

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:)	
)	Chapter 11
)	
HINES HORTICULTURE, INC., et al., ¹)	Case No. 08-11922
)	
Debtors.)	Jointly Administered

**NOTICE OF (I) NOTIFICATION PROCEDURES APPLICABLE TO 50% HOLDERS
OF COMMON STOCK, (II) NOTIFICATION AND HEARING PROCEDURES FOR
TRANSFERS OF, AND CLAIMS OF WORTHLESSNESS WITH RESPECT TO
COMMON STOCK AND (III) ALLOWING A HEARING ON THE PROSPECTIVE
APPLICATION THEREOF**

TO: (A) THE OFFICE OF THE UNITED STATES TRUSTEE FOR THE DISTRICT OF DELAWARE; (B) COUNSEL TO THE COMMITTEE; (C) COUNSEL TO THE AGENT FOR THE DEBTORS' PREPETITION AND PROPOSED POSTPETITION SECURED LENDERS; (D) THE INDENTURE TRUSTEE FOR THE DEBTORS' 10.25% SENIOR NOTES; (E) HOLDERS OF COMMON STOCK; (F) THE SECURITIES EXCHANGE COMMISSION; (G) THE INTERNAL REVENUE SERVICE AND (H) THOSE PARTIES WHO HAVE REQUESTED SERVICE OF PAPERS PURSUANT TO BANKRUPTCY RULE 2002.

PLEASE TAKE NOTICE THAT on August 20, 2008 (the "Petition Date"), Hines Horticulture, Inc. ("Hines") and Hines Nurseries, Inc. (together with Hines, the "Debtors"), commenced cases under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101-1330 (the "Bankruptcy Code"). Subject to certain exceptions, section 362 of the Bankruptcy Code operates as a stay of any act to obtain possession of property of the Debtors' estates or property from the Debtors' estates or to exercise control over property of the Debtors' estates.

PLEASE TAKE FURTHER NOTICE THAT on October 30, 2008 the Debtors filed a motion seeking entry of an order pursuant to sections 105, 362 and 541 of the Bankruptcy Code establishing notification procedures and approving restrictions on certain transfers of, or claims of worthlessness with respect to, Hines Common Stock (the "Motion"). These procedures will

¹ The Debtors in these Chapter 11 Cases and the last four digits of each Debtor's federal tax identification numbers are: Hines Horticulture, Inc. (3204) and Hines Nurseries, Inc. (1319). The location of the Debtors' corporate headquarters and the service address for both Debtors is: 12621 Jeffrey Road, Irvine, California 92620.

generally apply to any person or shareholder who owns, directly or indirectly, more than a certain percentage of Hines stock.

PLEASE TAKE FURTHER NOTICE THAT on November 18, 2008 the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”) entered an order approving the procedures set forth below in order to preserve the Debtors’ net operating losses (the “NOLs”) pursuant to sections 105, 362 and 541 of the Bankruptcy Code (the “Order”). Any transfer or declaration of worthlessness of Common Stock in the Hines in violation of the procedures set forth below shall be null and void *ab initio* as an act violating the automatic stay provisions of section 362 of the Bankruptcy Code.

PLEASE TAKE FURTHER NOTICE THAT pursuant to the Order, the following procedure shall apply to any transfer of, or declaration of worthlessness for tax purposes with respect to, Common Stock:

- a. Prior to (i) filing any federal or state tax return, or any amendment to such a return, claiming any deduction for worthlessness of the Common Stock, for a tax year ending before the Debtors’ emergence from chapter 11 protection, or (ii) effectuating any transfer of Common Stock, a 50% Shareholder (as the term is defined in paragraph (c) below) must file with the Court, and serve upon counsel to the Debtors, an advance written notice in the form attached as Exhibit 1 to the Order (a “Declaration Proposed Worthless Stock Deduction/Transfer”), of the intended claim of worthlessness or transfer.
- b. The Debtors will have 15 calendar days after receipt of a Declaration of Proposed Transfer/Worthless Stock Deduction to file with the Court and serve on such 50% Shareholder an adversary proceeding seeking to enjoin any proposed claim of worthlessness or transfer described in the Declaration of Proposed Transfer/Worthless Stock Deduction on the grounds that such claim or transfer might adversely affect the Debtors’ ability to utilize their Tax Attributes. If the Debtors file an adversary proceeding, the filing of the return with such claim or the transfer would not be permitted unless approved by a final and nonappealable order of the Court. If the Debtors do not file an adversary proceeding within such 15-day period, the filing of the return with such claim or transfer would be permitted as set forth in the Declaration of Proposed Transfer/Worthless Stock Deduction. Additional returns or transfers within the scope of this paragraph must be the subject of additional notices as set forth herein, with an additional 15-day waiting period.
- c. For purposes of these procedures: (i) a “50% Shareholder” is (A) for purposes of a Worthlessness Deduction, any person or entity defined as a “50 percent” shareholder under IRC § 382(g)(4)(D), and (B) for purposes of a Transfer, any person or entity that at any time since January 1, 2005,

has had Beneficial Ownership of 50% or more of the Common Stock;² (ii) “Beneficial Ownership” of Common Stock includes direct and indirect ownership (e.g., a holding company would be considered to beneficially own all shares owned or acquired by its subsidiaries), ownership by such holder’s family members and persons acting in concert with such holder to make a coordinated acquisition of stock and ownership of shares that such holder has an Option to acquire; and (iii) an “Option” to acquire stock includes any contingent purchase, warrant, put, stock subject to risk of forfeiture, contract to acquire stock or similar interest, regardless of whether it is contingent or otherwise not currently exercisable.

PLEASE TAKE FURTHER NOTICE THAT, upon the request of any entity, the notice agent for the Debtors, (the “Notice Agent”) Epiq Systems, Inc. will provide a form of the required declaration described above and a copy of the Order in a reasonable period of time. Such declaration is also available at <http://chapter11.epiqsystems.com/hines>.

FAILURE TO FOLLOW THE PROCEDURES SET FORTH IN THIS NOTICE SHALL CONSTITUTE A VIOLATION OF, AMONG OTHER THINGS, THE AUTOMATIC STAY PROVISIONS OF SECTION 362 OF THE BANKRUPTCY CODE.

ANY PROHIBITED TRANSFER OF, OR DECLARATION OF WORTHLESSNESS WITH RESPECT TO COMMON STOCK IN THE DEBTORS OR OPTION WITH RESPECT THERETO IN VIOLATION OF THE ORDER SHALL BE NULL AND VOID *AB INITIO* AND MAY BE PUNISHED BY CONTEMPT OR OTHER SANCTIONS IMPOSED BY THE BANKRUPTCY COURT.

² 50% of more of the Common Stock is currently the equivalent of 11,036,275 or more shares.

PLEASE TAKE FURTHER NOTICE THAT the requirements set forth in this Notice are in addition to the requirements of applicable law and do not excuse compliance therewith.

Dated: November 18, 2008
Wilmington, Delaware

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