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TO: Paul Crawford
FROM: Jeffrey N. Pomerantz
DATE: May 13, 1998
RE: Sunbelt Nursery

ENCLOSED PLEASE FIND: Order Approving
Debtors' Emergency Motion (1) Authorizing Sunbelt
to Sell Substantially All of the Assets, etc.

(XX) FOR YOUR INFORMATION
() PLEASE REVIEW AND TELEPHONE
ME AS SOON AS POSSIBLE
(XX) IN ACCORDANCE WITH YOUR REQUEST
() PLEASE READ AND ADVISE ME
HOW TO REPLY
() PLEASE SIGN AND RETURN TO ME
() PLEASE ACKNOWLEDGE RECEIPT
() PLEASE REVIEW AND COMMENT
() PLEASE FILE AND RETURN
CONFORMED COPY
() PLEASE HANDLE
() FOR YOUR FILES
() OTHER:

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MAY 15 1998
REAL ESTATE ASSETS

COPY

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(Proposed) Attorneys for Debtors and Debtors in Possession

UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA

9 In re)
10 SUNBELT NURSERY GROUP, INC., a)
11 Delaware corporation,)
12 Debtor.)

Case No. SA 98-15089 RA
Joint Administration With:
Case No. SA 98-15090 RA
Case No. SA 98-15091 RA
Case No. SA 98-15092 RA
and Case No. SA 98-15093 RA

13 — Affects all Debtors.)

Chapter 11

14 XX Affects SUNBELT NURSERY)
15 GROUP, INC.)
16 Employer's I.D. No. 75-1932993)

ORDER APPROVING DEBTORS'
EMERGENCY MOTION FOR ORDER:
(1) AUTHORIZING SUNBELT
NURSERY GROUP, INC. TO SELL
SUBSTANTIALLY ALL OF THE
ASSETS WHICH ARE USED IN
THEIR CALIFORNIA OPERATIONS;
(2) APPROVING BREAK-UP FEE
AND BIDDING PROCEDURES IN
CONNECTION WITH SUCH SALE;
(3) APPROVING SUCH SALE FREE
AND CLEAR OF LIENS PURSUANT
TO 11 U.S.C. § 363(F); AND
(4) AUTHORIZING ASSUMPTION
AND ASSIGNMENT OF CERTAIN
EXECUTORY CONTRACTS AND
LEASES UNDER 11 U.S.C.
§ 365.

17 — Affects WOLFE NURSERY, INC.)
18 Employer's I.D. No. 75-1901497)

19 — Affects TIP TOP NURSERY,)
20 INC.)
21 Employer's I.D. No. 75-2148092)

22 XX Affects NURSERYLAND GARDEN)
23 CENTERS, INC.)
24 Employer's I.D. No. 95-2030831)

25 — Affects SUNBELT MANAGEMENT)
26 SERVICES, Inc.)
27 Employer's I.D. No. 75-2244752)

DATE: April 8, 1998
TIME: 3:00 p.m.
PLACE: "604"
34 Civic Center Plaza
Santa Ana, CA 92701

1 The Motion of Debtors Sunbelt Nursery Group, Inc. ("Sunbelt")
2 and Nurseryland Garden Centers, Inc. ("Nurseryland" and together
3 with Sunbelt, sometimes collectively referred to herein as the
4 "Debtors") for Order: (1) Authorizing Sunbelt Nursery Group, Inc.
5 To Sell Substantially All Of The Assets Which Are Used In Their
6 California Operations; (2) Approving Break-Up Fee And Bidding
7 Procedures In Connection With Such Sale; (3) Approving Such Sale
8 Free And Clear Of Liens Pursuant To 11 U.S.C. § 363(F); and (4)
9 Authorizing Assumption and Assignment of Certain Executory
10 Contracts And Leases Under 11 U.S.C. § 365 (the "Motion") came on
11 for duly-noticed hearing before the undersigned on April 8, 1998,
12 at 3:00 p.m. Jeffrey Pomerantz of Pachulski, Stang, Ziehl & Young
13 P.C. appeared on behalf of the Debtors; David Levene of Levene,
14 Neale, Bender & Rankin LLP appeared on behalf of Paragon Capital
15 LLC ("Paragon"); and Joel R. Ohlgren of Sheppard, Mullin, Richter &
16 Hampton LLP appeared on behalf of Armstrong Garden Centers, Inc.
17 ("Armstrong"). Other appearances, if any, are noted in the record.
18

19 The Debtors having conducted an auction pursuant to the
20 procedures set forth in the Motion outside of the presence of the
21 Court on the record, and the Court having considered the Motion and
22 reviewed that certain Asset Purchase Agreement dated March 30, 1998
23 (the "Agreement"), between Sunbelt and Nurseryland, on the one
24 hand, and Armstrong, on the other, as the Agreement was modified at
25 the hearing; the Court having been advised of the results of the
26 competitive bidding; and the arguments of counsel; and all
27 oppositions to the Motion having been withdrawn or overruled, the
28 Court hereby makes the following findings:

1 A. Notice of the Motion was proper and adequate and complied
2 with all applicable statutes and rules. To the extent that notice
3 of the Motion failed to comply with any applicable statute or rule,
4 the requirements thereof are hereby modified such that the notice
5 that was given complies therewith.

6 B. Good cause exists for approving the sale of those assets
7 (the "Assets") to be sold to Armstrong as provided in the Agreement
8 (a copy of which is attached as Exhibit "1" hereto and incorporated
9 herein by this reference) at this time because (i) the business of
10 Nurseryland has lost and continues to lose substantial sums, (ii)
11 Nurseryland does not have sufficient funds to continue to operate
12 its business as a going concern for an extended period of time,
13 (iii) much of Nurseryland's inventory is perishable and is
14 declining in value, and (iv) the sales price provided for in the
15 Agreement is, in the Debtors' business judgment which will not be
16 supplanted by the Court, fair and the best overall bid given the
17 certainty with respect to the immediate closing of the transaction
18 contemplated by the Agreement, with the fairness of such
19 transaction being supported by a "fairness opinion" rendered by
20 Houlihan, Lokey, Howard and Zukin, the Debtors' valuation
21 consultant, based upon its review of the Agreement and certain "due
22 diligence" regarding the Assets and Nurseryland's business and
23 operations and the competitive bidding process as reflected by a
24 \$700,000 increase in the purchase price over the initial bid.

25 C. Armstrong was the successful bidder for the Assets at a
26 purchase price of \$3,750,000 (the "Purchase Price"), as such
27 Purchase Price may be adjusted pursuant to the provisions of the
28 Agreement.

1 D. Sale of the Assets free and clear of all liens,
2 interests, encumbrances and claims is appropriate pursuant to 11
3 U.S.C. § 363(f) in that the sales price is equal to or exceeds the
4 aggregate value of all direct liens on the Assets and, in addition,
5 the principal secured creditors have consented to the sale of the
6 Assets free and clear of liens and secured claims.

7 E. The Debtors' assumption and assignment to Armstrong of
8 the leases and other agreements (collectively, the "Assumed
9 Leases") referred to in Exhibit "A" to the Agreement is
10 incorporated herein by this reference, as modified pursuant to this
11 Order, and is in the best interest of the Nurseryland and Sunbelt
12 estates in that the assumption and assignment of the Leases
13 complies with the requirements of 11 U.S.C. § 365(f).

14 F. The negotiations which resulted in the Agreement at all
15 times were conducted in good faith and at arms length, with
16 Debtors, on the one hand, and Armstrong, on the other, being
17 separately represented therein. In addition, at all times relevant
18 hereto, neither the Debtors, nor any officer, director, shareholder
19 or employee of either was affiliated or in any way connected with
20 Armstrong. Accordingly, Armstrong is a good faith purchaser for
21 value for all purposes, including, without limitation, within the
22 meaning of good faith purchaser as used in 11 U.S.C. § 363(m).

23 Based on upon the foregoing findings, and good cause appearing
24 therefor,

25 **IT IS HEREBY ORDERED, ADJUDGED AND DECREED** as follows:

26 1. The Motion, as modified at the hearing, is approved in
27 its entirety.

28 2. The Sale Procedures (as defined in the Agreement) are

1 approved, as modified at the hearing.

2 3. Nurseryland's sale of the Assets to Armstrong free and
3 clear of all liens, encumbrances, interests and claims be and is
4 hereby approved and confirmed pursuant to 11 U.S.C. §§ 363(b) and
5 (f), upon the terms and conditions set forth in the Agreement. The
6 Debtors are hereby authorized to execute and deliver the Agreement,
7 which Agreement shall be subject to the modifications set forth in
8 this Order, and authorized to execute and deliver all documents to
9 be executed as provided therein, to take all actions to be taken by
10 the Debtors as and when provided therein, and to otherwise perform
11 in accordance with the terms and provisions thereof.

12 4. Nurseryland is hereby authorized to assume and
13 assign the Assumed Leases to Armstrong pursuant to 11 U.S.C. § 365.
14 Within ten (10) days following the entry of this Order, Armstrong
15 shall both (i) notify the Debtors and the other contracting parties
16 of the assumption of the Assumed Leases, and (ii) pay the cure
17 amounts (the "Cure Amounts") with respect to such Assumed Leases
18 set forth on Exhibit "2" to this Order and incorporated herein by
19 this reference, which Cure Amounts represent all sums required to
20 be paid to the non-debtor contracting party as a condition for
21 assuming such Assumed Lease pursuant to Section 365(b) of the
22 Bankruptcy Code. Armstrong shall be entitled to credit the Cure
23 Amounts so paid against the cash consideration to be paid to
24 Nurseryland under the Agreement. Upon such assumption and
25 assignment of any Assumed Lease to Armstrong and the payment of the
26 applicable Cure Amount to the lessor or other contracting party
27 under any Assumed Lease, pursuant to the provisions of 11 U.S.C. §
28 365(k), Nurseryland shall be relieved of any liability for any

1 breach of such Assumed Lease thereafter occurring.

2 5. Subject to the provisions of Paragraph 8 below, any and
3 all liens on, encumbrances on, interests in and claims against any
4 of the Assets shall attach to the proceeds of the sales with the
5 same validity and priority, and to the same extent, as the same had
6 against the Assets prior to the sale.

7 6. The Debtors have full power and authority to put
8 into effect and carry out the terms of this Order, including,
9 without limitation, the execution, delivery and performance of the
10 Agreement and all other documents to be executed and delivered and
11 actions to be taken as provided herein, without further action by
12 its board of directors or shareholders. Pursuant to Bankruptcy
13 Rule 9001(5), Timothy Duoos is designated, and is hereby authorized
14 and ordered, to execute and deliver any and all documents to be
15 executed and delivered by the Debtors as provided herein, and to
16 take all actions to be taken by the Debtors as provided herein, all
17 with like effect as if exercised and taken by unanimous action of
18 the board of directors and shareholders of the Debtors.

19 7. Except for the obligations of the Debtors arising from
20 and after the date of the Closing (as defined in the Agreement)
21 under the Assumed Leases and except for Armstrong's obligations to
22 pay the Eliminated Store Occupancy Costs (as defined in paragraph
23 10.h below), Armstrong shall not be liable for any liabilities or
24 obligations of the Debtors.

25 8. To the extent that Bankruptcy Rule 7062 might otherwise
26 apply, the Court orders, pursuant to Bankruptcy Rule 9014, that
27 Bankruptcy Rule 7062 shall not apply to the Motion and this Order.

28 9. Armstrong shall be and is hereby entitled to the

1 protection afforded a good faith purchaser for value under 11
2 U.S.C. § 363(m).

3 8. Notwithstanding the provisions of Paragraph 3 above,
4 Nurseryland is hereby authorized and directed promptly following
5 the entry of this Order to pay to Paragon, from and out of the sale
6 proceeds paid to Nurseryland under the Agreement, an amount (the
7 "Paragon Payment") equal to the lesser of (i) the sum of
8 \$1,536,978.73, plus interest, fees (including, without limitation,
9 reasonable attorneys' fees), costs, accruals for credit card
10 returns, and other charges which Nurseryland is obligated to pay to
11 Paragon under the Paragon loan documents (the "Accruals") but which
12 have not been included in the figure set forth in this clause (i)
13 as of April 7, 1998, and (ii) the net sale proceeds payable to
14 Nurseryland under the Agreement (the "Sale Proceeds"). Any such
15 payment to Paragon and any payments to John Tastad ("Tastad") and
16 Healthy American Products, Inc. ("HAP") pursuant to the provisions
17 of this Paragraph 8 set forth below shall be without prejudice to
18 any claims (collectively, "Claims") the Debtors, any creditor, or
19 any other party may have against Paragon, Tastad or HAP, as the
20 case may be (including, without limitation, any claims any party
21 (collectively, "Parties") may assert regarding the validity or
22 priority of Paragon's, Tastad's and/or HAP's lien(s) or the amount
23 of the indebtedness owing to Paragon, Tastad and/or HAP), all of
24 which Claims such parties shall have the right to assert against
25 Paragon notwithstanding the delivery of the Paragon Payment (or
26 portion thereof) to Paragon and against Tastad and HAP
27 notwithstanding the delivery of any payments to Tastad and/or HAP.
28 Further, nothing in this Order shall be deemed to waive any Claims

1 any Party may have with respect to the indebtedness Paragon asserts
2 is owing to it by Tip Top Nursery, Inc. or Wolfe Nursery, Inc., as
3 set forth below. In the event the Sale Proceeds are greater than
4 the Paragon Payment and provided that Paragon has also received
5 payment in full of the indebtedness ^{allegedly} owing to it from Tip Top
6 Nursery, Inc. (to wit: \$707,516.54 plus Accruals) and Wolfe
7 Nursery, Inc. (to wit: \$2,004,090.20 plus Accruals), and subject to
8 surcharge claims pursuant to 11 U.S.C. § 506(c), if any exist and
9 are allowable, Nurseryland is hereby authorized and directed to pay
10 to Tastad and HAP within 21 days following the entry of this Order,
11 to the extent that Sale Proceeds are available to make such
12 payments, the principal sum of \$700,000 (payable \$500,000 to Tastad
13 and \$200,000 to HAP), plus accrued and unpaid interest, reasonable
14 attorneys' fees and costs, less any of such amounts theretofore
15 paid to Tastad and HAP by Tip Top Nursery, Inc. In the event that
16 Nurseryland does not make such payments to Tastad and HAP within 21
17 days following the entry of this Order, it may refuse to do so only
18 if (i) the Sale Proceeds are insufficient to make the payments, or
19 (ii) it is asserting surcharge rights under 11 U.S.C. § 506(c). In
20 such event, Tastad and HAP, or either of them, may bring a motion
21 seeking to compel such payments on regular notice and hearing.
22 Nurseryland shall retain all other amounts representing Sale
23 Proceeds in a segregated account and shall only disburse or use
24 such amounts (i) upon and in accordance with a further Order of
25 this Court, or (ii) to the extent the Debtors are otherwise
26 permitted pursuant to any Order authorizing use of cash collateral
27 which may be entered in these Cases.

28 10. The Agreement is further modified as provided in this

1 Paragraph. To the extent of any inconsistencies between the
2 Agreement and this Order, the terms of this Order, including but
3 not limited to, the modifications to the Agreement contained
4 herein, shall control.

5 a. ¶2.1 is modified to provide that the cash
6 consideration to be paid by Buyer to Seller for the Property shall
7 be Three Million Seven Hundred and Fifty Thousand Dollars
8 (\$3,750,000).

9 b. Armstrong is not requiring the Debtors' principal
10 shareholder and Chief Executive Officer Timothy Duoos to enter into
11 a non-competition agreement and consulting agreement as a condition
12 for proceeding to close the transaction contemplated by the
13 Agreement. Accordingly, ¶2.1 is modified to delete the last
14 sentence; ¶¶3.5, 5.2.10, 5.2.11 and 5.2.16 are deleted in their
15 entirety.

16 c. ¶2.2.1 of the Agreement is modified to read as
17 follows:

18 The purchase price for the Leases, the
19 Improvements, the Intangible Property and the
20 Seller's covenant not to compete provided for
21 in Section 11, and Seller's agreement to
22 provide consulting services under Section 12.2
23 shall be One Million Two Hundred Thousand
24 Dollars (\$1,200,000), and shall be allocated
25 among the Improvements, the Intangible Property
26 and the Seller's covenant not to ^{Complete}complete as
27 reasonably requested by Buyer.

28 d. ¶3.2 of the Agreement is deleted in its entirety and

1 replaced with the following:

2 The Closing shall occur on April 9, 1998, ~~if~~
3 ~~practicable or else one (1) day after entry of~~
4 ~~the Order referred to in Sections 5.1.7 and~~
5 ~~5.2.15.~~

6 e. Notwithstanding anything to the contrary contained in the
7 Agreement, Armstrong has agreed to waive any conditions to its
8 obligation to close the transaction contemplated by the Agreement
9 except for the entry of this Order. Accordingly, ¶5.2 of the
10 Agreement is deleted in its entirety except for ¶¶5.2.14 and 5.2.15
11 and ¶9.10 is deleted in its entirety.

12 f. Exhibit "A" to the Agreement is deleted in its entirety
13 and is replaced by Exhibit "A" to the Agreement which is attached
14 hereto.

15 g. Armstrong is purchasing the inventory which exists at the
16 Non-Assumed Lease locations (the "Extra Inventory"). Armstrong
17 shall be obligated to commence and complete the removal of the
18 Extra Inventory no later than thirty days following the date the
19 transaction contemplated by the Agreement closes.

20 h. Armstrong shall be responsible to pay all lease payments,
21 rental payments, occupancy costs, storage charges, security
22 charges, insurance and all other costs and expenses of any other
23 kind or nature relating to the Non-Assumed Leases and the Extra
24 Inventory (the "Eliminated Store Occupancy Costs until seven (7)
25 calendar days after such time that Armstrong has provided the
26 Debtors with written notice that all Extra Inventory shall be
27 removed; provided that such Extra Inventory is removed prior to the
28 expiration of such seven (7) day period.

