



# CEOCFO

## Interviews & News!

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### With An Inherent Temperature Switch, Landec's Polymer Materials Are Unique And Valuable In The Food Packaging Industry For Preserving Freshness And In The Farming Industry In Coating Seeds For Flexibility In Planting

# LANDEC

INTELLIGENT MATERIALS

Industrial Specialties  
(Nasdaq - LNDC)

Landec Corporation

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Phone: 650-306-1650



**Gary T. Steele**  
Chairman, President and CEO

#### BIO:

Gary T. Steele has served as President, Chief Executive Officer and a director since September 1991 and as Chairman of the Board of Directors since January 1996. Mr. Steele has over 25 years of experience in the biotechnology, instrumentation and material science fields.

From 1985 to 1991, Mr. Steele was President and Chief Executive Officer of Molecular Devices Corporation, a bioanalytical instrumentation company. From 1981 to 1985, Mr. Steele was Vice President, Product Development and Business Development at Genentech, Inc., a biomedical company focusing on pharmaceutical drug development. Mr. Steele has also worked with McKinsey and Co. and Shell Oil Company. Mr. Steele received a B.S. from Georgia Institute of Technology and an M.B.A. from Stanford University.

#### Company Profile:

Landec Corporation is a specialty materials company focused on the commercialization of products using the Company's proprietary Intelimer® polymer technology. The Company designs, develops and sells products using temperature-activated polymer materials for food, agriculture, industrial and consumer product applications. Landec is focused on two core businesses: Food Products Technology and Technology Licensing. The Food Products Technology business involves value-added processing of pre-cut produce using the Company's proprietary BreatheWay® packaging, which extends shelf life of vegetables by 17-20 days. The pre-cut produce products are sold to retail grocery and club store chains throughout North America under the Eat Smart® brand. In addition, Landec works with Chiquita Brands International, Inc. under an exclusive licensing and packaging supply agreement for the shipment of BreatheWay packaged bananas worldwide. Landec's BreatheWay technology extends the shelf life of bananas by 7 days.

The Technology Licensing Business focuses on collaborative partnerships outside of the food arena with partnerships that include Monsanto for Intellicoat® temperature-activated seed coatings, Air Products for personal care additives and Nitta Corporation for temperature-activated adhesives.

The Company is based in Menlo Park, California and is traded on The NASDAQ Global Select Market (LNDC).

Interview conducted by:  
Lynn Fosse, Senior Editor  
[CEOCFOinterviews.com](http://CEOCFOinterviews.com)

**CEOCFO:** Mr. Steele, what is the vision for Landec and how are you getting there?

**Mr. Steele:** "Landec is a material science company and that is our unique position in the world. We have specialty polymer materials that we are applying to several businesses and our vision is to continue to apply this proprietary technology to areas that we have identified as growth markets. We look for convergences. For example, our food business is focused on a consumers' desire for fresh produce that is more nutritious, already prepared and ready to eat. This is an opportunity that we think is unique for us because we can provide packaging that extends the shelf life of produce up to 17 to 20 days. We also have unique opportunities in the agricultural space where we have a collaboration with Monsanto Company (NYSE: MON). We coat various types of seed with polymer coatings, which delay germination of the seed until the soil reaches the optimum temperature. Farmers benefit from more flexibility in planting the

seed during a wider planting window, effectively lowering costs and potentially increasing yields.

Our vision of the future is applying our unique, value-added technology to markets that are growing.”

**CEOCFO:** What is the technology and why is it unique?

**Mr. Steele:** “Our technology is unique in that most polymers have been made to be static, to be used in, for example, paint coatings, seat cushions, finishes on tables, carpet fibers and adhesives. You do not want them changing their properties on a warm or cold day. We make our polymers to be changeable - dramatically changeable - in response to specific changes in temperature. We construct our materials in a way that a temperature switch can be set anywhere from the freezing point of water to the boiling point of water. We can set a switch that is precise. We can make the switch be triggered by skin temperature, a hair dryer, changes in soil temperature, changes in ambient air temperature and so on. Our materials are truly unique - changeable but in a predictable way.”

