

Edgar Filing: DELTA & PINE LAND CO - Form 10-Q

DELTA & PINE LAND CO
Form 10-Q
April 16, 2001

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

- (x) Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the quarterly period ended February 28, 2001 or
- () Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the transition period from _____ to _____

Commission File Number: 000-21788

Exact name of registrant as specified in its charter:
DELTA AND PINE LAND COMPANY

State of Incorporation: Delaware
I.R.S. Employer Identification Number: 62-1040440

Address of Principal Executive Offices (including zip code)
One Cotton Row, Scott, Mississippi 38772

Registrant's telephone number, including area code:
(662) 742-4500

Indicate by check mark whether Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

YES (x) NO ()

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, \$0.10 Par Value - 38,530,916 shares outstanding as of March 30, 2001.

DELTA AND PINE LAND COMPANY AND SUBSIDIARIES

INDEX

Page No.

PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

Edgar Filing: DELTA & PINE LAND CO - Form 10-Q

| | |
|---|----|
| Consolidated Balance Sheets - February 29, 2000, August 31, 2000, and February 28, 2001 | 3 |
| Consolidated Statements of Income - Three Months Ended February 29, 2000 and February 28, 2001 | 4 |
| Consolidated Statements of Income - Six Months Ended February 29, 2000 and February 28, 2001 | 5 |
| Consolidated Statements of Cash Flows - Six Months Ended February 29, 2000 and February 28, 2001 | 6 |
| Notes to Consolidated Financial Statements | 7 |
| Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations | 12 |
| PART II. OTHER INFORMATION | |
| Item 1. Legal Proceedings | 15 |
| Item 4. Submission of Matters to a Vote of Security Holders | 17 |
| Item 5. Business | 17 |
| Item 6. Exhibits and Reports on Form 8-K | 23 |
| Signatures | 24 |

PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

DELTA AND PINE LAND COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)
(Unaudited)

| | February 29, | A |
|---|--------------|-------|
| | 2000 | A |
| | ----- | ----- |
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 17,345 | |
| Receivables, net | 127,614 | |
| Inventories | 74,118 | |
| Prepaid expenses | 1,673 | |
| Deferred income taxes | 12,865 | |
| | ----- | ----- |
| Total current assets | 233,615 | |
| PROPERTY, PLANT and EQUIPMENT, net | 64,644 | |
| EXCESS OF COST OVER NET ASSETS OF BUSINESS ACQUIRED, net | 4,647 | |
| INTANGIBLES, net | 4,401 | |

Edgar Filing: DELTA & PINE LAND CO - Form 10-Q

| | |
|---|------------|
| OTHER ASSETS | 3,095 |
| | ----- |
| | \$ 310,402 |
| | ===== |
| LIABILITIES AND STOCKHOLDERS' EQUITY | |
| CURRENT LIABILITIES: | |
| Notes payable | \$ 663 |
| Accounts payable | 33,315 |
| Accrued expenses | 94,124 |
| Income taxes payable | 35,227 |
| | ----- |
| Total current liabilities | 163,329 |
| | ----- |
| LONG-TERM DEBT, less current maturities | - |
| DEFERRED INCOME TAXES | 5,773 |
| MINORITY INTEREST IN SUBSIDIARIES | 8,825 |
| STOCKHOLDERS' EQUITY: | |
| Preferred stock, par value \$0.10 per share; 2,000,000 shares authorized: | |
| Series A Junior Participating Preferred, par value \$0.10 per share; | |
| 456,989 shares authorized; no shares issued or outstanding | - |
| Series M Convertible Non-Voting Preferred, par value \$0.10 per | |
| share; 1,066,667 shares authorized; issued and outstanding | 107 |
| Common stock, par value \$0.10 per share; 100,000,000 shares authorized; | |
| 38,843,547; 38,945,725 and 39,090,449 shares issued; | 3,884 |
| 38,376,781; 38,377,759 and 38,522,483 shares outstanding | |
| Capital in excess of par value | 43,718 |
| Retained earnings | 95,710 |
| Accumulated other comprehensive loss | (2,850) |
| Treasury stock at cost, 114,266; 567,966 and 567,966 shares | (8,094) |
| | ----- |
| Total stockholders' equity | 132,475 |
| | ----- |
| | \$ 310,402 |
| | ===== |

The accompanying notes are an integral part of these balance sheets.