1 i. Commencing immediately after the closing of the
2 transaction contemplated by the Agreement, the Debtors' estates
3 shall have no obligations, duties or responsibilities to secure,
4 administer, protect, store, or maintain the Extra Inventory or the
5 Non-Assumed Leases, provided, however, that if the Debtors expend
6 any such sums in connection with such actions, Armstrong shall
7 reimburse the Debtors for reasonable costs incurred in connection
8 therewith.

9 11. This Court retains jurisdiction, and will continue after
10 the Closing to retain jurisdiction, for the purpose of interpreting
11 and enforcing the Agreement and to protect Armstrong from any
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1 claims that may be asserted against the Assets or that may be
2 asserted against Armstrong by any creditors of the Debtors.

3 IT IS SO ORDERED.

4 Dated: APR 9 1998 1998

ROBERT W. ALBERTS
UNITED STATES BANKRUPTCY JUDGE

5
6 Presented By:

PACHULSKI, STANG, ZIEHL & YOUNG P.C.
7 RICHARD M. PACHULSKI
JEFFREY N. POMERANTZ
8 ERIC S. KURTZMAN

9
10 By: Jeffrey N. Pomerantz

JEFFREY N. POMERANTZ
11 (Proposed) Attorneys for Debtors
and Debtors in Possession
12 SUNBELT NURSERY GROUP, INC.
AND NURSERYLAND GARDEN CENTERS, INC.

13
14 Approved as to form:

SHEPPARD, MULLIN, RICHTER & HAMPTON LLP
15 JOEL R. OHLGREN
HAROLD S. MARENUS

16
17 By: JS

JOEL R. OHLGREN
18 Attorneys for
19 ARMSTRONG GARDEN CENTERS, INC.

20 LEVENE, NEALE, BENDER & RANKIN

21
22 By: JS

DAVID W. LEVENE,
23 Attorneys for Paragon Capital LLC

24 FRANDZEL, SHARE, ROBINS, KAPLAN & BLOOM, LC

25
26 By: JS

GARY CARIS,
27 Attorneys for John Tastad

claims that may be asserted against the Assets or that may be
asserted against Armstrong by any creditors of the Debtors.

IT IS SO ORDERED.

Dated: _____, 1998

UNITED STATES BANKRUPTCY JUDGE

Presented By:

PACHULSKI, STANG, ZIEHL & YOUNG P.C.
RICHARD M. PACHULSKI
JEFFREY N. POMERANTZ
ERIC S. KURTZMAN

By: JS

JEFFREY N. POMERANTZ
(Proposed) Attorneys for Debtors
and Debtors in Possession
SUNBELT NURSERY GROUP, INC.
AND NURSERYLAND GARDEN CENTERS, INC.

Approved as to form:

SHEPPARD, MULLIN, RICHTER & HAMPTON LLP
JOEL R. OHLGREN
HAROLD S. MARENUS

By: JOEL R. OHLGREN

JOEL R. OHLGREN
Attorneys for
ARMSTRONG GARDEN CENTERS, INC.

LEVENE, NEALE, BENDER & RANKIN

By: JS

DAVID W. LEVENE,
Attorneys for Paragon Capital LLC

FRANZBL, SEARE, ROBINS, KAPLAN & BLOOM, LC

By: JS

GARY CARIS,
Attorneys for John Tastad

1 claims that may be asserted against the Assets or that may be
2 asserted against Armstrong by any creditors of the Debtors.

3 IT IS SO ORDERED.

4 Dated: _____, 1998

UNITED STATES BANKRUPTCY JUDGE

5
6 Presented By:
7 PACHULSKI, STANG, ZIEHL & YOUNG P.C.
8 RICHARD M. PACHULSKI
9 JEFFREY N. POMERANTZ
10 ERIC S. KURTZMAN

11 By: 51
12 JEFFREY N. POMERANTZ
13 (Proposed) Attorneys for Debtors
14 and Debtors in Possession
15 SUNBELT NURSERY GROUP, INC.
16 AND NURSERYLAND GARDEN CENTERS, INC.

17 Approved as to form:
18 SHEPPARD, MULLIN, RICHTER & HAMPTON LLP
19 JOEL R. OHLGREN
20 HAROLD S. MARENUS

21 By: 51
22 JOEL R. OHLGREN
23 Attorneys for
24 ARMSTRONG GARDEN CENTERS, INC.

25 LEVENE, NEALE, BENDER & RANKIN

26 By: [Signature]
27 DAVID W. LEVENE,
28 Attorneys for Paragon Capital LLC

FRANDZEL, SHARE, ROBINS, KAPLAN & BLOOM, LC

29 By: 51
30 GARY CARIS,
31 Attorneys for John Tastad

1 claims that may be asserted against the Assets or that may be
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3 IT IS SO ORDERED.

4 Dated: _____, 1998

UNITED STATES BANKRUPTCY JUDGE

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7 PACHULSKI, STANG, ZIEHL & YOUNG P.C.
8 RICHARD M. PACHULSKI
9 JEFFREY N. POMERANTZ
10 ERIC S. KURTZMAN

11 By: JS
12 JEFFREY N. POMERANTZ
13 (Proposed) Attorneys for Debtors
14 and Debtors in Possession
15 SUNBELT NURSERY GROUP, INC.
16 AND NURSERYLAND GARDEN CENTERS, INC.

17 Approved as to form:
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19 JOEL R. OHLGREN
20 HAROLD S. MARENUS

21 By: JS
22 JOEL R. OHLGREN
23 Attorneys for
24 ARMSTRONG GARDEN CENTERS, INC.

25 LEVENE, NEALE, BENDER & RANKIN

26 By: JS
27 DAVID W. LEVENE,
28 Attorneys for Paragon Capital LLC

FRANDZEL, SHARE, ROBINS, KAPLAN & BLOOM, LC

29 By: [Signature]
30 GARY CARIS,
31 Attorneys for John Tastad

1 CLARKSON, GORE AND MARSELLA

2

3 By: *SCC*

SCOTT CLARKSON,
Attorneys for Certain General Unsecured
Creditors of the Estates

5

NEILGAN AND AVERCH, L.L.P.

6

7

8 By: *SA*

CRAIG AVERCH,
Attorneys for The Wonder Company and
Zipp Industries

10

UNITED STATES TRUSTEE

11

12

13 By: *SA*

MICHAEL HAUSER

14

GIBSON, DUNN CRUTCHER

15

16 By: *SA*

Bennett Silverman,
Attorneys for Pier I

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1 CLARKSON, GORE AND MARSELLA

2
3 By: LS
4 SCOTT CLARKSON,
5 Attorneys for Certain General Unsecured
6 Creditors of the Estates

7 NEILGAN AND AVERCH, L.L.P.

8 By: [Signature]
9 CRAIG AVERCH,
10 Attorneys for The Wonder Company and
11 Zipp Industries

12 UNITED STATES TRUSTEE

13 By: LS
14 MICHAEL HAUSER

15 GIBSON, DUNN CRUTCHER

16 By: LS
17 Bennett Silverman,
18 Attorneys for Pier I

1 CLARKSON, GORE AND MARSELLA

2
 3 By: 151
 4 SCOTT CLARKSON,
 5 Attorneys for Certain General Unsecured
 6 Creditors of the Estates

7 NEILGAN AND AVERCH, L.L.P.

8 By: 151
 9 CRAIG AVERCH,
 10 Attorneys for The Wonder Company and
 11 Zipp Industries

12 UNITED STATES TRUSTEE

13 By: Michael Hauser
 14 MICHAEL HAUSER

15 GIBSON, DUNN CRUTCHER

16 By: 151
 17 Bennett Silverman,
 18 Attorneys for Pier I

1 CLARKSON, GORE AND MARSELLA

2

3 By:

SCOTT CLARKSON,
Attorneys for Certain General Unsecured
Creditors of the Estates

5

NEILGAN AND AVERCH, L.L.P.

6

7

8 By:

CRAIG AVERCH,
Attorneys for The Wonder Company and
Zipp Industries

9

10

UNITED STATES TRUSTEE

11

12

13 By:

MICHAEL HAUSER

14

15

GIBSON, DUNN CRUTCHER

16

17 By:

Bennett Silverman,
Attorneys for Pier I

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ASSET PURCHASE AGREEMENT

Assets of Nurseryland Garden Centers, Inc.

March 30, 1998

EXHIBIT ☒

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LIST OF EXHIBITS

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EXHIBIT B:	Description of Personal Property
EXHIBIT C:	Form of Assignment of Lease
EXHIBIT D:	Form of Bill of Sale
EXHIBIT E:	Form of Assignment of Intangible Property
EXHIBIT F:	Form of Landlord's Estoppel
EXHIBIT G:	Form of Consulting Agreement
EXHIBIT H:	Form of Agreement Not to Compete

ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement ("Agreement") is made and entered into as of this 30th day of March, 1998, by and between ARMSTRONG GARDEN CENTERS, INC., a California corporation ("Buyer"), NURSERYLAND GARDEN CENTERS, INC., a California corporation ("Seller"), and SUNBELT NURSERY GROUP, INC., a Delaware corporation and the parent of Seller ("Parent").

RECITALS

A. Seller is engaged in the retail nursery business, with fourteen (14) retail garden center stores located at various sites throughout California (the "Stores"), together with growing grounds (the "Growing Grounds") in San Juan Capistrano (collectively the "Premises"). Seller wishes to sell its interest in and to the Stores and Growing Grounds, together with related inventory and personal property, to Buyer.

B. Buyer wishes to purchase the Stores and Growing Grounds, the inventory and related personal property from Seller at the price and on the other specified terms and conditions set forth herein.

C. Seller intends, prior to the closing of the transactions provided for herein, to file a petition in bankruptcy under Chapter 11 of the Bankruptcy Code with the United States Bankruptcy Court (the "Bankruptcy Court") and to sell the assets under the auspices and pursuant to an order of the Bankruptcy Court.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Transfer of Assets.

1.1 Purchase and Sale of Assets. On the Closing Date, as hereinafter defined, in reliance upon the representations, warranties and agreements of the parties, and subject to the conditions hereinafter set forth, Seller shall sell, assign, transfer, convey and deliver to Buyer, and Buyer shall purchase from Seller, free and clear of all encumbrances (except as expressly permitted under this Agreement) the following assets, wherever located, whether known or unknown and whether or not identified or disclosed on Seller's books and records (collectively the "Property"):

1.1.1 Leases. Seller's rights as lessee under each of the leases by which Seller occupies the Stores and Growing Grounds (the "Leases"), including the right to any deposits made by Seller pursuant to the Leases or in connection with

Seller's occupancy of the Premises. A list of the Stores, Growing Grounds and Leases is attached hereto as Exhibit A and by this reference made a part of this Agreement.

1.1.2 Improvements. All improvements, and all appurtenances to such improvements, located on the Premises, including, without limitation, buildings, outside storage and product display areas, driveways, walkways and parking areas, to the extent of Seller's interest in the same (collectively the "Improvements").

1.1.3 Personal Property. All of those items of equipment and tangible personal property listed in Exhibit B attached to this Agreement (or if Exhibit B has not been completed as of the date of this Agreement, then as listed in a schedule to be prepared by the parties and attached to this Agreement as Exhibit B prior to the Closing Date) and all other tangible personal property now or hereafter owned by Seller and used exclusively in connection with the Premises or the Stores, including, without limitation, all furniture, machinery and equipment located on the Premises (the "Personal Property"). As used in this Agreement, the Personal Property shall not include the Inventory. The Personal Property shall also not include leased equipment or other leased property held by Seller where Buyer does not assume the underlying lease or rental agreement for such property at the Closing.

1.1.4 Intangible Property. All intangible personal property owned or held by Seller and used in connection with the Premises or the Stores, to the extent of Seller's interest and to the extent transferrable, together with all books, records and like items pertaining to the Premises or the Stores, including, without limitation, the names "Nurseryland" and "Nurseryland Garden Centers," the goodwill of the Stores as going concerns, trademarks, trade names, service marks, all plans and specifications for the Improvements, all appraisals, engineering, soils, pest control, and other reports relating to the Property, licenses, contracts and contract rights and other agreements (to the extent such contracts or agreements are assumed by Buyer), catalogues, customer lists and other data bases, correspondence with present or prospective customers and suppliers, advertising materials, software programs, and telephone exchange numbers identified with the Premises (the "Intangible Property"). As used in this Agreement, Intangible Property shall not include any accounts or accounts receivable of Seller, nor shall it include materials containing privileged communications or information about employees, disclosure of which would violate an employee's reasonable expectation of privacy.

1.1.5 Inventory. All inventory and stock in trade of the Stores and Growing Grounds owned by Seller that is in saleable condition under industry standards (the "Inventory").

1.1.6 Covenant not to Compete. The covenant of Seller and Parent not to engage in competition with Buyer in the retail nursery business, on the terms of Section 11 of this Agreement.

1.2 Excluded Assets. The Property shall be limited to the items identified in Section 1.1 above and shall not include cash, notes receivable, accounts receivable, instruments held by Seller, credits with vendors, rights of action or causes of action in favor of Seller against third parties arising prior to the Closing Date, or any other items not identified in Section 1.1. Furthermore, the Property shall not include any trucks used by Seller to deliver inventory to the Stores or any other motor vehicles owned by Seller, any of the computer equipment in Seller's headquarters office or software programs used thereon, or any equipment or other assets stored in two large storage containers located at the San Juan Capistrano Store, notwithstanding anything in Section 1.1.3 above to the contrary. The Property shall also not include leased equipment or other leased property held by Seller where Buyer does not assume the underlying lease or rental agreement for such property at the Closing.

1.3 Instruments of Transfer. The sale, assignment, transfer, conveyance and delivery of the Property to Buyer shall be made by the lease assignments, bills of sale, and other instruments of assignment, transfer and conveyance provided for in Section 3 below and such other instruments as may reasonably be requested by Buyer.

2. Consideration.

2.1 Purchase Price. The cash consideration to be paid by Buyer to Seller for the Property (the "Purchase Price") shall be Three Million Fifty Thousand Dollars (\$3,050,000), subject to adjustment as provided below. Such amount shall be paid by cash or cash equivalent, with One Million Eight Hundred Dollars (\$1,800,000) of the Purchase Price being paid on the Closing Date and the balance being paid upon completion of the joint physical inventory provided for in Section 9.8 below. The funding of any portion of the Purchase Price not paid on the Closing Date shall be secured by the deposit by Buyer of One Million Two Hundred Fifty Thousand Dollars (\$1,250,000) in an escrow established pursuant to an escrow agreement in form and content reasonably satisfactory to both parties (the "Escrow Agreement") to be signed by the parties prior to the Closing. In addition to the Purchase Price, Seller shall pay to Tim Duoos, the President of Seller ("Duoos"), on the Closing Date, the amounts provided for in Section 5.2.11 and 5.2.12 below.

2.2 Allocation of Purchase Price. Buyer and Seller have agreed, after arm's-length negotiations, to allocate the Purchase Price as follows:

2.2.1 The purchase price for the Leases, the Improvements, the Intangible Property and the covenant not to compete provided for in Section 11, and Seller's agreement to provide consulting services under Section 12.2 shall be Five Hundred Thousand Dollars (\$500,000) in the aggregate, with One Hundred Thousand Dollars (\$100,000) allocated to the Leases, Fifty Thousand Dollars (\$50,000) allocated to the Improvements, Fifty Thousand Dollars (\$50,000) allocated to the Intangible

Property. Two Hundred Thousand Dollars (\$200,000) allocated to the covenant not to compete, and One Hundred Thousand Dollars (\$100,000) allocated to the consulting agreement.

2.2.2 The purchase price for the Personal Property shall be One Hundred Fifty Thousand Dollars (\$150,000).

2.2.3 The purchase price for the Inventory shall be Two Million Four Hundred Thousand Dollars (\$2,400,000), which represents the parties' best estimate, as of the date they began negotiations, of Seller's net cost for such Inventory; provided, however, that such amount shall be subject to adjustment, up or down, to conform to a joint physical inventory to be performed by the parties pursuant to Section 9.8 below. As used herein, Seller's "net cost" for such Inventory shall mean Seller's full retail price converted to cost using Seller's historical conversion percentage rates.

2.3 Assumed Liabilities. Buyer shall, effective as of the Closing Date, be assigned Seller's interest under the Leases and shall assume all liabilities of Seller accruing thereunder on and after the Closing Date. Seller shall provide Buyer, not later than five (5) days prior to the Closing Date, with a list of all other executory agreements pertaining to the Property, including, but not limited to, equipment leases, together with a schedule of all equipment or other items covered by the same, and, if Buyer requests, copies of the agreements. Buyer shall have no obligation to assume any such agreements, and Seller shall have no obligation to assign the same, unless both parties hereafter so agree in writing. Buyer shall not assume or be responsible for any other liabilities of Seller (including those for gift certificates or outstanding credits), all of which shall remain the responsibility of Seller.

2.4 Tax Reporting. Buyer and Seller hereby agree to record and report the purchase and sale provided for herein, and all other transactions provided for in this Agreement, for federal and state income tax purposes, in accordance with the provisions of this Agreement, specifically including, but not limited to, the allocation provisions set forth in Section 2.2 above.

3. Closing Transactions.

3.1 Closing Conference. The Closing of the transactions provided for herein (the "Closing") shall take place at the offices of Sheppard, Mullin, Richter & Hampton LLP, located at 650 Town Center Drive, 4th Floor, Costa Mesa, California, and shall be conducted in accordance with the Sale Procedures (as defined in Section 9.11 below) or such other procedures as may be established by the Bankruptcy Court.

3.2 Closing Date. The Closing shall be held one (1) day after entry of the order referred to in Sections 5.1.7 and 5.2.15 below, or such earlier date after the issuance of such order as may mutually be agreed to by the parties and, if

3.3.8 A counterpart of the Escrow Agreement, duly executed by Seller.

3.4 Buyer's Deliveries to Seller at Closing. On the Closing Date, Buyer shall make the following deliveries to Seller:

3.4.1 That portion of the Purchase Price required under Section 2.1 to be delivered at Closing.

3.4.2 Counterpart Assignments of Lease for each of the Stores, duly executed and, where appropriate, acknowledged by Buyer; provided, however, that the Assignments of Lease need not be delivered by Buyer if the Bankruptcy Court has issued an order prior to the Closing Date authorizing the assumption and assignment of the Leases.

