



LANDEC

2020 ANNUAL
REPORT



Moving forward together.

Landec Family and Friends,

This year has been a transformational year for Landec as we strive to create shareholder value across the portfolio by supporting and accelerating growth for Lifecore and redesigning Curation Foods for profitable growth. In fiscal 2020, we launched a value creation program for our natural foods business, Curation Foods, called Project SWIFT (Simplify, Win, Innovate, Focus, Transform), which has guided our organization towards improved operational and financial performance. Project SWIFT is designed to transform Curation Foods by simplifying the business, realigning its resources, optimizing its operations and improving the Company's balance sheet. Our organization made great strides towards these goals in fiscal 2020.

The benefits of these actions are demonstrated by financial results in our fiscal second half financial performance. We were able to drive a profitable turnaround in our avocado products business and execute on our goal to achieve more than \$20 million of cost savings from our Curation Foods operations by year end. Looking ahead to fiscal 2021, we believe the Curation Foods organization will benefit from its more efficient operations. We also believe that our team is now in a position to focus on generating consistent, profitable growth from existing products, as well as from plant-based protein products innovation driven by, and based on, leading-edge consumer trend analytics.

Our performance benefitted from the stability of our Lifecore business in fiscal 2020. Throughout the year, Lifecore continued to deliver on its track record of high margin revenue growth, resulting from its attractive competitive position as a fully integrated contract development and manufacturing organization (CDMO). Lifecore's positioning in the marketplace is highly advantageous, offering differentiated capabilities in the development, fill and finish of sterile, injectable pharmaceutical products in syringes and vials. These specialized capabilities are sought after in today's therapeutics market, and we believe our business is well-positioned through our significant investments in capacity to ensure we can capture share of this growing industry.

(cont.)



In addition, Lifecore leverages its fermentation process to manufacture premium, pharmaceutical-grade sodium hyaluronate (HA) and uses its aseptic filling capabilities to deliver private-label HA and non-HA finished products to its customers. Based on Lifecore's business strengths, including establishing strategic relationships with market leaders and investing in manufacturing capacity in conjunction with anticipated customer demand, we expect another strong and consistent year of profitable growth at Lifecore during fiscal 2021.

While each of our businesses operates with distinctive strengths at various stages of growth, we are united by the resilience and expertise of our collective teams. Today, Landec's internal mantra is to 'move forward together', seeking to effectively navigate new challenges, including our response to the challenges related to the COVID-19 pandemic, as we evolve and drive toward increasing profitability. Our entire organization is focusing on prioritizing sustainable profitability and delivering against our financial targets. In fact, last year our Board confirmed this alignment by adopting adjusted EBITDA as the key performance metric for our leadership team's compensation package. As a result, our Company and our culture are once again thriving and aligned toward a common goal of enhancing profitability and driving cash flow.

Our businesses and products support health and wellness while respecting and preserving the planet for future generations. As stewards of the environment, we are currently engaging all levels of our organization in establishing sustainability initiatives to ensure a safe and strong future for our people, products and planet. We have set goals through 2025 with annual target metrics for Curation Foods, and we plan to institute similar goals and metrics for Lifecore starting in fiscal 2021. Moving forward, we remain committed to completing the transformation of Curation Foods and securing continuing growth for Lifecore. We intend to fully realize the potential of each business through sound and thoughtful execution, creating sustainable value for our shareholders, customers, employees and communities.

Sincerely,



Albert D. Bolles, Ph.D.
CEO



Focusing on Financial Performance

FISCAL 2020 RESULTS

\$590.4m

(+6%) REVENUE

\$22.0m

ADJUSTED EBITDA*

3.7%

ADJUSTED EBITDA*
MARGIN

12.7%

GROSS MARGIN

(\$0.26)

ADJUSTED EPS*

* Adjusted EBITDA, adjusted EBITDA margin and adjusted EPS are non-GAAP financial measures. Please see the information under "Non-GAAP Financial Measures" at the end of this report for a description of Adjusted EBITDA, adjusted EBITDA margin and adjusted EPS, as well as reconciliation of the Non-GAAP financial measures to GAAP results.



Our natural foods business provides access to fresh and nutritious plant-based food with 100% clean ingredients. In January 2019, we launched Curation Foods as a corporate umbrella for our four natural foods brands – Eat Smart[®], Yucatan[®], Cabo Fresh[®] and O Olive Oil & Vinegar[®] – and our patented Breatheway[®] packaging technology. Our products are currently stocked in over 86%* of retail and club stores across North America.

Through our value creation program, Project SWIFT, we initiated transformative shifts and operational improvements at Curation Foods to help drive the profitability of the entire business in the second half of fiscal 2020.



Our FDA-approved CDMO business, Lifecore Biomedical, is one of the select companies to specialize in premium-grade hyaluronic acid (HA) based biomaterials. Leveraging our heritage in highly viscous HA, we develop, fill and finish difficult-to-manufacture pharmaceutical products for global and emerging biopharmaceutical and biotechnology companies. Guided by an unwavering commitment to improving lives, we work with our partners to bring their innovations to market with the highest possible quality and success.

We believe that key investments throughout fiscal 2020 will support Lifecore's consistent track record of high-margin growth into the future.

* Nielsen Latest 52 W/E 06/27/20 * Total universe includes Food, Mass, Club, excludes Costco (not reported by Nielsen)

LANDEC

United efforts. Achievable targets.

Landec's mission is to create innovative products and capabilities that support everyone's unique health and wellness journey while being stewards of the planet for future generations.

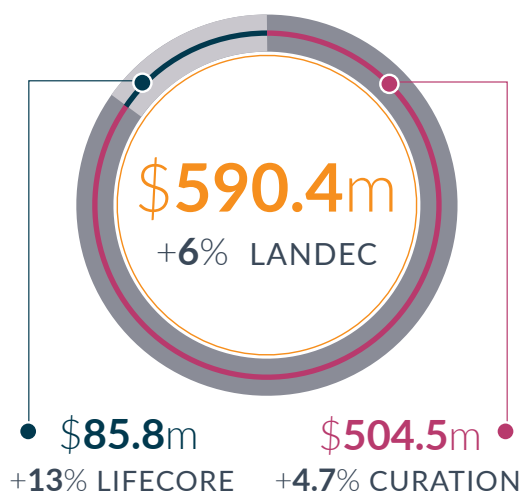
Led by new executive leadership, the organization is now sharply focused on maximizing value across our portfolio of businesses. We are prioritizing activities towards profitable growth, operational excellence and innovation driven by consumer and customer insights. We believe we have the right people in the right roles. And this year, they have demonstrated their ability to move forward together, adapt to change and drive our brands towards a common goal – improving the Company's overall financial performance for fiscal 2021.

The path to profitability.

In fiscal 2020, we have incentivized employees to drive our two business segments towards a more profitable future, together. Our success at Landec is measured by the value we create for our shareholders, customers and consumers every step of the way.

The implementation of prudent capital allocation philosophies and sound decision making processes will be key in driving strong returns on our investments. Through this thoughtful and regimented approach, we are providing the necessary resources to support the long-term growth of our natural foods and CDMO businesses.

FY20* REVENUE



FY20 GROSS MARGIN

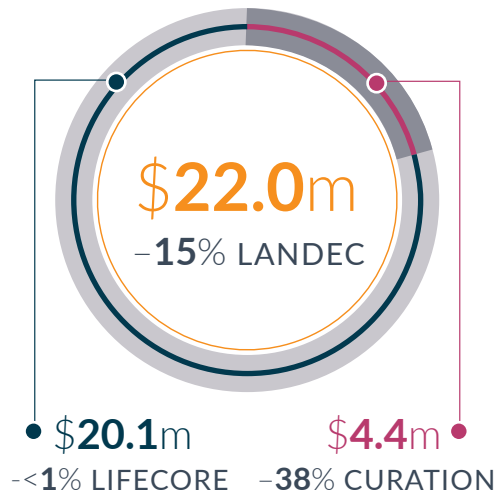
	1H20		2H20
CURATION ●	8.0%	↑	8.7%
LIFECORE ●	31.9%	↑	42.7%
LANDEC ●	11.0%	↑	14.3%

* FY20 is as of May 27, 2019 through May 31, 2020.

** Adjusted EBITDA is a non-GAAP financial measure. Please see the information under "Non-GAAP Financial Measures" at the end of this report for a description of Adjusted EBITDA and a reconciliation of the Non-GAAP financial measures to GAAP results.

FY20 Adjusted EBITDA**

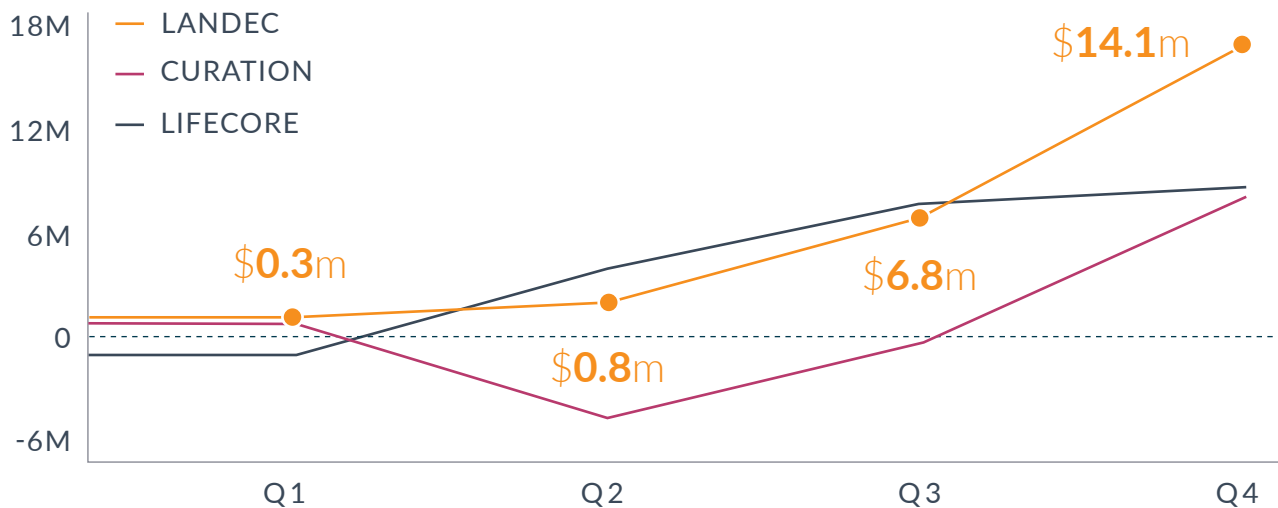
YEAR END TOTAL



A PRODUCTIVE TURN

We set out to realize the full enterprise value of Landec through the operational transformation of Curation Foods. Our decisive actions to turn around our avocado products, combined with execution of our cost-out initiative, have translated to immediate financial improvement from the first to second half of the fiscal year. We are well positioned to build on this momentum into fiscal 2021.

FY20 ADJUSTED EBITDA SEQUENTIAL QUARTERLY IMPROVEMENT



FY20 ADJUSTED EBITDA FIRST HALF VS. SECOND HALF

	CURATION ●	LIFECORE ●	LANDEC ●
1H20	(\$2.8m)	\$5.0m	\$1.1m
2H20	\$7.2m	\$15.2m	\$20.8m
CHANGE	↑ \$10.0m	↑ \$10.2m	↑ \$19.7m



Steps towards simplification.

The transformation of Curation Foods has been central to this year's growth strategy. It has involved a critical process of streamlining and reorienting the business through the implementation of our value creation program, Project SWIFT.



ROOTED IN THREE PILLARS:

- 1 NETWORK & OPERATIONAL OPTIMIZATION
- 2 FOCUS ON STRATEGIC ASSETS
- 3 ORGANIZATIONAL REDESIGN

With this framework, we have renewed our commitment to operational excellence and consumer insight-driven innovation. Our teams are strongly focused on the concept of doing fewer things better in order to generate sustainable long-term growth.

Project SWIFT has led to an immediate improvement in the business's key metrics including gross margin and adjusted EBITDA margin. Curation Foods is now positioned to become an agile and competitive business.

“We are driven to focus and streamline the business to deliver greater profitability.”

Dr. Albert D. Bolles,
President & CEO,
Landec Corporation

THE RESULTS OF RIGHT-SIZING

- 1 Focus on and investment in high-impact, high-margin projects
- 2 Implementation of Project ZEST, which includes productivity initiatives to improve efficiency and enhance employee performance
- 3 Consolidation and centralization of Curation Foods offices into our Innovation Center headquarters in Santa Maria, California
- 4 Organization redesign for agility, better use and allocation of human resources, and the ability to compete and thrive
- 5 Divestiture of non-core assets, including our Now Planting soup business and our yet-to-be operational salad dressing manufacturing facility
- 6 Strategic reduction of the size of our commoditized core vegetable and tray business

\$5m ANNUALIZED
COST SAVINGS



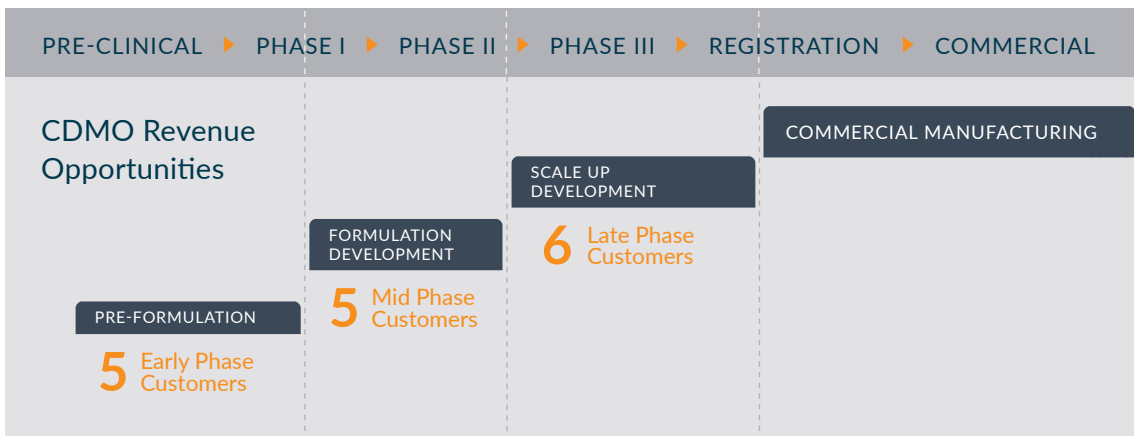
Tracking steady growth.

Lifecore has delivered consistent growth with annual revenues increasing 13% compared to fiscal 2019. We attribute our success to our ongoing commitment to three strategic priorities.

1 DEVELOPMENT OF BUSINESS PIPELINE

Capitalizing on our specialized capabilities, we have evaluated new partnership opportunities and filled our development pipeline with 15-20 active projects at various stages in the product life cycle.

PROJECT LIFE CYCLE



2 MAXIMIZATION OF MANUFACTURING CAPABILITY

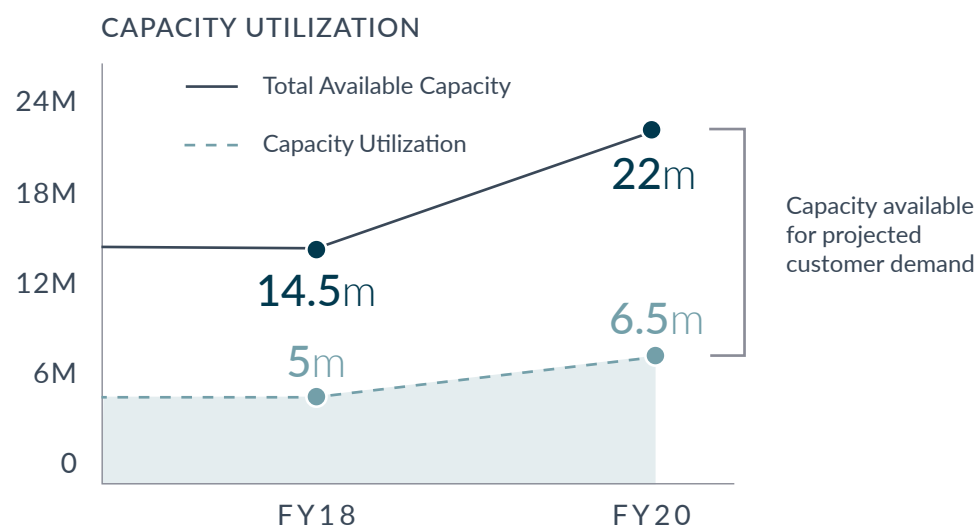
Over the year we have worked relentlessly to fulfill the increasing demands of our business and the expectations of our customers. This has involved the completion of our new multipurpose filling line and quality control lab, as well as the expansion of our secondary packaging area.

Managing our capacity amid growing demand is a key to our operational success as we prepare for future growth from our partnerships. We will continue to support these capital needs with the necessary investments to ensure consistent uninterrupted service.

3 ADVANCEMENT OF PRODUCT COMMERCIALIZATION

We have one product under review by the FDA, which we currently expect to be approved for commercialization in calendar year 2020. We anticipate delivering about 1-2 commercialized products every year going forward.

1-2
ANNUAL
COMMERCIALIZED
PRODUCTS



Pursuing priorities.

This year, our Company has implemented strategic priorities across our operations to improve margins at Curation Foods and drive topline growth at Lifecore Biomedical. In our efforts to streamline and handle the evolving challenges of the COVID-19 pandemic, we have maintained our relentless dedication to quality and to the health and safety of our employees across the organization.



MOVING PARTNERS FORWARD

What has always been central to Lifecore's culture is our operational excellence, highly specialized capabilities and uncompromising quality. By consistently delivering to FDA standards, we have proven to be a trusted and dedicated partner to biopharmaceutical and biotechnology companies. Our unique expertise and long history of execution has empowered us to be selective in our business relationships and strategically evaluate opportunities.

In fiscal 2021, we are preparing to bring a larger amount of new injectable therapies to market and accommodate the needs of each innovative customer.

\$10.6m

INVESTED TO INCREASE
MANUFACTURING
CAPABILITIES IN FY20



CASE STUDY

Maximizing capacity through continuous improvement.

Utilizing lean manufacturing methodology and the mindset of continuous improvement, our operations team has successfully increased our HA fermentation capacity by 25% and our aseptic filling capacity by 28% without incremental capital investment.

+25%
FERMENTATION
CAPACITY



BANDED BEHIND EFFICIENCY

We are consistently targeting sustainable improvements in the operations of Curation Foods without extensive capital investment. These efficiencies are driven forward by our new lean manufacturing program, ZEST (Zero Mindset, Empowerment, Standardization, Training). Integrating ZEST into our core value system, we have collectively made a cultural shift towards employee empowerment and accountability.

We have initiated the roll out of the ZEST framework across all our U.S. facilities in our efforts to further reduce administration, procurement and manufacturing costs.



 **CASE STUDY**

The transformation of our avocado business.

The ZEST principals have led to significant organizational and financial improvement in our avocado business in Mexico. By turning Yucatan® and Cabo Fresh® into profitable product lines, we reduced the cost per case by 60% and delivered gross margin improvement in the second half of fiscal 2020.

28%
GROSS MARGIN
RUN-RATE IN
Q4 OF FY2020

Reinventing for impact.

Landec has a long history of innovation in the rapidly evolving natural foods and CDMO spaces. Keeping along that track in fiscal 2020, we have scaled up investments in a few key areas to impact the market in a big way.



INNOVATION DRIVEN BY CONSUMER & CUSTOMER INSIGHTS

We have honed our innovation strategy to address unmet needs, deliver on-trend plant-based foods and expand the usage of existing products. In the development of new packaging technologies, we are successfully expanding product freshness and entering new categories of business.

Our teams continuously engage in a test and learn culture, working with both customers and partners to ensure product quality before scaling up.

“The foundation of our company is end-user driven innovation. Big ideas are often created by making small significant changes to existing products to deliver unmet needs.”

Dr. Albert D. Bolles,
President & CEO,
Landec Corporation



CASE STUDY

Turning guacamole into an everyday condiment.

Our proprietary Airlock Technology packaging solution for avocado squeeze products delivers on two consumer insights – product freshness and ease of use. The packaging technology extends product freshness up to 10-14 days and provides for a more convenient way to use guacamole as an everyday condiment.

With this technology, we are both reinvigorating the category and growing our two avocado brands, Yucatan® and Cabo Fresh®. In fact, over 25% of stores selling our guacamole tub products have added our guacamole squeeze products to their line-up, driving category growth.

71%

71% OF CONSUMERS ASKED WOULD PURCHASE GUACAMOLE SQUEEZE PRODUCTS AS A REGULAR OPTION*

20%

20% OF GUACAMOLE SQUEEZE SALES ARE INCREMENTAL TO THE TOTAL GUACAMOLE CATEGORY

* KD Consulting 2020 Consumer Survey : 1200 consumer



LEADING THERAPIES TO THE FINISH LINE

Leveraging our heritage of innovative thinking, we have continued to advance our partners' cutting-edge therapies through the pipeline and help them achieve commercialization.

Over the course of 35 years, we have created solutions that enhance drug delivery by resolving complex challenges around difficult to finish and fill viscous materials.

We have refined our processes and technologies to ensure an unmatched standard in hyaluronic acid (HA), bringing FDA-approved drug therapies and medical devices to market.

“Through our innovative solutions, we are uniquely capable of undertaking the formulation, filtration and filling of highly viscous materials such as HA.”

Dr. Albert D. Bolles,
President & CEO,
Landec Corporation



Progress made possible.

1981

- Lifecore initiates Sodium Hyaluronate production

1993

- High Pressure Filtration process developed

2005

- First non-HA drug development project
- First vacuum syringe filler installed

2015

- Drug Commercial Agreement
- Facility Expansion
- 50th Anniversary

2018

- Three new commercial manufacturing agreements

Setting a sustainable future.

This year, we have taken steps to further develop Landec as a force for good at all levels of our organization. This is especially significant at a time when food insecurity has escalated around the globe.

Perpetuating our culture of continuous improvement, we have established the Landec Environmental, Health and Safety Philosophy, which helps us to build a stronger future for generations to come.



We are in the process of instituting sustainability goals for Curation Foods in 2025 and intend to institute similar goals for Lifecore Biomedical in 2021. Our efforts are deployed across three dimensions for Curation Foods.

1 PEOPLE

We are supporting the human rights of all people as well as the wellness and safety of our employees, customers and communities.

- FOOD SECURITY
- DIVERSITY
- LABOR PRACTICES



2 PRODUCT

We are increasing access to fresh, plant-based foods with 100% clean ingredients, ensuring soil health and biodiversity, and monitoring product safety and quality.

- BETTER NUTRITION CHOICES
- PLANT-FORWARD FOOD
- PACKAGING REDUCTION & RECYCLABILITY

3 PLANET

We are implementing our ZEST program goals to minimize food waste, tightly manage water and energy usage, and reduce our impact on the planet.

- FOOD WASTE MINIMIZATION
- WATER MANAGEMENT
- ENERGY MANAGEMENT



SPOTLIGHT

Salvaging lost crops to feed the hungry.

When the COVID-19 pandemic hit North America, restaurant closures and volatile customer demand left millions of pounds of fresh food in the fields. In response, we partnered with the CA Association of Food Banks to revitalize supply chains, helping to harvest 350,000 lbs. of fresh, nutritious food directly from the field to families in need.

27

TRUCKLOADS
OF BROCCOLI
HARVESTED

56

FOOD BANKS

Headed for profitable outcomes.



Our fiscal 2021 strategy is to further improve financial performance through the continued execution of our priorities:

- 1 Carrying SWIFT forward to simplify the businesses and prioritize high margin products
- 2 Pursuing operational excellence through the ZEST program
- 3 Upholding an unmatched standard of quality and safety
- 4 Fostering a culture of continuous improvement and accountability
- 5 Innovating in consideration of consumer insights and trends towards plant-based foods



There is a growing propensity to outsource specialty services and manufacturing, particularly among our target customers – small- and mid-sized companies. The increasing demand for our unique capabilities in this marketplace will continue to fuel our organic growth. As we move forward, our strategic focus includes:

- 1 Managing our business development pipeline by evaluating partnership opportunities with companies seeking injectable solutions
- 2 Further investing in our vial and syringe manufacturing capacity, which has grown our projected capacity to 30 million units annually
- 3 Continuing to uphold our unmatched standard of quality and safety
- 4 Accelerating our pipeline and increasing the number of products we commercialize each year





BOARD OF DIRECTORS

Andrew Powell

Retired Executive Vice President
and Counsel, Medivation, Inc.

Albert D. Bolles, Ph.D.

President and Chief Executive Officer,
Landec Corporation

Deborah Carosella

Retired Chief Executive Officer,
Madhava Natural Sweeteners

Craig Barbarosh

Director and Partner,
Katten Muchin Rosenman, LLP

Frederick Frank

Chairman,
Evolution Life Sciences Partners

Katrina L. Houde

Retired Chief Executive Officer,
SunOpta, Inc.

Charles Macaluso

Principal,
Dorchester Capital Advisors, LLC

Nelson Obus

Managing Member,
Wynnefield Capital Management, LLC

Tonia Pankopf

Managing Partner,
Pareto Advisors, LLC

Catherine A. Sohn, Pharma.D.

Retired Senior Vice President,
GlaxoSmithKline, plc

EXECUTIVE OFFICERS

Albert D. Bolles, Ph.D.

President and
Chief Executive Officer

Brian McLaughlin

Executive Vice President of Finance and
Administration, and Chief Financial Officer

James G. Hall

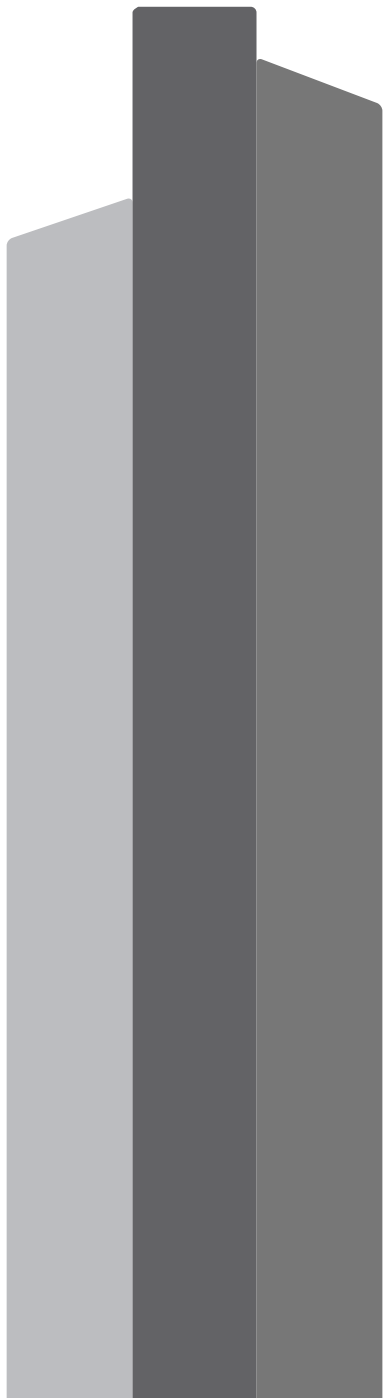
President,
Lifecore Biomedical

Timothy Burgess

Senior Vice President of Supply Chain,
Curation Foods

Dawn Kimball

Senior Vice President of Human Resources,
Chief People Officer



2020 Proxy
Statement
& Form 10-K

LANDEC

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON OCTOBER 14, 2020

TO THE STOCKHOLDERS OF LANDEC CORPORATION:

NOTICE IS HEREBY GIVEN that the 2020 Annual Meeting of Stockholders (the "Annual Meeting") of Landec Corporation, a Delaware Corporation (the "Company"), will be held on Wednesday, October 14, 2020, at 12:30 p.m. (Pacific Time). The Annual Meeting can be accessed by visiting www.virtualshareholdermeeting.com/LNDC2020, where you will be able to listen to the meeting live, submit questions, and vote online for the following purposes:

1. To elect the following seven directors of which all but Mr. Schechter shall serve for a term expiring at the Annual Meeting of Stockholders held in the second year following the year of their election (and Mr. Schechter shall serve for a term expiring at the Annual Meeting of Stockholders held in the first year following the year of his election) and until their successors are duly elected and qualified:

Katrina L. Houde	Nelson Obus	Andrew Powell	Catherine A. Sohn
Jeffrey Edwards	Patrick Walsh (1)	Joshua E. Schechter (1)	

(1) In the event that the Bylaws Amendment Proposal (defined below) is not approved by the Company stockholders, any votes to elect Messrs. Walsh and Schechter will be disregarded.

2. To approve the amendment to the Company's Amended and Restated Bylaws to increase the maximum size of the Company's Board of Directors to 12 directors (the "Bylaws Amendment Proposal");

3. To ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending May 30, 2021;

4. To approve a non-binding advisory proposal on the executive compensation of the Company's named executive officers, as described in the Proxy Statement accompanying this notice; and

5. To transact such other business as may properly come before the Annual Meeting or any postponement(s) or adjournment(s) thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice.

Only stockholders of record of our common stock at the close of business on August 17, 2020, are entitled to notice of and to vote at the Annual Meeting and any postponement(s) or adjournment(s) thereof.

All stockholders are cordially invited to attend the meeting via live webcast. However, to assure your representation at the meeting, you are urged to mark, sign, date, and return the enclosed proxy card as promptly as possible in the postage-prepaid envelope enclosed for that purpose or vote your shares by telephone or via the Internet.

BY ORDER OF THE BOARD OF DIRECTORS

/s/ Brian McLaughlin

BRIAN MCLAUGHLIN
Secretary

Santa Maria, California
August 31, 2020

IMPORTANT

WHETHER OR NOT YOU PLAN TO ATTEND THE VIRTUAL ANNUAL MEETING, PLEASE SIGN AND RETURN THE ENCLOSED PROXY CARD AS PROMPTLY AS POSSIBLE IN THE ENCLOSED POSTAGE-PREPAID ENVELOPE OR VOTE YOUR SHARES BY TELEPHONE OR VIA THE INTERNET. IF A QUORUM IS NOT REACHED, THE COMPANY MAY HAVE THE ADDED EXPENSE OF RE-ISSUING THESE PROXY MATERIALS. IF YOU ATTEND THE VIRTUAL ANNUAL MEETING AND SO DESIRE, YOU MAY REVOKE YOUR PROXY AND VOTE VIA THE VIRTUAL MEETING WEBSITE. IF YOU HOLD YOUR SHARES THROUGH AN ACCOUNT WITH A BROKERAGE FIRM, BANK, OR OTHER NOMINEE, PLEASE FOLLOW THE INSTRUCTIONS YOU RECEIVE FROM YOUR ACCOUNT MANAGER TO VOTE YOUR SHARES.

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LANDEC CORPORATION

PROXY STATEMENT FOR 2020 ANNUAL MEETING OF STOCKHOLDERS

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LANDEC

PROXY STATEMENT FOR ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON OCTOBER 14, 2020

INFORMATION CONCERNING SOLICITATION AND VOTING

General

The enclosed proxy is solicited on behalf of the Board of Directors (the "Board of Directors" or the "Board") of Landec Corporation, a Delaware corporation ("Landec," the "Company", "we" or "us"), for use at the 2020 Annual Meeting of Stockholders (the "Annual Meeting") to be held virtually on Wednesday, October 14, 2020, at 12:30 p.m. (Pacific Time), or at any postponement(s) or adjournment(s) thereof, for the purposes set forth herein and in the accompanying Notice of Annual Meeting of Stockholders. The Annual Meeting can be accessed by visiting www.virtualshareholdermeeting.com/LNDC2020, where you will be able to listen to the meeting live, submit questions, and vote online.

The Company's principal executive offices are located at 2811 Airpark Drive, Santa Maria, California 93455. The Company's telephone number at that location is (650) 306-1650.

Solicitation

These proxy solicitation materials are to be mailed on or about September 10, 2020 to all stockholders entitled to vote at the Annual Meeting. The costs of soliciting these proxies will be borne by the Company. These costs will include the expenses of preparing and mailing proxy materials for the Annual Meeting and the reimbursement of brokerage firms and others for their expenses incurred in forwarding solicitation material regarding the Annual Meeting to beneficial owners of the Company's common stock, par value \$0.001 per share (the "Common Stock"). The Company may conduct further solicitation personally, telephonically or by facsimile through its officers, directors and regular employees, none of whom will receive additional compensation for assisting with the solicitation.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on October 14, 2020.

**This Proxy Statement and the Company's Annual Report to Stockholders are available at
<http://landec.com/proxy>**

You may also find a copy of this Proxy Statement and our Annual Report (with exhibits) on the Securities and Exchange Commission's website at <http://www.sec.gov>. **We will, upon written request and without charge, send you additional copies of our Annual Report (without exhibits) and this Proxy Statement. To request additional copies, please send your request by mail to Brian McLaughlin, Chief Financial Officer, Landec Corporation, 2811 Airpark Drive, Santa Maria, CA 93455 (telephone number: (650) 306-1650). Exhibits to the Annual Report may be obtained upon written request to Mr. McLaughlin and payment of the Company's reasonable expenses in furnishing such exhibits.**

GENERAL INFORMATION ABOUT THE ANNUAL MEETING

Purpose of the Annual Meeting

At the Annual Meeting, stockholders will act upon the proposals described in this Proxy Statement.

Record Date; Quorum

Only holders of record of our Common Stock at the close of business on August 17, 2020 will be entitled to vote at the Annual Meeting. At the close of business on August 17, 2020, we had 29,241,889 shares of Common Stock outstanding and entitled to vote.

The holders of a majority of the shares of our Common Stock entitled to vote at the Annual Meeting must be present at the Annual Meeting in order to hold the Annual Meeting and conduct business. This presence is called a quorum. Your shares are counted as present at the Annual Meeting if you are present and vote online at the Annual Meeting or if you have properly submitted a proxy.

Voting Rights; Required Vote

We do not have cumulative voting rights for the election of directors. You may vote all shares owned by you as of August 17, 2020, including (i) shares held directly in your name as the stockholder of record and (ii) shares held for you as the beneficial owner in “street name” through a broker, bank, trustee, or other nominee.

Stockholder of Record: Shares Registered in Your Name. If your shares were registered directly in your name with our transfer agent, Broadridge Corporate Issuer Solutions, Inc., then you are considered the stockholder of record with respect to those shares. As a stockholder of record, you may vote at the Annual Meeting or vote by telephone, by Internet, or by filling out and returning the proxy card.

Beneficial Owner: Shares Registered in the Name of a Broker or Nominee. If your shares were held in an account with a brokerage firm, bank, or other nominee, then you are the beneficial owner of the shares held in street name. As a beneficial owner, you have the right to direct your nominee on how to vote the shares held in your account, and your nominee has enclosed or provided voting instructions for you to use in directing it on how to vote your shares. However, the organization that holds your shares is considered the stockholder of record for purposes of voting at the Annual Meeting. Because you are not the stockholder of record, you may not vote your shares at the Annual Meeting unless you request and obtain a valid proxy from the organization that holds your shares giving you the right to vote the shares at the Annual Meeting.

If a broker indicates on the enclosed proxy or its substitute that it has not received voting instructions with respect to shares held in street name with such broker and either (i) does not have discretionary authority as to certain shares to vote on a particular matter or (ii) has discretionary voting authority but nevertheless refrained from voting on the matter (“broker non-votes”), those shares will be counted for purposes of determining the presence of a quorum, but will not be considered as voting with respect to that matter.

Proposal No. 1 - Election of Directors: Each director is elected by a majority of the votes cast with respect to such director. Any votes “withheld” for a particular director are effectively votes against that director. In addition, in the event that the Bylaws Amendment Proposal (Proposal No. 2) is not approved, stockholders who vote to nominate all of the proposed nominees will be deemed to vote for each of the nominees other than Messrs. Walsh and Schechter and all votes for Messrs. Walsh and Schechter will be disregarded. Shares present and not voted, whether by broker non-vote, abstention or otherwise, will have no effect on this vote.

Proposal No. 2 - Amendment to the Company’s Amended and Restated Bylaws to Increase the Maximum Size of the Company’s Board of Directors to 12 Directors: Pursuant to the terms of the Company’s Amended and Restated Bylaws, this proposal must be approved by the affirmative vote of at least a majority of the voting power of all of the then-outstanding shares of the voting stock of the Company entitled to vote. Accordingly, any shares not voted, whether by broker non-vote, abstention or otherwise, will have the same effect as a vote against this proposal.

Proposal No. 3 - Ratification of Appointment of Independent Registered Public Accounting Firm: This proposal must be approved by a majority of the shares present and voted on the proposal. Abstentions will have the same effect as a vote against this proposal. Broker non-votes are unlikely to result from, and would not have any effect on, the outcome of the vote on this proposal.

Proposal No. 4 - Advisory (Non-binding) Vote on Executive Compensation: This advisory proposal will be approved if a majority of the shares present and voted on the proposal are voted in favor of the resolution. Shares present and not voted, whether by broker non-vote, abstention or otherwise, will have no effect on this advisory vote.

Any proxy which is returned using the form of proxy enclosed and which is not marked as to a particular item will be voted **FOR** the election of all of the director nominees proposed by the Board of Directors; **FOR** the amendment to the Company's Amended and Restated Bylaws to increase the maximum size of the Company's Board of Directors to 12 directors; **FOR** the ratification of the appointment of Ernst & Young LLP to serve as the Company's independent registered public accounting firm for the fiscal year ending May 30, 2021; **FOR** the advisory vote on executive compensation; and as the proxy holders deem advisable on other matters that may come before the meeting or any adjournment(s) thereof, as the case may be, with respect to the item not marked. Broker non-votes will not be considered as voting with respect to any of these matters.

Voting Instructions; Voting of Proxies

If you are a stockholder of record, you may:

- vote via the virtual meeting website - any stockholder can attend the Annual Meeting by visiting www.virtualshareholdermeeting.com/LNDC2020, where stockholders may vote and submit questions during the meeting. The Annual Meeting starts at 12:30 p.m. (Pacific Time) on Wednesday, October 14, 2020. Please have your 16-Digit Control Number to join the Annual Meeting. Instructions on how to attend and participate via the Internet, including how to demonstrate proof of stock ownership, are posted at www.proxyvote.com;
- vote via telephone or Internet - in order to do so, please follow the instructions shown on your proxy card; or
- vote by mail - complete, sign, and date the proxy card enclosed herewith and return it before the Annual Meeting in the envelope provided.

Votes submitted by telephone or Internet must be received by 11:59 pm Eastern Time on October 13, 2020. Submitting your proxy, whether via the Internet, by telephone, or by mail, will not affect your right to vote should you decide to attend the virtual Annual Meeting. If you are not the stockholder of record, please refer to the voting instructions provided by your nominee to direct your nominee on how to vote your shares. You may either vote "FOR" all of the nominees to the board of directors, or you may withhold your vote from all nominees or any nominee you specify. For Proposals 2, 3 and 4, you may vote "FOR" or "AGAINST" or "ABSTAIN" from voting. Your vote is important. Whether or not you plan to attend the Annual Meeting, we urge you to vote by proxy to ensure that your vote is counted.

All proxies will be voted in accordance with the instructions specified on the proxy card. If you sign a physical proxy card and return it without instructions as to how your shares should be voted on a particular proposal at the Annual Meeting, your shares will be voted in accordance with the recommendations of our Board of Directors stated above.

If you receive more than one proxy card, this is because your shares are registered in more than one name or are registered in different accounts. To make certain all of your shares are voted, please follow the instructions included on each proxy card and vote each proxy card by telephone or the Internet. If voting by mail, please complete, sign, and return each proxy card to ensure that all of your shares are voted.

Revocability of Proxies

A stockholder who has given a proxy may revoke it at any time before it is exercised at the Annual Meeting by:

- delivering to our Corporate Secretary (by any means) a written notice stating that the proxy is revoked;
- signing and delivering a proxy bearing a later date;
- voting again by telephone or Internet; or
- attending and voting at the Annual Meeting (although attendance at the Annual Meeting will not, by itself, revoke a proxy).

Please note, however, that if your shares are held of record by a broker, bank, or other nominee and you wish to revoke a proxy, you must contact that firm to revoke any prior voting instructions.

Voting Results

Voting results will be tabulated and certified by the inspector of elections appointed for the Annual Meeting. The preliminary voting results will be announced at the Annual Meeting. The final results will be tallied by the inspector of elections and filed with the Securities and Exchange Commission (the “SEC”) in a current report on Form 8-K within four business days of the Annual Meeting.

Deadline for Receipt of Stockholder Proposals for the Company’s Annual Meeting of Stockholders in 2021

If any stockholder desires to present a stockholder proposal at the Company’s 2021 Annual Meeting of Stockholders (the “2021 Annual Meeting”), such proposal must be received by the Secretary of the Company no later than May 12, 2021, in order that they may be considered for inclusion in the proxy statement and form of proxy relating to that meeting (provided, however, if the date of the 2021 Annual Meeting is more than 30 days from the anniversary date of the 2020 Annual Meeting, the deadline for inclusion of proposals in our proxy statement shall instead be not later than the close of business on the later of (i) one hundred twenty (120) calendar days in advance of such annual meeting and (ii) ten (10) calendar days following the date on which public announcement of the date of the meeting is first made). Such proposals will also need to comply with SEC regulations under Rule 14a-8 of the Exchange Act of 1934, as amended, regarding the inclusion of stockholder proposals in company-sponsored proxy materials. Each such notice must be made by a stockholder of record and must also contain the information specified in our bylaws for director nominations and other stockholder proposals.

Householding of Proxy Materials

Some companies, brokers, banks, and other nominee record holders participate in a practice commonly known as “householding,” where a single copy of our Proxy Statement and Annual Report is sent to one address for the benefit of two or more stockholders sharing that address. Householding is permitted under rules adopted by the SEC as a means of satisfying the delivery requirements for proxy statements and annual reports, potentially resulting in extra convenience for stockholders and cost savings for companies. We will promptly deliver a separate copy of either document to you if you contact our Chief Financial Officer at the address listed above or call us at (650) 306-1650. If you are receiving multiple copies of our Proxy Statement and Annual Report at your household and wish to receive only one, please notify your bank, broker, or other nominee record holder, or contact our Chief Financial Officer at the address listed above.

PROPOSAL NO. 1

ELECTION OF DIRECTORS

Nominees

The Company's Bylaws currently provide for no fewer than six (6) and no more than ten (10) directors. The Company's Certificate of Incorporation provides for the classification of the Board of Directors into two classes serving staggered terms. Each Class 1 and Class 2 director is elected for a two-year term, with the Class 1 directors elected in even numbered calendar years (*e.g.*, 2020) and the Class 2 directors elected in odd numbered calendar years (*e.g.*, 2021). The Board of Directors has currently fixed the number of directors at ten (10) directors.

Fredrick Frank, a Class 1 director, has decided to retire from the Board of Directors after 21 years of service, and has elected not to stand for re-election to the Board of Directors at the Annual Meeting. In addition, pursuant to the Bylaws Amendment Proposal (Proposal No. 2), the Board of Directors is recommending that the Company's stockholders increase the maximum size of the Board from ten (10) to twelve (12) directors. If the Bylaws Amendment Proposal is approved by the Company's stockholders, pursuant to the terms of the Company's Certificate of Incorporation, the Board of Directors would consist of six (6) Class 1 directors and six (6) Class 2 directors, of which six (6) Class 1 directors and one (1) Class 2 director are currently standing for nomination. If the Bylaws Amendment Proposal is not approved by the Company's stockholders, the Board will continue to consist of five (5) Class 1 directors and five (5) Class 2 directors, and five (5) Class 1 directors would be standing for nomination.

Based on the recommendation of our Nominating and Corporate Governance Committee, our Board of Directors has nominated a total of seven (7) directors listed below, of which:

- (i) Katrina L. Houde, Nelson Obus, Andrew Powell, and Catherine A. Sohn have been re-nominated to serve as Class 1 directors,
- (ii) Jeffrey Edwards has been nominated to serve as a Class 1 director to replace Mr. Frank, and
- (iii) if the Bylaws Amendment Proposal is approved, Patrick Walsh has been nominated to serve as an additional Class 1 director and Joshua E. Schechter has been nominated to serve as a Class 2 director,

in each case, to serve until the expiration of their respective terms and until their successors are duly elected and qualified, and in the case of Mr. Schechter, subject to the terms of that certain Cooperation and Support Agreement, dated August, 21, 2020 ("Cooperation Agreement"), entered into between the Company, Legion Partners Asset Management, LLC ("Legion Partners") and certain related investors party thereto (see "Corporate Governance—Cooperation Agreement with Legion Partners" for more information). In the event that the Bylaws Amendment Proposal is not approved, stockholders who vote to nominate all of the proposed nominees will be deemed to vote for each of the nominees other than Messrs. Walsh and Schechter and the votes for Messrs. Walsh and Schechter will be disregarded.

The persons nominated to serve as Class 1 directors, if elected, shall serve until the Company's 2022 Annual Meeting of Stockholders (the "2022 Annual Meeting") and until their successors are duly elected and qualified. Mr. Schechter, if elected, shall serve until the 2021 Annual Meeting and until his successor is duly elected and qualified (subject to the terms of the Cooperation Agreement). In the event that any nominee of the Company is unable or declines to serve as a director at the time of the Annual Meeting, the proxies to be voted in favor of such nominee will instead be voted for any nominee designated by the present Board of Directors to fill such vacancy. In the event that additional persons are nominated for election as directors, the proxy holders intend to vote all proxies received by them in such a manner as will assure the election of as many of the nominees listed below as possible, and, in such event, the specific nominees to be voted for will be determined by the proxy holders. As of the date of this Proxy Statement, the Board of Directors is not aware of any nominee who is unable or will decline to serve as a director. In addition, the Board of Directors has determined that each of the director nominees is "independent" for purposes of the NASDAQ Stock Market, LLC ("NASDAQ") rules.

Class 1 Directors

<u>Name of Director</u>	<u>Age</u>	<u>Principal Occupation</u>	<u>Director Since</u>
Katrina L. Houde	62	Director	2019
Nelson Obus.....	73	Director	2018
Andrew Powell	62	Director, Chairman of the Board	2018
Catherine A. Sohn, Pharm.D.....	67	Director	2012
Jeffrey Edwards	60	Director	-
Patrick Walsh (1)	59	Director	-

(1) In the event that the Bylaws Amendment Proposal is not approved by the Company stockholders, any votes to elect Mr. Walsh will be disregarded.

Except as set forth below, each of the Class 1 directors has been engaged in the principal occupation set forth next to his or her name above during the past five years. There is no family relationship between any director and any executive officer of the Company.

Katrina L. Houde has served as a member of the Board of Directors since August 5, 2019. Ms. Houde is currently serving as an independent advisor to select food companies. Ms. Houde has served on the Board of Directors at SunOpta, Inc. (NASDAQ:STKL) since January 2000, where she also served as Chair of the Compensation Committee and as a member of the Audit Committee until November 2016. Ms. Houde served as Interim CEO for SunOpta, Inc. on two occasions, from October 2016 until March 2017 and again from January to February of 2019, and was instrumental in leading a major operational turnaround. Before and between her roles as Interim CEO of SunOpta, Inc., Ms. Houde had various consulting engagements in the food industry. Prior to becoming a food industry consultant, Ms. Houde was President of Cuddy Food Products, a division of Cuddy International Corp., from January 1999 to March 2000 and was Chief Operating Officer of Cuddy International Corp. from January 1996 to January 1999. She is a member of the board of directors of a number of private and charitable organizations. Ms. Houde holds an Honours Bachelor of Commerce degree from the University of Windsor.