DELTA AND PINE LAND COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED
(in thousands, except per share amounts)
(Unaudited)

February 29,
2000

Edgar Filing: DELTA & PINE LAND CO - Form 10-Q

| | |
|---|------------|
| NET SALES AND LICENSING FEES | \$ 104,203 |
| COST OF SALES | 73,162 |
| | ----- |
| GROSS PROFIT | 31,041 |
| | ----- |
| OPERATING EXPENSES: | |
| Research and development | 5,022 |
| Selling | 3,596 |
| General and administrative | 2,985 |
| | ----- |
| | 11,603 |
| | ----- |
| Special charges and unusual income item | 74,694 |
| | ----- |
| OPERATING INCOME | 94,132 |
| | ----- |
| INTEREST INCOME (EXPENSE), net | (271) |
| OTHER INCOME (EXPENSE), net | (4) |
| MINORITY INTEREST IN (EARNINGS) / LOSS OF SUBSIDIARIES | 43 |
| | ----- |
| INCOME BEFORE INCOME TAXES | 93,900 |
| INCOME TAX PROVISION | 35,265 |
| | ----- |
| NET INCOME | 58,635 |
| DIVIDENDS ON PREFERRED STOCK | (40) |
| | ----- |
| NET INCOME APPLICABLE TO COMMON SHARES | \$ 58,595 |
| | ===== |
| BASIC NET INCOME PER SHARE | \$ 1.52 |
| | ===== |
| NUMBER OF SHARES USED IN BASIC EARNINGS PER SHARE CALCULATIONS | 38,644 |
| | ===== |
| DILUTED NET INCOME PER SHARE | \$ 1.46 |
| | ===== |
| NUMBER OF SHARES USED IN DILUTED EARNINGS PER SHARE CALCULATIONS | 40,110 |
| | ===== |
| DIVIDENDS PER COMMON SHARE | \$ 0.03 |
| | ===== |

The accompanying notes are an integral part of these statements.

Edgar Filing: DELTA & PINE LAND CO - Form 10-Q

DELTA AND PINE LAND COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE SIX MONTHS ENDED
(in thousands, except per share amounts)
(Unaudited)

| | February 29, 2000 |
|--|----------------------|
| | |
| NET SALES AND LICENSING FEES | \$ 108,751 |
| COST OF SALES | 77,410 |
| | 31,341 |
| GROSS PROFIT | |
| OPERATING EXPENSES: | |
| Research and development | 9,381 |
| Selling | 6,833 |
| General and administrative | 6,069 |
| | 22,283 |
| Special charges and unusual income item | 74,227 |
| | 83,285 |
| OPERATING INCOME | |
| INTEREST INCOME (EXPENSE), net | (188) |
| OTHER INCOME (EXPENSE), net | 78 |
| MINORITY INTEREST IN (EARNINGS) / LOSS OF SUBSIDIARIES | 159 |
| | 83,334 |
| INCOME BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE | 83,334 |
| INCOME TAX PROVISION | 31,250 |
| | 52,084 |
| NET INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE | 52,084 |
| CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING FOR STARTUP COSTS, NET | 2,965 |
| | 49,119 |
| NET INCOME | |
| DIVIDENDS ON PREFERRED STOCK | (64) |
| | \$ 49,055 |
| NET INCOME APPLICABLE TO COMMON SHARES | |
| BASIC NET INCOME PER SHARE | \$ 1.27 |
| NUMBER OF SHARES USED IN BASIC EARNINGS PER SHARE CALCULATIONS | 38,653 |
| DILUTED NET INCOME PER SHARE | \$ 1.22 |

Edgar Filing: DELTA & PINE LAND CO - Form 10-Q

| | |
|---|------------------|
| NUMBER OF SHARES USED IN DILUTED EARNINGS PER SHARE CALCULATIONS | 40,186 ===== |
| DIVIDENDS PER COMMON SHARE | \$ 0.06 ===== |

The accompanying notes are an integral part of these statements.

