by adding 2% to the interest rate which would otherwise be applicable thereto from time to time. Interest on the Domestic Rate Portion shall be payable quarter-annually on the last day of each March, June, September and December, in each year (commencing September 30, 1994) and at maturity of the Revolving Credit Note and interest after maturity (whether by lapse of time, acceleration or otherwise) shall be due and payable upon demand. Any change in the interest rate on the Domestic Rate Portion resulting from a change in the Domestic Rate shall be effective on the date of the relevant change in the Domestic Rate.

(c) LIBOR Portions. Each LIBOR Portion shall bear interest for each Interest Period selected therefor at a rate per annum determined by adding 1/2 of 1% to the Adjusted LIBOR for such Interest Period, provided that if any LIBOR Portion is not paid when due (whether by lapse of time, acceleration or otherwise) such Portion shall bear interest, whether before or after judgment, until payment in full thereof through the end of the Interest Period then applicable thereto at the rate per annum determined by adding 2-1/2% to the interest rate which would otherwise be applicable thereto, and effective at the end of such Interest Period such LIBOR Portion shall automatically be converted into and added to the Domestic Rate Portion and shall thereafter bear interest at the interest rate applicable to the Domestic Rate Portion after default. Interest on each LIBOR Portion shall be due and payable on the last day of each Interest Period applicable thereto and, with respect to any Interest Period applicable to a LIBOR Portion in excess of three (3) months, on the date

occurring every three (3) months after the date such Interest Period began and at the end of such Interest Period, and interest after maturity (whether by lapse of time, acceleration or otherwise) shall be due and payable upon demand. The Company shall notify the Bank on or before 11:00 a.m. (Chicago time) on the third Business Day preceding the end of an Interest Period applicable to a LIBOR Portion whether such LIBOR Portion is to continue as a LIBOR Portion, in which event the Company shall notify the Bank of the new Interest Period selected therefor, and in the event the Company shall fail to so notify the Bank, such LIBOR Portion shall automatically be converted into and added to the Domestic Rate Portion as of and on the last day of such Interest Period. Each LIBOR Portion shall be in a minimum amount of \$500,000 or such greater amount which is an integral multiple of \$100,000.

Section 2.2. Computation of Interest. All interest on the Revolving Credit Note shall be computed on the basis of a year of 360 days for the actual number of days elapsed.

Section 2.3. Manner of Rate Selection. The Company shall notify the Bank by 11:00 a.m. (Chicago time) at least three (3) Business Days prior to the date upon which the Company requests that any LIBOR Portion be created or that any part of the Domestic Rate Portion be converted into a LIBOR Portion (each such notice to specify in each instance the amount thereof and the Interest Period selected therefor). If any request is made to convert a LIBOR Portion into the Domestic Rate Portion, such conversion shall only be made so as to become effective as of the last day of the Interest Period applicable thereto. All requests for the creation, continuance and conversion of Portions under this Agreement shall be irrevocable. Such requests may be written or oral and the Bank is hereby authorized to honor telephonic requests for creations, continuances and conversions received by it from any person the Bank reasonably and in good faith believes to be a Class A Authorized Representative without the need of independent investigation, the Company hereby indemnifying the Bank from any liability or loss ensuing from so acting.

Section 2.4. Change of Law. Notwithstanding any other provisions of this Agreement or the Revolving Credit Note, if at any time the Bank shall determine reasonably and in good faith that any change in applicable laws, treaties or regulations or in the interpretation thereof makes it unlawful for the Bank to create or continue to maintain any LIBOR Portion, it shall promptly so notify the Company and the obligation of the Bank to create, continue or maintain any such LIBOR Portion under this Agreement shall terminate until it is no longer unlawful for the Bank to create, continue or maintain such LIBOR Portion. The Company, on demand, shall, if the continued maintenance of any such LIBOR Portion is unlawful, thereupon prepay the outstanding principal amount of the affected LIBOR Portion, together with all interest accrued thereon and all other amounts payable to the Bank with respect thereto under this Agreement; provided, however, that the Company may elect to convert the principal amount of the affected LIBOR Portion into the Domestic Rate Portion, subject to the terms and conditions of this Agreement.

Section 2.5. Unavailability of Deposits or Inability to Ascertain Adjusted LIBOR. Notwithstanding any other provision of this Agreement or the Revolving Credit Note, if prior to the commencement of any Interest Period, the Bank shall determine reasonably and

in good faith that deposits in the amount of any LIBOR Portion scheduled to be outstanding during such Interest Period are not readily available to the Bank in the interbank eurodollar market or, by reason of circumstances affecting the interbank eurodollar market, adequate and reasonable means do not exist for ascertaining Adjusted LIBOR, then the Bank shall promptly give notice thereof to the Company and the obligations of the Bank to create, continue or effect by conversion any such LIBOR Portion in such amount and for such Interest Period shall terminate until deposits in such amount and for the Interest Period selected by the Company shall again be readily available in the interbank eurodollar market and adequate and reasonable means exist for ascertaining Adjusted LIBOR.

Section 2.6. Taxes and Increased Costs. With respect to any LIBOR Portion, if the Bank shall determine in good faith that any change in any applicable law, treaty, regulation or guideline (including, without limitation, Regulation D of the Board of Governors of the Federal Reserve System) or any new law, treaty, regulation or guideline, or any interpretation of any of the foregoing by any governmental authority charged with the administration thereof or any central bank or other fiscal, monetary or other authority having jurisdiction over the Bank or its lending branch or the LIBOR Portions contemplated by this Agreement (whether or not having the force of law), shall:

(i) impose, increase, or deem applicable any reserve, special deposit or similar requirement against assets held by, or deposits in or for the account of, or loans by, or any other acquisition of funds or disbursements by, the Bank which is not in any instance already accounted for in computing the Adjusted LIBOR

(ii) subject the Bank, any LIBOR Portion or the Revolving Credit Note to the extent it evidences such a Portion to any tax (including, without limitation, any United States interest equalization tax or similar tax however named applicable to the acquisition or holding of debt obligations and any interest or penalties with respect thereto), duty, charge, stamp tax, fee, deduction or withholding in respect of this Agreement, any LIBOR Portion or the Revolving Credit Note to the extent it evidences such a Portion, except such taxes as may be measured by the overall net income or gross receipts of the Bank or its lending branches and imposed by the jurisdiction, or any political subdivision or taxing authority thereof, in which the Bank's principal executive office or its lending branch is located;

(iii) change the basis of taxation of payments of principal and interest due from the Company to the Bank hereunder or under the Revolving Credit Note to the extent it evidences any LIBOR Portion (other than by a change in taxation of the overall net income or gross receipts of the Bank); or

(iv) impose on the Bank any penalty with respect to the foregoing or any other condition regarding this Agreement, its disbursement, any LIBOR Portion or the Revolving Credit Note to the extent it evidences any LIBOR Portion;

and the Bank shall determine reasonably and in good faith that the result of any of the foregoing is to increase the cost (whether by incurring a cost or adding to a cost) to the

Bank of creating or maintaining any LIBOR Portion hereunder or to reduce the amount of principal or interest received or receivable by the Bank (without benefit of, or credit for, any prorrations, exemption, credits or other offsets available under any such laws, treaties, regulations, guidelines or interpretations thereof), then the Company shall pay on demand to the Bank from time to time as specified by the Bank such additional amounts as are sufficient to compensate and indemnify it for such increased cost or reduced amount. If the Bank makes such a claim for compensation, it shall provide to the Company a certificate setting forth the computation of the increased cost or reduced amount as a result of any event mentioned herein in reasonable detail and such certificate shall be prima facie correct.

Section 2.7. Funding Indemnity. In the event the Bank shall incur any loss, cost or expense (including, without limitation, any loss (including loss of profit), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired or contracted to be acquired by the Bank to fund or maintain any LIBOR Portion or the relending or reinvesting of such deposits or other funds or amounts paid or prepaid to the Bank) as a result of:

(i) any payment of a LIBOR Portion on a date other than the last day of the then applicable Interest Period for any reason, whether before or after default, and whether or not such payment is required by any provisions of this Agreement, but in any event excluding such a payment to the extent required by Section 2.4 hereof; or

(ii) any failure by the Company to create, borrow, continue or effect by conversion a LIBOR Portion on the date specified in a notice given pursuant to this Agreement unless such failure results from the Bank's inability or unwillingness pursuant to Sections 2.4 or 2.5 hereof to create, continue or effect by conversion such LIBOR Portions;

then upon the demand of the Bank, the Company shall pay to the Bank such amount as will reimburse the Bank for such loss, cost or expense. If the Bank requests such a reimbursement, it shall provide to the Company a certificate setting forth the computation of the loss, cost or expense giving rise to the request for reimbursement in reasonable detail and such certificate shall be prima facie correct.

Section 2.8. Lending Branch. The Bank may, at its option, elect to make, fund or maintain Portions of the Revolving Credit Loans hereunder at such of its branches or offices as the Bank may from time to time elect. To the extent reasonably possible, the Bank shall designate an alternate branch or funding office with respect to the LIBOR Portions to reduce any liability of the Company to the Bank under Section 2.6 hereof or to avoid the unavailability of an interest rate option under Section 2.5 hereof, so long as such designation is not otherwise disadvantageous to the Bank.

Section 2.9. Discretion of Bank as to Manner of Funding. Notwithstanding any provision of this Agreement to the contrary, the Bank shall be entitled to fund and maintain its funding of all or any part of the Revolving Credit Note in any manner it sees fit, it being understood, however, that for the purposes of this Agreement all determinations hereunder

(including, without limitation, determinations under Sections 2.5, 2.6 and 2.7 hereof) shall be made as if the Bank had actually funded and maintained each LIBOR Portion during each Interest Period applicable thereto through the purchase of deposits in the interbank eurodollar market in the amount of such LIBOR Portion, having a maturity corresponding to such Interest Period, and bearing an interest rate equal to the LIBOR for such Interest Period.

SECTION 3. COMPENSATING BALANCES, PREPAYMENTS, TERMINATIONS, EXTENSIONS, APPLICATIONS AND CAPITAL ADEQUACY.

Section 3.1. Compensating Balances. The Company shall maintain with the Bank a daily average deposit balance of at least \$100,000.

Section 3.2. Voluntary Prepayments. (a) Term Loan. If the Company prepays any principal amount of the Term Loan before its scheduled due date (whether as the result of an acceleration, voluntary prepayment, or otherwise), the Company shall pay to the Bank a funding indemnity equal to the cost to the Bank of then acquiring an interest rate swap agreement (or an equivalent instrument or instruments) with another interest rate swap dealer of the highest credit standing in a notional principal amount equal to the amount of such prepayment (including any scheduled amortization of such amount) to the scheduled due date of such prepaid principal amount under which the Bank would pay quarter-annually a floating rate of interest based upon three month LIBOR and such other dealer would pay to the Bank on the regularly scheduled interest payment dates for the Term Loan a fixed rate of interest equal to the interest rate on the Term Loan.

(b) Domestic Rate Portions. The Company shall have the privilege of prepaying without premium or penalty and in whole or in part (but if in part, then in an amount not less than \$200,000) the Domestic Rate Portion of the Revolving Credit Note at any time upon notice to the Bank prior to 11:00 a.m. (Chicago time) on the date fixed for prepayment, each such prepayment to be made by the payment of the principal amount to be prepaid and accrued interest thereon to the date of prepayment.

(c) LIBOR Portion. Except as otherwise required by Section 2.4 hereof, the Company may prepay any LIBOR Portion of the Revolving Credit Note only on the last date of the then applicable Interest Period, in whole or in part (but if in part, then in an amount not less than \$500,000 or such greater amount which is an integral multiple of \$100,000), upon three (3) Business Days' prior notice to the Bank (which notice shall be irrevocable once given, must be received by the Bank no later than 11:00 a.m. (Chicago time) on the third Business Day preceding the date of such prepayment, and shall specify the principal amount to be repaid); provided, however, that the outstanding principal amount of any LIBOR Portion of the Revolving Credit Note prepaid in part shall not be less than \$500,000 or such greater amount which is an integral multiple of \$100,000 after giving effect to such prepayment. Any such prepayment shall be effected by payment of the principal amount to be prepaid and accrued interest thereon to the end of the applicable Interest Period.

Section 3.3. Terminations. The Company shall have the right at any time and from time to time, upon three (3) Business Days' prior notice to the Bank, to terminate without premium or penalty and in whole or in part (but if in part, then in an amount not less than \$500,000) the Revolving Credit Commitment, provided that the Revolving Credit Commitment may not be reduced to an amount less than the aggregate principal amount of the Revolving Credit Loans then outstanding. Any termination of the Revolving Credit Commitment pursuant to this Section may not be reinstated.

Section 3.4. Extensions of the Revolving Credit Commitment. The Termination Date (as the same may have been extended pursuant to this Section 3.4) shall be extended for additional one year periods (but not beyond August 1, 1999) unless either party hereto notifies the other in writing no later than June 30th preceding the Termination Date then in effect of its intention not to extend the Revolving Credit Commitment. It is specifically understood that the Bank may, in its sole discretion, choose not to extend the Termination Date. If the Termination Date is extended pursuant to this Section 3.4, the Company and the Bank shall enter into such documents as the Bank may reasonably deem necessary or appropriate to reflect such extension, all reasonable costs and expenses incurred by the Bank in connection therewith to be paid by the Company.

Section 3.5. Place and Application of Payments. All payments of principal, interest, fees and all other Obligations payable hereunder and under the other Loan Documents shall be made to the Bank at its office at 111 West Monroe Street, Chicago, Illinois (or at such other place as the Bank may specify) no later than 11:00 a.m. (Chicago time) on the date any such payment is due and payable. Payments received by the Bank after 11:00 a.m. (Chicago time) shall be deemed received as of the opening of business on the next Business Day. All such payments shall be made in lawful money of the United States of America, in immediately available funds at the place of payment, without setoff or counterclaim and without reduction for, any and all present or future taxes, levies, imposts, duties, fees, charges, deductions, withholdings, restrictions and conditions of any nature imposed by any government or any political subdivision or taxing authority thereof (but excluding any taxes imposed on or measured by the net income or gross receipts of the Bank). Unless the Company otherwise directs, principal payments shall be first applied to the Term Note until payment in full thereof, then to the Domestic Rate Portion of the Revolving Credit Note until payment in full thereof, with any balance applied to the LIBOR Portions of the Revolving Credit Note in the order in which their Interest Periods expire.

Section 3.6. Notations. All Loans made against the Notes, the status of all amounts evidenced by the Revolving Credit Note as constituting part of the Domestic Rate Portion or a LIBOR Portion and the rates of interest and Interest Periods applicable thereto shall be recorded by the Bank on its books and records or, at its option in any instance, endorsed on a schedule to the Notes and the unpaid principal balance and status, rates and Interest Periods so recorded or endorsed by the Bank shall be evidence in any court or other proceeding brought to enforce the Notes of the principal amount remaining unpaid thereon, the status of the Loans evidenced thereby and the interest rates and Interest Periods applicable thereto; provided that the failure of the Bank to record any of the foregoing shall not limit or otherwise affect the obligation of the Company to repay the principal amount of such Note

together with accrued interest thereon. Prior to any negotiation of the Revolving Credit Note, the Bank shall record on a schedule thereto the status of all amounts evidenced thereby as constituting part of the Domestic Rate Portion or a LIBOR Portion and the rates of interest and the Interest Periods applicable thereto.

Section 3.7. Change in Capital Adequacy Requirements. If the Bank shall determine that the adoption after the date hereof of any applicable law, rule or regulation regarding capital adequacy of banks generally, or any change in any existing law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by the Bank (or any of its branches) with any request or directive regarding capital adequacy of banks generally (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on the Revolving Credit or on the Bank's capital as a consequence of its obligations hereunder with respect to the Revolving Credit to a level below that which the Bank could have achieved but for such adoption, change or compliance (taking into consideration the Bank's policies with respect to liquidity and capital adequacy) by an amount deemed by the Bank to be material, then from time to time, within fifteen (15) days after demand by the Bank, the Company shall pay to the Bank such additional amount or amounts reasonably determined by the Bank as will compensate the Bank for such reduction.

SECTION 4. DEFINITIONS, INTERPRETATION.

Section 4.1. Definitions. The following terms when used herein shall have the following meanings:

"Adjusted LIBOR" means a rate per annum determined by the Bank in accordance with the following formula:

$$\text{Adjusted LIBOR} = \frac{\text{LIBOR}}{100\% - \text{Reserve Percentage}}$$

"Reserve Percentage" means, for the purpose of computing Adjusted LIBOR, the maximum rate of all reserve requirements (including, without limitation, any marginal, emergency, supplemental or other special reserves) imposed by the Board of Governors of the Federal Reserve System (or any successor) under Regulation D on Eurocurrency liabilities (as such term is defined in Regulation D) for the applicable Interest Period as of the first day of such Interest Period, but subject to any amendments to such reserve requirement by such Board or its successor, and taking into account any transitional adjustments thereto becoming effective during such Interest Period. For purposes of this definition, LIBOR Portions shall be deemed to be Eurocurrency liabilities as defined in Regulation D without benefit of or credit for prorations, exemptions or offsets under Regulation D. "LIBOR" means, for each Interest Period, (a) the LIBOR Index Rate for such Interest Period, if such rate is available, and (b) if the LIBOR Index Rate cannot be determined, the arithmetic average of the rate of interest per annum (rounded upward, if necessary, to the nearest 1/100th of 1%) at which

deposits in U.S. Dollars in immediately available funds are offered to the Bank at 11:00 a.m. (London, England time) two Business Days before the beginning of such Interest Period by major banks in the interbank eurodollar market for a period equal to such Interest Period and in an amount equal or comparable to the applicable LIBOR Portion scheduled to be outstanding from the Bank during such Interest Period. "LIBOR Index Rate" means, for any Interest Period, the rate per annum (rounded upwards, if necessary, to the next higher one hundred-thousandth of a percentage point) for deposits in U.S. Dollars for a period equal to such Interest Period, which appears on the Telerate Page 3750 as of 11:00 (London, England time) on the day two Business Days before the commencement of such Interest Period. "Telerate Page 3750" means the display designated as "Page 3750" on the Telerate Service (or such other page as may replace Page 3750 on that service or such other service as may be nominated by the British Bankers' Association as the information vendor for the purpose of displaying British Bankers' Association Interest Settlement Rates for U.S. Dollar deposits). Each determination of LIBOR made by the Bank shall be conclusive and binding absent manifest error.

"Affiliate" means any Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, another Person. A Person shall be deemed to control another Person for purposes of this definition if such Person possesses, directly or indirectly, the power to direct, or cause the direction of, the management and policies of the other Person, whether through the ownership of voting securities, common directors, trustees or officers, by contract or otherwise.

"Agreement" means this Credit Agreement, as the same may be amended, modified or restated from time to time in accordance with the terms hereof.

"Acquisition" means (i) the acquisition of all or any substantial part of the assets, property or business of any other person, firm or corporation or (ii) any acquisition of a majority of the common stock or other equity securities of any firm or corporation.

"Authorized Representative" means those persons identified as either a Class A Authorized Representative or a Class B Authorized Representative.

"Bank" is defined in the introductory paragraph hereof.

"Business Day" means any day other than a Saturday or Sunday on which the Bank is not authorized or required to close in Chicago, Illinois and, when used with respect to LIBOR Portions, a day on which the Bank is also dealing in United States Dollar deposits in London, England and Nassau, Bahamas.

"Capital Lease" means any lease of Property which in accordance with GAAP is required to be capitalized on the balance sheet of the lessee.

"Capitalized Lease Obligation" means the amount of the liability shown on the balance sheet of any Person in respect of a Capital Lease as determined in accordance with GAAP.