3.4.3 A counterpart of the Assignment of Intangible Property, duly executed by Buyer.

3.4.4 Any such other documents, funds or other things reasonably contemplated by this Agreement to be delivered to Seller at the Closing.

3.4.5 A counterpart of the Escrow Agreement, duly executed by Buyer.

3.5 Buyer's Delivery to Duoos at Closing. In addition to the deliveries provided for in Section 3.4 above, Buyer shall deliver to Duoos at the Closing, the payments required by the agreements referred to in Sections 5.2.10 and 5.2.11 below.

3.6 Prorations. Rent under the Leases, current taxes and other items of expense or income relating to the Premises and/or the Stores shall be prorated between Seller and Buyer as of the Closing Date. All currently due installments for assessments levied on or before the Closing Date shall be paid in full by Seller. Rent shall be prorated on the basis of a thirty (30) day month. All items subject to proration pertaining to the period prior to the Closing Date shall be credited to Seller, and all such prorations pertaining to the period on or following the Closing Date shall be credited to Buyer. Buyer shall pay to Seller in cash on the Closing Date the amount of any security deposits with the landlords under the Leases and the amount of any other deposits made by Seller relating to the Premises that are included as part of the Property. Buyer shall be entitled to a credit equal to any amounts which the Bankruptcy Court requires be paid to cure defaults under the Leases or other agreements assumed by Buyer as a condition of Seller's assumption and assignment thereof.

necessary, approved by the Bankruptcy Court (the "Closing Date"). In the event the conditions to Closing have not been satisfied or waived by April 15, 1998, then any party who is not in default hereunder may terminate this Agreement. Alternatively, the parties may mutually agree to a new extended Closing Date. Until this Agreement is either terminated or the parties have agreed upon an extended Closing Date, the parties shall continue to work to satisfy all conditions to Closing and the transaction shall close as soon as such conditions are satisfied or waived.

3.3 Seller's Deliveries to Buyer at Closing. On the Closing Date, Seller shall make the following deliveries to Buyer:

3.3.1 Counterpart assignments of lease for each of the Stores, duly executed and, in the case of recorded Leases, acknowledged by Seller, substantially in the form and on the terms of the Assignment, Assumption and Consent Agreement attached hereto as Exhibit C, pursuant to which Seller assigns the Leases (the "Assignments of Lease"); provided, however, that the Assignments of Lease need not be delivered by Seller if the Bankruptcy Court has issued an order prior to the Closing Date authorizing the assumption and assignment of the Leases.

3.3.2 A bill of sale, duly executed by Seller, in the form and on the terms of the bill of sale attached hereto as Exhibit D, pursuant to which Seller transfers the Improvements, the Personal Property and the Inventory to Buyer (the "Bill of Sale").

3.3.3 A counterpart assignment of intangible property, duly executed by Seller, in the form and on the terms of the assignment of intangible property attached hereto as Exhibit E, pursuant to which Seller assigns the Intangible Property to Buyer (the "Assignment of Intangible Property").

3.3.4 Intentionally omitted.

3.3.5 Intentionally omitted.

3.3.6 An affidavit or affidavits, in form and on terms acceptable to Buyer and Seller and duly executed by Seller, certifying that Seller is not a "foreign person" for purposes of Internal Revenue Code § 1445 and equivalent provisions of the California Revenue and Taxation Code.

3.3.7 Any such other documents, funds or other things reasonably contemplated by this Agreement to be delivered to Buyer at the Closing.

3.7 Sales, Use and Other Taxes. Any sales, purchases, or use taxes under the laws of the State of California, or any subdivision thereof, which may be payable by reason of the sale of the property under this Agreement, shall be borne by Buyer.

3.8 Possession. Right to possession of the Property shall transfer to Buyer on the Closing Date. Seller shall transfer and deliver to Buyer on the Closing Date such keys, lock and safe combinations and other similar items as Buyer shall require to obtain immediate and full occupation and control of the Property, and shall also deliver to Buyer the originals of all documents in Seller's possession that are required to be transferred to Buyer by this Agreement. Notwithstanding the foregoing, Buyer hereby agrees to allow Seller to use the upstairs office area in the San Juan Capistrano Store on a rent free basis for a period commencing on the Closing Date and ending six (6) months thereafter. The terms and conditions of such occupancy shall be as set forth in a lease to be executed by the parties as of the Closing Date.

3.9 Break-up Fee. Buyer has, prior to the date of this Agreement, incurred various expenses in contemplation of doing a purchase of the Property and will incur further expenses prior to the Closing. Buyer had initially contemplated purchasing the Property outside of bankruptcy. Seller's decision to initiate bankruptcy proceedings prior to the Closing will significantly increase the expense to Buyer of going forward with the transaction and will subject Buyer to the risk of losing the transaction in the event of an "overbid" in bankruptcy. In order to induce Buyer to enter into this Agreement, notwithstanding Seller's decision to initiate bankruptcy proceedings, Seller hereby agrees that Buyer shall be entitled to a break-up fee in the amount of One Hundred Twenty-Five Thousand Dollars (\$125,000) (the "Break-up Fee") on the following terms:

3.9.1 The Break-up Fee shall be advanced on Seller's behalf by Seller's lender, Paragon Capitol LLC ("Paragon") and shall be released to Buyer or Seller, as the case may be, as provided in that certain Letter Agreement dated March 31, 1998 by and between Paragon, Buyer and Seller.

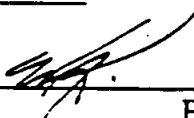
3.9.2 Intentionally Omitted.

3.9.3 SELLER ACKNOWLEDGES THAT IT WOULD BE DIFFICULT OR IMPOSSIBLE TO ACCURATELY ASCERTAIN BUYER'S DAMAGES IF THE TRANSACTIONS PROVIDED FOR HEREIN FAILED TO CLOSE AS A RESULT OF SELLER'S DEFAULT OR AS THE RESULT OF CONSUMMATION OF A SALE TO AN OVERBIDDING THIRD PARTY. THE AMOUNT OF THE BREAK-UP FEE REPRESENTS THE PARTIES' BEST ESTIMATE OF THE DETRIMENT BUYER WOULD SUSTAIN IN SUCH CIRCUMSTANCES, AND IS REASONABLE UNDER THE CIRCUMSTANCES EXISTING AS OF THE DATE OF THIS AGREEMENT. BUYER SHALL HAVE

NO OBLIGATION TO PROVE ITS DAMAGES AS A CONDITION OF RECEIVING THE BREAK-UP FEE.

AGREED AND ACCEPTED

SELLER



BUYER

4. Intentionally omitted.

5. Conditions Precedent to Closing.

5.1 Conditions to Seller's Obligations. Seller's obligation to make the deliveries required of Seller at the Closing shall be subject to the satisfaction or waiver by Seller of each of the following conditions.

5.1.1 All of the representations and warranties of Buyer contained herein shall continue to be true and correct at the Closing in all material respects.

5.1.2 Assignments of Lease for each of the Stores and the Growing Grounds, substantially in the form and on the terms of the assignment attached hereto as Exhibit C, shall have been executed by the landlords of the Stores and Growing Grounds and by Buyer; provided, however, that such condition shall be deemed satisfied if the Bankruptcy Court has issued an order prior to the Closing Date authorizing the assumption and assignment of the Leases.

5.1.3 Buyer shall have delivered, or shall be prepared to deliver at the Closing, all cash and documents required of Buyer to be delivered at the Closing.

5.1.4 Buyer shall have delivered to Seller appropriate evidence of all necessary corporate action by Buyer in connection with the transactions contemplated hereby, including, without limitation: (i) certified copies of resolutions duly adopted by Buyer's directors approving the transactions contemplated by this Agreement and authorizing the execution, delivery, and performance by Buyer of this Agreement; and (ii) a certificate as to the incumbency of officers of Buyer executing this Agreement and any instrument or other document delivered in connection with the transactions contemplated by this Agreement.

5.1.5 Seller shall have determined that it will not incur any liability under the Worker Adjustment and Retraining Notification Act in connection with the consummation of this transaction.

5.1.6 Seller's execution and performance of this Agreement shall have been duly authorized and approved by Seller's board of directors and by the board of directors of Parent.

5.1.7 The Bankruptcy Court shall have approved the terms of this Agreement and shall have entered an order, that has not been stayed, in form and content satisfactory to Seller, authorizing the sale of the Property and the assignment of the Leases and other executory agreements to be assumed and assigned free and clear of liens, claims and encumbrances and authorizing the taking of such other actions as are necessary to complete the Closing of the transactions provided for herein.

5.2 Conditions to Buyer's Obligations. Buyer's obligation to make the deliveries required of Buyer at the Closing shall be subject to the satisfaction or waiver by Buyer of each of the following conditions:

5.2.1 Seller shall have substantially performed or tendered performance of each and every covenant on Seller's part to be performed which, by its terms, is capable of performance before the Closing.

5.2.2 All representations and warranties of Seller contained herein shall continue to be true and correct at the Closing in all material respects.

5.2.3 Assignments of Lease for each of the Stores and the Growing Grounds, substantially in the form and on the terms of the assignment attached hereto as Exhibit C, shall have been executed by the landlords of the Stores and Growing Grounds and by Seller (provided, however, that such condition shall be deemed satisfied if the Bankruptcy Court has issued an order prior to the Closing Date authorizing the assumption and assignment of the Leases and the landlords have stipulated, in form and on terms acceptable to Buyer, to all lease modifications theretofore agreed to with Buyer) and Seller shall have delivered to Buyer a landlord's estoppel for each of the Stores and Growing Grounds, substantially in the form and on the terms of the estoppel attached hereto as Exhibit F, duly executed by each of such landlords.

5.2.4 Seller shall have delivered, or shall be prepared to deliver at the Closing, all documents required of Seller to be delivered at the Closing.

5.2.5 Seller shall have obtained, or to the reasonable satisfaction of Buyer obviated the need to obtain, any consent or waiver from third parties (such as equipment lessors, the other parties to any agreements assumed by Buyer under Section 2.3, lenders or government agencies) necessary to consummate the transactions provided for in this Agreement.

5.2.6 Buyer shall have completed its physical inspection of the Property and any and all environmental, geological, economic and legal inspections or reviews it deems necessary or appropriate and shall have approved the results of the same.

5.2.7 No action, suit or other proceedings shall be pending before any court, tribunal or governmental authority seeking or threatening to restrain or prohibit the consummation of the transactions contemplated by this Agreement, or seeking to obtain substantial damages in respect thereof, or involving a claim that consummation thereof would result in the violation of any law, decree or regulation of any governmental authority having appropriate jurisdiction.

5.2.8 There shall not have occurred, as of the Closing Date, any material adverse change in the condition of the Property, or in any document, laws and restrictions, contractual relations or other circumstances affecting the Property previously approved by Buyer; provided, however, that the absence of such adverse change shall not be a condition of Closing where the change is a variation in the amount or condition of Inventory resulting in a Purchase Price adjustment under Section 2.2.3 or the change is damage, destruction or condemnation of Property covered by Section 12.1. Buyer acknowledges that Seller's insolvency and the filing of a petition in bankruptcy will result in some adverse changes to the Property and to Seller's business operations. Buyer hereby agrees that a reduction in Seller's retail sales and a decline in Seller's work force shall not be deemed a material adverse change for purposes of this Section 5.2.8 so long as retail sales from the date of filing the petition until the Closing Date are not less than thirty-five percent (35%) of retail sales for the same period in 1997 and the staffing at each Store has not fallen below thirty-two (32) man hours per day (except the Fountain Valley Store, which shall have a minimum staffing of twenty (20) man hours per day).

5.2.9 Buyer shall have received and approved preliminary title reports for each of the properties covered by the Leases; and, in the case of the Costa Mesa, Huntington Beach, Morena (San Diego), Mission Valley and San Juan Capistrano Stores, shall have received the irrevocable commitment of First American Title Insurance Company or other title insurer acceptable to Buyer (the "Title Company") to issue, upon payment of its normal premium on the Closing Date, its standard leasehold policy of title insurance (or, at Buyer's option, an ALTA extended coverage leasehold policy of title insurance), together with such endorsements as Buyer may reasonably require, insuring Buyer in such amount as Buyer reasonably deems appropriate that such Leases are binding and valid leases of the Premises and that title to the leasehold interest in each such Store is vested in Buyer, subject only to the Title Company's usual printed exceptions and such other exceptions as are approved or caused by Buyer. Buyer shall bear the expense of obtaining preliminary title reports and title insurance.

5.2.10 Duoos shall have entered into a consulting agreement with Buyer for a period of eighteen (18) months, pursuant to which Buyer shall have agreed to pay Duoos the sum of One Hundred Thousand Dollars (\$100,000) at the Closing. Such consulting agreement shall be substantially in the form and on the terms of the consulting agreement attached hereto as Exhibit G.

5.2.11 Duoos and Lindale Garden Centers, Inc., a retail garden center operator that is owned or controlled by Duoos ("Lindale"), shall have entered into an agreement with Buyer whereby Duoos and Lindale, in consideration of the payment by Buyer of Five Hundred Thousand Dollars (\$500,000) at the Closing, covenant not to compete, directly or indirectly, with Buyer in the operation of any retail garden center business in the State of California for a period of seven years. Such agreement not to compete shall be substantially in the form and on the terms of the noncompetition agreement attached hereto as Exhibit H (the "Agreement not to Compete").

5.2.12 Intentionally omitted.

5.2.13 Buyer shall have obtained all financing needed to perform its obligations under this Agreement on terms and conditions acceptable to Buyer and shall, if deemed necessary by Buyer, have obtained the consent of its existing lenders.

5.2.14 Seller shall have delivered to Buyer a conformed copy of the order entered by the Bankruptcy Court described in Sections 5.1.7 and 5.2.15.

5.2.15 The Bankruptcy Court shall have approved the terms of this Agreement and shall have entered an order, that has not been stayed, in form and content satisfactory to Buyer, authorizing the sale of the Property and the assignment of the Leases and other executory agreements to be assumed and assigned free and clear of liens, claims and encumbrances and authorizing the taking of such other actions as are necessary to complete the Closing of the transactions provided for herein.

5.2.16 Buyer shall have received and approved the written opinion of counsel for Duoos and Lindale that the Agreement not to Compete is the valid and duly authorized agreement of Duoos and Lindale and is enforceable against each of them in accordance with its terms.

5.3 Termination. If any of the above conditions is neither satisfied nor waived on or before the date by which the condition is required to be satisfied, a party who is not then in default hereunder may terminate this Agreement by delivering to the other written notice of termination. Any waiver of a condition shall be effective only

if such waiver is stated in writing and signed by the waiving party; provided, however, that the consent of a party to the Closing shall constitute a waiver by such party of any conditions to Closing not satisfied as of the Closing Date. The conditions set forth in Sections 5.2.3 (as to estoppel certificates and stipulations concerning lease modifications only), 5.2.6, 5.2.9, and 5.2.13 must be satisfied or waived by Buyer not later than 5:00 pm April 3, 1998. If by such date Buyer has not given Seller written notice that such conditions have either been waived or satisfied, Seller shall have the right to terminate this Agreement any time thereafter by written notice to Buyer.

5.4 Intentionally omitted.

6. Seller's Representations and Warranties. In addition to the representations and warranties contained elsewhere in this Agreement, Seller and Parent hereby make the following representations and warranties, each of which, unless otherwise indicated, (i) is material and being relied upon by Buyer, (ii) is true in all respects as of the date of this Agreement, and (iii) shall survive the Closing:

6.1 Validity of Agreement. Seller shall not consummate the transactions provided for herein without first having taken all action on the part of Seller necessary for the authorization, execution, delivery and performance of this Agreement by Seller, including, but not limited to, the performance of Seller's obligations hereunder. Upon obtaining the approvals provided for in Section 5.1.6 and 5.1.7, this Agreement shall constitute the valid and binding obligation of Seller enforceable in accordance with its terms.

6.2 Organization, Standing and Power. Seller is a corporation fully organized, validly existing and in good standing under the laws of the State of California. Seller has all requisite corporate power and authority to own, lease and operate its properties, to carry on its business as now being conducted and to execute, deliver and perform this Agreement and all writings relating hereto.

6.3 Authorization of Seller. Upon obtaining the approvals provided for in Section 5.1.6 and 5.1.7, the execution and delivery of this Agreement, the consummation of the transactions herein contemplated, and the performance of, fulfillment of and compliance with the terms and conditions hereof by Seller do not and will not: (i) conflict with or result in a breach of the articles of incorporation or the by-laws of Seller; (ii) violate any statute, law, rule or regulation, or any order, writ, injunction or decree of any court or governmental authority; or (ii) violate or conflict with or constitute a default under any agreement, instrument or writing of any nature to which Seller is a party or by which Seller or its assets or properties may be bound.

6.4 Title to Property. As of the Closing Date, Seller shall have good and marketable title to the Property. The foregoing representation shall not apply to the Intangible Property.

6.5 Leasehold Interest. To Seller's actual knowledge, Seller is the sole tenant of the Premises, and the Leases constitute the entire agreement between Seller and the respective landlords concerning Seller's occupancy of the Premises. To Seller's actual knowledge, such Leases have been duly executed by the lessor and lessee thereto and are in full force and effect, enforceable in accordance with their terms. To Seller's actual knowledge, such Leases have not been modified, altered or amended in any way, nor have they been previously assigned, encumbered or hypothecated by either of the parties thereto, except to the extent disclosed in writing to Buyer. Except for defaults in the payment of amounts owing for rent, taxes and common area maintenance charges, or any maintenance obligations, to Seller's actual knowledge, Seller, as lessee under the Leases, is not in default in the performance of any of the terms or provisions thereof to be performed by Seller, nor is there any fact or condition which, with the giving of notice or the passage of time, or both, will become such a default under the Leases. For purposes of this Agreement, a statement made to "Seller's actual knowledge" shall mean that neither Timothy Duoos nor any other officer of Seller has personal knowledge of any facts that would make the statement untrue.