Ms. Houde's extensive experience in the food industry assists the Board of Directors and management in developing the strategic direction of the Company's wholly - owned natural food subsidiary, Curation Foods, Inc. ("Curation Foods").

Nelson Obus has served as a member of the Board of Directors since October 2018. Mr. Obus is Managing Member of Wynnefield Capital Management, LLC and a General Partner at Wynnefield Capital, Inc. and his prior associations include positions with Schaffer Capital Management and Lazard Freres. Mr. Obus presently serves on the Board of Directors of Williams Industrial Services Group, Inc. (OTCMKTS:WLMS) (formerly Global Power Equipment Group Inc.), where he also serves as a member of the Compensation and Nominating and Corporate Governance Committees. Mr. Obus is also a director of MK Acquisition LLC and previously served on the Board of Directors of Layne Christensen Company, Breeze-Eastern Corporation and Underground Solutions Inc. Mr. Obus holds a Bachelor of Arts degree from New York University and a Master of Arts in political science from Brandeis University.

Mr. Obus' extensive financial experience with technology and small- to middle-market companies provides the Board of Directors with valuable insights of an experienced investment manager.

Andrew Powell has served as a member of the Board of Directors since October 2018. Mr. Powell is currently an independent advisor to small and mid-size companies and research institutions in the life sciences sector. He serves on the Board of Directors of Aclaris Therapeutics, Inc. (NASDAQ:ACRS), a dermatologist-led biopharmaceutical company, since 2017, where he is a member of the Audit and the Nominating and Governance Committees. He has served on the Board of Directors of Synthorx, Inc., a biotechnology company, from December 2018 until January 2020, when that company was acquired by Sanofi-Aventis. He served as Senior Vice President, General Counsel, and Corporate Secretary of Medivation, Inc. from May 2015 until November 2016, when the company was acquired by Pfizer, Inc. Mr. Powell served as Executive Vice President, General Counsel, and Corporate Secretary of InterMune, Inc. from September 2013 to March 2015, when the company was acquired by Roche, Inc. From 2005 to 2013, he served as an executive in various development stage and commercially focused biotechnology companies, including ImClone Systems, Inc., prior to its acquisition by Lilly, Inc. Earlier in his career, Mr. Powell held positions of increasing responsibility for nearly 15 years at the multi-national healthcare and medical solutions company Baxter International, Inc., where he was instrumental in a series of transactions that established Baxter throughout Eastern Europe, Asia and Latin America. Mr. Powell holds a Bachelor of Arts degree from the University of North Carolina at Chapel Hill and a Juris Doctorate from Stanford Law School.

Mr. Powell has unique expertise in the areas of commercialization strategy, expansion (both domestic and international), governance, compliance, licensing and mergers and acquisitions. He provides the Board of Directors with essential skills to define and implement the Company's growth strategies, and his experience in the life sciences industry will be a direct benefit to Landec's wholly-owned biomedical subsidiary, Lifecore Biomedical, Inc. ("Lifecore").

Catherine A. Sohn, Pharm.D. has served as a member of the Board of Directors since November 2012. Dr. Sohn is an experienced public company director, former global biopharmaceutical executive, Adjunct Professor and a Certified Licensing Professional. In addition to serving on our Board of Directors, Dr. Sohn is an independent director on the Boards of Directors of three NASDAQ listed life science companies: Jazz Pharmaceuticals plc (NASDAQ:JAZZ) and Axcella Health (NASDAQ:AXLA), where she serves as a member of the Compensation and Nominating and Corporate Governance Committees for each, and Rubius Therapeutics (NASDAQ:RUBY), where she serves as a member of the Audit and Compensation Committees. From January 2014 to May 2017, Dr. Sohn served as an independent director on the board of directors of Neuralstem, Inc. (now Seneca Biopharma, Inc. (NASDAQ:SNCA)), where she served as the Chair of the Governance and Nominating Committee and as a member of the Compensation Committee. From 1998 to 2010, Dr. Sohn served as Senior Vice President for Worldwide Business Development and Strategic Alliances for GlaxoSmithKline's \$6 billion Consumer Healthcare division where she served on the Global Executive Committee and led numerous U.S., global, European and Japanese M&A and licensing transactions and integrations. From 1994 to 1998, she served as Vice President, Worldwide Strategic Product Development at SmithKline Beecham for the Cardiovascular, Pulmonary, and Metabolic Therapeutic Areas with responsibility for product strategy, valuation, and strategic commercial leadership. From 1982 to 1986, Dr. Sohn served in the anti-infective medical affairs department and from 1986 to 1993 as Director in US Marketing at SmithKline & French. Dr. Sohn received a Doctor of Pharmacy from the University of California San Francisco ("UCSF"), received a Certificate of Professional Development from The Wharton School at the University of Pennsylvania, and is a Board Leadership Fellow of the National Association of Corporate Directors. Dr. Sohn currently serves as Chairman of the Board of Directors of BioEclipse Therapeutics, Inc. an emerging private clinical stage biotechnology company, and as an Adjunct Professor at UCSF.

Dr. Sohn's extensive global leadership and operational experience in health-related sectors, including in public and private company governance, committee leadership, and transaction experience, provides the Board of Directors with significant expertise in executive leadership across pharmaceuticals and consumer products, licensing/partnering, M&A, strategy and new product development and commercial launch, which have direct benefits to both Lifecore and the Company.

Jeffrey L. Edwards is a nominee to the Board of Directors. Mr. Edwards is a member of the Board of Directors of FibroGen, Inc. (NASDAQ:FGEN), a publicly traded biopharmaceutical company, and currently serves as a chairman of its Audit Committee. Mr. Edwards serves on the Board of Directors of Bio-Rad Laboratories, Inc. (NYSE:BIO), a publicly traded life sciences research and clinical diagnostic products company, and is a member of its Audit Committee and Compliance Committee and Chairman of its Compensation Committee. Mr. Edwards also serves on the Board of Directors, Audit Committee and Compensation Committee of Clearside Biomedical Inc. (NASDAQ:CLSD), a publicly traded, clinical stage pharmaceutical company. In 2015 Mr. Edwards retired from Allergan Inc., which he joined in 1993 and where he served as Executive Vice President, Finance and Business Development, and Chief Financial Officer from September 2005 to August 2014. From 2003 to 2005, Mr. Edwards served as Allergan's Corporate Vice President, Corporate Development, and previously served as Senior Vice President, Treasury, Tax, and Investor Relations. Prior to joining Allergan, Mr. Edwards was with Banque Paribas and Security Pacific National Bank, where he held various senior-level positions in the credit and business development functions. Additionally, Mr. Edwards serves on the Board of Directors of BioTheryX, Inc., a privately owned, clinical-stage biotechnology company. Mr. Edwards received a Bachelor of Arts. in Sociology from Muhlenberg College and completed the Advanced Management Program at the Harvard Business School.

If Mr. Edwards is elected, we believe that his extensive experience in leadership positions and expertise in the biopharmaceutical and life sciences industries, including his deep financial, capital allocation, and business development experience, would provide the Board of Directors with valuable insights and perspectives with respect to its Lifecore business and the Company's operations overall.

Patrick D. Walsh is a nominee to the Board of Directors. He is founder of Diligence Team, LLC, a consulting practice serving clients in the healthcare industry. Mr. Walsh has served as Chairman of the Board of Directors of ANI Pharmaceuticals, Inc. (NASDAQ:ANIP), a publicly traded specialty pharmaceutical company, since June 2018, and is a former member of its Audit and Compensation Committees. He has also served as a Director for Avid Bioservices, Inc. (NASDAQ:CDMO) since October 2017, and is Chairman of its Compensation Committee and a member of its Nominating Committee. Mr. Walsh currently serves as an Operating Partner at Ampersand Capital, a private-equity healthcare investment firm, and has served on the boards of directors of pharmaceutical companies as chairman, non-executive chairman and company director, as well as an executive advisor to private equity and venture capital firms. He also currently serves on the Board of Directors of Industria Chimica Emiliana, S.p.A. (“I.C.E.”), a privately - held specialty API supplier to the pharmaceutical industry based in Milan, Italy.

If Mr. Walsh is elected, we believe that his extensive experience in leadership positions and expertise in the biopharmaceutical and life sciences industries, including his deep operational, manufacturing, commercial, capital allocation, growth and business development experience, would provide the Board of Directors with valuable insights and perspectives with respect to the Company’s Lifecore business and the Company’s operations overall.

Fredrick Frank will retire as a Class 1 director at the time of the Annual Meeting and will not stand for reelection at the Annual Meeting.

Class 2 Directors

Nominee for Class 2 Director

<u>Name of Director</u>	<u>Age</u>	<u>Position</u>	<u>Director Since</u>
Joshua E. Schechter (1).....	47	Director	-

(1) In the event that the Bylaws Amendment Proposal is not approved by the Company stockholders, any votes to elect Mr. Schechter will be disregarded.

Set forth below is the description of the background of Mr. Schechter, the Class 2 nominee, and his principal occupations for at least the past five years and his public-company directorships as of the record date as well as those held during the past five years. There are no family relationships between Mr. Schechter and any director or executive officer.

Joshua E. Schechter is a nominee to the Board of Directors. He is a private investor and public company director. Mr. Schechter has served as a member of the Board of Directors of Bed Bath & Beyond (NASDAQ:BBBY) since May 2019 and is Chairman of its Audit Committee. He has also served as a director of Viad Corp (NYSE:VVI), an S&P SmallCap 600 international experiential services company, since April 2015, and as Chairman of the Board of Directors of Support.com, Inc. (NASDAQ:SPRT), a leading provider of cloud-based software and services, since June 2016. From April 2018 to January 2020 he served as Chairman of the Board of Directors of SunWorks, Inc. (NASDAQ:SUNW), a premier provider of high-performance solar power solutions. From 2001 to June 2013, Mr. Schechter served as Managing Director of Steel Partners Ltd., a privately - owned hedge fund sponsor, and from 2008 to June 2013, served as Co-President of Steel Partners Japan Asset Management, LP, a private company offering investment services. Mr. Schechter earned an Masters of Public Administration in Professional Accounting and a Bachelor of Business Administration from The University of Texas at Austin.

If Mr. Schechter is elected, we believe that his experience in corporate governance matters, capital markets, acquisitions, and other transactions in a variety of industries, together with his managerial and public company board experience, would provide valuable insight to the Board of Directors.

Existing Class 2 Directors

<u>Name of Director</u>	<u>Age</u>	<u>Principal Occupation</u>	<u>Director Since</u>
Albert D. Bolles, Ph.D.	62	President and CEO of the Company, Director	2014
Deborah Carosella.....	63	Director	2017
Tonia Pankopf.....	52	Director	2012
Craig A. Barbarosh	53	Director	2019
Charles Macaluso.....	76	Director	2019

Except as set forth below, each of the Class 2 directors has been engaged in the principal occupation set forth next to his or her name above during the past five years. There is no family relationship between any director and executive officer of the Company.

Albert D. Bolles, Ph.D. is President and Chief Executive Officer (“CEO”) of the Company and has served as a member of the Board of Directors since May 2014. Dr. Bolles also currently serves on the Board of Directors of SunOpta, Inc (NASDAQ:STKL), where he is a member of its Corporate Governance Committee, and serves as a director of Arcadia Biosciences, Inc. (NASDAQ:RKDA), where he is a member of its Nominating and Corporate Governance Committee. Prior to becoming the Company’s President and CEO on May 23, 2019, Dr. Bolles was Chairman of the Company's ad hoc Food Innovation Committee and a member of the Company's Compensation and Nominating and Corporate Governance Committees. From April 2014 until August 2015, Dr. Bolles served as Executive Vice President, Chief Technology & Operations Officer of ConAgra Foods, Inc. (now Conagra Brands, Inc. (NYSE:CAG)) (“ConAgra”), a leading consumer products food company with net sales exceeding \$16 billion. Prior to this role, Dr. Bolles was Executive Vice President, Research, Quality and Innovation for ConAgra, championing the development and execution of multiple new and improved products, realizing incremental growth for ConAgra and facilitating a multi-year pipeline to sustain and advance growth further. Prior to joining ConAgra in 2006, Dr. Bolles served as Vice President, Worldwide R&D for the Beverages and Foods division of PepsiCo, Inc. (NASDAQ:PEP), responsible for global R&D leadership for beverages (Pepsi, Gatorade, and Tropicana) and Quaker Foods including product, process, package and sensory R&D, Nutrition, Quality, and Scientific & Regulatory Affairs. His prior employment was with Gerber Foods for over 8 years with his last role being its R&D Director, overseeing infant and toddler global research and development. Dr. Bolles has a Ph.D. and Masters of Science in Food Science, and a Bachelor of Science in Microbiology, all from Michigan State University.

Dr. Bolles’ service as a preeminent leader in food science and his extensive knowledge of the Company and its operations provides the Board of Directors with valuable areas of expertise in new product development, innovation, quality, and supply chain in the packaged consumer food business.

Deborah Carosella has served as a member of the Board of Directors since March 2017. Ms. Carosella has over 30 years of experience in the consumer products goods industry, with both large corporations and smaller, entrepreneurial, high-growth companies. Ms. Carosella has extensive experience in the natural and organic foods industry, and particular expertise in general operating management, customer and consumer strategy, strategic marketing, brand development and new product development and innovation. Most recently she served as a strategic consultant for various natural and organic food companies and as an advisor to select private equity firms. Previously, Ms. Carosella was CEO of Madhava Natural Sweeteners (“Madhava”), a Boulder, Colorado-based natural and organic sweetener company until December 2016. Prior to her tenure at Madhava, Ms. Carosella was Senior Vice President of Innovation and a member of the Executive Leadership Team at Whitewave/Dean Foods. She joined Whitewave/Dean Foods from ConAgra Foods, Inc. (now Conagra Brands, Inc. (NYSE:CAG)) where she held various roles, including Vice President, General Manager, Vice President, Strategic Marketing and Innovation, and Executive Vice President, New Platforms while serving on the Executive Leadership Team with segment specific and enterprise-wide responsibilities. Ms. Carosella began her career in the branding, positioning, innovation and advertising agency business, serving as president of her own agency after working for several years with large, multi-national agencies. Ms. Carosella holds a Bachelor of Journalism from the University of Missouri.

Ms. Carosella’s experience in consumer products and in the areas of general operating management, customer and consumer strategy, strategic marketing, brand development and new product development and innovation provides the Board of Directors and management with expertise that will be invaluable as the Company develops growth strategies for Curation Foods.

Tonia Pankopf has served as a member of the Board of Directors since November 2012. Ms. Pankopf currently serves on the Board of Directors of 180 Degree Capital Corp (NASDAQ:TURN) and previously served on the Board of Directors of Oxford Square Capital Corporation (NASDAQ:OXSQ) (formerly TICC Capital Corporation), for which she served as Chair of the Compensation Committee and as a member of each of the Audit Committee, Nominating and Corporate Governance Committee, and Valuation Committee. Ms. Pankopf has been managing partner of Pareto Advisors, LLC since 2005. She brings 25 years of investment experience in researching and valuing equity and debt securities and managing capital market transactions for domestic and international public and private companies. She has held Vice President and Senior Equity Analyst positions at Goldman, Sachs & Co., Merrill Lynch & Co. and was an investment banker at Deutsche Morgan Grenfell. Further, Ms. Pankopf’s has been an analyst and portfolio manager with P.A.W. Capital Partners and a senior equity analyst and managing director with Palladio Capital Management. Ms. Pankopf has also served on the Board of the University System of Maryland Foundation, and is a Governance Fellow and member of the National Association of Corporate Directors. Ms. Pankopf received a Bachelor of Arts summa cum laude from the University of Maryland and a Master of Science degree from the London School of Economics.

Ms. Pankopf's extensive financial experience with middle-market companies provides the Board of Directors with valuable insights of an experienced investment manager and strategic financial advisor as well as knowledge of corporate governance issues.

Craig Barbarosh, has served as a member of the Board of Directors since October 2019. Mr. Barbarosh is also a director of Nextgen Healthcare, Inc. (NASDAQ:NXGN) since 2009, where he is currently the Vice Chairman of the Board of Directors, Chairman of the Compensation Committee and a member of the Nominating and Governance Committee. He is also a director of Sabra Health Care REIT, Inc. (NASDAQ:SBRA), where he is the Chair of the Audit Committee and a member of the Compensation Committee. Mr. Barbarosh previously served on the Board of Directors of Aratana Therapeutics, Inc., where he was a member of the Compensation Committee and Chair of the Strategic Review Committee, BioPharmX, Inc. (now Timber Pharmaceuticals, Inc. (NYSE:TMBR)), where he was the Chair of the Nominating and Governance Committee and a member of the Audit and Compensation Committees, and Bazaarvoice, Inc. (NASDAQ:BV), where he was a member of the Compensation Committee. Mr. Barbarosh also served as the independent board observer for Payless Holdings, LLC and is the independent director for Hytera America, Inc. Mr. Barbarosh has been a partner at the international law firm of Katten Muchin Rosenman LLP ("Katten") since June 2012 and was previously a partner of the international law firm of Pillsbury Winthrop Shaw Pittman LLP ("Pillsbury"). Mr. Barbarosh is a nationally recognized restructuring expert who, during the nearly three decades of his legal career, has represented lenders, indenture trustees and bondholders and other investors and their agents in some of the largest corporate restructuring cases in the country. He served in several leadership positions while a partner at Pillsbury, including serving on the firm's Managing Board, as the Chair of the firm's Board's Strategy Committee, as a co-leader of the firm's national Insolvency & Restructuring practice and as the Managing Partner of the firm's Orange County office. At Katten, Mr. Barbarosh completed a seven-year term on the firm's Board of Directors including a four-year term on the firm's twelve-person Executive Committee, which oversees the business operations of the firm. Over the past 13 years, Mr. Barbarosh has received certificates from Harvard Business School for completing executive education courses on Private Equity and Venture Capital, Financial Analysis for Business Evaluation and Effective Corporate Boards, from the University of Pennsylvania Wharton School program on Corporate Valuation, and from the Carnegie Mellon University program in Cybersecurity Oversight. Mr. Barbarosh is also a frequent speaker and author on restructuring and governance issues and has published several articles addressing business, governance, and legal topics. Mr. Barbarosh received a Juris Doctorate from the University of the Pacific, McGeorge School of Law in 1992, with distinction, and a Bachelor of Arts in Business Economics from the University of California at Santa Barbara in 1989.

Mr. Barbarosh's extensive background serving in various leadership roles and experience as a practicing attorney specializing in the area of financial and operational restructuring and related transactions provides our Board of Directors and management team valuable guidance on transactions, securities offerings, compliance, governance, executive compensation, shareholder relationships, leadership coaching and development.

Charles Macaluso has served as a member of the Board of Directors since October 2019. He is a principal of Dorchester Capital Advisors, LLC, a management consulting and corporate advisory service firm focusing on operational assessment, strategic planning and workouts. Mr. Macaluso currently serves on the Board of Directors of Darling Ingredients Inc. (NYSE:DAR), a global developer and producer of sustainable natural ingredients from edible and inedible bio-nutrients, where he serves as independent lead director of the board and as Chairman of the Nominating and Corporate Governance Committee. He also serves on the Board of Directors of Pilgrim's Pride Corporation, a company primarily engaged in the production, processing, marketing and distribution of fresh, frozen and value-added chicken products to retailers, distributors and foodservice operators, where he also serves on the Audit Committee. Additionally, Mr. Macaluso serves on the Board of Directors of Williams Industrial Services Group Inc. (OTCMKTS:WLMS) (formerly Global Power Equipment Group, Inc.), a company engaged in a broad range of construction, maintenance and support services to customers in energy, power and industrial end markets, where he also serves as Chairman of the Board and as member of its Audit, Compensation and Nominating and Corporate Governance Committees. Previously, Mr. Macaluso also served on the Boards of Directors of GEO Specialty Chemicals, The Elder-Beerman Stores Corp. and Global Crossing Limited. He is also a member of the National Association of Corporate Directors.

Mr. Macaluso's extensive executive and financial expertise, ample public company experience and distinguished career focused on operational assessment, strategic planning, crisis management and turnaround advisory services are an asset to the Board of Directors.

Board Recommendation

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" THE ELECTION OF EACH OF THE SEVEN NAMED DIRECTOR NOMINEES.

PROPOSAL NO. 2

AMENDMENT TO BYLAWS TO INCREASE THE MAXIMUM SIZE OF THE COMPANY'S BOARD OF DIRECTORS TO 12 DIRECTORS

The Company's Amended and Restated Bylaws (as amended, the "Bylaws") currently provides that the Board of Directors of the Company shall consist of a minimum of six (6) and a maximum of ten (10) directors. Pursuant to the terms of the Bylaws, any amendment to the Bylaws changing the authorized number of directors (except to fix the authorized number of directors within the range) may only be adopted by the affirmative vote of at least a majority of the voting power of all of the then-outstanding shares of the voting stock of the Company entitled to vote.

The Board of Directors hereby requests that the Company's stockholders increase the maximum number of authorized directors from ten (10) directors to twelve (12) directors. Specifically, the Board of Directors hereby requests that the Company's stockholders approve the following amendment to the Bylaws (the "Bylaws Amendment Proposal"):

"The first sentence of Section 3.2 of the By-Laws of Landec Corporation shall be amended and restated to read in its entirety as follows:

"The authorized number of directors shall be no fewer than six (6) and no more than twelve (12)."

The Bylaws Amendment Proposal will not affect the Board of Director's ability to fix the number of directors within the authorized range, nor will it affect the requirement that the Company obtain an affirmative vote of at least a majority of the voting power of all of the then-outstanding shares of the voting stock of the Company entitled to vote to change the authorized number of directors (except to fix the authorized number of directors within the range).

The Board of Directors believes that increasing the maximum size of the Board of Directors to 12 directors is in the best interests of the Company and its stockholders. The Board of Directors believes that the Bylaws Amendment Proposal will allow for more diverse perspectives on the Board of Directors and will enhance its overall collective effectiveness. This increase will allow all 12 individuals nominated by the Board of Directors to serve as directors on the Board of Directors.

As noted in Proposal No. 1., if the Bylaws Amendment Proposal is approved, the Board of Directors has nominated Patrick Walsh to serve as an additional Class 1 director and Joshua E. Schechter to serve as an additional Class 2 director, in each case, to serve until the expiration of their respective terms and until their successors are duly elected and qualified.

Board Recommendation

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" THE AMENDMENT TO THE BYLAWS TO INCREASE THE MAXIMUM SIZE OF THE COMPANY'S BOARD OF DIRECTORS TO 12 DIRECTORS.

PROPOSAL NO. 3

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of the Board of Directors (the “Audit Committee”) has appointed the firm of Ernst & Young LLP as the Company’s independent registered public accounting firm to audit the financial statements of the Company for the fiscal year ending May 30, 2021, and recommends that the stockholders vote for ratification of this appointment. In the event the stockholders do not ratify such appointment, the Audit Committee may reconsider its selection. Ernst & Young LLP has audited the Company’s financial statements since the fiscal year ending May 25, 2008. Representatives of Ernst & Young LLP are expected to be present at the Annual Meeting with the opportunity to make a statement if they desire to do so, and are expected to be available to respond to appropriate questions.

Fees Paid to Independent Registered Public Accounting Firm

The following table presents the aggregate fees billed to the Company for professional services rendered by Ernst & Young LLP for the fiscal years ended May 31, 2020 and May 26, 2019.

Fee Category	Fiscal Year 2020	Fiscal Year 2019
Audit Fees.....	\$ 2,586,000	\$ 1,973,000
Audit-Related Fees.....	—	—
Tax Fees.....	—	—
All Other Fees.....	—	—
Total.....	<u>\$ 2,586,000</u>	<u>\$ 1,973,000</u>

Audit Fees were for professional services rendered for the integrated audit of the Company’s annual financial statements and internal controls over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act of 2002, for the review of the Company’s interim financial statements included in the Company’s Quarterly Reports on Form 10-Q, and for assistance with and review of documents filed by the Company with the SEC and investigations relating to potential environmental and Foreign Corrupt Practices Act compliance matters associated with regulatory permitting at the Company’s guacamole manufacturing plant in Mexico.

Audit Committee Pre-Approval Policies

The Audit Committee pre-approves all audit and permissible non-audit services provided by the Company’s independent registered public accounting firm. These services may include audit services, audit-related services, tax services and other services. Any pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget. The Company’s independent registered public accounting firm and management are required to periodically report to the Audit Committee regarding the extent of services provided by the independent registered public accounting firm in accordance with such pre-approval, and the fees for the services performed to date. The Audit Committee, or its designee, may also pre-approve particular services on a case-by-case basis.

Required Vote

The ratification of the appointment of Ernst & Young LLP as the Company’s independent registered public accounting firm requires the affirmative vote of the holders of a majority of the shares of the Company’s Common Stock present at the Annual Meeting or by proxy and voted on this proposal.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE “FOR” THE RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP AS THE COMPANY’S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING MAY 30, 2021.

PROPOSAL NO. 4

NON-BINDING ADVISORY VOTE ON EXECUTIVE COMPENSATION

The Compensation Discussion and Analysis within Executive Compensation and Related Information of this Proxy Statement describes the Company's executive compensation program and the compensation decisions that the Board of Directors and the Compensation Committee of the Board of Directors (the "Compensation Committee") made in fiscal year 2020 with respect to the compensation of our named executive officers. The Board of Directors is asking stockholders to cast a non-binding, advisory vote **FOR** the following resolution:

"RESOLVED, that the fiscal 2020 compensation paid to Landec Corporation's named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion set forth in Landec Corporation's proxy statement for the 2020 annual meeting of stockholders, is hereby APPROVED on an advisory basis."

We urge stockholders to read the Compensation Discussion and Analysis within Executive Compensation and Related Information of this Proxy Statement, as well as the Summary Compensation Table and related compensation tables directly following the Compensation Discussion and Analysis, which provide detailed information on the Company's compensation policies and practices.

As we describe in the Compensation Discussion and Analysis, our executive compensation program is designed to attract, reward and retain talented officers and embodies a pay-for-performance philosophy that supports the Company's business strategy and aligns the interests of our executives with our stockholders. Specifically, executive compensation is allocated among base salaries and short- and long-term incentive compensation. The base salaries are fixed in order to provide the executives with a stable cash income, which allows them to focus on the Company's strategies and objectives as a whole, while the short- and long-term incentive compensation are designed to both reward the named executive officers based on the Company's overall performance and align the named executive officers' interests with those of our stockholders. Our annual cash incentive award program is intended to encourage our named executive officers to focus on specific short-term goals important to our success. Our executive officers' annual cash incentive awards are determined based on objective performance criteria. The Company's current practice with respect to long-term incentive compensation is to grant our named executive officers primarily stock options, but occasionally restricted stock units as well. This mixture is designed to provide a balance between the goals of increasing the price of our Common Stock and aligning the interests of our executive officers with those of our stockholders (as stock options only have value if our stock price increases after the option is granted) and encouraging retention of our executive officers. Because grants are generally subject to vesting schedules, they help ensure that executives always have significant value tied to long-term stock price performance.

For these reasons, the Board of Directors is asking stockholders to support this proposal. Although the vote we are asking you to cast is non-binding, the Compensation Committee and the Board of Directors value the views of our stockholders and will consider the outcome of the vote when determining future compensation arrangements for our named executive officers.

At our 2017 Annual Meeting of Stockholders, the Company's stockholders recommended, on an advisory basis, that the stockholder vote on the compensation of our named executive officers occur every year. In light of the foregoing recommendation, the Company has determined to hold a "say-on-pay" advisory vote every year. Accordingly, our next advisory say-on-pay vote (following the non-binding advisory vote at this Annual Meeting) is expected to occur at our 2021 annual meeting of stockholders.

At the 2019 Annual Meeting of Stockholders, 98% of votes cast expressed support for our compensation policies and practices, and we believe our program continues to be effective.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" APPROVAL OF THE ADVISORY RESOLUTION ON EXECUTIVE COMPENSATION.

AUDIT COMMITTEE REPORT

Composition

The Audit Committee consists of the four directors whose names appear below and operates under a written charter adopted by the Board of Directors. Each member of the Audit Committee meets the independence and financial experience requirements of NASDAQ and the SEC currently in effect. In addition, the Board of Directors has determined that each of Ms. Pankopf and Ms. Houde is an audit committee financial expert, as defined by the rules and regulations of the SEC.

Responsibilities

The responsibilities of the Audit Committee include appointing an independent registered public accounting firm and assisting the Board of Director's oversight of the preparation of the Company's financial statements. The independent registered public accounting firm is responsible for performing an independent audit of the Company's consolidated financial statements in accordance with generally accepted auditing standards and for issuing a report thereon. Management is responsible for the Company's internal controls and financial reporting process. The Audit Committee's responsibility is to oversee these processes and the Company's internal controls. The Audit Committee members are not acting as professional accountants or auditors, and their functions are not to duplicate or to certify the activities of management and the independent registered public accounting firm.

Review with Management and Independent Auditors

The Audit Committee held four meetings during fiscal year 2020. The Audit Committee met and held discussions with management and representatives of the Company's independent registered public accounting firm, Ernst & Young LLP. Management represented to the Audit Committee that the Company's consolidated financial statements for the fiscal year ended May 31, 2020 were prepared in accordance with generally accepted accounting principles, and the Audit Committee has reviewed and discussed the consolidated financial statements for the fiscal year ended May 31, 2020 with management and the Company's independent registered public accounting firm.

The Audit Committee met with the Company's independent registered public accounting firm, with and without management present, to discuss the overall scope and plans for their audit, the results of their examination, their evaluation of the Company's internal controls and the overall quality of the Company's financial reporting. The Audit Committee discussed with the independent registered public accounting firm matters required to be discussed by Statement on Auditing Standards ("SAS") No. 114, *The Auditor's Communication with Those Charged with Governance*, as adopted by the Public Company Accounting Oversight Board ("PCAOB") in Rule 3200T, which supersedes SAS No. 61, as amended, including the judgment of the independent registered public accounting firm as to the quality of the Company's accounting principles.

The Audit Committee has received the written disclosures and the letter from Ernst & Young LLP required by the PCAOB regarding the independent accountants' communications with the Audit Committee concerning independence, and has discussed with Ernst & Young LLP its independence.

Summary

Based upon the Audit Committee's discussions with management and the Company's independent registered public accounting firm, the Audit Committee's review of the representations of management and the report of the independent registered public accounting firm to the Audit Committee, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2020, as filed with the SEC.

This report is submitted by the Audit Committee.

Tonia Pankopf (Chairperson)
Katrina L Houde
Charles Macaluso
Catherine A. Sohn, Pharm.D.

The foregoing report shall not be deemed to be "soliciting material" or "filed" with the SEC or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), except to the extent that the Company specifically incorporates it by reference into a document filed under the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act.

CORPORATE GOVERNANCE

Board of Directors Meetings and Committees

The Board of Directors held a total of nine meetings during the fiscal year 2020. Each director attended at least 75% of all Board and applicable committee meetings during fiscal year 2020. The Board of Directors has an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee, each of which operates under a written charter approved by the Board of Directors which was reviewed and updated as appropriate in fiscal year 2020. The charter for each of the committees is available on the Company's website (www.landec.com). The Board of Directors also has an ad hoc Food Innovation Committee and an ad hoc Special Committee. It is our policy to encourage the members of the Board of Directors to attend the Company's annual meeting of stockholders. All members of the Board of Directors attended our 2019 Annual Meeting of Stockholders.

The Audit Committee currently consists of Ms. Pankopf (Chairperson), Dr. Sohn, Ms. Houde, and Mr. Macaluso. In the determination of the Board of Directors, each of Ms. Pankopf, Dr. Sohn, Ms. Houde and Mr. Macaluso meets the independence requirements of the SEC and NASDAQ, including the heightened independence requirements for audit committee membership pursuant to SEC requirements. The Board of Directors has also determined that each of Ms. Pankopf and Ms. Houde is an "audit committee financial expert" within the meaning of applicable SEC rules. The Audit Committee assists the Board of Directors in its oversight of Company affairs relating to the quality and integrity of the Company's financial statements, the qualifications and independence of the Company's independent registered public accounting firm, the performance of the Company's internal audit function and independent registered public accounting firm, and the Company's compliance with legal and regulatory requirements. The Audit Committee is responsible for appointing, compensating, retaining and overseeing the Company's independent registered public accounting firm, approving the services performed by the independent registered public accounting firm and reviewing and evaluating the Company's accounting principles and its system of internal accounting controls. The Audit Committee is also responsible for administering our Related Party Transaction Policy, and reviewing and approving all such related party transactions. The Audit Committee held four meetings during fiscal year 2020. Please see the section entitled "Audit Committee Report" for further matters related to the Audit Committee. The Board has adopted a written charter for the Audit Committee. The Audit Committee reviews the charter annually for changes.

The Compensation Committee currently consists of Ms. Carosella (Chairperson), Mr. Barbarosh, Mr. Obus, and Dr. Sohn. In the determination of the Board of Directors, each of Ms. Carosella, Mr. Barbarosh, Mr. Obus, and Dr. Sohn meets the current independence requirements of the SEC and NASDAQ. The function of the Compensation Committee is to review and set the compensation of the Company's CEO and certain of the Company's most highly compensated officers, including salary, bonuses and other cash incentive awards, and other forms of compensation, and to administer the Company's stock plans and approve stock equity awards. The Compensation Committee held eight meetings during fiscal year 2020. The Board has adopted a written charter for the Compensation Committee. The Compensation Committee reviews the charter annually for changes.

The Nominating and Corporate Governance Committee currently consists of Mr. Powell (Chairperson), Mr. Frank, Mr. Obus, and Ms. Pankopf, each of whom, in the determination of the Board of Directors, meets the current independence requirements of the SEC and NASDAQ. The functions of the Nominating and Corporate Governance Committee are to recommend qualified candidates for appointment and election as executive officers and directors of the Company, oversee the Company's corporate governance policies, and lead the annual self-evaluation of the Board of Directors. Mr. Powell assumed the role of Chairperson of the Nominating and Corporate Governance Committee in January 2020 on an interim basis. It is anticipated that another director will assume this role following the 2020 Annual Meeting. The Nominating and Corporate Governance Committee held three meetings during fiscal year 2020. The Board has adopted a written charter for the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee reviews the charter annually for changes.

The Nominating and Corporate Governance Committee will consider director nominees proposed by current directors, officers, employees, and stockholders. Any stockholder who wishes to recommend candidates for consideration by the Nominating and Corporate Governance Committee may do so by writing to the Secretary of the Company, Brian McLaughlin, and providing the candidate's name, biographical data, and qualifications. The Company does not have a formal policy regarding the consideration of director candidates recommended by stockholders. The Company believes this is appropriate because the Nominating and Corporate Governance Committee evaluates any such nominees based on the same criteria as all other director nominees. In selecting candidates for the Board of Directors, the Nominating and Corporate Governance Committee strives for a variety of experiences and backgrounds that add depth and breadth to the overall character of the Board of Directors. The Nominating and Corporate Governance Committee evaluates potential candidates using standards and qualifications, such as the candidates' business experience, independence, diversity, skills and expertise to collectively establish a number of areas of core competency of the Board of Directors, including business judgment, management and industry knowledge. Although the Nominating and Corporate Governance Committee does not have a formal policy on diversity, it believes that diversity is an important consideration in the composition of the Board of Directors, and it seeks to include Board members with diverse backgrounds and experiences. Further criteria include the candidates' integrity and values, as well as the willingness to devote sufficient time to attend meetings and participate effectively on the Board of Directors and its committees.

The Food Innovation Committee currently consists of Ms. Carosella (Chairperson) and Ms. Houde, who in the determination of the Board of Directors, both meet the current independence requirements of the SEC and NASDAQ. The function of the Food Innovation Committee is to provide advice and make recommendations to the Board and to management with regard to food management, including new agricultural techniques, plant optimization strategies and new product development insights. The function of the Food Innovation Committee further entails making possible changes to current practices within the Company's food business and making recommendations concerning new areas for the Company to pursue. The Food Innovation Committee held no formal meetings during fiscal year 2020.

The Lifecore Innovation Committee was dissolved on October 16, 2019. Prior to its dissolution, the Lifecore Innovation Committee consisted of Dr. Sohn (Chairperson), Mr. Frank, and Mr. Powell, each of whom, in the determination of the Board of Directors, met the applicable independence requirements of the SEC and NASDAQ. The function of the Lifecore Innovation Committee was to provide advice and make recommendations to the Board of Directors and to management with regard to biomaterials management, including new biomaterial techniques, plant/equipment optimization strategies and new product development insights. The Lifecore Innovation Committee also looked at making changes to current practices within the Company's biomaterials business and making recommendations concerning new areas for the Company to pursue. The Lifecore Innovation Committee held no meetings during fiscal year 2020.

The Special Committee, formed by the Board of Directors in October 2019, currently consists of Mr. Barbarosh (Chairperson), Mr. Obus, Ms. Pankopf and Mr. Powell, each of whom, in the determination of the Board of Directors, meets the current independence requirements of the SEC and NASDAQ. The function of the Special Committee is to oversee the previously disclosed internal investigation relating to potential environmental and Foreign Corrupt Practices Act compliance matters associated with regulatory permitting at the Company's guacamole manufacturing plant in Mexico. The Special Committee held 13 meetings during fiscal year 2020.

Corporate Governance

The Company provides information about its corporate governance policies, including the Company's Code of Ethics, Corporate Governance Guidelines, and charters for the Audit, Nominating and Corporate Governance, and Compensation Committees of the Board of Directors on the Corporate Governance page of its website. The website can be found at www.landec.com.

The Company's policies and practices reflect corporate governance initiatives that are compliant with the listing requirements of NASDAQ and the corporate governance requirements of the Sarbanes-Oxley Act of 2002, including:

- All members of the Board of Directors, and all director nominees, are independent, other than Dr. Bolles;
- All members of the Audit Committee, the Compensation Committee, and the Nominating and Corporate Governance Committee are independent;
- The independent members of the Board of Directors meet at each board meeting, and at least twice per year, in executive sessions without the presence of management or non-independent directors. The Board of Directors has designated Mr. Powell as non-executive Chairman of the Board, who, among other duties, is responsible

for presiding over executive sessions of the independent directors and setting the agenda for each board meeting with the CEO and with input from the independent directors;

- The Company has an ethics hotline available to all employees, and the Audit Committee has procedures in place for the anonymous submission of employee complaints regarding accounting, internal controls, or auditing matters; and
- The Company has adopted a Code of Ethics that applies to all of its directors, officers, and employees (including the Company's principal executive officer, principal financial officer, principal accounting officer, and all members of the Company's finance department. Any substantive amendments to the Code of Ethics or grant of any waiver, including any implicit waiver, from a provision of the Code of Ethics to the Company's principal executive officer, principal financial officer or principal accounting officer, will be disclosed either on the Company's website or in a Current Report on Form 8-K.

Following a review of all relevant relationships and transactions between each director (including each director's family members) and the Company, the Board has determined that each member of the Board or nominee for election to the Board, other than Dr. Bolles, is an independent director under applicable NASDAQ listing standards. Dr. Bolles does not meet the independence standards because he is currently an employee of the Company.

Leadership Structure of the Board of Directors

The Board of Directors believes that it is important to retain its flexibility to allocate the responsibilities of the positions of the Chairman of the Board (the "Chairman") and CEO in the way that it believes is in the best interests of the Company.

The Board of Directors believes that the appointment of Mr. Powell as non-executive Chairman allows the CEO, who also possesses significant business and industry knowledge, to lead and speak on behalf of both the Company and the Board of Directors, while also providing for effective independent oversight by non-management directors through a non-executive Chairman.

At each Board of Directors meeting, the non-executive Chairman presides over an executive session of the non-management directors without the presence of management. The non-executive Chairman also may call additional meetings of the non-management directors as he deems necessary.

The Board of Directors also adheres to sound corporate governance practices, as reflected in the Company's corporate governance policies, which the Board of Directors believes has promoted, and continues to promote, the effective and independent exercise of leadership by the Board of Directors for the Company and its stockholders.

Stockholder Communications

Our Board of Directors welcomes communications from our stockholders. Stockholders and other interested parties may send communications to the Board of Directors, the independent directors as a group, or to any director in particular, including the Chairman, by sending such communication to the Chief Financial Officer, Landec Corporation, 2811 Airpark Drive, Santa Maria, CA 93455. Any correspondence addressed to the Board of Directors or to any one of our directors will be promptly forwarded to the addressee. The independent directors review and approve the stockholder communication process periodically to ensure effective communication with stockholders.

Oversight of Risk Management

The Board of Directors' role in the Company's risk oversight process includes receiving regular reports from members of senior management on areas of material risk to the Company, including operational, financial, legal and regulatory, and strategic and reputational risks. Our Audit Committee oversees management of financial risk exposures, including the integrity of our accounting and financial reporting processes and controls. As part of this responsibility, the Audit Committee meets periodically with the Company's independent registered public accounting firm, our internal auditor and our financial and accounting personnel to discuss significant financial risk exposures and the steps management has taken to monitor, control and report such exposures. Additionally, the Audit Committee reviews significant findings prepared by the Company's independent registered public accounting firm and our internal auditor, together with management's response. Our Nominating and Corporate Governance Committee has responsibility for matters relating to corporate governance. As such, the charter for our Nominating and Corporate Governance Committee provides for the committee to periodically review and discuss our corporate governance guidelines and policies.

Our management also reviewed with our Compensation Committee and the Board of Directors the compensation policies and practices of the Company that could have a material impact on the Company. Our management review considered whether any of these policies and practices may encourage inappropriate risk-taking, whether any policy or practice may give rise to risks that are reasonably likely to have a material adverse effect on the Company, and whether it would recommend any changes to the Company's compensation policies and practices. Management also reviewed with the Board of Directors risk-mitigating controls such as the degree of committee and senior management oversight of each compensation program and the level and design of internal controls over such programs. Based on these reviews, the Board of Directors has determined that risks arising from the Company's compensation policies and practices are not reasonably likely to have a material adverse effect on the Company.

The Board of Directors has adopted an executive compensation clawback policy, which provides for recoupment of executive incentive compensation in the event of certain restatements of the financial results of the Company. Under the policy, in the event of a substantial restatement of the Company's financial results due to material noncompliance with financial reporting requirements, if the Board of Directors determines in good faith that any portion of a current or former executive officer's incentive compensation was paid as a result of such noncompliance, then the Company may recover the portion of such compensation that was based on the erroneous financial data.

The Board of Directors has also evaluated privacy protection, cybersecurity and information security in an effort to mitigate the risk of cyber-attacks and to protect the Company's information and that of its customers and suppliers. Based on this review, the Board of Directors has determined that such risks are not reasonably likely to have a material adverse effect on the Company.

Compensation Committee Interlocks and Insider Participation

The Committee is composed of Ms. Carosella (Chairperson), Mr. Barbarosh, Mr. Obus, and Dr. Sohn. Before his election as President and CEO, Dr. Bolles also served as a member of the Committee. During fiscal year 2020, none of the Company's executive officers served on the board of directors of any entities whose directors or officers serve on the Committee. None of the Committee's current members has at any time been an officer or employee of Landec. None of Landec's executive officers currently serve, or in the past fiscal year have served, as members of the board of directors or compensation committee of any entity that has one or more of its executive officers serving on Landec's Board of Directors or the Committee.

Cooperation Agreement with Legion Partners

On August 21, 2020, we entered into a Cooperation and Support Agreement with Legion Partners. Pursuant to the Cooperation Agreement, we agreed, among other things, to nominate Mr. Schechter to the Board of Directors at the Annual Meeting, and, if elected, to appoint Mr. Schechter to the Nominating and Corporate Governance Committee.

The Cooperation Agreement requires, at the Annual Meeting, Legion Partners to vote all of their beneficially owned shares of our common stock in favor of the election of directors nominated by the Board of Directors, against any proposals to remove such directors, against any nominees that have not been recommended by the Board of Directors, and in favor of the Bylaws Amendment. In addition, the Cooperation Agreement provides for certain "standstill" provisions that restrict Legion Partners, its affiliates and certain of its representatives from, among other things, engaging in any solicitation of proxies or written consents with respect to the voting securities of the Company or acquiring any securities of the Company that would result in Legion Partners having beneficial ownership of more than 15.0% of our common stock. The standstill provisions expire thirty days prior to the deadline for the submission of stockholder nominations for directors for the 2021 Annual Meeting. The Cooperation Agreement will also automatically terminate if the Company enters into a definitive agreement for a transaction that would constitute a Change of Control (as defined in the Cooperation Agreement).

If Legion Partners submit to us a notice of nomination or business proposal prior to the expiration of the standstill, Mr. Schechter will tender his resignation, which the Board of Directors may elect to accept.

Mr. Schechter is not affiliated with Legion Partners and, if elected, will serve on the Board of Directors as an independent director.

Compensation of Directors

The following table sets forth compensation information for fiscal year 2020 for each member of our Board of Directors who was not an executive officer during fiscal year 2020. Dr. Bolles, our President and CEO, does not receive any compensation for his service on the Board of Directors.

Name	Fee Earned or Paid in Cash (1)	Stock Awards (2)	Other	Total
Craig A Barbarosh (3)	\$ 59,542	\$ 50,000	\$ —	\$ 109,542
Deborah Carosella	\$ 79,792	\$ 80,000	\$ —	\$ 159,792
Frederick Frank	\$ 59,167	\$ 80,000	\$ —	\$ 139,167
Katrina L. Houde (3)	\$ 46,250	\$ 67,000	\$ —	\$ 113,250
Charles Macaluso (3)	\$ 35,000	\$ 50,000	\$ —	\$ 85,000
Nelson Obus	\$ 74,042	\$ 80,000	\$ —	\$ 154,042
Tonia Pankopf	\$ 85,917	\$ 80,000	\$ —	\$ 165,917
Andrew Powell	\$ 122,792	\$ 80,000	\$ —	\$ 202,792
Catherine A. Sohn, Pharm.D.	\$ 75,208	\$ 80,000	\$ —	\$ 155,208
Robert Tobin (4)	\$ 22,917	\$ —	\$ —	\$ 22,917

- (1) Includes amounts (if any) deferred pursuant to the Company's Nonqualified Deferred Compensation Plan, the terms of which are described under "Nonqualified Deferred Compensation Plan" below.
- (2) The Company's current compensation policy provides for each member of the Board of Directors to receive an annual restricted stock unit ("RSU") award. On October 15, 2019, the annual RSU award was increased from \$60,000 to \$80,000 to better align with the market.
- (3) Ms. Houde was elected to the Board of Directors on August 5, 2019 while Mr. Barbarosh and Mr. Macaluso were elected to the Board of Directors on October 16, 2019. These directors' cash fees and RSU grants are pro-rated from their elections through May 31, 2020.
- (4) Mr. Tobin retired on October 16, 2019.

As of May 31, 2020, the aggregate number of shares subject to outstanding RSU awards held by the members of the Board of Directors was: Mr. Barbarosh - 5,501 shares; Ms. Carosella - 2,200 shares; Mr. Frank - 2,200 shares; Ms. Houde 7,334 shares; Mr. Macaluso - 5,501; Mr. Obus - 2,200 shares; Ms. Pankopf - 2,200 shares; Mr. Powell - 2,200 shares; and Dr. Sohn - 2,200 shares.