"Class A Authorized Representative" means those persons shown on the list of officers provided by the Company pursuant to Section 6.2(a) hereof and so designated on such list, or on any update of any such list provided by the Company to the Bank, or any further or different officer of the Company so named and designated by any Class A Authorized Representative of the Company in a written notice to the Bank.

"Class B Authorized Representative" means those persons shown on the list of officers provided by the Company pursuant to Section 6.2(a) hereof and so designated on such list, or on any update of any such list provided by the Company to the Bank, or any further or different officer of the Company so named and designated by any Class A or Class B Authorized Representative of the Company in a written notice to the Bank.

"Code" means the Internal Revenue Code of 1986, as amended, and any successor statute thereto.

"Company" is defined in the introductory paragraph hereof.

"Controlled Group" means all members of a controlled group of corporations and all trades and businesses (whether or not incorporated) under common control which, together with the Company or any of its Subsidiaries, are treated as a single employer under Section 414 of the Code.

"Default" means any event or condition the occurrence of which would, with the passage of time or the giving of notice, or both, constitute an Event of Default.

"Domestic Rate" means, for any day, the greater of (i) the rate of interest announced by the Bank from time to time as its prime commercial rate, as in effect on such day; and (ii) the sum of (x) the rate determined by the Bank to be the average (rounded upwards, if necessary, to the next higher 1/100 of 1%) of the rates per annum quoted to the Bank at approximately 10:00 a.m. (Chicago time) (or as soon thereafter as is practicable) on such day (or, if such day is not a Business Day, on the immediately preceding Business Day) by two or more Federal funds brokers selected by the Bank for the sale to the Bank at face value of Federal funds in an amount equal or comparable to the principal amount owed to the Bank for which such rate is being determined, plus (y) 1/2 of 1% (0.50%).

"Domestic Rate Portion" is defined in Section 2.1(a) hereof.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, or any successor statute thereto.

"Event of Default" means any event or condition identified as such in Section 8.1 hereof.

"GAAP" means generally accepted accounting principles as in effect from time to time, applied by the Company and its Subsidiaries on a basis consistent with the preparation

of the Company's most recent financial statements furnished to the Bank pursuant to Section 5.5 hereof.

"Indebtedness for Borrowed Money" means for any Person (without duplication) (i) all indebtedness created, assumed or incurred in any manner by such Person representing money borrowed (including by the issuance of debt securities), (ii) all indebtedness for the deferred purchase price of property or services (other than trade accounts payable arising in the ordinary course of business which are not more than 120 days past due), (iii) all indebtedness secured by any Lien upon Property of such Person, whether or not such Person has assumed or become liable for the payment of such indebtedness, (iv) all Capitalized Lease Obligations of such Person and (v) all obligations of such Person on or with respect to letters of credit, bankers' acceptances and other extensions of credit whether or not representing obligations for borrowed money.

"Interest Period" means, with respect to any LIBOR Portion, the period commencing on, as the case may be, the creation, continuation or conversion date with respect to such LIBOR Portion and ending one (1), two (2), three (3) or six (6) months thereafter as selected by the Company in its notice as provided herein; provided that all of the foregoing provisions relating to Interest Periods are subject to the following:

(i) if any Interest Period would otherwise end on a day which is not a Business Day, that Interest Period shall be extended to the next succeeding Business Day, unless the result of such extension would be to carry such Interest Period into another calendar month in which event such Interest Period shall end on the immediately preceding Business Day;

(ii) no Interest Period may extend beyond the final maturity date of the Revolving Credit Note;

(iii) the interest rate to be applicable to each Portion for each Interest Period shall apply from and including the first day of such Interest Period to but excluding the last day thereof; and

(iv) no Interest Period may be selected if after giving effect thereto the Company will be unable to make a principal payment scheduled to be made during such Interest Period without paying part of a LIBOR Portion on a date other than the last day of the Interest Period applicable thereto.

For purposes of determining an Interest Period, a month means a period starting on one day in a calendar month and ending on a numerically corresponding day in the next calendar month, provided, however, if an Interest Period begins on the last day of a month or if there is no numerically corresponding day in the month in which an Interest Period is to end, then such Interest Period shall end on the last Business Day of such month.

"LIBOR Portions" is defined in Section 2.1(a) hereof.

"Lien" means any mortgage, lien, security interest, pledge, charge or encumbrance of any kind in respect of any Property, including the interests of a vendor or lessor under any conditional sale, Capital Lease or other title retention arrangement.

"Loan" means a Revolving Credit Loan or the Term Loan, unless the context in which such term is used shall otherwise require.

"Loan Documents" means this Agreement and the Notes.

"Material Plan" is defined in Section 8.1(g) hereof.

"Net Income" means, with reference to any period, the net income (or net loss) of the Company and its Subsidiaries for such period as computed on a consolidated basis in accordance with GAAP, and, without limiting the foregoing, after deduction from gross income of all expenses and reserves, including reserves for all taxes on or measured by income, but excluding any extraordinary profits and also excluding any taxes on such profits.

"Note" means the Revolving Credit Note or the Term Note, unless the context in which such term is used shall otherwise require.

"Obligations" means all obligations of the Company to pay principal and interest on the Loans, all fees and charges payable hereunder, and all other payment obligations of the Company arising under or in relation to any Loan Document, in each case whether now existing or hereafter arising, due or to become due, direct or indirect, absolute or contingent, and howsoever evidenced, held or acquired.

"PBGC" means the Pension Benefit Guaranty Corporation or any Person succeeding to any or all of its functions under ERISA.

"Person" means an individual, partnership, corporation, association, trust, unincorporated organization or any other entity or organization, including a government or agency or political subdivision thereof.

"Plan" means any employee pension benefit plan covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code that either (i) is maintained by a member of the Controlled Group for employees of a member of the Controlled Group or (ii) is maintained pursuant to a collective bargaining agreement or any other arrangement under which more than one employer makes contributions and to which a member of the Controlled Group is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions.

"Portion" is defined in Section 2.1(a) hereof.

"Property" means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

"Revolving Credit" is defined in Section 1.1 hereof.

"Revolving Credit Commitment" is defined in Section 1.1 hereof.

"Revolving Credit Note" is defined in Section 1.1 hereof.

"Subsidiary" means any corporation or other Person more than 50% of the outstanding ordinary voting shares or other equity interests of which is at the time directly or indirectly owned by the Company, by one or more of its Subsidiaries, or by the Company and one or more of its Subsidiaries.

"Tangible Net Worth" means, as of any time the same is to be determined, the total shareholders' equity (including capital stock, additional paid-in-capital and retained earnings after deducting treasury stock) which would appear on the balance sheet of the Company and its Subsidiaries determined on a consolidated basis in accordance with GAAP, less the sum of (i) all notes receivable in excess of \$1,000,000 from officers and employees of the Company and its Subsidiaries, (ii) the aggregate book value of all assets which would be classified as intangible assets under GAAP, including, without limitation, goodwill, patents, trademarks, trade names, copyrights, franchises and deferred charges (including, without limitation, unamortized debt discount and expense, organization costs and deferred research and development expense) and similar assets and (iii) the write-up of assets above cost.

"Term Loan" is defined in Section 1.2 hereof.

"Term Note" is defined in Section 1.2 hereof.

"Termination Date" means August 1, 1997, or such earlier date on which the Revolving Credit Commitment is terminated in whole pursuant to Section 3.3, 8.2 or 8.3 hereof or such later date to which the Revolving Credit Commitment is extended pursuant to Section 3.4 hereof.

"Total Liabilities" means, as of any time the same is to be determined, the aggregate of all indebtedness, obligations, liabilities, reserves and any other items which would be listed as a liability on a balance sheet of the Company and its Subsidiaries determined on a consolidated basis in accordance with GAAP, and in any event including all indebtedness and liabilities of any other Person which the Company or any Subsidiary may guarantee or otherwise be responsible or liable for (other than any liability arising out of the endorsement of commercial paper for deposit or collection received in the ordinary course of business), all indebtedness and liabilities secured by any Lien on any Property of the Company or any Subsidiary, whether or not the same would be classified as a liability on a balance sheet, the liability of the Company or any Subsidiary in respect of banker's acceptances and letters of credit, and the aggregate amount of rentals or other consideration payable by the Company or any Subsidiary in accordance with GAAP over the remaining unexpired term of all Capital Leases, but excluding all general contingency reserves and reserves for deferred income taxes and investment credit.

"Unfunded Vested Liabilities" means, for any Plan at any time, the amount (if any) by which the present value of all vested nonforfeitable accrued benefits under such Plan exceeds the fair market value of all Plan assets allocable to such benefits, all determined as of the then most recent valuation date for such Plan, but only to the extent that such excess represents a potential liability of a member of the Controlled Group to the PBGC or the Plan under Title IV of ERISA.

"Voting Stock" of any Person means the capital stock of any class or classes or other equity interests (however designated) having ordinary voting power for the election of directors or similar governing body of such Person, other than stock or other equity interests having such power only by reason of the happening of a contingency.

"Welfare Plan" means a "welfare plan" as defined in Section 3(1) of ERISA.

"Wholly-Owned Subsidiary" means a Subsidiary of which all of the issued and outstanding shares of capital stock (other than directors' qualifying shares as required by law) or other equity interests are owned by the Company and/or one or more Wholly-Owned Subsidiaries within the meaning of this definition.

Section 4.2. Interpretation. The foregoing definitions are equally applicable to both the singular and plural forms of the terms defined. The words "hereof", "herein", and "hereunder" and words of like import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. All references to time of day herein are references to Chicago, Illinois time unless otherwise specifically provided. Where the character or amount of any asset or liability or item of income or expense is required to be determined or any consolidation or other accounting computation is required to be made for the purposes of this Agreement, it shall be done in accordance with GAAP except where such principles are inconsistent with the specific provisions of this Agreement.

#### SECTION 5. REPRESENTATIONS AND WARRANTIES.

The Company represents and warrants to the Bank as follows:

Section 5.1. Organization and Qualification. The Company is duly organized, validly existing and in good standing as a corporation under the laws of the State of Delaware, has full and adequate corporate power to own its Property and conduct its business as now conducted, and is duly licensed or qualified and in good standing in each jurisdiction in which the nature of the business conducted by it or the nature of the Property owned or leased by it requires such licensing or qualifying, except where the failure to be so licensed or qualified would not have a material adverse effect on the financial condition, Properties, business or operations of the Company and its Subsidiaries, taken as a whole.

Section 5.2. Subsidiaries. Each Subsidiary is duly organized, validly existing and in good standing under the laws of the jurisdiction in which it is incorporated or organized, as the case may be, has full and adequate power to own its Property and conduct its business as

now conducted, and is duly licensed or qualified and in good standing in each jurisdiction in which the nature of the business conducted by it or the nature of the Property owned or leased by it requires such licensing or qualifying, except where the failure to be so licensed or qualified would not have a material adverse effect on the financial condition, Properties, business or operations of the Company and its Subsidiaries, taken as a whole. Schedule 5.2 hereto identifies each Subsidiary, the jurisdiction of its incorporation or organization, as the case may be, the percentage of issued and outstanding shares of each class of its capital stock or other equity interests owned by the Company and the Subsidiaries and, if such percentage is not 100% (excluding directors' qualifying shares as required by law), a description of each class of its authorized capital stock and other equity interests and the number of shares of each class issued and outstanding. All of the outstanding shares of capital stock and other equity interests of each Subsidiary are validly issued and outstanding and fully paid and nonassessable and all such shares and other equity interests indicated on Schedule 5.2 as owned by the Company or a Subsidiary are owned, beneficially and of record, by the Company or such Subsidiary free and clear of all Liens. There are no outstanding commitments or other obligations of any Subsidiary to issue, and no options, warrants or other rights of any Person to acquire, any shares of any class of capital stock or other equity interests of any Subsidiary.

Section 5.3. Corporate Authority and Validity of Obligations. The Company has full right and authority to enter into this Agreement and the other Loan Documents, to make the borrowings herein provided for, to issue its Note in evidence thereof, and to perform all of its obligations hereunder and under the other Loan Documents. The Loan Documents delivered by the Company have been duly authorized, executed and delivered by the Company and constitute valid and binding obligations of the Company enforceable in accordance with their terms except as enforceability may be limited by bankruptcy, insolvency, fraudulent conveyance or similar laws affecting creditors' rights generally and general principles of equity (regardless of whether the application of such principles is considered in a proceeding in equity or at law); and this Agreement and the other Loan Documents do not, nor does the performance or observance by the Company of any of the matters and things herein or therein provided for, contravene or constitute a default under any provision of law or any judgment, injunction, order or decree binding upon the Company or any provision of the charter, articles of incorporation or by-laws of the Company or any covenant, indenture or agreement of or affecting the Company or any of its Properties, or result in the creation or imposition of any Lien on any Property of the Company.

Section 5.4. Use of Proceeds; Margin Stock. The Company shall use the proceeds of the Loans solely for general corporate purposes and for such other legal and proper purposes as are consistent with all applicable laws. Neither the Company nor any Subsidiary is engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U of the Board of Governors of the Federal Reserve System), and no part of the proceeds of any Loan will be used to purchase or carry any such margin stock or to extend credit to others for the purpose of purchasing or carrying any such margin stock.

Section 5.5. Financial Reports. The consolidated balance sheet of the Company and its Subsidiaries as at July 31, 1993 and the related consolidated statements of income, retained earnings and cash flows of the Company and its Subsidiaries for the fiscal year then ended, and accompanying notes thereto, which financial statements are accompanied by the audit report of Blackman, Kallick & Bartelstein, independent public accountants, and the unaudited interim consolidated balance sheet of the Company and its Subsidiaries as at April 30, 1994 and the related consolidated statements of income, retained earnings and cash flows of the Company and its Subsidiaries for the nine (9) months then ended, heretofore furnished to the Bank, fairly present the consolidated financial condition of the Company and its Subsidiaries as at said dates and the consolidated results of their operations and cash flows for the periods then ended in conformity with generally accepted accounting principles applied on a consistent basis; subject, in the case of an unaudited interim consolidated balance sheet, to year-end adjustments, and provided that such unaudited interim consolidated balance sheet was prepared without footnotes.

Section 5.6. No Material Adverse Change. Since April 30, 1994, there has been no change in the condition (financial or otherwise) or business prospects of the Company or any Subsidiary except those occurring in the ordinary course of business, none of which individually or in the aggregate have been materially adverse to the Company and its Subsidiaries, taken as a whole.

Section 5.7. Full Disclosure. The statements and information furnished to the Bank in connection with the negotiation of this Agreement and the other Loan Documents and the commitment by the Bank to provide all or part of the financing contemplated hereby do not contain any untrue statements of a material fact or omit a material fact necessary to make the material statements contained herein or therein not misleading, the Bank acknowledging that as to any projections furnished to the Bank, the Company only represents that the same were prepared on the basis of information and estimates the Company believed to be reasonable.

Section 5.8. Good Title. The Company and its Subsidiaries each have good and defensible title to their assets as reflected on the most recent consolidated balance sheet of the Company and its Subsidiaries furnished to the Bank (except for sales of assets by the Company and its Subsidiaries in the ordinary course of business), subject to no Liens other than such thereof as are permitted by Section 7.9 hereof.

Section 5.9. Litigation and Other Controversies. There is no litigation or governmental proceeding or labor controversy pending, nor to the knowledge of the Company threatened, against the Company or any Subsidiary which if adversely determined would (a) impair the validity or enforceability of, or impair the ability of the Company to perform its obligations under, this Agreement or any other Loan Document or (b) result in any material adverse change in the financial condition, Properties, business or operations of the Company and its Subsidiaries, taken as a whole.

Section 5.10. Taxes;. All tax returns required to be filed by the Company or any Subsidiary in any jurisdiction have, in fact, been filed, except where the failure to file such tax returns would not have a material adverse effect on the financial condition, Properties,

business or operations of the Company and its Subsidiaries, taken as a whole, and all taxes, assessments, fees and other governmental charges upon the Company or any Subsidiary or upon any of their respective Properties, income or franchises, which are shown to be due and payable in such returns, have been paid. The Company does not know of any proposed additional tax assessment against it or its Subsidiaries for which adequate provision in accordance with GAAP has not been made on its accounts. Adequate provisions in accordance with GAAP for taxes on the books of the Company and each Subsidiary have been made for all open years, and for its current fiscal period.

Section 5.11. Approvals;. No authorization, consent, license, or exemption from, or filing or registration with, any court or governmental department, agency or instrumentality, nor any approval or consent of the stockholders of the Company or any other Person, is or will be necessary to the valid execution, delivery or performance by the Company of this Agreement or any other Loan Document.

Section 5.12. Affiliate Transactions. Neither the Company nor any Subsidiary is a party to any contracts or agreements with any of its Affiliates (other than with Wholly-Owned Subsidiaries) on terms and conditions which are less favorable to the Company or such Subsidiary than would be usual and customary in similar contracts or agreements between Persons not affiliated with each other.

Section 5.13. Investment Company; Public Utility Holding Company. Neither the Company nor any Subsidiary is an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended, or a "public utility holding company" within the meaning of the Public Utility Holding Company Act of 1935, as amended.

Section 5.14. ERISA. The Company and each other member of its Controlled Group has fulfilled its obligations under the minimum funding standards of and is in compliance in all material respects with ERISA and the Code to the extent applicable to it and has not incurred any liability to the PBGC or a Plan under Title IV of ERISA other than a liability to the PBGC for premiums under Section 4007 of ERISA. Neither the Company nor any Subsidiary has any contingent liabilities with respect to any post-retirement benefits under a Welfare Plan, other than liability for continuation coverage described in article 6 of Title I of ERISA.

Section 5.15. Compliance with Laws. The Company and its Subsidiaries each are in compliance with the requirements of all federal, state and local laws, rules and regulations applicable to or pertaining to their Properties or business operations (including, without limitation, the Occupational Safety and Health Act of 1970, the Americans with Disabilities Act of 1990, and laws and regulations establishing quality criteria and standards for air, water, land and toxic or hazardous wastes and substances), non-compliance with which could have a material adverse effect on the financial condition, Properties, business or operations of the Company or any Subsidiary. Neither the Company nor any Subsidiary has received notice to the effect that its operations are not in compliance with any of the requirements of applicable federal, state or local environmental, health and safety statutes and regulations or



any are the subject of governmental investigation evaluating whether any remedial action is needed to respond to a release of any toxic or hazardous waste or substance into the environment, which non-compliance or remedial action could have a material adverse effect on the financial condition, Properties, business or operations of the Company and its Subsidiaries, taken as a whole.

Section 5.16. Other Agreements. Neither the Company nor any Subsidiary is in default under the terms of any covenant, indenture or agreement of or affecting the Company, any Subsidiary or any of their Properties, which default if uncured would have a material adverse effect on the financial condition, Properties, business or operations of the Company and its Subsidiaries, taken as a whole.

Section 5.17. No Default. No Default or Event of Default has occurred and is continuing.

#### SECTION 6. CONDITIONS PRECEDENT.

The obligation of the Bank to make any Loan under this Agreement is subject to the following conditions precedent:

Section 6.1. All Advances. As of the time of the making of each Loan (including the initial Loan) hereunder:

(a) each of the representations and warranties set forth in Section 5 hereof and in the other Loan Documents shall be true and correct as of such time, except to the extent the same expressly relate to an earlier date;

(b) the Company shall be in full compliance with all of the terms and conditions of this Agreement and of the other Loan Documents, and no Default or Event of Default shall have occurred and be continuing or would occur as a result of making such Loan; and

(c) such Loan shall not violate any order, judgment or decree of any court or other authority or any provision of law or regulation applicable to the Bank (including, without limitation, Regulation U of the Board of Governors of the Federal Reserve System) as then in effect.

The Company's request for any Loan shall constitute its warranty as to the foregoing effects.