6.6 Premises. To Seller's actual knowledge, there are no encroachments on the Premises by adjoining property or improvements, the Improvements do not encroach on any adjoining property, easements or public or private streets, and none of the easements, covenants, conditions, restrictions or other encumbrances effecting the Premises has interfered with or will interfere with, or has been or will be breached by or as a result of, the present use or operation of the Premises. To Seller's actual knowledge, the Premises have free and complete legal access to public streets. To Seller's actual knowledge, there is no litigation, action, or proceeding, or any present or contemplated plan or study which in any way challenges or affects or would challenge or affect the continuation of the present use and operation of the Premises or of the present use, size, alignment, or location of any street or highway serving or adjacent to the Premises or the taxes or assessments relating thereto. To Seller's actual knowledge, Seller has performed all conditions to any permits or other approvals, including, without limitation, the payment of all transit impact or other fees.

6.7 Access to Utilities. To Seller's actual knowledge, the Premises have access to and are serviced by water, solid waste and sewage disposal, storm drainage, telephone, gas and electricity facilities which are in good operating condition and are adequate for the present use by the Stores and which comply with all applicable laws and ordinances.

6.8 Environmental Issues. Except for agricultural chemicals used in the Growing Grounds and chemicals or products used or offered for sale at the Stores in the normal course of business, to Seller's actual knowledge, the Premises and Improvements thereon used by Seller in operating the Stores and the Growing Grounds do not contain, and no activity thereon has produced, and the Premises have not been

used in any manner for the storage of, any hazardous or toxic waste, materials, discharge, deposit, dumping or contamination, whether of soil, groundwater or otherwise, which violates any applicable laws or regulations or requires reporting to any governmental authority. To Seller's actual knowledge, the Premises do not contain underground tanks of any type, or any materials containing or producing any polychlorinated biphenyls or any asbestos. There are no surface or subsurface conditions which constitute or with the passage of time may constitute a public or private nuisance.

6.9 Eminent Domain. To Seller's actual knowledge, there are no existing or proposed eminent domain proceedings which would affect the Stores or the Growing Grounds in any way. To Seller's actual knowledge, there are no presently pending or planned public improvements which would result in any charge being levied or assessed against, or result in the creation of any lien upon, the Stores or the Growing Grounds. To Seller's actual knowledge, Seller has not received any notice of any new tax bills or assessments regarding increases of property taxes over those in effect as of the date of this Agreement.

6.10 Condition of Personal Property. To Seller's actual knowledge, there is no item of Personal Property owned by Seller and used exclusively in connection with the operation of the Stores or Growing Grounds except as listed on Exhibit B to this Agreement or excluded under Section 1.2. In any event, any such Personal Property discovered by Buyer or Seller prior to or after the Closing Date shall be transferred by Seller to Buyer at no additional cost.

6.11 Agreements. To the best of Seller's actual knowledge, Seller has delivered to Buyer true copies of all existing written leases and related agreements affecting the Property. Except as otherwise disclosed in writing to Buyer, there are no other material agreements affecting the Property in force. Except for the defaults under the Leases referred to in Section 6.5 or as otherwise disclosed in writing to Buyer, all such contracts have been executed and are in full force and effect; no default or breach exists under any such contracts, nor has any event occurred which, but for the giving of notice or the passage of time, or both, would constitute a default.

6.12 Commitments to Government Agencies. To Seller's actual knowledge, Seller has made no commitments to or agreements with any federal, state or local governmental authority or agency affecting the Property, except as disclosed by Seller to Buyer in writing or as would customarily be made or entered into in connection with the type of business heretofore operated by Seller at the Stores.

6.13 Compliance with Laws.

6.13.1 To Seller's actual knowledge, the Premises and the business operations conducted thereon by Seller comply with all applicable federal,

state and local laws, ordinances, regulations and orders. To Seller's actual knowledge, Seller has all federal, state and local governmental licenses and permits necessary to operate the Stores and Growing Grounds, and such licenses and permits are in full force and effect: Seller has received no written notice of any violation with respect to any such governmental license or permit or of any pending or threatened proceeding to revoke or limit any such license or permit.

6.13.2 Seller hereby agrees to make available to Buyer copies of all reports of inspections of the Premises under OSHA and under all other applicable federal, state and local health and safety laws and regulations. To Seller's actual knowledge, there are no other problems relating to Seller's business, assets or employment practices at the Premises.

6.14 Labor Relations and Employees. To Seller's actual knowledge, Seller is in compliance with all federal, state and local laws and regulations respecting employment and employment practices, terms and conditions of employment and wages and hours. To Seller's actual knowledge, there is no strike, dispute, slowdown or stoppage pending or threatened against or involving Seller. To Seller's actual knowledge, there are no disputes or claims outstanding with respect to any delinquent wages, worker's compensation benefits or any other compensation or benefits due to Seller's employees. To Seller's actual knowledge, there is no employee pension or profit sharing plan to which Seller is required to contribute on behalf of its employees.

6.15 Disclosures. To Seller's actual knowledge, no representation or warranty by Seller or Parent contained in this Agreement, and no statement contained in any certificate, Exhibit, list or other writing furnished to Buyer in connection with this transaction, contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein or therein not misleading. To Seller's actual knowledge, all copies of all writing furnished to the Buyer hereunder or in connection with the transactions contemplated hereby are true and complete.

6.16 Right to Use Corporate Name. To Seller's actual knowledge, Seller has the right to use the name "Nurseryland Garden Centers," and there are no legal or administrative actions, suits, claims or proceedings pending or threatened against Seller which might interfere with such right.

6.17 Non-Foreign Status. Seller is not a "foreign person" as defined in Internal Revenue Code § 1445 and any related regulations.

7. Buyer's Warranties and Representations. In addition to the representations and warranties contained elsewhere in this Agreement, Buyer hereby makes the following representations and warranties, each of which (i) is material and

being relied upon by Seller. (ii) is true in all respects as of the date of this Agreement. (iii) shall be true in all respects on the Closing Date. and (iv) shall survive the Closing:

7.1 Validity of Agreement. All action on the part of Buyer necessary for the authorization, execution, delivery and performance of this Agreement by Buyer, including, but not limited to, the performance of Buyer's obligations hereunder, has been taken or will be taken prior to the Closing. This Agreement, when executed and delivered by Buyer, shall constitute the valid and binding obligation of Buyer enforceable in accordance with its terms.

7.2 Organization, Standing and Power. Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of California. Buyer has all requisite corporate power and authority to own, lease and operate its properties, to carry on its business as now being conducted and to execute, deliver and perform this Agreement and all writings relating hereto.

7.3 Authorization of Buyer. The execution, delivery and performance of this Agreement and all writings relating hereto by Buyer have been duly and validly authorized. The execution and delivery of this Agreement, the consummation of the transactions herein contemplated, and the performance of, fulfillment of and compliance with the terms and conditions hereof by Buyer do not and will not: (i) conflict with or result in a breach of the articles of incorporation or by-laws of Buyer; (ii) violate any statute, law, rule or regulation, or any order, writ, injunction or decree of any court or governmental authority; or (iii) violate or conflict with or constitute a default under any agreement, instrument or writing of any nature to which Buyer is a party or by which Buyer or its assets or properties may be bound.

8. Limitation on Warranties. Except as expressly set forth in this Agreement, Buyer agrees that Buyer is not relying on any representations or warranties made by Seller, or made by any other party on Seller's behalf as to the condition of the Property, or any restrictions related to the Property, the suitability of the Property for any purpose whatsoever, or any matter or thing affecting or relating to the Property. Buyer is aware of and experienced in the complexities associated with the retail nursery business. Except as otherwise expressly provided in this Agreement, the Property is sold "AS IS," where is and with all faults, without any warranties, express or implied, and all warranties of merchantability and fitness are hereby disclaimed.

9. Conduct and Transactions Prior to Closing.

9.1 Access to Records and Properties of Seller. From and after the date of this Agreement until the Closing Date, Seller shall afford to Buyer's officers, independent public accountants, counsel, lenders, consultants and other representatives, free and full access at all reasonable times to the Property and all records pertaining to the Property in order that Buyer may have full opportunity to make such physical,

environmental, legal, accounting and other investigations as Buyer deems appropriate. Buyer, however, shall not be entitled to access to any materials containing privileged communications or information about employees, disclosure of which would violate an employee's reasonable expectation of privacy. Prior to doing any physical inspection of an invasive nature (anything that could cause damage or injury to the Property), Buyer shall execute an agreement in favor of and on terms acceptable to Seller pursuant to which Buyer undertakes to indemnify Seller against any loss or damage suffered as a result of such inspection.

9.2 Delivery of Financial Information. To the extent not already delivered, as soon as it reasonably can after the execution of this Agreement, Seller shall deliver to Buyer, for Buyer's inspection and approval, (i) financial statements for the Stores for Seller's current fiscal year and the three (3) preceding fiscal years; (ii) all other financial information known or possessed by Seller and reasonably requested in writing by Buyer concerning the operation of the Stores and Growing Grounds; and (iii) the most recent tax bills and other notices of assessment affecting the Stores and Growing Grounds, and any notices of any new tax bills or assessments received on or before the Closing Date increasing the taxes or assessments, whether special or general, and whether by City, County, State or other authority, over those in effect as of the date of this Agreement.

9.3 Supplemental Information. From time to time prior to or on the Closing Date, Seller shall furnish to Buyer supplemental information with respect to any matters or events arising or discovered subsequent to the date of this Agreement which, if existing or known on the date hereof, would have rendered any statement, representation or warranty made by Seller or any information contained in any materials provided to Buyer then inaccurate or incomplete. The furnishings of such supplemental information shall not, however, affect or otherwise diminish any of the representations and warranties of Seller hereunder.

9.4 Preliminary Title Reports. Seller shall cooperate in Buyer's efforts to obtain preliminary title reports (the "PTRs") issued by the Title Company covering the Leases, together with copies of all recorded documents pertaining to those exceptions which appear on the PTRs. Buyer will promptly notify Seller of any matters appearing on the PTRs of which Buyer disapproves. If Seller fails to correct such matters prior to the Closing Date or, in the alternative, provide Buyer with adequate assurances they will be corrected after the Closing Date, Buyer shall have the right to terminate this Agreement without penalty; provided, however, that such right must be exercised, if at all, not later than 5:00 p.m. on April 3, 1998.

9.5 Intentionally omitted.

9.6 Operation of Seller's Business. From the date of this Agreement to the Closing Date, Seller shall consult with Buyer on a regular basis in advance with

respect to all decisions which might materially adversely affect the Stores or the Property. Unless Buyer otherwise consents, during the time prior to the Closing Date, Seller shall operate the Stores and Growing Grounds as currently operated and only in the ordinary course and, consistent with such operation, shall use commercially reasonable efforts to preserve intact its current business organization and its relationships with employees and persons having dealings with it. Seller shall obtain Buyer's written consent before entering into any contracts, leases or other agreements, or incurring any additional liabilities or obligations, other than liabilities or obligations incurred in the ordinary course of business. Notwithstanding anything in the foregoing to the contrary, Seller shall have the right to initiate bankruptcy proceedings under Chapter 11 of the Bankruptcy Code, and the filing of a petition in bankruptcy shall not constitute a breach of this Section 9.6.

9.7 Closing Financial Reviews. Seller and Buyer agree that prior to the Closing Date, but not more than two (2) days prior thereto, Buyer or its duly authorized agents, representatives or independent public accountants, and Buyer's lender or lenders, shall, at Buyer's expense unless otherwise provided in this Section 9.7, conduct reviews of Seller's financial records and books of account, and that Buyer and its duly authorized representatives shall have access to Seller's books and records as provided in Section 9.1 of this Agreement.

9.8 Inventory. Seller and Buyer agree that on the Closing Date, Buyer shall conduct a physical inspection and audit of Seller's Inventory in order to ascertain the amount and types of such Inventory. Such inventory shall be observed by Seller and an unrelated, independent third party, to be designated by the parties. Upon Buyer's notice to Seller, Seller shall within a reasonable time period provide Buyer with access, during normal business hours or at such other time as Buyer and Seller may otherwise agree, to Seller's Inventory and Personal Property, and to Seller's records and books of account pertaining to such Inventory and Personal Property.

9.9 Seller's Employees. Buyer shall have the right, and hereby agrees, to make offers of employment to each of Seller's employees at the Stores and Growing Grounds on substantially the same terms and conditions as their current employment, subject to Buyer first receiving from Seller and approving a list of all such employees and their pay rates. Buyer shall have no obligation to make job offers to Seller's management personnel or others employees at Seller's corporate headquarters.

9.10 Satisfaction of Buyer's Conditions. Seller shall use commercially reasonable efforts to obtain, on or before the Closing Date, any needed third party consents, on terms reasonably acceptable to Buyer, and to otherwise satisfy or assist Buyer in satisfying Buyer's conditions precedent set forth in Section 5.2 above; provided, however, that Seller shall have no obligation to incur any material expenses in satisfying its obligations under this Section 9.10.

9.11 Bankruptcy Court Approval: Sale Procedures. Promptly following the execution and delivery of this Agreement (and in no event later than one (1) business day thereafter). Seller shall make a motion (the "Sale Motion") for an order (the "Sale Order") from the Bankruptcy Court which (i) approves the sale of the Property to Buyer on the terms and conditions set forth in this Agreement and authorizes Seller to proceed with the transaction, (ii) includes a specific finding that Buyer is a good faith purchaser of the Property, (iii) states that the sale of the Property to Buyer shall be free and clear of all liens, claims, interests and encumbrances whatsoever, other than liens and encumbrances which secure the performance of obligations under any Leases or other agreements assumed by Seller and assigned to Buyer in accordance with the terms and provisions hereof, and (iv) approves Seller's assumption and assignment pursuant to Section 365 of the Code of the Leases and other executory agreements to be assumed by Seller and assigned to Buyer in accordance with the terms and provisions hereof (the requirement set forth in this clause (iv) is referred to as the "Assignment Requirement"). The Sale Motion shall also request that the following procedures be adopted by the Bankruptcy Court with respect to the sale of the Property and the hearing thereon:

9.11.1 Buyer shall be entitled to receive or retain the Break-up Fee provided for in Section 3.9 above on the terms of such Section in the event Buyer fails to acquire the Property either as the result of Seller's default or as the result of consummation of a sale of the Property to a third party who submits a bid in excess of the Purchase Price.

9.11.2 All third party offers to be considered at the hearing on the Sale Motion shall be in writing and delivered to Seller at or prior to such hearing, together with satisfactory evidence of such third party's financial ability to fully perform its obligations under such offer (a copy of each of which offers shall be delivered to the Buyer as soon as reasonably practicable following Seller's receipt).

9.11.3 No prospective purchaser who bids for the Property at the hearing on Buyer's acquisition of the Property shall be entitled to purchase the Property unless such prospective purchaser offers to purchase the Assets for cash consideration which is at least Two Hundred Fifty Thousand Dollars (\$250,000) greater than the Purchase Price and otherwise on the terms and conditions set forth herein.

9.11.4 After any initial overbid, all further overbids shall be in at least \$25,000 increments (the proposed procedures set forth in clauses 9.11.1 through 9.11.4 of this Section 9.11 are sometimes collectively referred to herein as the "Sale Procedures").

Should overbidding take place, the Buyer shall have the unconditional right, but no obligation, to participate in the overbidding. Following the filing of the Sale Motion, Seller shall use commercially reasonable efforts to obtain the

Sale Order. Buyer shall, at Buyer's sole cost and expense, cooperate in all reasonable respects in Seller's efforts to obtain the Sale Order including, without limitation, by providing financial and other information and declarations, by attending hearings when requested by Seller and cooperating to satisfy any conditions imposed by the Bankruptcy Court to the assignment and assumption of Leases and other executory agreements. The obligations of Buyer and Seller to consummate the transactions contemplated herein shall be conditioned upon the Bankruptcy Court's entry of the Sale Order; provided, however, in no event shall the Buyer's obligations to proceed with the transaction or the hearing on the Sale Motion be conditioned upon the Bankruptcy Court's adopting or following the Sale Procedures. If the Bankruptcy Court refuses to issue the Sale Order or a third party purchaser for the Property or any portion thereof is approved by the Bankruptcy Court at the hearing on the Sale Motion, then in any such event, this transaction shall automatically terminate and Seller and Buyer shall be relieved of any further liability or obligation hereunder (other than any obligation of Seller to pay the Break-up Fee or Buyer, if applicable, to return the Break-up Fee).

10. Indemnification.

10.1 Seller's Indemnity. Seller and Parent jointly and severally shall indemnify, hold harmless and defend Buyer and its assigns from and against any loss, liability, damages or expense (including attorneys' fees) suffered or incurred by Buyer and its assigns as a result of the occurrence of (i) a material breach of any obligation, representation, warranty, covenant or agreement made by Seller in this Agreement, or because any material representation or warranty by Seller contained herein, in any document furnished or required to be furnished pursuant to this Agreement by Seller to Buyer or any of its representatives, or in any documents furnished to Buyer in connection with the Closing hereunder shall be false; (ii) Seller's use or occupancy of the Store properties covered by this Agreement or the operation of Seller's business prior to the Closing Date; and (iii) costs and expenses (including reasonable attorneys' fees) incurred by Buyer in connection with any action, suit, proceeding, demand, assessment or judgment incident to any of the foregoing. Seller agrees to reimburse Buyer for any amounts actually paid by Buyer on account of such obligations, losses, liabilities, damages and expenses within sixty (60) days of Buyer's written request, which request shall include reasonable supporting documentation for such reimbursement. The provisions of this Section 10.1 shall not apply to any loss, liability, damages or expense to the extent arising out of the acts or omissions of Buyer or its representatives, agents or consultants.