**CEOCFO:** What are your flagship products?

**Mr. Steele:** “Landec just reported its year-end financial reports, and for the fiscal year 2007 we reported \$210.5 million in revenues. About \$200 million of those revenues came from our food business, which is driven by our proprietary and patented packaging technology. You will find in grocery stores and club stores throughout the United States our pre-cut, pre-washed, pre-packaged products that are fresh-cut produce, usually vegetables that are ready to take home and eat. Our brand is Eat Smart® and our products are fresh and highly nutritious. With our unique polymer materials, we produce breathable packages that extend the produce shelf life of vegetables up to 17 to 20 days. Therefore, there is plenty of time

for us to package the produce at our processing and packaging facility and ship it throughout North America. You will find these products at Kroger’s, A&P and in club stores such as Sam’s, Costco and Trader Joe’s. We think this is a growth market because people want more nutritious diets for their families and they want them prepared and ready to go. That is our largest business.”

**CEOCFO:** Would I know looking at a package of vegetables that it was packaged with your product?

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**- Gary T. Steele**

**Mr. Steele:** “At this point we have a full array of pre-cut vegetables that range from broccoli and cauliflower, celery, snap peas, carrots, grape tomatoes and things like that, sold for example in 12-ounce bags or as mixtures arranged in plastic trays. When you have friends coming over, you can have an array of fresh-cut vegetables on a tray with a healthy dip in the middle, ready to serve when they arrive. We also have single-serving pre-made vegetable salads that have a fork and a topping in the package so that you can have a ready-to-eat salad at lunch. There is a white square membrane usually on the back of the package that is

our breathable membrane. Look for the Eat Smart® package in your store.

In addition to specialty-packaged vegetable products, we have decided that specialty-packaged fruit is of great interest and we are now packaging select fruit products.

In the fruit world, instead of actually doing the processing and the packaging and then selling directly to retailers and club stores, we are going to partner with other industry leaders in that particular fruit

category. We are going to provide them with only our packaging - we are not going to do any sourcing or processing of the fruit. The first example is our relationship with Chiquita Brands International, Inc. (Chiquita) (NYSE-CQB), using our BreatheWay packaging technology for the Chiquita-To-Go™ banana program for convenience stores. Bananas are highly perishable and it is a huge market with \$4 billion of bananas consumed in the United States every year. Yet, there is a lot of waste because people throw away bananas that are spotty or start to turn brown. We are providing our BreatheWay packaging to Chiquita, which they then use to ship banana products to food service outlets such as convenience stores, gas stations, mini marts, coffee and donut shops, and fast food operators. Here, the shelf life of bananas is extended by 7 days by our packaging technology. We delay the

browning of bananas by seven days so people can enjoy bananas in places where bananas are not normally available for purchase.”

**CEOCFO:** Why is it better to partner in the fruit industry than with the vegetables?

**Mr. Steele:** “The difference is that most of the vegetables in the United States are grown in the western United States. We are out here on the West Coast. We know the growers, we have access to the vegetable products and we have a processing plant in Santa Maria, California. There-

fore, the infrastructure is in place. When it comes to fruit – for example, bananas are grown in the tropics and you have sourcing all around the world. It is a more challenging distribution issue than handling vegetables, so we want to deal with people who have that sourcing and distribution capability already in place.”

**CEOCFO:** Tell us more about your relationship with Monsanto Company.

**Mr. Steele:** “In addition to our food business, we have a second business, which is our technology licensing business. We do not make or sell end-products in the technology licensing business. We license our technology, then take licensing fees and royalties, and enter into polymer supply agreements with our licensing partners. We have about four of these partners and Monsanto Company happens to be our newest partner. On December 1st of 2006, we entered into a worldwide, co-exclusive licensing agreement with Monsanto, in which they received the right to use our polymer coatings for seed products worldwide. The farmer buys the seed with the coating on it and can plant a month earlier than normal, for example. The seed can be planted into cold, wet soil that would normally injure or kill the seed. Our coating keeps the water out, protects the seed until the right soil temperature for germination arrives and the temperature switch is then triggered in our coating. Water is then allowed to permeate the seed coating and germination begins. It provides a lot of flexibility to farmers and Monsanto was interested in this technology. We entered into a five-year license agreement where we are guaranteed \$17 million in license payments. In addition, Monsanto is also funding our R&D for seed coatings and when we need to expand our coating facilities, they will pay for that as well. We are pleased to be partnering with Monsanto.”