Section 6.2. Initial Advance. At or prior to the making of the initial Loan hereunder, the following conditions precedent shall also have been satisfied:

(a) the Bank shall have received the following (each to be properly executed and completed) and the same shall have been approved as to form and substance by the Bank:

(i) the Notes;

(ii) copies (executed or certified, as may be appropriate) of all legal documents or proceedings taken in connection with the execution and delivery of this Agreement and the other Loan Documents to the extent the Bank or its counsel may reasonably request;

(iii) an incumbency certificate containing the name, title and genuine signatures of each of the Company's Authorized Representatives;

(iv) evidence of insurance required by Section 7.4 hereof; and

(b) the Bank shall have received the initial fees called for hereby;

(c) the Bank shall have received such valuations and certifications as it may require in order to satisfy itself as to the financial condition of the Company and its Subsidiaries, and the lack of material contingent liabilities of the Company and its Subsidiaries;

(d) legal matters incident to the execution and delivery of this Agreement and the other Loan Documents and to the transactions contemplated hereby shall be satisfactory to the Bank and its counsel; and the Bank shall have received the favorable written opinion of counsel for the Company in form and substance satisfactory to the Bank and its counsel;

(e) the Bank shall have received a good standing certificate for the Company (dated as of the date no earlier than September 6, 1994) from the office of the secretary of state of the state of its incorporation; and

(f) such other agreements, instruments, documents, certificates and opinions as the Bank may reasonably request.

#### SECTION 7. COVENANTS.

The Company agrees that, so long as any credit is available to or in use by the Company hereunder, except to the extent compliance in any case or cases is waived in writing by the Bank:

Section 7.1. Maintenance of Business. The Company shall, and shall cause each Subsidiary to, preserve and maintain its existence. The Company shall, and shall cause each Subsidiary to, preserve and keep in force and effect all licenses, permits and franchises necessary to the proper conduct of its business. The foregoing to the contrary notwithstanding, this Section 7.1 shall not operate to prevent any merger or consolidation otherwise permitted by Section 7.11 hereof.

Section 7.2. Maintenance of Properties. The Company shall maintain, preserve and keep its property, plant and equipment in good repair, working order and condition (ordinary wear and tear excepted) and shall from time to time make all needful and proper repairs, renewals, replacements, additions and betterments thereto so that at all times the efficiency thereof shall be fully preserved and maintained (ordinary wear and tear excepted), and shall cause each Subsidiary to do so in respect of Property owned or used by it.

Section 7.3. Taxes and Assessments. The Company shall duly pay and discharge, and shall cause each Subsidiary to duly pay and discharge, all taxes, rates, assessments, fees and governmental charges upon or against it or its Properties, in each case before the same become delinquent and before penalties accrue thereon, unless and to the extent that the same are being contested in good faith and by appropriate proceedings which prevent enforcement of the matter under contest and adequate reserves are provided therefor.

Section 7.4. Insurance. The Company shall insure and keep insured, and shall cause each Subsidiary to insure and keep insured, with good and responsible insurance companies, all insurable Property owned by it which is of a character usually insured by Persons similarly situated and operating like Properties against loss or damage from such hazards and risks, and in such amounts, as are insured by Persons similarly situated and operating like Properties; and the Company shall insure, and shall cause each Subsidiary to insure, such other hazards and risks (including employers' and public liability risks) with good and responsible insurance companies as and to the extent usually insured by Persons similarly situated and conducting similar businesses. The Company shall upon request furnish to the Bank a certificate setting forth in summary form the nature and extent of the insurance maintained pursuant to this Section.

Section 7.5. Financial Reports. The Company shall, and shall cause each Subsidiary to, maintain a standard system of accounting in accordance with GAAP and shall furnish to the Bank and its duly authorized representatives such information respecting the business and financial condition of the Company and its Subsidiaries as the Bank may reasonably request; and without any request, shall furnish to the Bank:

(a) as soon as available, and in any event within sixty (60) days after the close of each quarterly accounting period of the Company, a copy of the consolidated balance sheet of the Company and its Subsidiaries as of the close of such period and the consolidated statements of income, retained earnings and cash flows of the Company and its Subsidiaries for such period, each in reasonable detail showing in comparative form the figures for the corresponding date and period in the previous fiscal year, prepared by the Company in accordance with GAAP (subject to year-end adjustment and provided that such balance sheet was prepared without footnotes) and certified to by the chief financial officer of the Company;

(b) as soon as available, and in any event within one hundred twenty (120) days after the close of each annual accounting period of the Company, a copy of the consolidated balance sheet of the Company and its Subsidiaries as of the close of

such period and the consolidated statements of income, retained earnings and cash flows of the Company and its Subsidiaries for such period, and accompanying notes thereto, each in reasonable detail showing in comparative form the figures for the previous fiscal year, accompanied by an opinion thereon of Blackman Kallick & Bartelstein or another firm of independent public accountants of recognized standing, selected by the Company and satisfactory to the Bank, to the effect that the consolidated financial statements have been prepared in accordance with GAAP and present fairly in accordance with GAAP the consolidated financial condition of the Company and its Subsidiaries as of the close of such fiscal year and the results of their operations and cash flows for the fiscal year then ended and that an examination of such accounts in connection with such financial statements has been made in accordance with generally accepted auditing standards and, accordingly, such examination included such tests of the accounting records and such other auditing procedures as were considered necessary in the circumstances;

(c) within the period provided in subsection (b) above, the written statement of the accountants who certified the audit report thereby required that in the course of their audit they have obtained no knowledge of any Default or Event of Default, or, if such accountants have obtained knowledge of any such Default or Event of Default, they shall disclose in such statement the nature and period of the existence thereof;

(d) promptly after the sending or filing thereof, copies of all proxy statements, financial statements and reports which the Company sends to its shareholders, and copies of all other regular, periodic and special reports and all registration statements which the Company files with the Securities and Exchange Commission of the United States or any successor thereto, or with any national securities exchange; and

(e) promptly after knowledge thereof shall have come to the attention of any responsible officer of the Company, written notice of any threatened or pending litigation or governmental proceeding or labor controversy against the Company or any Subsidiary which, if adversely determined, would adversely effect the financial condition, Properties, business or operations of the Company and its Subsidiaries, taken as a whole, or of the occurrence of any Default or Event of Default hereunder.

Each of the financial statements furnished to the Bank pursuant to subsections (b) and (c) of this Section shall be accompanied by a written certificate in the form attached hereto as Exhibit C signed by the chief financial officer of the Company to the effect that to the best of the chief financial officer's knowledge and belief no Default or Event of Default has occurred during the period covered by such statements or, if any such Default or Event of Default has occurred during such period, setting forth a description of such Default or Event of Default and specifying the action, if any, taken by the Company to remedy the same. Such certificate shall also set forth the calculations supporting such statements in respect of Sections 7.7 and 7.8 of this Agreement.

Section 7.6. Inspection. The Company shall, and shall cause each Subsidiary to, permit the Bank and its duly authorized representatives and agents, at the Bank's expense, to visit and inspect any of the Properties, corporate books and financial records of the Company and each Subsidiary, to examine and make copies of the books of accounts and other financial records of the Company and each Subsidiary, and to discuss the affairs, finances and accounts of the Company and each Subsidiary with, and to be advised as to the same by, its officers and independent public accountants (and by this provision the Company hereby authorizes such accountants to discuss with the Bank the finances and affairs of the Company and of each Subsidiary) at such reasonable times and reasonable intervals as the Bank may designate; provided, however, that in the absence of any Default or Event of Default, there shall be no more than one such inspection per calendar year.

Section 7.7. Tangible Net Worth. The Company will at all times maintain Tangible Net Worth at not less than the Minimum Required Amount. For purposes of this Section 7.7, the term "Minimum Required Amount" shall mean \$50,000,000 for the period from the date hereof through and including July 30, 1995 and shall increase as of July 31, 1995 and as of the last day of each July occurring thereafter by an amount equal to 25% of Net Income (but only if positive) for the fiscal year then ended.

Section 7.8. Leverage Ratio. The Company will at all times maintain a ratio of Total Liabilities to Tangible Net Worth of not more than 1.0 to 1.0.

Section 7.9. Liens. The Company shall not, nor shall it permit any Subsidiary to, create, incur or permit to exist any Lien of any kind on any Property owned by the Company or any Subsidiary; provided, however, that this Section shall not apply to nor operate to prevent:

(a) Liens arising by statute in connection with worker's compensation, unemployment insurance, old age benefits, social security obligations, taxes, assessments, statutory obligations or other similar charges, good faith cash deposits in connection with tenders, contracts or leases to which the Company or any Subsidiary is a party or other cash deposits required to be made in the ordinary course of business, provided in each case that the obligation is not for borrowed money and that the obligation secured is not overdue or, if overdue, is being contested in good faith by appropriate proceedings which prevent enforcement of the matter under contest and adequate reserves have been established therefor;

(b) mechanics', workmen's, materialmen's, landlords', carriers', or other similar Liens arising in the ordinary course of business with respect to obligations which are not due or which are being contested in good faith by appropriate proceedings which prevent enforcement of the matter under contest;

(c) the pledge of assets for the purpose of securing an appeal, stay or discharge in the course of any legal proceeding, provided that the aggregate amount of liabilities of the Company and its Subsidiaries secured by a pledge of assets permitted

under this subsection, including interest and penalties thereon, if any, shall not be in excess of \$5,000,000 at any one time outstanding;

(d) Liens on property of the Company or any of its Subsidiaries created solely for the purpose of securing purchase money, indebtedness and Capitalized Lease Obligations, representing or incurred to finance, refinance or refund the purchase price of Property, provided that no such Lien shall extend to or cover other Property of the Company or such Subsidiary other than the respective Property so acquired, and the principal amount of indebtedness secured by any such Lien shall at no time exceed the original purchase price of such Property; and

(e) Liens on property of the Company securing currently outstanding obligations of the Company in respect of those certain Town of Blue Mountain, Mississippi Variable/Fixed Rate \$2,500,000 Industrial Development Revenue Bonds dated October 1, 1988.

Section 7.10. Investments, Loans, Advances and Guaranties;. The Company shall not, nor shall it permit any Subsidiary to, directly or indirectly, make, retain or have outstanding any investments (whether through purchase of stock or obligations or otherwise) in, or loans or advances (other than for travel advances and other similar cash advances made to employees in the ordinary course of business) to, any other Person, or be or become liable as endorser, guarantor, surety or otherwise for any debt, obligation or undertaking of any other Person, or otherwise agree to provide funds for payment of the obligations of another, or supply funds thereto or invest therein or otherwise assure a creditor of another against loss, or apply for or become liable to the issuer of a letter of credit which supports an obligation of another, or subordinate any claim or demand it may have to the claim or demand of any other Person; provided, however, that the foregoing provisions shall not apply to nor operate to prevent:

(a) investments in direct obligations of the United States of America or of any agency or instrumentality thereof whose obligations constitute full faith and credit obligations of the United States of America, provided that any such obligations shall mature within one year of the date of issuance thereof;

(b) investments in commercial paper rated at least P-1 by Moody's Investors Services, Inc. and at least A-1 by Standard & Poor's Corporation maturing within 270 days of the date of issuance thereof;

(c) investments in certificates of deposit issued by any United States commercial bank having capital and surplus of not less than \$100,000,000 which have a maturity of one year or less;

(d) endorsement of items for deposit or collection of commercial paper received in the ordinary course of business;

(e) equity investments in Subsidiaries; and

(f) investments, loans, advances and guaranties not otherwise permitted by this Section 7.10, provided that the aggregate amount of all such investments, loans, advances and guaranties permitted by this Section 7.10(f) does not at any time exceed an amount equal to 15% of tangible Net Worth as then determined and computed.

In determining the amount of investments, acquisitions, loans, advances and guarantees permitted under this Section, investments and acquisitions shall always be taken at the original cost thereof (regardless of any subsequent appreciation or depreciation therein), loans and advances shall be taken at the principal amount thereof then remaining unpaid, and guarantees shall be taken at the amount of obligations guaranteed thereby.

Section 7.11. Mergers, Consolidations and Sales. The Company shall not, nor shall it permit any Subsidiary to, be a party to any merger or consolidation, or sell, transfer, lease or otherwise dispose of all or any substantial part of its Property (excluding any disposition of Property as part of a sale and leaseback transaction) or in any event sell or discount (with or without recourse) any of its notes or accounts receivable; provided, however, that this Section shall not apply to nor prohibit:

(a) the merger or consolidation of any Subsidiary with or into the Company or any other Subsidiary (including any corporation which, after giving effect to such transaction, will become a Subsidiary) so long as in any merger or consolidation involving the Company, the Company shall be the surviving or continuing corporation and in any merger or consolidation not involving the Company, a Subsidiary shall be the surviving or continuing corporation;

(b) the merger or consolidation of the Company with or into any other corporation if the Company shall be the surviving or continuing corporation and at the time of such consolidation or merger and after giving effect thereto no Default or Event of Default shall have occurred and be continuing; and

(c) the sale, lease or other disposition by any Subsidiary of all or any substantial part of its assets to the Company or any other Subsidiary.

The term "substantial" as used herein shall mean the sale, transfer, lease or other disposition of 20% of the total assets of the Company.

Section 7.12. Maintenance of Subsidiaries. The Company shall not assign, sell or transfer, or permit any Subsidiary to issue, assign, sell or transfer, any shares of capital stock of a Subsidiary; provided that the foregoing shall not operate to prevent the issuance, sale and transfer to any person of any shares of capital stock of a Subsidiary solely for the purpose of qualifying, and to the extent legally necessary to qualify, such person as a director of such Subsidiary; further, provided, however, that this Section 7.12 shall not operate to prevent any transaction otherwise permitted by Section 7.11 hereof.

Section 7.13. ERISA. The Company shall, and shall cause each Subsidiary to, promptly pay and discharge all obligations and liabilities arising under ERISA of a character

which if unpaid or unperformed might result in the imposition of a Lien against any of its Properties. The Company shall, and shall cause each Subsidiary to, promptly notify the Bank of (i) the occurrence of any reportable event (as defined in ERISA) with respect to a Plan, (ii) receipt of any notice from the PBGC of its intention to seek termination of any Plan or appointment of a trustee therefor, (iii) its intention to terminate or withdraw from any Plan, and (iv) the occurrence of any event with respect to any Plan which would result in the incurrence by the Company or any Subsidiary of any material liability, fine or penalty, or any material increase in the contingent liability of the Company or any Subsidiary with respect to any post-retirement Welfare Plan benefit.

Section 7.14. Compliance with Laws. The Company shall, and shall cause each Subsidiary to, comply in all respects with the requirements of all federal, state and local laws, rules, regulations, ordinances and orders applicable to or pertaining to their Properties or business operations, non-compliance with which could have a material adverse effect on the financial condition, Properties, business or operations of the Company and its Subsidiaries, taken as a whole, or could result in a Lien upon any of their Property, which Lien is not otherwise permitted by Section 7.9 hereof.

Section 7.15. Burdensome Contracts With Affiliates. The Company shall not, nor shall it permit any Subsidiary to, enter into any contract, agreement or business arrangement with any of its Affiliates (other than with Wholly-Owned Subsidiaries) on terms and conditions which are less favorable to the Company or such Subsidiary than would be usual and customary in similar contracts, agreements or business arrangements between Persons not affiliated with each other.

Section 7.16. Change in the Nature of Business. The Company shall not, and shall not permit any Subsidiary to, engage in any business or activity if, as a result, the general nature of the business of the Company and its Subsidiaries, taken as a whole, would be changed in any material respect from the general nature of the business engaged in by the Company and its Subsidiaries on the date of this Agreement. While the Company (and its Board of Directors) cannot assure continued voting control of the Company by Richard M. Jaffee and Robert D. Jaffee and their families, the Company recognizes the Bank's strong preference that they and their families retain such voting control. The Bank acknowledges that a change in voting control of the Company shall not constitute a default under this Section 7.16.

#### SECTION 8. EVENTS OF DEFAULT AND REMEDIES.

Section 8.1. Events of Default. Any one or more of the following shall constitute an "Event of Default" hereunder:

- (a) default for a period of five days in the payment when due of all or any part of the principal of or interest on any Note (whether at the stated maturity thereof or at any other time provided for in this Agreement) or of any fee or other Obligation payable by the Company hereunder; or



(b) default in the observance or performance of any covenant set forth in Sections 7.6, 7.7, 7.8, 7.10, 7.11 or 7.12 hereof which is not remedied within five days after the earlier of (i) the date on which such failure shall first become known to any officer of the Company or (ii) written notice thereof is given to the Company by the Bank; or

(c) default in the observance or performance of any other provision hereof which is not remedied within thirty (30) days after the earlier of (i) the date on which such failure shall first become known to any officer of the Company or (ii) written notice thereof is given to the Company by the Bank; or

(d) any representation or warranty made by the Company herein or in any statement or certificate furnished by it pursuant hereto, or in connection with any Loan made hereunder, proves untrue in any material respect as of the date of the issuance or making thereof; or

(e) default shall occur under any evidence of Indebtedness for Borrowed Money issued, assumed or guaranteed by the Company or any Subsidiary aggregating in excess of \$1,000,000 or under any indenture, agreement or other instrument under which the same may be issued, and such default shall continue for a period of time sufficient to permit the acceleration of the maturity of any such Indebtedness for Borrowed Money (whether or not such maturity is in fact accelerated) or any such Indebtedness for Borrowed Money shall not be paid when due (whether by lapse of time, acceleration or otherwise); or

(f) any judgment or judgments, writ or writs, or warrant or warrants of attachment, or any similar process or processes in an aggregate amount in excess of \$1,000,000 shall be entered or filed against the Company or any Subsidiary or against any of their Property and which remains unvacated, unbonded, unstayed or unsatisfied for a period of thirty (30) days; or

(g) the Company or any member of its Controlled Group shall fail to pay when due an amount or amounts aggregating in excess \$5,000,000 which it shall have become liable to pay to the PBGC or to a Plan under Title IV of ERISA; or notice of intent to terminate a Plan or Plans having aggregate unfunded Vested Liabilities in excess of \$5,000,000 (collectively, a "Material Plan") shall be filed under Title IV of ERISA by the Company or any other member of its Controlled Group, any plan administrator or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate or to cause a trustee to be appointed to administer any Material Plan or a proceeding shall be instituted by a fiduciary of any Material Plan against the Company or any member of its Controlled Group to enforce Section 515 or 4219(c)(5) of ERISA and such proceeding shall not have been dismissed within thirty (30) days thereafter; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any Material Plan must be terminated; or

(h) dissolution or termination of the existence of (i) the Company or (ii) to the extent not otherwise permitted by Section 7.11 hereof, any Subsidiary; or

(i) the Company or any Subsidiary shall (i) have entered involuntarily against it an order for relief under the United States Bankruptcy Code, as amended, (ii) not pay, or admit in writing its inability to pay, its debts generally as they become due, (iii) make an assignment for the benefit of creditors, (iv) apply for, seek, consent to, or acquiesce in, the appointment of a receiver, custodian, trustee, examiner, liquidator or similar official for it or any substantial part of its Property, (v) institute any proceeding seeking to have entered against it an order for relief under the United States Bankruptcy Code, as amended, to adjudicate it insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fail to file an answer or other pleading denying the material allegations of any such proceeding filed against it, or (vi) fail to contest in good faith any appointment or proceeding described in Section 8.1(j) hereof; or

(j) a custodian, receiver, trustee, examiner, liquidator or similar official shall be appointed for the Company or any Subsidiary or any substantial part of any of their Property, or a proceeding described in Section 8.1(i)(v) shall be instituted against the Company or any Subsidiary, and such appointment continues undischarged or such proceeding continues undismitted or unstayed for a period of sixty (60) days.