10.2 Buyer's Indemnity. Buyer shall indemnify, hold harmless and defend Seller and its assigns from and against any loss, liability, damages or expense (including attorneys' fees) suffered or incurred by Seller and its assigns as a result of the occurrence of (i) Buyer's breach of any obligation accruing after the Closing Date under the Leases or under any other contracts or agreements assumed by Buyer pursuant to this Agreement; (ii) a material breach of any obligation, representation,

warranty, covenant or agreement made by Buyer contained herein, in any document furnished or required to be furnished pursuant to this Agreement by Buyer to Seller or any of its representatives, or in any documents furnished to Seller in connection with the Closing hereunder shall be false: (iii) Buyer's use or occupancy of the Stores or Growing Grounds, or the operation of Buyer's business after the Closing Date; and (iv) cost and expenses (including reasonable attorneys' fees) incurred by Seller in connection with any action, suit, proceeding, demand, assessment or judgment incident to any of the foregoing. Buyer agrees to reimburse Seller for any amounts actually paid by Seller on account of such obligations, losses, liabilities, damages and expenses within sixty (60) days of Seller's written request, which request shall include reasonable supporting documentation for such reimbursement. Buyer's agreement to indemnify and defend set forth in clauses (i) and (iv) of the first sentence of this Section shall also run in favor of any guarantors of the Leases or other agreements referred to in such clause, all of whom shall be third party beneficiaries of this Section 10.2. The provisions of this Section 10.2 shall not apply to any loss, liability, damages or expense to the extent arising out of the acts or omissions of Seller or its representatives, agents or consultants.

10.3 Survival. The obligations of Buyer and Seller in Sections 10.1 and 10.2 above shall survive the Closing and shall be unaffected by the Assignment of Leases and other conveyances provided for in Section 3, even though such conveyances are executed and delivered after the signing of this Agreement.

11. Covenant Not to Compete.

11.1 Restrictions on Competition. Seller and Parent agree that, for a period of seven (7) years from and after the Closing Date, neither Seller nor Parent shall, directly or indirectly, as proprietor, partner, shareholder, agent, employee, officer, independent contractor or otherwise, engage in the retail nursery business, any business activity the same as or similar to that now conducted by Seller, or any other business which in any manner is competitive with Buyer's operation of the Stores or Growing Grounds anywhere in Orange County, Los Angeles County, Riverside County, San Bernardino County, San Diego County or Ventura County, California.

11.2 Severability. In case the non-competition covenant agreed to in the preceding paragraph shall, for any reason, be held to be null and unenforceable in any respect, such nullity or unenforceability shall not affect any other provision of this Agreement and this Agreement shall be construed as if such provision had never been contained herein. Moreover, if any aspect of the non-competition covenant agreed to in the preceding paragraph shall for any reason be held to be excessively broad as to time, activity, or geographical scope, Buyer, Seller and Parent agree that the covenant shall be construed by limiting and reducing the provision so as to be enforceable as to the extent compatible with applicable law.

11.3 Enforcement of Restrictions. Seller and Parent agree that in the event of a breach or threatened breach by Seller or Parent of the provisions of this covenant, Buyer shall, in addition to such other remedies as it may be entitled to under the law or in equity, be entitled to an injunction restraining Seller and/or Parent from breaching the terms of their covenants.

12. Miscellaneous.

12.1 Damage and Destruction; Condemnation. Seller shall notify Buyer immediately of the occurrence of any damage to or destruction of the Property which occurs prior to the Closing Date, or the institution or maintenance of any condemnation or similar proceedings with respect to a Store. In the event of any damage to or destruction of the Property which is not fully covered by insurance, or in the event any such condemnation or other proceedings are instituted or maintained, Buyer, at its option, may either (i) terminate this Agreement, or (ii) consummate the purchase provided for by this Agreement. In all other events or in the event that Buyer elects to consummate the purchase pursuant to (ii) above, all insurance or condemnation proceeds, including business interruption and rental loss proceeds, collected by Seller prior to the Closing Date, together with an amount equal to all deductible amounts under the insurance policies covering such damage or destruction, shall be credited against the Purchase Price on Buyer's account, and all entitlement to all other insurance or condemnation proceeds arising out of such damage or destruction or proceedings and not collected prior to the Closing Date shall be assigned by Seller to Buyer on the Closing Date, and all such deductible amounts not credited against the Purchase Price shall be immediately paid by Seller to Buyer.

12.2 Consultation by Seller. Seller agrees for a period of twelve (12) months following the Closing Date to make itself available to Buyer to provide consulting and advisory services to Buyer concerning the operation and management of the Stores and Growing Grounds. In performing such consulting services, Seller shall not be obligated to spend more than five (5) hours in any week, shall not be obligated to incur any costs or expenses, and shall only be required to provide consulting services upon reasonable notice from Buyer. In no event shall Seller be required to provide such services if they would in any way interfere with the administration of any bankruptcy proceeding of Seller.

12.3 Access to Records. Buyer agrees to allow Seller reasonable access for review and copying (at Seller's expense) to all records, documents and agreements relating to the pre-closing operation of the Stores and Growing Grounds. Seller, however, shall give Buyer reasonable advance notice of its desire to review or copy such records, and all such access shall be limited to Buyer's normal business hours.

12.4 Notices. Unless otherwise provided herein, any notice, tender, or delivery to be given hereunder by either party to the other may be effected by personal

delivery in writing, or by registered or certified mail, postage prepaid, return receipt requested, and shall be deemed communicated as of the date of mailing. Mailed notices shall be addressed as set forth below, but each party may change his address by written notice in accordance with this paragraph.

To Seller: Nurseryland Garden Centers, Inc.
32382 Del Obispo Street
San Juan Capistrano, California 92675
Attn: Mr. Tim Duoos, President

With a copy to: Pachulski, Stang, Ziehl & Young
10100 Santa Monica Blvd., Suite 1100
Los Angeles, California 90067-4102
Attn: Jeffrey N. Pomerantz, Esq.

To Buyer: Armstrong Garden Centers, Inc.
2200 E. Alosta, Suite 200
Glendora, California 91740-4073
Attn: Michael D. Kunce, President

With a copy to: Sheppard, Mullin, Richter & Hampton LLP
650 Town Center Drive, 4th Floor
Costa Mesa, California 92626-1925
Attn: R. Marshall Tanner, Esq.

12.5 Entire Agreement. This instrument contains the entire agreement between the parties relating to the sale of the Property. Any oral representations or modifications concerning this instrument shall be of no force and effect excepting a subsequent modification in writing, signed by the party to be charged.

12.6 Modification. This Agreement may be modified, amended or supplemented only by a written instrument duly executed by all the parties hereto.

12.7 Closing Date. All actions to be taken on the Closing pursuant to this Agreement shall be deemed to have occurred simultaneously, and no act, document or transaction shall be deemed to have been taken, delivered or effected until all such actions, documents and transactions have been taken, delivered or effected.

12.8 Severability. Should any term, provision or paragraph of this Agreement be determined to be illegal or void or of no force and effect, the balance of the Agreement shall survive except that, if Buyer cannot acquire and Seller cannot sell substantially all of the Property, either party may terminate this Agreement, and it shall be of no further force and effect, unless both parties agree in writing to the contrary.

12.9 Captions. All captions and headings contained in this Agreement are for convenience of reference only and shall not be construed to limit or extend the terms or conditions of this Agreement.

12.10 Further Assurances. Each party hereto will execute, acknowledge and deliver any further assurances, documents and instruments reasonably requested by any other party hereto for the purpose of giving effect to the transactions contemplated herein or the intentions of the parties with respect thereto.

12.11 Waiver. No waiver of any of the provisions of this Agreement shall be deemed, or shall constitute, a waiver of other provisions, whether or not similar, nor shall any waiver constitute a continuing waiver. No waiver shall be binding unless executed in writing by the party making the waiver.

12.12 Commissions. Neither Seller nor Buyer has employed any agent or broker in connection with this transaction and shall have no responsibility for any brokerage commissions. Each party agrees to indemnify, hold harmless and defend the other party from and against any obligation or liability to pay any such commission or compensation arising from the act or agreement of the indemnifying party.

12.13 Payment of Fees and Expenses. Each party to this Agreement shall be responsible for, and shall pay, all of its own fees and expenses, including those of its counsel, incurred in the negotiation, preparation and consummation of the Agreement and the transaction described herein.

12.14 Investigations and Survival. The respective representations, warranties, covenants and agreements of Seller, Parent and Buyer herein, or in any certificates or other documents delivered prior to or at the Closing, shall not be deemed waived or otherwise affected by any investigation made by any party hereto nor shall they be affected by the Closing.

12.15 Assignment. This Agreement shall not be assigned by either party hereto without the prior written consent of the other party hereto.

12.16 Binding Effect. This Agreement shall bind and inure to the benefit of the respective heirs, personal representatives, successors, and assigns of the parties hereto, except as hereinabove expressly provided.

12.17 Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of California.

12.18 Good Faith. All parties hereto agree to do all acts and execute all documents required to carry out the terms of this Agreement and to act in good faith with respect to the terms and conditions contained herein before and after Closing.

12.19 Construction. In the interpretation and construction of this Agreement, the parties acknowledge that the terms hereof reflect extensive negotiations between the parties and that this Agreement shall not be deemed, for the purpose of construction and interpretation, drafted by either party hereto.

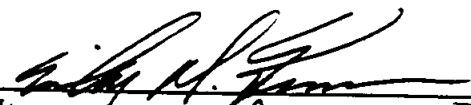
12.20 Counterparts. This Agreement may be signed in counterparts. The parties further agree that this Agreement may be executed by the exchange of facsimile signature pages provided that by doing so the parties agree to undertake to provide original signatures as soon thereafter as reasonable in the circumstances.

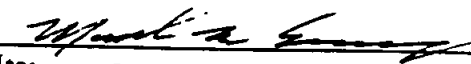
12.21 Time is of the Essence. Time is of the essence in this Agreement, and all of the terms, covenants and conditions hereof.

12.22 Bankruptcy Court Jurisdiction. BUYER, SELLER AND PARENT AGREE THAT THE BANKRUPTCY COURT SHALL HAVE EXCLUSIVE JURISDICTION OVER ALL DISPUTES AND OTHER MATTERS RELATING TO (i) THE INTERPRETATION AND ENFORCEMENT OF THIS AGREEMENT OR ANY ANCILLARY DOCUMENT; AND/OR (ii) THE PROPERTY AND/OR ASSUMED LIABILITIES (INCLUDING, WITHOUT LIMITATION ANY DISPUTES REGARDING THE RESULTS OF THE INVENTORY). AND BUYER EXPRESSLY CONSENTS TO AND AGREES NOT TO CONTEST SUCH EXCLUSIVE JURISDICTION.

IN WITNESS WHEREOF, the parties hereto have executed this Asset Purchase Agreement as of the day and year first above written.

ARMSTRONG GARDEN CENTERS, INC., a
California corporation

By: 
Its: FRS. & L.E.O.

By: 
Its: V.P. LITIGATION

NURSERYLAND GARDEN CENTERS, INC., a
California corporation

By: 
Its: Des.

By: _____
Its: _____

SUNBELT NURSERY GROUP, INC., a Delaware
corporation

By: 
Its: Des.

By: _____
Its: _____

EXHIBIT A

DESCRIPTION OF STORES
GROWING GROUNDS AND LEASES

[See attached list of Stores. Growing Grounds and Leases]

EXHIBIT A

DESCRIPTION OF STORES AND LEASES

(Note: The items stricken below have been excluded from the sale)

ORANGE COUNTY:

~~BREA (UNIT NO. 341)~~

~~Store: 150 West Central Avenue, Brea, CA 92821~~

~~Lease: Lease Agreement dated September 10, 1997, between The Robert and Haruko Suzuki Living Trust 1991 and Seller.~~

~~COSTA MESA (UNIT NOS. 324-1 and 324-2)~~

~~Store: 2123 Newport Boulevard, Costa Mesa, CA 92627~~

~~Lease 324-1: Lease Agreement dated July 17, 1989 between The Weindling Family Trust established July 28, 1986 and The Fainbarg Children's Irrevocable Trust No. 2 established July 24, 1981 and Seller~~

~~Lease 324-2: Lease Agreement dated December 1, 1980 between Mary E. Bennett Trust and Seller, as amended by that certain Lease Extension Agreement dated January 3, 1996 between Mary G. Bennett Trust and Seller~~

~~FOUNTAIN VALLEY (UNIT NO. 325)~~

~~Store: 18420 Brookhurst, Fountain Valley, CA 92708~~

~~Lease: Lease dated September 13, 1997 between Valley Gardens Center and Seller~~

~~HUNTINGTON BEACH (UNIT NO. 314)~~

~~Store: 15851 Gothard, Huntington Beach, CA 92646~~

~~Lease: Sublease Agreement dated June 17, 1974 between ABS Developments #2, a Joint Venture, and Seller~~

~~IRVINE (UNIT NOS. 310-1 and 310-2)~~

~~Store: 4980 Barranca, Irvine, CA 92714~~

~~Lease 310-1: Real Property Lease dated November 1, 1989, between Woodbridge Community Church and Seller~~

~~Sublease 310-2: Sublease dated May 2, 1984, between Irvine Barranca Properties and Seller~~

~~SAN JUAN CAPISTRANO (UNIT NOS. 510 and 132)~~

~~Store: 32382 Del Obispo, San Juan Capistrano, CA 92675~~

~~Lease 510: Lease of Nursery and Garden Center dated August 18, 1992 between Charles I. Vermeulen and Irene E. Vermeulen (the "Vermeulens") and Seller~~

~~Growing~~

~~Grounds: 32382 Del Obispo, San Juan Capistrano, CA 92675~~

~~Lease 132: Restatement of Agricultural Lease dated June 1, 1991 between the Vermeulens and California Garden Centers, as amended by that certain Amendment to~~

Agricultural Lease dated April 1, 1990 between the Vermeulens and California Garden Centers

LOS ANGELES COUNTY:

VALENCIA (UNIT NO. 326)

Store: ~~Valencia Marketplace Shopping Center, Valencia, CA~~
Lease: ~~Shopping Center Lease dated March 31, 1997 between the Newhall Land and Farming Company, a California Limited Partnership and Seller.~~

SAN DIEGO COUNTY:

DEL MAR (UNIT NO. 317)

Store: 2610 Villa De La Valle, Del Mar, CA 92014
Lease: Flower Hill Lease dated August 22, 1975, between Flower Hill Company and Seller, as amended by that certain Amendment of Lease dated September 5, 1975, and that certain Amendment of Lease dated March 12, 1998, between TIP Properties, a California general partnership, and Seller.

EL CAJON - EAST MAIN (UNIT NO. 332)

Store: ~~1755 East Main, El Cajon, CA 92021~~
Lease: ~~Lease dated November 1, 1977 between Main Street Commercial and McKenzie D. Cook and James W. Hines, Jr., as modified by that certain Addendum Number One to Lease dated June 5, 1978, that certain Addendum Number Two to Lease dated February 21, 1979, and that certain Addendum Number Three to Lease dated May 21, 1984, and subsequently assigned and amended per Fourth Amendment to Lease dated August 10, 1993 between Main Street Commercial and Seller.~~

EL CAJON - WEST (UNIT NO. 301)

Store: ~~1265 Cuyamancas, El Cajon, CA 92020~~
Lease: ~~Lease dated April 27, 1970 between Lorna W. Teshar and Seiler, amended by that certain First Amendment to Lease dated March 2, 1980, that Assignment of lessor's interest to C.V. Properties, a California general partnership, dated January 4, 1985, that Second Amendment to Lease dated October 12, 1993, and that Third Amendment to Lease dated May 1, 1995 and signed June 6, 1995, between C.V. Properties and Seller.~~

MORENA (UNIT NOS. 307-1 and 307-2)

Store: 1350 West Moreno, San Diego, CA 92110
Lease 307-1: Lease dated July 18, 1972, between Morena Developers and Seller
Lease 307-2: Flat Rate Lease last dated January 23, 1992 between The City of San Diego and Seller

MIRA MESA (UNIT NO. 334-1 and 334-2)

Store: 9493 Camino Ruiz, San Diego, CA 92126

Lease 334-1: Lease Agreement dated September 29, 1978 between Lion Miramar Industrial Park and James W. Hines, Jr. and McKenzie D. Cook, as amended by that letter agreement dated June 23, 1992, and subsequently assigned and amended per Lease Amendment dated June 1, 1992 between Miramar Commercial Center, LTD and Seller

Lease 334-2: Lease Agreement dated August 25, 1983 between Lion Miramar Industrial Park/Sammis Properties and Seller

MISSION VALLEY (UNIT NO. 333)

Store: 10320 Friars Road, San Diego, CA 92120

Lease: Riverdale Center Lease dated October 10, 1978 between Riverdale Properties, predecessors in interest to Investcal Realty Corporation, and McKenzie D. Cook and James W. Hines, Jr., predecessors in interest to Seller.

~~SPRING VALLEY (UNIT NO. 303)~~

~~Store: 2776 South, Spring Valley, CA 92007~~

~~Lease: Lease dated January 6, 1978 between State Mutual Savings and Loan Association and Seller~~

EXHIBIT B

DESCRIPTION OF PERSONAL PROPERTY

[See attached list of Personal Property]

DESCRIPTION OF PERSONAL PROPERTY

Cash Registers, Zon Machines, Register Stands, Shelving, Pallet Jacks, Calculators, Miscellaneous Office Supplies, Pallet Jacks, Bedding Plant Tables, Safes, Flocking Machines, Turntables, and all other miscellaneous merchandise, fixtures that are in use or being stored. Lockers, that are located in the stores offices and breakrooms.

EXHIBIT C

FORM OF ASSIGNMENT OF LEASE

[See attached form of Assignment of Lease]

ASSIGNMENT, ASSUMPTION AND CONSENT AGREEMENT

This Assignment, Assumption and Consent Agreement (this "Agreement") is entered into as of this 18th day of March, 1998, Nurseryland Garden Centers, Inc. ("Assignor"), Armstrong Garden Centers, Inc. ("Assignee"), and the undersigned landlord ("Landlord"). Assignor, Assignee and Landlord are sometimes referred to in this Agreement individually as a "Party" and collectively as the "Parties."

