



June 2, 2010

Dear Customer,

As you know, the rapid expansion of the ethanol industry and the success of DDGs in domestic and global markets have resulted in increased oversight by the Food and Drug Administration (FDA), specifically regarding materials used in the ethanol fermentation process.

Since its introduction in 1993, our product Lactrol[®], with the active ingredient virginiamycin, has been the industry standard in renewable fuels production and distillers' grain production. It has been sold under a FDA letter of no objection for many years, and most recently at the "regulatory discretion" of the FDA's Center for Veterinary Medicine.

The Food and Drug Administration requires that all process additives comply with one of four options for regulatory compliance:

- Approval by AAFCO (Association of American Feed Control Officials)
- Allowed through Regulatory Discretion
- A permitted Food Additive
- GRAS (Generally Recognized as Safe) in animal feeds

Phibro has consistently been at the forefront of regulatory compliance with the FDA. A number of years ago, under the guidance of the FDA, Phibro began gathering essential scientific data and research necessary to secure long-term regulatory compliance for Lactrol's virginiamycin. During that process, Phibro learned that the FDA's Food Additive Petition (FAP) process would not guarantee safekeeping of Phibro's confidential data. This presented a significant financial and research risk for the

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company; as the only manufacturer of Lactrol's virginiamycin, security of intellectual property is critical.

To meet FDA requirements and protect Lactrol's proprietary active ingredient, Phibro pursued a GRAS determination, an equally acceptable option for regulatory compliance. As such, we sought a rigorous review by an independent panel of experts in the fields of toxicology, animal health and nutrition, microbiology and regulatory science. We are proud to announce that this esteemed and independent panel concluded Lactrol's virginiamycin is GRAS for its intended use as a processing aid in the production of ethanol and distillers' grain.

The enclosed packet provides you with answers to questions on the GRAS determination for Lactrol's virginiamycin, background of the review team, as well as a summary of scientific findings. Throughout our history, Phibro has been at the forefront of regulatory compliance with all of its products. We are confident that both the scientific data as well as the review for GRAS status secures a path for long-term regulatory compliance for use of Lactrol in ethanol production.

If you have questions upon review of these documents, please do not hesitate to contact Paul Duquette at 201-329-7300.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard Coulter", is written over a white background.

Richard Coulter
Vice President, Regulatory and Scientific Affairs
Phibro Animal Health Corporation