EDEN BIOSCIENCE CORP
Form DEF 14A
January 10, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant x
Filed by a Party other than the Registrant o
Check the appropriate box:

- o Preliminary Proxy Statement
- o Confidential, for Use of the Commission Only (as permitted by Rule 14a 6(e)(2))
- x Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Pursuant to § 240.14a-12

EDEN BIOSCIENCE CORPORATION
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- o No fee required.
- o Fee computed on table below per Exchange Act Rules 14a 6(i)(1) and 0 11.
  1) Title of each class of securities to which transaction applies:
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- x Fee paid previously with preliminary materials:
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EDEN BIOSCIENCE CORPORATION
Notice of Special Meeting of Shareholders

TO OUR SHAREHOLDERS:

A Special Meeting of Shareholders of Eden Bioscience Corporation will be held at the Country Inn & Suites By Carlson, 19333 North Creek Parkway, Bothell, WA 98011 on Monday, February 26, 2007, at 9:00 a.m., Pacific time, for the following purposes:

1. To consider and vote upon a proposal to approve the sale of our Harpin Protein Technology, pursuant to the asset purchase agreement dated as of December 1, 2006, between us and Plant Health Care, Inc. and Plant Health Care plc, as described in more detail in the accompanying proxy statement.

2. To consider and vote upon a proposal to adjourn the special meeting to another time, date or place, if necessary in the judgment of the proxy holders, for the purpose of soliciting additional proxies to vote in favor of Proposal 1.

3. To transact such other business as may properly come before the meeting or any adjournments or postponements thereof.

The foregoing items of business are discussed in more detail in the attached proxy statement. A copy of the asset purchase agreement is included with the proxy statement as *Annex A*. You are encouraged to read the entire proxy statement carefully. **In particular, you should consider the discussion entitled Risk Factors beginning on page 30.**

Our board of directors has fixed the close of business on December 22, 2006 as the record date for the determination of shareholders entitled to notice of and to vote at the special meeting and any adjournments or postponements thereof. Each share of Eden Bioscience common stock is entitled to one vote on all matters presented at the special meeting or any adjournments or postponements thereof. We cannot complete the sale of our Harpin Protein Technology, which constitutes a sale of substantially all of our assets, unless the holders of at least two-thirds of the shares of our common stock outstanding on the record date vote to approve the sale.

Holders of our common stock are entitled to assert dissenters rights with respect to the sale of our Harpin Protein Technology under Chapter 23B.13 of the Washington Business Corporation Act, as more fully described in the attached proxy statement.

YOUR VOTE IS IMPORTANT. Whether or not you expect to attend the special meeting in person, PLEASE VOTE BY COMPLETING, SIGNING AND DATING THE ENCLOSED PROXY CARD AND RETURNING IT PROMPTLY IN THE POSTAGE PAID REPLY ENVELOPE PROVIDED OR, IF YOUR PROXY CARD OR VOTING INSTRUCTION FORM SO INDICATES, VIA THE INTERNET OR TELEPHONE. The proxy is revocable by you at any time prior to its use at the special meeting. If your shares are held at a brokerage firm or a bank, you must provide them with instructions on how to vote your shares. If you do not vote at all, it will, in effect, count as a vote against the sale of our Harpin Protein Technology.

Our board of directors has unanimously approved the sale of our Harpin Protein Technology upon the terms set forth in the asset purchase agreement and determined that the sale is in the best interests of our shareholders and our company. **The board of directors unanimously recommends that you vote FOR approval of all proposals described in this proxy statement.**

Copies of our annual report on Form 10-K for the year ended December 31, 2005 and our quarterly report on Form 10-Q for the period ended September 30, 2006, which contain important business and financial information about us and should be read carefully, are delivered with this notice and proxy statement.

BY ORDER OF THE BOARD OF DIRECTORS

Bradley S. Powell
President and Chief Financial Officer

January 10, 2007
Bothell, Washington

YOUR VOTE IS IMPORTANT. ACCORDINGLY, YOU ARE ASKED TO COMPLETE, SIGN, DATE AND RETURN THE ACCOMPANYING PROXY CARD REGARDLESS OF WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING.

TABLE OF CONTENTS

SUMMARY TERM SHEET

This summary term sheet highlights selected information contained in this proxy statement and may not contain all of the information that is important to you. To understand fully the details of the sale of our Harpin Protein Technology to Plant Health Care, Inc. and for a more complete description of the terms of the sale, you should carefully read this entire document and the documents delivered with and incorporated by reference into this proxy statement. See Incorporation by Reference.

THE PARTIES TO THE SALE

Eden Bioscience Corporation
11816 North Creek Parkway N.
Bothell, Washington 98011-8201

We are a plant technology company focused on developing, manufacturing and marketing innovative, natural protein-based products for agriculture. Our products are based on naturally occurring proteins called harpins, which activate a plant s intrinsic ability to protect itself through growth and stress-defense responses. These responses enhance overall plant health, improve plant vigor and stamina and result in improved plant quality, yield and shelf life.

Our proprietary harpin protein-based technology and substantially all of our assets used in our worldwide agricultural and horticultural markets, which are the assets we are proposing to sell to Plant Health Care, Inc., are collectively referred to in this proxy statement as our Harpin Protein Technology.

We also sell our harpin protein-based products for the protection of plants and seeds and the promotion of overall plant health to the general public, to resellers or

businesses that offer our harpin protein-based products to the general public and to businesses that incorporate harpin protein-based products into existing or new products to be sold to the general public. In this proxy statement, we refer to this business as our Home and Garden Business and to this market as the Home and Garden Market. To date, we have limited experience conducting our Home and Garden Business.

If the sale is approved by our shareholders and is consummated, we will sell to Plant Health Care, Inc. all of our Harpin Protein Technology and thereafter will be engaged principally in our Home and Garden Business. You can find more information about us in the documents that are delivered with and incorporated by reference into this proxy statement. See Incorporation by Reference.

Eden Bioscience Mexico, S. de R.L. de C.V. and Eden Bioscience Europe SARL
11816 North Creek Parkway N.
Bothell, Washington 98011-8201

Eden Bioscience Mexico, S. de R.L. de C.V. and Eden Bioscience Europe SARL are private foreign companies and our controlled subsidiaries. These subsidiaries are parties to the asset purchase agreement because they own or have rights in the Harpin Protein Technology to be sold to Plant Health Care, Inc.

Plant Health Care, Inc.
440 William Pitt Way
Pittsburgh, Pennsylvania 15238

Plant Health Care, Inc., referred to in this proxy statement as PHC, is a private microbial biotechnology company specializing in the development of plant heath care products and natural systems solutions for the commercial tree care, horticulture, turfgrass, forestry and land reclamation industries.

Plant Health Care plc.
440 William Pitt Way
Pittsburgh, Pennsylvania 15238

Plant Health Care plc is a UK public company listed on the London Stock Exchange Alternative Investment Market (AIM) and is the indirect parent of PHC.

THE SPECIAL MEETING

Time and Place

The special meeting will take place at the Country Inn & Suites By Carlson, 19333 North Creek Parkway, Bothell, WA 98011 on February 26, 2007 at 9:00 a.m., Pacific time.

The Proposals

At the special meeting, our shareholders will consider and vote upon:

1. A proposal to approve the sale of our Harpin Protein Technology pursuant to the asset purchase agreement dated as of December 1, 2006 between us and PHC and Plant Health Care, plc; and

2. A proposal to adjourn the special meeting to another time, date or place, if necessary in the judgment of the proxy holders, for the purpose of soliciting additional proxies to vote in favor of Proposal 1.

Voting and Revocation of Proxies (See pages 12 and 13)

All shareholders of record as of December 22, 2006 are entitled to vote at the special meeting. Approval of the sale of our Harpin Protein Technology, which constitutes a sale of substantially all of our assets, requires the affirmative vote of the holders of at least two-thirds of the outstanding shares of our common stock. Approval of the proposal to grant discretionary authority to the proxy holders to adjourn the special meeting to solicit additional proxies will be approved if the votes cast in favor of the proposal by holders of shares entitled to vote thereon exceed the votes cast against the proposal at the special meeting. See The Special Meeting Record Date and Voting Securities, Quorum, and Required Votes.

Any proxy given may be revoked by the person giving it at any time before it is voted. Proxies may be revoked by submitting a new proxy bearing a later date, by notifying Mellon Investor Services, LLC, our proxy solicitor, in writing, or by

attending the special meeting and voting in person. However, your attendance at the special meeting will not, by itself, revoke your proxy. See The Special Meeting Revocation of Proxy.

PROPOSAL 1: THE PROPOSED SALE

Overview

Reasons for the Sale of our Harpin Protein Technology (See pages 16 23)

We believe that the sale of our Harpin Protein Technology upon the terms set forth in the asset purchase agreement is in the best interests of our company and our shareholders. The proposed sale of our Harpin Protein Technology will enable us to significantly reduce our future operating losses and liabilities, generate cash for our Home and Garden Business and preserve the potential future value of our remaining business assets, primarily our tax loss carryforwards. Our business strategy following the sale will be to use any revenue generated by our Home and Garden Business to support our continued operations while we explore whether there may be opportunities to realize potential value from our remaining business assets, primarily our tax loss carryforwards. These and other reasons for approving and recommending the sale are discussed further in this proxy statement. See Proposal 1: The Proposed Sale Background of the Proposed Sale, Reasons for the Proposed Sale and Recommendation of the Board of Directors.

Risks Associated with the Sale of our Harpin Protein Technology (See pages 30 44)

If the sale is completed, we will be a development stage company, and our only business and source of revenue will be our Home and Garden Business. Our Home and Garden Business has a limited operating history, has had only limited revenues to date and involves a high degree of risk. For the nine months ended September 30, 2006, our Home and Garden Business generated revenue of $377,000, which accounted for approximately 10% of our total net revenue for that period. We have no current intention of making substantial investments to grow our Home and Garden Business, and there can be no assurance that our available resources following the sale will be sufficient in any event to successfully operate our Home and Garden Business. Our plan to explore whether there may be opportunities to realize potential value from our remaining business assets, primarily our tax loss carryforwards, is extremely speculative, may require significant time and cost and ultimately may be unworkable or unsuccessful. Following completion of the sale of our Harpin Protein Technology, we expect to continue to trade as a public company on the Nasdaq Capital Market. However, we cannot predict the trading price of our common stock following the sale of our Harpin Protein Technology to PHC or our ability to maintain compliance with other requirements for continued listing on the Nasdaq Capital Market. As of the date of this proxy statement, we were not in compliance with the Nasdaq Capital Market s $1.00 minimum bid price requirement. If we cannot regain compliance with this requirement, our common stock ultimately could be delisted. Additionally, on January 3, 2007, we received a letter from Nasdaq advising us that Nasdaq is reviewing our company s eligibility for continued listing based on public interest concerns that we may be deemed a public shell after completion of the sale of our Harpin Protein Technology. Specifically, the Nasdaq staff has

requested that we provide, by January 18, 2007, specific information to facilitate Nasdaq s evaluation of whether our company will have a sustainable on-going business after the sale. As of the date of this proxy statement, we were in the process of preparing a response to Nasdaq s information request, with the purpose of establishing the viability of our Home and Garden Business after the closing. There

	can be no assurance that we will be successful in assuring Nasdaq that we will have a sustainable on-going business following the sale. If we fail in this regard, Nasdaq may exercise its discretionary authority to delist our common stock from the Nasdaq Capital Market on public policy grounds upon the closing of the sale. If our common stock is delisted from Nasdaq, our shareholders will find it more difficult to dispose of, or obtain accurate quotations for the price of, our common stock. We have incurred significant costs and expenses in connection with the proposed sale. If the sale is not completed, we may need to raise additional capital to operate our business, which may not be available on terms that are acceptable to us on a timely basis, or at all. If our existing funds are not sufficient to operate our business, and if adequate funds are not available, our ability to continue as a viable business will be materially impaired and we may be forced to explore liquidation alternatives. These and other risks relating to the proposed sale are more fully discussed under the heading Risk Factors.
Recommendation of our Board of Directors (See pages 16 23)	Our board of directors has determined that the sale of our Harpin Protein Technology upon the terms set forth in the asset purchase agreement is in the best interests of our shareholders and our company. Accordingly, our board of directors unanimously recommends that our shareholders vote to approve the sale. In reaching its conclusions, our board of directors considered the factors described under Proposal 1: The Proposed Sale Background of the Proposed Sale, Reasons for the Proposed Sale, and Recommendation of the Board of Directors.
Required Vote (See page 24)	Approval of the sale of our Harpin Protein Technology requires the affirmative vote of two-thirds of the shares of our common stock outstanding on the record date.
Dissenters Rights of Appraisal (See pages 24 27 and *Annex B*)	Under Washington law, you are entitled to assert dissenters rights in connection with the sale of our Harpin Protein Technology and receive the fair value of your shares following completion of the sale if you strictly comply with all of the statutory requirements of Chapter 23B.13 of the Washington Business Corporation Act, as described in Proposal 1: The Proposed Sale Dissenters Rights of Appraisal. Under the asset purchase agreement, we are not required to complete the sale if the number of dissenting shares exceeds 20% of the total number of shares of our common stock outstanding on the closing of the sale.