Section 8.2. Non-Bankruptcy Defaults. When any Event of Default described in subsection (a) through (h), both inclusive, of Section 8.1 has occurred and is continuing, the Bank may, by notice to the Company, take one or more of the following actions:

(a) terminate the obligation of the Bank to extend any further credit hereunder on the date (which may be the date thereof) stated in such notice;

(b) declare the principal of and the accrued interest on the Notes to be forthwith due and payable and thereupon the Notes, including both principal and interest and all fees, charges and other Obligations payable hereunder, shall be and become immediately due and payable without further demand, presentment, protest or notice of any kind; and

(c) enforce any and all rights and remedies available to it under the Loan Documents or applicable law.

Section 8.3. Bankruptcy Defaults. When any Event of Default described in subsection (i) or (j) of Section 8.1 has occurred and is continuing, then the Notes, including both principal and interest, and all fees, charges and other Obligations payable hereunder, shall immediately become due and payable without presentment, demand, protest or notice of any kind, and the obligation of the Bank to extend further credit pursuant to any of the terms hereof shall immediately terminate. In addition, the Bank may exercise any and all remedies available to it under the Loan Documents or applicable law.

## SECTION 9. MISCELLANEOUS.

Section 9.1. Holidays. If any payment hereunder becomes due and payable on a day which is not a Business Day, the due date of such payment shall be extended to the next succeeding Business Day on which date such payment shall be due and payable. In the case of any payment of principal falling due on a day which is not a Business Day, interest on such principal amount shall continue to accrue during such extension at the rate per annum then in effect, which accrued amount shall be due and payable on the next scheduled date for the payment of interest.

Section 9.2. No Waiver, Cumulative Remedies. No delay or failure on the part of the Bank or on the part of the holder of the Obligations in the exercise of any power or right shall operate as a waiver thereof or as an acquiescence in any default, nor shall any single or partial exercise of any power or right preclude any other or further exercise thereof or the exercise of any other power or right. The rights and remedies hereunder of the Bank and of the holder of the Obligations are cumulative to, and not exclusive of, any rights or remedies which any of them would otherwise have.

Section 9.3. Amendments, Etc. No amendment, modification, termination or waiver of any provision of this Agreement or of any other Loan Document, nor consent to any departure by the Company therefrom, shall in any event be effective unless the same shall be in writing and signed by the Bank. No notice to or demand on the Company in any case shall entitle the Company to any other or further notice or demand in similar or other circumstances.

Section 9.4. Costs and Expenses. The Company agrees to pay on demand the costs and expenses of the Bank in connection with the negotiation, preparation, execution and delivery of this Agreement, the other Loan Documents and the other instruments and documents to be delivered hereunder or thereunder, and in connection with the transactions contemplated hereby or thereby, and in connection with any consents hereunder or waivers or amendments hereto or thereto, including the reasonable fees and expenses of Messrs. Chapman and Cutler, counsel for the Bank, with respect to all of the foregoing (whether or not the transactions contemplated hereby are consummated). In addition, at the time of requesting any amendment hereof or consent or waiver hereunder, the Company must negotiate with the Bank a fee to the Bank for engaging in and documenting any such action. The Company further agrees to pay to the Bank or any other holder of the Obligations all costs and expenses (including court costs and reasonable attorneys' fees), if any, incurred or paid by the Bank or any other holder of the Obligations in connection with any Default or Event of Default or in connection with the enforcement of this Agreement or any of the other Loan Documents or any other instrument or document delivered hereunder or thereunder. The obligations of the Company under this Section shall survive the termination of this Agreement.

Section 9.5. Documentary Taxes. The Company agrees to pay on demand any documentary, stamp or similar taxes payable in respect of this Agreement or any other Loan Document, including interest and penalties, in the event any such taxes are assessed,

irrespective of when such assessment is made and whether or not any credit is then in use or available hereunder.

Section 9.6. Survival of Representations. All representations and warranties made herein or in any of the other Loan Documents or in certificates given pursuant hereto or thereto shall survive the execution and delivery of this Agreement and the other Loan Documents, and shall continue in full force and effect with respect to the date as of which they were made as long as any credit is in use or available hereunder.

Section 9.7. Survival of Indemnities. All indemnities and other provisions relative to reimbursement to the Bank of amounts sufficient to protect the yield of the Bank with respect to the Loans, including, but not limited to, Sections 2.6 and 2.7 hereof, shall survive the termination of this Agreement and the payment of the Notes.

Section 9.8. Notices. Except as otherwise specified herein, all notices hereunder shall be in writing (including cable, telecopy or telex) and shall be given to the relevant party at its address, telecopier number or telex number set forth below, or such other address, telecopier number or telex number as such party may hereafter specify by notice to the other given by United States certified or registered mail, by telecopy or by other telecommunication device capable of creating a written record of such notice and its receipt. Notices hereunder shall be addressed:

to the Company at:  
Oil-Dri Corporation of America  
410 North Michigan Avenue  
Suite 400  
Chicago, Illinois 60611  
Attention: Treasurer  
Telephone: (312) 321-1515  
Telecopy: (312) 321-1271

with a copy to:  
Sonnenschien, Nath & Rosenthal  
8000 Sears Tower  
Chicago, Illinois 60606  
Attention: Paul J. Miller, Esq.  
Telephone: (312) 876-8064  
Telecopy: (312) 876-7934

to the Bank at:  
 Harris Trust and Savings Bank  
 P.O. Box 755  
 111 West Monroe Street  
 Chicago, Illinois 60690  
 Attention: Division E, Mr. Daniel J. Gresla  
 Telephone: (312) 461-2735  
 Telecopy: (312) 461-2591  
 Telex: 254157

Each such notice, request or other communication shall be effective (i) if given by telecopier, when such telecopy is transmitted to the telecopier number specified in this Section and a confirmation of such telecopy has been received by the sender, (ii) if given by telex, when such telex is transmitted to the telex number specified in this Section and the answer back is received by sender, (iii) if given by mail, five (5) days after such communication is deposited in the mail, certified or registered with return receipt requested, addressed as aforesaid or (iv) if given by any other means, when delivered at the addresses specified in this Section; provided that any notice given pursuant to Section 1 or Section 2 hereof shall be effective only upon receipt.

SECTION 9.9. PERSONAL JURISDICTION.

(A) EXCLUSIVE JURISDICTION. EXCEPT AS PROVIDED IN SUBSECTION (B), THE COMPANY AND THE BANK AGREE THAT ALL DISPUTES BETWEEN THEM ARISING OUT OF, CONNECTED WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED BETWEEN THEM IN CONNECTION WITH THIS AGREEMENT, AND WHETHER ARISING IN CONTRACT, TORT, EQUITY, OR OTHERWISE, SHALL BE RESOLVED ONLY BY STATE OR FEDERAL COURTS LOCATED IN COOK COUNTY, ILLINOIS, BUT EACH OF THE COMPANY AND THE BANK ACKNOWLEDGE THAT ANY APPEALS FROM THOSE COURTS MAY HAVE TO BE HEARD BY A COURT LOCATED OUTSIDE OF COOK COUNTY, ILLINOIS. THE COMPANY AND THE BANK EACH WAIVE IN ALL DISPUTES ANY OBJECTION THAT EACH MAY HAVE TO THE LOCATION OF THE COURT CONSIDERING THE DISPUTE.

(B) OTHER JURISDICTIONS. THE COMPANY AGREES THAT THE BANK SHALL HAVE THE RIGHT TO PROCEED AGAINST THE COMPANY OR ITS PROPERTY IN A COURT IN ANY LOCATION TO ENABLE THE BANK TO REALIZE ON SUCH PROPERTY, OR TO ENFORCE A JUDGMENT OR OTHER COURT ORDER ENTERED IN FAVOR OF THE BANK. THE COMPANY AGREES THAT IT SHALL NOT ASSERT ANY PERMISSIVE COUNTERCLAIMS IN ANY PROCEEDING BROUGHT IN ACCORDANCE WITH THIS PROVISION BY THE BANK TO REALIZE ON SUCH PROPERTY, OR TO ENFORCE A JUDGMENT OR OTHER COURT ORDER IN FAVOR OF THE BANK. THE COMPANY WAIVES ANY OBJECTION THAT IT MAY HAVE TO THE LOCATION OF THE COURT IN WHICH THE BANK HAS COMMENCED A PROCEEDING DESCRIBED IN THIS SUBSECTION.

SECTION 9.10. WAIVER OF JURY TRIAL. THE COMPANY AND THE BANK EACH WAIVE ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, BETWEEN THE BANK AND THE COMPANY ARISING OUT OF, CONNECTED WITH, RELATED TO OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED BETWEEN THEM IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION THEREWITH OR THE TRANSACTIONS RELATED THERETO. THE COMPANY AND THE BANK EACH HEREBY AGREE AND CONSENT THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY AND THAT ANY OF THEM MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

Section 9.11. Construction. The parties hereto acknowledge and agree that this Agreement and the other Loan Documents shall not be construed more favorably in favor of one than the other based upon which party drafted the same, it being acknowledged that all parties hereto contributed substantially to the negotiation of this Agreement and the other Loan Documents.

Section 9.12. Headings. Section headings used in this Agreement are for convenience of reference only and are not a part of this Agreement for any other purpose.

Section 9.13. Severability of Provisions. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

Section 9.14. Counterparts;. This Agreement may be executed in any number of counterparts, and by different parties hereto on separate counterpart signature pages, and all such counterparts taken together shall be deemed to constitute one and the same instrument.

Section 9.15. Binding Nature, Governing Law, Etc; This Agreement shall be binding upon the Company and its permitted successors and assigns, and shall inure to the benefit of the Bank and the benefit of its permitted successors and assigns, including any subsequent holder of the Obligations. THIS AGREEMENT AND THE RIGHTS AND DUTIES OF THE PARTIES HERETO SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF ILLINOIS WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS. This Agreement constitutes the entire understanding of the parties with respect to the subject matter hereof and any prior agreements, whether written or oral, with respect thereto are superseded hereby. Neither the Company nor the Bank may assign its rights hereunder without the written consent of the other party.

Upon your acceptance hereof in the manner hereinafter set forth, this Agreement shall constitute a contract between us for the uses and purposes hereinabove set forth.

Dated as of this 21st day of September, 1994.

OIL-DRI CORPORATION OF AMERICA

By /s/ Daniel S. Jaffee  
Daniel S. Jaffee  
Its Group Vice President

Accepted and agreed to at Chicago, Illinois as of the day and year last above written.

HARRIS TRUST AND SAVINGS BANK

By /s/ David J. Gil  
Its Vice President

EXHIBIT A  
OIL-DRI CORPORATION OF AMERICA  
REVOLVING CREDIT NOTE

Chicago, Illinois  
September 21, 1994

\$5,000,000

On the Termination Date, for value received, the undersigned, Oil- Dri Corporation of America, a Delaware corporation (the "Company"), hereby promises to pay to the order of Harris Trust and Savings Bank (the "Bank") at its office at 111 West Monroe Street, Chicago, Illinois, the principal sum of Five Million and no/100 Dollars (\$5,000,000), or (ii) such lesser amount as may at the time of the maturity hereof, whether by acceleration or otherwise, be the aggregate unpaid principal amount of all Loans owing from the Company to the Bank under the Revolving Credit provided for in the Credit Agreement hereinafter mentioned.

This Note evidences Loans made or to be made to the Company by the Bank under the Revolving Credit provided for under that certain Credit Agreement dated as of September 21, 1994 between the Company and the Bank (said Credit Agreement, as the same may be amended, modified or restated from time to time, being referred to herein as the "Credit Agreement") and the Company hereby promises to pay interest at the office described above on such Loans evidenced hereby at the rates and at the times and in the manner specified therefor in the Credit Agreement.

Each Loan made under the Revolving Credit against this Note, any repayment of principal hereon, the status of each such Loan from time to time as part of the Domestic Rate Portion or a LIBOR Portion and, in the case of a LIBOR Portion, the interest rate and Interest Period applicable thereto shall be endorsed by the holder hereof on a schedule to this Note or recorded on the books and records of the holder hereof (provided that such entries shall be endorsed on a schedule to this Note prior to any negotiation hereof). The Company agrees that in any action or proceeding instituted to collect or enforce collection of this Note, the entries endorsed on a schedule to this Note or recorded on the books and records of the holder hereof shall be prima facie evidence of the unpaid principal balance of this Note, the status of each such Loan from time to time as part of the Domestic Rate Portion or a LIBOR Portion and, in the case of any LIBOR Portion, the interest rate and Interest Period applicable thereto.

This Note is issued by the Company under the terms and provisions of the Credit Agreement, and this Note and the holder hereof are entitled to all of the benefits provided for thereby or referred to therein, to which reference is hereby made for a statement thereof. This Note may be declared to be, or be and become, due prior to its expressed maturity and voluntary prepayments may be made hereon, all in the events, on the terms and with the effects provided in the Credit Agreement. All capitalized terms used herein without



definition shall have the same meanings herein as such terms are defined in the Credit Agreement.

THIS NOTE SHALL BE CONSTRUED IN ACCORDANCE WITH, AND GOVERNED BY, THE INTERNAL LAWS OF THE STATE OF ILLINOIS WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS.

The Company hereby promises to pay all costs and expenses (including reasonable attorneys' fees) suffered or incurred by the holder hereof in collecting this Note or enforcing any rights in any collateral therefor. The Company hereby waives presentment for payment and demand.

OIL-DRI CORPORATION OF AMERICA

By  
Daniel S. Jaffee  
Its Group Vice President

EXHIBIT B  
OIL-DRI CORPORATION OF AMERICA  
TERM LOAN NOTE

Chicago, Illinois  
September 21, 1994

\$5,000,000

FOR VALUE RECEIVED, Oil-Dri Corporation of America, a Delaware corporation (the "Company"), promises to pay to the order of Harris Trust and Savings Bank (the "Bank"), at its office at 111 West Monroe Street, Chicago, Illinois, the principal sum of Five Million Dollars (\$5,000,000), in six installments due on the following dates in the amounts set forth below:

INSTALLMENT DUE ON -----	IS IN THE AMOUNT OF -----
June 20, 1996	\$ 500,000
June 21, 1999	\$ 1,950,000
June 20, 2000	\$ 900,000
June 20, 2001	\$ 650,000
June 20, 2002	\$ 650,000
June 20, 2003	\$ 350,000

The Company promises to pay interest (computed on the basis of a year of 360 days for the actual number of days elapsed) at said office on the balance of principal remaining from time to time unpaid hereon at the rate per annum equal to 7.78% on the last day of each March, June, September and December in each year (commencing September 30, 1994) and on the final maturity date of this Note. On demand, the Company promises to pay interest on any overdue principal hereof (whether by lapse of time, acceleration or otherwise) until paid at the rate per annum equal to 10.78%.

This Note is issued under the terms and provisions of that certain Credit Agreement dated as of even date herewith by and between the Company and the Bank (the "Credit Agreement"), and this Note and the holder hereof are entitled to all of the benefits provided for by the Credit Agreement or referred to therein, to which Credit Agreement reference is hereby made for a statement thereof. The principal installments and interest hereon may be declared due prior to their expressed maturities and voluntary prepayments may be made hereon by the Company, all as specified in the Credit Agreement.

If the Company prepays any principal amount of this Note before its scheduled due date (whether as the result of an acceleration, voluntary prepayment, or otherwise), the Company shall pay to the Bank a funding indemnity equal to the cost to the Bank of then acquiring an interest rate swap agreement (or an equivalent instrument or instruments) with another interest rate swap dealer of the highest credit standing in a notional principal amount equal to the amount of such prepayment (including any scheduled amortization of such

amount) to the scheduled due date of such prepaid principal amount under which the Bank would pay quarter-annually a floating rate of interest based upon three month LIBOR (i.e., the London interbank offered rate) and such other dealer would pay to the Bank on the regularly scheduled interest payment dates for this Note a fixed rate of interest equal to the interest rate on this Note.

This Note is issued in substitution and replacement for, and evidences the indebtedness previously evidenced by, that certain Promissory Note of the Company dated April 20, 1994 payable to the order of the Bank in the face principal amount of \$5,000,000 (the "Present Note"). Upon the execution and delivery to the Bank of this Note, the Present Note shall be deemed cancelled without further action by the Company or the Bank.

This Note shall be governed by, and construed in accordance with, the laws of the State of Illinois. The Company promises to pay all costs and expenses (including reasonable attorneys' fees) suffered or incurred by the holder hereof in collecting this Note or enforcing any rights in any collateral therefor. The Company hereby waives presentment for payment and demand.

OIL-DRI CORPORATION OF AMERICA

By

Daniel S. Jaffee  
Its Group Vice President

Exhibit C

COMPLIANCE CERTIFICATE

This Compliance Certificate is furnished to Harris Trust and Savings Bank (the "Bank") pursuant to that certain Credit Agreement dated as of September 21, 1994, by and between Oil-Dri Corporation of America (the "Company") and the Bank (the "Credit Agreement"). Unless otherwise defined herein, the terms used in this Compliance Certificate have the meanings ascribed thereto in the Credit Agreement.

THE UNDERSIGNED HEREBY CERTIFIES THAT:

1. I am the duly elected \_\_\_\_\_ of the Company;

2. I have reviewed the terms of the Credit Agreement and I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of the Company and its Subsidiaries during the accounting period covered by the attached financial statements;

3. The examinations described in paragraph 2 did not disclose, and I have no knowledge of, the existence of any condition or the occurrence of any event which constitutes a Default or Event of Default during or at the end of the accounting period covered by the attached financial statements or as of the date of this Certificate, except as set forth below;

4. The financial statements required by Section 7.5 of the Credit Agreement and being furnished to you concurrently with this certificate are, to the best of my knowledge, true, correct and complete as of the dates and for the periods covered thereby; and

5. The Attachment hereto sets forth financial data and computations evidencing the Company's compliance with certain covenants of the Credit Agreement, all of which data and computations are, to the best of my knowledge, true, complete and correct and have been made in accordance with the relevant Sections of the Credit Agreement.

Described below are the exceptions, if any, to paragraph 3 by listing, in detail, the nature of the condition or event, the period during which it has existed and the action which the Company has taken, is taking, or proposes to take with respect to each such condition or event:

\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

The foregoing certifications, together with the computations set forth in the Attachment hereto and the financial statements delivered with this Certificate in support hereof, are made and delivered this \_\_\_\_\_ day of \_\_\_\_\_ 19\_\_\_\_.