DELTA AND PINE LAND COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED
(in thousands)
(Unaudited)

| | February 29, 2000 ----- |
|--|-------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Net income | \$ 49,119 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | |
| Depreciation and amortization | 3,527 |
| Loss on sale of equipment | 57 |
| Minority interest in net income of subsidiaries | (159) |
| Noncash changes in other comprehensive income | - |
| Changes in current assets and liabilities: | |
| Receivables | 20,312 |
| Inventories | (26,391) |
| Prepaid expenses | (200) |
| Accounts payable | 13,325 |
| Accrued expenses | (46,025) |
| Income taxes payable | 27,145 |
| Intangibles and other assets | 852 |
| Net cash provided by (used in) operating activities | 41,562 ----- |
| CASH FLOWS FROM INVESTING ACTIVITIES: | |
| Purchases of property and equipment | (3,008) |
| Sale of investment property | - |
| Net cash used in investing activities | (3,008) ----- |
| CASH FLOWS FROM FINANCING ACTIVITIES: | |
| Payments of short-term debt | (3,156) |
| Payments of long-term debt | (53,628) |
| Dividends paid | (2,379) |

Edgar Filing: DELTA & PINE LAND CO - Form 10-Q

| | |
|---|-----------|
| Proceeds from long-term debt | 36,628 |
| Proceeds from short-term debt | - |
| Minority interest portion of investment in subsidiaries | 250 |
| Minority interest in dividends paid by subsidiaries | (2,807) |
| Payments to acquire treasury stock | (5,921) |
| Proceeds from exercise of stock options | 2,557 |
| | ----- |
| Net cash provided by (used in) financing activities | (28,456) |
| | ----- |
| EFFECTS OF FOREIGN CURRENCY TRANSLATION LOSSES | (305) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 9,793 |
| CASH AND CASH EQUIVALENTS, as of August 31 | 7,552 |
| | ----- |
| CASH AND CASH EQUIVALENTS, as of February 29 and 28 | \$ 17,345 |
| | ===== |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION: | |
| Cash paid during the six months for: | |
| Interest, net of capitalized interest | \$ 1,000 |
| Income taxes | \$ 400 |
| Noncash financing activities: | |
| Tax benefit of stock option exercises | \$ 1,300 |

The accompanying notes are an integral part of these statements.

DELTA AND PINE LAND COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands, except percentages and share amounts)

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with the generally accepted accounting principles for interim financial information and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for the fair presentation of the consolidated financial statements have been included. Due to the seasonal nature of Delta and Pine Land Company and subsidiaries' (the "Company") business, the results of operations for the three and six month periods ended February 29, 2000 and February 28, 2001 or for any quarterly period, are not necessarily indicative of the results to be expected for the full year. For further information reference should be made to the consolidated financial statements and footnotes thereto included in the Company's Annual Report to Stockholders on Form 10-K for the fiscal year ended August 31, 2000.

Certain prior year balances have been reclassified to conform to the current year presentation.

Edgar Filing: DELTA & PINE LAND CO - Form 10-Q

Changes to Significant Accounting Policies - Derivative Financial Instruments

The Company uses various financial instruments that are considered derivatives to mitigate its risk to variability in cash flows related to soybean purchases and to effectively fix the cost of a significant portion of its soybean raw material inventory. The terms of the hedging derivatives used by the Company are negotiated to approximate the terms of the forecasted transaction; therefore, the Company expects the instruments used in hedging transactions to be highly effective in offsetting changes in cash flows of the hedged items. Hedging realized and unrealized gains and losses are recorded as a component of other comprehensive income and are reclassified into earnings in the period in which the forecasted transaction effects earnings (i.e. is sold or disposed) and generally occurs during the Company's second and third fiscal quarters. The Company does not speculate in derivatives.