THE ASSET PURCHASE AGREEMENT

The following description is qualified in its entirety by reference to the complete text of the asset purchase agreement and its exhibits, which are incorporated by reference and attached to this proxy statement as *Annex A*.

Purchase Price (See pages 46 47)	Under the terms of the asset purchase agreement, PHC has agreed to pay us $2.5 million for our Harpin Protein Technology, subject to adjustment based on the recorded value at closing of the equipment and inventory being sold. See Summary of Terms of the Sale Asset Purchase Agreement Purchase Price and Post-Closing Adjustment. In addition, PHC has agreed to assume certain of the liabilities relating to or arising out of our Harpin Protein Technology, as described below.

Retained Liabilities (See page 46)	Generally, we will retain all liabilities associated with the Home and Garden Business and all liabilities associated with our Harpin Protein Technology that occurred or existed prior to the closing that are not specifically assumed by PHC.
Certain Covenants of Eden Bioscience and PHC	
Exclusive Dealing (See pages 50 51)	We have agreed not to solicit other offers for the sale of our business or assets. However, we may enter into negotiations or an agreement with respect to any third party offer that our board of directors determines is more favorable to our shareholders than the sale to PHC. Under certain circumstances, we may be required to pay PHC a termination fee of $100,00 if we accept such a third party offer. See Summary of Terms of Sale Asset Purchase Agreement Exclusive Dealing; Termination of Asset Purchase Agreement.
Conduct of Business Prior to Closing (See page 48)	We have agreed to maintain our Harpin Protein Technology and conduct our business in the ordinary course, consistent with past practice prior to the closing date.
Non-Solicitation (See page 49)	We have agreed not to solicit any business of customers of PHC or to attempt to hire any employees of PHC for a period of two years after the closing date. The asset purchase agreement specifically provides that this non-solicitation prohibition will not apply to activities relating to or in connection with our Home and Garden Business or any future activities that we may undertake relating to the development, testing, manufacture, sale or distribution of synthetic chemistry pesticides in or for the agricultural, horticultural and retail markets.
Non-Competition (See page 49)	We have agreed not to engage in or control any interest (except as an investor in no more than 5% of the outstanding equity of a public company) in any entity that directly competes with PHC in its Harpin Protein Technology business for a period of two years after the closing date. The asset purchase agreement specifically provides that our Home and Garden Business, as it is defined in the asset purchase agreement and the license and supply agreement, is not deemed to compete with PHC s Harpin Protein Technology business. The non-competition provision also does not apply to any future activities that we may undertake relating to the development, testing, manufacture, sale or distribution of synthetic chemical pesticides in the agricultural, horticultural and retail markets.
Conditions to Completion of the Sale (See pages 51 52)	The asset purchase agreement contains various conditions to closing, including: approval by our shareholders and assertion of dissenters rights as to not more than 20% of our outstanding common stock; receipt of required third party consents, including the consent of Cornell Research Foundation to the transfer of our license agreement with Cornell and the consent of the landlord under our office and manufacturing facility lease to the transfer of the lease;

accuracy of representations and warranties given by us to PHC and Plant Health Care plc;

accuracy of representations and warranties given by PHC and Plant Health Care plc to us;

performance in all material respects of obligations under the asset purchase agreement by us and by PHC and Plant Health Care plc, including execution and delivery of the security agreement, the guaranty and the license and supply agreement;

the absence of a material adverse effect with respect to our Harpin Protein Technology or our ability to perform our obligations in connection with the sale;

the absence of a material adverse effect with respect to the respective businesses of PHC and Plant Health Care plc or their abilities to perform their obligations in connection with the sale; and

the absence of any law, court order or decree prohibiting the sale.

See Summary of Terms of the Sale Asset Purchase Agreement Conditions to Completion of Sale.

Termination of the Purchase Agreement (See pages 50 51)

The asset purchase agreement may be terminated at any time prior to the closing:

by mutual written consent of all parties;

by either PHC or us if the sale has not been completed by February 28, 2007, or 30 days thereafter if the special meeting has been adjourned or postponed for the purpose of soliciting additional proxies to vote in favor of the sale;

by either PHC or us if any governmental entity issues a law, court order or decree that prohibits the sale;

by either PHC or us if our shareholders do not approve the sale;

by either PHC or us if there has been a breach of any representation or warranty by the other party that has a material adverse effect, or if there has been a material breach of any covenant or agreement that, if curable, is not cured within 30 days after written notice of such breach; and

by us if we determine to enter into an agreement with respect to a more favorable third party offer or by PHC because we violated the exclusive dealing provisions of the asset purchase agreement.

See Summary of Terms of the Sale Asset Purchase Agreement Exclusive Dealing; Termination of Asset Purchase Agreement Termination of Asset Purchase Agreement.

Obligation upon Termination (See page 51)

All obligations of all parties will cease upon termination of the asset purchase agreement except that each of our confidentiality obligations will survive any termination of the asset purchase agreement. In addition, if the asset purchase agreement is terminated by us because we decide to enter into an agreement with respect to a more favorable third party offer or by PHC because we violated the exclusive dealing provisions of the asset purchase agreement, we will be obligated to

pay PHC $100,000 within two business days after the termination. See Summary of Terms of the Sale Asset Purchase Agreement Exclusive Dealing; Termination of Asset Purchase Agreement Termination Fee.

Indemnification (See pages 52 53)

We have agreed to indemnify PHC and Plant Health Care plc, and PHC and Plant Health Care plc have agreed to indemnify us, for any damages incurred in connection with a breach of our or PHC s and Plant Health Care plc s respective representations and warranties, covenants or obligations contained in the asset purchase agreement.

We have also agreed to indemnify PHC in connection with any losses relating to liabilities and obligations that we will retain after the sale of our Harpin Protein Technology, and PHC and Plant Health Care plc have agreed to indemnify us against any losses relating to liabilities and obligations that PHC will assume in connection with the purchase of the Harpin Protein Technology or that arise in connection with the ownership and operation of the Harpin Protein Technology after the closing.

The indemnification obligation will not apply until the aggregate amount of losses for which any party otherwise is entitled to be indemnified exceeds $50,000, at which time the indemnified party will be entitled to be paid for the full amount of all losses, up to a maximum amount of $1.0 million. See Summary of Terms of the Sale Asset Purchase Agreement Indemnification.

Additional Agreements Related to the Asset Purchase Agreement

Promissory Note (See page 53)

As part of the purchase price for the assets, PHC will deliver to us at closing a promissory note in the principal amount of $1.0 million (subject to adjustment as described in the asset purchase agreement) payable on December 28, 2007. The promissory note will have an interest rate of 5% per annum and will be secured by certain assets acquired by PHC and guaranteed by Plant Health Care plc as described below. The terms of the promissory note are described below in the section entitled Summary of Terms of the Sale Related Agreements Secured Promissory Note. The form of promissory note is included as Exhibit A to the asset purchase agreement attached as *Annex A* to this proxy statement.

Security Agreement (See pages 53 54)

To secure its obligations under the promissory note, PHC will deliver at closing a security agreement, pursuant to which we will receive a first priority security interest in the equipment and certain intellectual property and other assets acquired by PHC in the sale. The terms of the security agreement are described in the section entitled Summary of Terms of the Sale Related Agreements Security Agreement and Patent and Trademark Security Agreement, and the form of the security agreement is included as Exhibit D to the asset purchase agreement attached as *Annex A* to this proxy statement.

Guaranty (See page 54)

The promissory note to be delivered by PHC will be unconditionally guaranteed by PHC s indirect parent, Plant Health Care plc, pursuant to a guaranty delivered to us by Plant Health Care plc at closing. The guaranty is described in the section entitled Summary of Terms of the Sale Related Agreements Guaranty, and the form of the guaranty is included as Exhibit C to the asset purchase agreement attached as *Annex A* to this proxy statement.

License and Supply Agreement (See pages 54 55)

In conjunction with the closing of the sale of our Harpin Protein Technology, we will enter into a license and supply agreement with PHC, pursuant to which PHC will grant us an exclusive worldwide right and license to sell harpin protein-based products in the Home and Garden Market and a royalty free, exclusive license to use the Messenger, MightyPlant and Harp-N-Tek trademarks in connection with our sale of such products. Under the license and supply agreement, PHC will supply us harpin

	proteins and harpin-protein based products for our Home and Garden Business. The license and supply agreement will be effective at closing and will continue until the expiration of the last U.S. or foreign patent relating to the products held or acquired by PHC in connection with the asset purchase agreement and for an automatic additional term of five years. The license and supply agreement is described in the section entitled Summary of Terms of the Sale Related Agreements License and Supply Agreement, and the form of the license and supply agreement is included as Exhibit B to the asset purchase agreement attached as *Annex A* to this proxy statement.
Other Considerations	
Use of Proceeds (See page 24)	We plan to use the net proceeds of the sale for general working capital purposes related to our Home and Garden Business and to explore whether there may be opportunities to realize potential value from our remaining business assets, primarily our tax loss carryforwards. None of the proceeds of the sale will be distributed to our shareholders. See Proposal No. 1: The Proposed Sale Use of Proceeds.
Material Federal Income Tax Consequences (See pages 27 28)	The sale should not have any direct federal income tax consequences to you. However, the sale will constitute a taxable sale of assets and we expect to recognize a loss with respect to the sale. See Proposal 1: The Proposed Sale Material Federal Income Tax Consequences.

QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING

The Special Meeting

Q: Why am I receiving this document? (See page 12)

A: You are receiving this proxy statement and the enclosed proxy card from us because you held shares of our common stock at the close of business on December 22, 2006, the record date, and are entitled to vote at the special meeting to be held on February 26, 2007. This proxy is being mailed to our shareholders beginning January 10, 2007. This proxy statement contains important information about the items to be voted at the special meeting, and we recommend that you read it in its entirety. The enclosed proxy card allows you to vote your shares by proxy without attending the special meeting.

Q: What am I being asked to vote on? (See pages 16 and 62)

A: The first proposal you are being asked to approve is the sale of our Harpin Protein Technology to PHC pursuant to the terms of an asset purchase agreement entered into among us, our subsidiaries, PHC and Plant Health Care plc, dated as of December 1, 2006. See Proposal 1: The Proposed Sale, Risk Factors, Summary of Terms of the Sale, and Unaudited Proforma Condensed Consolidated Financial Statements for a more detailed description of the proposed transaction with PHC.