The 2020 annual cash retainer fees paid to non-employee directors of the Company are detailed in the following table:

Annual Cash Retainer for	Annual Retainer Fees paid
Non-employee Director	\$ 50,000
Audit Committee	\$ 10,000
Food Innovation Committee	\$ 10,000
Lifecore Innovation Committee	\$ 10,000
Compensation Committee	\$ 7,500
Nominating and Corporate Governance Committee	\$ 5,000
Special Committee	\$ 1,000

In addition to the annual cash retainers paid to members of the committees as described above, for fiscal year 2020, the Company paid annual retainers to each of the chairs of the committee as shown below. In addition, the Chairman of the Board received a separate annual retainer equal to the amount indicated in the table below:

Annual Cash Retainer for	Annual Retainer Fees paid
Chairman of the Board	\$ 55,000
Audit Committee Chair	\$ 20,000
Food Innovation Committee Chair	\$ 20,000
Lifecore Innovation Committee Chair	\$ 20,000
Compensation Committee Chair	\$ 15,000
Nominating and Corporate Governance Chair	\$ 10,000
Special Committee Chair	\$ 2,000

Consistent with the general industry trend toward fixed-value RSU awards, each non-employee director receives an annual RSU award with a fair market value of \$80,000, based on the fair market value of the Company's Common Stock on the date of the grant, vesting on the first anniversary of the date of grant.

Each director is reimbursed for reasonable out-of-pocket expenses he or she incurs to attend Board of Directors meetings, committee meetings or stockholder meetings in his or her capacity as a director.

Stock Ownership Requirement

The Board of Directors has determined that ownership of the Company's Common Stock by officers and directors promotes a focus on long-term growth and aligns the interests of the Company's officers and directors with those of its stockholders. As a result, the Board of Directors has adopted stock ownership guidelines stating that the Company's non-employee directors and its executive officers should maintain certain minimum ownership levels of Common Stock. Under these guidelines, each non-employee director of the Company is expected to maintain ownership of Common Stock having a value of at least three times the amount of the annual cash retainer paid for service as a non-employee director. For purposes of the guidelines, the value of a share of Common Stock, outstanding options, and/or unvested RSUs is measured as the greater of (i) the then current market price or (ii) the closing price of a share of Common Stock on the date when the stock was acquired, or the vesting date in the case of RSUs.

Newly - elected directors have five years from the date they are elected to meet these guidelines. In the event a non-employee director's cash retainer increases, he or she will have two years from the date of the increase to acquire any additional shares or RSUs needed to meet the guidelines. Until the required ownership level is reached, directors are required to retain 50% of net shares acquired upon any future vesting of RSUs and/or exercise of stock options, after deducting shares used to pay the exercise price.

Executive Officers of the Company

The following sets forth certain information with regard to each named executive officer and each executive officer of the Company for fiscal year 2020. Ages are as of August 17, 2020.

Albert D. Bolles, Ph.D. (age 62) has served as the Company's President and CEO since May 23, 2019. Prior to becoming President and CEO, Dr. Bolles was a member of the Board of Directors, Chairman of the ad hoc Food Innovation Committee and a member of the Company's Compensation Committee and Nominating and Corporate Governance Committee. Prior to his retirement in 2015 from ConAgra, Dr. Bolles most recently served as Executive Vice President, Chief Technology & Operations Officer. Prior to this role, Dr. Bolles was Executive Vice President, Research, Quality and Innovation for ConAgra, championing the development and execution of multiple new and improved products, realizing incremental growth for ConAgra and a facilitating a multi-year pipeline to sustain and advance growth further. Prior to joining ConAgra in 2006, Dr. Bolles served as Vice President, Worldwide R&D for the Beverages and Foods division of PepsiCo, Inc., responsible for global R&D leadership for beverages (Pepsi, Gatorade, and Tropicana) and Quaker Foods including product, process, package and sensory R&D, Nutrition, Quality, and Scientific & Regulatory Affairs. His prior employment was with Gerber Foods for over 8 years with his last role being its R&D Director, overseeing infant and toddler global research and development. Dr. Bolles currently serves on the Board of Directors at SunOpta, Inc. and Arcadia Biosciences, Inc.

Brian F. McLaughlin (age 66) has been the Chief Financial Officer and Secretary of the Company since March 19, 2020. Prior to that he was Chief Financial Officer of Curation Foods (formerly Apio, Inc.), a natural foods company, since August 2015. Mr. McLaughlin was Chief Financial Officer for Organicgirl from 2010 until August 2015. Prior to that he was Chief Financial Officer for EuroFresh Farms from 2008 until 2009, and Chief Financial Officer for Driscoll's, Inc. from 2006 until 2007. From 1996 until 2006, Mr. McLaughlin served as Chief Financial Officer of Fresh Express, Inc. Prior to joining Fresh Express as Chief Financial Officer, Mr. McLaughlin spent 19 years in commercial banking, the majority of which was spent in corporate middle market and real estate development debt restructurings.

Dawn Kimball (age 59) has been the Chief People Officer and a Senior Vice President of the Company since October 14, 2019. Ms. Kimball has over 20 years of human resources experience and prior to joining the Company was the Vice President of Enterprise Learning Solutions and Talent Management for Charles Schwab & Company, a financial services company, from December 2011 until March 2017. Ms. Kimball also has business line experience as the Vice President of Food & Food Development at Williams-Sonoma, Inc. Earlier in her career she implemented the human resources function for multiple start-up organizations.

James G. Hall (age 57) has been a Vice President of the Company and President of Lifecore since June 2017. At Lifecore, Mr. Hall served as Vice President and General Manager from July 2013 to June 2017; Vice President of Operations from 2006 to 2013; Director of Manufacturing Operations and Engineering from 2001 to 2006; and the Manager of Engineering and Operations from 1999 to 2001. From 1995 until joining Lifecore in 1999, Mr. Hall was Manager of Pre-Clinical and Clinical supply for Protein Design Labs, a biotechnology company focusing on humanizing monoclonal antibodies. Prior to joining Protein Design Labs in 1995, Mr. Hall held various engineering positions within Lifecore beginning in 1989. Mr. Hall has over 29 years of pharmaceutical and combination product manufacturing and development experience.

Timothy P. Burgess (age 57) has been a Vice President of the Company and Senior Vice President of Supply Chain with Curation Foods since May 28, 2019. Prior to joining Curation Foods, Mr. Burgess was Vice President Global Manufacturing from February 2018 until March 2019 at Trident Seafood, the largest privately held seafood company in the United States. From March 2006 to February 2018 Mr. Burgess served as Vice President of Supply Chain APAC for Mead Johnson Nutrition, a pediatric nutrition company based in Singapore. Earlier in his career Mr. Burgess was plant manager for Dannon and Basic Vegetable Products.

COMMON STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth the beneficial ownership of the Company's Common Stock as of August 17, 2020 as to (i) each person who is known by the Company to beneficially own more than five percent of any class of the Company's voting stock, (ii) each of the Company's directors, (iii) each of the executive officers named in the Summary Compensation Table of this proxy statement (the "Named Executive Officers"), and (iv) all directors and executive officers as a group. The business address of each director and executive officer named below is c/o Landec Corporation, 2811 Airpark Drive, Santa Maria, CA 93455.

The number of shares of common stock beneficially owned by each person or entity is determined in accordance with the applicable rules of the Securities and Exchange Commission and includes voting or investment power with respect to shares of our common stock. Unless otherwise indicated, to our knowledge, all persons named in the table have sole voting and investment power with respect to their shares of common stock, except to the extent authority is shared by spouses under community property laws.

<u>Name</u>	<u>Shares Beneficially Owned</u>		<u>Percentage of Common Stock Beneficially Owned (1)</u>
	<u>Total Number of Shares Beneficially Owned</u>		
<u>Holders of more than 5% of our Common Stock</u>			
Legion Partners Asset Management, LLC	2,866,340	(2)	9.80%
Wynnefield Capital, Inc.	2,682,400	(3)	9.17%
Russell Investments Group, Ltd.	2,591,554	(4)	8.86%
Dimensional Fund Advisors LP	2,431,533	(5)	8.32%
Blackrock, Inc.	2,011,711	(6)	6.88%
The Vanguard Group	1,619,102	(7)	5.54%
<u>Non-Employee Directors and Nominees:</u>			
Craig A. Barbarosh	5,501	(8)	*
Deborah Carosella.....	21,226	(9)	*
Jeffrey Edwards	—		*
Frederick Frank.....	68,224	(10)	*
Katrina L. Houde	7,334	(11)	*
Charles Macaluso.....	5,501	(12)	*
Nelson Obus.....	2,911,415	(13)	9.96%
Tonia Pankopf.....	44,237	(14)	*
Andrew Powell	12,115	(15)	*
Joshua E. Schechter	—		*
Catherine A. Sohn, Pharm.D.....	38,707	(16)	*
Patrick Walsh.....	—		*
<u>Named Executives</u>			
Albert D. Bolles, Ph.D.	97,702	(17)	*
Brian F. McLaughlin.....	104,511	(18)	*
James G. Hall.....	146,338	(19)	*
Timothy P. Burgess.....	5,100		*
Dawn Kimball.....	9,975	(20)	*
<i>All current directors, director nominees and executive officers as a group (17 persons)</i>	3,477,886	(21)	11.89%

* Less than 1%

- (1) As of August 17, 2020, 29,241,889 shares of Common Stock were issued and outstanding. Percentages are calculated with respect to a holder of options exercisable within 60 days after August 17, 2020 as if such holder had exercised his options. Options held by other holders are not included in the percentage calculation with respect to any other holder.
- (2) Information is based on a Schedule 13D/A filed by Legion Partners, L.P. I, Legion Partners, L.P. II, Legion Partners, LLC, Legion Partners Asset Management, LLC, Legion Partners Holdings, LLC, Christopher S. Kiper and Raymond White (the “Legion Investors”) on June 22, 2020, and is as of June 18, 2020. According to the Schedule 13D/A, (i) Legion Partners, L.P. I, has shared voting and shared dispositive power over 2,736,667 shares of the Company’s common stock; (ii) Legion Partners, L.P. II, has shared voting and shared dispositive power over 129,473 shares of the Company’s common stock; and (iii) each of Legion Partners, LLC, Legion Partners Asset Management, LLC, Legion Partners Holdings, LLC, Christopher S. Kiper and Raymond White has shared voting and shared dispositive power over 2,866,340 shares of the Company’s common stock. The address for each of the Legion Investors is 12121 Wilshire Blvd, Suite 1240, Los Angeles, CA 90025.
- (3) This information is based on a Schedule 13D/A filed by Wynnefield Partners Small Cap Value, L.P. I (“Wynnefield Partners I”), Wynnefield Partners Small Cap Value, L.P. (“Wynnefield Partners”), Wynnefield Small Cap Value Offshore Fund, Ltd. (“Wynnefield Offshore”), Wynnefield Capital, Inc. Profit Sharing Plan (“Wynnefield Plan”), Wynnefield Capital Management, LLC (“WCM”), Wynnefield Capital, Inc. (“WCI”) and Nelson Obus and Joshua H. Landes (collectively, the “Wynnefield Investors”) on May 24, 2018, and is as of May 22, 2018. According to the Schedule 13D/A, (i) Wynnefield Partners I has sole voting and sole dispositive power over 1,242,270 shares of the Company’s common stock; (ii) Wynnefield Partners has sole voting and sole dispositive power over 782,410 shares of the Company’s common stock; (iii) Wynnefield Offshore has sole voting and sole dispositive power over 567,519 shares of the Company’s common stock; (iv) Wynnefield Plan has sole voting and sole dispositive power over 90,201 shares of the Company’s common stock; (v) WCM has sole voting and sole dispositive power over 2,024,680 shares of the Company’s common stock; (vi) WCI has sole voting and sole dispositive power over 567,519 shares of the Company’s common stock; and (vii) each of Nelson Obus and Joshua H. Landes has shared voting and shared dispositive power over 2,592,199 shares of the Company’s common stock. The address for each of the Wynnefield Investors is 450 Seventh Avenue, Suite 509, New York, New York 10123.
- (4) This information is based on a Schedule 13G filed by Russell Investments Group, Ltd. (“Russell Investments”) on February 12, 2020, and is as of December 31, 2019. According to the Schedule 13G, Russell Investments has sole voting and shared dispositive power over 2,591,554 shares of the Company’s common stock. The address for Russell Investments is 1301 Second Ave., Suite 1800, Seattle, WA 98101.
- (5) This information is based on a Schedule 13G/A filed by Dimensional Fund Advisors LP (“Dimensional Fund”) on February 12, 2020, and is as of December 31, 2019. According to the Schedule 13G/A, Dimensional Fund has sole voting power over 2,343,604 shares of the Company’s common stock, and sole dispositive power over 2,431,533 shares of the Company’s common stock. The address for Dimensional Fund is Building One, 6300 Bee Cave Road, Austin, Texas, 78746.
- (6) This information is based on a Schedule 13G/A filed by Blackrock, Inc. (“Blackrock”) on February 5, 2020, and is as of December 31, 2019. According to the Schedule 13G/A, Blackrock has sole dispositive power over 2,011,711 shares of the Company’s common stock, and sole voting power over 1,945,346 shares of the Company’s common stock. The address for Blackrock is 55 East 52nd Street, New York, NY 10055.
- (7) This information is based on a Schedule 13G/A filed by The Vanguard Group (“Vanguard”) on February 12, 2020, and is as of December 31, 2019. According to the Schedule 13G/A, Vanguard has sole voting power over 23,949 shares of the Company’s common stock, shared voting power over 26,800 shares of the Company’s common stock, sole dispositive power over 1,569,853 shares of the Company’s common stock, and shared dispositive power over 49,249 shares of the Company’s common stock. The address for Vanguard is 100 Vanguard Blvd., Malvern, PA 19355.
- (8) This number includes 5,501 shares subject to outstanding RSUs vesting within 60 days after August 17, 2020.
- (9) This number includes 2,200 shares subject to outstanding RSUs vesting within 60 days after August 17, 2020.
- (10) This number includes 2,200 shares subject to outstanding RSUs vesting within 60 days after August 17, 2020.
- (11) This number includes 7,334 shares subject to outstanding RSUs vesting within 60 days after August 17, 2020.
- (12) This number includes 5,501 shares subject to outstanding RSUs vesting within 60 days after August 17, 2020.
- (13) This number includes 2,911,415 shares reported on Form 13F filed by Wynnefield Capital, Inc. showing such beneficial owner's holdings as of June 30, 20. Mr. Obus is a General Partner of Wynnefield Capital, Inc. This number also includes shares subject to outstanding 2,200 RSUs vesting within 60 days after August 17, 2020.

- (14) This number includes 2,200 shares subject to outstanding RSUs vesting within 60 days after August 17, 2020.
- (15) This number includes 2,200 shares subject to outstanding RSUs vesting within 60 days after August 17, 2020.
- (16) This number includes 2,200 shares subject to outstanding RSUs vesting within 60 days after August 17, 2020.
- (17) This number includes 71,550 shares subject to outstanding stock options exercisable within 60 days after August 17, 2020.
- (18) This number includes 89,979 shares subject to outstanding stock options exercisable within 60 days after August 17, 2020.
- (19) This number includes 117,187 shares subject to outstanding stock options exercisable within 60 days after August 17, 2020.
- (20) This number includes 9,975 shares subject to outstanding stock options exercisable within 60 days after August 17, 2020.
- (21) This number includes an aggregate of 3,477,886 shares held by executive officers, directors and director nominees that are subject to outstanding stock options exercisable within 60 days after August 17, 2020.

COMPENSATION DISCUSSION AND ANALYSIS

Compensation Discussion and Analysis

The following Compensation Discussion and Analysis (“CD&A”) describes the philosophy, objectives and structure of our fiscal 2020 executive compensation program. This CD&A is intended to be read in conjunction with the tables that immediately follow this section, which provide further historical compensation information.

The following executive officers constituted our Named Executive Officers throughout the past fiscal year:

Albert D. Bolles, Ph.D.	President and CEO
Brian McLaughlin (1)	Vice President of Finance and Administration, and Chief Financial Officer
Gregory S. Skinner (1)	Former Executive Vice President of Finance and Administration, and Chief Financial Officer
James G. Hall	Vice President of the Company and President of Lifecore
Timothy Burgess	Vice President of the Company and Senior Vice President of Supply Chain of Curation Foods
Dawn Kimball	Senior Vice President of Human Resources, Chief People Officer

- (1) Mr. Skinner separated from the Company on January 8, 2020. On January 8, 2020, Mr. McLaughlin, who had previously served as the CFO of Curation Foods, became Interim CFO of the Company, and on March 19, 2020 became the CFO of the Company.

CD&A Reference Guide

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I. Executive Summary

Strategy

The Company’s strategy is to maximize the value of our business portfolio by improving operating margins at Curation Foods, and investing in growth to drive momentum at Lifecore while driving profitable growth across the organization with consumer insights driven innovation. Each of our business segments are in different life stages and are have clear strategic priorities.

Lifecore

Lifecore is the Company’s FDA Approved CDMO business, which is focused on driving profitable growth with product development and manufacturing of sterile injectable products. Lifecore seeks to expand its presence in the CDMO marketplace by partnering with biopharmaceutical and biotechnology companies to bring their unique therapies to market. Lifecore’s goal of continuing success will be to execute on its three strategic priorities:

1) *Managing Business Development Pipeline:* Accelerate product development activities for small and large biopharmaceutical and biotechnology companies in various stages of the product lifecycle, spanning from the clinical development stage to commercialization, which aligns with the business’ overall product development strategy.

2) *Maximizing Capacity:* Meet customer demand by maximizing capacity in the syringe and vial multi-purpose filler production line to significantly increase the number of products produced.

3) *Advancing Product Commercialization*: Continue to seek out opportunities to advance customers' late-stage product development activities by supporting their clinical programs and commercial process scale-up activities.

Curation Foods

Curation Foods, the Company's natural food business, is focused on transforming its business to improve operational performance. The Company launched its shareholder value creation program, Project SWIFT, which aims to strengthen Curation Foods by simplifying the business, optimizing its operational network and rightsizing the organization. The Company believes that the decisive actions of Project SWIFT will help improve the Company's operating cost structure, enhance profitability, and strengthen its balance sheet with an overall aim to deliver long-term value to stockholders. Curation Foods intends to continue to deliver high levels of product quality and safety, while successfully executing on its customer, grower, and partner commitments. Project SWIFT will continue to be implemented throughout fiscal 2021, with three strategic priorities designed to improve Curation Foods' overall financial performance and profitability:

1) *Network & Operational Optimization*: Streamline the organization to maximize efficiency and productivity by continuous improvement in plant operations with lean manufacturing practices. This included the consolidation and centralization of various offices of Curation Foods into its Innovation Center headquarters in Santa Maria, California in fiscal 2020.

2) *Focus on Strategic Assets*: Simplify the business by divesting non-core assets. In fiscal 2020 the Company initiated the strategic sale process of the Company's Ontario, California salad dressing manufacturing facility, which had yet to become operational and a review of strategic options for of its legacy core vegetable bag and tray business. In June 2020 the Company began exploring opportunities for the planned divestiture of its underutilized Hanover manufacturing facility.

3) *Organizational Redesign*: Redesigning the organization so that it is the appropriate size for the Company's future direction. In fiscal 2020, the Company focused on redesigning strategic initiatives, developed and elevated internal talent and reduced overall headcount to improve efficiencies.

Our compensation program has been structured by the Compensation Committee (the "Committee") of the Board of Directors to reward and incentivize executives to create long-term, sustainable stockholder value growth through a focus on corporate, business unit, and individual achievement. The performance metrics used, and the targets set, reflect our updated business strategy. Highlights of our fiscal year 2020 compensation program include:

- **Simplified the long-term incentive (LTI) compensation mix**

The Committee re-structured the equity compensation component of the long-term incentive plan to primarily include stock options, in order to align with stockholder value creation without the complexity of setting goals during the multi-year transformation period. The Company views options as performance-based because they do not deliver value to the holder without an increase in the stock price.

- **Continued use of a short-term incentive (STI) compensation program**

Our short-term incentive program is designed to focus our executives on the achievement of annual short-term objectives which we believe will drive the delivery of enhanced stockholder value over the long term. At Lifecore, 100% of the annual cash incentive award was based on achieving established targets for revenue and operating income for the business. Lifecore met its revenue and operating income targets and did earn a bonus in fiscal year 2020. At Curation Foods and for employees tied to Landec Corporate (including the CEO and CFO), the fiscal year 2020 annual cash incentive award was based on the Company achieving a minimum Adjusted EBITDA level of \$39.9 million, and the available bonus pool was capped at 150% of the established target bonus levels for all plan participants. Although significant progress was made to transform Curation Foods, as the Adjusted EBITDA targets were not met, no bonuses were paid out to the respective executives consistent with our intent to align executive compensation with stockholders' interests.

- **Revised peer group for fiscal year 2020**

We made changes in fiscal year 2019 to our peer group to better reflect the evolution and transformation of Landec's two businesses. In fiscal year 2020, we further refined the peer group to better align according to size and market capitalization.

- **Continued strong stockholder support for our pay program**

At the 2019 Annual Meeting of Stockholders, once again, we received very strong support (over 98%) for our say-on-pay proposal. Our Committee believes this reflects stockholders' support for our pay-for-performance philosophy and practice.

Components of Our Compensation Program

The Committee oversees our executive compensation program, which includes several compensation elements that have each been tailored to reward specific aspects of overall Landec and business line performance that the Board believes are central to delivering long-term stockholder value.

Base Salary	Base salaries are set to be competitive to the marketplace. Base salaries are not automatically adjusted annually but instead are adjusted when the Committee judges that a change is warranted due to changes in an executive officer's responsibilities, demonstrated performance or relevant market data.
Short-Term Incentives	Funding of the fiscal year 2020 annual cash incentive pool for Landec corporate executives and Curation employees was dependent upon the Company exceeding \$39.9 million of consolidated Adjusted EBITDA for the fiscal year. The maximum payout, is 150% of their target bonus for all plan participants. The Lifecore annual cash incentive award plan is based on achieving established targets for Lifecore revenues and operating income.
Long-Term Incentives	Long-term equity awards provide an incentive to executives to increase long-term stockholder value, while also providing a retention vehicle for our executives. While restricted stock units were awarded to certain Named Executive Officers during fiscal year 2020, the Committee re-structured the equity component of the long-term incentive plan to primarily include stock options, because it views the inherent requirement to increase stock price in order to realize value as performance based and aligned with Landec's transformation plan.

Compensation Governance Practices

Our pay-for-performance philosophy and compensation governance practices provide an appropriate framework for our executives to achieve our financial and strategic goals without encouraging them to take excessive risks in their business decisions. Some of our practices include:

Best Practices We Employ

Long-term focus. The majority of our executive compensation is tied to long-term performance.

Equity Ownership Guidelines. We have robust equity ownership guidelines of 5x salary for our CEO and 3x salary for other executive officers.

Equity Holding Requirements. We have implemented holding requirements for executives wherein each executive must retain at least 50% of equity granted until minimum share ownership requirements are achieved.

Clawback Policy. We have implemented a strong recoupment, or "clawback" policy, to recover incentive compensation in the event of certain restatements of the financial results of the Company.

No Excessive Benefits. We offer limited perquisites and other benefits to our executive officers.

No Section 280G Gross-ups. None of our executive officers are entitled to an excise tax gross-up of the payments received in connection with a change in control.

Director Independence. The Committee is made up entirely of independent directors.

Independent Compensation Consultant. The Committee retains an independent compensation consultant to advise on our executive compensation programs and practices.

Risk Assessment. We conduct an annual risk assessment of our compensation program.

Say on Pay Voting Results

At the 2019 Annual Meeting of Stockholders, our say-on-pay proposal received strong support, garnering support from over 98% of votes cast. This is consistent with the voting results of 2018, 2017 and 2016, which had support levels of 98%, 96% and 98%, respectively. The Committee is pleased with these results and believes they reflect stockholders support for our past executive compensation philosophy, policies and programs.

II. Compensation Philosophy and Objectives

Landec's compensation program is intended to meet three principal objectives:

- 1) attract, retain and reward officers and other key employees;
- 2) motivate these individuals to achieve the Company's short-term and long-term strategic goals; and
- 3) align the interests of our executives with those of our stockholders.

The compensation program is designed to balance an executive's achievements in managing the day-to-day business and addressing shorter-term challenges facing the Company and its subsidiaries, such as the effects of weather-related disruptions and competitive pressures, with incentives to achieve our long-term goal of increasing profitability in our food and biomaterials businesses by creating innovative products that support people's individual health and wellness goals.

The above policies guide the Committee in assessing the proper allocation among base salary, short term incentive compensation and long-term incentive compensation. Other considerations include Landec's business objectives, its fiduciary and corporate responsibilities (including internal equity considerations and affordability), competitive practices and trends and regulatory requirements.

III. Establishing Executive Compensation

Landec's executive compensation program is overseen and administered by the Committee, which is comprised entirely of independent directors as determined in accordance with applicable NASDAQ and SEC rules. The Committee operates under a written charter adopted by our Board of Directors. A copy of the Committee's charter is available at www.landec.com.

In determining the particular elements of compensation that are used to implement Landec's overall compensation policies, the Committee takes into consideration a number of objective factors related to Landec's performance, such as earnings per share, profitability, revenue growth and business-unit-specific operational and financial performance, as well as the competitive practices among its peer group. The Committee evaluates the Company's financial and strategic performance in the context of determining compensation as well as the individual performance of each Named Executive Officer.

The Committee meets regularly to review overall executive compensation. The Committee also meets with Landec's President and CEO and other executives to obtain recommendations with respect to Company compensation programs, practices and packages for executives and other employees. The CEO makes recommendations to the Committee on the base salary, annual cash incentive targets and equity compensation for the executive team and other employees, but not for herself or himself. The Committee, however, has the ultimate responsibility for determining executive compensation.

Role of the Compensation Consultant

For fiscal year 2020, the Committee retained Frederic W. Cook & Co ("FW Cook") to provide consulting services to the Committee, including advice on the compensation philosophy, incentive plan designs, executive compensation analysis, and CD&A disclosure, among other compensation topics. FW Cook provides no services to the Company other than consulting services provided to the Committee.

The Committee has conducted a specific review of its relationship with FW Cook and determined that FW Cook's work for the Committee does not raise any conflicts of interest. FW Cook's work has conformed to the independence factors and guidance provided by the Dodd-Frank Act, the SEC and NASDAQ.

IV. Compensation Competitive Analysis

Our Committee uses peer group information to provide context for its compensation decision-making for our executive officers. The Committee monitors the peer group to assess its appropriateness as a source of competitive compensation data and reassesses the relevance of the peer group as needed. In an effort to reflect that both Curation Foods and Lifecore play a role in the Company's performance, the peer group has been adjusted and simplified over the years, with peers in both the life sciences and agriculture/food industries to reflect the Company's labor market and similar investments for stockholders.

Fiscal Year 2020 Peers

To assist in determining compensation for fiscal year 2020, FW Cook helped the Committee to confirm the companies similar to Landec with respect to sector, market capitalization and revenue to provide a broad perspective on competitive pay levels and practices.

- **Sector:** Healthcare, consumer staples, contract development and manufacturing organizations, and excluding companies within the chemical industry.
- **Revenue:** Revenue between \$100 million and \$1.4 billion, viewed as reasonable and the size from which Landec (at \$590 million in annual revenues) may recruit executives.
- **Market Capitalization:** Range between \$250 million and \$4.40 billion in the prior fiscal year, which is approximately 0.9x to 15x Landec's 2020 market capitalization, which was viewed as understated during the transformation.

Using these criteria, the Committee determined that the following 12 companies comprised the Company's 2020 peer group:

Anika Therapeutics, Inc.	John B. Sanfilippo & Son, Inc.
Calavo Growers, Inc.	Lancaster Colony Corporation
Cal-Maine Foods, Inc.	Limoneira Company
CryoLife, Inc.	Seneca Foods Corporation
Farmer Bros. Co.	SunOpta, Inc.
J&J Snack Foods Corp.	Surmodics, Inc.

One peer (Cal-Maine Foods, Inc.) was reinstated from the fiscal year 2018 peer group. We removed the following three peers that were used in the fiscal year 2019 peer group because they were either viewed as too large or had been acquired: The Simply Good Foods Company, Lantheus Holdings, Inc., and Medpace Holdings, Inc.

Peer group data is gathered with respect to base salary, bonus targets and all equity and non-equity awards (including stock options, performance shares, restricted stock and long-term, and cash-based awards).

The Committee does not benchmark compensation to a particular level, but rather uses competitive market data as one reference point among several when determining appropriate pay levels. On an overall basis, Landec's goal is to target total compensation for Named Executive Officers at a level that is competitive with the 50th percentile within the selected peer group for the Named Executive Officers, but other important considerations include each executive's particular experience, unique and critical skills, scope of responsibilities, proven performance, succession management and retention considerations, and the need to recruit new executives. The Committee analyzes base pay, target cash compensation and target total direct compensation within this broader context.

V. Elements of Compensation

As outlined above, there are three major elements that comprise Landec's compensation program: (i) base salary; (ii) annual cash incentive opportunities; and (iii) long-term incentives, in the form of stock options and RSU awards, and performance-based RSUs (although no performance based RSUs were issued in fiscal year 2020).

Base Salaries

The base salaries of executive officers are set at levels intended to be competitive with those companies in our peer group with which we compete for executive talent. In determining base salary, the Committee also considers factors such as:

- job performance
- skill set
- prior experience
- the executive’s time in his or her position with Landec
- internal consistency regarding pay levels for similar positions or skill levels within the Company
- external pressures to attract and retain talent and
- market conditions generally.

Base salaries are not adjusted annually but are generally adjusted when the Committee judges that a change is warranted by a change in an executive officer’s responsibilities, demonstrated performance or relevant market data.

In fiscal years 2020 and 2019, annual base salaries for our named executive officers were as follows:

Name	FY 2020	FY 2019	% Change
Albert D. Bolles, Ph. D.....	\$ 620,000	\$ 620,000	— %
Brian F. McLaughlin (1).....	\$ 350,000	\$ 285,000	23 %
Gregory S. Skinner.....	\$ 418,000	\$ 380,000	10 %
James G. Hall	\$ 350,000	\$ 293,600	19 %
Timothy P. Burgess (2)	\$ 325,000	\$ —	N/A
Dawn Kimball (2).....	\$ 300,000	\$ —	N/A

(1) Mr. McLaughlin became interim CFO in January 2020 and was named permanent CFO in March 2020. The amount shown is his salary upon being named permanent CFO, effective March 19, 2020.

(2) Mr. Burgess and Ms. Kimball became Named Executive Officers in fiscal year 2020.

Annual Cash Incentive Award Plan

Landec maintains an annual cash incentive award plan (the “Cash Incentive Award Plan”) for senior executives to encourage and reward achievement of Landec’s business goals and to assist Landec in attracting and retaining executives by offering an opportunity to earn a competitive level of compensation. This plan is consistent with our overall pay-for-performance philosophy and our goal of attracting and retaining top level executive officers in the industry.

In keeping with our pay for performance philosophy, a portion of our executives’ annual compensation is “at risk” compensation. This has resulted in most of our Named Executive Officers not receiving any annual cash incentive award or only a portion of their targeted award in recent years.

Award targets are set as a percentage of base salary. Incentive award targets and ranges are typically set early in each fiscal year, together with specific criteria for corporate, business unit and sometimes, individual objectives. The overall corporate and business unit objectives are intended to be challenging but achievable. Such objectives are based on actual performance compared to predetermined financial performance targets, which are weighted depending upon whether the employee is a member of a business unit or the corporate staff. Incentive award targets and criteria for executive officers are subject to approval by the Committee.

Fiscal Year 2020 Cash Incentive Award Plan

The Cash Incentive Award Plan for the fiscal year 2020 included financial objectives for the consolidated corporation and for Lifecore. The plan which applied to Landec corporate employees and the Curation Foods employees was originally based on the achievement of revenue and operating income goals; however, during fiscal year 2020 the Compensation Committee decided to amend the plan to instead be based on Landec achieving a minimum level of consolidated Adjusted EBITDA goal. The plan for Lifecore employees was based on Lifecore's internally-developed business unit financial plan for the fiscal year.

The 2020 Landec corporate and Curation Foods plan was based on Landec exceeding a minimum consolidated Adjusted EBITDA level of \$39.9 million and the 2020 Lifecore plan was based on established targets for revenues and operating income for the business unit. For fiscal year 2020, the target cash incentive award was 100% of base salary for Mr. Bolles, and the other Named Executive Officers' target incentive awards ranged from 50% to 80% of their base salary.

Performance Goals

In fiscal year 2020, performance measures were broken into two categories:

Corporate Financial goals: Adjusted EBITDA above a minimum threshold. We define Adjusted EBITDA as earnings before the fair market value change of the Company's investment in Windset, interest expense, income tax expense, depreciation and amortization, certain restructuring and other non-recurring charges, and before impairment of goodwill and intangibles charges.

Lifecore: Target Lifecore revenues and operating income budget. The revenue goal was \$85.5 million and the operating income goal was \$21.2 million.

For Lifecore executives, financial goals are based on a matrix of revenues and controllable income goals for the Lifecore business. The Landec corporate ("Corporate") and Curation Foods bonus formula was as follows:

1. Upon achievement of \$39.9 million Adjusted EBITDA, the bonus pool begins to fund and 95% of next \$1.0 million of Adjusted EBITDA funds into the Curation Foods and Corporate combined pool accrual.
2. Out of any Adjusted EBITDA in excess of \$40.9 million, 50% of such excess is contributed to the Curation Foods and Corporate employee bonus pool.
3. Curation Foods and Corporate employee bonus pool is capped at 150% of target bonus cost.
4. Curation Foods and Corporate bonus pool that is funded may be spent/allocated between all participants using discretion; and the ability to use discretion to allocate to individuals extends to both Curation Foods and Corporate (up to 150% of target).
5. The total target cost of the Curation Foods and the Corporate bonus pool is \$2.6 million (with the maximum being \$3.9 million, or 150% of target).

The Lifecore bonus matrix was as follows, expressed as a percent of target bonus (linear interpolation applied between points shown, and \$s are in millions):

			Revenue					
			\$68.4	\$77.0	\$85.5	\$94.1	\$102.6	\$111.2
			80%	90%	100%	110%	120%	130%
Operating Income	\$27.6	130%	200%	158%	175%	193%	210%	228%
	\$25.5	120%	194%	135%	150%	165%	180%	195%
	\$23.3	110%	189%	113%	125%	138%	150%	163%
	\$21.2	100%	85%	90%	100%	110%	120%	130%
	\$19.1	90%	45%	68%	75%	83%	90%	98%
	\$17.0	80%	10%	45%	50%	55%	60%	65%

Fiscal Year 2020 Earned Incentives

Fiscal year 2020 actual Adjusted EBITDA performance for Landec was \$22.0 million. Because this was below the \$39.9 million minimum Adjusted EBITDA required under the fiscal year 2020 cash incentive plan for Landec Corporate and Curation Foods executives, no cash incentive awards were paid to Curation Foods or Landec Corporate employees for fiscal year 2020.

Mr. Hall participated in the Lifecore cash incentive plan. Lifecore’s fiscal year 2020 revenue was \$85.8 million and its fiscal year 2020 operating income was \$19.3 million. This combined payout using the Lifecore bonus matrix was 78% of target, which is the amount of fiscal year 2020 cash incentive paid to Mr. Hall.

Based on the metrics and actual performance described above, the Named Executive Officers’ target incentive awards and actual amounts earned for fiscal year 2020 were as follows:

Name	Target as % of Base Salary	Target (\$)	Actual Earned 2020 Incentive Award (\$)
Albert D. Bolles, PhD	100%	\$ 620,000	\$ —
Brian F. McLaughlin (1)	60%	\$ 210,000	\$ —
Gregory S. Skinner.....	60%	\$ 250,800	\$ —
James G. Hall (2)	80%	\$ 280,000	\$ 218,400
Timothy P. Burgess.....	50%	\$ 162,500	\$ —
Dawn Kimball.....	50%	\$ 150,000	\$ —

- (1) With Mr. McLaughlin’s promotion to CFO of the Company effective March 19, 2020 his target bonus increased from 50% to 60% of base salary.
- (2) For fiscal year 2020, Mr. Hall is the only executive who earned a cash incentive. The Compensation Committee in its discretion determined that, in addition to the earned cash incentive, Mr. Hall would receive a bonus equal to 12% of target bonus in form of RSUs specifically, 3,574 RSUs that fully vest on the first anniversary of the grant date. In deciding to award the RSUs the Committee discussed that Lifecore’s operating income was hurt by the COVID-19 pandemic slowdown during Q4, thus resulting in a depressed payout under Lifecore’s bonus plan, and decided in its discretion to award RSUs to continue to incentivize Mr. Hall.

Long-Term Incentive Compensation

Landec provides long-term incentive compensation through equity-based and cash-based awards intended to align the interests of officers with those of the stockholders by creating an incentive for officers to maximize long-term stockholder value. At the same time, our long-term awards are designed to encourage officers to remain employed with Landec despite a competitive labor market in our industry.

Award Types

Awards to eligible employees, including Named Executive Officers, are generally made on an annual basis. Equity-based awards historically have taken the form of stock options and RSUs. The RSUs typically vest on the third anniversary of the grant date. Stock option awards provide that one-third vests on the first anniversary of the grant date and then 1/36th per month thereafter.

Landec grants stock options because they can be an effective tool for meeting Landec’s compensation goal of increasing long-term stockholder value. Employees are able to profit from stock options only if Landec’s stock price increases in value over the stock option’s exercise price. Landec grants RSUs because they provide a more predictable value to employees than stock options, and therefore are efficient tools in retaining and motivating employees, while also serving as an incentive to increase the value of Landec’s stock. RSUs can be an efficient means of using equity plan share reserves because fewer RSUs are needed to provide a retention and incentive value as compared to awards of stock options.

In fiscal year 2020, the Committee primarily granted stock options because they are a simple way to ensure that executives realize a reward only in the event that stockholders experience stock price appreciation.

Equity Grants in Fiscal Year 2020

In general, long-term incentive awards granted to each executive officer are determined based on a number of qualitative factors, considered holistically, including an analysis of competitive market data, the officer's degree of responsibility, general level of performance, ability to affect future Company performance, salary level and recent noteworthy achievements, as well as prior years' awards.

During fiscal year 2020, the Committee granted time-based equity awards to our executive officers in the form of stock options and RSUs. The RSUs will vest on the third anniversary of the grant date and the stock options will vest as follows: one-third vests on the first anniversary of the grant date and then 1/36th per month thereafter.

Name	Stock Options (#)	RSUs (#)
Albert D. Bolles, Ph.D	100,000	—
Brian F. McLaughlin (1)	60,000	—
Gregory S. Skinner.....	—	—
James G. Hall	100,000	10,000
Timothy P. Burgess.....	—	17,500
Dawn Kimball	—	17,500

- (1) Mr. McLaughlin's received an award of 25,000 options on January 7, 2020 while serving as interim CFO and an award of 35,000 stock options upon being promoted to CFO permanently on April 1, 2020.

The award to Dr. Bolles, Mr. McLaughlin, Mr. Burgess, and Ms. Kimball had grant date fair values, as disclosed in the Summary Compensation Table, which were below the median compensation of our peer group to reflect their payout potential and the fact that Landec market capitalization is lower than the median peer group market capitalization. The award to Mr. Hall had grant date fair value, as disclosed in the Summary Compensation Table, which was slightly above the median of our peer group to reflect the importance of Lifecore to Landec's future and his strong performance, particularly ensuring that the Lifecore business unit continued to remain and grow its profitability.

VI. Additional Compensation Policies and Practices

Clawback Policy

In May 2014, the Board of Directors adopted an executive compensation clawback policy, which provides for recoupment of executive incentive compensation in the event of certain restatements of the financial results of the Company. Under the policy, in the event of a substantial restatement of the Company's financial results due to material noncompliance with financial reporting requirements, if the Board of Directors determines in good faith that any portion of a current or former executive officer's incentive compensation was paid as a result of such noncompliance, then the Company may recover that portion of such compensation that was based on the erroneous financial data. In determining whether to seek recovery of compensation, the Board of Directors or the Committee may take into account any considerations it deems appropriate, including whether the assertion of a claim may violate applicable law or adversely impact the interests of the Company in any related proceeding or investigation, the extent to which the executive officer was responsible for the error that resulted in the restatement, and the cost and likely outcome of any potential litigation in connection with the Company's attempts to recoup such compensation.

Transactions in Company Securities

Our insider trading policy prohibits our directors, officers, and employees from engaging in certain speculative or hedging transactions in our securities, such as puts, calls, collars, swaps, forward sale contracts, and other derivative securities transactions involving the Company's equity securities, on an exchange or in any other organized market.

Executive Stock Ownership Requirements

To promote a focus on long-term growth and to align the interests of the Company's officers and directors with those of its stockholder, the Board of Directors has adopted stock ownership guidelines requiring certain minimum ownership levels of Common Stock, based on position:

Position	Requirement
CEO	5x base salary
Other executive officers	3x base salary
Non-executive directors	3x annual retainer

For purposes of the guidelines, the value of a share of Common Stock, outstanding options, and/or unvested RSUs is measured as the greater of (i) the then current market price or (ii) the closing price of a share of Common Stock on the date when the stock was acquired.

Newly appointed executive officers have five years from the date they are appointed or promoted to meet these guidelines. In the event of an increase in base salary, the executive officer will have two years from the date of the increase to acquire any additional shares or RSUs needed to meet the guidelines. Until the required ownership level is reached, executive officers are required to retain 50% of net shares acquired upon any future vesting of RSUs and/or exercise of stock options, after deducting shares used to pay any applicable taxes and/or exercise price.

Nonqualified Deferred Compensation Plan

On July 25, 2013, the Board approved the Nonqualified Deferred Compensation Plan (the "Deferral Plan") for non-employee directors and certain participating employees, including the Named Executive Officers. The Deferral Plan is administered by a committee consisting of the CEO and the Chief Financial Officer of the Company or persons designated by them. The Deferral Plan allows non-employee directors to defer up to 100% of the fees earned for their service as director and allows participating employees to defer up to 50% of their base salary and up to 100% of their annual cash bonus. Any amounts deferred by a participating employee are invested on behalf of the participating employee, and any investment returns earned thereon are credited to the participating employee's account. Investment options are determined by the committee that administers the Deferral Plan. Each participating employee may designate the investment option or options for his or her account and may change those investment options at any time.

A participating employee may elect to receive distributions from his or her account beginning in a specified payment year no sooner than three years after the calendar year to which the deferred compensation relates, to be paid in a lump sum or in annual installments not to exceed ten years, according to the participating employee's election. This election is made at the time when the participating employee makes an election to defer compensation. The participating employee may subsequently elect to delay the year in which deferred compensation is paid, provided that such election must be made at least 12 months before the year in which payment was previously scheduled to occur, must specify a new payment year that is at least five years after the year in which payment was to be made and will not take effect for 12 months. A participating employee will also receive distributions in accordance with his or her deferral elections, which may include a specified payment date, and upon a separation from service, death, disability and/or a change in control of Landec.

The Company has the discretion, but not the obligation, to make contributions to the Deferral Plan for the benefit of the participating employees, subject to the terms and conditions of the Deferral Plan.

401(k) Plan and Other Generally Available Benefit Programs

Landec maintains a tax-qualified 401(k) plan which provides for broad-based employee participation. Under the 401(k) Plan, all Landec employees are eligible to receive matching contributions from Landec. The 401(k) Plan is a safe harbor plan (as defined in the Code) with a safe harbor match of 100% on the first 3% of deferrals and 50% on the next 2% of each participant's pretax contributions; and the match is calculated and paid to participants' accounts on a payroll-by-payroll basis, subject to applicable federal limits. The 401(k) Plan does not have an associated vesting schedule. Landec also makes an annual "reconciling match" by recalculating the regular matching contribution as if it were paid on an annualized, instead of on a payroll-by-payroll, basis. If the annualized matching contribution would have been higher, Landec makes a contribution to the participant's account in an amount equal to the difference between the two amounts. Other than the 401(k) Plan, Landec does not provide defined benefit pension plans or defined contribution retirement plans to its executives or other employees.

Landec also offers a number of other benefits to the Named Executive Officers pursuant to benefit programs that provide for broad-based employee participation. These benefit programs include medical, dental and vision insurance, long-term and short-term disability insurance, life and accidental death and dismemberment insurance, health and dependent care flexible spending accounts, wellness programs, educational assistance and certain other benefits.

The 401(k) Plan and other generally available benefit programs allow Landec to remain competitive with respect to employee talent, and Landec believes that the availability of the benefit programs generally enhances employee productivity and loyalty to Landec. The main objectives of Landec's benefit programs are to give our employees access to quality healthcare, financial protection from unforeseen events, assistance in achieving retirement financial goals and enhanced health and productivity. These generally available benefits typically do not specifically factor into decisions regarding an individual executive's total compensation or equity award package.

Employment Agreements

Chief Executive Officer

On May 23, 2019, the Company entered into an executive employment agreement with Dr. Bolles setting forth the terms of his employment. This agreement was set to expire on May 29, 2022 unless renewed or extended by both parties and provided that Dr. Bolles shall be paid an annual base salary of \$620,000 and would participate in the annual Cash Incentive Award Plan and the LTI plan. Dr. Bolles is also eligible for grants of equity-based awards at such times and in such amounts as determined by the Committee.

In making decisions with respect to Dr. Bolles' salary, target bonus and equity compensation grant, the Committee relied on the peer group data described above and gave considerable weight to the CEO's ability to drive performance necessary to achieve our transformational corporate objectives and to deliver value to our stockholders.

Dr. Bolles agreed, as part of the Bolles Agreement (defined below), not to solicit, induce, recruit, encourage or take away employees or consultants of the Company during his employment and for a period of two years following his termination.

Chief People Officer

On October 14, 2019, the Company entered into an executive employment agreement with Ms. Kimball (the "Kimball Agreement") setting forth the terms of her employment. The Kimball Agreement expires on December 31, 2021 unless renewed or extended by both parties, and provides that Ms. Kimball shall be paid an annual base salary of \$300,000 through the term of the Kimball Agreement (unless modified by the Committee), and participate in the annual Cash Incentive Award Plan and LTI plan. Ms. Kimball is also eligible for grants of equity-based awards at such times and in such amounts as determined by the Committee.

Ms. Kimball agreed, as part of the Kimball Agreement, not to solicit, induce, recruit, encourage or take away employees or consultants of the Company during her employment and for a period of two years following her termination.

Former Chief Financial Officer

On January 31, 2019, the Company entered into a new executive employment agreement with Mr. Skinner (the "Skinner Agreement") setting forth the terms of his employment. The Skinner Agreement provided that Mr. Skinner would be paid an annual base salary of \$418,000 through the term of the Skinner Agreement (unless modified by the Committee), and continue to participate in the annual Cash Incentive Award Plan and LTI plan. Mr. Skinner was also eligible for grants of equity-based awards at such times and in such amounts as determined by the Committee. Mr. Skinner separated from the Company effective January 8, 2020 and in connection with his separation received the following severance benefits which are described in the section entitled "Employment Contracts and Potential Payments upon Termination or Change in Control" below.

For a description of the potential payments upon termination or a change in control based on the agreements that were in effect in for fiscal year 2020, see the section entitled "Employment Contracts and Potential Payments upon Termination or Change in Control" below. In addition for fiscal year 2021 we amended Dr. Bolles' employment agreement and adopted a new severance plan as described below.