**CEOCFO:** Will you tell us about the military contract and is that a typical area for you?

**Mr. Steele:** “The military supply area is new for us. We were not focusing on government agencies or military personnel, but the military came to us and said, ‘We have a problem, we have people stationed

around the world in very remote places. We want them to eat well and be healthy, but we cannot rely on local sources for produce.’ To get produce shipped from the United States to Guam, Kabul, Baghdad or Frankfurt is very problematic. They asked if we could extend the shelf-life of certain types of produce up to six weeks. The answer was that we did not know because extension of shelf-life for that period of time was certainly not something we were doing for our current U.S. target markets.

We had already started working with the military and the agreement we announced in April 2007 with the military is a reflection of the progress we have made.

We are glad to be working with the U.S. Military as they are funding some of our development work and we hope it leads to helping them have products distributed to their personnel around the world.”

**CEOCFO:** What do you have in terms of manufacturing facilities and are you set up for the foreseeable future?

**Mr. Steele:** “The type of manufacturing we do internally is what I would call processing. In our food processing plant, we buy produce from farmers, bring it into our plant, chop it, wash it, put it into our proprietary packaging, seal it, and then ship it to customers around North America. That is a form of manufacturing that we do internally. Regarding the other types of manufacturing, in terms of polymer manufacturing, breathable membrane manufacturing or polymers for coatings, we do that by contracting with reliable partners with whom we have worked for many years. Across our businesses, we have the resources to expand as needed. Therefore, to answer your question, yes, we are well suited to scale our business and continue to grow with this type of approach.”

**CEOCFO:** What is the financial picture like today?

**Mr. Steele:** “We just released our year-end results and we had record earnings for fiscal year 2007. We announced that our earnings were \$29.2 million dollars compared to \$8.7 million the previous year; that translates to \$1.07 per diluted share compared to \$0.32 per diluted share

the previous year. Those record earnings did include a one-time sale of one of our businesses, so there is a gain on the sale included in our numbers. Our cash situation has gone from little cash and lots of debt four years ago to no debt and over \$40 million in cash in the bank at the present time. Therefore, we now have a strong balance sheet and a profitable, growing set of businesses.”

**CEOCFO:** Are there new areas you might like to dip into?

**Mr. Steele:** “There are. We fund corporate R&D to the tune of about \$3 - \$4 million a year. We are very interested in developing new polymer systems that can be applied to the medical world. These range from drug delivery systems where we can dispense small and large molecules in a very precise way, all the way to using our polymers in medical devices or using our materials in novel adhesive systems. We can turn adhesives on and off just by changing their temperature. There are a host of new things out there that we are looking at.”

**CEOCFO:** How do you decide what to look for, and how do you stay focused?

**Mr. Steele:** “It is a challenge for a company such as Landec that has hundreds of possible applications for our polymer technology. We are in the food technology business and the technology licensing business. If there is something unique that we can offer in the food world in terms of packaging or preservation of foods or something that will enhance the value to the consumer, then we will treat that as a priority. If it is not in the food technology area but we see a large opportunity, we will look for a reputable partner that can help us commercialize the product, allow us to take royalties and license fees and enter into supply agreements much like what we did with Monsanto. We also have a collaboration with Air Products Corporation (NYSE: APD), where we are making novel and unique additives for personal care products.”

**CEOCFO:** Is the investment community paying attention to Landec?

**Mr. Steele:** “Yes I think so. A few years ago, we had virtually no analyst coverage and we were under the radar screen. I would say that has improved since we

have been consistent in achieving our goals and recording growth in earnings and revenues. We are very pleased to say that we now have five analysts following us and the visibility is increasing.”

**CEOCFO:** In closing, why should investors be interested and what might they overlook?

**Mr. Steele:** “The reason they should be interested in looking at this stock is the future potential. If investors are willing to

look at new technology that can make potentially dramatic changes in the value of products that use our unique polymer materials, then investors should look at Landec stock.”

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