2. COMPREHENSIVE INCOME/LOSS

Total comprehensive income for the three and six months ended February 29, 2000 and February 28, 2001, was (in thousands):

| | Three Months Ended February 29, 2000 | February 28, 2001 | Six Februar 2000 |
|---|--|----------------------|------------------------|
| | ----- | ----- | ----- |
| Net income | \$ 58,635 | \$ 23,886 | \$49 |
| Other comprehensive (loss) income: | | | |
| Foreign currency translation gains/(losses) | 181 | 176 | |
| Unrealized gain/(losses) on hedging instruments | - | (509) | |
| Income tax benefit (expense) related to other comprehensive income | (68) | 120 | |
| | ----- | ----- | ----- |
| Other comprehensive loss, net of tax | 113 | (213) | |
| | ----- | ----- | ----- |
| Total comprehensive income | \$58,748 | \$ 23,673 | \$48 |
| | ===== | ===== | ===== |

3. SEGMENT DISCLOSURES

The Company is in a single line of business and operates in two business segments, domestic and international. The Company's reportable segments offer similar products; however, the business units are managed separately due to the geographic dispersion of their operations. D&PL breeds, produces, conditions, and markets proprietary varieties of cotton and soybean planting seed in the United States. The international segment offers cottonseed in several foreign countries through both export sales and in-country operations. The Company develops its proprietary seed products through research and development efforts in the United States and certain foreign countries.

Edgar Filing: DELTA & PINE LAND CO - Form 10-Q

The Company's chief operating decision maker utilizes revenue information in assessing performance and making overall operating decisions and resource allocations. Profit and loss information is reported by segment to the chief operating decision maker and the Company's Board of Directors. The accounting policies of the segments are the same as those described in the summary of significant accounting policies in the Company's Form 10-K filed for the year ending August 31, 2000 with significant changes described in Note 1 to the financial statements.

Information about the Company's segments for the three and six months ended February 29, 2000 and February 28, 2001 is as follows (in thousands):

| | Three Months Ended | | Six Months E |
|------------------|----------------------|----------------------|----------------------|
| | February 29, 2000 | February 28, 2001 | February 29, 2000 |
| Net sales | | | |
| Domestic | \$ 89,483 | \$ 128,297 | \$ 89,925 |
| International | 14,720 | 21,857 | 18,826 |
| | \$ 104,203 | \$ 150,154 | \$ 108,751 |
| | ===== | ===== | ===== |
| Operating income | | | |
| Domestic | \$ 88,650 | \$ 31,330 | \$ 78,617 |
| International | 5,482 | 8,083 | 4,668 |
| | \$ 94,132 | \$ 39,413 | \$ 83,285 |
| | ===== | ===== | ===== |

Material Changes in Assets:

Inventories increased approximately \$30,727 to \$66,005 at February 28, 2001 from \$35,278 at August 31, 2000. This increase reflects the seasonal nature of the Company's domestic production cycle. The Company's domestic segment purchases bulk seed in its first and second fiscal quarters and begins production for the current year's selling season. The increase at February 28, 2001 from August 31, 2000 in inventories and accounts payable is primarily related to those events and is consistent with the Company's historical experience.

Accounts receivable increased approximately \$13,416 to \$194,721 at February 28, 2001 from \$181,305 at August 31, 2000. This increase is primarily related to second quarter sales in both the domestic and international segments partially offset by the collection of sublicense revenue for the 2000 season in September 2000. The decrease in accrued expenses from August 31, 2000 to February 28, 2001 is primarily attributable to the related royalty payment for the Bollgard and Roundup Ready gene technologies for the 2000 season.

4. RECENT ACCOUNTING PRONOUNCEMENTS

SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities,"

Edgar Filing: DELTA & PINE LAND CO - Form 10-Q

establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. D&PL adopted SFAS 133 effective September 1, 2000. The adoption of this statement did not have a material impact on D&PL's results of operations, financial position or cash flows.

Effective September 1, 1999, the Company adopted the reporting requirements of SOP 98-5 which resulted in a write-off, net of tax, of approximately \$2,965 (\$0.08 per share). The adjustment of \$2,965 after income tax benefits of \$1,817 to apply retroactively the new method is included in income for the first fiscal quarter of 2000.