Fiscal Year 2021 Announcements

CEO - Amended and Restated Employment Agreement

On July 23, 2020, the Board approved entering into an amended and restated employment agreement with Albert D. Bolles, Ph.D., the Company's President and CEO (the "Bolles Agreement"). The amended employment agreement supersedes and replaces Dr. Bolles' prior employment agreement and revises the prior agreement in the following material respects. The term of the amended employment agreement begins on July 23, 2020 and ends on July 23, 2023, at which point the agreement will expire unless renewed or extended by the written consent of both parties.

Under the Bolles Agreement, in the event that Dr. Bolles' employment is terminated by the Company without "cause" or by Dr. Bolles for "good reason", in either case, on or within two years following a "change in control", subject to the execution and non-revocation of a general release of claims in favor of the Company, Dr. Bolles will be eligible to receive the following payments and benefits: a cash payment equal to the sum of (i) Dr. Bolles' then-current annual base salary, plus (ii) his target cash performance bonus for the year in which the termination occurs, to be paid in substantially equal installments over the 18-month period following the termination date; a cash payment equal to Dr. Bolles' pro-rated target cash performance bonus for the year in which the termination occurs; Company-subsidized COBRA premium payments for Dr. Bolles and his covered dependents for up to the maximum period permitted under COBRA; and full accelerated vesting of all outstanding Company equity awards, with performance-based awards vesting at target performance values (unless otherwise specified in the applicable award agreement). Dr. Bolles' right to receive the severance payments and benefits described above is subject to his delivery and, as applicable, non-revocation of a general release of claims in our favor and his continued compliance with any applicable restrictive covenants. In addition, in the event that any payment under the Bolles Agreement, together with any other amounts paid to Dr. Bolles by us, would subject the executive to an excise tax under Section 4999 of the Internal Revenue Code, such payments will be reduced to the extent that such reduction would produce a better net after-tax result for him.

Executive Change in Control Severance Plan

On July 23, 2020, the Board of Directors of the Company adopted the Landec Corporation Executive Change in Control Severance Plan (the "Severance Plan"). The Severance Plan provides for the payment of cash severance and other benefits to our executives, including Brian McLaughlin, James Hall, Timothy Burgess and Dawn Kimball in the event of a qualifying termination of employment with us in connection with a change in control.

Under the Severance Plan, in the event of a termination of an executive's employment by us without "cause" or by the executive for "good reason", in either case, on or within two years following a "change in control", the executive will be eligible to receive the following payments and benefits: a cash payment equal to the sum of 1.0 times (or, for Mr. Burgess, 0.75 times) (i) the executive's then-current annual base salary, plus (ii) the executive's target cash performance bonus for the year in which the termination occurs, to be paid in a lump sum within 60 days following the executive's termination; a cash payment equal to the executive's pro-rated target cash performance bonus for the year in which the termination occurs; Company-subsidized COBRA premium payments for the executive and his or her covered dependents for up to 12 months; and full accelerated vesting of all outstanding Company equity awards, with performance-based awards vesting at target performance values (unless otherwise specified in the applicable award agreement).

The executive's right to receive the severance payments and benefits described above is subject to the executive's delivery and, as applicable, non-revocation of a general release of claims in our favor and the executive's continued compliance with any applicable restrictive covenants. In addition, in the event that any payment under the Severance Plan, together with any other amounts paid to the executive by us, would subject the executive to an excise tax under Section 4999 of the Internal Revenue Code, such payments will be reduced to the extent that such reduction would produce a better net after-tax result for the executive.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis for fiscal year 2020. Based on the review and discussions, the Compensation Committee recommended to the Board of Directors, and the Board of Directors has approved, that the Compensation Discussion and Analysis be included in Landec's Proxy Statement for its 2020 Annual Meeting of Stockholders and incorporated into our Annual Report on Form 10-K for the fiscal year ended May 31, 2020.

This report is submitted by the Compensation Committee:

Deborah Carosella (Chairperson)
Craig Barbarosh
Nelson Obus
Catherine A. Sohn, Pharm.D.

The foregoing report shall not be deemed to be "soliciting material" or "filed" with the SEC or subject to the liabilities of Section 18 of the Exchange Act, except to the extent that Landec specifically incorporates it by reference into a document filed under the Securities Act or the Exchange Act.

EXECUTIVE COMPENSATION AND RELATED INFORMATION

Summary Compensation

The following table shows compensation information for fiscal years 2020, 2019 and 2018 for the Named Executive Officers.

Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Stock Awards (\$ (1))	Option Awards (\$ (2))	Non-Equity Incentive Plan Compensation (\$ (3))	All Other Compensation (\$ (4))	Total (\$)
Albert D. Bolles, Ph.D.	2020	620,000	—	267,611	—	92,698	980,308
President and CEO	2019	4,769	574,246	348,451	—	77,500	1,004,966
Brian F. McLaughlin.....	2020	303,426	—	146,821	—	46,686	496,932
Vice President of Finance and Administration, Chief Financial Officer	2019	285,000	105,917	134,539	26,129	51,450	603,035
Gregory S. Skinner (5).....	2020	262,054	—	—	—	524,427	786,481
Former Executive Vice	2019	380,000	231,222	63,711	159,058	25,124	859,115
President of Finance and Administration, Chief Financial Officer	2018	380,000	88,550	59,774	189,436	24,074	741,834
James G. Hall	2020	341,586	105,600	259,912	218,400	34,698	960,196
President of Lifecore	2019	293,600	310,965	57,958	148,200	32,118	842,841
Biomedical and Vice President of Landec	2018	285,000	350,000	232,245	146,838	32,067	1,046,150
Timothy P. Burgess.....	2020	323,750	190,225	—	—	63,878	577,853
Senior Vice President of Supply Chain of Curation Foods and Vice President of Landec							
Dawn Kimball.....	2020	203,295	159,075	—	—	18,584	380,955
Senior Vice President of Human Resources and Chief People Officer							

(1) Amounts shown do not reflect compensation actually received by the Named Executive Officer. Instead, the amounts shown are the aggregate grant date fair value of RSUs granted during fiscal year 2020 computed for financial statement reporting purposes in accordance with ASC 718.

(2) Amounts shown do not reflect compensation actually received by the Named Executive Officer. Instead, the amounts shown are the aggregate grant date fair value of stock options granted during fiscal year 2020 computed for financial statement reporting purposes in accordance with ASC 718. The assumptions used to calculate the value of stock option awards are set forth under Note 1 and Note 6 of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended May 31, 2020.

- (3) Amounts consist of bonuses earned for meeting and/or exceeding financial performance targets in fiscal years 2020, 2019 and 2018 under the Company's annual Cash Incentive Award Plans. The bonus earned by Mr. Skinner in fiscal year 2019 was deferred by him pursuant to the Deferral Plan. For fiscal year 2020, Mr. Hall is the only executive that received cash incentive compensation. The Compensation Committee determined on July 23, 2020 (subsequent to fiscal year 2020) that, in addition to the earned cash incentive, Mr. Hall would receive a bonus of 12% of target bonus in the form of RSUs, specifically, 3,574 RSUs.
- (4) Amounts consist of Company-paid life insurance and an employer 401(k) match for all Named Executive Officers. The amount shown for Mr. Hall also includes Company-paid disability insurance for which Mr. Hall is the beneficiary. The amounts shown for Mr. McLaughlin include \$26,000 and for Ms. Kimball of \$4,985 for temporary housing allowance. Dr. Bolles had \$51,590 and Mr. Burgess had \$38,850 in relocation expense reimbursement. The amounts shown for Mr. Skinner also includes severance pay of \$418,000 and COBRA health insurance benefits of \$46,105 and earnings of \$1,226 from the Deferral Plan in fiscal year 2020. In addition 2019 and 2018 have been updated to correctly reflect the added value of the Company's executive benefit program ("Armada Care Plan") for Messrs. McLaughlin, Skinner and Hall. In 2019 the amount for Mr. McLaughlin was \$11,052, Mr. Skinner was \$13,164 and Mr. Hall was \$18,372 while in 2018 the amount for Mr. Skinner was \$12,900 and Mr. Hall was \$17,736.
- (5) Mr. Skinner separated from the Company on January 6, 2020. In connection with the termination of his employment, Mr. Skinner received certain severance benefits, the details of which have been provided under the heading "Former Chief Financial Officer" below.

Grants of Plan-Based Awards

The following table shows all plan-based awards granted to the Named Executive Officers during fiscal year 2020. The option awards and the unvested portion of the stock awards identified in the table below are also reported in the “Outstanding Equity Awards at Fiscal 2020 Year-End” table on the following page.

Grants of Plan-Based Awards

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			All Other Stock Awards: Number of Shares Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/share)	Grant Date Fair Value of Stock and Option Awards (\$)(2)
		Threshold (\$)	Target (\$)	Maximum (\$)				
Albert D. Bolles, Ph.D.....	5/27/2020	—	620,000	930,000	—	—	—	—
					—	100,000	11.20	267,611
Brian F. McLaughlin	4/1/2020	—	210,000	315,000	—	—	—	—
	1/7/2020				—	35,000	9.77	81,843
					—	25,000	10.12	64,978
Greg S. Skinner.....		—	250,800	376,200	—	—	—	—
James G. Hall.....	1/7/2020	28,000	280,000	638,400	—	—	—	—
	8/5/2019				—	100,000	10.12	259,912
					10,000	—	—	105,600
Timothy P. Burgess	7/25/2019	—	162,500	243,750	—	—	—	—
					17,500	—	—	190,225
Dawn Kimball.....	10/15/2019	—	150,000	225,000	—	—	—	—
					17,500	—	—	159,075

- (1) Amounts shown are estimated payouts for fiscal year 2020 to the Named Executive Officers under the 2020 Cash Incentive Award Plan. The target amount is based on a percentage of the individual’s fiscal year 2020 base salary. With the exception of Mr. Hall, none of the Named Executive Officers received a cash incentive award for fiscal year 2020. For more information on these awards, including the amounts actually paid, see “Compensation Discussion and Analysis-Annual Cash Incentive Award Plan.” With respect to Mr. Hall, the “threshold” bonus was eligible to be earned based on the achievement of the minimum performance goals.
- (2) The value of a stock award or option award is based on the fair value as of the grant date of such award determined pursuant to ASC 718. Stock awards consist only of RSUs. The assumptions used to calculate the value of stock option awards are set forth under Note 1 and Note 6 of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended May 31, 2020. Regardless of the value placed on a stock option on the grant date, the actual value of the option will depend on the market value of the Common Stock at such date in the future when the option is exercised. Stock option awards provide that one-third vests on the first anniversary of the grant date and then 1/36th per month thereafter, therefore all options are fully vested three years after the date of grant, subject to continued employment. RSUs typically vest on the third anniversary of the date of grant, subject to continued employment.

Equity Awards

The following table shows all outstanding equity awards held by the Named Executive Officers at the end of fiscal year 2020. The awards for fiscal year 2020 identified in the table below are also reported in the “Grants of Plan-Based Awards” table.

Outstanding Equity Awards at Fiscal 2020 Year End

Name	Grant Date	Option Awards				Stock Awards			
		Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable (#) (1)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#) (2)	Market Value of Shares or Units of Stock That Have Not Vested (\$ (3)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Rights That Have Not Vested (#) (4)	Equity Incentive Plan Awards: Market Value of Unearned Shares, Units or Rights That Have Not Vested (\$ (3)
Albert D. Bolles, Ph.D.	5/27/2020	—	100,000	11.20	5/27/2027	—	—	—	—
	5/23/2019	53,460	108,540	9.35	5/23/2026	55,000	586,850	—	—
Brian F. McLaughlin.....	4/1/2020	—	35,000	9.77	4/1/2027	—	—	—	—
	1/7/2020	—	25,000	10.12	1/7/2027	—	—	—	—
	1/30/2019	18,846	11,993	12.76	1/30/2026	—	—	—	—
	7/25/2018	6,875	4,375	14.35	7/25/2025	—	—	—	—
	10/19/2017	12,916	2,084	12.65	10/19/2024	5,000	53,350	—	—
	5/25/2016	15,000	—	11.36	5/25/2023	—	—	—	—
Gregory S. Skinner.....	10/15/2015	30,000	—	12.78	10/15/2022	—	—	—	—
	7/25/2018	18,550	—	14.35	7/25/2025	—	—	—	—
	10/19/2017	21,000	—	12.65	10/19/2024	—	—	—	—
	5/28/2015	45,000	—	14.39	5/28/2022	—	—	—	—
James G. Hall	6/7/2013	30,000	—	14.30	6/7/2020	—	—	—	—
	1/7/2020	—	100,000	10.12	1/7/2027	—	—	—	—
	8/5/2019	—	—	—	—	10,000	106,700	—	—
	7/25/2018	10,312	6,563	14.35	7/25/2025	5,625	60,019	—	—
	7/25/2018	—	—	—	—	—	—	9,045	96,510
	6/1/2017	72,916	2,084	14.00	6/1/2024	25,000	266,750	—	—
	5/25/2016	15,000	—	11.36	5/25/2023	—	—	—	—
5/28/2015	15,000	—	14.39	5/28/2022	—	—	—	—	
Timothy P. Burgess.....	7/25/2019	—	—	—	—	17,500	186,725	—	—
Dawn Kimball.....	10/15/2019	—	—	—	—	17,500	186,725	—	—
	10/12/2018	7,881	7,119	12.95	10/12/2025	5,000	53,350	—	—

(1) Options granted prior to fiscal year 2020 vest at the rate of 1/36 per month over a three-year period from date of grant. Options granted in fiscal year 2020 vest one-third on the first anniversary of the grant date and then 1/36th per month thereafter.

- (2) The RSUs typically vest on the third anniversary of the date of grant. Mr. Skinner separated from the Company in January 2020. In connection with his termination of employment with the Company, Mr. Skinner received certain severance benefits including the acceleration of vesting of certain RSUs previously granted, the details of which are provided under the heading “Former Chief Financial Officer” below.
- (3) Value is based on the closing price of the Common Stock of \$10.67 on May 29, 2020 (the last trading day of our fiscal year) as reported on the NASDAQ Global Select Market.
- (4) RSUs will vest based on the achievement of an earnings per share goal for fiscal year 2021. The number of RSUs that are eligible to vest range from 50% - 150% of the target number of RSUs (reported in the table), based on the actual achievement of the earnings per share goal (ranging from 80% of the target goal to 150% of the target goal). If the Company achieves less than the minimum performance goal, then none of the RSUs will vest.

Option Exercises and Stock Vested

The following table shows all stock options exercised and the value realized upon exercise and the number of stock awards vested and the value realized upon vesting by the Named Executive Officers during fiscal year 2020.

Option Exercises and Stock Vested For Fiscal 2020

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$ (1))	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
Albert D. Bolles, Ph.D.	—	—	4,240	42,018
Gregory S. Skinner (2).....	—	—	13,183	146,595

- (1) The value realized equals the difference between the option exercise price and the fair market value of the Common Stock on the date of exercise, multiplied by the number of shares for which the option was exercised.
- (2) Mr. Skinner separated from the Company in January 2020. In connection with his termination of employment with the Company, Mr. Skinner received certain severance benefits including the acceleration of vesting of certain RSUs previously granted, the details of which are provided under the heading “Former Chief Financial Officer” below.

Nonqualified Deferred Compensation

The following table shows all compensation deferred by the Named Executive Officers, and earnings on such deferred compensation, under the Deferral Plan during fiscal year 2020.

Nonqualified Deferred Compensation

Name	Executive Contributions in Fiscal Year 2020 (\$ (1))	Registrant Contributions in Fiscal Year 2020 (\$)	Aggregate Earnings in Fiscal Year 2020 (\$ (2))	Aggregate Withdrawals in Fiscal Year 2020 (\$)	Aggregate Balance at End of Fiscal Year 2020 (\$)
Albert D. Bolles, Ph. D.	—	—	—	—	—
Brian F. McLaughlin.....	—	—	—	—	—
Gregory S. Skinner	—	—	1,226	—	160,284
James G. Hall.....	—	—	—	—	—
Timothy P. Burgess.....	—	—	—	—	—
Dawn Kimball.....	—	—	—	—	—

- (1) Contributions reported in this column are reported as compensation in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table.
- (2) Amounts reported in this column represent the aggregate earnings accrued and credited to a Named Executive Officer’s account during fiscal year 2020.

See the section entitled “Additional Compensation Policies and Practices - Nonqualified Deferred Compensation Plan” in the CD&A for a description of the Deferral Plan.

Potential Payments upon Termination or Change in Control

The following describes the potential payments upon termination or change in control, based on the arrangements in effect for fiscal year 2020.

If Dr. Bolles is terminated without cause or if he terminates his employment for good reason (generally, any relocation of Dr. Bolles' place of employment, reduction in salary, reduction in his target bonus amount or material reduction of his duties or authority), Dr. Bolles will receive a severance payment equal to 100% of his annual base salary over a twelve month period, a pro-rated portion of any annual cash incentive award to which he is entitled and a one-year acceleration of his unvested stock options and other equity awards, and the Company will pay the monthly premiums for health insurance coverage for Dr. Bolles (and his spouse and eligible dependents) for the maximum period permitted under COBRA or until such earlier time as Dr. Bolles receives substantially equivalent health insurance coverage in connection with new employment. In addition, the Bolles Agreement provides that if Dr. Bolles is terminated without cause or terminates his employment for good reason within two (2) years following a "change of control," Dr. Bolles will receive a severance payment equal to 150% of his annual base salary over a twelve month period, a pro-rated portion of any annual cash incentive award to which he is entitled, full vesting of all of Dr. Bolles' unvested stock options and other equity awards and the Company will pay the monthly premiums for health insurance coverage for Dr. Bolles (and his spouse and eligible dependents) for the maximum period permitted under COBRA or until such earlier time as Dr. Bolles receives substantially equivalent health insurance coverage in connection with new employment.

Upon Dr. Bolles death or disability, the Company shall pay Dr. Bolles or his estate his unpaid base salary and the pro rata portion of his annual cash incentive award through the date of termination (which, for fiscal year 2020 was \$0).

If Ms. Kimball is terminated without cause or if she terminates her employment for good reason (generally, any relocation of Ms. Kimball's place of employment, reduction in salary, reduction in her target bonus amount or material reduction of her duties or authority), Ms. Kimball will receive a severance payment equal to 100% of her annual base salary over a twelve month period, a pro-rated portion of any annual cash incentive award to which she is entitled and a one-year acceleration of her unvested stock options and other equity awards, and the Company will pay the monthly premiums for health insurance coverage for Ms. Kimball (and her spouse and eligible dependents) for the maximum period permitted under COBRA or until such earlier time as Ms. Kimball receives substantially equivalent health insurance coverage in connection with new employment.

If Dr. Bolles' or Ms. Kimball's employment with the Company had been terminated without cause or for good reason not in connection with a change of control of the Company on May 31, 2020, the last day of the 2020 fiscal year, Dr. Bolles and Ms. Kimball would have received the following severance benefits under the Bolles Agreement and Kimball Agreement, respectively:

<u>Name</u>	<u>Base Salary (1)</u>	<u>Bonus Payment</u>	<u>Accelerated Vesting of Options (2)</u>	<u>Accelerated Vesting of RSUs (3)</u>	<u>Post-Termination Health Insurance Premiums (4)</u>	<u>Total</u>
Albert D. Bolles, Ph. D. ..	\$ 620,000	\$ —	\$ 47,758	\$ 396,057	\$ 72,146	\$ 1,135,960
Dawn Kimball.....	\$ 300,000	\$ —	\$ —	\$ 148,162	\$ 48,448	\$ 496,609

- (1) Reflects potential payments based on 100% of salaries as of May 31, 2020.
- (2) Reflects value of shares that are in the money (exercise price below stock price as of May 31, 2020). For stock options out of the money (exercise price above stock price as of May 31, 2020), there is no value to the acceleration for those options.
- (3) Accelerating the vesting of the outstanding RSUs by one year would result in 37,119 and 13,886 of the currently outstanding RSUs vesting as of May 31, 2020 for each of Dr. Bolles and Ms. Kimball respectively. The value is based on the closing price of the Common Stock of \$10.67 on May 29, 2020 (the last trading day of our fiscal year) as reported on the NASDAQ Global Select Market.
- (4) Represents the maximum amount of premiums that would have been paid under COBRA.

If Dr. Bolles' or Ms. Kimball's employment with the Company had been terminated due to his or her death or disability on May 31, 2020, the last day of the 2020 fiscal year, each would have received only the unpaid base salary at the time of termination since neither Dr. Bolles nor Ms. Kimball received an annual cash incentive award in fiscal year 2020.

If Dr. Bolles' employment with the Company had been terminated without cause or for good reason in connection with a change of control of the Company on May 31, 2020, the last day of the 2020 fiscal year, Dr. Bolles would have received the following severance benefits under the Bolles Agreement, set forth above:

<u>Name</u>	<u>Base Salary (1)</u>	<u>Bonus Payment</u>	<u>Accelerated Vesting of Options (2)</u>	<u>Accelerated Vesting of RSUs (3)</u>	<u>Post-Termination Health Insurance Premiums (4)</u>	<u>Total</u>
Albert D. Bolles, Ph. D....	\$ 930,000	\$ —	\$ 213,840	\$ 586,850	\$ 72,146	\$ 1,802,836

- (1) Reflects potential payments based on 150% of base salary as of May 31, 2020.
- (2) Reflects value of shares that are in the money (exercise price below stock price as of May 31, 2020). For stock options out of the money (exercise price above stock price as of May 31, 2020), there is no value to the acceleration for those options.
- (3) Accelerating the vesting of all outstanding RSUs would result in 55,000 of the currently outstanding RSUs vesting as of May 31, 2020 for Dr. Bolles. The value is based on the closing price of the Common Stock of \$10.67 on May 29, 2020 (the last trading day of our fiscal year) as reported on the NASDAQ Global Select Market.
- (4) Represents the maximum amount of premiums that would have been paid under COBRA.

Former Chief Financial Officer

Mr. Skinner separated from the Company effective January 8, 2020 and in connection with his separation received the following severance benefits in accordance with his employment agreement:

<u>Name</u>	<u>Base Salary (1)</u>	<u>Bonus Payment</u>	<u>Accelerated Vesting of Options (2)</u>	<u>Accelerated Vesting of RSUs (3)</u>	<u>Post-Termination Health Insurance Premiums (4)</u>	<u>Total</u>
Greg Skinner.....	\$ 418,000	\$ —	\$ —	\$ 146,595	\$ 46,105	\$ 610,700

- (1) Reflects payments based on 100% of his salary as of January 8, 2020, per the terms of the Skinner Agreement.
- (2) Stock options were out of the money (exercise price above stock price as of January 8, 2020, termination date), and therefore there is no value to the acceleration for those options.
- (3) Accelerating the vesting of all outstanding RSUs resulted in the immediate vesting of 13,183 of the currently outstanding RSUs.
- (4) Represents estimated premiums to be paid under COBRA and the Armada Care Plan.

CEO Pay Ratio

The following table sets forth the ratio of the total compensation of the Company's CEO, Albert D. Bolles, to that of our median compensated employee for the fiscal year ended May 31, 2020.

CEO total annual compensation	\$	980,308
Median Employee total annual compensation	\$	57,009
Ratio of CEO to Median Employee total annual compensation		17:1

To determine the CEO's total annual compensation, we used the amount reported in the 2020 "Total" column of our Summary Compensation Table included in this Proxy Statement. In determining the median compensated employee, we excluded our two employees in Canada from the total number of employees employed by the Company as of May 31, 2020. We used base salary and actual bonus as the consistently applied compensation metric to determine the median compensated employee. If this resulted in more than one individual at the median level, we assessed the grant date fair value of standard equity awards for these individuals and selected the employee with the median award value. After identifying the median

compensated employee, we calculated annual total compensation according to the methodology used to report the annual compensation of our Named Executive Officers in the Summary Compensation Table.

RELATED PARTY TRANSACTIONS

Policies and Procedures with Respect to Related Party Transactions

The Audit Committee, all of whose members are independent directors, reviews, approves and/or ratifies all related party transactions (other than compensation transactions). In reviewing related party transactions, the Audit Committee takes into account factors it deems appropriate, such as whether the related party transaction is on terms no less favorable than terms generally available to an unrelated third party under the same or similar conditions and the extent of the related party's interest in the transaction. To identify related party transactions, each year we require our executive officers and directors to complete a questionnaire identifying any transactions between the Company and the respective executive officer or director and their family members or affiliates. Additionally, under the Company's Code of Ethics, directors, officers and all other employees and consultants are expected to avoid any relationship, influence or activity that would cause, or even appear to cause, a conflict of interest.

Certain Relationships and Related Transactions

Curation Foods sells products to and earns license fees from Windset Holding 2010 Ltd., a Canadian corporation ("Windset"). Curation Foods holds a 26.9% equity interest in Windset. During fiscal year 2020, Curation Foods recognized \$0.6 million of revenues from Windset.

DELINQUENT SECTION 16(A) REPORTS

Section 16(a) of the Exchange Act requires the Company's directors and executive officers, and persons who own more than ten percent of a registered class of the Company's equity securities to file with the SEC initial reports of ownership and reports of changes in ownership of Common Stock and other equity securities of the Company. Officers, directors and holders of more than ten percent of the Company's Common Stock are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file.

To the Company's knowledge, based solely upon review of the copies of such reports filed with the SEC and written representations that no other reports were required, during the fiscal year ended May 31, 2020 all Section 16(a) filing requirements applicable to the Company's officers, directors and holders of more than ten percent of the Company's Common Stock were satisfied, except for (i) one late Form 4 for James Hall, filed on June 4, 2020, with respect to two transactions, (ii) one amendment on Form 4 for Steven Goldby, filed on May 30, 2019, with respect to one transaction, and (iii) one amendment on Form 4 for Molly Hemmeter, filed on May 29, 2019, with respect to one transaction.

INCORPORATION BY REFERENCE

Notwithstanding anything to the contrary set forth in any of our previous filings under the Securities Act of 1933, as amended, or the Exchange Act, which might incorporate future filings made by us under those statutes, the preceding Compensation Committee Report and Audit Committee Report will not be incorporated by reference into any of those prior filings, nor will any such reports be incorporated by reference into any future filings made by us under those statutes. In addition, information on our website, other than this Proxy Statement, the Notice of Annual Meeting and form of proxy, is not part of the proxy soliciting material and is not incorporated herein by reference.

OTHER MATTERS

The Board of Directors knows of no other matters to be submitted to the stockholders at the annual meeting. If any other matters properly come before the meeting, then the persons named in the enclosed form of proxy will vote the shares they represent in such manner as the Board of Directors may recommend.

It is important that the proxies be returned promptly and that your shares be represented. Stockholders are urged to mark, date, execute and promptly return the accompanying proxy card in the enclosed envelope or vote their shares by telephone or via the Internet.

BY ORDER OF THE BOARD OF DIRECTORS

/s/ Brian McLaughlin

BRIAN MCLAUGHLIN
Secretary

Santa Maria, California
August 31, 2020

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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended May 31, 2020, or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition period from _____ to _____.

Commission file number: **000-27446**

LANDEC CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

94-3025618

(State or other jurisdiction of incorporation or organization)

(IRS Employer Identification Number)

2811 Airpark Drive

Santa Maria, California

(Address of principal executive offices)

93455

(Zip Code)

Registrant's telephone number, including area code: **(650) 306-1650**

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$.001 per share	LNDC	The NASDAQ Global Select Stock Market

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	<input type="checkbox"/>	Accelerated Filer	<input checked="" type="checkbox"/>
Non Accelerated Filer	<input type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>
		Emerging Growth Company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of voting stock held by non-affiliates of the Registrant was approximately \$295,750,000 as of November 24, 2019, the last business day of the registrant's most recently completed second fiscal quarter, based upon the closing sales price on The NASDAQ Global Select Market reported for such date. Shares of Common Stock held by each officer and director and by each person who owns 10% or more of the outstanding Common Stock have been excluded from such calculation in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of August 10, 2020, there were 29,241,889 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement relating to its 2020 Annual Meeting of Stockholders (the "Proxy Statement") to be filed with the Securities and Exchange Commission not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K, are incorporated herein by reference where indicated. Except with respect to information specifically incorporated by reference in this Annual Report on Form 10-K, the Proxy Statement is not deemed to be filed as part hereof.

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LANDEC CORPORATION
ANNUAL REPORT ON FORM 10-K

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Form 10-K

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Cautionary Note About Forward-Looking Statements

This Annual Report on Form 10-K, including “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” contains forward-looking statements regarding future events and our future results that are subject to the safe harbor created under the Private Securities Litigation Reform Act of 1995 and other safe harbors under the Securities Act of 1933 and the Securities Exchange Act of 1934. Words such as “anticipate”, “estimate”, “expect”, “project”, “plan”, “intend”, “believe”, “may”, “might”, “will”, “should”, “can have”, “likely” and similar expressions are used to identify forward-looking statements. All forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those that we expected. Potential risks and uncertainties include, without limitation, the timing and expenses associated with operations, the ability to achieve acceptance of our new products in the market place, weather conditions that can affect the supply and price of produce, government regulations affecting our business, uncertainties related to COVID-19 and the impact of our responses to it, the timing of regulatory approvals, the ability to successfully integrate Yucatan Foods into the Curation Foods business, the mix between domestic and international sales, and those other risks mentioned in Item 1A. “Risk Factors” of this report.

We derive many of our forward-looking statements from our operating budgets and forecasts, which are based upon detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and it is impossible for us to anticipate all factors that could affect our actual results. Accordingly, our actual results could differ materially from those projected in the forward-looking statements for many reasons, including the risk factors listed in Item 1A. “Risk Factors” of this report.

All forward-looking statements attributable to us are expressly qualified in their entirety by these cautionary statements as well as others made in this report and hereafter in our other SEC filings and public communications.

You should evaluate all forward-looking statements made by us in the context of all risks and uncertainties described with respect to our business. We caution you that the risks and uncertainties identified by us may not be all of the factors that are important to you. Furthermore, the forward-looking statements included in this report are made only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

PART I

Item 1. *Business*

Corporate Overview

Landec Corporation and its subsidiaries (“Landec,” the “Company”, “we” or “us”) design, develop, manufacture, and sell differentiated products for food and biomaterials markets, and license technology applications to partners.

Landec’s natural food company, Curation Foods, Inc. (“Curation Foods”) is focused on innovating and distributing plant-based foods with 100% clean ingredients to retail, club and foodservice channels throughout North America. Curation Foods is able to maximize product freshness through its geographically dispersed family of growers, refrigerated supply chain and patented BreatheWay® packaging technology.

Landec’s biomedical company, Lifecore Biomedical, Inc. (“Lifecore”), is a fully integrated contract development and manufacturing organization (“CDMO”) that offers highly differentiated capabilities in the development, fill and finish of sterile, injectable pharmaceutical products in syringes and vials. As a leading manufacturer of premium, injectable grade Hyaluronic Acid, Lifecore brings 35 years of expertise as a partner for global and emerging biopharmaceutical and biotechnology companies across multiple therapeutic categories to bring their innovations to market.

Landec was incorporated in California on October 31, 1986 and reincorporated as a Delaware corporation on November 6, 2008. Landec’s common stock is listed on The NASDAQ Global Select Market under the symbol “LNDC”. The Company’s principal executive offices are located at 2811 Airpark Drive Santa Maria, California 93455, and the telephone number is (650) 306-1650.

Reportable Segments

Landec has three reportable business segments – Curation Foods, Lifecore and Other, which are described below. During the fourth quarter of fiscal years 2019 and 2018 the Company discontinued its Now Planting[®] and Food Export businesses, respectively. The operating results for the Now Planting and Food Export businesses are presented as discontinued operations in the Company's accompanying Consolidated Financial Statements and the financial results for fiscal years 2020, 2019, and 2018.

Curation Foods

Curation Foods Overview

Based in Santa Maria, California, Curation Foods' primary business is the processing, marketing and selling of fresh packaged plant based salads and vegetables. Curation Foods serves as the corporate umbrella for its patented BreatheWay[®] packaging technology and for its portfolio of four natural food brands, including the Company's legacy and flagship brand Eat Smart[®] as well as its three more recently acquired natural food brands, *O Olive Oil & Vinegar*[®] ("O") products, and Yucatan[®] and Cabo Fresh authentic guacamole and avocado products. The major distinguishing characteristics of Curation Foods that provide competitive advantage are insight driven product innovation, diversified fresh food supply chain, refrigerated supply chain and customer reach. We believe that Curation Foods is well positioned as a single source of a broad range of products. Curation Foods also has three East Coast processing facilities and five East Coast distribution centers for nationwide delivery of all of its packaged salads and vegetable products. Our products are currently available in over 86% of retail and club stores across North America.

During fiscal 2019, the Company redefined the strategy for its Curation Foods segment in order to improve the Company's overall profitability by launching Project SWIFT, a value creation program designed to transform the Curation Foods business by simplifying the business, realigning its resources and seeking to improve the Company's balance sheet through three strategic priorities - optimizing its operations networks, maximizing strategic assets and redesigning the organization to be more competitive.

Curation Foods Brands

Eat Smart: The Company sells specialty fresh packaged Eat Smart branded and private label salads, fresh-cut vegetables and whole produce to retailers, club stores, and food service operators, primarily in the United States and Canada. Within the Eat Smart brand, produce is processed by trimming, washing, sorting, blending, and packaging into bags and trays.

O Olive Oil & Vinegar: The Company acquired *O* on March 1, 2017. *O*, founded in 1995, is based in Petaluma, California, and is the premier producer of California specialty olive oils and wine vinegars. Its products are sold in natural food, conventional grocery and mass retail stores, primarily in the United States and Canada.

Yucatan & Cabo Fresh Avocado Products: The Company acquired Yucatan Foods on December 1, 2018. Yucatan Foods was founded in 1991. As part of the acquisition of Yucatan Foods, Curation Foods acquired the newly built production facility in Guanajuato, Mexico. The Yucatan Foods business added a double-digit growth platform, a lower-cost infrastructure in Mexico, and higher margin product offerings that generally exhibit less sourcing volatility. The Company manufactures and sells Yucatan and Cabo Fresh guacamole and avocado food products primarily to the U.S. grocery channel, but also to the U.S. mass retail, Canadian grocery retail and foodservice channels.

BreatheWay Packaging Technology: The Company's BreatheWay membrane technology establishes a beneficial packaging atmosphere adapting to changing fresh product respiration and temperature in order to extend freshness naturally. The BreatheWay supply chain packaging technology extends shelf-life and reduces shrink (waste) for retailers and helps to ensure that consumers receive fresh produce by the time the product makes its way through the distribution chain to the consumer. The Company generates revenue from the sale to and/or use of its BreatheWay patented packaging technology by partners such as Windset Holding 2010 Ltd., a Canadian corporation ("Windset"), for packaging of its greenhouse grown cucumbers and peppers. In addition, the Company sells its complete supply chain solution for fresh pallets of product ensuring more marketable fruit and vegetables at retail. Most vegetable products packaged in the Company's BreatheWay packaging technology achieve a shelf-life of approximately 17 days. These packaging license relationships generate revenues either from product sales or royalties once commercialized. The Company is engaged in the testing and development of other BreatheWay products. The Company manufactures its BreatheWay packaging through selected qualified contract manufacturers.

Windset: The Company holds a 26.9% investment ownership in Windset, a leading edge grower of hydroponically-grown produce. The Company believes that Windset’s know-how and growing practices of hydroponically-grown produce will result in higher yields with competitive growing costs that will provide dependable year-round supply to Windset’s customers. In addition, the produce grown in Windset’s greenhouses uses significantly less water than field grown crops and has a very high safety profile as no soil is used in the growing process. Windset owns and operates greenhouses in British Columbia, Canada and California. In addition to growing produce in its own greenhouses, Windset has numerous marketing arrangements with other greenhouse growers and utilizes buy/sell arrangements to meet fluctuation in demand from their customers. The Curation Foods segment operating results include the dividends and Landec’s share of the change in fair market value of its investment in Windset.

Lifecore Biomedical

Lifecore, located in Chaska, Minnesota, is a fully integrated CDMO that offers highly differentiated capabilities in the development, fill and finish of sterile, injectable pharmaceutical products in syringes and vials. It is involved in the manufacture of pharmaceutical-grade sodium hyaluronate (“HA”) in bulk form as well as formulated and filled syringes and vials for injectable products used in treating a broad spectrum of medical conditions and procedures. Lifecore uses its fermentation process and aseptic formulation and filling expertise to be a leader in the development of HA-based products for multiple applications and to take advantage of non-HA device and drug opportunities which leverage its expertise in manufacturing and aseptic syringe filling capabilities.

Lifecore CDMO provides product development services to its partners for HA-based, as well as non-HA based, aseptically formulated and filled products. These services include activities such as technology transfer, material component changes, analytical method development, formulation development, pilot studies, stability studies, process validation, and production of materials for clinical studies.

Built over many years of experience, Lifecore separates itself from its competition based on its five areas of expertise, including but not limited to Lifecore’s ability to:

Establish strategic relationships with market leaders:

Lifecore continues to develop applications for products with partners who have strong marketing, sales, and distribution capabilities to end-user markets. Through its strong reputation and history of providing pharmaceutical grade HA and products, Lifecore has established long-term relationships with global and emerging biopharmaceutical and biotechnology companies across multiple therapeutic categories, and leverages those partnerships to attract new relationships in other medical markets.

Expand medical applications for HA:

Due to the growing knowledge of the unique characteristics of HA and Lifecore’s unique strength and history as a trusted manufacturer of pharmaceutical injectable grade HA products, Lifecore continues to identify and pursue opportunities for the use of HA in other medical applications, such as wound care, aesthetic surgery, drug delivery, next generation orthopedics and device coatings, and through sales to academic and corporate research customers. Further applications may involve expanding process development activity and/or additional licensing of technology.

Utilize manufacturing infrastructure to meet customer demand:

Lifecore has made strategic capital investments in its CDMO business focusing on extending its aseptic filling capacity and capabilities to meet increasing partner demand and to attract new contract filling opportunities outside of HA markets. Lifecore is using its manufacturing capabilities to provide contract manufacturing and development services to its partners in the area of sterile pre-filled syringes and vials, as well as fermentation and purification requirements.

Maintain flexibility in product development and supply relationships:

Lifecore’s vertically integrated development and manufacturing capabilities allow it to establish a variety of contractual relationships with global corporate partners. Lifecore’s role in these relationships extends from supplying HA raw materials to providing technology transfer and development services to manufacturing aseptically filled, finished sterile products, and assuming full supply chain responsibilities.

Deliver consistent quality:

Lifecore has built a world class quality and regulatory system that is demonstrated in their results, processes and customer relationships. With over 35 years of a superior track record with global regulatory bodies (FDA, EMA, ANVISA, etc.), Lifecore is the partner of choice for companies looking for proven experience in delivering QbD, cGMP compliance, and manufacturing excellence with pharmaceutical elegance and quality. Lifecore’s world class

quality and regulatory system and excellent track record with the global regulatory bodies ensure partners that they will safely bring innovative therapies to market.

Other

Included in the Other segment is Corporate, which includes corporate general and administrative expenses, non-Curation Foods and non-Lifecore interest income and income tax expenses.

COVID-19 Pandemic

There are many uncertainties regarding the current novel coronavirus (“COVID-19”) pandemic, including the scope of scientific and health issues, the anticipated duration of the pandemic, and the extent of local and worldwide social, political, and economic disruption it may cause. The COVID-19 pandemic has had and we believe will continue to have significant adverse impacts on many aspects of the Company’s operations, directly and indirectly, including with respect to sales, customer behaviors, business and manufacturing operations, inventory, the Company’s employees, and the market generally, and the scope and nature of these impacts continue to evolve each day. The Company expects to continue to assess the evolving impact of the COVID-19 pandemic, and intends to continue to make adjustments to its responses accordingly.

Sales and Marketing

Curation Foods is supported by dedicated sales and marketing teams located throughout the U.S. and Canada.

Lifecore relies on name recognition and referrals regarding its biomedical-based CDMO and manufacturing experience and expertise to attract new customers and offers its services with minimal marketing and sales infrastructure.

Manufacturing and Processing

Seasonality

Curation Foods' can be affected by seasonal weather factors, which can result in higher costs of sourcing and processing its produce products due to a shortage of essential produce items. Lifecore is not significantly affected by seasonality.

Curation Foods

Eat Smart Fresh Packaged Salads and Vegetables

Fresh packaged salads, vegetable products and fresh-cut packaged green beans are processed in the Company’s facilities located in Guadalupe, California; Bowling Green, Ohio; Hanover, Pennsylvania; and Vero Beach, Florida. Cooling of produce is done by third parties as well as our own cooling systems. As part of Landec’s Project SWIFT, in June 2020 the Company began exploring opportunities for the planned divestiture of its underutilized Hanover manufacturing facility.

O Olive Oil & Vinegar

O uses third parties to crush, process, and bottle its olive oil products, primarily within California. The fermentation, production, and processing of vinegar is performed at the Company’s facility in Petaluma, California, using ingredients sourced from various third parties primarily within California. *O* uses third parties in California to bottle its vinegar products.

Yucatan and Cabo Fresh

Guacamole for the Yucatan and Cabo Fresh brands is primarily produced and packed at the Company’s facility in Guanajuato, Mexico, using ingredients sourced from various third parties within the United States and Mexico.

BreatheWay

BreatheWay packaging systems use polymer manufacturing, membrane manufacturing, and label package conversion. Contract manufacturers currently make virtually all of the polymers for the BreatheWay packaging system and breathable membranes. The Company performs the label package conversion in its various processing facilities.

Lifecore

The commercial production of HA requires fermentation, separation, and purification and aseptic processing capabilities. HA can primarily be produced in two ways, either through bacterial fermentation or through extraction from rooster combs. Lifecore produces HA only from bacterial fermentation, using an efficient microbial fermentation process and an effective purification operation.

Lifecore's facilities in Chaska, Minnesota are used for the HA and non-HA manufacturing process, formulation, aseptic syringe and vial filling, analytical services, secondary packaging, warehousing raw materials and finished goods, and distribution. Lifecore provides versatility in the manufacturing of various types of finished products and supplies several different forms of HA and non-HA products in a variety of molecular weight fractions as powders, solutions and gels, and in a variety of bulk and single-use finished packages. As of the date of this report, the Company believes that its current manufacturing capacity plan will be sufficient to allow it to meet the needs of its current customers for the foreseeable future.

Competition

The Company operates in highly competitive and rapidly evolving fields, and new developments are expected to continue at a rapid pace. Competition from large food-products, industrial, medical and pharmaceutical companies is expected to be intense. In addition, the nature of our collaborative arrangements may result in our business partners and licensees becoming our competitors. Many of our competitors have substantially greater financial and technical resources and production and marketing capabilities than we do, and may have substantially greater experience in conducting clinical and field trials, obtaining regulatory approvals and manufacturing and marketing commercial products.

The food industry is highly competitive, and further consolidation with our customers would likely increase competition. The Company's principal competitors, Taylor Farms and Fresh Express, have substantial financial, marketing, and other resources. Increased competition can reduce our sales due to loss of market share or the need to reduce prices to respond to competitive and customer pressures. Competitive pressures also may restrict our ability to increase prices, including in response to commodity and other cost increases. We sell branded, private brand, and customized food products, as well as commercially branded foods. Our branded products have an advantage over private brand products primarily due to advertising and name recognition, although private brand products typically sell at a discount to those of branded competitors. In addition, when branded competitors focus on price and promotion, the environment for private brand producers becomes more challenging because the price difference between private brand products and branded products may become less significant. In most product categories, we compete not only with other widely advertised branded products, but also with other private label and store brand products that are generally sold at lower prices. A strong competitive response from one or more of our competitors to our marketplace efforts, or a consumer shift towards more generic, lower-priced, or other value offerings, could result in us reducing pricing, increasing marketing or other expenditures, or losing market share. Our margins and profits could decrease if a reduction in prices or increased costs are not counterbalanced with increased sales volume.

In addition, substantial growth in e-commerce has encouraged the entry of new competitors and business models, intensifying competition by simplifying distribution and lowering barriers to entry. The expanding presence of e-commerce retailers has impacted, and may continue to impact, consumer preferences and market dynamics, which in turn may negatively affect our sales or profits.

Patents and Proprietary Rights

The Company's success depends in large part on its ability to obtain patents, maintain trade secret protection and operate without infringing on the proprietary rights of third parties. The Company has 18 active U.S. patents as of May 31, 2020 with expiration dates ranging from 2020 to 2035.

Government Regulation

Curation Foods

The Company's food products and operations are also subject to regulation by various foreign, federal, state, and local agencies, with respect to production processes, product attributes, packaging, labeling, advertising, import, export, storage, transportation and distribution.

In the U.S., food products are primarily regulated by the Food and Drug Administration ("FDA"), which has the authority to inspect the Company's food facilities, and regulates, among other things, food manufacturing, food packing and holding, food additives, food safety, the growing and harvesting of produce intended for human consumption, food

transportation, food labeling, food packaging, and food supplier controls including foreign supplier verification. In addition, advertising of our products is subject to regulation by the Federal Trade Commission (“FTC”), and operations are subject to certain health and safety regulations, such as those issued under the Occupational Safety and Health Act (“OSHA”). All of our U.S. facilities and food products must be in compliance with the Federal Food, Drug, and Cosmetic Act (“FDC Act”) as amended by, among other things, the FDA Food Safety Modernization Act (“FSMA”). In addition, our operations in Mexico are subject to Mexican regulations through the SAGARPA, and our food products sold into Canada must be in compliance with applicable Canadian food safety and labeling regulations.

Lifecore

The FDA regulates and/or approves the clinical trials, manufacturing, labeling, distribution, import, export, sale and promotion of medical devices and drug products in or from the United States. Some of the Company’s and its customers’ products are subject to extensive and rigorous regulation by the FDA, which regulates some of the products as medical devices or drug products, that in some cases require FDA approval or clearance, prior to U.S. distribution of Pre-Market Approval (“PMA”), or New Drug Applications (“NDA”), or Pre-Market Notifications, or other submissions and by foreign countries, which regulate some of the products as medical devices or drug products.

Other regulatory requirements are placed on the design, manufacture, processing, packaging, labeling, distribution, record-keeping and reporting of a medical device or drug products and on the quality control procedures. For example, medical device and drug manufacturing facilities are subject to periodic inspections by the FDA to assure compliance with device and/or drug requirements, as applicable. The FDA also conducts pre-approval inspections for PMA and NDA product introduction. Lifecore’s facility is subject to inspections as both a device and a drug manufacturing operation. For PMA devices and NDA drug products, the company that owns the product submission is required to submit an annual report and also to obtain approval, as applicable, for modifications to the device, drug product, or its labeling. Similarly, companies that own FDA Pre-Market Notifications for marketed products must obtain additional FDA clearance for certain modifications to their devices or labeling. Other applicable FDA requirements include but are not limited to reporting requirements such as the medical device reporting regulation, which requires certain companies to provide information to the FDA regarding deaths or serious injuries alleged to have been associated with the use of its devices, as well as product malfunctions that would likely cause or contribute to death or serious injury if the malfunction were to recur. FDA also maintains adverse event reporting requirements for drug products, among other post-market regulatory requirements.

