



# StaufferSeeds

Letter from Anthony G. Laos

Summer 2001

## Dear Valued Customer,

As many of you are aware, in addition to my continuing role at StaufferSeeds, I assumed the positions of Chairman and CEO of ProdiGene on November 1, 2000. Prior to taking on this new responsibility I had been on the Board of Directors at ProdiGene since the Company's formation. I have adjusted to my new responsibilities and have become accustomed to the day-to-day activities of this leading biopharmaceutical company.

At this time I would like to share with you our forecast for our continuing future together. To adequately present a clear picture of our future, I feel it prudent to begin with the history of how StaufferSeeds began our relationship with our sister company ProdiGene.

While I have been associated with Dr. John Howard, the founder of ProdiGene, for more than 25 years, it wasn't until November of 1996 that we began our collaboration to pursue the technology of producing pharmaceutical and industrial proteins utilizing the corn plant as a bioreactor. I assure you, when we began to achieve our transformation goals, first in the laboratory, then in the greenhouse, and finally in the cornfields of Central Nebraska, the future could not have been brighter. What we didn't foresee back in 1997 was the Monarch Butterfly controversy and the impact it had upon consumers and the industry. As those issues began to subside, along came the Cry9C protein (taco) debacle. The Cry9C issue is monumental for all – StaufferSeeds, ProdiGene, producers and the entire biotechnology industry, as it has created unwarranted safety issues with the general public. Change is a fact of life and inevitable, but is resisted by many at every opportunity (example: European Union). We can be thankful that our country has agencies such as the Food and Drug Administration to hold the agricultural, food and pharmaceutical industries to the highest standards possible.

There have been minor setbacks due to lack of public acceptance of Genetically Modified Organisms (GMO) in the agricultural industry. StaufferSeeds and ProdiGene have diligently met these issues head-on. Together, we have developed our ICS (Identity Containment Seed)



System encompassing complete protocols for our corn products from the lab through the delivery to our customers. ProdiGene is the only company, to date, to have presented these types of data to the FDA for their review. This is an important step for the registration process of our products, however, we cannot determine the registration dates of these products at this time. I can assure you that we are working diligently to bring our products to the marketplace as quickly as possible and to provide an opportunity for our customers to realize real value when producing the StaufferSeeds/ProdiGene ICS products.

The Seed Program that we pioneered in June of 1998 has come under considerable scrutiny from the industry, competitive seed companies, corn producers and even governing bodies here in the U.S. and abroad. We at StaufferSeeds have been very cognizant of the fact that we need to stay focused and not exaggerate our projections. Our Confirmation Letter, which is sent to each customer annually upon receipt of their order at StaufferSeeds, states that we cannot guarantee acres or premiums. In our opinion, it was prudent to present the facts to our customers immediately, and give them the opportunity to analyze our program. We have not deviated from our program from its inception. We believe very strongly in our companies and the technology we will be delivering in the future, barring any unforeseen regulatory issues.



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I wish I could say that things always go as expected, but they don't. We initially thought the regulatory process would be accomplished quickly. Of course, that was before the Monarch Butterfly and Cry9C issues. While we are producing limited ICS acres in the states of Minnesota, Iowa, Nebraska, Kansas, and Texas, we are doing so with permits issued by the USDA. These permits require isolation distances from other growing corn of 660' for industrial enzymes and 1320' for pharmaceutical products. We will be dealing with these distances until we can gain regulatory approval to lessen or abandon these requirements altogether. I will keep you apprised of our progress regarding the regulatory approval process of our innovative products.

I have personally spoken with many of you regarding our advancements at both StaufferSeeds and ProdiGene. I am proud of the fact that I have the opportunity to lead both of our Companies through the regulatory and production issues.

There are many high hurdles to be cleared in agriculture today. Low commodity prices only amplify the need for real premium-based products in the marketplace. I realize that everyone is not a believer, but let me reiterate that if you are a customer in the StaufferSeeds ICS Program you will have an opportunity to earn real premiums when quantifiable production acres arrive in your area.

At this time let me share with you our projections of two of our new products—

TGEV and Laccase. Please keep in mind, these are estimates and there are many variables beyond our control that could lessen or expand these acreage projections.

### TGEV

Product Description = a corn-based feed fed annually to sows to boost and maintain their immunity to TGEV.

In 1999 (USDA) 12 million sows farrowed in the US. If we assume each sow can be treated annually with 6kg of TGEV corn, then the amounts needed are as follows:

% Market Penetration	Number of Sows (1000)	KGS of Corn (100)	Acres (180 bushels/acre)
5	600	3600	785
10	1200	7200	1570
20	2400	14400	3150
40	4800	28800	6285
60	7200	43200	9400

### Laccase

Product Description = Medium Density Fiberboard Market (MDF)

In 2004 the total capacity of MDF mills in North America will reach 3 billion Square Feet (SF) of MDF. Assume we will use 5 kg per SF of MDF panel.

% Market Penetration	SF (1000)	KGS of Corn (100)	Acres (180 bushels/acre)
5	150,000	750,000	165,000
10	300,000	1,500,000	325,000
20	600,000	3,000,000	655,000
40	1,200,000	6,000,000	1,300,000
60	1,800,000	9,000,000	1,950,000

Both ProdiGene and StaufferSeeds are very excited and proud to share this information with you. There will always be forward-thinkers that have completed their own due diligence on both StaufferSeeds and ProdiGene and are very excited about their affiliation with our companies.

Our technology and opportunity, coupled with our impenetrable patent and intellectual property portfolio, has attracted an impressive list of publicly traded companies: Genencor (Nasdaq: GCOR); Eli Lilly & Co. (NYSE: LLY); AVANT (Nasdaq: AVAN); and Sigma-Aldrich (Nasdaq: SIAL), all of which are customers or collaborators of our technology.

We live in a world of competition and I believe that both you and I are in an excellent position to capitalize on our technology. Perseverance and patience is key to our successes. I assure you that we are the leaders in this field and are working very diligently in every aspect to bring you real profits. I anticipate a bright and rewarding future as StaufferSeeds and ProdiGene experience success – for biotechnology, our companies and you, our valued customer.

Sincerely,

Anthony G. Laos, President & CEO