\_\_\_\_\_  
(Type or Print Name) / (Title)

ATTACHMENT TO COMPLIANCE CERTIFICATE  
OIL-DRI CORPORATION OF AMERICA

Compliance Calculations for Credit Agreement  
Dated as of September 21, 1994  
Calculations as of \_\_\_\_\_, 19\_\_

A. TANGIBLE NET WORTH (SECTION 7.7)

- |    |  |                 |
|----|--|-----------------|
| 1. | Total shareholder's equity Less  | -----           |
|    | (a) Notes receivable in excess<br>of \$1,000,000 from<br>officers and employees                            | -----           |
|    | (b) Intangible assets  | -----           |
|    | (c) Write-up of assets above cost  | -----           |
| 2. | Line 1 minus Lines (a), (b) and (c)<br>("Tangible Net Worth")  | -----           |
| 3. | As listed in Section 7.7, for the<br>date of this Certificate, Tangible<br>Net Worth must not be less than | \$<br>-----     |
| 4. | Company is in compliance? (Circle yes or no)   | Yes/No<br>===== |

B. LEVERAGE RATIO (SECTION 7.8)

- |    |  |                 |
|----|--|-----------------|
| 1. | Total Liabilities as defined   | -----           |
| 2. | Tangible Net Worth<br>(from Line A2 above)   | -----           |
| 3. | Ratio of Total Liabilities (Line 1)<br>to Tangible Net Worth (Line 2)<br>("Leverage Ratio")                    | :1<br>=====     |
| 4. | As listed in Section 7.8, for the<br>date of this Certificate, the Leverage<br>Ratio shall not be greater than | 1.0:1<br>=====  |
| 5. | Company is in compliance?<br>(Circle yes or no)  | Yes/No<br>===== |

## SCHEDULE 5.2

## SUBSIDIARIES

NAME	JURISDICTION OF INCORPORATION	PERCENTAGE OWNERSHIP
Oil-Dri Corporation of Georgia	Georgia	100%
Oil-Dri Production Company	Mississippi	100%
Oil-Dri Transportation Co.	Delaware	100%
Oil-Dri (U.K.) Limited	United Kingdom	100%
Oil-Dri S.A.	Switzerland	100%
Favorite Products Company, Ltd.	Canada	100%
Blue Mountain Production Company	Mississippi	100% (by Favorite Products)
Ochlocknee Holding Co., S.A.	Spain	100%
Ochlocknee Mining Co., S.A.	Spain	100%

## OIL-DRI CORPORATION OF AMERICA AND SUBSIDIARIES

Computation of Weighted Average  
Number of Shares Outstanding

Year Ended	Period	Number of Days	Number of Shares Outstanding*	Weighted Shares	Average Shares (Weighted Shares/ Number of Days) as Adjusted
July 31, 1994	08/01/93 to 08/02/93	2	6,991,285	13,982,570	
	08/03/93 to 08/11/93	9	6,991,285	62,921,565	
	08/12/93 to 08/15/93	4	6,993,827	27,975,308	
	08/16/93 to 08/23/93	8	6,993,827	55,950,616	
	08/24/93 to 09/02/93	10	6,995,174	69,951,740	
	09/03/94 to 09/14/93	12	6,995,638	83,947,656	
	09/15/93 to 09/19/93	5	6,996,416	34,982,080	
	09/20/93 to 09/21/93	2	6,997,041	13,994,082	
	09/22/93 to 09/29/93	8	6,998,121	55,984,968	
	09/30/93 to 10/03/93	4	6,993,121	27,972,484	
	10/04/93 to 10/17/93	14	6,988,121	97,833,694	
	10/18/93 to 10/18/93	1	6,983,121	6,983,121	
	10/19/93 to 10/24/93	6	6,978,121	41,868,726	
	10/25/93 to 10/28/93	4	6,978,972	27,915,888	
	10/29/93 to 10/31/93	3	6,980,823	20,942,469	
	11/01/93 to 11/02/93	2	6,980,821	13,961,642	
	11/03/93 to 11/03/93	1	6,980,871	6,980,871	
	11/04/93 to 11/08/93	5	6,981,827	34,909,135	
	11/09/93 to 11/22/93	14	6,983,722	97,772,108	
	11/23/93 to 11/26/93	4	6,983,872	27,935,488	
	11/27/93 to 11/28/93	2	6,984,316	13,968,632	
	11/29/93 to 11/29/93	1	6,988,551	6,988,551	
	11/30/93 to 12/02/93	3	6,993,160	20,979,480	
	12/03/93 to 01/06/94	35	6,994,198	244,796,930	
	01/07/94 to 01/09/94	3	6,995,338	20,986,014	
	01/10/94 to 01/23/94	14	6,997,473	97,964,622	
	01/24/94 to 03/21/94	57	6,998,285	398,902,245	
	03/22/94 to 04/30/94	43	6,999,966	300,998,538	
	05/04/94 to 05/30/94	27	6,999,966	188,999,082	
	05/31/94 to 05/31/94	1	6,999,066	6,999,066	
	06/01/94 to 06/06/94	6	6,997,866	41,987,196	
	06/07/94 to 06/07/94	1	6,996,666	6,996,666	
	06/08/94 to 06/08/94	1	6,996,466	6,996,466	
	06/09/94 to 06/13/94	5	6,983,466	34,917,330	
	06/14/94 to 06/14/94	1	6,976,866	6,976,866	

EXHIBIT 11



## OIL-DRI CORPORATION OF AMERICA AND SUBSIDIARIES

Computation of Weighted Average  
Number of Shares Outstanding

Year Ended	Period	Number of Days	Number of Shares Outstanding*	Weighted Shares	Average Shares (Weighted Shares/ Number of Days) as Adjusted
July 31, 1994 (cont'd.)	06/15/94 to 06/20/94	6	6,971,666	41,829,996	
	06/21/94 to 07/10/94	20	6,971,822	139,436,440	
	07/11/94 to 07/13/94	3	6,961,822	20,885,466	
	07/14/94 to 07/31/94	18	6,951,822	125,132,796	
		365		2,551,508,593	6,990,435
					20,289
					7,010,724

Assuming exercise of option reduced by the number of shares which could have been purchased with the proceeds from exercise of such options

EXHIBIT 11

## OIL-DRI CORPORATION OF AMERICA AND SUBSIDIARIES

Computation of Weighted Average  
Number of Shares Outstanding

Year Ended	Period	Number of Days	Number of Shares Outstanding*	Weighted Shares	Average Shares (Weighted Shares/ Number of Days) as Adjusted
July 31, 1993	08/01/92 to 08/09/92	9	6,992,793	62,935,137	
	08/10/92 to 08/23/92	14	6,993,845	97,913,830	
	08/24/92 to 11/30/92	99	6,993,859	692,392,041	
	12/01/92 to 12/03/93	3	6,998,547	20,995,641	
	12/04/92 to 12/15/93	12	6,999,619	83,995,428	
	12/16/92 to 01/04/93	20	7,001,911	140,038,220	
	01/05/93	1	7,002,061	7,002,061	
	01/06/93 to 01/13/93	8	7,002,379	56,019,032	
	01/14/93 to 02/04/93	22	7,003,291	154,072,402	
	02/05/93 to 02/16/93	12	7,003,575	84,042,900	
	02/17/93	1	7,005,696	7,005,696	
	02/18/93 to 02/25/93	8	7,003,696	56,029,568	
	02/26/93 to 03/18/93	21	6,995,696	146,909,616	
	03/19/93 to 04/01/93	14	6,996,996	97,957,944	
	04/02/93 to 04/12/93	11	6,997,830	76,976,130	
	04/13/93 to 04/18/93	6	6,987,830	41,926,980	
	04/19/93 to 05/19/93	31	6,989,219	216,665,789	
	05/20/93 to 07/13/93	55	6,989,797	384,438,835	
	07/14/93 to 07/25/93	12	6,990,729	83,888,748	
	07/26/93 to 07/31/93	6	6,991,285	41,947,710	
		365		2,553,153,708	6,994,942
		---		-----	
					36,174
					-----
					7,031,116
					=====

Assuming exercise of option reduced by the number of shares which could have been purchased with the proceeds from exercise of such options

EXHIBIT 11

## OIL-DRI CORPORATION OF AMERICA AND SUBSIDIARIES

Computation of Weighted Average  
Number of Shares Outstanding

Year Ended	Period	Number of Days	Number of Shares Outstanding*	Weighted Shares	Average Shares (Weighted Shares/ Number of Days) as Adjusted	
July 31, 1992	08/01/91 to 08/12/91	12	7,012,370	84,148,440		
	08/13/91 to 08/20/91	8	7,002,370	56,018,960		
	08/21/91 to 08/22/91	2	6,992,370	13,984,740		
	08/23/91 to 09/12/91	21	6,992,891	146,850,711		
	09/13/91 to 12/12/91	91	6,995,091	636,553,281		
	12/13/91 to 01/23/92	42	6,996,075	293,835,150		
	01/24/92 to 01/30/92	7	6,989,409	48,925,863		
	01/31/92 to 02/04/92	5	6,989,379	34,946,895		
	02/05/92 to 03/05/92	30	6,991,379	209,741,370		
	03/06/92 to 07/31/92	148	6,992,793	1,034,933,364		
			366		2,559,938,774	6,994,369
Assuming exercise of option reduced by the number of shares which could have been purchased with the proceeds from exercise of such options					31,931 =====	
					7,026,300 =====	

EXHIBIT 11

## OIL-DRI CORPORATION OF AMERICA AND SUBSIDIARIES

Computation of Weighted Average  
Number of Shares Outstanding

Year Ended	Period	Number of Days	Number of Shares Outstanding*	Weighted Shares	Average Shares (Weighted Shares/ Number of Days) as Adjusted
July 31, 1991	08/01/90 to 09/17/90	48	6,998,154	335,911,392	
	09/18/90 to 12/14/90	88	6,998,869	615,900,472	
	12/15/90 to 01/08/91	25	6,999,795	174,994,875	
	01/09/91 to 01/29/91	21	7,000,374	147,007,854	
	01/30/91 to 02/05/91	7	7,000,704	49,004,928	
	02/06/91 to 02/10/91	5	7,001,037	35,005,185	
	02/11/91 to 02/12/91	2	7,001,027	14,002,054	
	02/13/91 to 02/18/91	6	7,002,411	42,014,466	
	02/19/91	1	7,002,681	7,002,681	
	02/20/91 to 02/22/91	3	7,003,681	21,011,043	
	02/23/91 to 03/28/91	34	7,003,831	238,130,254	
	03/29/91 to 04/07/91	10	7,004,843	70,048,430	
	04/08/91 to 04/09/91	2	7,006,405	14,012,810	
	04/10/91 to 04/28/91	19	7,006,698	133,127,262	
	04/29/91 to 05/14/91	16	7,008,363	112,133,808	
	05/15/91 to 06/12/91	29	7,009,082	203,263,378	
	06/13/91 to 06/16/91	4	7,012,248	28,048,992	
	06/17/91 to 07/21/91	35	7,015,518	245,543,130	
	07/22/91	1	7,016,884	7,016,884	
	07/23/91 to 07/31/91	9	7,017,370	63,156,330	
		365		2,556,336,228	7,003,661

Assuming exercise of option reduced by the number of shares which could have been purchased with the proceeds from exercise of such options

51,129

7,054,790

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EXHIBIT 11

## OIL-DRI CORPORATION OF AMERICA AND SUBSIDIARIES

Computation of Weighted Average  
Number of Shares Outstanding

Year Ended	Period	Number of Days	Number of Shares Outstanding*	Weighted Shares	Average Shares (Weighted Shares/ Number of Days) as Adjusted
July 31, 1990	08/01/89 to 09/11/89	42	6,940,818	291,514,356	
	09/12/89 to 09/20/89	9	6,942,139	62,479,251	
	09/21/89 to 09/24/89	4	6,942,131	27,768,524	
	09/25/89	1	6,942,125	6,942,125	
	09/26/89 to 10/13/89	8	6,942,103	55,536,824	
	10/04/89 to 10/10/89	7	6,943,213	48,602,491	
	10/11/89 to 11/02/89	23	6,971,545	160,345,535	
	11/03/89 to 11/06/89	4	6,974,844	27,899,376	
	11/07/89 to 11/29/89	23	6,975,219	160,430,037	
	11/30/89	1	6,976,108	6,976,108	
	12/01/89 to 12/14/89	14	6,978,936	97,705,104	
	12/15/89 to 12/20/89	6	6,980,064	41,880,384	
	12/21/89 to 01/31/90	42	6,980,076	293,163,192	
	02/01/90 to 02/08/90	8	6,980,044	55,840,352	
	02/09/90 to 03/15/90	35	6,982,821	244,398,735	
	03/16/90 to 04/10/90	26	6,982,346	181,540,996	
	04/11/90 to 05/01/90	21	6,985,123	146,687,583	
	05/02/90 to 05/07/90	6	6,987,623	41,925,738	
	05/08/90 to 05/09/90	2	6,989,124	13,978,248	
	05/10/90 to 06/07/90	29	6,989,936	202,708,144	
	06/08/90 to 06/11/90	4	6,992,713	27,970,852	
	06/12/90 to 06/21/90	10	6,992,924	69,929,240	
	06/22/90 to 07/02/90	11	6,994,323	76,937,553	
	07/03/90 to 07/10/90	8	6,994,923	55,959,384	
	07/11/90 to 07/17/90	7	6,995,917	48,971,419	
	07/18/90 to 07/24/90	7	6,997,717	48,984,019	
	07/25/90 to 07/31/90	7	6,997,949	48,985,643	
		---	-----	-----	
		365		2,546,061,213	6,975,510
		---	-----	-----	
					66,866
					-----
					7,042,376
					=====

Assuming exercise of option reduced by the number of shares which could have been purchased with the proceeds from exercise of such options

EXHIBIT 11

EXHIBIT (13)

1994 ANNUAL REPORT TO STOCKHOLDERS OF REGISTRANT

OIL-DRI CORPORATION OF AMERICA  
AND SUBSIDIARIES

Consolidated Financial Statements And  
Independent Auditors Report

Years Ended July 31, 1994, 1993 and 1992

## Financial Highlights

	1994	1993	Change
Net Sales	\$139,809,584	\$134,759,583	+3.7%
Income from Operations	\$ 14,428,277	\$ 14,048,716	+2.7%
Income before Income Taxes	\$ 13,159,384	\$ 12,253,479	+7.4%
Net Income	\$ 9,852,200	\$ 9,419,642	+4.6%
Net Income per Share	\$ 1.41	\$ 1.34	+5.2%
Net Income as a Percentage of Sales	7.0%	7.0%	-
Return on Average Stockholders' Equity	14.1%	14.9%	-5.4%
Working Capital	\$ 28,760,765	\$ 25,767,067	+\$2,993,698
Stockholders' Equity	\$ 73,059,504	\$ 66,442,512	+\$6,616,992
Book Value per Share	\$ 10.51	\$ 9.50	+10.6%
Average Shares Outstanding	7,010,724	7,031,116	-0.3%
Dividends Declared	\$ 1,806,736	\$ 1,678,894	+7.6%
Capital Expenditures	\$ 13,559,232	\$ 9,158,173	+48.1%
Depreciation and Amortization	\$ 6,798,038	\$ 5,834,854	+16.5%
Long-Term Debt	\$ 21,521,243	\$ 17,765,941	+\$3,755,302

## SALES TRENDS\*

(millions of dollars)

	1994	1993	1992	1991	1990
Cat Box Absorbents	\$ 70.9	\$ 68.5	\$ 60.5	\$ 50.9	\$ 45.3
Industrial and Environmental Sorbents	19.4	18.7	19.0	18.5	18.2
Agricultural Carriers and Absorbents	18.4	18.4	14.9	10.7	11.1
Fluid Purification Adsorbents	13.2	10.1	6.1	5.8	3.8
Foreign Subsidiaries	10.5	11.5	10.0	9.6	10.1
Transportation Services	7.4	7.6	8.3	6.8	5.7
	\$139.8	\$134.8	\$118.8	\$102.3	\$ 94.2
	=====	=====	=====	=====	=====

\*Prior years' sales figures reflect certain reclassifications to conform with current year presentation.

## LAND HOLDINGS &amp; MINERAL RESERVES

	Land Owned (acres)	Land Leased (acres)	Total (acres)	Proven Reserves (1,000's of tons)
Georgia	1,193	2,004	3,197	45,505
Mississippi	1,969	1,423	3,392	115,085
Oregon	360	800	1,160	3,621
Florida	537	446	983	4,512
Nevada	709	-	709	26,292
Illinois	4	-	4	-
	4,772	4,673	9,445	195,015
	=====	=====	=====	=====

## To Our Shareholders

Since its initial public offering in 1971, Oil-Dri Corporation has had a performance record characterized by consistent growth in sales and earnings. We are very proud of our thirty year compounded annual growth rate of approximately 14 percent. By combining our special mineral resources with a commitment to and investment in research we have created value-added products for each of our diverse markets. By delivering value to our customers, we have built value for our shareholders.

Sales for the year were \$139,810,000, an increase of 4 percent over the prior year's sales of \$134,760,000. Net income was \$9,852,000, up 4 percent over the \$9,420,000 earned a year ago. Income per share was \$1.41, up 5 percent over last year's \$1.34.

Over the last two years, Oil-Dri has increased earnings by 39 percent on sales growth of 18 percent. While fiscal 1994 was a year of slower growth, it was a year of important achievements. This year's two fastest growing business segments, premium cat box absorbents and fluid purification products, are expected to be growth drivers in the future.

## CONSUMER PRODUCTS

Oil-Dri manufactures approximately one quarter of all the cat litter sold annually in North America. All of our branded cat litter products, Cat's Pride(TM), Lasting Pride(TM), Saular(R) and Saular(R) Kat Kit, continue to gain consumer support in the marketplace. We have been particularly successful in selling to the fastest growing retailers, the mass merchandisers and club stores. These outlets, along with the new specialty pet retailers, are increasing sales more rapidly than traditional grocery channels of distribution.

Dan Jaffee has accepted an expanded role as Group Vice-President of the Consumer Products Division. In this role he has management responsibility for all our activities in this important area.

## PERFORMANCE PRODUCTS

Demand for Agsorb(R) carriers was strong in fiscal 1994. Unfortunately, capacity limitations and weather-related difficulties were a heavy burden to our production facilities and we were unable to meet 100 percent of our customers' needs. Because of these difficulties, and changes in the formulating schedules of some key Agsorb(R) customers, sales for the Agrisorbents(R) Product Group were flat this year.

Industrial and environmental sales were up 4 percent, led by Oil-Dri(R) branded industrial floor absorbents, which were up 13 percent for the year. Oil-Dri(R) floor absorbents are now offered in jugs and retail size packages through mass merchandisers and club outlets, in addition to larger industrial packages carried by traditional wholesale distributors. We have also continued to develop our line of Oil-Dri Lite(R) sorbents and anticipate starting-up conversion operations at our Alpharetta, Georgia location early in the new fiscal year.

One of the most exciting areas of growth in the past year was the fluid purification business. Pure-Flo(R) and Ultra-Clear(R) are sold on a worldwide basis to bleach



and clarify edible oils, petroleum and petrochemicals. Sales were up 30 percent over the prior year. Considerable development resources have been dedicated to this product line.

#### OPERATIONS

During the year, severe winter storms stimulated sales of cat box absorbents and floor absorbents which were used as traction aids. This unusually high demand depleted our inventory network. At the same time, Northern Mississippi suffered its worst ice storm in 50 years. Power outages lasted almost a week and shut down two of our manufacturing facilities.

In order to meet customer needs, large quantities of semi-finished product were purchased at high costs. These materials, combined with product finishing, overtime labor, round-the-clock production and excessive shipping charges, greatly increased the cost of goods sold. These difficulties, combined with the floods of mid-June which affected our transportation activities, had an impact on limiting the Company's performance for the year.

The Ripley, Mississippi plant, a primary source of Agsorb(R) and Oil-Dri(R) floor absorbents, has been expanded and manufacturing costs have returned to normal. Increased capacity and a more aggressive inventory building program should eliminate the extraordinary costs seen in the past year and allow us to meet our delivery standards in the year ahead.

#### CREATING, BUILDING AND DELIVERING VALUE

Well aware of the importance of continuous improvements and innovation, Oil-Dri has increased research and development spending by more than 85 percent over the last five years. The combination of this investment and the Company's 178 million tons of proven mineral reserves is the most unique strength of the corporation and will continue to be an invaluable asset in the future.

Oil-Dri continues to emphasize a conservative financial posture. Sales, general and administrative costs as a percentage of sales were 16.4 percent. This is the second year that we have reduced costs as a percentage of sales. Total assets, net worth and working capital continued to grow this past year. Net working capital at year end was \$30 million, with our current ratio improving to 2.8 from last year's 2.7.

As we close another year, we would like to thank our Directors for their long-term commitment and guidance. In particular, Robert D. Jaffee, Edgar D. Jannotta and Allen H. Selig, who have served on our Board for twenty-five years or more.

I would also like to extend my personal thanks to all of those who continue to support the Company - its customers, employees and shareholders. Oil-Dri has enjoyed steady growth during our 53 year history and fiscal 1994 was no exception. We look forward to fiscal 1995 as a year of opportunity and continued expansion.