The second proposal you are being asked to approve would grant discretionary authority to the proxy holders to adjourn the special meeting, if necessary in their judgment, to solicit additional proxies to vote in favor of Proposal 1. See Proposal 2: Adjournment of Special Meeting to Solicit Additional Proxies for a more detailed description of Proposal 2.

Q: Is my vote important? (See page 12)

A: Yes. The sale of our Harpin Protein Technology to PHC must be approved by the affirmative vote of the holders of at least two-thirds of the shares of our common stock outstanding on the record date. If you do not vote, it will have the same effect as a vote against the sale.

Q: If my shares are held in street name by my broker, will my broker automatically vote my shares for me? (See pages 13 14)

A: No. Your broker will vote your shares only if you provide instructions to your broker on how to vote. You should fill out the voter instruction form sent to you by your broker with the proxy statement.

Q: What do I need to do now? (See page 13)

A: You should carefully read and consider the information contained and incorporated by reference in this proxy statement, including its annexes. You should complete, sign and date the enclosed proxy card and return it to us in the postage prepaid envelope as soon as possible so that your shares may be represented and voted at the special meeting. If your proxy card or voting instruction form so indicates, you may also vote electronically via the Internet or telephone. A majority of shares of common stock outstanding and entitled to vote must be represented at the special meeting to enable us to conduct business at the special meeting. For a further discussion on the voting process, please see The Special Meeting. Our board recommends that you vote FOR Proposals 1 and 2.

Q: Can I change my vote after I have mailed my signed proxy? (See page 13)

A: Yes. You can change your vote at any time before proxies are voted at the special meeting. You can change your vote in any one of three ways. First, you can send a written notice bearing a date later than the date of your proxy card to Mellon Investor Services, LLC, our proxy solicitor. Second, you can sign and deliver to Mellon Investor Services, LLC a new proxy card relating to the same shares and bearing a later date. Third, you can attend the special meeting and vote in person, although attendance at the special meeting will not, by itself, revoke a proxy.

You should send any notice of revocation or your completed proxy card, as the case may be, to Mellon Investor Services, LLC at the following address: Mellon Investor Services, LLC, 480 Washington Boulevard, 27th Floor, Jersey City, NJ 07310.

Q: What happens if I do not indicate how to vote my proxy? (See page 13)

A: If you sign and send in your proxy, but do not include instructions on how to vote your properly signed proxy card, your shares will be voted FOR Proposals 1 and 2.

Q: Am I entitled to appraisal or dissenters rights? (See pages 14 and 24 27)

A: Yes. Under Washington law, you are entitled to assert dissenters rights in connection with the sale of our Harpin Protein Technology and receive the fair value of your Eden Bioscience shares following completion of the sale if you strictly comply with all of the requirements of Chapter 23B.13 of the Washington Business Corporation Act, as described in Proposal 1: The Proposed Sale Dissenters Rights of Appraisal and *Annex B* of this proxy statement.

Under the asset purchase agreement, we are not required to complete the sale if the number of dissenting shares exceeds 20% of the total number of shares of our common stock outstanding on the closing of the sale.

Q: When is the sale to PHC expected to be completed? (See pages 51 52)

A: We currently plan to complete the transaction shortly following the special meeting of our shareholders, assuming our shareholders approve the sale and the other conditions to completion of the sale set out in the asset purchase agreement are satisfied or waived. However, because the sale is subject to some conditions which are beyond our control, the exact timing of the completion of the transaction cannot be predicted. For a

more detailed description of the conditions to completion of the sale, see the section of this proxy statement entitled Summary of Terms of the Sale Asset Purchase Agreement Conditions to Completion of Sale.

Q: Who can help answer questions about the proposals?

A: If you have any questions about the special meeting or the proposals presented in this proxy statement, you should contact:

Mellon Investor Services, LLC
480 Washington Boulevard, 27th Floor
Jersey City, NJ 07310
Telephone: (800) 814-0304

or

Bradley S. Powell, President
Eden Bioscience Corporation
11816 North Creek Parkway N.
Bothell, WA 98011-8201
Telephone (425) 806-7300

EDEN BIOSCIENCE CORPORATION

11816 North Creek Parkway N.
Bothell, Washington 98011-8201

THE SPECIAL MEETING

General

This proxy statement is furnished in connection with the solicitation by the board of directors of Eden Bioscience Corporation of proxies in the accompanying form for use at the special meeting of shareholders to be held on Monday, February 26, 2007, and any adjournments or postponements thereof. The special meeting will be held at 9:00 a.m., Pacific time, at the Country Inn & Suites By Carlson, 19333 North Creek Parkway, Bothell, WA 98011.

Our principal office is located at 11816 North Creek Parkway N., Bothell, Washington 98011-8201, and our telephone number is (425) 806-7300. The approximate date of mailing this proxy statement and the accompanying proxy card is January 10, 2007.

Record Date and Voting Securities

Only holders of shares of our common stock outstanding at the close of business on December 22, 2006, the record date for the special meeting, are entitled to vote at the special meeting. On the record date, there were 8,149,554 shares of common stock outstanding.

Each holder of common stock is entitled to one vote for each share of common stock held of record in such person s name on the record date. Holders of common stock are entitled to vote on all proposals properly presented at the special meeting.

Quorum

Under Washington law, a quorum consisting of a majority of the shares entitled to vote must be represented in person or by proxy for the transaction of business at the special meeting. Abstentions are counted as present and entitled to vote for purposes of determining a quorum. Broker non-votes, which occur when a broker has not received customer instructions and indicates that the broker does not have discretionary authority to vote a particular matter on the proxy card, also will be deemed present for purposes of determining whether a quorum is achieved.

Required Votes

Required Vote for Proposal 1. The proposal to approve the sale of our Harpin Protein Technology will be adopted if approved by the affirmative vote of two-thirds of the shares of our common stock outstanding on the record date. Abstentions from voting and broker non-votes will have the effect of a vote against the sale.

Required Vote for Proposal 2. The proposal to grant discretionary authority to the proxy holders to adjourn the special meeting to solicit additional proxies will be approved if the votes cast in favor of the proposal by the holders of shares entitled to vote thereon exceed the votes cast against the proposal at the special meeting. Abstentions from voting and broker non-votes will have no impact on the vote on Proposal 2.

Our board of directors unanimously recommends voting FOR approval of both Proposals 1 and 2.

Voting by Proxy

Our board of directors has selected Rhett Atkins and Bradley S. Powell, the persons named as proxies in the proxy card accompanying this proxy statement, to serve as proxies at the special meeting. Dr. Atkins is one of our directors and, until December 15, 2006, served as our President and Chief Executive Officer. Mr. Powell is our President and Chief Financial Officer. The shares of common stock represented by each executed and returned proxy will be voted in accordance with the directions indicated thereon, or if no direction is indicated, the proxy will be voted in favor of Proposals 1 and 2. The proxy cards also confer discretionary authority to vote the shares authorized to be voted thereby on any matter that was not known on the date of this proxy statement, but that properly may be presented for action at the special meeting.

YOUR VOTE IS IMPORTANT. WHETHER OR NOT YOU PLAN TO ATTEND, YOU ARE URGED TO COMPLETE, SIGN AND RETURN THE ENCLOSED PROXY IN THE ACCOMPANYING ENVELOPE OR, IF YOUR PROXY CARD OR VOTING INSTRUCTION FORM SO INDICATES, TO VOTE ELECTRONICALLY VIA THE INTERNET OR TELEPHONE.

Revocation of Proxy

You may revoke a proxy or change your vote at any time by taking any of the following actions before your proxy is voted at the special meeting:

delivering a written notice bearing a date later than the date of your proxy card to Mellon Investor Services, LLC, our proxy solicitor;

signing and delivering to Mellon Investor Services, LLC a new proxy card relating to the same shares and bearing a later date; or

attending the special meeting and voting in person, although attendance at the special meeting will not, by itself, revoke a proxy.

You should send any notice of revocation or completed new proxy card, as the case may be, to Mellon Investor Services, LLC at the following address: Mellon Investor Services, LLC, 480 Washington Boulevard, 27th Floor, Jersey City, NJ 07310.

Expenses of Solicitation

We have retained Mellon Investor Services, LLC to help solicit proxies. We will pay the cost of their services, which is estimated at approximately $15,000, plus reasonable expenses. Proxies will be solicited by personal interview, mail and telephone. In addition, we may reimburse brokerage firms and other persons who represent beneficial owners of stock for their reasonable expenses in forwarding solicitation materials to beneficial owners. Our directors, officers and regular employees also may solicit proxies, personally or by telephone or facsimile, without additional compensation.

Voting in Person

If you plan to attend the special meeting and wish to vote in person, you will be given a ballot at the special meeting. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the special meeting, you must bring to the special meeting a letter from the broker, bank or other nominee confirming your beneficial ownership of the shares.

Abstentions and Broker Non-Votes

Only shares affirmatively voted FOR Proposal 1, including shares represented by properly executed proxies that do not contain voting instructions, will be counted as votes FOR the approval of the sale of our Harpin Protein Technology.

Brokers who hold shares of our common stock in street name for a customer who is the beneficial owner of those shares may not exercise voting authority on the customer s shares with respect to the actions proposed in this proxy statement without specific instructions from the customer. Proxies submitted by a broker that do not exercise this voting authority are referred to as broker non-votes. If your broker holds your common stock in street name, your broker will vote your shares only if you provide instructions on how to vote by filling out the voter instruction form sent to you by your broker with this proxy statement. Accordingly, you are urged to mark and return the enclosed proxy card to indicate your vote and fill out the voter instruction form, if applicable.

Abstentions and broker non-votes will be included in determining the presence of a quorum at the special meeting, but will have the same effect as voting against the approval of the sale of our Harpin Protein Technology.

Dissenters Rights of Appraisal

Holders of our common stock will be entitled to assert dissenters rights under Chapter 23B.13 of the Washington Business Corporation Act in connection with the sale of our Harpin Protein Technology and receive cash equal to the fair value of their Eden Bioscience common shares if the sale is completed.

In order to be entitled to dissenters rights under Chapter 23B.13, you must:

- deliver to Eden Bioscience, before the special meeting, written notice of your intention to exercise your dissenters rights and demand payment for your shares of Eden Bioscience common stock if the sale is completed;
- not vote in person or by proxy in favor of the proposal to approve the sale of our Harpin Protein Technology; and
- follow the statutory procedures for perfecting dissenters rights under Washington law, which are described in the section of this proxy statement entitled Proposal 1: The Proposed Sale Dissenters Rights of Appraisal.

Your failure to vote in favor of the sale of our Harpin Protein Technology will not be sufficient to satisfy the notice requirements of the statute; you must also deliver the required notice before the vote occurs. **Shareholders who wish to exercise their statutory dissenters rights are urged to consult legal counsel for assistance in exercising their rights.** Shareholders entitled to dissenters rights who fail to comply completely and on a timely basis with all requirements of Chapter 23B.13 for perfecting dissenters rights will lose their rights.

Under the asset purchase agreement, we are not required to complete the sale if the number of dissenting shares exceeds 20% of the total number of shares of our common stock outstanding on the closing date of the sale.

SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

This proxy statement contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by terminology such as may, will, should, expects, intends, anticipates, believes, estima predicts or continue, or the negative of these terms or other comparable terminology and include, without limitation, statements regarding: the completion of the proposed sale of our Harpin Protein Technology to PHC; the anticipated benefits of the proposed sale; the transaction costs incurred in the sale and the payment of unforeseen liabilities; management s projections; our expectations concerning material federal tax consequences to our shareholders; our plans following the closing, including our ability and to operate our Home and Garden Business, our ability to realize potential value from our remaining business assets, primarily our tax loss carryforwards, and our ability to retain Nasdaq listing

of our common stock. Forward-looking statements are based on the opinions, expectations, forecasts, assumptions and estimates of management at the time the statements are made and are subject to certain risks and uncertainties that could cause actual results or the level of activity, performance or achievements expressed or implied by such statements to differ materially from our expectations of future results, level of activity, performance or achievements expressed or implied by those statements. Factors that could affect actual results, level of activity, performance or achievements include, among others, our ability to obtain shareholder approval of the sale; the ability of all parties to perform their respective obligations under the asset purchase agreement in a timely matter, or at all; the risk that we may not have sufficient funds to operate our remaining business following the closing; the speculative nature and risks associated with our plan to explore opportunities to realize potential value from our remaining business assets, primarily our tax loss carryforwards; risks associated with our dependence on PHC for our supply of harpin protein-based products for our Home and Garden Business after the closing; the risk that we may have liabilities and expenses that arise which are currently unforeseen; the risk that the continuity of our operations will be disrupted as a consequence of the failure to complete the sale; risks associated with PHC s acting as our exclusive master distributor; the risk that the costs of completing the sale will exceed our estimates; the competitive nature of the markets in which we operate; a change in economic conditions; our ability to retain existing customers and to obtain new customers; our ability to retain qualified personnel; our anticipated operating losses; uncertainties concerning the availability of additional capital; and the risks and uncertainties described under the heading Risk Factors beginning on page 30 of this proxy statement and described in our annual report on Form 10-K for the year ended December 31, 2005, our most recent quarterly report on Form 10-Q and our other reports filed with the Securities and Exchange Commission.

Although we believe that expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance or achievements. You should not place undue reliance on these forward-looking statements, which apply only as of the date of this proxy statement. Except as may be required under federal law, we undertake no obligation to update publicly any forward-looking statements for any reason, even if new information becomes available or other events occur.

PROPOSAL 1: THE PROPOSED SALE

General

On December 1, 2006, our board of directors unanimously approved the asset purchase agreement among Eden Bioscience, our subsidiaries, Plant Health Care (PHC) and Plant Health Care plc, pursuant to which we will to sell PHC our proprietary harpin protein-based technology and substantially all of our assets used in our worldwide agricultural and horticultural markets, which collectively are referred to in this proxy statement as our Harpin Protein Technology. Subject to certain adjustments and indemnification obligations, each as more fully described below, we expect to receive $2.5 million from PHC, payable in a combination of cash at closing and by PHC s delivery to us of a secured promissory note payable on December 28, 2007. As part of the transaction, PHC also will assume certain of our liabilities relating to or arising out of our Harpin Protein Technology. The material terms of the asset purchase agreement are summarized in the section Summary of Terms of the Sale Asset Purchase Agreement below. **A copy of the asset purchase agreement is attached to this proxy statement as *Annex A* and is incorporated herein by reference. We encourage you to read the asset purchase agreement in its entirety.**

Parties to the Asset Purchase Agreement

Eden Bioscience is a plant technology company that markets a line of products based on its proprietary Harpin Protein Technology and manufacturing processes. These products are marketed under the umbrella brand name of Harp-N-Tek and are used in agricultural and horticultural production, as well as the Home and Garden Market. Two foreign subsidiaries of Eden Bioscience, Eden Bioscience Mexico, S. de R.L. de C.V. and Eden Bioscience Europe SARL, also are parties to the asset purchase agreement.

Eden Bioscience maintains its principal office at 11816 North Creek Parkway N., Bothell, Washington 98011-8201, telephone (425) 806-7300.

PHC is a private microbial biotechnology company specializing in the development of plant health care products and natural solutions for the commercial tree care, horticulture, turfgrass, forestry and land reclamation industries.

Plant Health Care plc is a UK public company listed on the London Stock Exchange Alternative Investment Market (AIM) and is the indirect parent of PHC.

Both PHC and Plant Health Care plc maintain their principal offices at 440 William Pitt Way, Pittsburgh, Pennsylvania 15238, telephone (412) 826-5488.

Background of the Proposed Sale

General

The asset purchase agreement, which was executed by us, our subsidiaries, PHC and Plant Health Care plc on December 1, 2006, provides for the sale to PHC of our Harpin Protein Technology and the assumption by PHC of the liabilities relating to or arising out of our Harpin Protein Technology. Subject to certain purchase price adjustments and indemnification obligations, each as described more fully below, we expect to receive $2.5 million from the sale. See Summary of Terms of the Sale Asset Purchase Agreement Purchase Price.

Background

At the meetings of our board of directors held on November 15, 2005 and January 24, 2006, Dr. Rhett Atkins, our then President and Chief Executive Officer, reported that forecasted revenue for 2006 was $7.0 million, with $6.0 million in revenue being the minimum level necessary to meet objectives for

continuing operations of our company. Dr. Atkins advised the board that achieving either of these revenue levels would require strong sales growth in three major markets: the U.S. agricultural market, Spain and the U.S. home and garden market. Dr. Atkins further reported that, based on past sales history, approximately 75% of yearly sales occur in the first half of the year and a revenue level of $4.5 million by July 1 would be needed in order for our company to reasonably expect to meet its $6.0 minimum revenue requirement for 2006. Based on Dr. Atkins report, our board agreed that if Eden Bioscience did not achieve sales revenue of at least $4.0 million by the end of the first half of 2006, the board would need to substantially change our company s business model and examine alternatives for the future.

At the March 14 board meeting, Dr. Atkins reported that sales in the U.S. agricultural market, especially of new products containing the harpin$_{\alpha\beta}$ protein were strong, but that sales in the U.S. home and garden market, although early in the year, were not growing as quickly as expected and that sales in Spain were significantly below our expectations. Dr. Atkins advised the board that our company would not achieve $4.0 million minimum revenue unless sales in Spain returned to at least 2005 levels. At the time, reports from Spain indicated that sales would increase to 2005 levels in the second quarter of 2006.

On April 14, John A. Brady, the President and Chief Executive Office of PHC, met with Dr. Atkins at our offices in Bothell, Washington. During that meeting, Mr. Brady expressed confidence in a new seed treatment that PHC had in development and inquired whether our company might be interested in creating a joint sales force with PHC in the U.S. to target direct sales of that product. Dr. Atkins informed Mr. Brady that such an arrangement was inconsistent with Eden Bioscience s current distribution strategy, but that our board may decide to change the company s business model in the future. Dr. Atkins advised that, if this happens, it most likely would be after Eden Bioscience s second quarter sales information becomes available. Dr. Atkins suggested that PHC consider making us an offer if Eden Bioscience s publicly announced sales did not increase in the first half of 2006.

On April 24, Dr. Atkins traveled to Spain to meet with Eden Bioscience s European personnel and our largest Spanish distributor. This meeting revealed that channel inventory of Messenger in Spain was much higher than management had been led to believe and that the opportunity for sales growth in Spain may not be achievable. As a result of this meeting, management gave our two Spanish consultants notice that their contracts would be terminated unless a sales turnaround was achieved. At this point, management believed that attaining $4.0 million in sales revenue in the first half of 2006 was still possible based on strong U.S. agricultural sales, but not highly probable.

During this same period, our management engaged in discussions with a number of companies to acquire potential bacteria or inoculants for seed treatment combinations with Eden Bioscience s harpin protein. Although none of these discussions resulted in a cooperative arrangement to pursue seed treatment products, one contact did result in substantive on-going discussions, due diligence and a series of proposals relating to a potential business combination with Eden Bioscience. Discussions with this company, referred to as Company A, continued during the second and third quarters of 2006, but ultimately terminated due to disagreements over financial terms, Eden Bioscience s continuing contractual commitments and inadequate price.

On May 4, 2006, we announced our financial results for the first quarter of 2006. In our earnings release, we reported that sales in the U.S. agricultural market were strong, as expected, but that sales outside the U.S. had not met expectations. We noted that historically, the second quarter is our strongest and that to have a successful year it would be important to receive reorders in the U.S. agricultural market and to substantially increase our sales outside the U.S. in the second quarter. In our Quarterly Report on Form 10-Q for the first quarter of 2006, we further reported that recognized sales in Spain had decreased to zero in the first quarter of 2006, from $210,000 in the same quarter of 2005, because existing distributor-owned Messenger inventory was adequate to meet growers orders, and that although we expected to recognize sales in the second quarter of 2006, it was not possible to predict our future sales in Spain due to our short sales history in that market and the extreme

weather conditions growers encountered in Spain in 2005.

At the May 16 board meeting, Dr. Atkins advised our directors that final sales numbers for the first half of 2006 might not meet the $4.0 million revenue goal. Dr. Atkins, however, expressed concern that aggressively pursuing other options with U.S. companies at the present time would undermine our company s 2006 sales in the U.S. agricultural market, thereby insuring that Eden Bioscience would not achieve the $4.0 million revenue target, and could adversely affect the long-term value of our technology. Dr. Atkins reviewed the value components of our company, including its public status, cash, tax loss carryforwards and technology, and reviewed various future options based on expected sales levels, including a potential opportunity with Company A.

In early July, after it was determined that final sales numbers for the first half of 2006 did not meet the $4.0 million revenue target, Dr. Atkins contacted Mr. Brady to explore whether PHC might be interested in acquiring Eden Bioscience or its assets. The parties entered into a confidentiality agreement on July 10, and PHC sent a request for due diligence information on July 11. Dr. Atkins advised Mr. Brady that Eden Bioscience was engaged in on-going discussions and negotiations with another company (Company A) and that PHC should consider making an offer by the August 1 board meeting.

At the board of directors meeting held on August 1, management and the board agreed that Eden Bioscience s existing business model would not generate sufficient cash to sustain its current operations. At that meeting, Dr. Atkins reported on financial terms proposed by Company A. These terms were not viewed favorably by our board. Dr. Atkins also reported that PHC had expressed interest in acquiring the assets of Eden Bioscience, but had not yet submitted a formal proposal. After extensive discussion, the board instructed management to continue to explore strategic alternatives to current operations, including a sale of all or a portion of the company. Because of his extensive industry contacts, Mike Cloutier, our then Director of Sales and Marketing, was asked to lead the effort to identify and contact other companies that might be interested in Eden Bioscience or its assets.

On August 2, Dr. Atkins informed Mr. Brady that Eden Bioscience may be sold and encouraged PHC to make an offer as soon as possible. Dr. Atkins also informed Company A that our board had decided to pursue a sale of Eden Bioscience, that Company A s current proposal was not favorably received by our board and that Company A should consider submitting an alternative proposal.

On August 3, we announced our financial results for the second quarter of 2006. We reported that our actual sales and growth rates for the first half of 2006 were significantly lower than we expected. As a result, we reported that the carrying value of our long-lived assets exceeded our estimated future undiscounted cash flows expected from the use of those assets. We concluded that a charge for impairment to our property and equipment was required, and a $4.9 million impairment loss was recognized at June 30, 2006 to write the assets down to their estimated fair value. We further reported in our earnings release that the continued poor sales performance of Messenger was not producing the results we needed for success and did not support our current business model, and that our board of directors was examining strategic alternatives for the future.

During the period from August 2 to August 16, management compiled a preliminary list of companies, in addition to PHC and Company A, which might be interested in acquiring Eden Bioscience or its assets. Dr. Atkins, Dr. Zhongmin Wei, our Chief Scientific Officer, Mr. Cloutier, Jon Jacoby, a company director, and Mr. Powell, our Chief Financial Officer and current President, engaged in discussions with various of these companies. In most cases, these discussions did not proceed beyond preliminary stages, and none of these discussions resulted in a bona fide proposal containing acceptable financial terms.