Employees

As of May 31, 2020, Landec had 796 full-time employees, of whom 646 were dedicated to research, development, manufacturing, quality control and regulatory affairs, and 150 were dedicated to sales, marketing and administrative activities. Landec intends to recruit additional personnel in connection with the development, manufacturing and marketing of its products. None of Landec’s employees are represented by a union, and Landec considers its relationship with its employees to be good.

Available Information

Landec’s website is www.landec.com. Landec makes available free of charge copies of its Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, as soon as reasonably practicable after filing such material electronically with, or otherwise furnishing it to, the U.S. Securities and Exchange Commission (“SEC”). In addition, these materials may be obtained at the website maintained by the SEC at www.sec.gov. The reference to the Company’s website address does not constitute incorporation by reference of the information contained on the website, and the information contained on the website is not part of this document.

Item 1A. Risk Factors

Our business faces significant risks and uncertainties. Certain important factors may have a material adverse effect on our business, prospects, financial condition and results of operations, any of which could subsequently have an adverse effect on the trading price of our common stock, and you should carefully consider them. Accordingly, in evaluating our business, we encourage you to consider the following discussion of risk factors in its entirety, in addition to other information contained in or incorporated by reference into this Annual Report on Form 10-K and our other public filings with the SEC. Additional risks not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and results of operations in future periods.

Our shareholder value creation program, Project SWIFT, may not have the anticipated results, exposes us to additional restructuring costs and operational risks, and may be negatively perceived in the markets.

We have previously announced the development of a shareholder value creation program, Project SWIFT, designed to strategically realign our Curation Foods business to focus the business on its strategic assets and redesign the organization to be the appropriate size to compete and thrive. This program includes reviewing strategic options for our legacy vegetable bag and tray business, the closure of certain leased offices in Santa Clara, California and Los Angeles, California, the divestiture of our yet-to-be-operational salad dressing plant in Ontario, California, planned divestiture of our underutilized Hanover manufacturing facility, and certain other actions taken to redesign the Curation Foods organization. We may not be able to implement all of the actions that we intend to take in this program and we may not be able to realize the expected benefits from such realignment and restructuring plans or other similar restructurings on the anticipated timing, or at all. In addition, we may incur additional restructuring costs in implementing such realignment and restructuring plans or other similar future plans in excess of our expectations. The implementation of our restructuring efforts, including the potential reduction of our facilities and workforce, may not improve our operational and cost structure or result in greater efficiency of our organization; and we may not be able to support sustainable revenue growth and profitability following such restructurings. Any reduction in workforce or divestitures of facilities or other assets may also expose us to additional risks, including potential litigation (including labor and employment disputes), unforeseen costs or adverse impacts to the operations of our retained businesses. In addition, our strategic realignment efforts may not be viewed positively by shareholders and analysts, which may cause our stock price to decline or become volatile.

The COVID-19 Pandemic, or any other pandemic, epidemic or outbreak of an infectious disease in the United States or worldwide may adversely affect our business.

In December 2019, a novel strain of coronavirus, COVID-19, was identified in Wuhan, China. This virus continues to spread globally and, as of May 31, 2020, has spread to approximately 160 countries, including the United States. To date, the COVID-19 pandemic and preventative measures taken to contain or mitigate the outbreak have caused, and are continuing to cause, business slowdowns or shutdowns in affected areas and significant disruption to our businesses and to the financial markets both globally and in the United States. The COVID-19 pandemic has had and we believe will continue to have significant adverse impacts on many aspects of the Company's operations, directly and indirectly, including with respect to sales, customer behaviors, business and manufacturing operations, inventory, the Company's employees, and the market generally, and the scope and nature of these impacts continue to evolve each day. In particular, the COVID-19 pandemic has resulted in and may continue to result in, regional quarantines, labor shortages or stoppages, adverse changes in consumer purchasing patterns, reductions in customer demand for our products, increased safety and compliance costs, disruptions to our supply chains, suppliers and service providers to deliver materials and services on a timely basis, and overall economic instability, which have significantly adversely affected and could further adversely affect our business, financial condition and results of operations. In addition, in response to the COVID-19 pandemic, our suppliers, growers, and corporate partners have reduced staffing and have reduced, delayed and postponed certain projects, initiatives or other arrangements in response to the spread of the COVID-19 pandemic, which may continue or worsen as the pandemic continues. These actions have resulted in and may result in further business and manufacturing disruption, inventory shortages, delivery delays, additional costs, and reduced sales and operations for us, any of which have and could further significantly affect our business, financial condition and results of operations. With respect to our Curation Foods business specifically, the responses to the COVID-19 pandemic have also adversely impacted and may further impact consumer spending and our customer's preferences, which have had and may continue to have an adverse impact on our sales in that segment. With respect to our Lifecore business, the COVID-19 pandemic has resulted and may continue to result in fewer elective medical procedures, which, in turn, has and may continue to adversely impact our business and sales. The extent to which the COVID-19 pandemic has impacted our business is difficult to ascertain, and future potential impacts to our business will depend on how the COVID-19 pandemic continues to evolve, which is highly uncertain and cannot be predicted. Such future developments may include, among others, new information that may emerge concerning the severity of COVID-19 and the actions to contain COVID-19 or treat its impact. The COVID-19 pandemic has adversely affected the economies and financial markets worldwide, resulting in an economic downturn that could affect demand for our products, our ability to obtain financing on favorable terms, our ability

to comply with our obligations (including leases and debt covenants) and otherwise adversely impact our business, financial condition and results of operations.

The situation surrounding the COVID-19 pandemic remains fluid, and given its inherent uncertainty, we expect that it will continue to have significant adverse impacts on our business in the future. The duration and extent of the impact from the COVID-19 pandemic, or any other future pandemic, epidemic or outbreak, depends on future developments that cannot be accurately predicted at this time, such as the severity and transmission rate of the virus, the extent and effectiveness of containment actions and the impact of these and other factors on our employees, customers, suppliers, distributors and manufacturers. Should these conditions persist for a prolonged period, the COVID-19 pandemic, including any of the above factors and others that are currently unknown, could continue to have a significant adverse effect on our business, financial condition and results of operations. The impact of the COVID-19 pandemic may also exacerbate other risks discussed elsewhere in this Report, any of which could have a material effect on us.

Our credit facility provides our lenders with a lien against substantially all of our assets, and contains financial covenants that may limit our operational flexibility and cash flow available to invest in the ongoing needs of our business or otherwise adversely affect our results of operations.

We are party to a credit agreement, as amended, which contains a number of covenants that limit our ability and our subsidiaries' ability to, among other things, incur additional indebtedness, pay dividends, create liens, engage in transactions with affiliates, merge or consolidate with other companies, or sell substantially all of our assets. We are also required to maintain certain financial covenants, including a maximum total leverage ratio and a minimum fixed charge coverage ratio. The terms of our credit facility may restrict our current and future operations and could adversely affect our ability to finance our future operations or capital needs or to execute preferred business strategies. In addition, complying with these covenants may make it more difficult for us to successfully execute our business strategy and compete against companies who are not subject to such restrictions. In addition, in connection with the recent amendments to our credit facility, certain additional financial covenants that remain in effect through February 28, 2021, including with respect to minimum cumulative monthly Unadjusted earnings before interest, taxes, depreciation and amortization ("EBITDA") thresholds and maximum capital expenditures, additional reporting obligations, and increases to the maximum interest rates and borrowing costs were implemented, which may further adversely impact our business and may increase our risks of noncompliance.

A failure by us to comply with the covenants specified in our credit agreement, as amended, could result in an event of default under the agreement, which would give the lenders the right to terminate their commitments to provide additional loans under our credit facility and to declare all borrowings outstanding, together with accrued and unpaid interest, to be immediately due and payable. In addition, the lenders would have the right to proceed against the collateral we granted to them, which consists of substantially all of our assets. The maximum total leverage ratio required under our covenant for the fiscal quarter ended May 31, 2020, was 5.00 to 1.0, and thereafter decreases by 25 basis points each subsequent fiscal quarter, until it reaches 3.50 for the fiscal quarter ending November 28, 2021, and remains fixed through maturity. We were not in compliance with the maximum total leverage ratio covenant under the credit agreement as of May 31, 2020, which was waived by the lenders pursuant to the Eighth Amendment entered into on July 15, 2020. In addition, we were not in compliance with certain of our financial covenants under the credit agreement during the third quarter of fiscal 2020, which were also waived by our lenders. In connection with these waivers, as previously disclosed, our borrowing rates under the credit agreement were increased, additional covenant restrictions were added to the credit agreement, and we incurred certain fees and expenses. We cannot guaranty that we will be able to remain in compliance with all applicable covenants under the credit agreement in the future, that our lenders will elect to provide similar waivers or enter into similar amendments in the future, or, if the lenders do provide similar waivers, that those waivers will not be conditioned upon additional costs or restrictions that could materially or adversely our business, cash flows, results of operations, and financial condition. In addition, if the debt under our credit facility were to be accelerated, we may not have sufficient cash or be able to borrow sufficient funds to refinance the debt or sell sufficient assets to repay the debt, which could immediately, materially and adversely affect our business, cash flows, results of operations, and financial condition, and there would be no guarantee that we would be able to find alternative financing. Even if we were able to obtain alternative financing, it may not be available on commercially reasonable terms or on terms that are acceptable to us.

Our ability to make payments on our debt, fund our other liquidity needs, and make planned capital expenditures will depend on our ability to generate cash in the future. Our historical financial results have been, and we anticipate that our future financial results will be, subject to fluctuations. Our ability to generate cash, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory, and other factors that are beyond our control. We cannot guarantee that our business will generate sufficient cash flow from our operations or that future borrowings will be available to us in an amount sufficient to enable us to make payments of our debt, fund other liquidity needs, and make planned capital expenditures.

Adverse weather conditions and other acts of god may cause substantial decreases in our sales and/or increases in our costs

Our Packaged Fresh Salads and Vegetables business is subject to weather conditions that affect commodity prices, crop quality and yields, and crop varieties to be planted. Crop diseases and severe conditions, particularly weather conditions such as unexpected or excessive rain or other precipitation, unseasonable temperature fluctuations, floods, droughts, frosts, windstorms, earthquakes and hurricanes, may adversely affect the supply of vegetables and fruits used in our business, which could reduce the sales volumes and/or increase the unit production costs. The Company regularly experiences significant product sourcing issues as a result of severe adverse weather conditions that materially adversely affected the Company's financial results. Because a significant portion of the costs are fixed and contracted in advance of each operating year, volume declines reflecting production interruptions or other factors could result in increases in unit production costs which could result in substantial losses and weaken our financial condition.

Cancellations or delays of orders by our customers may adversely affect our business and the sophistication and buying power of our customers could have a negative impact on profits

During the fiscal year ended May 31, 2020, sales to the Company's top five customers accounted for approximately 48% of total revenue of the Company, with the top two customers from the Curation Foods segment, Costco Corporation and Walmart, Inc. accounting for approximately 18% and 15%, respectively, of total revenues of the Company. We expect that, for the foreseeable future, a limited number of customers may continue to account for a substantial portion of our revenues. We may experience changes in the composition of our customer base as we have experienced in the past. The reduction, delay or cancellation of orders from one or more major customers for any reason or the loss of one or more of our major customers could materially and adversely affect our business, operating results, and financial condition. In addition, since some of the products processed by Curation Foods and Lifecore are sole sourced to customers, our operating results could be adversely affected if one or more of our major customers were to develop other sources of supply. Our current customers may not continue to place orders, orders by existing customers may be canceled or may not continue at the levels of previous periods, or we may not be able to obtain orders from new customers.

Our customers, such as supermarkets, warehouse clubs, and food distributors, have continued to consolidate, resulting in fewer customers on which we can rely for business. These consolidations, the growth of supercenters, and the growth of e-commerce customers have produced large, sophisticated customers with increased buying power and negotiating strength who are more capable of resisting price increases and can demand lower pricing, increased promotional programs, or specialty tailored products. In addition, larger retailers have the scale to develop supply chains that permit them to operate with reduced inventories or to develop and market their own retailer brands. These customers may also in the future use more of their shelf space, currently used for our products, for their store brand products. We continue to implement initiatives to counteract these pressures. However, if the larger size of these customers results in additional negotiating strength and/or increased private label or store brand competition, our profitability could decline.

Consolidation also increases the risk that adverse changes in our customers' business operations or financial performance will have a corresponding material adverse effect on us. For example, as noted above, if our customers cannot access sufficient funds or financing, then they may delay, decrease, or cancel purchases of our products, or delay or fail to pay us for previous purchases.

Our sale of some products may expose us to product liability claims

The testing, manufacturing, marketing, and sale of the products we develop involve an inherent risk of allegations of product liability, including foodborne illness. If any of our products are determined or alleged to be contaminated or defective or to have caused an illness, injury or harmful accident to an end-customer, we could incur substantial costs in responding to complaints or litigation regarding our products and our product brand image could be materially damaged. Such events may have a material adverse effect on our business, operating results and financial condition. In addition, we may be required to participate in product recalls or we may voluntarily initiate a recall as a result of various industry or business practices or the need to maintain good customer relationships.

Although we have taken and intend to continue to take what we consider to be appropriate precautions to minimize exposure to product liability claims, we may not be able to avoid significant liability. We currently maintain product liability insurance. While we think the coverage and limits are consistent with industry standards, our coverage may not be adequate or may not continue to be available at an acceptable cost, if at all. A product liability claim, product recall or other claim with respect to uninsured liabilities or in excess of insured liabilities could have a material adverse effect on our business, operating results and financial condition.

We are subject to increasing competition in the marketplace

Competitors may succeed in developing alternative technologies and products that are more effective, easier to use or less expensive than those which have been or are being developed by us or that would render our technology and products obsolete and non-competitive. We operate in highly competitive and rapidly evolving fields, and new developments are expected to continue at a rapid pace. Competition from large food products, industrial, medical and pharmaceutical companies is expected to be intense. In addition, the nature of our collaborative arrangements may result in our corporate partners and licensees becoming our competitors. Many of these competitors have substantially greater financial and technical resources and production and marketing capabilities than we do, and may have substantially greater experience in conducting clinical and field trials, obtaining regulatory approvals and manufacturing and marketing commercial products.

The food industry is highly competitive, and further consolidation in the industry would likely increase competition. Our principal competitors have substantial financial, marketing, and other resources. Increased competition can reduce our sales due to loss of market share or the need to reduce prices to respond to competitive and customer pressures. Competitive pressures also may restrict our ability to increase prices, including in response to commodity and other cost increases. We sell branded, private brand, and customized food products, as well as commercially branded foods. Our branded products have an advantage over private brand products primarily due to advertising and name recognition, although private brand products typically sell at a discount to those of branded competitors. In addition, when branded competitors focus on price and promotion, the environment for private brand producers becomes more challenging because the price difference between private brand products and branded products may become less significant. In most product categories, we compete not only with other widely advertised branded products, but also with other private label and store brand products that are generally sold at lower prices. A strong competitive response from one or more of our competitors to our marketplace efforts, or a consumer shift towards more generic, lower-priced, or other value offerings, could result in us reducing pricing, increasing marketing or other expenditures, or losing market share. Our margins and profits could decrease if a reduction in prices or increased costs are not counterbalanced with increased sales volume.

In addition, substantial growth in e-commerce has encouraged the entry of new competitors and business models, intensifying competition by simplifying distribution and lowering barriers to entry. The expanding presence of e-commerce retailers has impacted, and may continue to impact, consumer preferences and market dynamics, which in turn may negatively affect our sales or profits.

We must identify changing consumer preferences and develop and offer food products to meet their preferences

Consumer preferences evolve over time and the success of our food products depends on our ability to identify the tastes and dietary habits of consumers and to offer products that appeal to their preferences, including concerns of consumers regarding health and wellness, obesity, product attributes, and ingredients. Introduction of new products and product extensions requires significant development and marketing investment. If our products fail to meet consumer preferences, or we fail to introduce new and improved products on a timely basis, then the return on that investment will be less than anticipated and our strategy to grow sales and profits with investments in acquisitions, marketing, and innovation will be less successful.

Our future operating results are likely to fluctuate which may cause our stock price to decline

In the past, our results of operations have fluctuated significantly from quarter to quarter and are expected to continue to fluctuate in the future. Curation Foods can be affected by seasonal and weather-related factors which have impacted our financial results in the past due to shortages of essential value-added produce items. In addition, the fair market value change in our Windset investment can fluctuate substantially quarter to quarter. Lifecore can be affected by the timing of orders from its relatively small customer base and the timing of the shipment of those orders. Our earnings may also fluctuate based on our ability to collect accounts receivable from customers and notes receivable from growers and on price fluctuations in the fresh vegetable and fruit markets. Other factors that affect our operations include:

- our ability and our growers' ability to obtain an adequate supply of labor,
- our growers' ability to obtain an adequate supply of water,
- the seasonality and availability and quantity of our supplies,
- our ability to process produce during critical harvest periods,
- the timing and effects of ripening,
- the degree of perishability,
- the effectiveness of worldwide distribution systems,
- total worldwide industry volumes,
- the seasonality and timing of consumer demand,
- foreign currency fluctuations, and

- foreign importation restrictions and foreign political risks

In addition, the COVID-19 pandemic has increased the risk of fluctuations in such factors. As a result of these and other factors, we expect to continue to experience fluctuations in quarterly operating results.

Our operations are subject to regulations that directly impact our business

Our products and operations are subject to governmental regulation in the United States and foreign countries. The manufacture of our products is subject to detailed standards for product development, manufacturing controls, ongoing quality monitoring and analysis, and periodic inspection by regulatory authorities. We may not be able to obtain necessary regulatory approvals on a timely basis or at all. Delays in receipt of or failure to receive approvals or loss of previously received approvals would have a material adverse effect on our business, financial condition and results of operations. A significant portion of Curation Foods’ manufacturing workforce is provided by third-party labor contractors. The Company relies upon these contractors to validate the worker’s immigration status and their eligibility to work in the Company’s facilities, and failure of these contractors’ control processes or our internal control processes could result in Curation Foods not complying with applicable regulations. Although we have no reason to believe that we will not be able to comply with all applicable regulations regarding the manufacture and sale of our products and polymer materials, regulations are always subject to change and depend heavily on administrative interpretations and the country in which the products are sold. Future changes in regulations or interpretations relating to matters such as safe working conditions, laboratory and manufacturing practices, produce safety, environmental controls, and disposal of hazardous or potentially hazardous substances may adversely affect our business.

Our food operations are subject to regulation by the FDA, FTC, and other governmental entities. Applicable laws and regulations are subject to change from time to time and could impact how we manage the production, labeling, and sale of our food products. We are subject, for example, to FDA compliance and regulations concerning the safety of the food products handled and sold by Curation Foods, and the facilities in which they are packed, processed, and stored. Failure to comply with the applicable regulatory requirements can, among other things, result in:

- the issuance of adverse inspectional observations,
- Warning or Courtesy Letters,
- import refusals,
- fines, injunctions, civil penalties, and facility suspensions,
- withdrawal of regulatory approvals or registrations,
- product recalls and product seizures, including cessation of manufacturing and sales,
- operating restrictions, and
- criminal prosecution

Compliance with foreign, federal, state, and local laws and regulations is costly and time-consuming. We may be required to incur significant costs to comply with the laws and regulations in the future which may have a material adverse effect on our business, operating results and financial condition.

Our food packaging products are subject to regulation under the FDC Act. Under the FDC Act, any substance that when used as intended may reasonably be expected to become, directly or indirectly, a component or otherwise affect the characteristics of any food may be regulated as a food additive unless the substance is generally recognized as safe. Food packaging materials are generally not considered food additives by the FDA if the products are not expected to become components of food under their expected conditions of use. We consider our breathable membrane product to be a food packaging material not subject to approval by the FDA. We have not received any communication from the FDA concerning our breathable membrane product. If the FDA were to determine that our breathable membrane products are food additives, we may be required to submit a food contact substance notification or food additive petition for approval by the FDA. The food additive petition process, in particular, is lengthy, expensive and uncertain. A determination by the FDA that a food contact substance notification or food additive petition is necessary would have a material adverse effect on our business, operating results and financial condition.

Our Curation Foods business is subject to the Perishable Agricultural Commodities Act (“PACA”). PACA regulates fair trade standards in the fresh produce industry and governs all the products sold by Curation Foods. Our failure to comply with the PACA requirements could among other things, result in civil penalties, suspension or revocation of a license to sell produce, and in the most egregious cases, criminal prosecution, which could have a material adverse effect on our business. In addition, the FTC and other state authorities regulate how we promote and advertise our food products, and we could be the target of claims relating to alleged false or deceptive advertising under federal, state, and local laws and regulations.

Lifecore's existing products and the products that Lifecore is developing for its customers are considered to be medical devices, drug products, or combination products, and therefore, require clearance or approval by the FDA before commercial sales can be made in the United States. The products also require the approval of foreign government agencies before sales may be made in many other countries. The process of obtaining these clearances or approvals varies according to the nature and use of the product. It can involve lengthy and detailed safety and efficacy data, including clinical studies, as well as extensive site inspections and lengthy regulatory agency reviews. There can be no assurance that any of the clinical studies utilizing product produced by Lifecore for its customers will be authorized to proceed, or if authorized will show safety or effectiveness; that any of the products that Lifecore is producing for its customers that require FDA clearance or approval will obtain such clearance or approval on a timely basis, on terms acceptable to the Sponsor Company for the purpose of actually marketing the products, or at all; or that following any such clearance or approval previously unknown problems will not result in restrictions on the marketing of the products or withdrawal of clearance or approval.

In addition, most of the existing products being sold by Lifecore and its customers are subject to continued regulation by the FDA, various state agencies and foreign regulatory agencies, which regulate the design, nonclinical and clinical research studies, manufacturing, labeling, distribution, post-marketing product modifications, advertising, promotion, import, export, adverse event and other reporting, and record keeping procedures for such products. Aseptic processing and shared equipment manufacturing require specific quality controls. If we fail to achieve and maintain these controls, we may have to recall product, or may have to reduce or suspend production while we address any deficiencies. Marketing clearances or approvals by regulatory agencies can be withdrawn due to failure to comply with regulatory standards or the occurrence of unforeseen problems following initial clearance or approval. These agencies can also limit or prevent the manufacture or distribution of Lifecore's products or change or increase the regulatory requirements applicable to such products. A determination that Lifecore is in violation of such regulations could lead to the issuance of adverse inspectional observations, a Warning Letter, imposition of civil penalties, including fines, product recalls or product seizures, preclusion of product import or export, a hold or delay in pending product approvals, withdrawal of marketing authorizations, injunctions against product manufacture and distribution, and, in extreme cases, criminal sanctions.

Federal, state and local regulations impose various environmental controls on the use, storage, discharge or disposal of toxic, volatile or otherwise hazardous chemicals and gases used in some of our manufacturing processes. Our failure to control the use of, or to restrict adequately the discharge of, hazardous substances under present or future regulations could subject us to substantial liability, cause us to clean up and incur remediation expenses, or cause our manufacturing operations to be suspended. In addition, changes in environmental regulations may impose the need for additional capital equipment or other requirements.

Any new business acquisition will involve uncertainty relating to integration

We completed the Yucatan Foods acquisition in December, 2018, and the *O* acquisition in March, 2017. We have acquired other businesses in the past and may make additional acquisitions in the future. The successful integration of new business acquisitions may require substantial effort from the Company's management. The diversion of the attention of management and any difficulties encountered in the transition process could have a material adverse effect on the Company's ability to realize the anticipated benefits of the acquisitions. The successful combination of new businesses also requires coordination of research and development activities, manufacturing, sales and marketing efforts. In addition, the process of combining organizations located in different geographic regions could cause the interruption of, or a loss of momentum in, the Company's activities. There can be no assurance that the Company will be able to retain key management, technical, sales and customer support personnel, or that the Company will realize the anticipated benefits of any acquisitions, and the failure to do so would have a material adverse effect on the Company's business, results of operations and financial condition.

We may not be able to achieve acceptance of our new products in the marketplace

Our success in generating significant sales of our products depends in part on our ability and that of our partners and licensees to achieve market acceptance of our new products and technology. The extent to which, and rate at which, we achieve market acceptance, including customer preferences and trends, and penetration of our current and future products is a function of many variables including, but not limited to:

- price,
- safety,
- efficacy,
- reliability,
- conversion costs,
- regulatory approvals,
- marketing and sales efforts, and
- general economic conditions affecting purchasing patterns

We may not be able to develop and introduce new products and technologies in a timely manner or new products and technologies may not gain market acceptance. We and our partners/customers are in the early stage of product commercialization of certain Intelimer-based specialty packaging, and HA-based products and non-HA products and new oil and vinegar products. We expect that our future growth will depend in large part on our and our partners'/customers' ability to develop and market new products in our target markets and in new markets. In particular, we expect that our ability to compete effectively with existing food products companies will depend substantially on developing, commercializing, achieving market acceptance of and reducing the cost of producing our products. In addition, commercial applications of some of our temperature switch polymer technology are relatively new and evolving. Our failure to develop new products or the failure of our new products to achieve market acceptance would have a material adverse effect on our business, results of operations and financial condition.

Changes to U.S. trade policy, tariff and import/export regulations may have a material adverse effect on our business

Changes in U.S. or international social, political, regulatory and economic conditions or in laws and policies governing foreign trade, manufacturing, development and investment in the territories or countries where we currently sell our products or conduct our business, as well as any negative sentiment toward the U.S. as a result of such changes, could adversely affect our business. The U.S. presidential administration has instituted or proposed changes in trade policies that include the negotiation or termination of trade agreements, the imposition of higher tariffs on imports into the U.S., economic sanctions on individuals, corporations or countries, and other government regulations affecting trade between the U.S. and other countries where we conduct our business.

As a result of policy changes of the U.S. presidential administration and U.S. government proposals, there may be greater restrictions and economic disincentives on international trade. Tariffs and other changes in U.S. trade policy could trigger retaliatory actions by affected countries, and certain foreign governments have instituted or are considering imposing trade sanctions on certain U.S. goods. Such changes have the potential to adversely impact the U.S. economy or certain sectors thereof, our industry and the global demand for our products, and as a result, could have a material adverse effect on our business, financial condition and results of operations.

We may be exposed to employment related claims and costs that could materially adversely affect our business

We have been subject in the past, and may be in the future, to claims by employees based on allegations of discrimination, negligence, harassment, and inadvertent employment of undocumented workers or unlicensed personnel, and we may be subject to payment of workers' compensation claims and other similar claims. We could incur substantial costs and our management could spend a significant amount of time responding to such complaints or litigation regarding employee claims, which may have a material adverse effect on our business, operating results and financial condition. In addition, several recent decisions by the United States NLRB have found companies, such as Curation Foods, which use contract employees could be found to be "joint employers" with the staffing firm, which may increase our potential exposure for any such claims from contract employees.

We may be subject to unionization, work stoppages, slowdowns or increased labor costs

Currently, none of our employees are represented by a union. However, our employees have the right under the National Labor Relations Act to form or affiliate with a union. If some or all of our workforce were to become unionized and the terms of the collective bargaining agreement were significantly different from our current compensation arrangements, it could increase our costs and adversely impact our profitability. Moreover, participation in labor unions could put us at increased risk of labor strikes and disruption of our operations.

We have a concentration of manufacturing for Curation Foods and Lifecore and may have to depend on third parties to manufacture our products

We have a limited number of manufacturing facilities, all of which use specialized manufacturing equipment to operate our business. Any disruptions in our primary manufacturing operations would reduce our ability to sell our products and would have a material adverse effect on our financial results, and create significant additional costs and inefficiencies if we were required to replace such facilities. Additionally, we may need to consider seeking collaborative arrangements with other companies to manufacture our products. If we become dependent upon third parties for the manufacture of our products, our profit margins and our ability to develop and deliver those products on a timely basis may be adversely affected. In that event, additional regulatory inspections or approvals may be required, and additional quality control measures would need to be implemented. Failures by third parties may impair our ability to deliver products on a timely basis and impair our competitive position. We may not be able to continue to successfully operate our manufacturing operations at acceptable costs, with acceptable yields, and retain adequately trained personnel.

We are dependent on our key employees and if one or more of them were to leave, we could experience difficulties in replacing them, or effectively transitioning their replacements and our operating results could suffer

The success of our business depends to a significant extent on the continued service and performance of a relatively small number of key senior management, technical, sales, and marketing personnel. The loss of any of our key personnel for an extended period may cause hardship for our business. In addition, competition for senior level personnel with knowledge and experience in our different lines of business is intense. If any of our key personnel were to leave, we would need to devote substantial resources and management attention to replace them. As a result, management attention may be diverted from managing our business, and we may need to pay higher compensation to replace these employees.

We are subject to the risks of doing business internationally

We are subject to the risks of doing business internationally. We conduct a substantial amount of business with growers and customers who are located outside the United States. We purchase avocados and vegetables from foreign growers and packers, sell products to foreign customers, and operate a production facility in Mexico. In the most recent years, there has been an increase in organized crime in Mexico, and significant changes in the Mexican government, both of which create risk for our business. We are also subject to regulations imposed by the Mexican government and to examinations by the Mexican tax authorities. Significant changes to these government regulations and to assessments by the Mexican tax authorities can have a negative impact on our operations and operating results in Mexico.

Fluctuations in foreign currency exchange rates in Mexico may also adversely affect our operating results. While our operations are predominantly in the U.S., we are exposed to foreign currency exchange rate risk with respect to our sales, expenses, profits, assets and liabilities denominated in the Mexican peso. As a result, our financial performance may be affected by changes in foreign currency exchange rates. Moreover, any favorable or unfavorable impacts to gross profit, gross margin, income from operations or segment operating profit from fluctuations in foreign currency exchange rates are likely to be inconsistent year over year.

Since some of our expenses are paid in Mexican pesos and we sell our production in United States dollars, we are subject to changes in currency values that may adversely affect our results of operations. Our operations in the future could be affected by changes in the value of the Mexican peso against the United States dollar. The appreciation of non-U.S. dollar currencies such as the peso against the U.S. dollar increases expenses and the cost of purchasing capital assets in U.S. dollar terms in Mexico, which can adversely impact our operating results and cash flows. Conversely, depreciation of non-U.S. dollar currencies usually decreases operating costs and capital asset purchases in U.S. dollar terms. The value of cash and cash equivalents, and other monetary assets and liabilities denominated in foreign currencies, also fluctuate with changes in currency exchange rates.

For fiscal year 2020, approximately 17% of our consolidated net revenues were derived from product sales to international customers. A number of risks are inherent in international transactions. International sales and operations may be limited or disrupted by any of the following:

- regulatory approval process,
- government controls,
- export license requirements,
- political instability,
- price controls,
- trade restrictions,
- fluctuations in foreign currencies,
- changes in tariffs, or
- difficulties in staffing and managing international operations.

Foreign regulatory agencies have or may establish product standards different from those in the United States, and any inability on our part to obtain foreign regulatory approvals on a timely basis could have a material adverse effect on our international business, and our financial condition and results of operations. While our foreign sales are currently priced in dollars, fluctuations in currency exchange rates may reduce the demand for our products by increasing the price of our products in the currency of the countries in which the products are sold. Regulatory, geopolitical and other factors may adversely impact our operations in the future or require us to modify our current business practices.

Our dependence on single-source suppliers and service providers may cause disruption in our operations should any supplier fail to deliver materials

Several of the raw materials we use to manufacture our products are currently purchased from a single source, including some monomers used to synthesize Intelimer polymers, substrate materials for our breathable membrane products, and raw materials for our HA products. In addition, several services that are provided to Curation Foods are obtained from a single provider. Any interruption of our relationship with single-source suppliers or service providers could delay product shipments and materially harm our business. We may experience difficulty acquiring materials or services for the manufacture of our products or we may not be able to obtain substitute vendors at all or on a timely basis. In addition, we may not be able to procure comparable materials at similar prices and terms within a reasonable time, if at all, all of which could materially harm our business.

We depend on our infrastructure to have sufficient capacity to handle our on-going production needs

If our machinery or facilities are damaged or impaired due to natural disasters or mechanical failure, or we lose members of our workforce beyond the levels needed to maintain our business, we may not be able to operate at a sufficient capacity to meet our production needs. This could have a material adverse effect on our business, which could impact our results of operations and our financial condition.

We depend on strategic partners and licenses for future development

Our strategy for development, clinical and field testing, manufacture, commercialization and marketing for some of our current and future products includes entering into various collaborations with corporate partners, licensees, and others. We are dependent on our corporate partners to develop, test, manufacture and/or market some of our products. Although we believe that our partners in these collaborations have an economic motivation to succeed in performing their contractual responsibilities, the amount and timing of resources to be devoted to these activities are not within our control. Our partners may not perform their obligations as expected or we may not derive any additional revenue from the arrangements. Our partners may not pay any additional option or license fees to us or may not develop, market or pay any royalty fees related to products under such agreements. Moreover, some of the collaborative agreements provide that they may be terminated at the discretion of the corporate partner, and some of the collaborative agreements provide for termination under other circumstances. Our partners may pursue existing or alternative technologies in preference to our technology. Furthermore, we may not be able to negotiate additional collaborative arrangements in the future on acceptable terms, if at all, and our collaborative arrangements may not be successful.

Our reputation and business may be harmed if our computer network security or any of the databases containing our trade secrets, proprietary information or the personal information of our employees are compromised

Cyber-attacks or security breaches could compromise our confidential business information, cause a disruption in the Company's operations or harm our reputation. We maintain numerous information assets, including intellectual property, trade secrets, banking information and other sensitive information critical to the operation and success of our business on computer networks, and such information may be compromised in the event that the security of such networks is breached. We also maintain confidential information regarding our employees and job applicants, including personal identification information. The protection of employee and company data in the information technology systems we utilize (including those maintained by third-party providers) is critical. Despite the efforts by us to secure computer networks utilized for our business, security could be compromised, confidential information, such as Company information assets and personally identifiable employee information, could be misappropriated, or system disruptions could occur.

In addition, we may not have the resources or technical sophistication to anticipate or prevent rapidly evolving types of cyberattacks. Attacks may be targeted at us, our customers, or others who have entrusted us with information. Actual or anticipated attacks may cause us to incur increasing costs, including costs to deploy additional personnel and protection technologies, train employees, and engage third-party experts and consultants. Advances in computer capabilities, new technological discoveries or other developments may result in the technology used by us to protect sensitive Company data being breached or compromised. Furthermore, actual or anticipated cyberattacks or data breaches may cause significant disruptions to our network operations, which may impact our ability to deliver shipments or respond to customer needs in a timely or efficient manner.

Data and security breaches could also occur as a result of non-technical issues, including an intentional or inadvertent breach by our employees or by persons with whom we have commercial relationships that result in the unauthorized release of confidential information related to our business or personal information of our employees. Any compromise or breach of our computer network security could result in a violation of applicable privacy and other laws, costly investigations and litigation, and potential regulatory or other actions by governmental agencies. As a result of any of the foregoing, we could experience adverse publicity, the compromise of valuable information assets, loss of sales, the cost of remedial measures and/or significant expenditures to reimburse third parties for resulting damages, any of which could adversely impact our brand, our business and our results of operations.

We may be unable to adequately protect our intellectual property rights or may infringe intellectual property rights of others

We may receive notices from third parties, including some of our competitors, claiming infringement by our products of their patent and other proprietary rights. Regardless of their merit, responding to any such claim could be time-consuming, result in costly litigation and require us to enter royalty and licensing agreements which may not be offered or available on terms acceptable to us. If a successful claim is made against us and we fail to develop or license a substitute technology, we could be required to alter our products or processes and our business, results of operations or financial position could be materially adversely affected. Our success depends in large part on our ability to obtain patents, maintain trade secret protection, and operate without infringing on the proprietary rights of third parties. Any pending patent applications we file may not be approved and we may not be able to develop additional proprietary products that are patentable. Any patents issued to us may not provide us with competitive advantages or may be challenged by third parties. Patents held by others may prevent the commercialization of products incorporating our technology. Furthermore, others may independently develop similar products, duplicate our products or design around our patents.

The global economy is experiencing continued volatility, which may have an adverse effect on our business

In recent years, the U.S. and international economy and financial markets have experienced significant volatility due to uncertainties related to the availability of credit, energy prices, the COVID-19 pandemic, national elections and other political events, difficulties in the banking and financial services sectors, diminished market liquidity, and geopolitical conflicts. Ongoing volatility in the economy and financial markets could further lead to reduced demand for our products, which in turn, would reduce our revenues and adversely affect our business, financial condition and results of operations. In particular, volatility in the global markets have resulted in softer demand and more conservative purchasing decisions by customers, including a tendency toward lower-priced products, which could negatively impact our revenues, gross margins and results of operations. In addition to a reduction in sales, our profitability may decrease because we may not be able to reduce costs at the same rate as our sales decline. We cannot predict the ultimate severity or length of the current period of volatility, or the timing or severity of future economic or industry downturns.

Given the current uncertain economic environment, and the COVID-19 pandemic, our customers, suppliers, and partners may have difficulties obtaining capital at adequate or historical levels to finance their ongoing business and operations, which could impair their ability to make timely payments to us. This may result in lower sales and/or inventory that may not be saleable or may result in bad debt expenses for us. A worsening of the economic environment or continued or increased volatility of the U.S. economy, including increased volatility in the credit markets, could adversely impact our customers' and vendors' ability or willingness to conduct business with us on the same terms or at the same levels as they have historically. Further, this economic volatility and uncertainty about future economic conditions makes it challenging for Landec to forecast its operating results, make business decisions, and identify the risks that may affect its business, sources and uses of cash, financial condition and results of operations.

Our stock price may fluctuate in response to various conditions, many of which are beyond our control

The market price of our common stock may fluctuate significantly in response to numerous factors, many of which are beyond our control, including the following:

- weather-related produce sourcing issues,
- technological innovations applicable to our products,
- pandemics, epidemics and other natural disasters, including the COVID-19 pandemic,
- our attainment of (or failure to attain) milestones in the commercialization of our technology,
- our development of new products or the development of new products by our competitors,
- new patents or changes in existing patents applicable to our products,
- our acquisition of new businesses or the sale or disposal of a part of our businesses,
- development of new collaborative arrangements by us, our competitors or other parties,

- changes in government regulations, interpretation, or enforcement applicable to our business,
- changes in investor perception of our business,
- fluctuations in our operating results, and
- changes in the general market conditions in our industry.

Fluctuations in our quarterly results may, particularly if unforeseen, cause us to miss projections which might result in analysts or investors changing their valuation of our stock.

Litigation costs and the outcome of litigation could have a material adverse effect on our business

From time to time we may be subject to litigation claims through the ordinary course of our business operations regarding, but not limited to, employment matters, safety standards, product liability, security of customer and employee personal information, contractual relations with vendors, marketing and infringement of trademarks and other intellectual property rights. In addition, as described elsewhere in this report, the COVID-19 pandemic, and our responses thereto, may subject us to further litigation, including with respect to employment matters, contract disputes, and other matters. Litigation to defend ourselves against claims by third parties, or to enforce any rights that we may have against third parties, may continue to be necessary, which could result in substantial costs and diversion of our resources, causing a material adverse effect on our business, financial condition, results of operations or cash flows.

Lapses in disclosure controls and procedures or internal control over financial reporting could materially and adversely affect the Company's operations, profitability or reputation

Lapses or deficiencies in disclosure controls and procedures or in our internal control over financial reporting may occur from time to time. There can be no assurance that our disclosure controls and procedures will be effective in preventing a material weakness or significant deficiency in internal control over financial reporting from occurring in the future. Any such lapses or deficiencies may materially and adversely affect our business and results of operations or financial condition, restrict our ability to access the capital markets, require us to expend resources to correct the lapses or deficiencies, which could include the restating of previously reported financial results, expose us to regulatory or legal proceedings, harm our reputation, or otherwise cause a decline in investor confidence.

We may issue preferred stock with preferential rights that could affect your rights

The issuance of shares of preferred stock could have the effect of making it more difficult for a third-party to acquire a majority of our outstanding stock, and the holders of such preferred stock could have voting, dividend, liquidation and other rights superior to those of holders of our Common Stock.

We have never paid any dividends on our common stock

We have not paid any dividends on our Common Stock since inception and do not expect to in the foreseeable future. Any dividends may be subject to preferential dividends payable on any preferred stock we may issue.

Our corporate organizational documents and Delaware law have anti-takeover provisions that may inhibit or prohibit a takeover of us and the replacement or removal of our management

The anti-takeover provisions under Delaware law, as well as the provisions contained in our corporate organizational documents, may make an acquisition of us more difficult. For example:

- our certificate of incorporation includes a provision authorizing our Board of Directors to issue blank check preferred stock without stockholder approval, which, if issued, would increase the number of outstanding shares of our capital stock and could make it more difficult for a stockholder to acquire us;
- our certificate of incorporation provides for a dual-class Board of Directors, in which each class will serve for a staggered two-year term;
- our certificate of incorporation limits the number of directors that may serve on the Board of Directors without the majority approval of all of the outstanding shares of our common stock;
- our amended and restated bylaws require advance notice of stockholder proposals and director nominations;
- our Board of Directors has the right to implement additional anti-takeover protections in the future, including stockholder rights plans and other amendments to our organizational documents, without stockholder approval; and
- Section 203 of the Delaware General Corporation Law may prevent large stockholders from completing a merger or acquisition of us.

These provisions may prevent a merger or acquisition of us which could limit the price investors would pay for our common stock in the future.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

As of May 31, 2020, the Company owned or leased the following principle physical properties:

Location	Business Segment	Ownership	Facilities
Guadalupe, CA.....	Curation Foods	Owned	199,000 square feet of office space, manufacturing and cold storage
Chaska, MN	Lifecore	Owned	147,300 square feet of office, laboratory and manufacturing space
Silao, Guanajuato, Mexico	Curation Foods	Leased	97,000 square feet of office and manufacturing space
Chaska, MN	Lifecore	Leased	80,950 square feet of office, manufacturing and warehouse space
Hanover, PA.....	Curation Foods	Owned	64,000 square feet of office space, manufacturing and cold storage
Bowling Green, OH	Curation Foods	Owned	55,900 square feet of office space, manufacturing and cold storage
Ontario, CA.....	Curation Foods	Leased	54,300 square feet of office and manufacturing space
Santa Maria, CA	Curation Foods	Leased	36,300 square feet of office and laboratory space
Petaluma, CA.....	Curation Foods	Leased	18,400 square feet of office and manufacturing space
Rock Hill, SC.....	Curation Foods	Owned	16,400 square feet of cold storage and office space

In addition to the principal physical properties described above, the Company owns or leases a number of other facilities and land in various locations in the United States that are used for manufacturing, cold storage, and administration activities. Leases for these leased facilities expire at various dates through the year 2040. The Company does not anticipate experiencing significant difficulty in retaining occupancy of any of our manufacturing, laboratory, cold storage, or office facilities through lease renewals prior to expiration or through month-to-month occupancy, or in replacing them with equivalent facilities. We believe our existing facilities, both owned and leased, are in good condition and suitable for the conduct of our business.

Item 3. Legal Proceedings

From time to time, the Company may become involved in lawsuits and other claims arising from its ordinary course of business. The Company establishes loss provisions for matters in which losses are probable and can be reasonably estimated. For some matters, the Company is currently unable to predict the ultimate outcome, determine whether a liability has been incurred or make an estimate of the reasonably possible liability that could result from an unfavorable outcome because of the uncertainties related to the incurrence, amount and range of loss on any pending litigation or claim. Because of the unpredictable nature of these matters, the Company cannot provide any assurances regarding the outcome of any litigation or claim to which the Company is a party or that the ultimate outcome of any of the matters threatened or pending against us, including those disclosed below, will not have a material adverse effect on the Company's financial condition, results of operations or cash flows. See Item "1A. Risk Factors" included in this report.

In the ordinary course of business, the Company is from time to time involved in various legal proceedings and claims.

The Company makes a provision for a liability relating to legal matters when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These provisions are reviewed at least each fiscal quarter and adjusted to reflect the impacts of negotiations, estimate settlements, legal rulings, advice of legal counsel and other information and events pertaining to a particular matter. Legal fees are expensed in the period in which they are incurred.

Claims Alleging Unfair Labor Practices

Curation Foods has been the target of a union organizing campaign which has included 3 unsuccessful attempts to unionize Curation Foods' Guadalupe, California processing plant. The campaign has involved a union and over 100 former and current employees of Pacific Harvest, Inc. and Rancho Harvest, Inc. (collectively "Pacific Harvest"), Curation Foods' former labor contractors at its Guadalupe, California processing facility, bringing legal actions before various state and federal agencies, the California Superior Court, and initiating over 100 individual arbitrations against Curation Foods and Pacific Harvest.

The legal actions consisted of various claims, all of which were settled in fiscal year 2017. Under the settlement agreement, the plaintiffs were to be paid in three installments. The Company and Pacific Harvest each agreed to pay one half of the settlement payments. The Company paid the entire first two installments and Pacific Harvest agreed to reimburse the Company for its \$2.1 million portion. As of May 31, 2020, the outstanding balance of the receivable was \$1.2 million. The Company makes ongoing estimates relating to the collectability of receivables. A reserve is established for any note when there is reasonable doubt that the principal or interest will be collected in full. The Company may write-off uncollectable receivables after collection efforts are exhausted. During the fiscal year 2020, the Company's review for collectability concluded that a receivable reserve of \$1.2 million would be recorded. The Company's conclusion regarding collectability changed as a result of Pacific Harvest communicating their refusal to pay combined with their brining claims against the Company. As of May 31, 2020, the reserve balance remained at \$1.2 million.

Compliance Matters

As previously disclosed, on December 1, 2018, the Company acquired all of the voting interests and substantially all of the assets of Yucatan Foods (the "Yucatan Acquisition"), which owns a guacamole manufacturing plant in Mexico called Procesadora Tanok, S de RL de C.V. ("Tanok").

On October 21, 2019, the Company retained Latham & Watkins, LLP to conduct an internal investigation relating to potential environmental and Foreign Corrupt Practices Act ("FCPA") compliance matters associated with regulatory permitting at the Tanok facility in Mexico. The Company subsequently disclosed to the U.S. Securities and Exchange Commission ("SEC") and the U.S. Department of Justice ("DOJ") the conduct under investigation, and these agencies have commenced an investigation. The Company has also disclosed the conduct under investigation to the Mexican Attorney General's Office, which has commenced an investigation, and to Mexican regulatory agencies. The Company is cooperating in the government investigations and requests for information. The conduct at issue began prior to the Yucatan Acquisition, and the agreement for the Yucatan Acquisition provides the Company with certain indemnification rights that may allow the Company to recover the cost of a portion of the liabilities that have been and may be incurred by the Company in connection with these compliance matters. At this stage, the ultimate outcome of these or any other investigations or potential claims that may arise from the matters under investigation is uncertain and the Company cannot reasonably predict the timing or outcomes, or estimate the amount of net loss after indemnification or insurance recovery, or its effect, if any, on its financial statements. Separately, there are indemnification provisions in the purchase agreement that allow the Company to recover costs for breach of warranty, etc. from the seller. Because recovery of amounts are contingent upon a legal settlement, no amounts have been recorded as recoverable costs through May 31, 2020. Nor are there any insurance claims recorded as they are similarly contingent.

Other Litigation Matters

On February 10, 2020, a complaint was filed against Curation Foods in the United States District Court for the Northern District of Georgia, *Printpack, Inc. v. Curation Foods, Inc.*, alleging breach of contract pertaining to Curation Foods' purchase of certain poly film packaging from the plaintiff. The plaintiff was seeking an unspecified amount of monetary damages, litigation expenses, and interest. Through several negotiations and discussions between the Company and Printpack, an agreement was reached and a Notice of Voluntary Dismissal was filed on May 29, 2020. This dismisses the case against the Company with no other further legal action required.