In December 1999, the SEC issued Staff Accounting Bulletin No. 101, Revenue Recognition in Financial Statements ("SAB 101"). SAB 101 provides guidance on the recognition, presentation and disclosure of revenue in financial statements filed with the SEC. In June 2000, the SEC issued an amendment to SAB 101 which allows registrants to wait until the fourth quarter of their first fiscal year beginning after December 15, 1999 to implement SAB 101. Therefore, D&PL must adopt the requirements of SAB 101 no later than June 1, 2001. Management has determined that the adoption of SAB 101 will not have a material impact on the Company's annual financial statements.

5. INVENTORIES

Inventories consisted of the following (in thousands):

| | February 29, 2000 | August 31, 2000 | Februa 20 |
|--------------------|----------------------|--------------------|--------------|
| | ----- | ----- | ----- |
| Finished goods | \$ 57,289 | \$ 28,649 | \$ |
| Raw materials | 25,835 | 11,327 | |
| Growing crops | 360 | 1,744 | |
| Supplies and other | 537 | 1,165 | |
| | ----- | ----- | ----- |
| | 84,021 | 42,885 | |
| Less reserves | (9,903) | (7,607) | |
| | ----- | ----- | ----- |
| | \$ 74,118 | \$ 35,278 | \$ |
| | ===== | ===== | ===== |

Substantially all finished goods and raw material inventory is valued at the lower of average cost or market. Growing crops are recorded at cost. For the three months ending February 28, 2001, the Company recorded no gains or losses as a result of hedge ineffectiveness.

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following (in thousands):

| | February 29, 2000 | August 31, 2000 |
|--|----------------------|--------------------|
| | ----- | ----- |

Edgar Filing: DELTA & PINE LAND CO - Form 10-Q

| | | |
|-------------------------------|-----------|-----------|
| Land and improvements | \$ 4,119 | \$ 4,046 |
| Buildings and improvements | 37,325 | 37,759 |
| Machinery and equipment | 46,378 | 46,239 |
| Germplasm | 7,500 | 7,500 |
| Breeder and foundation seed | 2,000 | 2,000 |
| Construction in progress | 2,057 | 4,444 |
| | ----- | ----- |
| | 99,379 | 101,988 |
| Less accumulated depreciation | (34,735) | (36,944) |
| | ----- | ----- |
| | \$ 64,644 | \$ 65,044 |
| | ===== | ===== |

7. CONTINGENCIES

The Company is named as a defendant in various lawsuits that allege, among other things, that certain of the Company's products (including Monsanto's technology) did not perform as the farmer had anticipated or expected. In many of these suits, Monsanto and, in some cases, the distributor/dealer who sold the seed were also named. In all cases where the seed sold contained either or both of Monsanto's Bollgard and Roundup Ready gene technologies, D&PL tendered the defense of these cases to Monsanto and requested indemnity. Pursuant to the terms of the February 6, 1996 Bollgard Gene License and Seed Services Agreement (the "Bollgard Agreement") and the February 6, 1996 Roundup Ready Gene License and Seed Services Agreement (the "Roundup Ready Agreement") (both as amended December 8, 1999) D&PL has a right to be contractually indemnified by Monsanto against all claims arising out of the failure of Monsanto's gene technology. Some of the product liability lawsuits contain varietal claims which are aimed solely at the Company. D&PL does not have a right to indemnification from Monsanto, however, for any claims involving varietal characteristics separate from or in addition to the failure of the Monsanto gene technology. The Company believes that the resolution of these matters will not have a material impact on its consolidated financial statements. The Company intends to vigorously defend itself in these matters.

See Part II, Item I for a discussion of each case.

In October 1996, Mycogen Plant Science, Inc. and Agrigenetics, Inc. (collectively "Mycogen") filed a lawsuit in U.S. District Court in Delaware naming D&PL, Monsanto and DeKalb Genetics as defendants alleging that two of Mycogen's patents have been infringed by the defendants by making, selling, and licensing seed that contains the Bollgard gene. The suit, which went to trial in January 1998, sought injunctions against alleged infringement, compensatory damages, treble damages and attorney's fees and court costs. A jury found in favor of D&PL and Monsanto on issues of infringement holding Mycogen's patents invalid. Mycogen subsequently re-filed a motion for a new trial and for a judgment in favor of Mycogen as a matter of law. The trial court has ruled in these motions holding for Mycogen on certain issues but sustaining the jury verdict in favor of D&PL and Monsanto. Mycogen then appealed. On March 14, 2001, the U.S. Court of Appeals for the Federal Circuit affirmed the District Court's judgment for D&PL and Monsanto. Mycogen now has the right to file a petition for certiorari in the United States Supreme Court. The time for such a petition has not expired, but there is no indication that Mycogen intends to do so. Pursuant to the terms of the Bollgard Agreement, Monsanto is required to defend D&PL against patent infringement claims and indemnify D&PL against damages from any patent infringement claims and certain other losses and costs.