At a meeting of the board of directors held on August 16, Dr. Atkins reported on the terms of a nonbinding proposal received from Company A. At that time, members of management also updated our board on the preliminary discussions with or responses received from other companies, including PHC, to date. Based on these preliminary responses, the board authorized Dr. Atkins to continue the current discussions with Company A pursuant to the nonbinding proposal.

On August 17, Dr. Atkins received from Mr. Brady a nonbinding letter of intent setting out the terms for PHC s proposed acquisition of all non-cash assets of Eden Bioscience for a cash purchase price of $1.6 million. The letter of intent included certain binding terms which, among other things, would have required Eden Bioscience to negotiate exclusively with PHC for a period 60 days. Dr. Atkins informed our board of PHC s offer and, at a meeting of our board on August 18, the board concluded that the proposed purchase price was inadequate and rejected the

proposal.

Mr. Brady and Dr. Akins had additional conversations between August 18 and August 25, regarding a proposed transaction between PHC and Eden Bioscience. During these conversations, Mr. Brady expressed interest in making an enhanced offer with some portion of the consideration for the assets payable on a deferred basis.

On August 24, PHC delivered to Eden Bioscience a revised nonbinding letter of intent reflecting PHC s interest in acquiring our Harpin Protein Technology, but not our Home and Garden Business, for $3.75 million, $1.5 million of which would be paid in cash at closing and $2.25 million of which would evidenced by an unsecured promissory payable without interest as follows: $500,000 on January 1, 2008, $750,000 on January 1, 2009 and $1.0 million on January 1, 2010.

At a meeting of our board of directors on August 25, Dr. Atkins reviewed the latest proposal from PHC with the directors. Dr. Atkins also reported that his on-going negotiations with Company A had reached an impasse and were not likely to proceed further. In addition, Dr. Atkins updated the board concerning informal indications of interest received from two other companies. Our board instructed Dr. Atkins to continue to negotiate with interested parties to arrive at the best offer. Mr. Powell reviewed with the board our company s cash expense rate of $400,000 to $500,000 a month.

Between August 25 and August 31, Dr. Atkins and Mr. Brady negotiated the specific home and garden assets that would be retained by Eden Bioscience and outlined the general terms of a supply agreement from PHC to our company for the Home and Garden Business. On August 31, PHC submitted a nonbinding letter of intent that reflected these negotiated terms.

At a meeting of our board on September 1, Dr. Atkins updated the directors on the continuing negotiations with parties interested in purchasing all or portions of our business. He reported that PHC had increased the value of its offer by agreeing to exclude inventory designated for the Home and Garden Business from the assets to be acquired by PHC, as reflected in the revised nonbinding letter of intent received on August 31. Dr. Atkins also reported that Company A had made a complex conditional offer to purchase all of Eden Bioscience s non-cash assets. After discussion, the board rejected Company A s proposal as being too speculative and subject to unacceptable conditions relating to Company A s ability to obtain financing.

At a meeting of our board on September 5, Dr. Atkins provided further updates regarding the continuing negotiations. Our board and management then reviewed a comparison of the various proposals. After discussion of PHC s August 31 proposal, including the risks associated with the collection of the note, our company s on-going operating costs, the probability of completing the transaction and the estimated transaction costs, our board instructed management to obtain a legal review of PHC s nonbinding letter of intent and to add language providing that the promissory note would be secured by the assets and technology acquired by PHC. The board also discussed a previously distributed memorandum prepared by Perkins Coie LLP, Eden Bioscience s legal counsel, regarding fiduciary duties of directors in consideration of the sale of our company or a significant portion of its assets.

The board met again on September 6. At that meeting, a representative from Perkins Coie LLP was in attendance, at our board s request, to continue the discussion of the directors fiduciary duties. Perkins Coie LLP also responded to questions from members of the board on subjects related to the use of outside financial advisors and the proposed transaction with PHC.

With input from Perkins Coie LLP and Eden Bioscience management and directors, on September 9, we delivered to PHC a mark-up of PHC s August 31 non-binding letter of intent.

On September 12, PHC sent us a modified nonbinding letter of intent accepting or providing satisfactory alternatives to the terms that we had proposed. Among these items were the addition of 5% interest on the promissory note, a reduction of the exclusive dealing period to 45 days and a provision allowing us to terminate the 45-day exclusive dealing covenant for a termination fee of $75,000. At a board meeting held later that same day, our board reviewed the details of the modified offer from PHC. After extensive discussion, our board approved the modified nonbinding letter of intent, subject to certain changes and a legal review. Our board also considered whether to seek an opinion of a financial advisor relating to the fairness, from a financial point of view, of the proposed transaction. After careful evaluation, the board concluded that obtaining a fairness opinion was not necessary or desirable in light of the expected cost of a fairness opinion relative to the total consideration payable in the transaction and the process undertaken by management and the board to identify alternative transactions (including discussions with multiple potential acquirors).

On September 13, our management delivered to PHC a mark-up of the non-binding letter of intent reflecting Eden Bioscience s legal and board comments.

On September 15, PHC delivered to Dr. Atkins a revised nonbinding letter of intent incorporating Eden Bioscience s comments, and Dr. Atkins signed it on that date. Dr. Atkins hand-delivered the signed letter of intent to Mr. Brady on September 18.

From September 18 until October 11, PHC and its legal and financial advisors engaged in meetings, telephone conferences and document review in connection with their respective business, legal, accounting and financial diligence reviews.

On October 11, PHC delivered a due diligence memorandum addressed to our board of directors. In that memorandum, PHC proposed reducing the purchase price payable for the assets by $1.0 million to offset the higher than expected amount of company products in the distribution channel, the poor working condition of certain pieces of manufacturing equipment and the amount of the security deposit payable under our office and manufacturing facility lease. After further negotiations, PHC agreed to maintain the original purchase price of $3.75 million, in return for inclusion of our Home and Garden Business in the assets to be acquired by PHC and the assumption by PHC of Dr. Wei s change of control agreement. This modification was approved at a meeting of our board on October 12.

Diligence reviews by both parties continued from October 12 until late November.

During the week of October 16, PHC provided Eden Bioscience an initial draft of the asset purchase agreement.

At our board s regularly scheduled meeting on October 31, Dr. Atkins updated the directors on the progress of our discussions with PHC. Dr. Atkins advised our board that there was no possibility of reaching a definitive agreement with PHC before the expiration of the exclusive dealing period under the letter of intent. Dr. Atkins also advised the board that PHC had failed to provide Eden Bioscience management and legal counsel with the due diligence information and representations and warranties requested to make Eden Bioscience comfortable in taking a three-year note for the $2.25 million deferred consideration. Perkins Coie LLP advised the board regarding a variety of legal considerations relating to the proposed sale and our company s post-closing business plan, and reviewed with the board its fiduciary duties in consideration of the proposed transaction. At the meeting, the board instructed management to address the financial uncertainties regarding the three-year note by requiring PHC to pay the full purchase price in cash within one year.

The 45-day exclusive dealing period with PHC expired on November 2. On that date, we announced our financial results for the third quarter of 2006, reporting that our sales continued to remain significantly below our expectations. We further reported that we were not producing the financial results we needed for success, that we had taken steps to reduce our operating expenses and that our board of directors and management

were reviewing strategic alternatives for the future, including further reduction of operating expenses and/or the sale of all or a portion of our business.

In subsequent negotiations held between November 2 and November 9, PHC and Eden Bioscience agreed to resolve the financial uncertainties associated with the three-year note, and satisfy our board s mandate that PHC pay the full purchase price in cash within one year, by removing our Home and Garden Business from the assets to be acquired by PHC and reducing the total purchase price to $2.5 million, $1.5 million of which would be paid in cash at closing and $1.0 million of which would be evidenced by a secured one-year note guaranteed by PHC s indirect parent, Plant Health Care plc. This revised proposal was approved by our board of directors at a meeting on November 10.

During the weeks of November 13 and 20 and leading up to the signing of the transaction on December 1, the parties and their counsel exchanged various drafts of legal documents, including the asset purchase agreement and the forms of promissory note, security agreement and guaranty.

On November 17, Dr. Atkins, Mr. Powell and a representative of Perkins Coie LLP spoke by conference call with Mr. Brady, Walter Bratkowski, PHC s Chief Financial Officer, and a representative of Buchanan Ingersoll & Rooney PC, PHC s legal counsel, to resolve a variety of issues regarding the business and legal terms of the proposed transaction.

At a meeting of our board on November 20, Dr. Atkins updated the directors on the progress of negotiations and document preparation with PHC and advised our board that, in light of proxy solicitation and other requirements for obtaining shareholder approval, the transaction was not expected to close until February 2007. Given that a significant portion of our revenue is derived from sales in the first and second quarters, Dr. Atkins described the negative impact that this timing would have on the respective businesses of Eden Bioscience and PHC, including the continuation of high operating expenses at Eden Bioscience and missed opportunities related to sales seasonality at PHC. Due to the significance of these issues and the possibility that the transaction was in danger of not being completed due to the time needed to solicit shareholder

approval, Dr. Atkins recommended that our company enter into an interim distributor agreement with PHC that would allow Eden Bioscience to further minimize operating costs (primarily salesman payroll and travel expenses) and enable PHC to start seasonal advertising and commence sales of harpin protein-based products on a timely basis. Our board authorized Dr. Atkins to proceed with the negotiation of a distributor agreement with PHC.

The terms of the distributor agreement and the form of the license and supply agreement between PHC and Eden Bioscience were negotiated by the parties during the week of November 27.

On December 1, we held a meeting of our board. In addition to the members of the board and certain members of senior management, this meeting was attended by representatives of Perkins Coie LLP. At the meeting, the board reviewed in detail the terms of the proposed asset purchase agreement and the related transaction documents, including the forms of promissory note, guaranty, security agreement and license and supply agreement attached as exhibits to the asset purchase agreement, as well as the independent distributor agreement. Perkins Coie LLP once again reviewed the board s fiduciary obligations in consideration of the transaction and summarized the legal structure and terms of the transaction. After careful deliberation, including review of alternative transactions, our board unanimously approved the sale of our Harpin Protein Technology pursuant to the terms of the asset purchase agreement and recommended approval of the sale by our company s shareholders. The board also approved execution and delivery of the independent distributor agreement. Representatives of Eden Bioscience and PHC finalized and executed the asset purchase agreement the evening of December 1, and issued separate press releases announcing the execution of the agreement before the opening of the stock market on December 4.

Reasons for the Proposed Sale

We are proposing to sell our Harpin Protein Technology to PHC because we believe that the sale and the terms of the related asset purchase agreement are in the best interests of our company and our shareholders. The board of directors has identified various benefits that are likely to result from the sale of our Harpin Protein Technology. The board believes that the sale of our Harpin Protein Technology will:

- allow us to realize a value for our Harpin Protein Technology business that we could not realize by continuing to operate the business, when taking into account all the circumstances of the sale, including the purchase price, the resulting reduction of operating losses and liabilities, and our prospects for continued operation of the business;
- significantly reduce our operating losses and liabilities, as well as the cash requirements of operating our Home and Garden Business; and
- provide us with additional cash, from the proceeds of the sale, to continue our Home and Garden Business and to explore whether there may be opportunities to realize potential value from our remaining business assets, primarily our tax loss carryforwards.