On February 14, 2020, a complaint was filed against the Company, Curation Foods, the Company's current CEO Albert Bolles, the Company's former Chief Financial Officer Gregory Skinner, and other defendants (collectively, the "Landec Parties") in Santa Barbara County Superior Court, entitled *Pacific Harvest, Inc., et al. v. Curation Foods, Inc., et al.* (No. 20CV00920). The case was brought by Pacific Harvest, Inc. ("Pacific") and Rancho Harvest, Inc. ("Rancho"), two related companies that have provided labor and employee staffing services to Curation Foods. Among other things, Pacific and Rancho allege that Curation Foods wrongfully decreased its use of Pacific's staffing services and misappropriated Pacific's trade secrets when Curation Foods increased its use of another staffing company and transitioned Pacific's employees to the other staffing company. Pacific and Rancho also allege that Curation Foods breached agreements between the parties related to a loan from Curation Foods. Based on this alleged breach, Pacific and Rancho have ceased making

payments. Plaintiffs assert claims for breach of contract, breach of the implied covenant of good faith and fair dealing, intentional interference with contracts and potential economic advantage, misappropriation of trade secrets under California's Uniform Trade Secrets Act, business practices in violation of California Unfair Competition Law, fraud, defamation, violation of California Usury Law, breach of fiduciary duty, and declaratory relief regarding the parties' rights and obligations under certain of the parties' contracts. The Landec Parties have not yet appeared in this action. Given the preliminary stage of the litigation, at this time the Company is unable to determine whether any loss is probable or reasonably estimate a range of such loss, and accordingly has not accrued any liability associated with these matters. The Company intends to defend and pursue its interests in this case vigorously.

Item 4. *Mine Safety Disclosures*

Not applicable.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

The Common Stock is traded on The NASDAQ Global Select Market under the symbol “LNDC”.

Holders

As of August 10, 2020, there were approximately 46 holders of record of our common stock. Since certain holders are listed under their brokerage firm’s names, the actual number of stockholders is higher.

Dividends

The Company has not paid any dividends on the Common Stock since its inception. The Company presently intends to retain all future earnings, if any, for its business and does not anticipate paying cash dividends on its Common Stock in the foreseeable future.

Issuer Purchases of Equity Securities

For the twelve months ended May 31, 2020, there have been no shares repurchased by the Company. The Company may still repurchase up to \$3.8 million of the Company’s Common Stock under the Company’s stock repurchase plan announced on July 14, 2010.

Recent Sales of Unregistered Equity Securities

The Company did not sell any unregistered equity securities during the twelve months ended May 31, 2020.

Item 6. Selected Financial Data

The information set forth below is not necessarily indicative of the results of future operations and should be read in conjunction with the information contained in Item 7 – Management’s Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements and the Notes to Consolidated Financial Statements contained in Item 8 of this report.

	Year Ended				
	May 31, 2020	May 26, 2019	May 27, 2018	May 28, 2017	May 31, 2016
<i>(In thousands, except per share amounts)</i>					
Statements of Operations Data:	(1)	(1)	(1)	(1)	(1)
Product sales.....	\$ 590,366	\$ 557,559	\$ 524,227	\$ 469,776	\$ 476,918
Net income (loss) from continuing operations.....	(38,191)	2,122	25,761	10,135	(11,990)
Net income (loss) from continuing operations, per share					
Basic	\$ (1.31)	\$ 0.07	\$ 0.93	\$ 0.37	\$ (0.45)
Diluted	\$ (1.31)	\$ 0.07	\$ 0.92	\$ 0.36	\$ (0.45)
Balance Sheet Data:					
Total assets	\$ 541,313	\$ 519,091	\$ 404,703	\$ 358,608	\$ 342,653
Total debt, net.....	190,317	148,984	69,300	50,239	58,162

- (1) During the fourth quarters of fiscal year 2019 and fiscal year 2018, the Company made the decision to discontinue its Now Planting and Food Export businesses, respectively. As a result, the Company met the requirements of Accounting Standards Codifications (“ASC”) 205-20, *Presentation of Financial Statements – Discontinued Operations* (“ASC 205-20”), to report the results of and to classify the assets and liabilities of the Now Planting and Food Export businesses as discontinued operations. The operating results for the Now Planting business, which was launched during the second quarter of fiscal year 2019, have been presented as a discontinued operation in fiscal year 2019. The operating results for the Food Export business have been presented as a discontinued operation in fiscal year 2018, and have been reclassified as a discontinued operation in fiscal years 2017, and 2016.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the Company's Consolidated Financial Statements contained in Item 8 of this report. Except for the historical information contained herein, the matters discussed in this report are forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. These forward-looking statements involve certain risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. Potential risks and uncertainties include, without limitation, those mentioned in this report and, in particular, the factors described in Item 1A. "Risk Factors". Please see "Note About Forward Looking Statements".

Overview

Landec Corporation and its subsidiaries ("Landec", the "Company", "we" or "us") design, develop, manufacture, and sell differentiated products for food and biomaterials markets, and license technology applications to partners. Landec has three reportable business segments – Curation Foods, Lifecore, and Other which are described below. Landec's biomedical company, Lifecore Biomedical®, is a fully integrated contract development and manufacturing organization ("CDMO") that offers highly differentiated capabilities in the development, fill and finish of sterile, injectable pharmaceutical products in syringes and vials. As a leading manufacturer of premium, injectable grade Hyaluronic Acid, Lifecore brings 35 years of expertise as a partner for global and emerging biopharmaceutical and biotechnology companies across multiple therapeutic categories to bring their innovations to market.

Landec's natural food company, Curation Foods is focused on innovating and distributing plant-based foods with 100% clean ingredients to retail, club and foodservice channels throughout North America. Curation Foods is able to maximize product freshness through its geographically dispersed family of growers, refrigerated supply chain and patented BreatheWay® packaging technology. Also included in the Curation Foods' segment operating results are the dividends and Landec's share of the change in the fair market value of the Company's 26.9% investment ownership of Windset, a leading edge grower of hydroponically-grown produce.

Included in the Other segment is Corporate, which includes corporate general and administrative expenses, non-Curation Foods and non-Lifecore interest income and income tax expenses.

Strategy

The Company's strategy is to maximize the value of our business portfolio by improving operating margins at Curation Foods, investing in growth to drive momentum at Lifecore while driving profitable growth across the organization with consumer insights driven innovation. Each of our business segments are in different life stages and are have clear strategic priorities.

Lifecore

Lifecore is the Company's FDA Approved CDMO business, which is focused on driving profitable growth with product development and manufacturing of sterile injectable products. Lifecore seeks to expand its presence in the CDMO marketplace by partnering with biopharmaceutical and biotechnology companies to bring their unique therapies to market. Lifecore's goal of continuing success will be to execute on its three strategic priorities:

- 1) *Managing Business Development Pipeline:* Accelerate product development activities for small and large biopharmaceutical and biotechnology companies in various stages of the product lifecycle, spanning clinical development stage to commercialization, which aligns with the business' overall product development strategy.
- 2) *Maximizing Capacity:* Meet customer demand by maximizing capacity in the syringe and vial multi-purpose filler production line to significantly increase the number of products produced.
- 3) *Advancing Product Commercialization:* Continue to seek out opportunities to advance customers' late-stage product development activities by supporting their clinical programs and commercial process scale-up activities.

Curation Foods

Curation Foods, the Company's natural food business, is focused on transforming its business to improve operational performance. The Company launched Project SWIFT which aims to strengthen Curation Foods by simplifying the business. The Company believes that the decisive actions of Project SWIFT will help improve the Company's operating cost structure, enhance profitability, and strengthen its balance sheet with an overall aim to deliver long-term value to shareholders. Curation Foods intends to continue to deliver high levels of product quality and safety, while successfully executing on its customer,

grower, and partner commitments. Project SWIFT will continue to be implemented throughout fiscal 2021, with three strategic priorities designed to improve Curation Foods' overall financial performance and profitability:

1) *Network & Operational Optimization*: Streamline the organization to maximize efficiency and productivity by continuous improvement in plant operations with lean manufacturing practices. This included the consolidation and centralization of Curation Foods various offices into its Innovation Center headquarters in Santa Maria, California in fiscal 2020.

2) *Focus on Strategic Assets*: Simplify the business by divesting non-core assets. In fiscal 2020 the Company initiated the strategic sale process of the Company's Ontario, California salad dressing manufacturing facility, which had yet to become operational and a review of strategic options for of its legacy core vegetable bag and tray business. In June 2020 the Company began exploring opportunities for the planned divestiture of its underutilized Hanover manufacturing facility.

3) *Organizational Redesign*: Redesigning the organization so that it is the appropriate size for the Company's future direction. In fiscal 2020, the Company focused on redesigning strategic initiatives, developed and elevated internal talent and reduced overall headcount to improve efficiencies.

The COVID-19 Pandemic

There are many uncertainties regarding the COVID-19 pandemic, including the scope of scientific and health issues, the anticipated duration of the pandemic, and the extent of local and worldwide social, political, and economic disruption it may cause. The COVID-19 pandemic has had and we believe will continue to have significant adverse impacts on many aspects of the Company's operations, directly and indirectly, including with respect to sales, customer behaviors, business and manufacturing operations, inventory, the Company's employees, and the market generally, and the scope and nature of these impacts continue to evolve each day. The Company expects to continue to assess the evolving impact of the COVID-19 pandemic, and intends to continue to make adjustments to its responses accordingly.

Critical Accounting Policies and Use of Estimates

Use of Estimates

The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles ("GAAP") requires management to make certain estimates and judgments that affect the amounts reported in the financial statements and accompanying notes to the Consolidated Financial Statements. The accounting estimates that require management's most significant and subjective judgments include revenue recognition; loss contingencies, sales returns and allowances; self-insurance liabilities; recognition and measurement of current and deferred income tax assets and liabilities; the assessment of recoverability of long-lived assets including intangible assets and inventory; the valuation of investments; the valuation and recognition of stock-based compensation; and the valuation and recognition of contingent liabilities.

These estimates involve the consideration of complex factors and require management to make judgments. The analysis of historical and future trends can require extended periods of time to resolve, and are subject to change from period to period. The actual results may differ from management's estimates. Our accounting policies are more fully described in "Note 1 – Organization, Basis of Presentation, and Summary of Significant Accounting Policies" to our consolidated financial statements. Management has discussed the development and selection of these critical accounting policies and estimates with our Board of Directors.

Revenue Recognition

The Company follows the five step, principles-based model to recognize revenue upon the transfer of promised goods or services to customers and in an amount that reflects the consideration for which the Company expects to be entitled in exchange for those goods or services. Revenue, net of estimated allowances and returns, is recognized when the Company has completed its performance obligations under a contract and control of the product is transferred to the customer. Substantially all revenue is recognized at the time shipment is made or upon delivery as control of the product is transferred to the customer. Revenue for development service contracts are generally recognized based upon the labor hours expended relative to the total expected hours as a measure of progress to depict transfer of control of the service over time. The services are not distinct and are accounted for as a single performance obligation for each customer.

The Company's standard terms of sale are generally included in its contracts, purchase orders, and invoices. As such, all revenue is considered revenue recognized from contracts with customers. Shipping and other transportation costs charged to customers are recorded in both revenue and cost of goods sold. The Company has elected to account for shipping

and handling as fulfillment activities, and not as a separate performance obligation. The Company's standard payment terms with its customers generally range from 30 days to 90 days. Certain customers may receive cash-based incentives (including: volume rebates, discounts, and promotions), which are accounted for as variable consideration to the Company's performance obligations. The Company estimates these sales incentives based on the expected amount to be provided to its customers and reduces revenues recognized towards its performance obligations. The Company does not anticipate significant changes in its estimates for variable consideration.

Impairment Review of Goodwill and Indefinite-Lived Intangible Asset

The Company tests its goodwill and trademarks with indefinite lives annually for impairment in the fiscal fourth quarter or earlier if there are indications during a different interim period that these assets may have become impaired.

On a quarterly basis, the Company considers the need to update its most recent annual tests for possible impairment of its indefinite-lived intangible assets and goodwill, based on management's assessment of changes in its business and other economic factors since the most recent annual evaluation. Such changes, if significant or material, could indicate a need to update the most recent annual tests for impairment of the indefinite-lived intangible assets during the current period. The results of these tests could lead to write-downs of the carrying values of these assets in the current period.

With respect to goodwill, the Company has the option to first assess qualitative factors such as macro-economic conditions, industry and market environment, cost factors, overall financial performance of the Company, cash flow from operating activities, market capitalization, litigation, and stock price. If the result of a qualitative test indicates a potential for impairment of a reporting unit, a quantitative test is performed. The quantitative test compares the carrying amount of a reporting unit that includes goodwill to its fair value. The Company determines the fair value using both an income approach and a market approach. Under the income approach, fair value is determined based on estimated future cash flows, discounted by an estimated weighted-average cost of capital, which reflects the overall level of inherent risk of the Company and the rate of return an outside investor could expect to earn. Under the market-based approach, information regarding the Company is utilized along with publicly available industry information to determine earnings multiples that are used to value the Company. A goodwill impairment loss is recognized for the amount that the carrying amount of a reporting unit, including goodwill, exceeds its fair value, limited to the total amount of goodwill allocated to that reporting unit.

To determine the fair value of a reporting unit as part of its quantitative test, the Company uses a discounted cash flow ("DCF") method under the income approach, as it believes that this approach is the most reliable indicator of the fair value of its businesses and the fair value of their future earnings and cash flows. Under this approach, which requires significant judgments, the Company estimates the future cash flows of each reporting unit and discounts these cash flows at a rate of return that reflects their relative risk. The cash flows used in the DCF method are consistent with those the Company uses in its internal planning, which gives consideration to actual business trends experienced, and the broader business strategy for the long term. The other key estimates and factors used in the DCF method include, but are not limited to, future volumes, net sales and expense growth rates, and gross margin and gross margin growth rates. Changes in such estimates or the application of alternative assumptions could produce different results.

For trademarks and other intangible assets with indefinite lives, the Company performs a quantitative analysis to test for impairment. When a quantitative test is performed, the estimated fair value of an asset is compared to its carrying amount. If the carrying amount of such asset exceeds its estimated fair value, an impairment charge is recorded for the difference between the carrying amount and the estimated fair value. The Company uses the income approach to estimate the fair value of its trademarks. This approach requires significant judgments in determining the royalty rates and the assets' estimated cash flows as well as the appropriate discount rates applied to those cash flows to determine fair value. Changes in such estimates or the use of alternative assumptions could produce different results.

During fiscal year 2020, the Company recorded an impairment charge of \$1.1 million and \$3.5 million related to its *O* and Yucatan Foods trademarks, respectively. The Company also recorded an impairment charge of \$5.2 million and \$2.7 million related to its *O* and Yucatan Foods goodwill, respectively. The *O* impairment charges were primarily a result of the recently updated (lowered) financial outlook for the *O* reporting unit, related to a recent shift in strategic focus within the Curation Foods' business segment. The Yucatan Foods' impairment charges were primarily a result of an increase in the Yucatan Foods carrying value and in increase in discount rate, as a result of uncertainty in forecasting the effects of COVID-19 and general economic uncertainties. These impairment charges are included in the line item Impairment of goodwill and intangible assets on the Consolidated Statements of Operations, and both are in the Curation Foods business segment.

Income Taxes

The Company accounts for income taxes in accordance with accounting guidance which requires that deferred tax assets and liabilities be recognized using enacted tax rates for the effect of temporary differences between the book and tax basis of recorded assets and liabilities. The Company maintains valuation allowances when it is likely that all or a portion of a deferred tax asset will not be realized. Changes in valuation allowances from period to period are included in the Company's income tax provision in the period of change. In determining whether a valuation allowance is warranted, the Company takes into account such factors as prior earnings history, expected future earnings, unsettled circumstances that, if unfavorably resolved, would adversely affect utilization of a deferred tax asset, carryback and carryforward periods and tax strategies that could potentially enhance the likelihood of realization of a deferred tax asset.

In addition to valuation allowances, the Company establishes accruals for uncertain tax positions. The tax-contingency accruals are adjusted in light of changing facts and circumstances, such as the progress of tax audits, case law and emerging legislation. The Company recognizes interest and penalties related to uncertain tax positions as a component of income tax expense. The Company's effective tax rate includes the impact of tax-contingency accruals as considered appropriate by management.

A number of years may elapse before a particular matter, for which the Company has accrued, is audited and finally resolved. The number of years with open tax audits varies by jurisdiction. While it is often difficult to predict the final outcome or the timing of resolution of any particular tax matter, the Company believes its tax-contingency accruals are adequate to address known tax contingencies. Favorable resolution of such matters could be recognized as a reduction to the Company's effective tax rate in the year of resolution. Unfavorable settlement of any particular issue could increase the Company's effective tax rate in the year of resolution. Any resolution of a tax issue may require the use of cash in the year of resolution. The Company's tax-contingency accruals are recorded in Other accrued liabilities in the accompanying Consolidated Balance Sheets.

Stock-Based Compensation

The Company's stock-based awards include stock option grants and restricted stock unit awards ("RSUs"). The Company records compensation expense for stock-based awards issued to employees and directors in exchange for services provided based on the estimated fair value of the awards on their grant dates and is recognized over the required service periods, generally the vesting period.

The estimated fair value for stock options, which determines the Company's calculation of stock-based compensation expense, is based on the Black-Scholes option pricing model. The use of Black-Scholes requires the Company to make estimates and assumptions, such as expected volatility, expected term, and risk-free interest rate. RSUs are valued at the closing market price of the Company's common stock on the date of grant. The Company uses the straight-line single option method to calculate and recognize the fair value of stock-based compensation arrangements.

Derivative Financial Instruments

The Company has entered into interest rate swap agreements to manage interest rate risk. These derivative instruments may offset a portion of the changes in interest expense. The Company designates these derivative instruments as cash flow hedges. The Company accounts for its derivative instruments as either an asset or a liability and carries them at fair value in Other assets or Other non-current liabilities. The accounting for changes in the fair value of the derivative instrument depends on the intended use of the derivative instrument and the resulting designation.

Pursuant to the adoption of ASU 2017-12, for derivative instruments that hedge the exposure to variability in expected future cash flows and are designated as cash flow hedges, the entire change in the fair value of the hedging instrument is recorded as a component of Accumulated other comprehensive (loss) income ("AOCI") in Stockholders' Equity. Those amounts are subsequently reclassified to earnings in the same line item in the Consolidated Statement of Operations as impacted by the hedge item when the hedged item affects earnings. To receive hedge accounting treatment, cash flow hedges must be highly effective in offsetting changes to expected future cash flows on hedged transactions.

Fair Value Measurements

The Company uses fair value measurement accounting for financial assets and liabilities and for financial instruments and certain other items measured at fair value. The Company has elected the fair value option for its investment in a non-public company. The Company has not elected the fair value option for any of its other eligible financial assets or liabilities.

Applicable accounting guidance establishes a three-tier hierarchy for fair value measurements, which prioritizes the inputs used in measuring fair value as follows:

Level 1 – observable inputs such as quoted prices for identical instruments in active markets.

Level 2 – inputs other than quoted prices in active markets that are observable either directly or indirectly through corroboration with observable market data.

Level 3 – unobservable inputs in which there is little or no market data, which would require the Company to develop its own assumptions.

As of May 31, 2020, the Company held certain assets and liabilities that were required to be measured at fair value on a recurring basis, including its interest rate swap, its minority interest investment in Windset, and its contingent consideration liability from the acquisition of *O*.

The fair value of the Company's interest rate swap contracts is determined based on model inputs that can be observed in a liquid market, including yield curves, and is categorized as a Level 2 fair value measurement and is included in Other assets or Other non-current liabilities in the accompanying Consolidated Balance Sheets.

As of May 31, 2020, there was no contingent consideration due to the former owners of *O*. However, prior to May 31, 2020, the fair value of the Company's contingent consideration liability from the acquisition of *O* utilized significant unobservable inputs, including projected earnings before interest, taxes, depreciation and amortization ("EBITDA"), and discount rates. As a result, the Company's contingent consideration liability associated with the *O* acquisition was considered a Level 3 measurement liability and is included in Other non-current liabilities in the accompanying Consolidated Balance Sheets.

The Company has elected the fair value option of accounting for its investment in Windset. The calculation of fair value utilizes significant unobservable inputs, including projected cash flows, growth rates, and discount rates. As a result, the Company's investment in Windset is considered to be a Level 3 measurement investment. The change in the fair value of the Company's investment in Windset for the twelve months ended May 31, 2020 was due to the Company's 26.9% minority interest in the change in the fair market value of Windset during the period.

See "Note 1 – Organization, Basis of Presentation, and Summary of Significant Accounting Policies" in the notes to our consolidated financial statements for additional discussion of the Company's accounting for fair value measurement.

Recent Accounting Pronouncements

Refer to Note 1 - Organization, Basis of Presentation, and Summary of Significant Accounting Policies in the notes to our consolidated financial statements for a description of recent accounting pronouncements and our expectation of their impact, if any, on our results of operations and financial condition.

Results of Operations

Revenues:

Curation Foods revenues consist of revenues generated from (1) the sale of specialty packaged fresh-cut and whole processed vegetable products and salads that are washed and packaged in most cases in the Company's proprietary BreatheWay packaging and sold primarily under the Eat Smart brand and various private labels, (2) *O* olive oils and wine vinegars, and (3) Yucatan and Cabo Fresh branded guacamole and avocado products. In addition, the Curation Foods reportable business segment includes the revenues generated from the sale of BreatheWay packaging to license partners.

Lifecore generates revenues from the development and manufacture of pharmaceutical-grade sodium hyaluronate ("HA") products and providing contract development and aseptic manufacturing services to customers. Lifecore generates revenues from two integrated activities: (1) CDMO and (2) fermentation.

	Year Ended		Change		Year Ended		Change	
	May 31, 2020	May 26, 2019	Amount	%	May 26, 2019	May 27, 2018	Amount	%
Curation Foods	\$ 504,533	\$ 481,686	\$ 22,847	5%	\$ 481,686	\$ 458,800	\$ 22,886	5%
Lifecore	85,833	75,873	9,960	13%	75,873	65,427	10,446	16%
Total Revenues	<u>\$ 590,366</u>	<u>\$ 557,559</u>	<u>\$ 32,807</u>	<u>6%</u>	<u>\$ 557,559</u>	<u>\$ 524,227</u>	<u>\$ 33,332</u>	<u>6%</u>

Curation Foods

The increase in Curation Foods' revenues for fiscal year 2020, compared to the same period last year, was primarily due to (1) the addition of Yucatan Foods, which was acquired on December 1, 2018, that contributed a comparative increase of \$34.9 million in revenues, (2) a \$12.7 million increase in salad revenues, and (3) a \$3.1 million increase in BreatheWay revenues. These increases were partially offset by a \$17.3 million planned decrease in revenues from packaged vegetables in bags and trays, and a \$9.0 million decrease in green bean revenues due to weather-related events that resulted in lower yields.

The increase in Curation Foods' revenues for fiscal year 2019 compared to fiscal year 2018 was primarily due to \$27.3 million of revenues from the Yucatan Foods business. In addition, revenues increased \$2.1 million from salad sales and \$1.5 million from *O* olive oil and vinegar sales. These increases were partially offset by a \$5.5 million decrease in (1) green bean sales due to shortages of green beans during December and January, as a result of weather-related events in the Southeast, and (2) tray sales due to lower unit volume sales.

Lifecore

The increase in Lifecore's revenues for fiscal year 2020 compared to fiscal year 2019 was primarily due to a \$10.4 million increase in CDMO revenues from an increase in development services activities and an increase in aseptic filling commercial shipments, primarily due to higher sales to existing customers, partially offset by a \$0.4 million decrease in fermentation sales to existing customers.

The increase in Lifecore's revenues for fiscal year 2019 compared to fiscal year 2018 was primarily due to a \$10.1 million increase in CDMO revenues from an increase in development services activities and an increase in aseptic filling commercial shipments, primarily due to higher sales to existing customers.

Gross Profit:

There are numerous factors that can influence gross profit including product mix, customer mix, manufacturing costs, volume, sales discounts and charges for excess or obsolete inventory, to name a few. Many of these factors influence or are interrelated with other factors. The Company includes in cost of sales all of the following costs: raw materials (including produce, seeds, packaging, syringes and fermentation and purification supplies), direct labor, overhead (including indirect labor, depreciation, and facility-related costs), and shipping and shipping-related costs.

	Year Ended		Change		Year Ended		Change	
	May 31, 2020	May 26, 2019	Amount	%	May 26, 2019	May 27, 2018	Amount	%
Curation Foods	\$ 42,105	\$ 49,305	\$ (7,200)	(15)%	\$ 49,305	\$ 49,770	\$ (465)	(1)%
Lifecore	32,883	31,698	1,185	4%	31,698	28,568	3,130	11%
Total Gross Profit	<u>\$ 74,988</u>	<u>\$ 81,003</u>	<u>\$ (6,015)</u>	<u>(7)%</u>	<u>\$ 81,003</u>	<u>\$ 78,338</u>	<u>\$ 2,665</u>	<u>3%</u>

Curation Foods

The decrease in gross profit for the Curation Foods business for fiscal year 2020, compared to fiscal year 2019, was primarily due to (1) the sale of avocado products that were produced during the fourth quarter of fiscal 2019 and first quarter of fiscal 2020 when the costs of avocados were substantially higher than current production costs, (2) adverse weather-related

events impacting raw material supply during fiscal year 2020, and (3) lower gross profit driven by a planned de-emphasis of packaged vegetables in bags and trays. These decreases were partially offset by an increase in gross profits from the increase in BreatheWay revenues.

The decrease in gross profit for the Curation Foods business for fiscal year 2019 compared to fiscal year 2018 was primarily due to lower sales of green beans and higher input costs for raw materials, labor, packaging, and, freight. These increases were partially offset by \$3.8 million of gross profit from the Yucatan Foods business and gross profit from higher salad sales. The net of these factors resulted in the gross margin decreasing to 10.2% in fiscal year 2019 compared to 10.8% in fiscal year 2018.

Lifecore

The increase in Lifecore's gross profit for fiscal year 2020 compared to fiscal year 2019 was primarily due to a 13% increase in revenues partially offset by temporary manufacturing inefficiencies in the fourth quarter of fiscal year 2020 associated with new safety protocols primarily due to the COVID-19 pandemic. As a result, Lifecore's gross margin decreased to 38.3% in fiscal year 2020 from 41.8% in fiscal year 2019.

The increase in Lifecore's gross profit for fiscal year 2019 compared to fiscal year 2018 was due to a 16% increase in revenues partially offset by an unfavorable product mix change in fiscal year 2019 to a higher percentage of revenues coming from lower margin aseptically filled product sales. As a result, Lifecore's gross margin decreased to 41.8% in fiscal year 2019 from 43.7% in fiscal year 2018.

Operating Expenses:

Research and Development (R&D)

R&D expenses consist primarily of product development and commercialization initiatives. R&D expenses in our Curation Foods business are primarily focused on innovating our current product lines and on the Company's proprietary BreatheWay membranes used for packaging produce, with a focus on extending the shelf-life of sensitive vegetables and fruit. In the Lifecore business, the R&D expenses are focused on new products and applications for HA-based and non-HA biomaterials. For Other, the R&D expenses are primarily focused on creating and developing new innovative lines of products.

(In thousands, except percentages)

	Year Ended		Change		Year Ended		Change	
	May 31, 2020	May 26, 2019	Amount	%	May 26, 2019	May 27, 2018	Amount	%
Curation Foods	\$ 5,142	\$ 5,444	\$ (302)	(6)%	\$ 5,444	\$ 5,633	\$ (189)	(3)%
Lifecore	5,910	5,085	825	16%	5,085	5,360	(275)	(5)%
Other	47	937	(890)	(95)%	937	1,807	(870)	(48)%
Total R&D	<u>\$ 11,099</u>	<u>\$ 11,466</u>	<u>\$ (367)</u>	<u>(3)%</u>	<u>\$ 11,466</u>	<u>\$ 12,800</u>	<u>\$ (1,334)</u>	<u>(10)%</u>

The decrease in R&D expenses for fiscal year 2020 compared to fiscal year 2019 was primarily due to (1) a \$0.9 million decrease in our Other segment primarily due to discontinuing most R&D activities at corporate, (2) a \$0.3 million decrease in our Curation Foods segment driven by a decrease in legal and other professional services, partially offset by (3) an increase in Lifecore's R&D expenses primarily due to higher salary and benefit expenses driven by an increase in headcount related to increased development activities.

The decrease in R&D expenses for fiscal year 2019 compared to fiscal year 2018 was primarily due to a decrease in R&D expenses in our Other segment as a result of a decrease in product development activities for our new ventures and from a reduction in R&D expenses at Lifecore due to a higher percentage of R&D personnel working on production (charged to cost of sales) this fiscal year compared to last fiscal year.

Selling, General and Administrative ("SG&A")

SG&A expenses consist primarily of sales and marketing expenses associated with Landec's product sales and services, business development expenses, and staff and administrative expenses.

(In thousands,
except percentages)

	Year Ended		Change		Year Ended		Change	
	May 31, 2020	May 26, 2019	Amount	%	May 26, 2019	May 27, 2018	Amount	%
Curation Foods	\$ 46,130	\$ 43,828	\$ 2,302	5%	\$ 43,828	\$ 34,090	\$ 9,738	29%
Lifecore	7,688	6,618	1,070	16%	6,618	5,878	740	13%
Other	18,370	11,616	6,754	58%	11,616	11,983	(367)	(3)%
Total SG&A	\$ 72,188	\$ 62,062	\$ 10,126	16%	\$ 62,062	\$ 51,951	\$ 10,111	19%

The increase in SG&A expenses for fiscal year 2020 compared to fiscal year 2019 was due to (1) a \$6.8 million increase in our Other segment primarily due to a (a) \$6.0 million increase in legal fees related to compliance and other legal matters and (b) a \$3.0 million greater reduction of the earnout liability (reduction of SG&A costs) associated with the *O* acquisition in the same period last year compared to the current period, and (c) a \$1.8 million decrease in salaries and related benefits due to a decrease in headcount and bonus expense, (2) a \$2.3 million increase in our Curation Foods business primarily due to (a) \$3.0 million of increased SG&A at Yucatan Foods, which is primarily due to a full year of SG&A expenses in fiscal 2020 compared to a partial year in fiscal 2019, net of merger and acquisition costs incurred, in the same period last year, (b) the \$1.2 million reserve for the receivable from Pacific Harvest, partially offset by, (c) a \$1.6 million decrease in consulting fees, most of which was associated with Curation Foods' cost saving initiatives, and (3) a \$1.0 million increase in our Lifecore business SG&A due to higher salary and benefit expenses driven by an increase in headcount.

The increase in SG&A expenses for fiscal year 2019 compared to fiscal year 2018 was due to (1) a \$11.7 million increase at Curation Foods primarily due to (a) \$4.3 million of SG&A at Yucatan Foods, (b) \$3.3 million of merger and acquisition costs, (c) a \$2.1 million increase in SG&A expenses at Eat Smart, and (d) an increase in consulting fees, most of which was associated with Curation Foods' cost saving initiatives, and (2) a \$0.7 million increase at Lifecore due to new hires and increased salary and benefit expenses. These increases were partially offset by a \$0.4 million decrease at Corporate primarily due to a \$3.5 million reduction of the earnout liability associated with the *O* acquisition, partially offset by severance-related charges, legal fees, and consulting fees.

Other:

(In thousands,
except percentages)

	Year Ended		Change		Year Ended		Change	
	May 31, 2020	May 26, 2019	Amount	%	May 26, 2019	May 27, 2018	Amount	%
Dividend Income	\$ 1,125	\$ 1,650	\$ (525)	(32)%	\$ 1,650	\$ 1,650	\$ —	—%
Interest Income	103	145	(42)	(29)%	145	211	(66)	(31)%
Interest Expense	(9,603)	(5,230)	(4,373)	84%	(5,230)	(1,950)	(3,280)	168%
Other Expense	(4,395)	1,600	(5,995)	N/M	1,600	2,900	(1,300)	(45)%
Income Tax								
(Expense) Benefit..	13,116	(1,518)	14,634	N/M	(1,518)	9,363	(10,881)	N/M
Non-controlling								
Interest Expense....	—	—	—	—%	—	(94)	94	(100)%

Dividend Income

Dividend income is derived from the dividends accrued during each period on the Company's \$15.0 million Senior A and \$7.0 million Senior B preferred stock investment in Windset, which yields a cash dividend of 7.5% annually. The decrease in dividend income for fiscal year 2020 compared to fiscal year 2019 was due to the sale of the Company's \$7.0 million Senior B preferred stock to Windset in the fourth quarter of fiscal year 2019. There was no change in dividend income for the fiscal year ended May 26, 2019 compared to May 27, 2018.

Interest Income

The decrease in interest income in fiscal year 2020 compared to fiscal year 2019 was not significant. The decrease in interest income in fiscal 2019 compared to fiscal 2018 was not significant.

Interest Expense

The increase in interest expense for fiscal year 2020, compared to the same periods last year, was a result of an increase in total debt from \$149.0 million as of May 26, 2019 to \$190.3 million as of May 31, 2020. The increase in debt was primarily due to additional borrowings to fund working capital requirements and new equipment purchases during the last twelve months.

The increase in interest expense during fiscal year 2019 compared to fiscal year 2018 was primarily due to additional borrowings to fund the acquisition of Yucatan Foods at the beginning of the third quarter of fiscal 2019 as well as the Company's line of credit balance increasing from \$27.0 million as of fiscal year ended May 27, 2018 to \$52.0 million as of fiscal year ended May 26, 2019 primarily to fund new equipment purchases during fiscal year 2019.

Other Income (Expense)

The decrease in other income (expense) for fiscal year 2020 was primarily a result of the change in fair value of the Company's investment in Windset, which decreased \$4.2 million for the twelve months ended May 31, 2020, compared to an increase of \$1.6 million for the twelve months ended May 26, 2019.

The decrease in other income (expense) for fiscal year 2019 was a result of the change in the fair value of the Company's investment in Windset, which increased \$1.6 million for the twelve months ended May 26, 2019, compared to an increase of \$2.9 million for the twelve months ended May 27, 2018.

Income Tax (Expense) Benefit

The change in income tax (expense) benefit for fiscal year 2020 compared to fiscal year 2019 was due to the decrease in the Company's profit before tax, carryback of net operating losses driven by the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), and the benefit of federal and state research and development credits.

The increase in the income tax expense (benefit) during fiscal year 2019 compared to fiscal year 2018 was due to the income tax benefit from the Tax Cuts and Jobs Act of 2017 ("TCJA"), which resulted in a significant tax benefit during fiscal year 2018 whereas the tax expense for fiscal year 2019 is based on pre-tax income.

Non-controlling Interest Expense

The non-controlling interest expense consisted of the Company's limited partnership interest in the net income of Apio Cooling, LP. The Company purchased the remaining non-controlling interest in Apio Cooling, LP during the fourth quarter of fiscal year 2018 and dissolved Apio Cooling, LP during the first month of fiscal year 2019.

The increase in non-controlling interest for fiscal year 2019 compared to fiscal year 2018 was not significant.

Liquidity and Capital Resources

As of May 31, 2020, the Company had cash and cash equivalents of \$0.4 million, a net decrease of \$0.7 million from \$1.1 million at May 26, 2019.

Cash Flows from Operating Activities

The Company used \$17.0 million of cash for operating activities during fiscal year 2020 compared to generating \$16.0 million of cash from operating activities during fiscal year 2019. The primary uses of net cash used in operating activities during fiscal year 2020 were from (1) a \$5.4 million reduction in deferred taxes, (2) a net increase of \$27.7 million in working capital, and (3) a \$38.2 million net loss, inclusive of, (a) \$29.0 million from the restructuring and impairment of assets charges and the Pacific Harvest note receivable reserve, (b) \$21.3 million of depreciation/amortization and stock based compensation expense, and (c) \$4.2 million decrease in fair value of the Company's investment in Windset.

The primary factors for the increase in working capital during fiscal year 2020 were (1) a \$12.2 million increase in inventory, primarily to support the planned sales growth at Lifecore and Yucatan Foods, (2) a \$6.8 million increase in prepaid expenses and other current assets driven by an increase in the Company's income tax refund receivable as a result of the fiscal year 2020 net loss from continuing operations before taxes and carrybacks of net operating losses related to the CARES Act, and (3) a \$6.6 million increase in accounts receivable driven by an increase in revenues in the fourth quarter of fiscal year 2020 compared to fiscal year 2019 coupled with timing of customer payments.

Cash Flows from Investing Activities

Net cash used in investing activities for fiscal year 2020 was \$23.9 million compared to \$96.8 million for the same period last year. The use of cash in investing activities for fiscal year 2020, was primarily due to the purchase of \$26.7 million of equipment to support the growth of the Company's Curation Foods and Lifecore businesses, partially offset by the receipt of \$2.4 million primarily related to the sale of the Company's San Rafael, California office building.

Cash Flows from Financing Activities

Net cash provided by financing activities for fiscal year 2020 was \$40.0 million compared to \$79.0 million for the same period last year. The net cash provided by financing activities during fiscal year 2020 was primarily due to \$27.5 million of borrowings under the Company's term loan and from a \$25.4 million net increase in the Company's line of credit. The cash provided by these financing activities were primarily used for \$26.7 million of capital expenditures, \$17.0 million of operating activities, and \$11.1 million of long-term debt payments.

Capital Expenditures

During fiscal year 2020, Landec incurred \$26.7 million of capital expenditures, which was primarily represented by facility expansions and purchased equipment to support the growth of the Curation Foods and Lifecore businesses. Compared to capital expenditures of \$44.7 million for fiscal year 2019.

Debt

On September 23, 2016, the Company entered into a Credit Agreement with JPMorgan, BMO, and City National Bank, as lenders (collectively, the "Lenders"), and JPMorgan as administrative agent, pursuant to which the Lenders provided the Company with a \$100.0 million revolving line of credit (the "Revolver") and a \$50.0 million term loan facility (the "Term Loan"), guaranteed by each of the Company's direct and indirect subsidiaries and secured by substantially all of the Company's assets, with the exception of the Company's investment in Windset.

On November 30, 2018, the Company entered into the Fourth Amendment to the Credit Agreement, which increased the Term Loan to \$100.0 million and the Revolver to \$105.0 million.

On October 25, 2019, the Company entered into the Sixth Amendment to the Credit Agreement, which increased the Term Loan to \$120.0 million and decreased the revolver to \$100.0 million. Both the Revolver and the Term Loan mature on October 25, 2022, with the Term Loan requiring quarterly principal payments of \$3.0 million and the remainder continuing to be due at maturity.

On March 19, 2020, the Company entered into the Seventh Amendment to the Credit Agreement (the "Seventh Amendment"), which among other changes, retroactively increased the maximum Total Leverage Ratio (as defined in the Credit Agreement as the ratio of the Company's total indebtedness on such date to the Company's consolidated EBITDA for the period of four consecutive fiscal quarters ended on or most recently prior to such date) to 5.75 to 1.00 for the fiscal quarter ended February 23, 2020, which decreases back to 5.00 to 1.00 for the fiscal quarter ending May 31, 2020. The maximum Total Leverage Ratio thereafter decreases by 25 basis points each subsequent fiscal quarter thereafter, until it reaches 3.50 for the fiscal quarter ending November 28, 2021, and then remains fixed through maturity. The Seventh Amendment also introduced additional financial covenants that remain in effect through May 31, 2020, including minimum cumulative monthly Unadjusted EBITDA thresholds and maximum capital expenditures, as well as additional reporting requirements and frequencies. Interest on both the Revolver and the Term Loan continues to be based upon the Company's Total Leverage Ratio, at a per annum rate of either (i) the prime rate plus a spread of between 0.25% and 3.00% or (ii) the Eurodollar rate plus a spread of between 1.25% and 4.00%.

Subsequent to fiscal year end 2020, on July 15, 2020, the Company entered into the Eighth Amendment to the Credit Agreement (the "Eighth Amendment"), which among other things, (i) modified the definition of EBITDA to increase the limit on permitted exclusions for certain unusual, extraordinary or one-time cash items for each fiscal quarter ending on or after February 28, 2021, to a maximum of 20% of EBITDA, and (ii) restricted the Company from making Capital Expenditures over certain thresholds. Interest continues to be based on the Company's Total Leverage Ratio, now at a revised per annum Applicable Rate of either (i) the prime rate plus a spread of between 0.75% and 3.50% or (ii) the Eurodollar rate plus a spread of between 1.75% and 4.50%, plus, in each case, a commitment fee, as applicable, of between 0.15% and 0.55%, as further described in the Eighth Amendment.

The Credit Agreement provides the Company the right to increase the Revolver commitments and/or the Term Loan commitments by obtaining additional commitments either from one or more of the Lenders or another lending institution at an amount of up to \$10.0 million.

The Credit Agreement continues to contain customary financial covenants and events of default under which the obligation could be accelerated and/or the interest rate increased. As of May 31, 2020, the Company was in compliance with all financial covenants under the Credit Agreement, other than the maximum Total Leverage Ratio covenant, which noncompliance was waived by the lenders pursuant to the Eighth Amendment.

As of May 31, 2020, \$77.4 million was outstanding on the Revolver, at an interest rate of 4.38% under the Eurodollar option.

Contractual Obligations

The Company's material contractual obligations for the next five years and thereafter as of May 31, 2020, are as follows:

<i>(in thousands)</i>	Due in Fiscal Year Ended May						
	Total	2021	2022	2023	2024	2025	Thereafter
Debt obligations.....	\$ 191,400	\$ 12,000	\$ 179,400	\$ —	\$ —	\$ —	\$ —
Interest payments associated with debt obligations	9,397	7,147	2,250	—	—	—	—
Finance leases.....	4,429	455	466	3,497	9	2	—
Operating leases.....	37,283	5,615	4,500	3,809	3,137	2,501	17,721
Purchase commitments.....	87,681	26,609	6,185	5,969	5,985	5,604	37,329
Total	<u>\$ 330,190</u>	<u>\$ 51,826</u>	<u>\$ 192,801</u>	<u>\$ 13,275</u>	<u>\$ 9,131</u>	<u>\$ 8,107</u>	<u>\$ 55,050</u>

Debt obligations reflect the principal amounts outstanding on the Term Loan and the Revolver at fiscal year-end. The interest payment amounts above are based on principal amounts and contractual rates at fiscal year-end. See "Note 7 – Debt" in the notes to our consolidated financial statements for further information on the Company's loans.

The Company's future capital requirements will depend on numerous factors, including the progress of its research and development programs; the continued development of marketing, sales and distribution capabilities; the ability of the Company to establish and maintain new licensing arrangements; the costs associated with employment-related claims; any decision to pursue additional acquisition opportunities; weather conditions that can affect the supply and price of produce, the timing and amount, if any, of payments received under licensing and research and development agreements; the costs involved in preparing, filing, prosecuting, defending, and enforcing intellectual property rights; the ability to comply with regulatory requirements; the emergence of competitive technology and market forces; the effectiveness of product commercialization activities and arrangements; and other factors. If the Company's currently available funds, together with the internally generated cash flow from operations are not sufficient to satisfy its capital needs, the Company would be required to seek additional funding through other arrangements with collaborative partners, additional bank borrowings and public or private sales of its securities. There can be no assurance that additional funds, if required, will be available to the Company on favorable terms, if at all.

The Company believes that its cash from operations, along with existing cash and cash equivalents and availability under its line of credit will be sufficient to finance its operational and capital requirements for at least the next twelve months.

Off-Balance Sheet Arrangements

The Company is not a party to any agreements with, or commitments to, any special purpose entities that would constitute material off-balance sheet financing.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Exposure

Our net interest expense is sensitive to changes in the general level of interest rates. In this regard, changes in interest rates will affect our net interest expense, as well as the fair value of our debt.

Subsequent to fiscal year end 2020, on July 15, 2020, the Company entered into the Eighth Amendment to the Credit Agreement (the “Eighth Amendment”). Interest continues to be based on the Company’s Total Leverage Ratio, now at a revised per annum Applicable Rate of either (i) the prime rate plus a spread of between 0.75% and 3.50% or (ii) the Eurodollar rate plus a spread of between 1.75% and 4.50%, plus, in each case, a commitment fee, as applicable, of between 0.15% and 0.55%, as further described in the Eighth Amendment, a 50 basis-point increase compared to the prior ranges of Applicable Rates.

Foreign Currency Exposure

Our Mexican-based operations transacts a portion of the business in Mexican pesos. Funds are transferred by our corporate office to Mexico to satisfy local Mexican cash needs. We do not currently use derivative instruments to hedge fluctuations in the Mexican peso to U.S. dollar exchange rates. Total impact from foreign currency translation is not significant.

Item 8. Financial Statements and Supplementary Data

See Item 15 of Part IV of this report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of May 31, 2020, our management evaluated, with participation of our Chief Executive Officer and our Chief Financial Officer, the effectiveness of our disclosure controls and procedures. Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures are effective in ensuring that information required to be disclosed in reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission, and are effective in providing reasonable assurance that information required to be disclosed by the Company in such reports is accumulated and communicated to the Company’s management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management’s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended). In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) in *Internal Control - Integrated Framework (2013 Framework)*. Our management has concluded that we maintained effective internal control over financial reporting as of May 31, 2020.

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

Our independent registered public accounting firm, Ernst & Young LLP, has issued an audit report on our internal control over financial reporting, which appears below.

Changes in Internal Controls over Financial Reporting

During fiscal year 2019, the Company completed the acquisition of Yucatan Foods. As permitted by the Securities and Exchange Commission, Yucatan Foods was excluded from the assessment of internal control over financial reporting for the fiscal year ended May 26, 2019. During fiscal year 2020, the Company integrated Yucatan Foods into its control environment and performed an assessment of internal controls over all the key processes of Yucatan Foods.

Subject to the foregoing, no changes in our internal control over financial reporting have occurred as of May 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. *Other Information*

None

PART III

Item 10. *Directors, Executive Officers and Corporate Governance*

This information required by this item will be contained in the Registrant's definitive proxy statement or in an amendment to this Annual Report on Form 10-K to be filed with the Securities and Exchange Commission not later than September 28, 2020 (120 days after the Registrant's fiscal year end covered by this Annual Report on Form 10-K) and is incorporated herein by reference.

Item 11. *Executive Compensation*

This information required by this item will be contained in the Registrant's definitive proxy statement or in an amendment to this Annual Report on Form 10-K to be filed with the Securities and Exchange Commission not later than September 28, 2020 (120 days after the Registrant's fiscal year end covered by this Annual Report on Form 10-K) and is incorporated herein by reference.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

This information required by this item will be contained in the Registrant's definitive proxy statement or in an amendment to this Annual Report on Form 10-K to be filed with the Securities and Exchange Commission not later than September 28, 2020 (120 days after the Registrant's fiscal year end covered by this Annual Report on Form 10-K) and is incorporated herein by reference.

Item 13. *Certain Relationships and Related Transactions and Director Independence*

This information required by this item will be contained in the Registrant's definitive proxy statement or in an amendment to this Annual Report on Form 10-K to be filed with the Securities and Exchange Commission not later than September 28, 2020 (120 days after the Registrant's fiscal year end covered by this Annual Report on Form 10-K) and is incorporated herein by reference.