Sincerely,

Richard M. Jaffee  
President and Chief Executive Officer

## Cat Box Absorbents

Thirty million American households are home to some 70 million cats. This resulted in annual retail cat litter sales of about \$665 million last year. Oil-Dri manufacturers approximately 25 percent of the cat litter sold through grocery and non-food outlets in the U.S. The Company's branded cat litter sales increased 14.5 percent over the prior year. Industry trends impacting Oil-Dri's cat litter sales were the continued popularity of scoopable cat litters and the growth of non-food channels of distribution.

Grocery cat litter sales represented about \$475 million at retail and grew at 4 percent last year. Oil-Dri's branded Cat's Pride(R) products represented 5 percent of these retail sales nationally and an average of 14 percent in Oil-Dri's top ten markets. In addition to its brands, Oil-Dri manufacturers quality private label cat litter products and Fresh Step(R) and Control(R) brands.\*

The non-food sector of the cat litter business, which includes mass merchandisers, clubs, drug chains and pet specialty chains, had retail sales of approximately \$190 million. This market grew at a significantly faster rate than grocery, nearing 20 percent over the prior year. Cat's Pride(R) and Lasting Pride(TM) brands and private label products manufactured by Oil-Dri enjoy very strong representation in these distribution outlets.

Oil-Dri's strategy for growth in the Consumer Division is twofold. In the grocery business, Cat's Pride(R) has distribution in only 40 percent of the country, leaving a large geographic territory yet untapped. Expansion of distribution and dollar share will be focused on targeted second and third tier markets. In non-food channels, Oil-Dri will expand distribution along with these channels as they continue their rapid growth and increase their share of cat litter sales.

\*Fresh Step(R) and Control(R) are registered trademarks of The Clorox Company.

## Industrial and Environmental Sorbents

Waste minimization and disposal are important issues to industrial customers for both economic and environmental reasons. Oil-Dri's comprehensive product line offers traditional clay floor absorbents and Oil-Dri Lite(R) polypropylene sorbents. This combination, offered in a variety of configurations and packaging forms, provides customers with the best in industrial clean-up products.

Oil-Dri(R) Industrial and Oil-Dri All Purpose(R) clay absorbents have cleaned oil and grease off factory and garage floors for more than 50 years. These branded products increased sales by 13 percent during the last year. To expand their market, smaller consumer packages that appeal to the home mechanic have been added to the traditional 40 and 50 pound bag sizes.

To give customers a wider choice of products, the Company also offers Oil-Dri Lite(R) sorbents. Made from a variety of polypropylenes, these Oil-Dri Lite(R) sorbents are extremely absorbent, lightweight and offer disposal and reuse options. These products are excellent for use near sensitive machinery or in cleaning up oil off water surfaces.

The Alpharetta, Georgia distribution center is being outfitted with equipment that will allow the conversion of bulk polypropylene into a variety of Oil-Dri Lite(R) configurations.

A recent trend in the marketing of these industrial products has presented Oil-Dri with a new growth opportunity. In addition to traditional wholesale distribution, mass merchandisers and club stores have taken an aggressive position in business to business marketing and sales. The Company plans to increase sales by leveraging Oil-Dri(R) brand identity, innovative packaging ideas and historic strength with these channels of distribution.

## Agricultural Carriers and Absorbents

High yield farming today feeds twice as many people as the plant supported in the 1950s. Use of crop protection products has tripled crop yield potential without significantly increasing the number of acres planted.

Agsorb(R) carriers play an important role in the safe and targeted distribution of herbicides, fungicides, insecticides and fertilizers, particularly as manufacturers move toward more concentrated and safer formulas. Agsorb(R) is specially processed to meet the demanding specifications of a broad range of crop protection products. Because of product quality and consistency, the Agrisorbents(TM) Product Group of Oil-Dri is the leading supplier of carriers to the crop protection industry.

The agricultural industry has seen a trend toward soil conserving low-till and no-till farming systems, using pesticides to target pests or weeds in the soil without having to plow the fields. Using Agsorb(R) in this new system is extremely effective in reducing soil erosion while assuring high crop yields.

Oil-Dri's newest agricultural product, Conditionade(TM) feed conditioner, has had an excellent reception among high fat animal feed producers, doubling sales over last year. Pel-Unite(R) and Conditionade(R) products improve the quality of pelleted animal feeds.

Sales of Agsorb(R) products were off this year due to product shortages during the peak of demand and changes in the formulating schedules of some key customers. The recently completed expansion of Oil-Dri's Ripley, Mississippi facility has increased capacity by 40 percent, ensuring product supply for the upcoming agricultural season.

## Fluid Purification Adsorbents

Every day and in every corner of the globe, Pure-Flo(R) adsorbents are used to purify edible and inedible fats and oils. Pure-Flo(R) has been shipped to forty-three countries across the globe for use in purifying numerous oils including soybean, corn, canola, palm, olive, and coconut. The current world market for these bleaching clays is estimated at \$150 million, of which Oil-Dri enjoys a rapidly growing share.

Unique mineral reserves and proprietary surface modification technology have enabled Oil-Dri to establish itself as the low cost producer of quality bleaching clays in the global market. Pure-Flo(R) Product Group sales were up 30 percent this fiscal year and the Company hopes to double these sales in the next three years.

Ultra-Clear(R), Oil-Dri's filtration product for petroleum and petrochemical products, is also enjoying global growth. Ultra-Clear(R) is used in a variety of applications including the clarification of jet fuel.

Perhaps the most exciting aspect of these fluid purification products is their potential in other high margin, niche applications. The same characteristics that make Pure-Flo(R) effective in edible oils and Ultra-Clear(R) effective in petroleum products, are being developed for myriad uses in purification, filtration and catalysis applications. Ongoing research and development will define these opportunities and identify enhancements that will increase the value of these adsorbents.

## About The Company

Long before it became fashionable, Oil-Dri established a business team strategy which broke down barriers between its internal groups. Promoting communication between these teams has brought them closer to the markets which they serve and encouraged the sharing of ideas. Whether it's a more effective production technique, a better method of accounting, an improvement in customer service or a new product development, each of Oil-Dri's support groups contributes to the overall success of the business.

Oil-Dri's Research and Development scientists work closely with marketing and manufacturing to define applications for our special mineral reserves and optimize our mining and manufacturing processes. New technologies and product improvements generated from Oil-Dri's laboratory contributed significantly to sales in the last year. Specific examples include the new Cat's Pride(R) Premium cat litter formula with improved odor control and Pure-Flo(R) Supreme bleaching clays.

The Company owns and operates six manufacturing facilities in the United States. Each of these plants is strategically located near Oil-Dri's 178 million tons of proven mineral reserves. Manufacturing facilities outside the U.S. include Favorite Product, Ltd., in Canada and Oil-Dri (U.K.) Limited in England. Oil-Dri S.A., a sales office located in Switzerland, facilitates efforts throughout Europe, Asia, and Africa.

Oil-Dri Transportation Company (ODTC), one of the largest private fleets in the U.S., coordinates over-the-road, rail and overseas shipping of Oil-Dri products. ODTC provides timely and cost effective service to customers.

Oil-Dri's Electronic Information Network (ODEIN) was brought on line in August by the Management Information Services team. Custom written software, greater data access, increased speed and greater capacity will improve customer service and internal data management. As Oil-Dri continues to grow this system will be invaluable.

Oil-Dri commits significant resources to environmental, health and safety initiatives. The Company works in partnership with industry groups, academic institutions and local communities to promote safety, environmental responsibility and good practices.

## Five Year Summary of Financial Data

	Year Ended July 31				
	1994	1993	1992	1991	1990
SUMMARY OF OPERATIONS					
NET SALES	\$139,809,584	\$134,759,583	\$118,750,370	\$102,283,183	\$ 94,192,088
COST OF SALES	102,456,815	97,396,563	85,116,335	74,370,331	68,110,144
GROSS PROFIT	37,352,769	37,363,020	33,634,035	27,912,852	26,081,944
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	22,924,492	23,314,304	23,001,545	17,875,988	16,430,729
INCOME FROM OPERATIONS	14,428,277	14,048,716	10,632,490	10,036,864	9,651,215
OTHER INCOME (EXPENSE)					
Interest Income	440,796	451,519	514,756	601,608	632,910
Interest Expense	(1,751,839)	(1,728,817)	(1,884,166)	(1,363,039)	(1,155,782)
Foreign Exchange (Gains) Losses	3,009	(87,655)	63,471	(22,636)	36,629
Amortization of Goodwill	(132,001)	(131,799)	(131,079)	(131,079)	(99,932)
Other, Net	171,142	(298,485)	15,198	50,178	72,601
Total Other Expense, Net	(1,268,893)	(1,795,237)	(1,421,820)	(864,968)	(513,574)
INCOME BEFORE INCOME TAXES	13,159,384	12,253,479	9,210,670	9,171,896	9,137,641
INCOME TAXES	3,307,184	2,833,837	2,110,262	2,092,130	2,350,924
NET INCOME	\$ 9,852,200	\$ 9,419,642	\$ 7,100,408	\$ 7,079,766	\$ 6,786,717
AVERAGE SHARES OUTSTANDING	7,010,724	7,031,116	7,026,300	7,054,790	7,042,376
NET INCOME PER SHARE	\$1.41	\$1.34	\$1.01	\$1.00	\$0.96
IMPORTANT HIGHLIGHTS					
Total Assets	\$112,267,182	\$102,116,632	\$95,017,573	\$ 89,393,673	\$ 76,778,676
Long-Term Debt	\$ 21,521,243	\$ 17,765,941	\$18,831,133	\$ 20,175,930	\$ 11,893,048
Working Capital	\$ 28,760,765	\$ 25,767,067	\$24,358,769	\$ 24,763,055	\$ 16,148,783
Working Capital Ratio	2.8	2.7	2.8	3.4	2.3
Capital Expenditures	\$ 13,559,232	\$ 9,158,173	\$ 8,039,979	\$ 10,415,543	\$ 6,402,551
Depreciation and Amortization	\$ 6,798,038	\$ 5,834,854	\$ 5,407,341	\$ 4,830,835	\$ 4,466,266
Long-Term Debt to Equity Ratio	29.5%	26.7%	31.6%	36.9%	24.3%
Net Income as a Percent of Sales	7.0%	7.0%	6.0%	6.9%	7.2%
Return on Average Stockholders' Equity	14.1%	14.9%	12.4%	13.7%	14.8%
Gross Profit as a Percent of Sales	26.7%	27.7%	28.3%	27.3%	27.7%
Operating Expenses as a Percent of Sales	16.4%	17.3%	19.4%	17.5%	17.4%

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONSRESULTS OF OPERATIONS  
FISCAL 1994 COMPARED TO FISCAL 1993

Consolidated net sales for the year ended July 31, 1994 were \$139,810,000, an increase of 3.7% over net sales of \$134,760,000 in fiscal 1993. Net income for fiscal 1994 was \$9,852,000 or \$1.41 per share, increasing 4.6% from net income of \$9,420,000 or \$1.34 per share in fiscal 1993.

Sales increases were primarily the result of increased unit shipments and increased sales per unit due to changes in product sales mix. Net sales of industrial and environmental sorbents, consisting of clay and non-clay products, increased \$706,000 or 3.8% from prior year levels due to increased unit shipments of clay products. Net sales of industrial clay products rose \$1,187,000 or 9.6% from prior year levels. Mass merchandisers and warehouse clubs have increased their importance as distribution outlets for traditional clay floor absorbents. Increased sales in this area are due in part to the Company's strong position in these growing distribution channels. Sales of non-clay sorbents decreased \$481,000 or 7.6%, reflecting increased competition in the markets in which the Company participates.

Net sales of cat box absorbents increased \$2,411,000 or 3.5% above fiscal 1993 levels. This growth was driven by unit sales increases of scoopable cat litters in the mass merchandising and wholesale club markets. Net sales of agricultural carriers and absorbents remained unchanged from the prior fiscal year. While demand for these products was strong, capacity limitations and weather related difficulties prevented the Company from meeting customer demand. Net sales of fluid purification absorbents increased \$3,035,000 or 29.9% versus fiscal 1993 due to the increased global market penetration of PURE-FLO(R) Supreme. Sales of transportation services decreased \$200,000 or 2.6% from fiscal 1993 levels. This reduction was due to the national shortage of qualified over the road drivers and longer running times due to weather conditions. The Company does not believe that this shortage will have a material adverse effect on the business.

Consolidated gross profit as a percentage of net sales decreased slightly to 26.7% of net sales in fiscal 1994 from 27.7% in fiscal 1993. This decline was principally due to increased material and shipping costs. Severe winter storms, particularly in the Northeast United States, stimulated sales of cat box absorbents and floor absorbents for use as traction aids. This unusually high demand reduced inventory levels while weather related manufacturing and delivery disruptions occurred. In order to meet customer needs, large quantities of semi-finished product were purchased at high costs. These purchases, combined with additional finishing costs, overtime labor and increased shipping charges adversely affected cost of goods sold. Finally, to overcome certain capacity limitations, meet shipping commitments and retain customer goodwill, the Company shifted production between manufacturing facilities, the effect of which was to increase production and shipping costs. As discussed below, the Company has expanded plant capacity and increased inventory to address these matters.

Operating expenses as a percentage of net sales decreased to 16.4% of net sales in fiscal 1994 from 17.3% of net sales in fiscal 1993. This change reflects management's continued focus on controlling overhead costs.



Interest expense increased \$23,000 due to higher average debt levels netted against lower interest rates achieved through debt restructuring in fiscal 1993. Interest income decreased \$11,000.

The Company's effective tax rate was 25.1% of income in fiscal 1994 compared to 23.1% in the prior fiscal year. This increase was the result of reduced depletion deductions related to mining activities and the elimination of amortization of investment credits which benefited prior years.

Total assets of the Company increased \$10,151,000 or 9.9% during the year ended July 31, 1994. Current assets increased \$3,335,000 or 8.1% from prior fiscal year end balances due to higher accounts receivable balances from increased sales. In addition, inventory balances increased as a result of a new inventory management initiative designed to minimize product shortages discussed above.

Property, plant and equipment, net of accumulated depreciation and amortization, increased \$6,513,000 or 12.1%. Investments in property, plant and equipment included expenditures for increased productivity, major capacity enhancements, pollution control, and equipment upgrades.

As of July 31, 1994, the Company had invested approximately \$717,000 in Kamterter, Inc., a company which researches and applies biotechnology in the agricultural field. This investment, recorded at cost, represents a 14% equity interest in Kamterter. Current operating losses have increased Kamterter's negative net worth. While sales and operations are continuing, the company cannot predict Kamterter's future financial condition and results of operations.

Total liabilities increased \$3,534,000 or 9.9% in the year ended July 31, 1994. In April, 1993, the Company entered into a \$5,000,000 fixed-rate term loan agreement with the Harris Trust and Savings Bank. These proceeds are being used to fund capital expenditures, including a major capacity increase of the Company's Ripley, Mississippi facility. Current liabilities increased \$341,000 or 2.2%.

The Company expects recent sales patterns to continue in fiscal 1995. Growth is expected to come primarily from the cat box and fluid purification product lines. Consumer growth is expected to be achieved through increased distribution in the grocery industry and by maintaining the Company's strong position in the fast growing mass merchandising and warehouse club outlets. Growth of specialty absorbents is expected to continue with increased market penetration of the Company's value-added fluid filtration and purification products. Finally, the Company's expansion of its Ripley, Mississippi manufacturing facility is expected to provide significant new capacity for the agricultural product line, relieving capacity constraints experienced during fiscal 1994.

#### LIQUIDITY AND CAPITAL RESOURCES

In fiscal 1994, the current ratio increased to 2.8 from 2.7 as of July 31, 1993 and 2.8 as of July 31, 1992. Working capital increased \$2,994,000 or 11.6% for the year ended July 31, 1994, while increasing \$1,408,000 or 5.8% in fiscal 1993. Cash provided by operations continued to be the Company's primary source of funds to finance operating needs and capital expenditures. In fiscal 1994, net cash

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

flows from operating activities decreased 31.0% to \$9,825,000 reflecting increased inventory and accounts receivable balances. This cash was used to partially fund capital expenditures of \$13,559,000, pay Company dividends of \$1,804,000 and repurchase shares of the Company's common stock at a cost of \$1,895,000. The Company may continue to repurchase its common stock from time to time. As of July 31, 1994, total consolidated cash and investments were \$9,746,000, down 18.7% from \$11,984,000 as of July 31, 1993. Of this amount, balances held by the company's foreign subsidiaries as of July 31, 1994 and 1993 were \$3,220,000 and \$4,928,000, respectively.

The Company's long-term debt at July 31, 1994 increased \$3,755,000 or 21.1% from fiscal 1993 balances, primarily due to the additional borrowings from Harris Trust and Savings Bank. Long term debt to equity increased to 29.5% from 26.7% at July 31, 1993.

The Company's line of credit arrangements are discussed in Note 3 to the consolidated financial statements. During the year ended July 31, 1994 there were no borrowings under the line of credit. Management believes that funds generated from operations and available borrowing capacity are adequate to meet the Company's cash needs for fiscal 1995.

Proceeds from the issuance of common stock were directly related to activities in the Company's stock option plans. During fiscal years 1994, 1993 and 1992, options for 50,641, 28,095 and 7,498 shares were exercised, creating an additional \$163,800, \$131,500 and \$53,500, respectively, of stockholders' equity.

## FISCAL 1993 COMPARED TO FISCAL 1992

Consolidated net sales for the year ended July 31, 1993 were \$134,760,000, an increase of 13% over net sales of \$118,750,000 in fiscal 1992. Net income for fiscal 1993 was \$9,420,000 or \$1.34 per share, increasing 33% from net income of \$7,100,000 or \$1.01 per share in fiscal 1992.

Sales increases were chiefly the result of increased unit shipments and increased sales per unit due to changes in product sales mix. Net sales of industrial and environmental sorbents decreased \$300,000 or 2% from prior year levels due to decreased unit shipments of clay products. Net sales of industrial clay products fell \$600,000 or 5% while sales of non-clay sorbents increased \$300,000 or 5% reflecting the continued transition in the industrial market from clay-based to poly-based products. Net sales of consumer absorbents increased \$7,600,000 or 13% above fiscal 1992 levels. This growth was fueled by unit sales increases of scoopable cat litters in the non-grocery mass merchandise market. Net sales of agricultural absorbents increased \$3,500,000 or 23% above the prior fiscal year because of increased unit shipments as a result of new products and existing product improvements. Net sales of specialty adsorbents increased \$4,000,000 or 66% versus fiscal 1992 due to increased sales of PURE-FLO(R) Supreme.

Consolidated gross profit as a percentage of net sales decreased to 27.7% of net sales in fiscal 1993 from 28.3% in fiscal 1992. This decline was due to increased natural gas cost, which is a major component in the cost of manufacturing. Additionally, price increases during the fiscal year were significantly constrained by market factors.

Operating expenses as a percentage of net sales decreased to 17.3% in fiscal 1993 from 19.4% in fiscal 1992. This change reflects the significantly reduced promotion and marketing costs associated with new product introductions in fiscal 1992. Although the Company continues to support these products with market and customer specific programs, non-recurring start-up costs incurred during fiscal 1992 increased operating expenses over normal levels.

Interest expense decreased \$155,000 due to lower interest rates from debt restructuring and reduced debt levels. Interest income decreased \$63,000. Other expenses in fiscal 1993 include write-offs of prepaid loan placement fees and early retirement penalties related to debt refinancing of \$204,000 and \$192,000, respectively.

The Company's effective tax rate was 23.1% of income in fiscal 1993 compared to 22.9% of income in fiscal 1992.

Total assets of the company increased \$7,099,000 or 7.5% during the year ended July 31, 1993. Current assets increased \$3,396,000 or 9.0% from prior fiscal year end balances due to higher accounts receivable balances from increased sales and greater inventory balances to support these sales.