In arriving at its determination that the sale is in the best interest of our company and our shareholders, our board of directors carefully considered the terms of the asset purchase agreement, the secured promissory note, the security agreement, the guaranty, the license and supply agreement and other transaction documents, as well as the potential impact of the sale on our business operations. As part of this process, the board considered management s financial projections and the advice of our legal counsel. In authorizing the sale, the board considered the factors set out above as well as the following factors:

- our need to significantly reduce our company s operating losses and liabilities;
- our ability to survive as an independent entity given our history of operating losses;
- that we vigorously explored strategic alternatives, including extensive efforts to sell or merge our company outright or sell our assets, as described above, and none were successful;
- the absence of other offers that are superior to PHC s offer in light of all the terms and conditions presented by PHC;
- that we would retain our Home and Garden Business and the potential future value of our remaining business assets, primarily our tax loss carryforwards;

the terms and conditions of the asset purchase agreement, including the fiduciary out provisions, which allow the board to consider more favorable third party offers to purchase Eden Bioscience or our Harpin Protein Technology prior to the closing and to terminate the asset purchase agreement to enter into an agreement with respect to a more favorable third party offer;

the fact that there is a reasonable termination fee payable to PHC if the asset purchase agreement is terminated by us or PHC if we determine to enter into an agreement with respect to a more favorable third party offer, which we believe provides us with additional flexibility if it becomes necessary to terminate the asset purchase agreement;

the financial conditions of PHC and Plant Health Care plc relative to their abilities to perform their obligations under the note and the guaranty;

the fact that the $1.0 million deferred consideration evidenced by the promissory note payable by PHC is secured by the equipment, intellectual property and certain other assets acquired by PHC and, in addition, is guaranteed by Plant Health Care plc;

the fact that the asset purchase agreement requires PHC to enter into a license and supply agreement to assure us long-term access to harpin protein-based products for our Home and Garden Business;

the fact that Washington corporate law requires that the asset purchase agreement be approved by the affirmative vote of holders of two-thirds of the shares of our common stock entitled to vote, which ensures that our board will not be taking actions of which our shareholders disapprove;

the fact that shareholders may assert dissenters rights under Washington law;

the fact that, after the sale our company, will have a less diversified business that will leave us dependent on the performance of our Home and Garden Business and the risks arising from our limited experience in pursuing this line of business;

the risk that our company could be exposed to future indemnification payments under the asset purchase agreement;

the risk that the purchase price for our Harpin Protein Technology may be adjusted down and we may receive less cash from the sale;

the risk that $1.0 million of the cash purchase price is not payable until December 28, 2007 and that PHC and Plant Health Care plc may be unable or unwilling to perform their payment obligations under the promissory note and the guaranty, respectively;

the lack of an opinion as to the fairness, from a financial point of view, of the sale;

the risk that, even if our shareholders approve the sale of our Harpin Protein Technology, the sale may not be completed due to failure to satisfy or waive conditions of closing;

the risk that our Home and Garden Business may not generate sufficient revenue and we may need additional funds to sustain our operations and the risk that additional funds may not be available on acceptable terms or at all;

the risk that we may not be able to realize potential value from our remaining business assets, primarily our tax loss carryforwards;

the fact that following the sale of our Harpin Protein Technology we will be dependent upon PHC as the source of harpin protein-based products for our Home and Garden Business; and

the risk that our common stock might be delisted from the Nasdaq Capital Market, thereby significantly limiting our shareholders ability to sell their stock.

Our board of directors also considered the other factors described in the section entitled Risk Factors in this proxy statement in deciding to approve, and recommending that our shareholders approve, the sale of our Harpin Protein Technology.

In view of the variety of factors considered in connection with its evaluation of the sale, the board of directors did not find it practical to, and did not quantify or otherwise attempt to assign relative weight to the specific factors considered in reaching its conclusions. In addition, our board of directors did not undertake to make any specific determination as to whether any particular factor, or any aspect of any particular factor, was favorable or unfavorable to its ultimate determination, but rather conducted an overall analysis of the factors described above. In considering the factors described above, individual members of our board of directors may have given different weight to different factors.

Recommendation of the Board of Directors

Our board of directors has determined that the sale of our Harpin Protein Technology is in the best interests of our company and our shareholders. **The board of directors has unanimously approved the sale of our Harpin Protein Technology to PHC pursuant to the terms set out in the asset purchase agreement and unanimously recommends that our shareholders vote FOR the proposal to approve such sale.**

Required Vote

The approval of the sale of our Harpin Protein Technology to PHC requires the affirmative vote of the holders of two-thirds of the shares of our common stock outstanding on the record date.

Use of Proceeds

The gross proceeds from the sale are expected to be $2.5 million in cash, subject to certain purchase price adjustments. The cash consideration in the sale transaction will be paid $1.5 million at closing and $1.0 million by promissory note of PHC payable on December 28, 2007. See Summary of Terms of the Sale Asset Purchase Agreement Closing Price and Post-Closing Adjustment and Related Agreements Secured Promissory Note. After transaction expenses, which are estimated to total approximately $500,000, the net cash proceeds from the sale will be approximately $2.0 million.

Our board of directors considered whether to distribute the net proceeds to our shareholders. In light of the costs associated with our ongoing operations and the potential cash requirements of our post-closing business strategy, the board concluded that it is in the best interest of our company and shareholders to retain the proceeds to fund our post-closing operations. Accordingly, we do not intend to distribute any of the proceeds to our shareholders. We plan to use the net proceeds of the sale for general working capital purposes related to our Home and Garden Business and to explore whether there may be opportunities to realize potential value from our remaining business assets, primarily our tax loss carryforwards.

Dissenter s Rights of Appraisal

The following is a brief summary of the rights of holders of our common stock under Chapter 23B.13 of the Washington Business Corporation Act, or the WBCA, to dissent from the sale of our Harpin Protein Technology, receive an appraisal as to the fair value of their shares of Eden Bioscience common stock and receive cash equal to the appraised value of their Eden Bioscience common stock instead of retaining their stock and continuing as a shareholder of our company. This summary is not exhaustive, and you should read the applicable sections of Chapter 23B.13, a copy of which is attached to this proxy statement as *Annex B*.

Under Chapter 23B.13, where a proposed sale of substantially all of the assets of a corporation (other than a sale of assets pursuant to a plan by which all or substantially all of the net proceeds of the sale will be distributed to the shareholders within one year) is submitted for approval at a meeting of shareholders, as in the case of the special meeting, the corporation, in the notice of the meeting, must state that shareholders are or may be entitled to assert dissenters rights and include with the notice a copy of the dissenters rights statute. This proxy statement constitutes notice to the holders of our common stock and a copy of the dissenters rights statute is attached as *Annex B* to this proxy statement.

If you are contemplating the possibility of exercising your dissenters rights of appraisal in connection with the sale of our Harpin Protein Technology, you should carefully review the text of *Annex B*, particularly the procedural steps required to perfect dissenters rights, which are complex. **We encourage you to consult your legal counsel, at your expense, before attempting to exercise your dissenters rights**. If you do not fully and precisely satisfy the procedural requirements of Washington law, you may lose your dissenters rights. We will not give you any

notice other than as described in this proxy statement as required by Washington law.

Requirements for Exercising Dissenters Rights

To preserve your rights if you wish to exercise your statutory dissenters rights, you must:

- deliver to Eden Bioscience, before the special meeting, written notice of your intent to exercise your dissenters rights and demand payment for your shares of Eden Bioscience common stock if the sale of our Harpin Protein Technology is completed, which notice must be separate from your proxy.

- Your vote against the sale of our Harpin Protein Technology alone will not constitute written notice of your intent to exercise your dissenters rights;

- not vote your shares in person or by proxy in favor of the sale of our Harpin Protein Technology; and

- follow the statutory procedures for perfecting dissenters rights under Washington law, which are described below under Appraisal Procedures.

If you do not satisfy each of the requirements, you cannot exercise dissenters rights and, if the sale of our Harpin Protein Technology is approved by our shareholders and is completed, you will continue to hold your shares of Eden Bioscience common stock and will continue as a shareholder of our company.

Vote

Your shares must either not be voted at the special meeting or must be voted against the approval of the sale of our Harpin Protein Technology. Submitting a properly signed proxy card that is received prior to the vote at the special meeting that does not direct how the shares of common stock represented by that proxy are to be voted will constitute a vote in favor of the sale and a waiver of your statutory dissenters rights.

Under the asset purchase agreement, we are not required to complete the sale if the number of dissenting shares would exceed 20% of the total number of our shares of common stock outstanding on the closing date of the sale.

Notice

Your written notice of your intent to exercise dissenters rights must be filed with Eden Bioscience at: Eden Bioscience Corporation, 11816 North Creek Parkway N., Bothell, Washington 98011-8201; Attention: Corporate Secretary.

It is important that we receive all written notices before the special meeting. Your written notice to demand payment should specify your name and mailing address, the number of shares of Eden Bioscience common stock you own, and that you intend to demand cash payment for your Eden Bioscience shares if the sale of our Harpin Protein Technology is approved.

Appraisal Procedures

If the sale of our Harpin Protein Technology is approved by our shareholders, within ten days after the approval, we will send written notice regarding the proper appraisal procedures to all shareholders who have given written notice under the dissenters rights provisions and have not voted in favor of the sale as described above. The notice will contain:

- the address where the demand for payment and certificates representing shares of Eden Bioscience common stock must be sent and the date by which certificates must be deposited;

- the date on which your payment demand must be received by us, which date will not be fewer than 30 nor more than 60 days after the date the written notice is delivered to you;

a form for demanding payment that states the date of the first announcement to the news media or to shareholders of the proposed sale of assets (December 4, 2006) and requires certification from the person asserting dissenters rights of whether the date the person acquired beneficial ownership of Eden Bioscience common stock was before the date of the first announcement; and

a copy of Chapter 23B.13 of the WBCA.

If you wish to assert dissenters rights, you must demand payment, certify that you acquired beneficial ownership of your shares before December 4, 2006, and deposit your Eden Bioscience certificates within the specified number of days after the notice is given. If you fail to make demand for payment and deposit your

Eden Bioscience certificates within the time period set forth in the written notice, you will lose the right to demand appraisal for your shares under the dissenters rights provisions, even if you filed a timely notice of intent to demand payment.

If we do not consummate the sale of our Harpin Protein Technology within 60 days after the date set for demanding payment, we will return all deposited certificates. If we do not return the deposited certificates within 60 days after the date set, you may notify us in writing of your estimate of the fair value of your Eden Bioscience common stock plus the amount of interest due and demand payment of your estimated amount.

Except as provided below, within 30 days after the later of the effective time of the sale of our Harpin Protein Technology or the receipt by us of a valid demand for payment, we will remit to each dissenting shareholder who complied with the requirements of Washington law the amount we estimate to be the fair value of the shareholder s Eden Bioscience common stock, plus accrued interest. We will include the following information with the payment:

financial data relating to Eden Bioscience, including a balance sheet, an income statement, and a statement of changes in shareholders equity as of and for a fiscal year not more than sixteen months before the date of payment, and the latest available interim financial statements, if any;

an estimate by us of the fair value of the shares and a brief description of the method used to reach that estimate;

an explanation by us of how the interest was calculated;

a brief description of the procedures to be followed by shareholders in demanding supplemental payment if such shareholders are dissatisfied with the estimate of the fair value of the shares determined by us; and

a copy of Chapter 23B.13 of the WBCA.

For dissenting shareholders who were not the beneficial owners of their shares of Eden Bioscience common stock before December 4, 2006, we may withhold payment and instead send a statement setting forth our estimate of the fair value of their shares and offering to pay such amount, with interest, as a final settlement of the dissenting shareholder s demand for payment. Payment of the fair value of these after-acquired shares may be conditional upon the dissenting shareholder s waiver of other rights under Chapter 23B.13 of the WBCA.