Item 14. *Principal Accountant Fees and Services*

This information required by this item will be contained in the Registrant's definitive proxy statement or in an amendment to this Annual Report on Form 10-K to be filed with the Securities and Exchange Commission not later than September 28, 2020 (120 days after the Registrant's fiscal year end covered by this Annual Report on Form 10-K) and is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) 1. Consolidated Financial Statements of Landec Corporation

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2. All schedules provided for in the applicable accounting regulations of the Securities and Exchange Commission have been omitted since they pertain to items which do not appear in the financial statements of Landec Corporation and its subsidiaries or to items which are not significant or to items as to which the required disclosures have been made elsewhere in the financial statements and supplementary notes and such schedules.

3. Index of Exhibits..... 78

The exhibits listed in the accompanying Index of Exhibits are filed or incorporated by reference as part of this report.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors of Landec Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Landec Corporation and subsidiaries (the Company) as of May 31, 2020 and May 26, 2019, and the related consolidated statements of operations, comprehensive (loss) income, stockholders' equity and cash flows for each of the three years in the period ended May 31, 2020, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at May 31, 2020 and May 26, 2019, and the results of its operations and its cash flows for each of the three years in the period ended May 31, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of May 31, 2020, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated August 14, 2020 expressed an unqualified opinion thereon.

Adoption of New Accounting Standards

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for leases, effective at the beginning of the year ended May 31, 2020, using the modified retrospective approach upon adoption of Accounting Standards Update ("ASU") No. 2016-02, *Leases (Topic 842)*.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2008.

San Francisco, California
August 14, 2020

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Landec Corporation

Opinion on Internal Control over Financial Reporting

We have audited Landec Corporation and subsidiaries' internal control over financial reporting as of May 31, 2020, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Landec Corporation and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of May 31, 2020, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of May 31, 2020 and May 26, 2019, and the related consolidated statements of operations, comprehensive (loss) income, stockholders' equity and cash flows for each of the three years in the period ended May 31, 2020, and the related notes and our report dated August 14, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

San Francisco, California
August 14, 2020

LANDEC CORPORATION
CONSOLIDATED BALANCE SHEETS
(In thousands, except par value)

	May 31, 2020	May 26, 2019
ASSETS		
Current Assets:		
Cash and cash equivalents.....	\$ 360	\$ 1,080
Accounts receivable, less allowance for doubtful accounts.....	76,206	69,565
Inventories.....	66,311	54,132
Prepaid expenses and other current assets.....	14,230	8,264
Total Current Assets.....	157,107	133,041
Investment in non-public company, fair value.....	56,900	61,100
Property and equipment, net.....	192,338	200,027
Operating leases.....	25,321	—
Goodwill.....	69,386	76,742
Trademarks/tradenames, net.....	25,328	29,928
Customer relationships, net.....	12,777	15,319
Other assets.....	2,156	2,934
Total Assets.....	\$ 541,313	\$ 519,091
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable.....	\$ 51,647	\$ 53,973
Accrued compensation.....	9,034	10,687
Other accrued liabilities.....	9,978	10,001
Current portion of lease liabilities.....	4,423	75
Deferred revenue.....	352	499
Line of credit.....	77,400	52,000
Current portion of long-term debt, net.....	11,554	9,791
Other current liabilities, discontinued operations.....	—	65
Total Current Liabilities.....	164,388	137,091
Long-term debt, net.....	101,363	87,193
Long-term lease liabilities.....	26,378	3,532
Deferred taxes, net.....	13,588	19,393
Other non-current liabilities.....	4,552	1,738
Total Liabilities.....	310,269	248,947
Stockholders' Equity:		
Common stock, \$0.001 par value; 50,000 shares authorized; 29,224 and 29,102 shares issued and outstanding at May 31, 2020 and May 26, 2019, respectively.....	29	29
Additional paid-in capital.....	162,578	160,341
Retained earnings.....	71,245	109,710
Accumulated other comprehensive (loss) income.....	(2,808)	64
Total Stockholders' Equity.....	231,044	270,144
Total Liabilities and Stockholders' Equity.....	\$ 541,313	\$ 519,091

See accompanying notes to the consolidated financial statements.

LANDEC CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

	Year Ended		
	May 31, 2020	May 26, 2019	May 27, 2018
Product sales	\$ 590,366	\$ 557,559	\$ 524,227
Cost of product sales	515,378	476,556	445,889
Gross profit	74,988	81,003	78,338
Operating costs and expenses:			
Research and development	11,099	11,466	12,800
Selling, general and administrative	72,188	62,062	51,951
Impairment of goodwill and intangible assets	12,953	2,000	—
Restructuring costs	17,285	—	—
Total operating costs and expenses	113,525	75,528	64,751
Operating (loss) income	(38,537)	5,475	13,587
Dividend income	1,125	1,650	1,650
Interest income	103	145	211
Interest expense, net	(9,603)	(5,230)	(1,950)
Other (expense) income	(4,395)	1,600	2,900
Net (loss) income from continuing operations before taxes	(51,307)	3,640	16,398
Income tax benefit (expense)	13,116	(1,518)	9,363
Net (loss) income from continuing operations	(38,191)	2,122	25,761
Discontinued operations:			
Loss from discontinued operations	—	(2,238)	(1,188)
Income tax benefit	—	527	350
Loss from discontinued operations, net of tax	—	(1,711)	(838)
Consolidated net (loss) income	(38,191)	411	24,923
Non-controlling interest expense	—	—	(94)
Net (loss) income applicable to common stockholders	\$ (38,191)	\$ 411	\$ 24,829
Basic net (loss) income per share:			
(Loss) income from continuing operations	\$ (1.31)	\$ 0.07	\$ 0.93
Loss from discontinued operations	—	(0.06)	(0.03)
Total basic net (loss) income per share	\$ (1.31)	\$ 0.01	\$ 0.90
Diluted net (loss) income per share:			
(Loss) income from continuing operations	\$ (1.31)	\$ 0.07	\$ 0.92
(Loss) from discontinued operations	—	(0.06)	(0.03)
Total diluted net (loss) income per share	\$ (1.31)	\$ 0.01	\$ 0.89
Shares used in per share computation:			
Basic	29,162	28,359	27,535
Diluted	29,162	28,607	27,915

See accompanying notes to the consolidated financial statements.

LANDEC CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(In thousands)

	Year Ended		
	May 31, 2020	May 26, 2019	May 27, 2018
Net (loss) income applicable to common stockholders.....	\$ (38,191)	\$ 411	\$ 24,829
Other comprehensive (loss) income, net of tax:			
Net unrealized (losses) gains on interest rate swaps, net of tax effect of \$878, \$282, and \$(123)	(2,872)	(1,084)	716
Other comprehensive (loss) income, net of tax.....	(2,872)	(1,084)	716
Total comprehensive (loss) income	<u>\$ (41,063)</u>	<u>\$ (673)</u>	<u>\$ 25,545</u>

See accompanying notes to the consolidated financial statements.

LANDEC CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN
STOCKHOLDERS' EQUITY
(In thousands, except per share amounts)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total Stockholders' Equity	Non-controlling Interest
	Shares	Amount					
Balance at May 28, 2017	27,499	\$ 27	\$ 141,680	\$ 84,470	\$ 432	\$ 226,609	\$ 1,543
Issuance of stock under stock plans	203	1	55	—	—	56	—
Taxes paid by Company for employee stock plans	—	—	(1,478)	—	—	(1,478)	—
Stock-based compensation	—	—	4,403	—	—	4,403	—
Payments to NCI	—	—	—	—	—	—	(115)
Net income	—	—	—	24,829	—	24,829	94
Purchase of NCI	—	—	(2,573)	—	—	(2,573)	(1,522)
Other comprehensive income, net of tax	—	—	—	—	716	716	—
Balance at May 27, 2018	27,702	28	142,087	109,299	1,148	252,562	—
Issuance of stock under stock plans	197	—	327	—	—	327	—
Issuance of common stock in connection with Yucatan Foods acquisition	1,203	1	15,067	—	—	15,068	—
Taxes paid by Company for employee stock plans	—	—	(700)	—	—	(700)	—
Stock-based compensation	—	—	3,560	—	—	3,560	—
Net income	—	—	—	411	—	411	—
Other comprehensive loss, net of tax	—	—	—	—	(1,084)	(1,084)	—
Balance at May 26, 2019	29,102	29	160,341	109,710	64	270,144	—
ASC 842 transition adjustment	—	—	—	(274)	—	(274)	—
Issuance of stock under stock plans	122	—	30	—	—	30	—
Taxes paid by Company for employee stock plans	—	—	(212)	—	—	(212)	—
Stock-based compensation	—	—	2,419	—	—	2,419	—
Net loss	—	—	—	(38,191)	—	(38,191)	—
Other comprehensive loss, net of tax	—	—	—	—	(2,872)	(2,872)	—
Balance at May 31, 2020	29,224	\$ 29	\$ 162,578	\$ 71,245	\$ (2,808)	\$ 231,044	\$ —

See accompanying notes to the consolidated financial statements.

LANDEC CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended		
	May 31, 2020	May 26, 2019	May 27, 2018
Cash flows from operating activities:			
Consolidated net (loss) income.....	\$ (38,191)	\$ 411	\$ 24,923
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:			
Depreciation, amortization of intangibles and amortization of debt costs.....	18,838	15,230	12,412
Stock-based compensation expense.....	2,419	3,560	4,403
Deferred taxes.....	(5,440)	910	(7,221)
Change in investment in non-public company, fair value.....	4,200	(1,600)	(2,900)
Net loss on disposal of property and equipment.....	143	188	157
Change in contingent consideration liability.....	(500)	(3,500)	(1,900)
Impairment of goodwill and intangible assets.....	12,953	2,000	—
Restructuring costs and impairment of assets charges.....	14,802	—	—
Pacific Harvest note receivable reserve.....	1,202	—	—
Other, net.....	195	—	—
Changes in current assets and current liabilities:			
Accounts receivable, net.....	(6,641)	(8,860)	(7,312)
Inventories.....	(12,179)	(10,929)	(6,529)
Prepaid expenses and other current assets.....	(6,815)	1,601	(3,987)
Accounts payable.....	(1,249)	19,116	4,965
Accrued compensation.....	(1,894)	249	1,981
Other accrued liabilities.....	1,263	21	(1,383)
Deferred revenue.....	(147)	(2,377)	2,170
Net cash (used in) provided by operating activities.....	<u>(17,041)</u>	<u>16,020</u>	<u>19,779</u>
Cash flows from investing activities:			
Purchases of property and equipment.....	(26,686)	(44,734)	(33,590)
Proceeds from sales of property and equipment.....	2,434	264	100
Proceeds from collections of note receivable.....	364	545	—
Acquisition of Yucatan Foods (Note 2), net of cash acquired.....	—	(59,872)	—
Issuance of note receivable.....	—	—	(2,099)
Proceeds from sale of investment in non-public company.....	—	7,000	—
Net cash used in investing activities.....	<u>(23,888)</u>	<u>(96,797)</u>	<u>(35,589)</u>
Cash flows from financing activities:			
Proceeds from sale of common stock.....	30	327	56
Taxes paid by Company for employee stock plans.....	(212)	(700)	(1,478)
Proceeds from long-term debt.....	27,500	60,000	—
Payments on long-term debt.....	(11,125)	(5,092)	(5,076)
Proceeds from lines of credit.....	119,300	59,000	33,000
Payments on lines of credit.....	(93,900)	(34,000)	(9,000)
Payments for debt issuance costs.....	(1,576)	(509)	—
Purchase of non-controlling interest.....	—	—	(4,095)
Payments to non-controlling interest.....	—	—	(115)
Net cash provided by financing activities.....	<u>40,017</u>	<u>79,026</u>	<u>13,292</u>
Net decrease in cash, cash equivalents and restricted cash.....	(912)	(1,751)	(2,518)
Cash, cash equivalents and restricted cash, beginning of period.....	1,465	3,216	5,734
Cash, cash equivalents and restricted cash, end of period.....	<u>\$ 553</u>	<u>\$ 1,465</u>	<u>\$ 3,216</u>
Supplemental disclosure of cash flow information:			
Cash paid during the period for interest.....	<u>\$ 10,130</u>	<u>\$ 5,614</u>	<u>\$ 2,292</u>
Cash paid during the period for income taxes, net of refunds received.....	<u>\$ (1,124)</u>	<u>\$ (1,963)</u>	<u>\$ 283</u>
Supplemental disclosure of non-cash investing and financing activities:			
Purchases of property and equipment on trade vendor credit.....	<u>\$ 2,820</u>	<u>\$ 3,948</u>	<u>\$ 8,445</u>

See accompanying notes to the consolidated financial statements.

LANDEC CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies

Organization

Landec Corporation and its subsidiaries (“Landec” or the “Company”) design, develop, manufacture, and sell differentiated products for food and biomaterials markets, and license technology applications to partners.

Landec’s biomedical company, Lifecore Biomedical, is a fully integrated contract development and manufacturing organization (“CDMO”) that offers highly differentiated capabilities in the development, fill and finish of sterile, injectable pharmaceutical products in syringes and vials. As a leading manufacturer of premium, injectable grade Hyaluronic Acid, Lifecore brings 35 years of expertise as a partner for global and emerging biopharmaceutical and biotechnology companies across multiple therapeutic categories to bring their innovations to market. Lifecore recognizes revenue in two different product categories, CDMO and Fermentation.

Landec’s natural food company, Curation Foods is focused on innovating and distributing plant-based foods with 100% clean ingredients to retail, club and foodservice channels throughout North America. Curation Foods is able to maximize product freshness through its geographically dispersed family of growers, refrigerated supply chain and patented BreatheWay packaging technology. Its products are sold in natural food, conventional grocery and mass retail stores, primarily in the United States and Canada. The company categorizes revenue in three categories, Fresh packaged salads and vegetables, Avocado Products and Technology which reports revenues for BreatheWay patented supply chain solutions. Included in the Curation Foods segment and fresh packaged salads and vegetables revenue disaggregation is *O* Olive Oil & Vinegar (“*O*”), which is a premier producer of California specialty olive oils and wine vinegars. Also included in the Curation Foods segment are the dividends and Landec’s share of the change in the fair market value of the Company’s 26.9% investment ownership of Windset, a leading edge grower of hydroponically-grown produce.

Basis of Presentation and Consolidation

The consolidated financial statements are presented on the accrual basis of accounting in accordance with U.S. Generally Accepted Accounting Principles (“GAAP”) and include the accounts of Landec Corporation and its subsidiaries, Curation Foods and Lifecore. All material inter-company transactions and balances have been eliminated.

The Company’s fiscal year is the 52- or 53-week period that ends on the last Sunday of May with quarters within each year ending on the last Sunday of August, November, and February; however, in instances where the last Sunday would result in a quarter being 12-weeks in length, the Company’s policy is to extend that quarter to the following Sunday. A 14th week is included in the fiscal year every five or six years to realign the Company’s fiscal quarters with calendar quarters.

In May 2019, the Company discontinued the Now Planting business, and in May 2018, the Company discontinued the Food Export business. As a result, the Now Planting business, which was launched during the second quarter of fiscal year 2019, and Food Export business were reclassified as a discontinued operation for all periods presented. During fiscal year 2019, the Company re-packaged its GreenLine branded food service products to the Eat Smart brand, and wrote-off the remaining \$2.0 million trademarks intangible assets.

Arrangements that are not controlled through voting or similar rights are reviewed under the guidance for variable interest entities (“VIEs”). A company is required to consolidate the assets, liabilities and operations of a VIE if it is determined to be the primary beneficiary of the VIE.

An entity is a VIE and subject to consolidation, if by design: a) the total equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support provided by any parties, including equity holders or b) as a group the holders of the equity investment at risk lack any one of the following three characteristics: (i) the power, through voting rights or similar rights to direct the activities of an entity that most significantly impact the entity’s economic performance, (ii) the obligation to absorb the expected losses of the entity, or (iii) the right to receive the expected residual returns of the entity. The Company reviewed the consolidation guidance and concluded that the partnership interest and equity investment in the non-public company by the Company are not VIEs.

Reclassifications

Certain reclassifications have been made to prior year financial statements to conform to the current year presentation.

Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make certain estimates and judgments that affect the amounts reported in the financial statements and accompanying notes. The accounting estimates that require management's most significant and subjective judgments include revenue recognition; loss contingencies; sales returns and allowances; self-insurance liabilities; recognition and measurement of current and deferred income tax assets and liabilities; the assessment of recoverability of long-lived and indefinite lived assets and inventory; the valuation of investments; and the valuation and recognition of stock-based compensation.

These estimates involve the consideration of complex factors and require management to make judgments. The analysis of historical and future trends can require extended periods of time to resolve and are subject to change from period to period. The actual results may differ from management's estimates.

Concentrations of Risk

Cash and cash equivalents, trade accounts receivable, grower advances, and notes receivable are financial instruments that potentially subject the Company to concentrations of credit risk. Our Company policy limits, among other things, the amount of credit exposure to any one issuer and to any one type of investment, other than securities issued or guaranteed by the U.S. government. The Company routinely assesses the financial strength of customers and growers and, as a consequence, believes that trade receivables, grower advances and notes receivable credit risk exposure is limited. Credit losses for bad debt are provided for in the consolidated financial statements through a charge to operations. A valuation allowance is provided for known and anticipated credit losses. The recorded amounts for these financial instruments approximate their fair value.

Several of the raw materials the Company uses to manufacture its products are currently purchased from a single source, including some monomers used to synthesize Intelimer polymers, substrate materials for its breathable membrane products, and raw materials for its HA products.

The operations of Windset Holdings 2010 Ltd. ("Windset"), in which the Company holds a 26.9% minority investment, are predominantly located in British Columbia, Canada and Santa Maria, California. Routinely, the Company evaluates the financial strength and ability for Windset to continue as a going concern.

During the fiscal year ended May 31, 2020, sales to the Company's top five customers accounted for approximately 48% of total revenue with the top two customers from the Curation Foods segment, Walmart, Inc. ("Walmart") and Costco Corporation ("Costco") accounting for approximately 18% and 15%, respectively, of total revenues. Lifecore did not have any individual customers that exceeded 5% of total revenues. As of May 31, 2020, the top two customers, Walmart and Costco represented approximately 13% and 7% respectively, of total accounts receivable. Lifecore had one customer that represented 12% of total accounts receivable at the end of fiscal year 2020.

During the fiscal year ended May 26, 2019, sales to the Company's top five customers accounted for approximately 43% of total revenue with the top two customers from the Curation Foods segment, Walmart and Costco accounting for approximately 16% and 14%, respectively, of total revenues. Lifecore did not have any individual customers that exceeded 5% of total revenues. As of May 26, 2019, the top two customers, Walmart and Costco represented approximately 13% and 8%, respectively, of total accounts receivable. Lifecore had one customer that represented 13% of total accounts receivable at the end of fiscal year 2019.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Recoverability of assets is measured by comparison of the carrying amount of the asset to the net undiscounted future cash flow expected to be generated from the asset. If the future undiscounted cash flows are not sufficient to recover the carrying value of the assets, the assets' carrying value is adjusted to fair value. The Company regularly evaluates its long-lived assets for indicators of possible impairment.

Financial Instruments

The Company's financial instruments are primarily composed of commercial-term trade payables, grower advances, notes receivable, debt instruments, and derivative instruments. For short-term instruments, the historical carrying amount approximates the fair value of the instrument. The fair value of long-term debt and lines of credit approximates their carrying value.

Cash Flow Hedges

The Company has entered into interest rate swap agreements to manage interest rate risk. These derivative instruments may offset a portion of the changes in interest expense. The Company designates these derivative instruments as cash flow hedges. The Company accounts for its derivative instruments as either an asset or a liability and carries them at fair value in Other assets or Other non-current liabilities. The accounting for changes in the fair value of the derivative instrument depends on the intended use of the derivative instrument and the resulting designation.

Pursuant to the adoption of ASU 2017-12, for derivative instruments that hedge the exposure to variability in expected future cash flows and are designated as cash flow hedges, the entire change in the fair value of the hedging instrument is recorded as a component of Accumulated other comprehensive (loss) income ("AOCI") in Stockholders' Equity. Those amounts are subsequently reclassified to earnings in the same line item in the Consolidated Statement of Operations as impacted by the hedge item when the hedged item affects earnings. To receive hedge accounting treatment, cash flow hedges must be highly effective in offsetting changes to expected future cash flows on hedged transactions.

Comprehensive income consists of two components, net (loss) income and Other comprehensive (loss) income ("OCI"). OCI refers to revenue, expenses, and gains and losses that under GAAP are recorded as a component of stockholders' equity but are excluded from net (loss) income. The Company's OCI consists of net deferred gains and losses on its interest rate swap derivative instruments accounted for as a cash flow hedge. The components of AOCI, net of tax, are as follows (in thousands):

	Unrealized Losses on Cash Flow Hedge
Balance as of May 26, 2019	\$ 64
Other comprehensive loss before reclassifications, net of tax effect	(2,987)
Amounts reclassified from OCI	115
Other comprehensive loss, net	(2,872)
Balance as of May 31, 2020	\$ (2,808)

The Company expects to reclassify approximately \$2.0 million into earnings in the next 12 months.

Based on these assumptions, management believes the fair market values of the Company's financial instruments are not significantly different from their recorded amounts as of May 31, 2020 and May 26, 2019.

Accounts Receivable and Sales Returns and Allowance for Doubtful Accounts

The Company carries its accounts receivable at their face amounts less an allowance for estimated sales returns and doubtful accounts. Sales return allowances are estimated based on historical sales return amounts. Further, on a periodic basis, the Company evaluates its accounts receivable and establishes an allowance for doubtful accounts and estimated losses resulting from the inability of its customers to make required payments. The allowance for doubtful accounts is determined based on review of the overall condition of accounts receivable balances and review of significant past due accounts. The allowance for doubtful accounts is based on specific identification of past due amounts and for accounts over 90-days past due.

The changes in the Company's allowance for sales returns and doubtful accounts are summarized in the following table (in thousands):

	Balance at beginning of period	Adjustments resulting from acquisitions	Adjustments charged to revenue and expenses	Write offs, net of recoveries	Balance at end of period
Year Ended May 27, 2018	\$ 361	\$ —	\$ 46	\$ (105)	\$ 302
Year Ended May 26, 2019	\$ 302	\$ 881	\$ 421	\$ (588)	\$ 1,016
Year Ended May 31, 2020	\$ 1,016	\$ —	\$ (284)	\$ (294)	\$ 438

Contract Assets and Liabilities

Contract assets primarily relate to the Company's conditional right to consideration for work completed but not billed at the reporting date. The Company's contract assets as of May 31, 2020, and May 26, 2019, were \$9.0 million and \$5.6 million, respectively.

Contract liabilities primarily relate to payments received from customers in advance of performance under the contract. The Company's contract liabilities as of May 31, 2020, and May 26, 2019, were \$0.0 million and \$0.2 million, respectively. Revenue recognized during fiscal year 2020 that was included in the contract liability balance at the beginning of the fiscal 2020 period was \$0.2 million.

Revenue Recognition

The Company follows the five step, principles-based model to recognize revenue upon the transfer of promised goods or services to customers and in an amount that reflects the consideration for which the Company expects to be entitled in exchange for those goods or services. Revenue, net of estimated allowances and returns, is recognized when the Company has completed its performance obligations under a contract and control of the product is transferred to the customer. Substantially all revenue is recognized at the time shipment is made or upon delivery as control of the product is transferred to the customer. Revenue for development service contracts are generally recognized based upon the labor hours expended relative to the total expected hours as a measure of progress to depict transfer of control of the service over time. The services are not distinct and are accounted for as a single performance obligation for each customer.

The Company's standard terms of sale are generally included in its contracts, purchase orders, and invoices. As such, all revenue is considered revenue recognized from contracts with customers. Shipping and other transportation costs charged to customers are recorded in both revenue and cost of goods sold. The Company has elected to account for shipping and handling as fulfillment activities, and not as a separate performance obligation. The Company's standard payment terms with its customers generally range from 30 days to 90 days. Certain customers may receive cash-based incentives (including: volume rebates, discounts, and promotions), which are accounted for as variable consideration to the Company's performance obligations. The Company estimates these sales incentives based on the expected amount to be provided to its customers and reduces revenues recognized towards its performance obligations. The Company does not anticipate significant changes in its estimates for variable consideration.

The Company disaggregates its revenue by segment product lines based on how it markets its products and reviews results of operations. The following tables disaggregate segment revenue by major product lines (in thousands):

	Year Ended		
	May 31, 2020	May 26, 2019	May 27, 2018
Curation Foods:			
Fresh packaged salads and vegetables	\$ 438,083	\$ 453,182	\$ 457,124
Avocado products	62,194	27,322	—
Technology	4,256	1,182	1,676
Total	\$ 504,533	\$ 481,686	\$ 458,800

	Year Ended		
	May 31, 2020	May 26, 2019	May 27, 2018
Lifecore:			
Contract development and manufacturing organization ("CDMO").....	\$ 64,781	\$ 54,439	\$ 44,359
Fermentation	21,052	21,434	21,068
Total.....	<u>\$ 85,833</u>	<u>\$ 75,873</u>	<u>\$ 65,427</u>

The Company includes in cost of sales all the costs related to the sale of products. These costs include the following: raw materials (including produce, packaging, syringes and fermentation and purification supplies), direct labor, overhead (including indirect labor, depreciation, and facility related costs) and shipping and shipping related costs.

Shipping and Handling Costs

Amounts billed to third-party customers for shipping and handling are included as a component of revenues. Shipping and handling costs incurred are included as a component of cost of products sold and represent costs incurred to ship product from the processing facility or distribution center to the end consumer markets.

Cash and Cash Equivalents

The Company records all highly liquid securities with three months or less from date of purchase to maturity as cash equivalents. Cash equivalents consist mainly of money market funds. The market value of cash equivalents approximates their historical cost given their short-term nature.

Reconciliation of Cash and Cash Equivalents and Cash as presented on the Statements of Cash Flows

The following table provides a reconciliation of cash, cash equivalents, and cash reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the consolidated statements of cash flows (in thousands):

	May 31, 2020	May 26, 2019	May 27, 2018
Cash and cash equivalents	\$ 360	\$ 1,080	\$ 2,899
Restricted cash	193	385	325
Cash, discontinued operations.....	—	—	(8)
Cash, cash equivalents and restricted cash.....	<u>\$ 553</u>	<u>\$ 1,465</u>	<u>\$ 3,216</u>

Restricted Cash

The Company was required to maintain restricted cash of \$0.2 million as of May 31, 2020, \$0.4 million as of May 26, 2019, and \$0.3 million as of May 27, 2018 related to certain collateral requirements for obligations under its workers' compensation programs. The restricted cash is included in Other assets in the Company's accompanying Consolidated Balance Sheets.

Inventories

Inventories are stated at the lower of cost (using the first-in, first-out method) or net realizable value. As of May 31, 2020 and May 26, 2019, inventories consisted of (in thousands):

	Year Ended	
	May 31, 2020	May 26, 2019
Finished goods	\$ 35,177	\$ 26,748
Raw materials	25,856	23,195
Work in progress.....	5,278	4,189
Total inventories.....	<u>\$ 66,311</u>	<u>\$ 54,132</u>

If the cost of the inventories exceeds their net realizable value, provisions are recorded currently to reduce them to net realizable value. The Company also records a provision for slow moving and obsolete inventories based on the estimate of demand for its products.

Advertising Expense

Advertising expenditures for the Company are expensed as incurred and included in Selling, general, and administrative in the accompanying Consolidated Statements of Operations. Advertising expense for the Company for fiscal years 2020, 2019, and 2018 was \$1.8 million, \$1.3 million and \$1.4 million, respectively.

Notes and Advances Receivable

Curation Foods issues notes and makes advances to produce growers for their crop and harvesting costs primarily for the purpose of sourcing crops for Curation Foods' business. Notes and advances receivable are generally recovered during the growing season (less than one year) using proceeds from the crops sold to Curation Foods. Notes are interest bearing obligations, evidenced by contracts and notes receivable. These notes and advances receivable are secured by perfected liens on crops, have terms that range from three to nine months, and are reviewed at least quarterly for collectability. A reserve is established for any note or advance deemed to not be fully collectible based upon an estimate of the crop value or the fair value of the security for the note or advance. Notes or advances outstanding at May 31, 2020 and May 26, 2019, were \$0.0 million and \$2.0 million, respectively and are recorded in prepaid expenses and other current assets in the accompanying Consolidated Balance Sheets.

Related Party Transactions

The Company sold products to and earned license fees from Windset during the last three fiscal years. During fiscal years 2020, 2019, and 2018, the Company recognized revenues of \$0.6 million, \$0.6 million, and \$0.6 million, respectively, from the sale of products to and license fees from Windset. These amounts have been included in product sales in the accompanying Consolidated Statements of Operations. The related receivable balances of \$0.5 million and \$0.5 million from Windset are included in accounts receivable in the accompanying Consolidated Balance Sheets as of May 31, 2020 and May 26, 2019, respectively.

All related party transactions are monitored quarterly by the Company and approved by the Audit Committee of the Board of Directors.

Property and Equipment and Finite-Lived Intangible Assets

Property and equipment and finite-lived intangible assets are stated at cost. Expenditures for major improvements are capitalized while repairs and maintenance are charged to expense. Depreciation is expensed on a straight-line basis over the estimated useful lives of the respective assets. Customer relationships are amortized to operating expense on an accelerated basis that reflects the pattern in which the economic benefits are consumed. Leasehold improvements are amortized on a straight-line basis over the lesser of the economic life of the improvement or the life of the lease.

The Company capitalizes software development costs for internal use. Capitalization of software development costs begins in the application development stage and ends when the asset is placed into service. The Company amortizes such costs on a straight-line basis over estimated useful lives of three to seven years.

Property, plant and equipment and finite-lived intangible assets are reviewed for possible impairment whenever events or changes in circumstances occur that indicate that the carrying amount of an asset (or asset group) may not be recoverable. The Company's impairment review requires significant management judgment including estimating the future success of product lines, future sales volumes, revenue and expense growth rates, alternative uses for the assets and estimated proceeds from the disposal of the assets. The Company conducts quarterly reviews of idle and underutilized equipment, and reviews business plans for possible impairment indicators. Impairment is indicated when the carrying amount of the asset (or asset group) exceeds its estimated future undiscounted cash flows and the impairment is viewed as other than temporary. When impairment is indicated, an impairment charge is recorded for the difference between the asset's book value and its estimated fair value. Depending on the asset, estimated fair value may be determined either by use of a discounted cash flow model or by reference to estimated selling values of assets in similar condition. The use of different assumptions would increase or decrease the estimated fair value of assets and would increase or decrease any impairment measurement.

The Company tests its indefinite-lived intangible assets for impairment at least annually. Application of the impairment tests for indefinite-lived intangible assets requires significant judgment by management, including identification

of reporting units, assignment of assets and liabilities to reporting units, assignment of intangible assets to reporting units, which judgments are inherently uncertain.

During fiscal year 2020, the Company recorded impairment charges of \$1.3 million and \$0.5 million related to *O* property and equipment, and finite-lived intangible assets (customer relationships), respectively. The impairment was determined using the present value of cash flows method and was primarily a result of the recently updated (lowered) financial outlook for the *O* reporting unit, related to a recent shift in strategic focus within the Curation Foods' business segment. The impairment charge of property and equipment is included in Selling, general and administrative in the Consolidated Statements of Operations. The impairment charge of the customer relationships intangible asset impairment charge is included in the line item "Impairment of goodwill and intangible assets" on the Consolidated Statements of Operations, and is in the Curation Foods business segment.

Impairment Review of Goodwill and Indefinite-Lived Intangible Asset

The Company tests its goodwill and trademarks with indefinite lives annually for impairment in the fiscal fourth quarter or earlier if there are indications during a different interim period that these assets may have become impaired.

On a quarterly basis, the Company considers the need to update its most recent annual tests for possible impairment of its indefinite-lived intangible assets and goodwill, based on management's assessment of changes in its business and other economic factors since the most recent annual evaluation. Such changes, if significant or material, could indicate a need to update the most recent annual tests for impairment of the indefinite-lived intangible assets during the current period. The results of these tests could lead to write-downs of the carrying values of these assets in the current period.

With respect to goodwill, the Company has the option to first assess qualitative factors such as macro-economic conditions, industry and market environment, cost factors, overall financial performance of the Company, cash flow from operating activities, market capitalization, litigation, and stock price. If the result of a qualitative test indicates a potential for impairment of a reporting unit, a quantitative test is performed. The quantitative test compares the carrying amount of a reporting unit that includes goodwill to its fair value. The Company determines the fair value using both an income approach and a market approach. Under the income approach, fair value is determined based on estimated future cash flows, discounted by an estimated weighted-average cost of capital, which reflects the overall level of inherent risk of the Company and the rate of return an outside investor could expect to earn. Under the market-based approach, information regarding the Company is utilized along with publicly available industry information to determine earnings multiples that are used to value the Company. A goodwill impairment loss is recognized for the amount that the carrying amount of a reporting unit, including goodwill, exceeds its fair value, limited to the total amount of goodwill allocated to that reporting unit.

To determine the fair value of a reporting unit as part of its quantitative test, the Company uses a discounted cash flow ("DCF") method under the income approach, as it believes that this approach is the most reliable indicator of the fair value of its businesses and the fair value of their future earnings and cash flows. Under this approach, which requires significant judgments, the Company estimates the future cash flows of each reporting unit and discounts these cash flows at a rate of return that reflects their relative risk. The cash flows used in the DCF method are consistent with those the Company uses in its internal planning, which gives consideration to actual business trends experienced, and the broader business strategy for the long term. The other key estimates and factors used in the DCF method include, but are not limited to, future volumes, net sales and expense growth rates, and gross margin and gross margin growth rates. Changes in such estimates or the application of alternative assumptions could produce different results.

For trademarks and other intangible assets with indefinite lives, the Company performs a quantitative analysis to test for impairment. When a quantitative test is performed, the estimated fair value of an asset is compared to its carrying amount. If the carrying amount of such asset exceeds its estimated fair value, an impairment charge is recorded for the difference between the carrying amount and the estimated fair value. The Company uses the income approach to estimate the fair value of its trademarks. This approach requires significant judgments in determining the royalty rates and the assets' estimated cash flows as well as the appropriate discount rates applied to those cash flows to determine fair value. Changes in such estimates or the use of alternative assumptions could produce different results.

During fiscal year 2020, the Company recorded an impairment charge of \$1.1 million and \$3.5 million related to its *O* and Yucatan Foods trademarks, respectively. The Company also recorded an impairment charge of \$5.2 million and \$2.7 million related to its *O* and Yucatan Foods goodwill, respectively. The *O* impairment charges were primarily a result of the recently updated (lowered) financial outlook for the *O* reporting unit, related to a recent shift in strategic focus within the Curation Foods' business segment. The Yucatan Foods' impairment charges were primarily a result of an increase in the Yucatan Foods carrying value and in increase in discount rate, as a result of uncertainty in forecasting the effects of COVID-19 and general economic uncertainties. These impairment charges are included in the line item Impairment of goodwill and intangible assets on the Consolidated Statements of Operations, and both are in the Curation Foods business segment.

During fiscal year 2019, the Company re-packaged its GreenLine branded food service products to the Eat Smart brand, and recorded an impairment charge for the remaining \$2.0 million trademarks intangible assets.

Subsequent to the 2020 annual impairment test, there have been no significant events or circumstances affecting the valuation of goodwill or intangibles that indicate a need for goodwill or intangibles to be further tested for impairment. Other than the goodwill attributable to the Food Export business segment, which was written off pursuant to the Company discontinuing its operations during fiscal 2018, and the goodwill write-offs discussed above, there were no other impairment losses for goodwill during fiscal years 2020, 2019, and 2018.

Investment in Non-Public Company

On February 15, 2011, the Company made an investment in Windset which is reported as an investment in non-public company, fair value, in the accompanying Consolidated Balance Sheets as of May 31, 2020 and May 26, 2019. The Company has elected to account for its investment in Windset under the fair value option. See Note 3 – Investment in Non-public Company for further information.

Partial Self-Insurance on Employee Health and Workers Compensation Plans

The Company provides health insurance benefits to eligible employees under self-insured plans whereby the Company pays actual medical claims subject to certain stop loss limits and self-insures its workers compensation claims. The Company records self-insurance liabilities based on actual claims filed and an estimate of those claims incurred but not reported. Any projection of losses concerning the Company's liability is subject to a high degree of variability. Among the causes of this variability are unpredictable external factors such as inflation rates, changes in severity, benefit level changes, medical costs, and claims settlement patterns. This self-insurance liability is included in accrued liabilities in the accompanying Consolidated Balance Sheets and represents management's best estimate of the amounts that have not been paid as of May 31, 2020 and May 26, 2019. It is reasonably possible that the expense the Company ultimately incurs could differ and adjustments to future reserves may be necessary.

Business Interruption Insurance Recoveries

In the third quarter of fiscal year 2019, the Company recalled five SKUs of Eat Smart single-serve Salad Shake-Ups™. In the fourth quarter of fiscal year 2019, the Company submitted a product recall claim. In fiscal year 2020, the Company recognized \$3.0 million of business interruption insurance recoveries. Amounts received on insurance recoveries related to business interruption are recorded when amounts are realized and are included as a reduction to Cost of product sales and operating cash flows.

Deferred Revenue

Cash received in advance of services performed are recorded as deferred revenue.

Non-Controlling Interest

The Company reports all non-controlling interests as a separate component of stockholders' equity. The non-controlling interest's share of the income or loss of the consolidated subsidiary is reported as a separate line item in our Consolidated Statements of Operations, following the consolidated net (loss) income caption.

During the fiscal fourth quarter of 2018, the Company purchased the remaining 40% non-controlling interest of its subsidiary, Apio Cooling, LP ("Apio Cooling"), for approximately \$4.7 million in cash. The increase in the Company's ownership interest in Apio Cooling was accounted for as an equity transaction. The Company recorded a decrease in additional paid-in capital of approximately \$2.6 million, which represents the difference between the cash paid and the book value of the Apio Cooling non-controlling interest account, which was approximately \$1.5 million, immediately preceding the purchase.

Income Taxes

The Company accounts for income taxes in accordance with accounting guidance which requires that deferred tax assets and liabilities be recognized using enacted tax rates for the effect of temporary differences between the book and tax basis of recorded assets and liabilities. The Company maintains valuation allowances when it is likely that all or a portion of a deferred tax asset will not be realized. Changes in valuation allowances from period to period are included in the Company's income tax provision in the period of change. In determining whether a valuation allowance is warranted, the Company takes into account such factors as prior earnings history, expected future earnings, unsettled circumstances that, if unfavorably resolved, would adversely affect utilization of a deferred tax asset, carryback and carryforward periods and tax strategies that could potentially enhance the likelihood of realization of a deferred tax asset.

In addition to valuation allowances, the Company establishes accruals for uncertain tax positions. The tax-contingency accruals are adjusted in light of changing facts and circumstances, such as the progress of tax audits, case law and emerging legislation. The Company recognizes interest and penalties related to uncertain tax positions as a component of income tax expense. The Company's effective tax rate includes the impact of tax-contingency accruals as considered appropriate by management.

A number of years may elapse before a particular matter, for which the Company has accrued, is audited and finally resolved. The number of years with open tax audits varies by jurisdiction. While it is often difficult to predict the final outcome or the timing of resolution of any particular tax matter, the Company believes its tax-contingency accruals are adequate to address known tax contingencies. Favorable resolution of such matters could be recognized as a reduction to the Company's effective tax rate in the year of resolution. Unfavorable settlement of any particular issue could increase the Company's effective tax rate in the year of resolution. Any resolution of a tax issue may require the use of cash in the year of resolution. The Company's tax-contingency accruals are recorded in Other accrued liabilities in the accompanying Consolidated Balance Sheets.

Per Share Information

Accounting guidance requires the presentation of basic and diluted earnings per share. Basic earnings per share excludes any dilutive effects of options, warrants and convertible securities and is computed using the weighted average number of common shares outstanding. Diluted earnings per share reflect the potential dilution as if securities or other contracts to issue common stock were exercised or converted into common stock. Diluted common equivalent shares consist of stock options and restricted stock units, calculated using the treasury stock method.

The following table sets forth the computation of diluted net (loss) income per share:

<i>(in thousands, except per share amounts)</i>	Year Ended		
	May 31, 2020	May 26, 2019	May 27, 2018
Numerator:			
Net (loss) income applicable to common stockholders.....	\$ (38,191)	\$ 411	\$ 24,829
Denominator:			
Weighted average shares for basic net (loss) income per share.....	29,162	28,359	27,535
Effect of dilutive securities:			
Stock options and restricted stock units.....	—	248	380
Weighted average shares for diluted net (loss) income per share	29,162	28,607	27,915
Diluted net (loss) income per share.....	\$ (1.31)	\$ 0.01	\$ 0.89

Due to the Company's net loss in fiscal year 2020, the net loss per share for fiscal year 2020 includes only the weighted average shares outstanding and thus excludes 0.2 million of outstanding RSUs as such impact would be antidilutive.

Options to purchase 1.7 million, 1.6 million, and 1.5 million shares of Common Stock at a weighted average exercise price of \$12.71, \$13.74, and \$13.80 per share were outstanding during fiscal years ended May 31, 2020, May 26, 2019, and May 27, 2018, respectively, but were not included in the computation of diluted net income per share because the options' exercise price was greater than the average market price of the common stock and, therefore, their inclusion would be antidilutive.

Research and Development Expenses

Costs related to both research and development contracts and Company-funded research is included in research and development expenses. Research and development costs are primarily comprised of salaries and related benefits, supplies, travel expenses, consulting expenses and corporate allocations.

Accounting for Stock-Based Compensation

The Company's stock-based awards include stock option grants and restricted stock unit awards ("RSUs"). The Company records compensation expense for stock-based awards issued to employees and directors in exchange for services provided based on the estimated fair value of the awards on their grant dates and is recognized over the required service periods, generally the vesting period.

The estimated fair value for stock options, which determines the Company's calculation of stock-based compensation expense, is based on the Black-Scholes option pricing model. The use of Black-Scholes requires the Company to make estimates and assumptions, such as expected volatility, expected term, and risk-free interest rate. RSUs are valued at the closing market price of the Company's common stock on the date of grant. The Company uses the straight-line single option method to calculate and recognize the fair value of stock-based compensation arrangements.

Employee Savings and Investment Plans

The Company sponsors a 401(k) plan ("Landec Plan"), which is available to all full-time Landec employees and allows participants to contribute from 1% to 50% of their salaries, up to the Internal Revenue Service limitation into designated investment funds. The Company matches 100% on the first 3% and 50% on the next 2% contributed by an employee. Employee and Company contributions are fully vested at the time of the contributions. The Company retains the right, by action of the Board of Directors, to amend, modify, or terminate the plan. For fiscal years 2020, 2019 and 2018, the Company contributed \$2.2 million, \$1.8 million and \$1.8 million, respectively, to the Landec Plan.

Fair Value Measurements

The Company uses fair value measurement accounting for financial assets and liabilities and for financial instruments and certain other items measured at fair value. The Company has elected the fair value option for its investment in a non-public company. The Company has not elected the fair value option for any of its other eligible financial assets or liabilities.

Applicable accounting guidance establishes a three-tier hierarchy for fair value measurements, which prioritizes the inputs used in measuring fair value as follows:

Level 1 – observable inputs such as quoted prices for identical instruments in active markets.

Level 2 – inputs other than quoted prices in active markets that are observable either directly or indirectly through corroboration with observable market data.

Level 3 – unobservable inputs in which there is little or no market data, which would require the Company to develop its own assumptions.

As of May 31, 2020, the Company held certain assets and liabilities that were required to be measured at fair value on a recurring basis, including its interest rate swap, and its minority interest investment in Windset.

The fair value of the Company's interest rate swap contracts is determined based on model inputs that can be observed in a liquid market, including yield curves, and is categorized as a Level 2 fair value measurement and is included in Other assets or Other non-current liabilities in the accompanying Consolidated Balance Sheets.

As of May 26, 2019, the fair value of the Company's contingent consideration liability from the acquisition of *O* utilized significant unobservable inputs, including projected earnings before interest, taxes, depreciation and amortization ("EBITDA"), and discount rates. As a result, the Company's contingent consideration liability associated with the *O* acquisition was considered a Level 3 measurement liability and is included in Other non-current liabilities in the accompanying Consolidated Balance Sheets. The earn-out period ended during fiscal 2020 and, as such, there is no contingent consideration liability as of May 31, 2020.

In determining the fair value of the Company's contingent consideration liability, the Company utilized the following significant unobservable inputs in the discounted cash flow models:

	May 26, 2019
Cost of debt.....	5.1% to 5.5%
Market price of risk adjustment	14%
EBITDA volatility	28%

The Company has elected the fair value option of accounting for its investment in Windset. The calculation of fair value utilizes significant unobservable inputs, including projected cash flows, growth rates, and discount rates. As a result, the Company's investment in Windset is considered to be a Level 3 measurement investment. The change in the fair value of the Company's investment in Windset for the twelve months ended May 31, 2020, was due to the Company's 26.9% minority interest in the change in the fair market value of Windset during the period.

In determining the fair value of the investment in Windset, the Company utilizes the following significant unobservable inputs in the discounted cash flow models:

	May 31, 2020	May 26, 2019
Revenue growth rates.....	6% to 7%	6 %
Expense growth rates	6% to 8%	6 %
Income tax rates	15 %	15 %
Discount rates	12 %	12 %

The revenue growth, expense growth, and income tax rate assumptions are considered the Company's best estimate of the trends in those items over the discount period. The discount rate assumption takes into account the risk-free rate of return, the market equity risk premium, and the Company's specific risk premium and then applies an additional discount for lack of liquidity of the underlying securities. The discounted cash flow valuation model used by the Company has the following sensitivity to changes in inputs and assumptions (in thousands):

	Impact on value of Windset investment as of May 31, 2020
10% increase in revenue growth rates.....	\$ 1,100
10% increase in expense growth rates	\$ (800)
10% increase in income tax rates	\$ (300)
10% increase in discount rates	\$ (2,200)

Imprecision in estimating unobservable market inputs can affect the amount of gain or loss recorded for a particular position. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following table summarizes the fair value of the Company's assets and liabilities that are measured at fair value on a recurring basis (in thousands):

	Fair Value at May 31, 2020			Fair Value at May 26, 2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets:						
Interest rate swap contracts.....	\$ —	\$ —	\$ —	\$ —	\$ 644	\$ —
Investment in non-public company.....	—	—	56,900	—	—	61,100
Total assets	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 56,900</u>	<u>\$ —</u>	<u>\$ 644</u>	<u>\$ 61,100</u>
Liabilities:						
Interest rate swap contracts.....	\$ —	\$ 3,578	\$ —	\$ —	\$ 482	\$ —
Contingent consideration liability	—	—	—	—	—	500
Total liabilities	<u>\$ —</u>	<u>\$ 3,578</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 482</u>	<u>\$ 500</u>

The following table reflects the fair value roll forward reconciliation of Level 3 assets and liabilities measured at fair value for the twelve months ended May 31, 2020 (in thousands):

	Windset Investment	Contingent Consideration Liability
Balance as of May 26, 2019.....	\$ 61,100	\$ 500
Fair value change.....	(4,200)	(500)
Balance as of May 31, 2020.....	<u>\$ 56,900</u>	<u>\$ —</u>

As of May 31, 2020, related to Curation Foods’ salad dressing plant in Ontario, California we have \$2.6 million of property and equipment, net included in Property and equipment, net within the Consolidated Balance Sheets meeting the criteria of assets held for sale. These assets are recognized at the lower of cost or fair value less cost to sell using market approach, and are categorized as level 3. The fair value of these assets are classified as Level 3 in the fair value hierarchy due to mix of unobservable inputs utilized such as independent research in the market as well as actual quotes from market participant. See Note 4 and Note 14 for additional information

Recent Accounting Pronouncements

Income Taxes

In December 2019, the FASB issued ASU 2019-12, *Simplifying the Accounting for Income Taxes* (“ASU 2019-12”). ASU 2019-12 eliminates certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. It also clarifies and simplifies other aspects of the accounting for incomes taxes. ASU 2019-12 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 20, 2020. The Company early adopted this guidance in the third quarter of fiscal year 2020, which had a favorable impact of \$0.4 million. This early adoption had no impact to the Company’s prior year financial statements.