RECITALS

A. Assignor, as Tenant, has entered into a lease with Landlord (the "Lease") covering certain real property in the State of California for the operation of a retail garden center. The Lease and the premises covered by the same are more particularly described in Appendix I attached hereto. Capitalized terms used in this Agreement, unless they are otherwise defined or the context otherwise requires, shall have the same meaning as capitalized terms used in the Lease.

B. Assignor and Assignee have entered into an Asset Purchase Agreement under which Assignor has agreed to sell, and Assignee has agreed to purchase, substantially all of the assets of Assignor, including Assignor's interest as Tenant under the Lease, subject to obtaining the consent of Landlord.

C. Landlord is willing to consent to the assignment by Assignor of its interest under the Lease on all of the terms of this Agreement.

NOW, THEREFORE, for and in consideration of the mutual obligations and undertakings of the parties hereinafter set forth, and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the Parties agree as follows:

1. Assignment. Effective as of the closing of the sale referred to in Recital B above (the "Effective Date"), Assignor hereby assigns to Assignee its interest, as Tenant, in the Lease and delegates to Assignee all of Assignor's duties thereunder. This assignment includes all of Assignor's interest in and to the security deposit, if any, now held by Landlord pursuant to the Lease.

2. Assumption. Assignee hereby accepts the foregoing assignment and assumes and agrees to be bound by the Lease and faithfully perform the duties of the Tenant thereunder.

3. Consent. Landlord hereby consents to the assignment and assumption provided for in paragraphs 1 and 2 above; provided, however, that such consent shall not: (a) operate as a release or waiver of any rights against Assignor; (b) release Assignor from any obligation to be performed by Assignor under the Lease, whether occurring before or after such consent; (c) be construed to be a consent to any other or further assignment, sublease or other transfer; or (d) be construed to eliminate or modify the obligation under the Lease to obtain Landlord's express written consent to any other or further assignment, sublease or transfer.

4. Notices. Notices to Tenant under the Lease shall be sent to Armstrong Garden Centers, Inc., 2200 East Alostia, Suite 200, Glendora, California 91740-4073, Attention: Mr. Michael D. Kunce, President, with a copy to Sheppard, Mullin, Richter & Hampton, 650 Town Center Drive, 4th Floor, Costa Mesa, California 92626, Attention: R. Marshall Tanner, Esq.

5. Entire Agreement. This Agreement represents the entire agreement of the Parties with respect to the subject matter hereof and may not be amended in any way except by another written agreement signed by the Parties.

6. Execution in Counterparts. This Agreement may be executed in counterparts and delivered by the delivery of facsimile signatures; provided, however, that if the Parties exchange facsimile signatures, each of them agrees to provide the other with a copy of this Agreement bearing their original signature as soon thereafter as possible.

7. Conditions to Assignment. The assignment provided for herein is subject to and conditioned on the consummation of the purchase and sale described in Recital B above.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the day and year first set forth above.

ASSIGNOR:

NURSERYLAND GARDEN CENTERS, INC.

By: _____

Its: _____

By: _____

Its: _____

[Signatures continued on next page]

ASSIGNEE:

ARMSTRONG GARDEN CENTERS, INC.

By: _____

Its: _____

By: _____

Its: _____

LESSOR:

By: _____

Its: _____

By: _____

Its: _____

Appendix I

Address of Premises: _____

Documents constituting the Lease: _____

Security Deposit: _____

EXHIBIT D

FORM OF BILL OF SALE

[See attached form of Bill of Sale]

BILL OF SALE

Nurseryland Garden Centers, Inc., a California corporation ("Seller"), pursuant to that certain Asset Purchase Agreement, dated as of March 18, 1998 (the "Agreement") among Seller, Sunbelt Nursery Group, Inc., a Delaware corporation, and Armstrong Garden Centers, Inc., a California corporation ("Buyer"), does, for good and valuable consideration, hereby sell, transfer, assign and deliver all of its right, title and interest in and to the following described assets, subject to all terms and conditions of the Agreement, to Buyer:

1. Improvements. All improvements, and all appurtenances to such improvements, to the extent of Seller's interest in the same, located at Seller's fifteen retail garden stores (the "Stores") described in Appendix I attached hereto and incorporated herein (the "Premises"), including, without limitation, buildings, outside storage and product display areas, driveways, walkways and parking areas.
2. Personal Property. All of those items of equipment and tangible personal property listed in Appendix II attached to this Bill of Sale and all other tangible personal property now or hereafter owned by Seller and used in connection with the Premises or the Stores, including, without limitation, all furniture, machinery and equipment located on the Premises and all motor vehicles and other rolling stock used in the operation of the Stores. This Bill of Sale shall not, however, cover any items of personal property expressly excluded from sale under the terms of the Agreement.

3. Inventory. All inventory and stock in trade of the Stores owned by Seller that is in saleable condition under industry standards.

Except as otherwise provided in the Agreement, the above-described assets are conveyed "AS IS," where is and with all faults. By acceptance of this Bill of Sale, Buyer agrees that the limitation of warranties provided for in Section 8 of the Agreement shall survive the delivery of this Bill of Sale and the closing of the transaction provided for in the Agreement.

IN WITNESS WHEREOF, the Seller has caused this Bill of Sale to be executed as of the ____ day of _____, 1998.

NURSERYLAND GARDEN CENTERS, INC.

By: _____
Its: _____

By: _____
Its: _____

Appendix I

STORE LOCATIONS

[See attached]

Appendix II

EQUIPMENT AND PERSONAL PROPERTY

[See attached]

EXHIBIT E

FORM OF ASSIGNMENT OF INTANGIBLE PROPERTY

[See attached form of Assignment of Intangible Property]

ASSIGNMENT OF INTANGIBLE PROPERTY

THIS ASSIGNMENT OF INTANGIBLE PROPERTY is executed this _____ day of _____, 1998, by and between NURSERYLAND GARDEN CENTERS, INC., a California corporation ("Assignor"), and ARMSTRONG GARDEN CENTERS INC., a California corporation ("Assignee").

Contemporaneously with the execution of this Assignment, pursuant to an Asset Purchase Agreement dated March 18, 1998 ("Purchase Agreement") by and among Assignor, Assignee, and Sunbelt Nursery Group, Inc., Assignor has conveyed to Assignee substantially all of Assignor's business and assets located on, and/or used in connection with, fifteen retail garden center stores (the "Stores") at locations described in Appendix I attached hereto (the "Premises"). Assignor and Assignee intend that Assignor's right, title and interest, if any, in and to the intangible property described herein be assigned and transferred to Assignee. All terms used and not otherwise defined herein shall have the meanings assigned them in the Purchase Agreement.

NOW THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

1. Intangible Property. Assignor hereby assigns, conveys, transfers and sets over unto Assignee, without warranty, express or implied, except as provided in the Purchase Agreement, any and all of Assignor's right, title and interest, if any, in and to all intangible personal property owned by Assignor and used in connection with the Premises or the Stores, to the extent of Assignor's interest and to the extent transferrable, together with all books, records and like items pertaining to the Premises or the Stores, including, without limitation, the names "Nurseryland" and "Nurseryland Garden Centers," the goodwill of the Stores as going concerns, trademarks, trade names, service marks, all plans and specifications for the Improvements, all appraisals, engineering, soils, pest control, and other reports relating to the Property, licenses, contracts and contract rights and other agreements (to the extent such contracts or agreements are assumed by Assignee), catalogues, customer lists and other data bases, correspondence with present or prospective customers and suppliers, advertising materials, software programs, and telephone exchange numbers identified with the Premises (the "Intangible Property"). The Intangible Property shall not include any accounts or accounts receivable of Assignor, nor shall it include materials containing privileged communications or information about employees, disclosure of which would violate an employee's reasonable expectation of privacy, or any other assets expressly excluded from the sale under the terms of the Purchase Agreement.

2. Successors and Assigns. This Assignment shall inure to the benefit of, and be binding upon, the successors, executors, administrators, legal representatives and assigns of the parties hereto.

3. Governing Law. This Assignment shall be construed under and enforced in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the parties have executed this Assignment as of the date first set forth above.

ASSIGNEE:

ARMSTRONG GARDEN CENTERS,
INC., a California corporation

By: _____

Its: _____

By: _____

Its: _____

ASSIGNOR:

NURSERYLAND GARDEN
CENTERS, INC., a California
corporation

By: _____

Its: _____

By: _____

Its: _____

APPENDIX I

STORE LOCATIONS

NB1: NSU OTHER MYF 41078658.3
032598

EXHIBIT F

FORM OF LANDLORD'S ESTOPPEL

[See attached form of Landlord's Estoppel]

LESSOR'S ESTOPPEL CERTIFICATE

This Certificate is made by the undersigned landlord ("Lessor") for the benefit of Armstrong Garden Centers, Inc., a California corporation ("Assignee"), as part of a transaction in which Assignee will acquire by assignment from Nurseryland Garden Centers, Inc., a California corporation ("Assignor"), the leasehold interest of Assignor created by that certain lease described in Appendix I attached hereto and incorporated herein by this reference (the "Lease"). The Lease covers those certain premises described in Appendix II attached hereto and incorporated herein by this reference (the "Premises"). In connection with the assignment, Lessor hereby represents and warrants to Assignee as follows:

1. Lessor is the sole owner of the Premises and is the lessor under the Lease.
2. The Lease constitutes the entire agreement between Lessor and Assignor concerning Assignor's occupancy of the Premises.
3. All space covered by the Lease and improvements required by the Lease to be provided by Lessor have been completed and furnished in accordance with the provisions of the Lease, and Assignor has accepted and taken possession of the premises demised by the Lease.
4. As of the date hereof, insofar as Lessor presently has knowledge, Assignor has fulfilled all of its duties to Lessor, there are no defaults of Assignor under the Lease, and no event has occurred which with the giving of notice or the passage of time would constitute a default.
5. All work required of Assignor as lessee under the Lease has been completed in accordance with the terms of the Lease and Assignor has no further obligations under the Lease to make any alterations or improvements to the Premises.
6. The copy of the Lease with any amendments, attached hereto as Appendix III, is true and correct and has not been in any respect further modified, altered or amended.
7. The Lease has been duly executed by Lessor and Assignor, or their respective predecessors, and is presently in full force and effect, enforceable in accordance with its terms.

8. The Lease is for a term commencing on _____, 19__ and ending on _____.

9. As of the date hereof the minimum basic monthly rent under the Lease is \$_____.

10. Assignor, as lessee under the Lease, has paid Lessor a security deposit of \$_____.

11. Lessor has no notice of any prior assignment, hypothecation or pledge of the Lease by Assignor which remains in force as of the date of this Certificate. The leasehold interest of Lessor has not been hypothecated or assigned.

12. Lessor has not assigned or otherwise transferred any of Lessor's obligations under the Lease.

13. Lessor has no basis for refusing or failing to honor or perform its duties under the Lease or to terminate the same.

14. This Certificate shall inure to the benefit of Assignee and its heirs, successors, representatives and assigns.

IN WITNESS WHEREOF, the undersigned Lessor has duly executed this instrument this ___ day of _____, 1998.

LESSOR:

a _____

By: _____

Its: _____

APPENDIX I

LEASE

Title of Lease:

Date of Lease:

Name of Lessor:

Name of Lessee:

Title of Amendment:

Date of Amendment:

Name of Lessor (if changed):

Name of Lessee (if changed):

Title of Amendment:

Date of Amendment:

Name of Lessor (if changed):

Name of Lessee (if changed):

Title of Amendment:

Date of Amendment:

Name of Lessor (if changed):

Name of Lessee (if changed):

APPENDIX II

LEGAL DESCRIPTION

[See Attached]

APPENDIX III

COPY OF LEASE

[See Attached]

EXHIBIT G

FORM OF CONSULTING AGREEMENT

[See attached form of Consulting Agreement]

CONSULTING AGREEMENT

This Agreement ("Agreement") is dated as of _____, 1998 by and between Armstrong Garden Centers, Inc., a California corporation ("Company"), and Tim Duoos, an individual, (the "Consultant").

RECITALS

A. Consultant is the president of Nurseryland Garden Centers, Inc. ("Seller"), which pursuant to an Asset Purchase Agreement dated March ____, 1998 (the "Purchase Agreement") has agreed to sell the Stores to Company. Capitalized terms used in this Agreement shall, unless otherwise defined or the context otherwise requires, have the same meaning as capitalized terms used in the Purchase Agreement.

B. Company desires to avail itself of Consultant's experience and ability in operating and managing the Stores by receiving consultation services, and Consultant is willing to provide such services, on the terms of this Agreement.

NOW, THEREFORE, for and in consideration of the mutual obligations set forth below, the parties agree as follows:

1. Duties and Responsibilities. Company hereby retains Consultant to provide consulting and advisory services to Company concerning the operation and management of the Stores. Consultant shall make himself available for such purposes as and when requested by Company; provided, however, that such consulting services shall be on a nonexclusive basis and provided further that in performing such consulting services, Consultant shall not be obligated to spend more than five (5) hours in any week. Consultant shall not be obligated to incur any costs or expenses, and shall only be required to provide consulting services upon reasonable notice from Buyer.

2. Term. Subject to the termination rights provided elsewhere in this Agreement, the term of this Agreement (the "Term") shall be for a period of eighteen months, commencing on the Closing Date and ending 12 months thereafter.

3. Compensation. For all consulting services rendered under this Agreement, Consultant shall be paid the sum of One Hundred Thousand and No/100 Dollars (\$100,000.00), with payment to be made in full on the Closing Date.

4. Disparagement. Consultant agrees that during the Term he will do nothing to disparage or criticize Company or its products, services or personnel and that he will at all times support Company in his dealings with third parties.

5. Default. In the event Consultant defaults in the performance of any of its obligations under this Agreement, Company shall have the right, in addition to any other remedies for default available at law or in equity, to immediately terminate this Agreement by written notice of termination to Consultant.

6. Status. The relationship between Company and the Consultant under this Agreement shall be that of independent contractors. Consultant shall not be an employee or partner of Company and shall have no authority to act for or bind Company.

7. Notices. All notices, requests, demands and other communications required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given if delivered personally or mailed first class, postage prepaid, registered or certified mail, as follows:

If to Company:

Armstrong Garden Centers, Inc.
2200 East Alostia, Suite 200
Glendora, California 91740-4073
Attention: Mr. Michael D. Kunce, President

If to Consultant:

Mr. Tim Duoos
c/o Nurseryland Garden Centers, Inc.
32382 Del Obispo Street
San Juan Capistrano, California 92675

8. Attorneys' Fees. If any legal action arises under this Agreement or by reason of any asserted breach of it, the prevailing party shall be entitled to recover all costs and expenses, including reasonable attorneys' fees, incurred in enforcing or attempting to enforce any of the terms, covenants, or conditions.

9. Governing Law. This Agreement shall be construed in accordance with and under the laws of the State of California.

10. Enforcement. Consultant agrees that the breach by him of this Agreement, including its covenants, could not be reasonably compensated in damages in an action in law and that Company shall be entitled to injunctive relief to enforce the provisions of this Agreement. No remedy covered by this section is intended to be exclusive of any other remedy. Each provision of this Agreement shall be severable.

11. Entire Agreement. This Agreement represents the entire agreement between the parties hereto with respect to the subject matter hereof, and supersedes all prior agreements, representations and understandings.

12. Successors and Assigns The terms and conditions of this Agreement shall be binding upon the successors and assigns of Company.

13. Effectiveness This Agreement is subject to the closing of the transactions provided for in the Purchase Agreement and shall be of no force or effect if such transactions fail to close.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

TIM DUOOS

ARMSTRONG GARDEN CENTERS,
INC., a California corporation

By: _____

Its: _____

By: _____

Its: _____

EXHIBIT H

FORM OF AGREEMENT NOT TO COMPETE

[See attached form of Agreement Not to Compete]

NONCOMPETITION AGREEMENT

THIS NONCOMPETITION AGREEMENT (this "Agreement") is made as of the ____ day of _____, 1998, by and among LINDALE GARDEN CENTERS, INC., a California corporation ("Lindale"), TIM DUOOS, a _____ resident in his individual capacity and not as a representative or fiduciary for any other person ("Duoos"), and ARMSTRONG GARDEN CENTERS, INC., a California corporation ("Buyer").

RECITALS

A. Buyer is acquiring certain of the assets of Nurseryland Garden Centers, Inc., a California corporation ("Seller"), pursuant to an Asset Purchase Agreement by and between Seller, Sunbelt Nursery Group, Inc., and Buyer, dated as of March _____, 1998 (the "Purchase Agreement"). Capitalized terms used in this Agreement shall, unless otherwise defined or the context otherwise requires, have the same meaning as capitalized terms used in the Purchase Agreement.

B. Duoos is the President of Seller. Lindale is a company owned or controlled by Duoos which is engaged in the retail garden center business.

C. One of the conditions to the consummation of the transactions contemplated by the Purchase Agreement is the execution and delivery of a Noncompetition Agreement by and among Lindale, Duoos and Buyer.

NOW, THEREFORE, in consideration of the covenants and agreements herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, it is hereby agreed that:

1. Covenant Not to Compete. Duoos and Lindale agree that, for a period of seven (7) years from and after the date hereof, neither Duoos nor Lindale shall, directly or indirectly, as proprietor, partner, shareholder, agent, employee, officer, independent contractor or otherwise, engage in the operation of any retail garden center business, retail nursery business, any business activity the same as or similar to that now conducted by Buyer, or any other business which in any manner is competitive with Buyer's operation of the Stores or Growing Grounds anywhere in Orange County, Los Angeles County, Riverside County, San Bernardino County, San Diego County or Ventura County, California. Notwithstanding anything in the foregoing to the contrary, Duoos and Lindale shall each have the right to engage in the wholesale nursery business and nothing herein shall limit such right. As used herein,

"wholesale nursery business" shall mean the sale on a wholesale basis of plants and other nursery items only to retail nurseries, landscape contractors and other gardening or landscape professionals, all of whom shall have a valid California resale number.