We will also include in such statement an explanation of how we estimated the fair value of the shares and of how the interest was calculated and a notice of the dissenter s right to proceed with a judicial determination of the fair value of the shares if such dissenting shareholder is dissatisfied with the estimate of the fair value of the shares determined by us. If a dissenting shareholder is dissatisfied with the payment or offer for payment made by us or believes that the interest due is incorrectly calculated, such shareholder may, within 30 days of the payment or offer for payment, notify us in writing and demand payment of his or her estimate of the fair value of his or her shares and the amount of interest due. If any dissenting shareholder s demand for payment is not settled within 60 days after receipt by us of such shareholder s payment demand, Washington law requires that we commence a proceeding in King County Superior Court and petition the court to determine the fair value of the shares and accrued interest, naming all the dissenting shareholders whose demands remain unsettled as parties to the proceeding. If we do not commence the proceeding within the 60-day period, we will pay each dissenter whose demand remains unsettled the amount demanded.

The court may appoint one or more appraisers to receive evidence and make recommendations to the court as to the amount of the fair value of the shares. The fair value of the shares as determined by the court is binding on all dissenting shareholders. If the court determines that the fair value of the shares plus interest is in excess of any amount remitted by us, then the court will enter a judgment for cash in favor of the dissenting shareholders in an amount by which the value determined by the court, plus interest, exceeds the amount previously remitted. For dissenting shareholders who were not the beneficial owners of their shares

of Eden Bioscience common stock before December 4, 2006 and for which we withheld payment pursuant to Chapter 23B.13.270 of the WBCA, the court may enter judgment for the fair value, plus accrued interest, of the dissenting shareholders after-acquired shares.

The court will also determine the costs and expenses of the court proceeding and assess them against us, except that the court may assess part or all of the costs against any dissenting shareholders whose actions in demanding payment are found by the court to be arbitrary, vexatious or not in good faith. If the court finds that we did not substantially comply with the relevant provisions of Chapters 23B.13.200 through 23B.13.280 of the WBCA, the court may also assess against us any fees and expenses of attorneys or experts that the court deems equitable. The court may also assess those fees and expenses against any party if the court finds that the party has acted arbitrarily, vexatiously or not in good faith in bringing the proceedings. If the court finds that the services of counsel for any dissenter were of substantial benefit to other dissenters similarly situated, and that the fees for those services should not be assessed against the corporation, the court may award to these counsel reasonable fees to be paid out of the amounts awarded the dissenters who were benefited.

A shareholder of record may assert dissenters rights as to fewer than all of the shares registered in the shareholder s name only if he or she dissents with respect to all shares beneficially owned by any one person and notifies us in writing of the name and address of each person on whose behalf he or she asserts dissenters rights. The rights of the partially dissenting shareholder are determined as if the shares as to which he or she dissents and his or her other shares were registered in the names of different shareholders. Beneficial owners of Eden Bioscience common stock who desire to exercise dissenters rights themselves must obtain and submit the registered owner s written consent at or before the time they file the notice of intent to demand fair value, and the beneficial owner must do so with respect to all shares of which such shareholder is the beneficial shareholder or over which such shareholder has power to direct the vote.

For purposes of Washington law, fair value means the value of Eden Bioscience common stock immediately before the effective time of the sale of our Harpin Protein Technology, excluding any appreciation or depreciation in anticipation of the sale, unless that exclusion would be inequitable. Under Chapter 23B.13.020 of the WBCA, a shareholder has no right, at law or in equity, to set aside the approval of the sale or the consummation of the sale except if the approval or consummation fails to comply with the procedural requirements of Chapter 23B.13 of the WBCA, our articles of incorporation or bylaws, or was fraudulent with respect to that shareholder or our company.

Regulatory Matters

There are no U.S. antitrust approvals required to consummate the sale of our Harpin Protein Technology. However, Eden Bioscience and PHC will be required to make various filings with the U.S. Environmental Protection Agency (EPA) and state and international regulatory authorities to obtain issuance or transfer of product permits in connection with the sale.

Material Federal Income Tax Consequences

The following is a summary of the material anticipated federal income tax consequences of the sale of our Harpin Protein Technology to PHC. This summary is based upon the Internal Revenue Code (Code), existing and proposed regulations thereunder, judicial decisions and current administrative rulings, authorities and practices, all as amended and in effect on the date of this proxy statement. Any of these authorities could be repealed, overruled or modified at any time. Any such change could be retroactive and, accordingly, could cause the tax consequences to vary substantially from the consequences described below. No ruling from the Internal Revenue Service (IRS) with respect to the matters discussed herein has been requested or will be requested, and there is no assurance that the IRS would agree with the conclusions set forth in this summary. This summary is provided for general information only and does not purport to address all aspects of the possible federal income tax consequences of the asset sale and is not intended as tax advice to any person.

In particular, and without limiting the foregoing, this summary does not consider the federal income tax consequences to our shareholders in light of their individual investment circumstances or to holders who may be subject to special treatment under the federal income tax laws (such as dealers in securities, insurance companies, foreign individuals and entities, financial institutions and tax exempt entities). In addition, this summary does not address any consequences of the sale of our Harpin Protein Technology under any state, local or foreign tax laws.

The sale of our Harpin Protein Technology to PHC will be a transaction taxable to us for U.S. federal income tax purposes. We will recognize taxable income (or loss) equal to the amounts realized, if any, on the sale in excess of our tax basis in the assets sold. The amount realized on the sale will consist of cash we receive in exchange for the assets sold, plus the amount of related liabilities assumed by PHC. Based on preliminary review, we expect the sale will result in a loss of approximately $800,000.

Proceeds of the sale of our Harpin Protein Technology will not be distributed to our shareholders, and we believe that the sale should not have any direct federal income tax consequences to our shareholders.

Eden Bioscience shareholders validly exercising dissenters rights of appraisal generally will recognize gain or loss equal to the difference, if any, between the cash they receive as a result of exercising these rights and the basis of their shares of Eden Bioscience common stock surrendered in exchange. Assuming these shares are held as capital assets, and provided that the payment is not essentially equivalent to a dividend within the meaning of Section 302 of the Code, any gain or loss recognized generally will be capital gain or loss and, in the case of shares held for more than one year, the gain, if any, generally be long-term capital gain. However, dissenting shareholders may be required to recognize gain or loss in the year the sale closes, irrespective of whether the dissenting shareholder actually receives payment for his or her stock in that year. Moreover, a portion of the payment received by a dissenting shareholder may be characterized as interest income.

Our ability to preserve and utilize our tax loss carryforwards may be subject to severe limitations and risks. See Risk Factors Tax and Other Risks Associated With Our Ability to Preserve and Utilize Our Tax Loss Carryforwards.

Each holder of our common stock is urged to consult his or her own tax advisor as to the federal tax consequences of the sale, and also as to any state, local, foreign or other tax consequences based on his or her own particular facts and circumstances.

Accounting Treatment of the Asset Sale

If the sale of our Harpin Protein Technology is approved by our shareholders as described in this proxy statement, we will record the sale in accordance with generally accepted accounting principles in the United States. Upon completion of the sale to PHC, we may recognize a financial reporting gain (or loss), equal to the net proceeds (the sum of the purchase price less the expenses relating to the sale) plus recorded liabilities assumed by PHC less the net book value of the assets sold.

In reviewing for asset impairment in connection with the proposed sale transaction, we compared the carrying value of assets to be sold in the transaction to cash expected to be received from PHC and recorded liabilities to be assumed by PHC. Based on this preliminary review, it appears that the carrying value of the assets to be sold in the transaction would exceed the cash expected to be received from PHC and recorded liabilities to be assumed by PHC in the transaction by approximately $800,000. Accordingly, we currently expect that a charge for impairment to our inventory and/or equipment will be recorded in the fourth quarter of 2006. This estimate is preliminary in nature and subject to change as further analysis is conducted. The impairment charge will not result in future cash expenditures.

Interests of Certain Parties in the Transaction

In August 2000, we entered into change of control agreements with two of our executive officers, Bradley S. Powell, our President and Chief Financial Officer, and Dr. Zhongmin Wei, our Chief Scientific Officer. These agreements provide that, upon a change of control, we will continue to employ the executive officer, and he will remain in our employ, for a period of two years following a change of control. During that time, each agreement provides that the position, authority, duties and responsibilities of the executive officer must be at least reasonably commensurate in all material respects with the most significant of those held during the 90-day period prior to the change of control, and that the executive officer s annual base salary must be at least equal to his annual base salary established by our board of directors prior to the change of control.

We may assign the change of control agreements to any corporation to which we may transfer all or substantially all of our assets. If the sale is completed, PHC has agreed to assume all of our liabilities and obligations under the change of control agreement with Dr. Wei, including all obligations arising as a result of the closing of the sale, and we expect Dr. Wei to accept employment with PHC. We will continue to be

responsible for our obligations and liabilities under Mr. Powell s change of control agreement, and we intend to continue to employ Mr. Powell following the closing as our President and Chief Financial Officer.

The sale of our Harpin Protein Technology, which is a sale of substantially all of our assets, would be deemed a change of control under the terms of the change in control agreements. Accordingly, under the terms of each agreement, if, during the two year period following the closing of the sale, the employment of the executive officer is terminated by us (or by PHC, in the case of Dr. Wei) without cause, as defined in the agreement, or by the executive officer for good reason, as defined in the agreement, the executive officer would be entitled to receive (a) his annual base salary, and pro rata annual bonus, through the date of termination, and any deferred compensation; and (b) a severance payment equal to twice the sum of his annual base salary and the average of his past three annual bonuses. Based on their current annual salaries and bonus history, the severance payments would be approximately $360,000 for each of Mr. Powell and Dr. Wei. In addition, the executive officers s unvested options to purchase our common stock would accelerate and become fully vested and exercisable. If, during the two-year period following the change of control, the executive officer s employment is terminated by us (or by PHC in the case of Dr. Wei) for cause or by the executive officer without good reason, the officer would receive only the amount of his annual base salary and other deferred compensation then due.

These change of control agreements are in addition to the severance agreements we entered into with Mr. Powell and Dr. Wei. Under the severance agreements, if the employment of the executive officer is terminated by us without cause, as defined in the agreement, the executive is entitled to receive severance payments equal to six months annual base salary.

RISK FACTORS

You should carefully consider the risk factors described below as well as other information provided to you in this proxy statement in deciding how to vote on the proposal to sell our Harpin Protein Technology. The risk factors described below are not the only ones facing our company. Additional considerations not presently known to us or that we currently believe are immaterial may also impair our business operations. If any of the risks discussed below come to fruition, our business, financial condition or results of operations could be materially and adversely affected, the value of our common stock could decline and you may lose all or part of your investment.

Risks Relating to the Proposal to Sell Our Harpin Protein Technology

If the proposed sale is completed, our business will be dependent on the success of our Home and Garden Business, which has a limited operating history, has generated only a limited amount of revenue to date and in which we do not currently expect to substantially increase our investment.

Our Harpin Protein Technology proposed to be sold to PHC pursuant to the asset purchase agreement represented approximately 90% of our total net revenue in each of the year ended December 31, 2005 and the nine-months ended September 30, 2006. Our business, following the sale to PHC, will leave us dependent on the performance of our Home and Garden Business, which will be our sole operating unit going forward. Our Home and Garden Business has a limited operating history and has generated limited revenue to date. We initiated our Home and Garden Business in 2003, with the introduction of Messenger, primarily for use on roses. In 2004, we expanded our home and garden marketing plan, concentrating our efforts in the Pacific Northwest and Northeastern regions of the United States. We expanded our efforts with plant-specific interest groups, such as the American Rose Society, and, in addition to the endorsement from the American Rose Society, we received endorsements for Messenger from the National Home Gardening Club and the National Gardening Association. We increased resources allocated to the Home and Garden Market in 2005 and expanded our efforts to include the Southeastern region of the U.S. in our target areas. In January 2006, we introduced Messenger seed treatment for home and garden use. We generated revenue from our Home and Garden Business of $391,000 in fiscal 2005 and $200,000 in fiscal 2004. Our Home and Garden Business generated revenue of $377,000 in the nine months ended September 30, 2006.