In December 1999, Mycogen filed a suit in the Federal Court of Australia alleging that Monsanto Australia Ltd., Monsanto's wholly-owned Australian

Edgar Filing: DELTA & PINE LAND CO - Form 10-Q

subsidiary, and Deltapine Australia Pty. Ltd., D&PL's wholly-owned Australian subsidiary, have been infringing two of Mycogen's Australian patents by making, selling, and licensing cotton planting seed expressing insect resistance. The suit seeks injunction against continued sale of seed containing Monsanto's Ingard(R) gene and recovery of an unspecified amount of damages. The litigation is currently in discovery. Consistent with its commitments, Monsanto has agreed to defend D&PL in this suit and to indemnify D&PL against damages, if any are awarded. Monsanto is providing separate defense counsel for D&PL. D&PL is assisting Monsanto to the extent reasonably necessary.

A corporation owned by the son of the Company's former Guatemalan distributor sued in 1989 asserting that the Company violated an agreement with it by granting to another entity an exclusive license in certain areas of Central America and southern Mexico. The suit seeks damages of 5,300 Guatemalan quetzales (approximately \$678 at current exchange rates) and an injunction preventing the Company from distributing seed through any other licensee in that region. The Guatemalan court, where this action is proceeding, has twice declined to approve the injunction sought. Management believes that the resolution of the matter will not have a material impact on the Company's consolidated financial statements. The Company continues to offer seed for sale in Guatemala.

In November 1999, Bios Agrosystems S.A. ("Bios"), a former distributor of SureGrow brand cotton seed in Greece, brought suit in the U.S. District Court in Delaware against D&PL International Technology, D&PL's subsidiary, to enjoin the termination of its distributorship which was to become effective at the end of November 1999. The suit demanded a declaratory judgment that the termination is not effective and compensatory and punitive damages for wrongful termination. Bios also filed a request for arbitration and a parallel suit seeking injunctive relief in a Greek court. In January 2000, the U. S. District Court denied the request for an injunction to prevent termination of Bios' distributorship and subsequently enjoined Bios from proceeding with parallel litigation in the Greek courts. Bios appealed to the United States Court of Appeals for the Third Circuit. In March 2001, Bios gave notice that it was dismissing its appeal. Bios has not indicated whether or not it will continue to seek to arbitrate its claims. D&PL believes this litigation will be resolved without material effect on D&PL's combined financial condition and without interference with the distribution of SureGrow brand cottonseed in Greece.

On July 18, 1996, the United States Department of Justice, Antitrust Division ("USDOJ"), served a Civil Investigative Demand (the "1996 CID") on D&PL seeking information and documents in connection with its investigation of the acquisition by D&PL of the stock of Arizona Processing, Inc., Ellis Brothers Seed, Inc. and Mississippi Seed, Inc. (which own the outstanding common stock of Sure Grow Seed, Inc.). The CID states that the USDOJ is investigating whether these transactions may have violated the provisions of Section 7 of the Clayton Act, 15 USC ss.18. D&PL has responded to the CID, employees were examined in 1997 by the USDOJ, and D&PL is committed to full cooperation with the USDOJ. D&PL believes that it has demonstrated to the USDOJ that this acquisition did not constitute a violation of the Clayton Act or any other anti-trust law.

On August 9, 1999, D&PL and Monsanto received Civil Investigative Demands from the USDOJ, seeking to determine whether there had been any inappropriate exchanges of information between Monsanto and D&PL or if any acquisitions are likely to have substantially lessened competition in the sale or development of cottonseed or cottonseed g