2. Severability; Interpretation. In case any provision in this Agreement shall, for any reason, be held to be null and unenforceable in any respect, such nullity or unenforceability shall not affect any other provision of this Agreement and this Agreement shall be construed as if such provision had never been contained herein. Moreover, if any aspect of any covenant agreed to in this Agreement shall for any reason be held to be excessively broad as to time, activity, or geographical scope, Buyer, Duoos and Lindale agree that any such covenant shall be construed by limiting and reducing the provision so as to be enforceable as to the extent compatible with applicable law.

3. Payment. As consideration for the execution and performance of this Agreement, Buyer shall, upon the execution hereof, pay Duoos the sum of Five Hundred Thousand Dollars (\$500,000), of which Four Hundred Seventy-Five Thousand Dollars (\$475,000) shall be paid to Duoos and Twenty-Five Thousand Dollars (\$25,000) shall be paid to Lindale.

4. Confidential Information. The parties agree that the business connections, customers, customer lists, marketing techniques, procedures, operations and other aspects of Buyer's business, including assets of which have been sold to Buyer, have been established and maintained at great expense, protected as confidential information and trade secrets and are of great value to Buyer and will provide it with a substantial competitive advantage in its business. The parties agree that Duoos, as an employee and officer of Seller and consultant of Buyer, has had and will have access to and has been and will be entrusted with secret, confidential and proprietary information and that Buyer would suffer great loss and injury if Duoos would disclose this information or use it to compete with Buyer. Therefore, Duoos and Lindale each agree that, for a period of seven (7) years from and after the date hereof, he and it will not directly or indirectly, either individually or as an employee, agent, partner, shareholder, consultant or in any other capacity, use or disclose, or cause to be used or disclosed, any secret, confidential or proprietary information relating to business of Buyer, including the assets of which have this day been sold to Buyer, whether such information was owned by Duoos or Lindale prior to or discovered and developed by Duoos or Lindale subsequent to its relationship with Seller, and regardless of the fact that Duoos or Lindale may have participated in the discovery and development of that information. The restrictions against use and disclosure contained in this paragraph 4 shall not apply to information which (i) was or is in the public domain except as the result of a breach by Duoos or Lindale of their

duty not to disclose confidential information, (ii) is disclosed to Duoos or Lindale by a third party (other than an officer, director, employee or agent of Buyer) after disclosure by Buyer, or (iii) thereafter through an act or failure to act on the part of Buyer becomes information generally available to the public. Nothing herein shall limit disclosure by Duoos or Lindale of information otherwise protected by this paragraph 4 where such disclosure is required by law or by the order of a court or governmental agency having jurisdiction.

5. Nonsolicitation. For a period of seven (7) years from and after the date hereof, Duoos and Lindale agree that neither Duoos nor Lindale shall (a) attempt to divert or take away or attempt to call on or solicit any of Buyer's customers, or (b) induce or influence (or seek to induce or influence) any person who is engaged (as an employee, agent, independent contractor or otherwise) by Buyer to terminate his or her employment or engagement.

6. Relationship with Others. The parties agree that the profitability and reputation of Buyer depends on continued amicable relations with its suppliers. Lindale and Duoos agree that it or he will not cause, request or advise any suppliers of Buyer to curtail or cancel their business with Buyer.

7. Common Law of Torts. The parties agree that nothing in this Agreement shall be construed to limit or negate the common law of torts where it provides Buyer with broader protection than that provided herein.

8. Remedies.

(a) In addition to other remedies provided by law or equity, upon a breach by Duoos or Lindale of any of the covenants contained herein, then Buyer shall be entitled to have a court of competent jurisdiction enter an injunction against that party prohibiting any further breach of the covenants contained herein.

(b) The parties agree that it is impossible to measure in money the damages that may accrue to a party hereto by reason of a failure to perform any of the obligations hereunder. Therefore, in the event of any controversy concerning the rights or obligations under this Agreement such rights or obligations shall be enforceable in a court of equity by a decree of specific performance. Such remedy, however, shall be cumulative and nonexclusive and shall be in addition to any other remedy which the parties may have.

(a) This Agreement may be executed simultaneously in any number of counterparts, each of which shall be deemed an original but all of which shall together constitute one and the same agreement.

(b) The Section headings herein are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

(c) This Agreement shall not be assigned by Duoos or Lindale without the prior written consent of Buyer. Buyer shall have the right to assign all or any portion of its rights under this Agreement and to delegate all or any portion of its obligations under this Agreement, provided that: (i) Buyer gives notice of any such assignment to Duoos and Lindale; (ii) any assignee shall expressly assume, by a document reasonably satisfactory to Duoos and Lindale and their counsel, the duties of Buyer under this Agreement which are delegated to it; and (iii) such assignment shall not, as against Duoos and Lindale, relieve Buyer of its obligations under this Agreement which are delegated to such assignee.

(d) Lindale shall be released from the restrictions on competition provided for in Sections 1 and 5 of this Agreement at such time as all of the outstanding capital stock of Lindale becomes owned by a person or entity that is unrelated, directly or indirectly, to Duoos and not subject to his control.

(e) This Agreement shall be construed and governed by the laws of the State of California.

(f) All communications or notices required or permitted by this Agreement shall be made as provided by the Purchase Agreement.

(g) The invalidity or unenforceability of any provision hereof shall not affect or impair any other provisions.

(h) No amendment of this Agreement shall be effective unless in writing and signed by Lindale, Duoos and Buyer.

(i) This Agreement, together with the Purchase Agreement and the other documents and materials referred to herein or therein, constitutes

the entire understanding of the parties with respect to the subject matter hereof. There are no restrictions, promises, warranties, covenants or undertakings other than those expressly set forth herein and therein. This Agreement supersedes all prior negotiations, agreements and undertakings between the parties with respect to such subject matter.

(j) This Agreement is subject to the closing of the transactions provided for in the Purchase Agreement and shall be of no force or effect if such transactions fail to close.

(k) If any legal action arises under this Agreement or by reason of any asserted breach of it, the prevailing party shall be entitled to recover all costs and expenses, including reasonable attorneys' fees, incurred in enforcing or attempting to enforce any of the terms, covenants, or conditions.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

"Lindale"

LINDALE GARDEN CENTERS, INC., a
California corporation

By: _____

[Printed Name and Title]

By: _____

[Printed Name and Title]

"Duoos"

TIM DUOOS, an individual

[SIGNATURES CONTINUED]

"Buyer"

ARMSTRONG GARDEN CENTERS, INC.

By: _____

[Printed Name and Title]

By: _____

[Printed Name and Title]

March 30, 1998

Paragon Capital

Attention: _____

Re: Security for Payment of Break-up Fee

Ladies and Gentlemen:

Nurseryland Garden Centers, Inc. ("Seller"), Sunbelt Nursery Group, Inc., Seller's parent, and Armstrong Garden Centers, Inc. ("Buyer") have entered into an asset purchase agreement dated March 30, 1998 (the "Purchase Agreement"), pursuant to which Seller has agreed to sell and Buyer has agreed to purchase substantially all of Seller's assets. Capitalized terms used in this Agreement shall, unless otherwise defined or the context otherwise requires, have the same meaning as capitalized terms used in the Purchase Agreement.

Section 3.9 of the Purchase Agreement provides for the payment to Buyer of a fee in the amount of \$125,000 (the "Break-up Fee") in the event certain conditions are met. Buyer has insisted on the Break-up Fee, and requires that there be security for payment of the same, as a condition of its willingness to enter into the Purchase Agreement. Paragon Capital ("Paragon"), as one of Seller's lenders, will be materially benefited by the transactions provided for in the Purchase Agreement by virtue of the fact that it will receive substantially all of the sales proceeds and is therefore willing to provide the funds as an advance to Seller to provide collateral to secure payment of the Break-up Fee on the terms of this letter.

Accordingly, in order to induce Buyer to enter into the Purchase Agreement, and for good and valuable consideration, the adequacy of which is hereby acknowledged, Buyer, Seller and Paragon hereby agree as follows:

Paragon Capital

March 30, 1998

Page 2

1. Promptly upon execution of this Letter, Paragon shall advance to Seller an amount equal to the Break-up Fee (the "Deposit") and deposit the same in a trust account to be held by Paragon as collateral for the obligations of Seller to Buyer under the terms of this Letter.

2. Subject to paragraph 4 below, the Deposit shall be payable to Buyer upon Buyer's delivery to Paragon and Seller, at the addresses set forth in the Purchase Agreement, of a written statement, executed by an officer of Buyer, certifying either that (a) a sale of the Property to an overbidding third party has been consummated or Seller has failed or refused to sell the Property to Buyer in breach of the Purchase Agreement and (b) Seller has failed to pay the Break-up Fee.

3. The Deposit shall be released to Seller upon Seller's delivery to Paragon and Seller at the addresses set forth in the Purchase Agreement, of a written statement, executed by an officer of Seller, certifying that the Purchase Agreement has terminated other than by virtue of Seller's default or by consummation of a sale of an overbidder. In any event the deposit shall not be released to Seller before May 1, 1998 and only if Seller has not filed a motion to sell the Property to another buyer (except for a motion seeking to approve a general liquidation sale).

4. The Deposit shall not be released to Buyer or Seller, as the case may be, if the Buyer or Seller serves written objections to its release to Paragon within two (2) business days notice of release given by the Buyer to Seller. The Bankruptcy Court shall assume jurisdiction to determine whether the condition to release has occurred.

5. Paragon acknowledges that Buyer is relying on the undertakings of Paragon under this Letter in entering into the Purchase Agreement.

6. Any amounts deposited by Paragon pursuant to the terms of this letter shall constitute an advance to Seller under the terms of the various loan agreements now in effect between Paragon and Seller and shall be payable by Seller to Paragon in accordance with the terms of such agreements.

Paragon Capital
March 30, 1998
Page 3

7. Seller, Buyer and Paragon each hereby agree to execute such additional documents and to take such further actions as any of them may be deemed reasonably necessary or appropriate to more fully carry into effect the purposes and intentions of the parties in entering into this letter agreement.

Please acknowledge your receipt of this letter and your willingness to comply with the terms thereof by signing the enclosed counterparts and returning them to the undersigned.

Very truly yours,

NURSERYLAND GARDEN CENTERS, INC.

By: _____
Its: _____

By: _____
Its: _____

ARMSTRONG GARDEN CENTERS, INC.

By: _____
Its: _____

By: _____
Its: _____

[signatures continued]

Paragon Capital
March 30, 1998
Page 4

Paragon Capital, having its offices at _____, California
_____, hereby acknowledges receipt of this letter and agrees to the terms thereof.

Dated: March __, 1998

PARAGON CAPITAL

By: _____

Its _____

By: _____

Its: _____

EXHIBIT B

LOCATION	STORE #	LANDLORD	PREPETITION DEFAULT
Costa Mesa	324-1	The Weindling Family Trust	\$14,358.13
Costa Mesa	324-2	Mary G. Bennett	\$2,483.75
Morena	307-2	City Treasurer	\$1,100.00
Morena	307-1	Harbor Investments Corp.	\$8,723.00
Mira Mesa	334-1	Miramar Commercial Center, Ltd.	\$1,600.00
Mira Mesa	334-2	Lion Miramar Industrial Park	\$4,500.00
Huntington Beach	314	Emily Kuo Lee	\$8,000.00
Mission Valley	333	Investcal Realty Corp.	\$6,696.82
Capistrano	510	Charles L. Vermeulen	\$29,962.67
Del Mar	317	Flower Hill Co.	\$125.00
Capistrano (Growing Ground)	132	Charles L. Vermuelen	\$20,730.00

EXHIBIT B

LOCATION	STORE #	LANDLORD	PREPETITION DEFAULT
Costa Mesa	324-1	The Weindling Family Trust	\$14,358.13
Costa Mesa	324-2	Mary G. Bennett	\$2,483.75
Morena	307-2	City Treasurer	\$1,100.00
Morena	307-1	Harbor Investments Corp.	\$8,723.00
Mira Mesa	334-2	Miramar Commercial Center, Ltd.	\$1,600.00
Mira Mesa	334-2	Lion Miramar Industrial Park	\$4,500.00
Huntington Beach	314	Emily Kuo Lee	\$8,000.00
Irvine	310-1	Ray Brothers Nurseryland	\$9,331.67
Irvine	310-2	Woodbridge Community Church	\$1,129.06
El Cajon	332	Main Street Commercial	\$3,810.00
Brea	341	Robert & Haruko Suzuki	\$2,000.00
Mission Valley	333	Investcal Realty Corp.	\$6,696.82
Fountain Valley	325	Valley Garden Plaza	\$4,971.43
Spring Valley	303	Sweetwater Village	\$1,500.00
Capistrano	510	Charles L. Vermeulen	\$29,962.67
Valencia	326	NTFC Capital Corp.	\$218.39
El Cajon	301	CV Properties	\$4,333.33
Del Mar	317	Flower Hill Co.	\$125.00
Mission Viejo	315	Jack Horowitz	\$15,833.33

In re SUNBELT NURSERY GROUP, INC., a Delaware corporation Debtor.	(SHORT TITLE)	CHAPTER 11 CASE NUMBER: SA 98-15089-RA Joint Admin With: SA 98-15090-RA; SA 98-15091-RA; SA 98-15092-RA; SA 98-15092-RA
--	---------------	--

**NOTICE OF ENTRY OF JUDGMENT OR ORDER
AND CERTIFICATE OF MAILING**

TO ALL PARTIES IN INTEREST ON THE ATTACHED SERVICE LIST:

1. You are hereby notified, pursuant to Local Bankruptcy Rule 116(1)(1)(iv), that a judgment or order entitled (*specify*):

Order Approving Debtors' Emerg. Motion for Order: (1) Author. Sunbelt Nursery. to Sell Substantially All of the Assets, etc.; (2) Approving Break-Up Fee, etc.; (3) Approving Such Sale Free & Clear, etc; & (4) Author. Assumption & Assignment of Certain Executory Contracts, etc.

was entered on (*specify date*):

2. I hereby certify that I mailed a copy of this notice and a true copy of the order or judgment to the persons on the attached service list on (*specify date*):

Dated:

JON D. CERETTO
Clerk of the Bankruptcy Court

By: _____
Deputy Clerk

• Michael Hauser

U.S. Trustee

• Civic Center Plaza Towers

600 W. Santa Ana Blvd., 501

Santa Ana, CA 92701

Jeffrey N. Pomerantz

Pachulski, Stang, Ziehl & Young

10100 Santa Monica Blvd., #1100

Los Angeles, CA 90067

Physically attach this form as the last page of the proposed Order or Judgment.
not file this form as a separate docun.

In re SUNBELT NURSERY GROUP, INC., a Delaware corporation Debtor.	(SHORT TITLE)	CHAPTER 11 CASE NUMBER: SA 98-15089-RA Joint Admin With: SA 98-15090-RA; SA 98-15091-RA; SA 98-15092-RA; SA 98-15092-RA
--	---------------	--

**NOTICE OF ENTRY OF JUDGMENT OR ORDER
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1. You are hereby notified, pursuant to Local Bankruptcy Rule 116(1)(1)(iv), that a judgment or order entitled (*specify*):

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was entered on (*specify date*): **APR 9 1998**

2. I hereby certify that I mailed a copy of this notice and a true copy of the order or judgment to the persons on the attached service list on (*specify date*):

APR 9 1998

APR 9 1998

Dated:

JON D. CERETTO
Clerk of the Bankruptcy Court

By: **BRENDA LEE**
Deputy Clerk

Michael Hauser

U.S. Trustee

Civic Center Plaza Towers

600 W. Santa Ana Blvd., 501

Santa Ana, CA 92701

Jeffrey N. Pomerantz

Pachulski, Stang, Ziehl & Young

10100 Santa Monica Blvd., #1100

Los Angeles, CA 90067

1 Valentine S. Hoy, VIII, State Bar No. 121766
2 Mark Hagarty, Esq., State Bar No. 90224
3 LUCE, FORWARD, HAMILTON & SCRIPPS
4 600 West Broadway, Suite 2600
5 San Diego, California 92101
6 Telephone: (619) 236-1414

7
8 Attorneys for Defendants NURSERYLAND GARDEN CENTERS, INC.

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SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF SAN DIEGO

THE CITY OF SAN DIEGO, a
municipal corporation,

Plaintiff,

v.

B. JAMES POLAK, TRUSTEE UTD
3/2/82; MARGARET M. POLAK,
TRUSTEE UTD 3/2/82; BENJAMIN E.
POLAK, TRUSTEE UTD 5/28/82;
SHEILA K. POLAK, TRUSTEE UTD
5/28/82; LEO R.B. HENRIKSON; BANK
OF AMERICA NATIONAL TRUST AND
SAVINGS ASSOCIATION, A NATIONAL
BANKING ASSOCIATION; GLENDALE
FEDERAL SAVINGS AND LOAN
ASSOCIATION, A UNITED STATES
CORPORATION; TOYS 'R US VAN NUYS,
INC.; NURSERYLAND GARDEN CENTERS,
INC.; and DOES I Through XX,
Inclusive,

Defendants.

Case No. 642772

AMENDED QUALIFIED DISCLAIMER
BY NURSERYLAND GARDEN
CENTERS, INC.

By this Amended Qualified Disclaimer, Defendant Nurseryland
Garden Centers, Inc. ("Centers") hereby amends its Qualified
Disclaimer filed in this court on April 8, 1992.

Pursuant to California Code of Civil Procedure section

1 1250.325, defendant, Nurseryland Garden Centers, Inc. hereby
2 disclaims any interest in and to any compensation that may be
3 awarded as to the property described in plaintiff's complaint on
4 file as Parcels A, B, 1-A and 4-A, in Superior Court of the State
5 of California for the County of San Diego, Case No. 642722 except
6 as specified below.