Property, plant and equipment, net of accumulated depreciation and amortization, increased \$3,404,000 or 6.8%. Investments in property, plant and equipment included expenditures for additional warehousing, shipping and transportation facilities, productivity and capacity enhancements, pollution control, and equipment upgrades.

As of July 31, 1993, the Company had invested approximately \$700,000 in Kamterter, Inc., a company which researches and applies biotechnology in the agricultural field. This investment, recorded at cost, represents a 14% equity interest in Kamterter. Current operating losses have increased Kamterter's negative net worth. While sales and operations are continuing, the Company cannot predict Kamterter's future financial condition and results of operations.

Total liabilities increased \$312,000 or 0.9% in the year ended July 31, 1993 because of an increase in current liabilities. Current liabilities increased \$1,987,000 or 15.0% due to increased accounts payable from higher inventory levels and accrued wages.

#### FOREIGN SUBSIDIARIES

Net sales made by the Company's foreign subsidiaries for the year ended July 31, 1994 were \$10,478,000, constituting 7.5% of sales. This amount represented a decrease of \$940,000 or 8.2% from fiscal 1993, in which foreign subsidiary sales were \$11,418,000 and constituted 8.5% of sales. Net income of the Company's foreign subsidiaries during fiscal 1994 was \$403,000, as compared to \$617,000 in fiscal 1993. This decrease is principally due to the decline in value of the Canadian Dollar and English Pound Sterling versus the U.S. dollar. The identifiable assets of the Company's foreign subsidiaries as of July 31, 1994 were \$9,608,000, a decrease of 15% from fiscal 1993 year end balances, also due to the falling Canadian dollar.

Net sales by foreign subsidiaries during fiscal 1993 were \$11,418,000 constituting 8.5% of sales. This amount represented an increase of \$1,399,000 from fiscal 1992, in which foreign sales were \$10,019,000 and constituted 8% of sales. The increase in foreign subsidiary sales, particularly in Canada, resulted from the introduction of scoopable cat litter to the market. Net income of the Company's foreign subsidiaries during fiscal 1993 was \$617,000, as compared with \$771,000 in fiscal 1992. The identifiable assets of the Company's foreign subsidiaries as of July 31, 1993 were \$11,301,000, a decrease of 5% from fiscal 1992 year end balances.

## Consolidated Statements of Financial Position

## ASSETS

July 31

	1994	1993
<b>CURRENT ASSETS</b>		
Cash and cash equivalents (Note 1)	\$ 6,394,315	\$ 6,311,230
Investment securities, at cost, which approximates market	3,351,423	5,672,483
Accounts receivable	19,854,899	18,413,022
Less allowance for doubtful accounts	( 171,940)	( 195,098)
Inventories (Note 1)	11,203,008	8,023,871
Prepaid expenses	3,730,298	2,801,458
<b>Total Current Assets</b>	<b>44,362,003</b>	<b>41,026,966</b>
<b>PROPERTY, PLANT AND EQUIPMENT, AT COST (NOTES 1 AND 3)</b>		
Buildings and leasehold improvements	14,742,017	13,466,680
Machinery and equipment	65,563,903	60,638,523
Office furniture and equipment	7,341,440	5,394,714
Vehicles	114,246	130,280
	87,761,606	79,630,197
Less accumulated depreciation and amortization	(39,949,247)	(34,132,013)
	47,812,359	45,498,184
Construction in progress	6,836,910	3,178,584
Land and mineral rights	5,594,295	5,054,263
<b>Total Property, Plant and Equipment, Net</b>	<b>60,243,564</b>	<b>53,731,031</b>
<b>OTHER ASSETS</b>		
Excess of investment in subsidiaries over fair value of assets (Net of accumulated amortization of \$941,356 in 1994 and \$809,355 in 1993) (Note 9)	4,436,334	4,560,799
Other	3,225,281	2,797,836
<b>Total Other Assets</b>	<b>7,661,615</b>	<b>7,358,635</b>
<b>Total Assets</b>	<b>\$112,267,182</b>	<b>\$102,116,632</b>

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

## LIABILITIES AND STOCKHOLDERS' EQUITY

	July 31	
	1994	1993
<b>CURRENT LIABILITIES</b>		
Current maturities of notes payable (Note 3)	\$ 1,243,479	\$ 742,615
Accounts payable	4,677,793	5,608,033
Income taxes payable	-	133,257
Accrued expenses		
Salaries, wages and commissions	3,180,455	3,557,570
Trade promotions and advertising	3,257,985	2,870,546
Dividends payable	449,302	452,749
Other	1,953,464	1,423,552
Freight	838,760	471,577
	-----	-----
Total Current Liabilities	15,601,238	15,259,899
	-----	-----
<b>NONCURRENT LIABILITIES</b>		
Notes payable (Note 3)	21,521,243	17,765,941
Deferred income taxes (Notes 1 and 4)	323,379	1,268,334
Deferred compensation (Note 5)	1,761,818	1,379,946
	-----	-----
Total Noncurrent Liabilities	23,606,440	20,414,221
	-----	-----
Total Liabilities	39,207,678	35,674,120
	-----	-----
<b>STOCKHOLDERS' EQUITY</b>		
Common and Class B stock (Note 6)	723,352	718,184
Paid-in capital in excess of par value	7,657,394	6,962,104
Retained earnings	70,077,278	62,031,814
Cumulative translation adjustments (Note 1)	(1,135,951)	(901,783)
	-----	-----
Less treasury stock, at cost (Note 6)	(4,262,569)	(2,367,807)
	-----	-----
Total Stockholders' Equity	73,059,504	66,442,512
	-----	-----
Total Liabilities and Stockholders' Equity	\$112,267,182	\$102,116,632
	=====	=====

## CONSOLIDATED STATEMENTS OF INCOME

	Year Ended July 31		
	1994	1993	1992
Net Sales	\$139,809,584	\$134,759,583	\$118,750,370
Cost of Sales	102,456,815	97,396,563	85,116,335
Gross Profit	37,352,769	37,363,020	33,634,035
Selling, General and Administrative Expenses	22,924,492	23,314,304	23,001,545
Income from Operations	14,428,277	14,048,716	10,632,490
Other Income (Expense)			
Interest income	440,796	451,519	514,756
Interest expense	(1,751,839)	(1,728,817)	(1,884,166)
Foreign exchange gains (losses)	3,009	( 87,655)	63,471
Amortization of goodwill (Note 9)	( 132,001)	( 131,799)	( 131,079)
Other, net	171,142	( 298,485)	15,198
Total Other Expense, Net	(1,268,893)	(1,795,237)	(1,421,820)
Income before Income Taxes	13,159,384	12,253,479	9,210,670
Income Taxes (Note 4)	3,307,184	2,833,837	2,110,262
Net Income	\$ 9,852,200	\$ 9,419,642	\$ 7,100,408
Average Shares Outstanding (Note 6)	7,010,724	7,031,116	7,026,300
Net Income Per Share (Note 6)	\$1.41	\$1.34	\$1.01

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

## CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Stock			Paid-In Capital In Excess of Par Value	Retained Earnings
	Shares		Amount		
	Common	Class B			
BALANCE, JULY 31, 1991	4,970,167	2,174,055	\$714,422	\$6,492,483	\$48,738,552
Net income	-	-	-	-	7,100,408
Dividends declared	-	-	-	-	(1,547,894)
Issuance of stock under option plans (Note 7)	7,498	-	750	82,729	-
Award of stock to employees	954	-	95	16,852	-
Conversion of Class B stock to common stock (Note 6)	300	(300)	-	-	-
BALANCE, JULY 31, 1992	4,978,919	2,173,755	715,267	6,592,064	54,291,066
Net income	-	-	-	-	9,419,642
Dividends declared	-	-	-	-	(1,678,894)
Issuance of stock under option plans (Note 7)	28,095	-	2,810	349,014	-
Award of stock to employees	1,072	-	107	21,026	-
BALANCE, JULY 31, 1993	5,008,086	2,173,755	718,184	6,962,104	62,031,814
Net income	-	-	-	-	9,852,200
Dividends declared	-	-	-	-	(1,806,736)
Issuance of stock under option plans (Note 7)	50,641	-	5,064	673,988	-
Award of stock to employees	1,036	-	104	20,916	-
Reissuance of treasury shares	-	-	-	386	-
Conversion of Class B stock to common stock (Note 6)	40,860	(40,860)	-	-	-
BALANCE, JULY 31, 1994	5,100,623	2,132,895	\$723,352	7,657,394	\$70,077,278

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

## Consolidated Statements of Cash Flows

	Year Ended July 31		
	1994	1993	1992
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income	\$ 9,852,200	\$ 9,419,642	\$ 7,100,408
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	6,798,038	5,834,854	5,407,341
Provision for bad debts	4,744	72,890	138,808
(Increase) decrease in			
Accounts receivable	( 1,502,865)	( 2,827,243)	( 2,851,603)
Inventories	( 3,186,879)	( 1,156,110)	( 753,354)
Prepaid expenses and taxes	( 1,114,801)	1,149,110	( 1,305,418)
Other assets	( 473,484)	( 512,544)	( 485,046)
Increase (decrease) in			
Accounts payable	( 916,395)	1,335,395	259,695
Income taxes payable	-	( 2,974)	( 40,967)
Accrued expenses	928,161	1,533,027	1,985,381
Deferred income taxes	( 946,058)	( 808,092)	( 939,628)
Deferred investment tax credits	-	( 114,816)	( 97,547)
Deferred compensation	381,872	314,690	267,158
Total Adjustments	( 27,667)	4,818,187	1,584,820
Net Cash Provided by Operating Activities	9,824,533	14,237,829	8,685,228
<b>Cash Flows from Investing Activities</b>			
Capital expenditures	(13,559,232)	( 9,158,173)	( 8,039,979)
Purchases of investment securities	(11,750,654)	(11,084,764)	( 2,975,634)
Dispositions of investment securities	13,910,258	8,126,841	5,084,969
Other	399,295	(28,422)	( 141,110)
Net Cash Used in Investing Activities	(11,000,333)	(12,144,518)	(6,071,754)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Principal payments on long-term debt	( 743,834)	( 8,408,802)	( 950,294)
Proceeds from issuance of long-term debt	5,000,000	6,510,720	202,440
Proceeds from issuance of common stock	700,458	372,957	100,426
Net payments of loan issuance costs	-	( 43,047)	-
Dividends paid	( 1,804,002)	( 1,613,106)	( 1,549,364)
Purchase of treasury stock	( 1,894,762)	( 668,205)	( 633,305)
Other	1,025	( 210,980)	( 40,559)
Net Cash Provided by (Used in) Financing Activities	1,258,885	( 4,060,463)	( 2,870,656)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>83,085</b>	<b>( 1,967,152)</b>	<b>( 257,182)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>6,311,230</b>	<b>8,278,382</b>	<b>8,535,564</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 6,394,315</b>	<b>\$ 6,311,230</b>	<b>\$ 8,278,382</b>

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



## Notes to 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 wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated.

No provision has been made for possible income taxes which may be paid on the distribution of approximately \$6,576,000 and \$6,991,000 as of July 31, 1994 and 1993, respectively, of the 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.

## REVENUE RECOGNITION

Revenues from sales of products and transportation services are recognized upon shipment.

## INCOME TAXES

During fiscal 1993 the Company adopted Financial Accounting Standards Board ("FASB") Statement No. 109 "Accounting for Income Taxes". Under this standard, 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. Previously the Company had adopted FASB No. 96, a prior version of FASB No. 109.

## INTEREST RATE DERIVATIVE INSTRUMENTS

Interest differentials on a swap contract (Note 3) are recorded as interest expense in the contract period incurred. The Company recognized additional interest expense of \$98,300, \$103,100, and \$75,700 in fiscal years 1994, 1993 and 1992, respectively, as a result of this contract.

## TRANSLATION OF FOREIGN CURRENCIES

Assets and liabilities of foreign subsidiaries are translated at the current exchange rate and 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.

Changes in the cumulative translation adjustments account are as follows:

	1994	1993	1992
	----	----	----
Balance, at beginning of year	\$ (901,783)	\$ (243,537)	\$(209,982)
Translation adjustments resulting from exchange rate changes and intercompany transactions	(234,168)	(658,246)	( 33,555)
	-----	-----	-----
Balance, at end of year	\$(1,135,951)	\$(901,783)	\$(243,537)
	=====	=====	=====

## CASH AND CASH EQUIVALENTS

Cash and cash equivalents include interest and noninterest bearing demand deposits at commercial banks, investment grade demand and term notes, and certificates of deposit.

The Company considers all highly liquid investment securities purchased with maturities of three months or less to be cash equivalents.

## INVENTORIES

The composition of inventories is as follows:

	1994	1993
Finished goods	\$ 5,257,765	\$3,414,171
Bags	3,431,828	2,636,196
Supplies	2,329,938	1,716,138
Fuel oil	183,477	257,366
	\$11,203,008	\$8,023,871

Inventories are valued at the lower of cost (first-in, first-out) or market.

## 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 high quality institutions. Concentrations of credit risk with respect to accounts receivable is subject to the financial condition of certain major customers, principally those referred to in Note 2.

The Company generally does not require collateral or other security to support customer receivables.

## PROPERTY, PLANT AND EQUIPMENT

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

	Years
Buildings and leasehold improvements	5-30
Machinery and equipment	3-15
Office furniture and equipment	2-10
Vehicles	2-8

## RESEARCH AND DEVELOPMENT

Research and development costs of \$1,875,000 in 1994, \$1,509,000 in 1993 and \$1,450,000 in 1992 were charged to income as incurred.

## NOTE 2 - BUSINESS AND GEOGRAPHIC REGION INFORMATION

The Company develops, manufactures and markets sorbent products and technologies for use in industry, home and agriculture. The company operates in the United States, Canada and the United Kingdom and exports goods worldwide.

The Company had sales in excess of 10% of total sales to two unaffiliated customers in 1994, 1993 and 1992. Accounts receivable related to these major customers amounted to \$7,185,000, \$7,050,000 and \$5,614,000 as of July 31, 1994, 1993 and 1992, respectively.

The sales to these customers were as follows:

	1994	1993	1992
	(Thousands of Dollars)		
Amount	\$33,403	\$27,019	\$18,964
Percent of net sales	24%	20%	16%
Amount	\$13,780	\$15,329	\$17,453
Percent of net sales	10%	11%	15%

The following is a summary of financial information by geographic region:

	FISCAL YEAR ENDED JULY 31		
	(Thousands of Dollars)		
	1994	1993	1992
Sales to unaffiliated customers:			
Domestic	\$129,332	\$123,342	\$108,731
Foreign	10,478	11,418	10,019
Export sales:			
Domestic	\$8,252	\$6,162	\$2,636
Sales or transfers between geographic areas:			
Domestic	\$3,891	\$3,741	\$2,734
Income before income taxes:			
Domestic	\$12,257	\$11,441	\$8,100
Foreign	902	812	1,111
Net income:			
Domestic	\$9,449	\$8,803	\$6,329
Foreign	403	617	771
Identifiable assets:			
Domestic	\$102,659	\$90,816	\$83,134
Foreign	9,608	11,301	11,884

## NOTES

## NOTE 3 - NOTES PAYABLE

The composition of notes payable is as follows:

	1994 ----	1993 ----
Thomasville Payroll Development Authority		
Payable in annual principal installments of \$592,593 for the years 1993 to 1995, inclusive. Interest is payable semiannually at a rate of 68% of the prime rate.	\$ 592,593	\$ 1,185,185
Town of Blue Mountain, Mississippi		
Principal payable on October 1, 2008. Interest payable monthly at a variable interest rate set weekly based on market conditions for similar instruments. The average rates were 2.80% and 2.88% in 1994 and 1993, respectively. Payment of these bonds by the Company is guaranteed by a letter of credit issued by the Harris Trust and Savings Bank. In May, 1991 the Company entered into a seven year interest rate swap contract. Under this agreement, the Company receives a floating interest rate based on LIBOR and pays interest at a fixed rate at 6.53%.	2,500,000	2,500,000
Teachers Insurance and Annuity Association of America		
Payable in annual principal installments on November 15; \$400,000 for 1993; \$500,000 for the years 1995 and 1996; \$1,500,000 for 1997; \$1,800,000 for 1998; \$1,200,000 for 2000; \$1,100,000 for 2001; and \$1,000,000 for 2002. Interest is payable semiannually at an annual rate of 9.38%.	7,600,000	7,600,000
Teachers Insurance and Annuity Association of America		
Payable in annual principal installments, the first payment due August 15, 2001; \$500,000 for 2002; \$1,000,000 for 2003; \$2,500,000 for 2004; and \$2,500,000 for 2005. Interest is payable semiannually at an annual rate of 7.17%.	6,500,000	6,500,000
Harris Trust and Savings Bank		
Payable in annual principal installments, the first payment due June 20, 1996; \$500,000 for 1996; \$1,950,000 for 1999; \$900,000 for 2000; \$650,000 for years 2001 and 2002; \$350,000 for 2003. Interest is payable quarterly at an annual rate of 7.78%.	5,000,000	-
Other	572,129	723,371
	-----	-----
	22,764,722	18,508,556
Less current maturities of notes payable	(1,243,479)	( 742,615)
	-----	-----
	\$21,521,243	\$ 17,765,941
	=====	=====

In May, 1993, the Company privately placed \$6,500,000 of 7.17% notes, due 2004, with Teachers Insurance and Annuity Association of America. The proceeds of this fixed rate note were used to call various industrial revenue bonds issued on the Company's behalf and to retire capitalized equipment leases.

On September 21, 1994 the Company executed a Credit Agreement with the Harris Trust and Savings Bank which replaced the Term Note Agreement dated April 20, 1994 which appears in the previous schedule in this note. The Credit Agreement provides \$5,000,000 in term financing at the same interest rate and repayment schedule note above, and a \$5,000,000 committed revolving line of credit.

The agreements with the Thomasville Payroll Development Authority, the Town of Blue Mountain, Mississippi, Teachers Insurance and Annuity Association of America and Harris Trust and Savings Bank impose working capital requirements, dividend and financing limitations, minimum tangible net worth requirements and other restrictions. The Thomasville Agreement expired on August 1, 1994. The Company's 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 25% of cumulative annual earnings from July 31, 1994.