To date, sales of our products in the Home and Garden Market have been generated primarily through our website based on positive word-of-mouth from current users to new users, and we have not invested significant resources in the marketing or distribution of those products. As of September 30, 2006, we had invested approximately $650,000 toward the development of our Home and Garden Business since its inception. If the sale is completed, we do not currently intend to significantly increase our investment toward the development of our Home and Garden Business. As of the closing of the sale, we expect to have a total of only six employees, only two of which will be focused on marketing our home and garden products and, at least in the short-term, we expect to continue to generate a significant portion of our sales in the Home and Garden Market through our website based on positive word-of-mouth. As a result, we cannot predict the financial performance of our Home and Garden Business following the closing of the sale; however, given the level of investment we expect to make, we do not expect our Home and Garden Business to grow significantly in the short-term. If we fail to generate sufficient sales from our Home and Garden Business to

cover our operating costs following completion of the sale of our Harpin Protein Technology, our business operations and prospects following completion of the sale, including our ability to explore whether there may be opportunities to realize potential value from our remaining business assets, primarily our tax loss carryforwards, will be adversely affected, creating substantial doubt about our ability to stay in business.

The proposed sale may not be completed if the conditions to closing are not satisfied or waived.

There is a risk that the sale of our Harpin Protein Technology to PHC may not be completed because the conditions to closing, including our ability to obtain shareholder approval and required consents of parties to contracts, including the landlord under our office and manufacturing facility lease and the Cornell Research

Foundation under our license agreement with Cornell, may not be satisfied or waived. If our shareholders fail to approve the proposal to sell our Harpin Protein Technology to PHC, or if the sale of our Harpin Protein Technology is not completed for any other reason, we will have incurred significant costs in connection with negotiating the proposed transaction, estimated to be approximately $500,000, and our business will be seriously harmed. In addition, the failure to complete the sale of our Harpin Protein Technology may result in further decreases in the market value of our common stock.

The $2.5 million purchase price stated in the asset purchase agreement is subject to adjustment and, accordingly, we may receive less cash from the sale to PHC to fund our remaining operations following the closing.

Pursuant to the asset purchase agreement, if the recorded value of equipment to be received by PHC on the closing date is less than the recorded value of the equipment at September 13, 2006, or if the recorded value of the inventory to be received by PHC on the closing date is less than the recorded value of the inventory on June 30, 2006, the amount of the purchase price will be reduced dollar for dollar to the extent that the reduction in recorded value of the equipment exceeds $25,000 and to the extent the reduction in the recorded value of the inventory exceeds $125,000. To the extent a reduction in the purchase price is required, the asset purchase agreement provides that the amount of such reduction will be deducted from the principal amount of the promissory note delivered to us by PHC at closing. In the event that the purchase price is reduced, we will receive less cash from PHC to fund our remaining operations following the closing. Further, we may have unforeseen liabilities and expenses that must be satisfied from the net proceeds of the sale to PHC, leaving less to fund our remaining operations. If we do not have sufficient cash to fund our remaining operations, we may need to raise capital, which may not be possible under satisfactory terms, if at all, and our business may be seriously harmed.

If PHC does not perform its obligations under the promissory note and if Plant Health Care plc does not perform its obligations under the guaranty, we may not receive some or all of the deferred consideration payable by PHC under the asset purchase agreement, which could adversely affect our operations following the closing.

The asset purchase agreement provides that $1.0 million of the total $2.5 million purchase price (subject to adjustment as described above) payable to us in connection with PHC s purchase of our Harpin Protein Technology will be evidenced by a promissory note of PHC that is due and payable on December 28, 2007. The promissory note will have an interest rate of 5% per annum and will be secured by a first priority security interest in the equipment and certain intellectual property and other assets acquired by PHC in the transaction. The promissory note is subject to certain rights of PHC to set off indemnified amounts under the asset purchase agreement. PHC s payment obligations under the note also will be guaranteed by Plant Health Care plc. We have no assurance that PHC can or will perform its payment and other obligations under the promissory note and the security agreement, or that, in the event that PHC defaults on its obligations, that Plant Health Care plc can or will perform its obligations under the guaranty. Based on our review of publicly available consolidated financial statements of Plant Health Care plc, that company has reported a loss and negative cash flow from operating activities for the year ended December 31, 2005 and the six months ended June 30, 2006. We believe PHC may not be able to pay the promissory note solely from operating cash flow and may therefore be required to raise additional funds to satisfy the promissory note. If PHC is unable or unwilling to perform its obligations under the promissory note and the security agreement and Plant Health Care plc is unable or unwilling to perform its obligations under the guaranty, our receipt of the full amount of the purchase price payable under the asset purchase agreement may be delayed or may not be collectible at all. Additionally, we may incur significant legal fees in pursuing collection of the promissory note and in enforcing our rights and remedies under the security agreement, including the costs associated with retaking possession of the collateral and selling, leasing, transferring or otherwise disposing of the collateral. Moreover, we have no assurance that PHC will, despite its contractual obligation to do so, take required actions to preserve the condition and value of the collateral or that, even if PHC takes all required actions, the value of the collateral or the proceeds realizable from any sales thereof, will, at the time such remedy is sought

or obtained, be sufficient to cover all unpaid amounts due under the promissory note. Any such delay, additional costs, loss or nonpayment could adversely affect our ability to fund our remaining operations.

The asset purchase agreement will expose us to contingent liabilities up to $1.0 million, which could adversely affect our ability to pursue our remaining business operations and to explore whether there are opportunities to realize potential value from our remaining business assets, primarily our tax loss carryforwards, following the closing.

In the asset purchase agreement we have made customary representations and warranties to PHC, which are described below under the heading Summary of Terms of the Sale Asset Purchase Agreement Representations and Warranties of Eden Bioscience. Pursuant to the asset purchase agreement, we agreed to indemnify PHC for any losses from inaccuracies of our representations and warranties that occur within one year after the closing date or, if later, on or before February 28, 2008, and from breaches of covenants and agreements that occur within the applicable statute of limitations. Our indemnification obligations are limited by an overall cap of $1.0 million, which is the amount of the deferred purchase price evidenced by the promissory note. For example, an indemnification claim by PHC could result if PHC suffers any damages arising out of the inaccuracy of any of our representations about our Harpin Protein Technology or if we fail to comply with a covenant or other agreement in the asset purchase agreement. The payment of any such indemnification obligations or reduction of the deferred purchase price could adversely impact our cash resources following the completion of the sale to PHC and our ability to conduct our remaining operations and to explore whether there may be opportunities to realize potential value from our remaining business assets, primarily our tax loss carryforwards.

You will not receive any of the proceeds from the sale of our Harpin Protein Technology. Management could spend or invest the proceeds from the sale in ways with which our shareholders may not agree.

The proceeds from the sale of our Harpin Protein Technology will be paid directly to Eden Bioscience. You will continue to be a shareholder in our company; however, trading in our common stock will likely be more difficult, due to, among other things, limited trading volume of our stock as described below. Currently, we intend to use the proceeds from the sale to fund working capital requirements of our Home and Garden Business while we explore whether there may be opportunities to realize potential value from our remaining business assets, primarily our tax loss carryforwards. However, management will have ultimate discretion as to the specific uses of the proceeds and could spend or invest the proceeds from the sale in ways with which our shareholders may not agree. The investment of these proceeds may not yield a favorable return. Furthermore, because our Home and Garden Business is evolving, in the future, we may discover new opportunities that are more attractive. Our overall business objective is to become profitable and realize potential value from our remaining business assets, primarily our tax loss carryforwards. Strategies for attaining this objective may include pursuing acquisitions intended to increase revenues and generate net income. Although we do not currently have specific plans to do so, we may in the future commit resources to such acquisitions or other alternative opportunities. If we change our business focus, we may face risks that are different from the risks currently associated with our Home and Garden Business.

We will be unable to compete with PHC s Harpin Protein Technology business for two years from the date of closing.

We have agreed that we will not engage in or own or control any interest (except as a passive investor of less than 5% of the outstanding equity interests of a public company) in any entity that directly competes with PHC s Harpin Protein Technology business for a period of two years after the closing date. The asset purchase agreement specifically provides that our Home and Garden Business, as it is defined in the asset purchase agreement and the license and supply agreement, is not deemed to compete with PHC s Harpin Protein Technology business. The noncompetition covenant also would not apply to any future activities undertaken by us relating to the development, testing, manufacture, sale and/or distribution of synthetic chemistry pesticides for or in the worldwide agricultural, horticultural and retail markets. However, this noncompetition covenant may limit our ability to pursue businesses opportunities, including, for example,

the sale of our remaining business or the acquisition of other businesses that might otherwise improve our financial results or enable us to realize potential value from our remaining business assets, primarily our tax loss carryforwards.

We may be required to pay a termination fee to PHC if the sale is not completed because we take certain actions in connection with a more favorable third party offer.

The asset purchase agreement requires us to pay PHC a termination fee if the asset purchase agreement is terminated prior to completion under certain circumstances. Specifically, if we terminate the asset purchase agreement because we have received an offer that we in good faith determine to be more favorable to our shareholders than the transaction proposed under the asset purchase agreement with PHC, or if PHC terminates the asset purchase agreement because our board of directors withdraws or amends in a manner materially adverse to PHC its recommendation or approval of the asset purchase agreement, or makes a recommendation with respect to any transaction arising out of a more favorable third party offer (other than a recommendation to reject such offer), or takes any action in violation of the exclusive dealing provisions of the asset purchase agreement (as described herein under Summary of Terms of the Sale Asset Purchase Agreement Exclusive Dealing; Termination of Asset Purchase Agreement), we must pay PHC a termination fee of $100,000 within two business days after such termination. Any required payment of the termination fee may adversely affect our liquidity.

If the sale to PHC is not completed, we may explore other potential transactions but there may not be any other offers from potential purchasers.

If the sale to PHC is not completed, we may seek to continue as an independent stand-alone operating company conducting our historical business, we may explore other strategic alternatives, including a sale of our assets to, or a business combination with, another party, or we may pursue other business opportunities and investments unrelated to our current business. There can be no assurance that any potential transaction will be available or will provide consideration equal to or greater than the price proposed to be paid by PHC in the sale, or that we will be able to complete any alternative transaction. Although we had discussions with various parties in the past, none of these parties may now have an interest in such a transaction or be willing to offer a reasonable purchase price or other acceptable terms on a timely basis.

If the sale to PHC is not completed and we do not obtain additional funds, we may be required to explore liquidation alternatives.

We cannot assure you that the sale of our Harpin Protein Technology to PHC will be completed. If we fail to complete the sale, we may need to raise additional funds. Additional financing may not be available on terms that are acceptable to us, or at all. If adequate funds are not available on acceptable terms and in a timely manner, our ability to finance our operations would be significantly limited. We have incurred significant expenses in anticipation of closing the sale of our Harpin Protein Technology, estimated to be approximately $500,000, the cumulative effect of which will be to further reduce our available cash resources.

We currently believe that it would be extremely difficult to continue to operate our Harpin Protein Technology business in light of our continuing operating losses and limited operational resources. Our total cash and cash equivalents was $5.9 million at September 30, 2006. On December 4, 2006, we announced a significant reduction in force which reduced the number of our full-time employees from 19 to approximately six. The work force reduction is expected to decrease salaries and related expenses by approximately $1.4 million on an annualized basis. To the extent that the sale of our Harpin Protein Technology is not completed, we may need to seek additional financing to support our operations and to continue to explore strategic alternatives for our business. We may have to obtain this financing through the issuance of additional debt or equity securities, by entering into a strategic relationships, or through other means, any one of which may reduce the potential