7 The foregoing disclaimer is subject to the following
8 exception. Plaintiff has represented and promised that (1)
9 construction to be performed on the property herein will be
10 performed only between the hours of 10:00 p.m. and 8:00 a.m.
11 (overnight) and that the entirety of the driveway used for
12 entrance to the premises occupied by Centers will be usable
13 between the hours of 8:00 a.m. and 10:00 p.m.; (2) that this will
14 be accomplished by backfilling the sewer easement ditch prior to
15 commencement of the business day and that a "cold asphalt paving
16 technique" will be used to restore the driveway for business day
17 use by customers and large delivery trucks; (3) that a quick-
18 drying concrete will be used for the permanent concrete driveway
19 in such a manner that the driveway will be usable at all times
20 between 8:00 a.m. and 10:00 p.m., and in this manner said
21 construction is not expected to interfere with or in any way
22 adversely affect the operation and/or the business of Centers.
23 This disclaimer is being executed by Centers, therefore, subject
24 to the exception that should the foregoing work and construction
25 incidental to the taking herein in any way interfere with the
26 operation and/or the business of Centers, it may seek and obtain
27 such damages as may

28 / / / / /

1 be allowed by law in this proceeding to compensate it for any
2 interference with such operation and/or business.

3 Dated: April 15, 1992

LUCE, FORWARD, HAMILTON & SCRIPPS

5 By:

Valentine S. Hoy,
Attorneys for Nurseryland
Garden Centers, Inc.

LUCE, FORWARD, HAMILTON & SCRIPPS

600 WEST BROADWAY, SUITE 2600 SAN DIEGO, CALIFORNIA 92101

TELEPHONE (619) 236-1414

FACSIMILE (619) 232-8311

AGREEMENT TO WAIVER

I, Tony J. Chron, am the duly elected, authorized and acting Vice President-Real Estate and Store Development for Nurseryland Garden Centers, Inc. and am authorized to execute the foregoing waiver on its behalf. I have reviewed the foregoing waiver, know and understand the contents thereof and on behalf of Nurseryland Garden Centers, Inc. hereby agree to such waiver.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed this ____ day of March, 1992, at Fort Worth, Texas.

Tony J. Chron, for and on behalf of
Nurseryland Garden Centers, Inc.

Its Vice President-Real Estate and
Store Development

CURTIS M. FITZPATRICK
ASSISTANT CITY ATTORNEY
C. ALAN SUMPTION
CHIEF DEPUTY CITY ATTORNEY
EUGENE P. GORDON
CHIEF DEPUTY CITY ATTORNEY

OFFICE OF
THE CITY ATTORNEY
CITY OF SAN DIEGO

JOHN W. WITT
CITY ATTORNEY

LITIGATION DIVISION
525 "B" STREET, SUITE 2100
SAN DIEGO, CALIFORNIA 92101
(619) 533-4700
FAX (619) 533-4747

April 13, 1992

Valentine S. Hoy
LUCE, FORWARD, HAMILTON
& SCRIPPS
600 West Broadway
Suite 2600
San Diego, CA 92101

Dear Ms. Hoy:

City of San Diego v. Polak
San Diego Superior Court Case No. 642772

I have reviewed the Qualified Disclaimer which was apparently originally prepared by Charles Berwanger. Essentially the document is acceptable but the City hereby requests a slight modification. Page 2, lines 5 through 9, requires more specificity. The following language more accurately describes the City's representations:

"Plaintiff has represented and promised that construction to be performed on the property herein will be performed between 10:00 p.m. through the night until 8:00 a.m. and in this manner, is not expected to interfere with or in any way adversely affect the operation and/or the business of Centers."

I believe this language, without substantively changing the Disclaimer more accurately identifies the representation by the City of San Diego. If this language is acceptable to you, and is inserted in a new document, the Qualified Disclaimer by Nurseryland Centers, Inc., may be filed with the court, and in turn, the City of San Diego will sign the lease agreement which is being negotiated by the Property Department. Please feel free to call should you have questions regarding this matter.

Sincerely,

JOHN W. WITT, City Attorney

By *Peggy J. McCarberg*
Peggy J. McCarberg
Deputy City Attorney

PJM:kjk:Lit.
cc Paul Crawford

RECEIVED
APR 16 1992
PROPERTY DEPT.



One Ridgmar Centre
6500 W. Freeway, Suite 600
Fort Worth, Texas 76116
817-738-8111

VIA AIRBORNE EXPRESS

April 7, 1992

The City of San Diego
Property Department, Mail Station 51-A
Security Pacific Plaza
1200 Third Avenue, Suite 1700
San Diego, California 92101-4199

Attn: Paul Crawford

Re: Lease Agreement
Lessee: Nurseryland Garden Centers, Inc.
Lessor: City of San Diego

Dear Paul:

Enclosed is a copy of a qualified disclaimer signed by Nurseryland Garden Centers, Inc. with respect to the lawsuit styled The City of San Diego v. James Polak, et. al. which case is pending in the Superior Court of the State of California, San Diego County under Cause No. 642772. This qualified disclaimer has been modified slightly from the format of the disclaimer forwarded to me on February 19, 1992. The modifications have been made pursuant to an agreement between Nurseryland's attorney, Charles Berwanger of Luce, Forward and Deputy City Attorney McCarberg.

Upon your receipt of this correspondence, please have the City initial new paragraph 7.14 to the above Lease Agreement and return one (1) of the original Lease Agreements to me. My correspondence of January 29, 1992 included a pre-addressed courier envelope for your use. Thank you for your cooperation and should you have questions please call.

Sincerely,

A handwritten signature in black ink, appearing to read 'Michael A. Carter'.

Michael A. Carter
Corporate Counsel

MAC/jp
Enclosure

RECEIVED

APR 8 1992

PROPERTY DEPT.

on file as Parcels A, B, 1-A and 4-A, in Superior Court of the State of California for the County of San Diego, Case No. 642722 except as specified below.

The foregoing disclaimer is subject to the following exception. Plaintiff has represented and promised that construction on the property being taken herein will be performed at such times and in such a manner as to not interfere with or in any way adversely affect the operation and/or the business of Centers. This disclaimer is being executed by Centers, therefore, subject to the exception that should the foregoing work and construction incidental to the taking herein in any way interfere with the operation and/or the business of Centers, it may seek and obtain such damages as may be allowed by law in this proceeding to compensate it for any interference with such operation and/or business.

Dated: March 18, 1992

LUCE, FORWARD, HAMILTON & SCRIPPS

By: Charles V. Berwanger
Charles V. Berwanger,
Attorneys for Nurseryland
Garden Centers, Inc.

AGREEMENT TO WAIVER

Tony J. Chron am the duly elected authorized and acting
Vice President-Real Estate and Store Development for
~~I am employed by~~ Nurseryland Garden Centers, Inc. and am

authorized to execute the foregoing waiver on its behalf. I have
reviewed the foregoing waiver, know and understand the contents
thereof and on behalf of Nurseryland Garden Centers, Inc. hereby
agree to such waiver.

I declare under penalty of perjury under the laws of the
State of California that the foregoing is true and correct.

Executed this 23rd day of March, 1992, at Fort Worth, Texas.


Declarant, for and on behalf of
Nurseryland Garden Centers, Inc.
Tony J. Chron
Its (title) V.P.-Real Estate and
Store Development

COPY

1 RICHARD M. PACHULSKI, ESQ. (STATE BAR NO. 90073)
 2 JEFFREY N. POMERANTZ, ESQ. (State Bar No. 143717)
 3 ERIC S. KURTZMAN, ESQ. (State Bar #187339)
 4 PACHULSKI, STANG, ZIEHL & YOUNG P.C.
 5 10100 Santa Monica Boulevard, # 1100
 6 Los Angeles, California 90067
 7 Telephone: (310) 277-6910
 8 Telecopier: (310) 201-0760

9 (Proposed) Attorneys for Debtors and Debtors in Possession

10 UNITED STATES BANKRUPTCY COURT
 11 CENTRAL DISTRICT OF CALIFORNIA

12 In re)

Case No. SA 98-15089-RA
Chapter 11

13 SUNBELT NURSERY GROUP, INC., a)
 14 Delaware corporation)

15 Debtor.)

Case No. SA 98-15090-RA
Chapter 11

16 In re)

17 WOLFE NURSERY, INC., a Delaware)
 18 corporation,)

19 Debtor.)

Case No. SA 98-15091-RA
Chapter 11

20 In re)

21 TIP TOP NURSERY, INC., an)
 22 Arizona corporation,)

23 Debtor.)

Case No. SA 98-15092-RA
Chapter 11

24 In re)

25 NURSERYLAND GARDEN CENTERS,)
 26 INC., a California corporation,)

27 Debtor.)

Case No. SA 98-15093-RA
Chapter 11

28 In re)

SUNBELT MANAGEMENT SERVICES, a)
 Delaware corporation,)

Debtor.)

NOTICE OF HEARINGS ON
DEBTORS' EMERGENCY MOTIONS

DATE: April 3, 1998

TIME: 9:30 a.m.

PLACE: Courtroom 604,

1 PLEASE TAKE NOTICE that an emergency hearing will be held on
2 April 3, 1998 at 9:30 a.m., before the Honorable Robert W. Alberts,
3 United States Bankruptcy Judge, in Courtroom 604, 34 Civic Center
4 Plaza, Santa Ana, California, to consider the emergency motions of
5 Sunbelt Nursery Group, Inc., a Delaware corporation, ("Sunbelt"),
6 Wolfe Nursery, Inc., a Delaware corporation ("Wolfe"), Tip Top
7 Nurseries, Inc., an Arizona corporation ("Tip Top"), Nurseryland
8 Garden Centers, Inc., a California corporation ("Nurseryland") and
9 Sunbelt Management Services, a Delaware corporation ("Management"),
10 the debtors and debtors in possession in the above captioned
11 chapter 11 cases (collectively the "Debtors"), as follows:

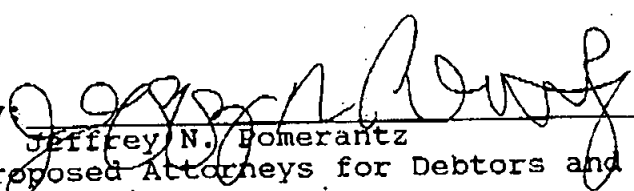
- 12 1. Notice of Emergency Motion and Emergency Motion for Joint
13 Administration of Related Cases Pursuant to Federal Rules
14 of Bankruptcy Procedure 1015(b); Memorandum of Points and
15 Authorities; Declaration of Chad Ruth in Support Thereof;
- 16 2. Notice of Emergency Motion and Emergency Motion for Order
17 Approving (1) Incurrence of Secured Debt, (2) Grant of
18 Senior Liens, (3) Modification of Automatic Stay, and (4)
19 Entrance into Agreements with Paragon Capital LLC;
20 Memorandum of Points and Authorities;
- 21 3. Debtors' Notice of Emergency Motion and Emergency Motion
22 for Order Approving Centralized Cash Management System;
23 Memorandum of Points and Authorities; Declaration of Chad
24 Ruth in Support Thereof;
- 25 4. Notice of Emergency Motion and Emergency Motion for an
26 Order Authorizing Debtor's to (1) Pay Prepetition Wages
27 and Salaries and Payroll Taxes Related Thereto; (2) Honor
28 Uncashed Employee Checks; and (3) Honor Existing
Vacation, Sick Leave, 401(K) Plan, Insurance and Other
Personnel Policies and Benefits; Memorandum of Points and
Authorities; Declaration of Chad Ruth in Support Thereof;
5. Notice of Emergency Motion and Emergency Motion of
Chapter 11 Debtor for Approval of Employment Agreement
with Chad Ruth as Consultant; Declaration of Chad Ruth in
Support Thereof; and
6. Notice of Emergency Motion and Emergency Motion for Order
Authorizing Debtors to Reject Nonresidential Real
Property Leases; Memorandum of Points and Authorities;
Declaration of Chad Ruth in Support Thereof.

1 Copies of the Motions have been served upon you by hand
2 delivery or overnight mail.

3 PLEASE TAKE FURTHER NOTICE that, pursuant to Local Bankruptcy
4 Rule 113, any party in interest intending to oppose the relief
5 sought in any of these Motions must attend the scheduled hearing on
6 such Motion. Failure to appear at the scheduled hearing may
7 constitute consent to the relief requested in the Motion[s].

8 Dated: April 2, 1998

PACHULSKI, STANG, ZIEHL
& YOUNG P.C.

9
10 By 
11 Jeffrey N. Pomerantz
12 Proposed Attorneys for Debtors and
13 Debtors in Possession
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1 RICHARD M. PACHULSKI, ESQ. (STATE BAR NO. 90073)
 2 JEFFREY N. POMERANTZ, ESQ. (State Bar No. 143717)
 3 ERIC S. KURTZMAN, ESQ. (State Bar #187339)
 4 PACHULSKI, STANG, ZIEHL & YOUNG P.C.
 5 10100 Santa Monica Boulevard, # 1100
 6 Los Angeles, California 90067
 7 Telephone: (310) 277-6910
 8 Telecopier: (310) 201-0760

9 (Proposed) Attorneys for Debtors and Debtors in Possession

10 UNITED STATES BANKRUPTCY COURT
 11 CENTRAL DISTRICT OF CALIFORNIA

12 In re)
 13)
 14 SUNBELT NURSERY GROUP, INC., a)
 15 Delaware corporation)

16 Debtor.)

Case No. SA 98-15089-RA
 Chapter 11

17 In re)
 18)
 19 WOLFE NURSERY, INC., a Delaware)
 20 corporation,)

21 Debtor.)

Case No. SA 98-15090-RA
 Chapter 11

22 In re)
 23)
 24 TIP TOP NURSERY, INC., an)
 25 Arizona corporation,)

26 Debtor.)

Case No. SA 98-15091-RA
 Chapter 11

27 NOTICE OF HEARINGS ON
 28 DEBTORS' EMERGENCY MOTION

DATE: April 8, 1998
 TIME: 3:00 p.m.
 PLACE: Courtroom 604,

29 PLEASE TAKE NOTICE that an emergency hearing will be held on
 30 April 8, 1998 at 3:00 p.m., before the Honorable Robert W. Alberts,
 31 United States Bankruptcy Judge, in Courtroom 604, 34 Civic Center
 32 Plaza, Santa Ana, California, to consider the Emergency Motion of
 33 Debtors and Debtors in Possession Pursuant to Sections 105 and 363
 34 of the Bankruptcy Code, for Entry of Order Granting (A) Authority

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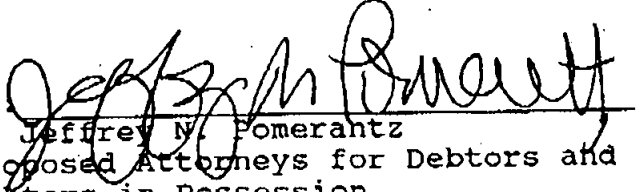
1 to Close Certain Stores, Conduct Store Closing Sales and Employ
2 Liquidation Agent and (B) Certain Additional Relief.

3 Copies of the Motion are being served to you by hand delivery
4 or overnight mail.

5 PLEASE TAKE FURTHER NOTICE that, pursuant to Local Bankruptcy
6 Rule 113, any party in interest intending to oppose the relief
7 sought in any of these Motions must attend the scheduled hearing on
8 such Motion. Failure to appear at the scheduled hearing may
9 constitute consent to the relief requested in the Motion[s].

10 Dated: April 2, 1998

PACHULSKI, STANG, ZIEHL
& YOUNG P.C.

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12
13 By: 
14 Jeffrey N. Pomerantz
15 Proposed Attorneys for Debtors and
16 Debtors in Possession
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9 (Proposed) Attorneys for Debtors and Debtors in Possession

10 UNITED STATES BANKRUPTCY COURT
 11 CENTRAL DISTRICT OF CALIFORNIA

12 In re)

Case No. SA 98-15089-RA
 Chapter 11

13 SUNBELT NURSERY GROUP, INC., a)
 14 Delaware corporation)

15 Debtor.)

16 In re)

Case No. SA 98-15092-RA
 Chapter 11

17 NURSERYLAND GARDEN CENTERS,)
 18 INC., a California corporation,)

19 Debtor.)

20 NOTICE OF HEARINGS ON
 21 DEBTORS' EMERGENCY MOTION

DATE: April 8, 1998
 TIME: 3:00 p.m.
 PLACE: Courtroom 604

22 PLEASE TAKE NOTICE that an emergency hearing will be held on
 23 April 8, 1998 at 3:00 p.m., before the Honorable Robert W. Alberts,
 24 United States Bankruptcy Judge, in Courtroom 604, 34 Civic Center
 25 Plaza, Santa Ana, California, to consider the Debtors' Emergency
 26 Motion for Order (1) Authorizing Sunbelt Nursery Group, Inc. and
 27 Nurseryland Garden Centers, Inc. to Sell Substantially all of the
 28 Assets which are used in their California Operations; (2) Approving

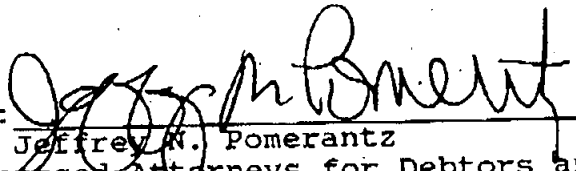
1 Breakup Fee and Bidding Procedures in Connection with such Sale;
2 (3) Approving Sale Free and Clear of Liens Pursuant to 11 U.S.C. §
3 363(F); and (4) Authorizing Assumption and Assignment of Certain
4 Executory Contracts and Leases Under 11 U.S.C. § 365.

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9 sought in any of these Motions must attend the scheduled hearing on
10 such Motion. Failure to appear at the scheduled hearing may
11 constitute consent to the relief requested in the Motion[s].

12 Dated: April 2, 1998

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15 Jeffrey N. Pomerantz
16 Proposed Attorneys for Debtors and
17 Debtors in Possession
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