The Thomasville Payroll Development Authority and the Town of Blue Mountain, Mississippi acquired, in prior years, substantially all of the assets of certain plant expansion projects, issued long-term bonds to finance the purchase 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 and capital leases as of July 31, 1994:

Year Ending July 31:

1996	1,098,977
1997	1,582,266
1998	1,880,000
1999	2,030,000
Later years	14,930,000
	-----
	\$21,521,243
	=====

NOTE 4 - INCOME TAXES

The provision for income tax expense consists of the following:

	1994	1993	1992
Current			
Federal, net of amortization of investment tax credits	\$3,221,911	\$2,522,761	\$1,849,435
Foreign	163,897	206,923	277,523
State	866,281	685,922	481,499
	-----	-----	-----
	\$4,252,089	\$3,415,606	\$2,608,457
	=====	=====	=====
Deferred - net			
Federal	( 855,699)	( 465,865)	( 484,272)
Foreign	1,153	( 11,833)	62,497
State	( 90,359)	( 104,071)	( 76,420)
	-----	-----	-----
	( 944,905)	( 581,769)	( 498,195)
	-----	-----	-----
Total income tax provision	\$3,307,184	\$2,833,837	\$2,110,262
	=====	=====	=====

## NOTES

The components of the deferred tax (benefit) provisions occurring as a result of transactions being reported in different years for financial and tax reporting are as follows:

	1994	1993	1992
Depreciation	\$(304,437)	\$(479,415)	\$(58,902)
Deferred compensation	(148,242)	(125,876)	(104,939)
Postretirement benefits	(129,081)	-	-
Trade promotions and advertising	112,578	(102,000)	(192,472)
Accrued expenses	(164,694)	(70,603)	(41,033)
Other, net	(270,990)	196,125	(100,849)
Alternative-minimum tax	(40,039)	-	-
	=====	=====	=====
	\$ (944,905)	\$ (581,769)	\$ (498,195)

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

	1994	1993	1992
U.S. federal statutory income tax rate	34.00%	34.00%	34.00%
Depletion deductions allowed for mining	(12.48)	(13.86)	(13.14)
State income taxes, net of federal tax benefit	4.42	4.75	4.40
Amortization of investment credits	-	(.94)	(1.06)
Difference in effective tax rate of foreign subsidiaries	(.16)	(.66)	(.41)
Other	(.65)	(.16)	(.88)
	=====	=====	=====
	25.13%	23.13%	22.91%

The consolidated balance sheet as of July 31, 1994 and 1993 included the following cumulative temporary differences:

	1994		1993	
	Assets	Liabilities	Assets	Liabilities
Depreciation	\$ -	\$1,768,521	\$ -	\$2,328,424
Deferred compensation	680,062	-	532,659	-
Postretirement benefits	131,535	-	-	-
Trade promotions and advertising	223,880	-	335,820	-
Accrued expenses	330,754	-	107,729	-
Other	78,911	-	83,882	-
	=====	=====	=====	=====
	\$1,445,142	\$1,768,521	\$1,060,090	\$2,328,424

## NOTE 5 - DEFERRED COMPENSATION

The Company maintains a deferred compensation plan which permits directors and certain management employees to defer portions of their compensation and earn a guaranteed interest rate on the deferred amounts. The compensation, which has been deferred since the plan's inception, has been accrued as well as interest thereon. The Company has purchased whole life insurance contracts on the participants to fund the plan.

## NOTE 6 - STOCKHOLDERS' EQUITY

The Company's certificate of incorporation authorizes 15,000,000 shares of common stock and 7,000,000 shares of Class B stock, each with a par value of \$.10. The Class B stock is entitled to 10 votes per share on most matters, but has limited transfer rights. It is convertible into common stock on a share-for-share basis at any time and is subject to mandatory conversion under certain circumstances.

The common stock is entitled to at least 133-1/3% of the per share cash dividends paid on the Class B stock as and when such dividends may be declared or paid. See Note 3 regarding dividend restrictions.

All per share amounts included in the financial statements and notes reflect the dilutive effect of all common stock equivalents. See Note 7 for information regarding common stock equivalents.

The following reflects the changes in treasury stock (common) over the last three years:

	Shares	Amount
Balance, July 31, 1991	126,852	\$ 1,066,297
Purchased during fiscal 1992	33,029	633,305
Balance, July 31, 1992	159,881	1,699,602
Purchased during fiscal 1993	30,675	668,205
Balance, July 31, 1993	190,556	2,367,807
Purchased during fiscal 1994	91,190	1,895,364
Reissued during fiscal 1994	(50)	(602)
Balance, July 31, 1994	281,696	\$ 4,262,569

## NOTE 7 - STOCK OPTION PLANS

The Company maintains two stock option plans, the 1988 Option Plan and the 1981 Option Plan. Under the 1988 Option Plan, a total of 312,500 shares of common stock and 312,500 stock appreciation rights were made available for issuance. No stock appreciation rights have been granted as of July 31, 1994. The options are exercisable one year after the date granted. The plan expires on June 8, 1998.

The options available under the 1981 Option Plan were exercisable one year after the grant by employees who have been employed for at least three years; however, initially only 50% of the options could be exercised without restriction. The balance of the options were exercisable upon attainment of certain earnings levels. An earnings level was attained in fiscal year 1986 and subsequent years that allowed for exercise of another 25% of the options. Consequently, 75% of the total outstanding options were considered common stock equivalents through July 31, 1994. The remaining 25% of the options expired during fiscal 1994. The plan expired on October 31, 1991.

## NOTES

A summary of option transactions under the plans follows:

	1981 OPTION PLAN			1988 OPTION PLAN		
	NUMBER OF SHARES (WEIGHTED AVERAGE OPTION PRICE)			NUMBER OF SHARES (WEIGHTED AVERAGE OPTION PRICE)		
	1994	1993	1992	1994	1993	1992
Outstanding, Beginning of Year	61,150 \$(10.80)	85,919 \$(10.80)	99,378 \$(10.66)	158,785 \$(19.17)	162,872 \$(18.96)	164,393 \$(18.91)
Granted	- -	- -	- -	4,000 \$(23.00)	5,000 \$(22.38)	500 \$(18.50)
Exercised	29,515 \$(10.80)	20,882 \$(10.80)	6,977 \$(10.80)	21,126 \$(17.05)	7,213 \$(17.51)	521 \$(15.60)
Canceled/ terminated	31,635 \$(10.80)	3,887 \$(10.80)	6,482 \$( 8.70)	3,000 \$(19.00)	1,874 \$(15.60)	1,500 \$(18.83)
Outstanding, End of Year	- -	61,150 \$(10.80)	85,919 \$(10.80)	138,659 \$(19.61)	158,785 \$(19.17)	162,872 \$(18.96)

The company has reserved 134,270 shares of common stock for future grants and issuances under the 1988 Option Plan.

As of July 31, 1994, a total of 134,659 options are exercisable under the 1988 Option Plan.

	COMBINED PLANS		
	NUMBER OF SHARES (WEIGHTED AVERAGE OPTION PRICE)		
	1994	1993	1992
Outstanding, Beginning of Year	219,935 \$(16.84)	248,791 \$(16.14)	263,771 \$(15.80)
Granted	4,000 \$(23.00)	5,000 \$(22.38)	500 \$(18.50)
Exercised	50,641 \$(13.41)	28,095 \$(12.39)	7,498 \$(11.13)
Canceled/terminated	34,635 \$(11.51)	5,761 \$(12.36)	7,982 \$(10.60)
Outstanding, End of Year	138,659 \$(19.61)	219,935 \$(16.84)	248,791 \$(16.14)

## NOTE 8 - 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, 1994, 1993 and 1992 consists of the following:

	----- 1994 -----	1993 -----	1992 -----
Service cost	\$ 325,626	\$ 308,012	\$ 218,826
Interest cost on projected benefit obligations	358,027	325,735	252,681
Losses (Earnings) on plan assets	80,058	(641,108)	(431,820)
Net amortization and deferral	(422,948)	344,700	93,337
	-----	-----	-----
Net Pension Cost	\$ 340,763	\$ 337,339	\$ 133,024
	=====	=====	=====

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

	----- 1994 -----	1993 -----
Actuarial Present Value of Benefit Obligations		
Accumulated benefit obligations		
Vested	\$3,623,589	\$3,204,801
Nonvested	337,493	289,846
	-----	-----
Total Accumulated Benefit Obligations	\$3,961,082	\$3,494,647
	=====	=====
Projected benefit obligations	\$5,532,033	\$5,023,494
Plan Assets at Fair Value	4,426,791	4,474,314
	-----	-----
Deficiency of plan assets over projected benefit obligations	(1,105,242)	(549,180)
Unrecognized net loss (gain)	317,405	(83,391)
Unrecognized prior service cost	691,721	734,700
Unrecognized net excess plan assets as of August 1, 1987 being recognized principally over 21 years	(371,048)	(397,672)
Adjustment required to recognize minimum liability	(190,784)	(73,573)
	-----	-----
Accrued pension included in Accrued Expenses - Other	\$(657,948)	\$(369,116)
	=====	=====

During the year ended July 31, 1993, the company amended the benefit formula for the defined benefit pension plan for salaried employees, the effect of which was to increase projected retirement benefits for most salaried employees.

Assumptions used in the previous calculations are as follows:

	----- 1994 -----	1993 -----
Discount rate	7.25%	7.25%
Rate of increase in compensation levels	5.00%	5.00%
Long-term expected rate of return on assets	8.00%	8.00%

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.

For the years ended July 31, 1994, 1993 and 1992, the Company maintained a profit sharing/401(k) savings plan under which the Company matches a portion of employee contributions. The plan is available to essentially all employees who have completed one year of continuous service and are at least 21 years of age. Total contributions by the Company for the years ended July 31, 1994, 1993 and 1992 were \$74,476, \$74,767 and \$66,105, respectively.

#### POST-RETIREMENT BENEFITS

In addition to providing pension benefits, the Company provides certain medical benefits, until a participant attains age 65, to domestic salaried employees who elect early retirement, meet minimum age, service and other requirements. The Company reserves the right to amend or terminate this plan at anytime. The plan is contributory and contains cost sharing features such as deductibles and coinsurance.

FASB NO. 106 "Employers" Accounting for Postretirement Benefits Other Than Pensions" requires, among other things, the accrual of retirement benefit costs over the active service period of employees to the date of full eligibility for these benefits. The new standard requires the accumulated plan benefit obligation existing at the date of adoption (transition obligation) either be recognized immediately or deferred and amortized over future periods.

Effective August 1, 1993 the Company adopted the new standard and is amortizing the resulting transition obligation over 20 years. The adoption of this standard does not have a material effect on the consolidated results of operations or financial position of the Company.

## NOTE 9 - ACQUISITIONS

The excess of the Company's original investment over the fair value of the net assets acquired at the date of acquisition is being amortized by the straight-line method over 40 years.

The terms of a prior year acquisition required additional payments based on achievements of earnings above base amounts. Payments for the years ended July 31, 1994 and 1993 were approximately \$7,500 and \$28,400, respectively.

## NOTE 10 - LEASES

The Company's mining operations are conducted on leased and 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 (approximately 20,000 square feet in 1994 and 1993; 18,000 square feet in prior years) in Chicago, Illinois and additional office facilities in Europe. The office space in Chicago is subject to leases expiring in 2008. Office facilities in Europe are leased on a year-to-year basis.

In addition, the Company leases vehicles, data processing and other office equipment. In most cases, the Company expects that, in the normal course of business, leases will be renewed or replaced by other leases.

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, 1994:

Year Ending July 31:	
1995	\$ 3,414,048
1996	2,423,674
1997	1,678,596
1998	1,057,805
1999	828,749
Later years	4,401,108
	-----
	\$13,803,980
	=====

The following schedule shows the composition of total rental expense for all operating leases, including those with terms of one month or less that were not renewed:

	1994	1993	1992
	----	----	----
Transportation equipment	\$2,710,000	\$2,758,000	\$2,283,000
Office facilities	184,000	190,000	222,000
Mining properties			
Minimum	196,000	193,000	115,000
Contingent	183,000	180,000	150,000
Other	565,000	358,000	152,000
	-----	-----	-----
	\$3,838,000	\$3,679,000	\$2,922,000
	=====	=====	=====

## NOTE 11 - OTHER CASH FLOW INFORMATION

Cash payments for interest and income taxes were as follows:

	1994	1993	1992
Interest	\$1,390,014	\$1,534,795	\$1,710,408
Income Taxes	\$5,624,987	\$3,528,503	\$3,238,900

## NOTE 12 - SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

A summary of selected information for 1994 and 1993 is as follows:

Fiscal 1994 Quarter Ended  
(Thousands Except per Share Amounts)

	Oct. 31	Jan. 31	April 30	July 31	Total
Net Sales	\$33,554	\$37,450	\$37,291	\$31,515	\$139,810
Gross Profit	9,729	10,699	9,273	7,652	37,353
Net Income	2,575	3,251	2,356	1,670	9,852
Net Income Per Share	\$ .37	\$ .46	\$ .34	\$ .24	\$ 1.41

Fiscal 1993 Quarter Ended  
(Thousands Except per Share Amounts)

	Oct. 31	Jan. 31	April 30	July 31	Total
Net Sales	\$33,426	\$35,101	\$34,113	\$32,120	\$134,760
Gross Profit	9,503	9,931	9,702	8,227	37,363
Net Income	2,401	2,984	2,255	1,780	9,420
Net Income Per Share	\$ .34	\$ .42	\$ .32	\$ .26	\$ 1.34

INDEPENDENT AUDITOR'S REPORT  
COMMON STOCK

STOCKHOLDERS AND BOARD OF DIRECTORS  
OIL-DRI CORPORATION OF AMERICA

We have audited the consolidated statements of financial position of OIL-DRI CORPORATION OF AMERICA AND SUBSIDIARIES as of July 31, 1994 and 1993, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended July 31, 1994. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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, 1994 and 1993, and the results of their operations and their cash flows for each of the three years in the period ended July 31, 1994, in conformity with generally accepted accounting principles.

BLACKMAN KALLICK BARTELSTEIN  
Chicago, Illinois

August 26, 1994, except for the third and fourth paragraphs of Note 3, as to which the date is September 21, 1994

COMMON STOCK

On December 20, 1993, the common stock of the Company began trading on the New York Stock Exchange under the ticker symbol ODC. Prior to December 20, 1993, the common stock was quoted in the NASDAQ National Market System under the ticker symbol OILC. The following table sets forth the closing high and low prices as quoted on the New York Stock Exchange and the NASDAQ National Market System for the period indicated. NASDAQ National Market System prices reflect interdealer prices without retail mark-up, mark-down or commissions, and may not necessarily reflect actual transactions.

The number of holders of record of common stock on August 19, 1994 was 1,346.

There is no established public trading market for the Class B stock.

The number of holders of record of Class B stock on August 19, 1994 was 23.

DIVIDENDS

	Date Paid	Amount Per Share	
		Common	Class B
Quarterly	9/17/93	\$0.07	\$0.0525
Quarterly	12/17/93	\$0.07	\$0.0525
Quarterly	3/17/94	\$0.07	\$0.0525
Quarterly	6/17/94	\$0.07	\$0.0525

MARKET PRICES

Fiscal 1994	Closing Prices	
	High	Low
1st Quarter	25	19 3/4
2nd Quarter	23 3/8	18 3/4
3rd Quarter	23 1/8	19 3/8
4th Quarter	21 1/2	17 7/8

  

Fiscal 1993	Closing Prices	
	High	Low
1st Quarter	19 1/2	16
2nd Quarter	21 3/4	17 3/4
3rd Quarter	24 1/4	21
4th Quarter	24 1/2	21 3/4



Board of Directors  
Officers  
Senior Management

## BOARD OF DIRECTORS

Richard M. Jaffee, Chairman  
 Robert D. Jaffee, Chairman/Amco Corporation  
 J. Steven Cole, President/Cole & Associates and Sav-A-Life Systems, Inc.  
 Norman B. Gershon, Vice-President  
 Daniel S. Jaffee, Group Vice-President  
 Edgar D. Jannotta, Managing Partner/William Blair & Company  
 Joseph C. Miller, Senior Vice-President  
 Paul J. Miller, Partner/Sonnenschein Nath & Rosenthal  
 Haydn H. Murray, Professor Emeritus of Geology, Indiana University  
 Allan H. Selig, President/Milwaukee Brewers Baseball Club, Inc.,  
 Selig Executive Leasing, Inc.,  
 Chairman of the Executive Council of Major League Baseball  
 Bruce H. Sone, Vice-President

## CORPORATE OFFICERS

Richard M. Jaffee, President and Chief Executive Officer  
 Joseph C. Miller, Senior Vice-President/Consumer, Industrial &  
 Environmental and Transportation  
 Herbert V. Pomerantz, Senior Vice-President/Agricultural & Specialty  
 Products and Research & Development  
 Daniel S. Jaffee, Group Vice-President/Consumer Products and Chief  
 Financial Officer  
 Richard V. Hardin, Group Vice-President/Technology  
 Bruce H. Sone, Vice-President/Consumer Mass Merchandise  
 James T. Davis, Vice-President/Manufacturing  
 Norman B. Gershon, Vice-President/International Operations, Managing  
 Director/Oil-Dri S.A.  
 Louis T. Bland, Jr., Legal Counsel, Assistant Secretary and  
 Director/Industrial Relations  
 Donald J. Deegan, Director/Finance & Accounting  
 Richard L. Pietrowski, Treasurer  
 Albert L. Swerdlik, Secretary  
 Heidi M. Jaffee, Assistant Secretary

## ADDITIONAL SENIOR MANAGEMENT

Elwyn J. Albritton, Vice-President/Operational Development  
 Roger Bergh, Jr., General Manager/Industrial & Environmental Product Group  
 Karen Jaffee Cofsky, Manager/Human Resources  
 Thomas F. Cofsky, General Manager/Agrisorbents(TM) Product Group  
 Sam J. Colello, Director/Information Systems  
 B. Fielden Fraley, General Manager/Pure-Flo Product Group  
 Fred G. Heivilin, Vice-President/Raw Materials Development  
 Richard D. Johnsonbaugh, Eastern Regional Manager/Manufacturing  
 Robert E. Messersmith, Vice-President/Engineering  
 William F. Moll, Vice-President/Research & Development  
 Dennis E. Peterson, President/Oil-Dri Transportation Company  
 V.R. Roskam, Vice-President/Agrisorbents(TM) Product Group  
 William O. Thompson, Western Regional Manager/Manufacturing  
 Michael A. Woodrow, Director/Material Management and Sales Services

## CORPORATE HEADQUARTERS

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 410 North Michigan Avenue, Suite 400  
 Chicago, Illinois 60611  
 (312) 321-1515

LISTING	TICKER SYMBOL
New York Stock Exchange	ODC

## INTERIM REPORTS

Starting in fiscal 1995, Oil-Dri Corporation will replace its three quarterly reports to shareholders, traditionally distributed with dividend checks, with distribution of the Company's earnings news releases. These news releases will be sent to shareholders at the time they are released to the media. We hope shareholders will find this more timely and economic dissemination of information useful.

REGISTRAR/TRANSFER AGENT  
 Harris Trust and Savings Bank  
 311 West Monroe  
 Chicago, Illinois 60606  
 (312) 461-2288

INDEPENDENT PUBLIC ACCOUNTANTS  
 Blackman Kallick Bartelstein

LEGAL COUNSEL  
 Sonnenschein Nath & Rosenthal

## SUBSIDIARIES

Oil-Dri Corporation of Georgia Georgia	Oil-Dri (U.K.) Limited United Kingdom
Oil-Dri Production Company Mississippi/Oregon	Oil-Dri Corporation of Nevada Nevada
Oil-Dri Transportation Company Georgia	Blue Mountain Production Company Mississippi
Oil-Dri S.A. Switzerland	Favorite Products Company, Ltd. Quebec, Canada



This annual report is printed entirely on recycled paper.

## SUBSIDIARIES OF THE COMPANY

Subsidiary	State or Country of Incorporation
Oil-Dri Corporation of Georgia	Georgia
Oil-Dri Production Company	Mississippi
Oil-Dri Transportation Company	Delaware
Oil-Dri, S.A	Switzerland
Favorite Products Company, Ltd.	Canada
Blue Mountain Production Co.	Mississippi
Oil-Dri (U.K.) Limited	United Kingdom
Ochlocknee Holding Co., S.A.	Spain
Ochlocknee Mining Co., S.A.	Spain
Oil-Dri Corporation of Nevada	Nevada

[LOGO]

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, 1994 and the Registration Statement of Form S-8 relating to the Oil-Dri Corporation of America Stock Option Plan.

BLACKMAN KALLICK BARTELSTEIN

October 21, 1994

[BLACKMAN KALLICK BARTELSTEIN LETTERHEAD]

YEAR	
	JUL-31-1994
	JUL-31-1994
	6,394,315
	3,351,423
	19,854,899
	(171,940)
	11,203,008
	44,362,003
	100,192,811
	(39,949,247)
	112,267,182
15,601,238	
	21,521,243
	723,352
0	
	0
	72,336,152
112,267,182	
	139,809,584
	139,809,584
	102,456,815
	129,957,384
	1,268,893
	4,744
	1,741,839
	13,159,384
	3,307,184
9,852,200	
	0
	0
	0
	9,852,200
	1.41
	1.41