Leases

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842) (“ASU 2016-02”), which requires companies to generally recognize on the balance sheet operating and financing lease liabilities and corresponding right-of-use-assets. Effective May 27, 2019, the Company adopted the ASU on a modified retrospective basis. Prior period amounts were not adjusted and continue to be reported in accordance with historical accounting policies under ASC 840: *Leases* (Topic 840). The Company elected the package of practical expedients under which the Company has not reassessed prior conclusions about lease classification and initial direct costs. The Company elected the hindsight expedient to evaluate lease terms, and made a policy election that does not recognize right-of-use assets and lease liabilities related to short-term leases.

Upon adoption of ASU 2016-02, the Company recorded a transitional adjustment of \$0.3 million to opening retained earnings to write off the difference in deferred rent balances from prior periods for operating leases with non-level rent. The difference arises from recalculation of deferred rent after applying updated lease terms as a result of applying hindsight. Additionally, the adoption of the standard had a significant impact in the Consolidated Balance Sheets where at the time of the adoption at the beginning of fiscal year 2020, the Company recorded \$31.1 million of operating lease liabilities, along with \$30.0 million of operating lease right-of-use assets.

This change had no impact on the Company’s ability to meet its loan covenants as the impact from the adoption of ASU 2016-02 was taken into consideration when determining its loan covenants.

Stock based Compensation

In June 2018, the FASB issued ASU 2018-07, *Compensation - Stock Compensation (Topic 718): Improvements to Non-employee Share-Based Payment Accounting* (“ASU 2018-07”). ASU 2018-07 primarily expands the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from non-employees. ASU 2018-07 is effective for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. We adopted ASU 2018-07 on May 27, 2019, and the adoption of this standard did not have an impact on the Company’s consolidated financial statements.

Cash Flow Hedges

In August 2017, the FASB issued ASU 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities* (“ASU 2017-12”). ASU 2017-12 better aligns hedge accounting with the Company’s risk management activities, simplifies the application of hedge accounting, and improves transparency as to the scope and results of hedging programs. ASU 2017-12 is effective for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. We adopted ASU 2017-12 on May 27, 2019, and the adoption of this standard did not have an impact on the Company’s consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848) – Facilitation of the Effects of Reference Rate Reform on Financial Reporting* (“ASU 2020-04”). ASU 2020-04 provides temporary optional expedients and exceptions to the GAAP guidance on contract modifications and hedge accounting to ease the financial reporting burdens of the expected market transition from the London Interbank Offered Rate (LIBOR) and other interbank offered rates to alternative reference rates, such as the Secured Overnight Financing Rate (SOFR). The guidance is effective upon issuance and may be adopted on any date on or after March 12, 2020. The new guidance provides optional expedients and exceptions to apply generally accepted accounting principles to contract modifications and hedging relationships, subject to certain criteria, that reference LIBOR or another reference rate expected to be discontinued. The Company has elected the optional expedients for its cash flow hedges to allow it to continue applying hedge accounting and not apply certain modification accounting requirements as debt and interest rate swaps transition from the LIBOR reference rate, if certain criteria are met. Such expedients are allowed in order to reduce the operational burden likely to arise in accounting for contract modification and hedge accounting resulting from reference rate reform. Companies can adopt the ASU immediately, however the guidance will only be available through December 31, 2022. We adopted ASU 2020-04 on March 12, 2020, and the adoption of this standard did not have an impact on the Company’s consolidated financial statements.

Recently Issued Pronouncements to be Adopted

Cloud Computing Arrangements

In August 2018, the FASB issued ASU 2018-15, *Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract* (“ASU 2018-1”), which requires a customer in a cloud computing arrangement that is a service contract to follow the internal-use software guidance in Accounting Standards Codification 350-40 to determine which implementation costs to defer and recognize as an asset. The Accounting Standards Update generally aligns the guidance on recognizing implementation costs incurred in a cloud computing arrangement that is a service contract with that for implementation costs incurred to develop or obtain internal-use software, including hosting arrangements that include an internal-use software license. ASU 2018-15 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early application is permitted. The Company is currently assessing the future impact of this update on its consolidated financial statements and related disclosures.

Fair Value Measurement

In August 2018, the FASB issued ASU 2018-13, *Changes to the Disclosure Requirements for Fair Value Measurement* (“ASU 2018-13”). The guidance eliminates, adds and modifies certain disclosure requirements for fair value measurements. Entities will no longer have to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, but will be required to disclose the range and weighted average used to develop significant unobservable inputs for Level 3 fair value measurements. ASU 2018-13 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Company is currently assessing the future impact of this update on its consolidated financial statements and related disclosures.

Financial Instruments – Credit Losses

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-13), which requires the measurement of all expected credit losses for financial assets including trade receivables held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. ASU 2016-13 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The standard significantly changes how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The standard will replace the previous “incurred loss” approach with an “expected loss” model for instruments measured at amortized cost which will generally result in the earlier recognition of allowances for credit losses. This ASU will be effective for the Company beginning June 1, 2020. The Company will adopt this ASU using a modified-retrospective approach, and will recognize a cumulative-effect adjustment to the opening balance of retained earnings as of the date of adoption. The Company is in the

preliminary stages of our implementation initiatives including identifying the financial assets that are within the scope of the standard, developing an approach for estimating our expected credit losses for these assets, and evaluating the disclosures required under the standard. The Company is continuing its analysis of certain aspects of the standard and currently does not anticipate the adoption of this ASU will have a material impact on the Company's financial position, results of operations and cash flows; however, the Company's assessment will be finalized during the first quarter of 2021.

In April 2019, the FASB issued ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments-Credit Losses, and Topic 825, Financial Instruments*, which provides practical expedients and policy elections related to the presentation and disclosure of accrued interest and the related allowance for credit losses and clarifies how to disclose line-of-credit arrangements that are converted to term loans. ASU 2019-04 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Company is currently assessing the future impact of this update on its consolidated financial statements and related disclosures.

2. Acquisitions

Yucatan Foods Acquisition

On December 1, 2018 (the “Acquisition Date”), the Company acquired all of the voting interests and substantially all of the assets of Yucatan Foods, a manufacturer and seller of avocado-based food products. The total consideration paid to acquire Yucatan Foods was \$75.0 million, consisting of \$59.9 million in cash and 1,203,360 shares of common stock (“Stock Consideration”) with a fair value of \$15.1 million. The fair value of the Stock Consideration is based on a per-share value of the Company’s common stock on the Acquisition Date. Given that the holders are restricted from selling the Landec common stock, a discount for lack of marketability was applied to the Stock Consideration. The discount for lack of marketability was based on restricted stock studies, pre-IPO studies, and utilizing the Black-Scholes option pricing model to estimate a discount of 17.5% and 20.0% for the 3-year and 4-year lockup period, respectively.

Pursuant to the terms of the purchase agreement, all 1,203,360 shares issued as Stock Consideration will be held in an escrow account to secure the indemnification rights of Landec with respect to certain matters, including breaches of representations, warranties and covenants such as environmental and tax representations. The Stock Consideration is comprised of two tranches, with 3-year and 4-year lock-up provisions, respectively, such that 50% of the Stock Consideration will be released from lock-up on November 30, 2021, the 3-year anniversary of the Acquisition Date, and 50% of the Stock Consideration is released on November 30, 2022, the 4-year anniversary of the Acquisition Date.

Yucatan Foods, founded in 1991, with its headquarters in Los Angeles, California, produces and sells guacamole and other avocado products under its Yucatan and Cabo Fresh brands primarily in the U.S. and Canada. Yucatan Foods’ production facility is located in Guanajuato, Mexico, very near where avocados are grown. Landec acquired Yucatan Foods to grow, strengthen, and stabilize its position in the natural foods market and to improve Curation Foods’ margins over time.

Upon acquisition, Yucatan Foods became a wholly-owned subsidiary of Curation Foods. The Acquisition Date fair value of the consideration paid consisted of the following (in thousands):

Cash consideration.....	\$	59,898
Stock consideration.....		15,068
	\$	<u>74,966</u>

The excess of the purchase price over the aggregate fair value of identifiable net assets acquired was recorded as goodwill. These preliminary fair values of the assets acquired and the liabilities assumed were determined through established and generally accepted valuation techniques and were subject to change during the measurement period as valuations were finalized. During the fourth quarter of fiscal 2019, the Company recorded measurement period adjustments to deferred income taxes of \$1.7 million and indemnification provisions for environmental related items of \$0.7 million, resulting in an increase to goodwill of \$1.0 million. During the second quarter of fiscal 2020, the Company recorded measurement period adjustments to deferred income taxes of \$0.5 million, resulting in an increase to goodwill of \$0.5 million, and completed the acquisition accounting for the Yucatan Foods acquisition. These were non-cash adjustments. The following is a summary of the amounts recognized in accounting for the Yucatan Foods acquisition:

(In thousands)

Cash and cash equivalents	\$ 26
Accounts receivable, net	6,310
Inventories	11,384
Prepaid expenses and other current assets	1,573
Other assets	102
Property and equipment	14,083
Trademarks/tradenames	15,900
Customer relationships.....	11,000
Accounts payable.....	(4,507)
Other accrued liabilities	(1,873)
Deferred tax liabilities.....	(1,767)
Net identifiable assets acquired.....	<u>52,231</u>
Goodwill	<u>22,735</u>
Total fair value purchase consideration	<u>\$ 74,966</u>

Finite-lived Intangible Assets

The Company identified one finite-lived intangible asset in connection with the Yucatan Foods acquisition: customer relationships valued at \$11.0 million which is included in customer relationships in the accompanying Consolidated Balance Sheets. Customer relationships have an estimated useful life of 12 years and will be amortized to operating expenses on an accelerated basis that reflects the pattern in which the economic benefits are consumed. The customer relationships are valued using the excess earnings method.

Goodwill and Indefinite-lived Intangible Assets

As a result of the Yucatan Foods acquisition, the Company recorded goodwill of \$22.2 million and trademarks valued at \$15.9 million, which are included within goodwill and trademarks in the accompanying Consolidated Balance Sheets, respectively. The goodwill recognized from the Yucatan Foods acquisition was primarily attributable to Yucatan Foods' long history and expected synergies from future growth and expansion of our Curation Foods business segment. Approximately 80% of the goodwill is expected to be deductible for income tax purposes. Trademarks are considered to be an indefinite lived asset and therefore, will not be amortized. The trademarks are valued using the relief from royalty valuation method. As discussed in Note 1, the Company recognized impairment charges of \$2.7 million and \$3.5 million in the Curation Foods business segment (in the Yucatan reporting unit) during the year ended May 31, 2020, related to goodwill and trademarks, respectively.

Acquisition Related Transaction Costs

For the year ended May 26, 2019, the Company recognized \$3.3 million of acquisition-related costs that were expensed as incurred and included in the Selling, general and administrative line item in the Consolidated Statements of Operations. These expenses included investment banking fees, legal, accounting and tax service fees and appraisals fees.

O Acquisition

On March 1, 2017, the Company purchased substantially all of the assets of *O* for \$2.5 million in cash plus contingent consideration of up to \$7.5 million over the next three years based upon *O* achieving certain EBITDA targets.

The potential earn out payment of up to \$7.5 million was based on *O*'s cumulative EBITDA over the Company's fiscal years 2018 through 2020. Based on this analysis, the Company recorded a contingent consideration liability, included in Other non-current liabilities. The earn out period expired in March 2020, with no payments made under the contractual provisions of the earn out arrangement.

As of May 31, 2020, May 26, 2019, and May 27, 2018, the contingent consideration liability was \$0.0 million, \$0.5 million, and \$4.0 million, respectively, representing the present value of the expected earn out payments. The reduction in the contingent consideration liability was \$0.5 million and \$3.5 million for fiscal years 2020 and 2019, respectively, and

is recorded as a reduction to Selling, general, and administrative expense in the accompanying Consolidated Statements of Operations. The \$3.5 million reduction during fiscal year 2019 was due to a very poor olive harvest in California during 2018 resulting in substantially lower volumes of olive oil available for sale over the next twelve months. This, combined with a slower than anticipated apple cider vinegar sales reduced the current projected EBITDA through fiscal year 2020.

3. Investment in Non-public Company

Windset

On February 15, 2011, Curation Foods entered into a share purchase agreement (the “Windset Purchase Agreement”) with Windset. Pursuant to the Windset Purchase Agreement, Curation Foods purchased from Windset 150,000 Senior A preferred shares for \$15.0 million and 201 common shares for \$201. On July 15, 2014, Curation Foods increased its investment in Windset by purchasing from the Newell Capital Corporation an additional 68 common shares and 51,211 junior preferred shares of Windset for \$11.0 million. After this purchase, the Company’s common shares represent a 26.9% ownership interest in Windset. The Senior A preferred shares yield a cash dividend of 7.5% annually. The dividend is payable within 90 days of each anniversary of the execution of the Windset Purchase Agreement. The non-voting junior preferred stock does not yield a dividend unless declared by the Board of Directors of Windset and no such dividend has been declared.

The Shareholders’ Agreement between Curation Foods and Windset, as amended on March 15, 2017, includes a put and call option (the “Put and Call Option”), which can be exercised on or after March 31, 2022, whereby Curation Foods can exercise the put to sell its common, Senior A preferred shares, and junior preferred shares to Windset, or Windset can exercise the call to purchase those shares from Curation Foods, in either case, at a price equal to 26.9% of the fair market value of Windset’s common shares, plus the liquidation value of the preferred shares of \$20.1 million (\$15.0 million for the Senior A preferred shares and \$5.1 million for the junior preferred shares). Under the terms of the arrangement with Windset, the Company is entitled to designate one of five members on the Board of Directors of Windset.

On October 29, 2014, Curation Foods further increased its investment in Windset by purchasing 70,000 shares of Senior B preferred shares for \$7.0 million. The Senior B preferred shares pay an annual dividend of 7.5% on the amount outstanding at each anniversary date of the Windset Purchase Agreement. The Senior B preferred shares purchased by Curation Foods have a put feature whereby Curation Foods can sell back to Windset the Senior B preferred shares for \$7.0 million at any time after October 29, 2017.

During the fourth quarter of fiscal year 2019, the Company exercised its put feature and sold the 70,000 shares of Senior B preferred shares back to Windset for \$7.0 million.

The investment in Windset does not qualify for equity method accounting as the investment does not meet the criteria of in-substance common stock due to returns through the annual dividend on the non-voting senior preferred shares that are not available to the common stock holders. As the put and call options require all of the various shares to be put or called in equal proportions, the Company has deemed that the investment, in substance, should be treated as a single security for purposes of accounting.

The fair value of the Company’s investment in Windset was determined utilizing the Windset Purchase Agreement’s put/call calculation for value and a discounted cash flow model based on projections developed by Windset that were reviewed by Landec, and considers the put and call conversion options. These features impact the duration of the cash flows utilized to derive the estimated fair values of the investment. These two discounted cash flow models’ estimate for fair value are then weighted. Assumptions included in these discounted cash flow models will be evaluated quarterly based on Windset’s actual and projected operating results to determine the change in fair value.

The Company recorded \$1.1 million in dividend income for the fiscal year ended May 31, 2020, and \$1.7 million for each of the fiscal years ended May 26, 2019 and May 27, 2018. The decrease in the fair market value of the Company’s investment in Windset for the fiscal year ended May 31, 2020 and was \$4.2 million which is included in Other income (expense) in the accompanying Consolidated Statements of Operations. The increase in the fair market value of the Company’s investment in Windset for the fiscal years ended May 26, 2019 and May 27, 2018 was \$1.6 million and \$2.9 million, respectively, and is included in Other income (expense) in the accompanying Consolidated Statements of Operations.

4. Property and Equipment

Property and equipment consists of the following (in thousands):

	Years of Useful Life	Year Ended	
		May 31, 2020	May 26, 2019
Land and buildings.....	15 - 40	\$ 102,704	\$ 108,428
Leasehold improvements	3 - 20	6,834	6,974
Computers, capitalized software, machinery, equipment and autos	3 - 20	146,659	127,370
Furniture and fixtures.....	3 - 7	2,603	2,828
Construction in process.....		28,454	34,206
Gross property and equipment.....		287,254	279,806
Less accumulated depreciation and amortization.....		(94,916)	(79,779)
Net property and equipment		\$ 192,338	\$ 200,027

Depreciation and amortization expense for property and equipment for the fiscal years ended May 31, 2020, May 26, 2019 and May 27, 2018 was \$16.3 million, \$13.1 million and \$11.0 million, respectively. Amortization related to finance leases, which is included in depreciation expense, was \$0.1 million for each of the fiscal years ended May 31, 2020, May 26, 2019 and May 27, 2018, respectively.

During fiscal years 2020, 2019, and 2018, the Company capitalized \$3.1 million, \$1.0 million, and \$0.9 million in software development costs, respectively. Amortization related to capitalized software was \$0.8 million, \$0.9 million, and \$0.6 million for fiscal years ended May 31, 2020, May 26, 2019 and May 27, 2018, respectively. The unamortized computer software costs as of May 31, 2020 and May 26, 2019 were \$5.0 million and \$2.8 million, respectively. Capitalized interest was \$1.2 million, \$0.7 million, and \$0.6 million for fiscal years ended May 31, 2020, May 26, 2019 and May 27, 2018, respectively. As disclosed in Note 1, an impairment of property and equipment related to the *O* reporting unit of \$1.3 million was recorded in Selling, general and administrative in the accompanying Consolidated Statements of Operations for the year ended May 31, 2020.

Assets Held for Sale

In January 2020, the Company decided to seek to divest its Curation Foods' salad dressing plant in Ontario, California. During the fiscal year ended May 31, 2020, the Company (1) designated the fixed assets of its office and manufacturing space located in Ontario, California, as assets held for sale, and (2) recognized a \$10.9 million impairment loss, which is included in Restructuring costs within the Consolidated Statements of Operations for the Curation Foods segment. The remaining net carrying value of \$2.6 million is included in Property and equipment, net within the Consolidated Balance Sheets as of May 31, 2020. Liabilities of \$0.3 million and \$2.9 million related to these assets are included in Current portion of lease liabilities and Long-term lease liabilities, respectively, within the Consolidated Balance Sheet. The Company currently expects to complete this divestiture within the first half of fiscal year 2021.

In June 2019, the Company designated the Santa Maria office as the Curation Foods headquarters, and decided to close and put up for sale the Curation Foods office in San Rafael, California. The San Rafael property, included in land and buildings, was designated as held for use within the Consolidated Balance Sheets as of May 26, 2019, as no finalized plan for disposition existed at such time. During the fiscal year ended May 31, 2020, the Company closed escrow on the San Rafael property and recognized a \$0.4 million impairment loss, which is included in Restructuring costs within the Consolidated Statements of Operations. The Company received net cash proceeds of \$2.4 million in connection with the sale.

5. Goodwill and Intangible Assets

Goodwill

The following table presents the changes in goodwill during fiscal 2020 and fiscal 2019 (in thousands):

	2020	2019
Balance at beginning of year.....	\$ 76,742	\$ 54,510
Acquisition of Yucatan Foods (Note 2)	—	22,232
Yucatan Foods measurement period adjustment.....	504	—
Impairment.....	(7,860)	—
Balance at end of year.....	<u>\$ 69,386</u>	<u>\$ 76,742</u>

We have determined that the Eat Smart, Yucatan Foods, *O*, and Lifecore are the appropriate reporting units for testing goodwill for impairment. As disclosed in Note 1, an impairment charge of \$5.2 million and \$2.7 million in *O* and Yucatan Foods reporting units, respectively, was recorded during the year ended May 31, 2020. As of May 31, 2020, the Eat Smart, Yucatan, and Lifecore reporting unit had \$35.5 million, \$20.0 million, and \$13.9 million of goodwill, respectively.

Intangible Assets

As of May 31, 2020 and May 26, 2019, the Company's intangible assets consisted of the following (in thousands):

	Amortization Period (years)	May 31, 2020		May 26, 2019	
		Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer relationships					
Eat Smart (Curation Foods)	12	\$ 7,500	\$ 4,663	\$ 7,500	\$ 4,087
<i>O</i> (Curation Foods).....	13	—	—	700	143
Yucatan Foods (Curation Foods).....	11	11,000	1,650	11,000	550
Lifecore.....	12	3,700	3,110	3,700	2,801
Total customer relationships		<u>\$ 22,200</u>	<u>\$ 9,423</u>	<u>\$ 22,900</u>	<u>\$ 7,581</u>
Trademarks/tradenames					
Eat Smart (Curation Foods)		\$ 9,100	\$ 872	\$ 9,100	\$ 872
<i>O</i> (Curation Foods).....		500	—	1,600	—
Yucatan Foods (Curation Foods).....		12,400	—	15,900	—
Lifecore.....		4,200	—	4,200	—
Total trademarks/tradenames		<u>\$ 26,200</u>	<u>\$ 872</u>	<u>\$ 30,800</u>	<u>\$ 872</u>
Total intangible assets.....		<u>\$ 48,400</u>	<u>10,295</u>	<u>\$ 53,700</u>	<u>\$ 8,453</u>

Amortization expense related to finite-lived intangible assets was \$2.0 million, \$1.5 million, and \$1.0 million in fiscal 2020, 2019, and 2018, respectively. The amortization expense for the next five fiscal years is estimated to be \$1.8 million per year.

As discussed in Note 1, the Company recognized an impairment of the customer relationships in the Curation Foods business segment (in the *O* reporting unit) of \$0.5 million during the year ended May 31, 2020. In addition, the Company recognized an impairment of the trademarks in the Curation Foods business segment for *O* and Yucatan Foods of \$1.1 million and \$3.5 million, respectively during the year ended May 31, 2020.

6. Stock-based Compensation and Stockholders' Equity

Common Stock and Stock Option Plans

On October 16, 2019, following stockholder approval at the Annual Meeting of Stockholders of the Company, the 2019 Stock Incentive Plan (the "Plan") became effective and replaced the Company's 2013 Stock Incentive Plan (the "2013 Plan"). Employees (including officers), consultants and directors of the Company and its subsidiaries and affiliates are eligible to participate in the Plan.

The Plan provides for the grant of stock options (both nonstatutory and incentive stock options), stock grants, stock units and stock appreciation rights. Awards under the Plan will be evidenced by an agreement with the Plan participants and 2.0 million shares of the Company's Common Stock ("Shares") were initially available for award under the Plan. Under the Plan, no recipient may receive awards during any fiscal year that exceeds the following amounts: (i) stock options covering in excess of 500,000 Shares in the aggregate; (ii) stock grants and stock units covering in excess of 250,000 Shares in the aggregate; or (iii) stock appreciation rights covering more than 500,000 Shares in the aggregate. In addition, awards to non-employee directors are discretionary. However, a non-employee director may not be granted awards in excess of an aggregate fair market value of \$120,000 during any fiscal year. The exercise price of the options is the fair market value of the Company's Common Stock on the date the options are granted. As of May 31, 2020, 579,000 options to purchase shares and restricted stock units ("RSUs") were outstanding.

On October 10, 2013, following stockholder approval at the Annual Meeting of Stockholders of the Company, the 2013 Plan became effective and replaced the Company's 2009 Stock Incentive Plan. Employees (including officers), consultants and directors of the Company and its subsidiaries and affiliates were eligible to participate in the 2013 Plan. The 2013 Plan provided for the grant of stock options (both nonstatutory and incentive stock options), stock grants, stock units and stock appreciation rights. Under the 2013 Plan, 2.0 million shares were initially available for awards and as of May 31, 2020, 1,478,405 options to purchase shares and RSUs were outstanding.

On October 15, 2009, following stockholder approval at the Annual Meeting of Stockholders of the Company, the 2009 Stock Incentive Plan (the "2009 Plan") became effective and replaced the Company's 2005 Stock Incentive Plan. Employees (including officers), consultants and directors of the Company and its subsidiaries and affiliates were eligible to participate in the 2009 Plan. The 2009 Plan provided for the grant of stock options (both nonstatutory and incentive stock options), stock grants, stock units and stock appreciation rights. Under the 2009 Plan, 1.9 million shares were initially available for awards. On October 19, 2017, 1.0 million shares were added to the 2013 Plan following stockholder approval at the 2017 Annual Meeting of Stockholders. As of May 31, 2020, 128,500 options to purchase shares and RSUs were outstanding.

At May 31, 2020, the Company had 4.8 million common shares reserved for future issuance under Landec stock incentive plans.

Convertible Preferred Stock

The Company has authorized 2.0 million shares of preferred stock, and as of May 31, 2020 has no outstanding preferred stock.

Grant Date Fair Value

The Company uses the Black-Scholes option pricing model to calculate the grant date fair value of stock option awards. The use of an option pricing model requires the Company to make estimates and assumptions, including the expected stock price volatility, expected life of option awards, risk-free interest rate, and expected dividend yield which have a significant impact on the fair value estimates. As of May 31, 2020, May 26, 2019, and May 27, 2018, the fair value of stock option grants was estimated using the following weighted average assumptions:

	Year Ended		
	May 31, 2020	May 26, 2019	May 27, 2018
Options granted.....	435,000	368,264	498,000
Weighted-average exercise price	\$10.42	\$11.85	\$12.93
Weighted-average grant date fair value	\$2.55	\$2.80	\$2.90
Assumptions:			
Expected life (in years)	3.50	3.50	3.50
Risk-free interest rate.....	1.01 %	2.47 %	1.73 %
Volatility	31 %	27 %	27 %
Dividend yield.....	— %	— %	— %

Stock-Based Compensation Activity

A summary of the activity under the Company's stock option plans as of May 31, 2020 and changes during the fiscal year then ended is presented below:

	Options Outstanding	Weighted- Average Exercise Price Per Share	Total Intrinsic Value of Options Exercised	Weighted- Average Remaining Contractual Term in Years	Aggregate Intrinsic Value
Options outstanding at May 28, 2017	1,571,542	\$ 13.20			
Options granted.....	498,000	\$ 12.93			
Options exercised	(29,333)	\$ 7.36	\$ 177,921		
Options forfeited and canceled	(23,334)	\$ 12.55			
Options expired.....	(61,540)	\$ 14.23			
Options outstanding at May 27, 2018	1,955,335	\$ 13.20			
Options granted.....	368,264	\$ 11.85			
Options exercised	(116,834)	\$ 11.82	\$ 265,911		
Options forfeited and canceled	(71,669)	\$ 13.75			
Options expired.....	(135,000)	\$ 14.18			
Options outstanding at May 26, 2019	2,000,096	\$ 12.94			
Options granted.....	435,000	\$ 10.42			
Options exercised	(163,333)	\$ 11.16	\$ 169,066		
Options forfeited and canceled	(55,806)	\$ 13.08			
Options expired.....	(499,599)	\$ 14.04			
Options outstanding at May 31, 2020	<u>1,716,358</u>	\$ 12.15		3.75	\$ 416,090
Options exercisable at May 31, 2020.....	<u>1,113,441</u>	\$ 13.05		2.30	\$ 70,567

A summary of the Company's restricted stock unit award activity as of May 31, 2020 and changes during the fiscal year then ended is presented below:

	Restricted Stock Units Outstanding	Weighted- Average Grant Date Fair Value Per Share
Restricted stock units outstanding at May 28, 2017.....	509,355	\$ 13.53
Granted	200,288	\$ 13.12
Vested	(270,656)	\$ 14.06
Forfeited	(30,950)	\$ 11.75
Restricted stock units outstanding at May 27, 2018.....	408,037	\$ 12.99
Granted	333,486	\$ 13.15
Vested	(237,946)	\$ 13.27
Forfeited	(75,150)	\$ 13.92
Restricted stock units outstanding at May 26, 2019.....	428,427	\$ 12.80
Granted	296,527	\$ 9.79
Vested	(124,045)	\$ 11.82
Forfeited	(131,361)	\$ 12.49
Restricted stock units outstanding at May 31, 2020.....	<u>469,548</u>	\$ 11.24

Stock-Based Compensation Expense

The following table summarizes the stock-based compensation by statement of operations line item:

<i>(in thousands)</i>	Year Ended		
	May 31, 2020	May 26, 2019	May 27, 2018
Cost of sales	\$ 162	\$ 449	\$ 535
Research and development.....	158	114	131
Selling, general and administrative	2,099	2,997	3,737
Total stock-based compensation.....	<u>\$ 2,419</u>	<u>\$ 3,560</u>	<u>\$ 4,403</u>

As of May 31, 2020, there was \$4.1 million of total unrecognized compensation expense related to unvested equity compensation awards granted under the Landec stock incentive plans. Total expense is expected to be recognized over the weighted-average period of 2.40 years for stock options and 1.98 years for restricted stock unit awards.

Stock Repurchase Plan

On July 14, 2010, the Board of Directors of the Company approved the establishment of a stock repurchase plan which allows for the repurchase of up to \$10.0 million of the Company's Common Stock. The Company may repurchase its Common Stock from time to time in open market purchases or in privately negotiated transactions. The timing and actual number of shares repurchased is at the discretion of management of the Company and will depend on a variety of factors, including stock price, corporate and regulatory requirements, market conditions, the relative attractiveness of other capital deployment opportunities and other corporate priorities. The stock repurchase program does not obligate Landec to acquire any amount of its Common Stock and the program may be modified, suspended or terminated at any time at the Company's discretion without prior notice. During fiscal years 2020, 2019 and 2018, the Company did not purchase any shares on the open market.

7. Debt

On September 23, 2016, the Company entered into a Credit Agreement with JPMorgan, BMO, and City National Bank, as lenders (collectively, the "Lenders"), and JPMorgan as administrative agent, pursuant to which the Lenders provided the Company with a \$100.0 million revolving line of credit (the "Revolver") and a \$50.0 million term loan facility (the "Term Loan"), guaranteed by each of the Company's direct and indirect subsidiaries and secured by substantially all of the Company's assets, with the exception of the Company's investment in Windset.

On November 30, 2018, the Company entered into the Fourth Amendment to the Credit Agreement, which increased the Term Loan to \$100.0 million and the Revolver to \$105.0 million.

On October 25, 2019, the Company entered into the Sixth Amendment to the Credit Agreement, which increased the Term Loan to \$120.0 million and decreased the revolver to \$100.0 million. Both the Revolver and the Term Loan mature on October 25, 2022, with the Term Loan requiring quarterly principal payments of \$3.0 million and the remainder continuing to be due at maturity.

On March 19, 2020, the Company entered into the Seventh Amendment to the Credit Agreement (the “Seventh Amendment”), which among other changes, retroactively increased the maximum Total Leverage Ratio (as defined in the Credit Agreement as the ratio of the Company’s total indebtedness on such date to the Company’s consolidated EBITDA for the period of four consecutive fiscal quarters ended on or most recently prior to such date) to 5.75 to 1.00 for the fiscal quarter ended February 23, 2020, which decreases back to 5.00 to 1.00 for the fiscal quarter ending May 31, 2020. The maximum Total Leverage Ratio thereafter decreases by 25 basis points each subsequent fiscal quarter thereafter, until it reaches 3.50 for the fiscal quarter ending November 28, 2021, and then remains fixed through maturity. The Seventh Amendment also introduced additional financial covenants that remain in effect through May 31, 2020, including minimum cumulative monthly Unadjusted EBITDA thresholds and maximum capital expenditures, as well as additional reporting requirements and frequencies. Interest on both the Revolver and the Term Loan continues to be based upon the Company’s Total Leverage Ratio, at a per annum rate of either (i) the prime rate plus a spread of between 0.25% and 3.00% or (ii) the Eurodollar rate plus a spread of between 1.25% and 4.00%.

Subsequent to fiscal year end 2020, on July 15, 2020, the Company entered into the Eighth Amendment to the Credit Agreement (the “Eighth Amendment”), which among other things, (i) modified the definition of EBITDA to increase the limit on permitted exclusions for certain unusual, extraordinary or one-time cash items for each fiscal quarter ending on or after February 28, 2021, to a maximum of 20% of EBITDA, and (ii) restricted the Company from making Capital Expenditures over certain thresholds. Interest continues to be based on the Company’s Total Leverage Ratio, now at a revised per annum Applicable Rate of either (i) the prime rate plus a spread of between 0.75% and 3.50% or (ii) the Eurodollar rate plus a spread of between 1.75% and 4.50%, plus, in each case, a commitment fee, as applicable, of between 0.15% and 0.55%, as further described in the Eighth Amendment.

The Credit Agreement provides the Company the right to increase the Revolver commitments and/or the Term Loan commitments by obtaining additional commitments either from one or more of the Lenders or another lending institution at an amount of up to \$10.0 million.

The Credit Agreement continues to contain customary financial covenants and events of default under which the obligation could be accelerated and/or the interest rate increased. As of May 31, 2020, the Company was in compliance with all financial covenants under the Credit Agreement, other than the maximum Total Leverage Ratio covenant, which noncompliance was waived by the Lenders pursuant to the Eighth Amendment.

As of May 31, 2020, \$77.4 million was outstanding on the Revolver, at an interest rate of 4.38% under the Eurodollar option.

Long-term debt consists of the following as of May 31, 2020 and May 26, 2019 (in thousands):

	May 31, 2020	May 26, 2019
Term loan.....	\$ 114,000	\$ 97,500
Total principal amount of long-term debt	114,000	97,500
Less: unamortized debt issuance costs	(1,083)	(516)
Total long-term debt, net of unamortized debt issuance costs	112,917	96,984
Less: current portion of long-term debt, net.....	(11,554)	(9,791)
Long-term debt, net.....	<u>\$ 101,363</u>	<u>\$ 87,193</u>

The future minimum principal payments of the Company’s debt for each year presented are as follows (in thousands):

	Term Loan
Fiscal year 2021	\$ 12,000
Fiscal year 2022	102,000
Total	<u>\$ 114,000</u>

Derivative Instruments

On November 1, 2016, the Company entered into an interest rate swap contract (the “2016 Swap”) with BMO at a notional amount of \$50.0 million. The 2016 Swap has the effect of changing the Company’s Term Loan obligation from a variable interest rate to a fixed 30-day LIBOR rate of 1.22%.

On June 25, 2018, the Company entered into an interest rate swap contract (the “2018 Swap”) with BMO at a notional amount of \$30.0 million. The 2018 Swap has the effect of converting the first \$30.0 million of the total outstanding amount of the Company’s 30-day LIBOR borrowings from a variable interest rate to a fixed 30-day LIBOR rate of 2.74%.

On December 2, 2019, the Company entered into an interest rate swap contract (the “2019 Swap”) with BMO at a notional amount of \$110.0 million which decreases quarterly. The 2019 Swap has the effect of converting primarily all of the \$110.0 million of the total outstanding amount of the Company’s 30-day LIBOR borrowings from a variable interest rate to a fixed 30-day LIBOR rate of 1.53%.

8. Income Taxes

The (benefit) provision for income taxes from continuing operations consisted of the following:

(in thousands)

	Year Ended		
	May 31, 2020	May 26, 2019	May 27, 2018
Current:			
Federal	\$ (7,836)	\$ (67)	\$ (2,854)
State	38	63	60
Foreign.....	56	83	83
Total.....	(7,742)	79	(2,711)
Deferred:			
Federal	(5,212)	1,581	(7,122)
State	(162)	(142)	470
Total.....	(5,374)	1,439	(6,652)
Income tax expense (benefit)	\$ (13,116)	\$ 1,518	\$ (9,363)

The actual (benefit) provision for income taxes from continuing operations differs from the statutory U.S. federal income tax rate as follows:

(in thousands)

	Year Ended		
	May 31, 2020	May 26, 2019	May 27, 2018
Tax at U.S. statutory rate (1).....	\$ (10,774)	\$ 764	\$ 4,784
State income taxes, net of federal benefit	(1,782)	46	439
Tax reform/CARES Act.....	(2,770)	—	(14,350)
Change in valuation allowance	2,654	929	(176)
Tax credit carryforwards.....	(613)	(771)	(777)
Other compensation-related activity	334	618	566
Impairment of goodwill	647	—	—
Foreign rate differential	(863)	—	—
Other	51	(68)	151
Income tax expense (benefit).....	\$ (13,116)	\$ 1,518	\$ (9,363)

(1) Statutory rate was 21.0% for fiscal year 2020 and 2019, 29.4% for fiscal year 2018.

The effective tax rate for fiscal year 2020 changed from a tax provision expense of 71% to tax provision benefit of 26% in comparison to fiscal year 2019. The decrease in the income tax expense for fiscal year 2020 was primarily due to a decrease in the Company's profit before tax, carryback of net operating losses, and the benefit of federal and state research and development credits which is offset by the change in valuation allowance, and impairment of goodwill.

The effective tax rate for fiscal year 2019 changed from a benefit of 64% to expense of 71% in comparison to fiscal year 2018. The increase in the income tax expense for fiscal year 2019 was primarily due to the Company's acquisition of Yucatan Foods and the change in valuation allowance related to the foreign deferred balances, the change in ending state deferred blended rate, the limitation of deductibility of executive compensation, and partially offset by the benefit of the foreign rate differential and the federal and state research and development credits, all primarily as a result of the TCJA.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was signed into law. The CARES Act includes, among other items, provisions relating to refundable payroll tax credits, deferment of the employer portion of certain payroll taxes, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations and technical corrections to tax depreciation methods for qualified improvement property.

The CARES Act allows losses incurred in tax years 2018, 2019, and 2020 to be carried back to each of the five preceding tax years and to offset 100% of regular taxable income. Additionally, the CARES Act accelerates the Company's ability to receive refunds of alternative minimum tax credits generated in prior tax years. As a result of the CARES Act, the Company is able to benefit net operating losses generated in fiscal years 2019 and 2020 at the 21% federal statutory rate in effect for those years and carry back to tax years with a 35% federal statutory rate thus recognizing a tax benefit of \$2.8 million during the year ended May 31, 2020.

Significant components of deferred tax assets and liabilities reported in the accompanying Consolidated Balance Sheets consisted of the following:

(in thousands)

	Year Ended	
	May 31, 2020	May 26, 2019
Deferred tax assets:		
Accruals and reserves	\$ 4,651	\$ 3,130
Net operating loss carryforwards.....	\$ 14,947	\$ 9,385
Stock-based compensation.....	\$ 904	\$ 979
Research and AMT credit carryforwards.....	\$ 4,491	\$ 2,839
Lease liability	\$ 6,731	\$ —
Limitations on business interest expense.....	\$ 2,081	\$ —
Other	\$ 426	\$ 461
Gross deferred tax assets.....	\$ 34,231	\$ 16,794
Valuation allowance	\$ (6,770)	\$ (4,116)
Net deferred tax assets	\$ 27,461	\$ 12,678
Deferred tax liabilities:		
Depreciation and amortization.....	(19,049)	(14,324)
Goodwill and other indefinite life intangibles	(12,204)	(13,351)
Basis difference in investment in non-public company	(3,439)	(4,396)
Right of use asset.....	(6,357)	—
Deferred tax liabilities.....	(41,049)	(32,071)
Net deferred tax liabilities.....	(13,588)	(19,393)

The effective tax rates for fiscal year 2020 differ from the blended statutory federal income tax rate of 21% percent as a result of several factors, including a decrease in the Company's profit before tax, carryback of net operating losses, the change in valuation allowance related to state and foreign deferred balances, foreign rate differential, change in ending state deferred blended rate, impairment of goodwill and fixed assets, and the benefit of federal and state research and development credits.

The effective tax rates for fiscal year 2019 differ from the blended statutory federal income tax rate of 21% percent as a result of several factors, including Yucatan acquisition, the change in valuation allowance related with foreign deferred balances, foreign rate differential, change in ending state deferred blended rate, limitation of deductibility of executive compensation, and the benefit of federal and state research and development credits. The effective tax rates for fiscal year 2018 differ from the statutory federal blended income tax rate of 29.4% as a result of several factors, including change in ending federal and state deferred blended rate, one-time transition tax due to the repatriation of foreign earnings, the change in valuation allowance, limitation of deductibility of executive compensation, and the benefit of federal and state research and development credits.

During the fiscal years ended May 31, 2020 and May 26, 2019, excess tax deficits related to stock-based compensation of \$0.4 million and \$0.2 million, respectively, were reflected in the Consolidated Statements of Operations as a component of Income tax expense (benefit), specifically related to the prospective application of excess tax deficits and tax deficiencies related to stock-based compensation.

As of May 31, 2020, the Company had federal, foreign, California, Indiana, and other state net operating loss carryforwards of approximately \$42.9 million, \$11.7 million, \$18.5 million, \$6.5 million, and \$14.1 million respectively. These losses expire in different periods ranging from 2027 through 2038, if not utilized. Federal net operating loss of \$35.6 million have an indefinite life. The Company acquired additional net operating losses through the acquisition of Greenline. Utilization of these acquired net operating losses in a specific year is limited due to the "change in ownership" provision of the Internal Revenue Code of 1986 and similar state provisions. The net operating losses presented above for federal and state purposes is net of any such limitation.

The Company has federal, California, and Minnesota research and development tax credit carryforwards of approximately \$2.2 million, \$2.1 million, and \$0.4 million, respectively. The research and development tax credit carryforwards have an unlimited carryforward period for California purposes, 20 year carryforward for federal purposes, and 15 year carryforward for Minnesota purposes.

Valuation allowances are reviewed each period on a tax jurisdiction by jurisdiction basis to analyze whether there is sufficient positive or negative evidence to support a change in judgment about the realizability of the related deferred tax assets. Based on this analysis and considering all positive and negative evidence, we determined that a valuation allowance of \$0.4 million, \$2.8 million, and \$3.5 million should be recorded against federal, state, and foreign deferred tax assets as a result of uncertainty around the utilization of net operating losses, and federal capital loss carryforward.

The accounting for uncertainty in income taxes recognized in an enterprise's financial statements prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and the derecognition of tax benefits, classification on the balance sheet, interest and penalties, accounting in interim periods, disclosure, and transition.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

(in thousands)

	Year Ended		
	May 31, 2020	May 26, 2019	May 27, 2018
Unrecognized tax benefits – beginning of the period	\$ 616	\$ 479	\$ 537
Gross increases – tax positions in prior period	102	29	21
Gross decreases – tax positions in prior period.....	(11)	—	—
Gross increases – current-period tax positions.....	121	133	116
Settlements.....	—	—	(95)
Lapse of statute of limitations.....	—	(25)	(100)
Unrecognized tax benefits – end of the period.....	<u>\$ 827</u>	<u>\$ 616</u>	<u>\$ 479</u>

As of May 31, 2020 the total amount of net unrecognized tax benefits is \$0.8 million, of which, \$0.7 million, if recognized, would change the effective tax rate. The Company accrues interest and penalties related to unrecognized tax benefits in its provision for income taxes. The total amount of penalties and interest is not material as of May 31, 2020. Additionally, the Company does not expect its unrecognized tax benefits to decrease within the next 12 months.

Due to tax attribute carryforwards, the Company is subject to examination for tax years 2015 forward for U.S. tax purposes. The Company was also subject to examination in various state jurisdictions for tax years 2012 forward, none of which were individually material.

9. Leases

Operating Leases

The Company has entered into various non-cancellable operating lease agreements for manufacturing and distribution facilities, vehicles, equipment and office space. Right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Right-of-use assets and liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term. Landec leases land, facilities, and equipment under operating lease agreements with various terms and conditions, which expire at various dates through fiscal year 2040. Certain of these leases have renewal options.

Finance Leases

On September 3, 2015, Lifecore leased an 80,950 square foot building in Chaska, MN, two miles from its current facility. The initial term of the lease is seven years with two five-year renewal options. The lease contains a buyout option at any time after year seven with the purchase price equal to the mortgage balance on the lessor's loan secured by the building. Gross assets recorded under finance leases, included in Property and equipment, net, were \$3.8 million as of both May 31, 2020 and May 26, 2019. Accumulated amortization associated with finance leases was \$0.5 million and \$0.4 million as of May 31, 2020 and May 26, 2019, respectively. The monthly lease payment was initially \$34,000 and increases by 2.4% per year. Lifecore and the lessor made capital improvements prior to occupancy and thus the lease did not become effective until January 1, 2016. Lifecore is currently using the building for warehousing and final packaging.

The components of lease cost were as follows:

	<u>Year Ended</u> <u>May 31, 2020</u>
<i>(In thousands, except term and discount rate)</i>	
Finance lease cost:	
Amortization of leased assets.....	\$ 116
Interest on lease liabilities.....	358
Operating lease cost.....	6,343
Variable lease cost and other.....	1,951
Total lease cost.....	<u>\$ 8,768</u>
Weighted-average remaining lease term:	
Operating leases.....	11.06
Finance leases.....	2.60
Weighted-average discount rate:	
Operating leases.....	5.24%
Finance leases.....	10.00%

The Company's leases have original lease periods ending between 2021 and 2040. The Company's maturity analysis of operating and finance lease liabilities as of May 31, 2020 are as follows:

<i>(in thousands)</i>	<u>Operating Leases</u>	<u>Finance Leases</u>	<u>Total</u>
Fiscal year 2021	\$ 5,615	\$ 455	\$ 6,070
Fiscal year 2022	4,500	466	4,966
Fiscal year 2023	3,809	3,497	7,306
Fiscal year 2024	3,137	9	3,146
Fiscal year 2025	2,501	2	2,503
Thereafter.....	17,721	—	17,721
Total lease payments.....	<u>37,283</u>	<u>4,429</u>	<u>41,712</u>
Less: interest	<u>(10,043)</u>	<u>(868)</u>	<u>(10,911)</u>
Present value of lease liabilities	27,240	3,561	30,801
Less: current obligation of lease liabilities.....	<u>(4,298)</u>	<u>(125)</u>	<u>(4,423)</u>
Total long-term lease liabilities.....	<u>\$ 22,942</u>	<u>\$ 3,436</u>	<u>\$ 26,378</u>

The future minimum annual lease payments required under the Company's existing operating lease agreements as of May 26, 2019 prior to the adoption of ASC 842 were as follows:

<i>(in thousands)</i>	<u>Operating Leases</u>
Fiscal year 2020	\$ 5,056
Fiscal year 2021	4,044
Fiscal year 2022	3,589
Fiscal year 2023	3,350
Fiscal year 2024	3,047
Thereafter.....	<u>9,335</u>
Total.....	<u>\$ 28,421</u>

Rent expense for operating leases, including month to month arrangements was \$7.3 million and \$6.1 million for the fiscal years 2019 and 2018, respectively, and is recorded in Selling, general, and administrative expenses.

The future minimum annual lease payments required under the Company's existing capital lease agreements as of May 26, 2019, prior to the adoption of ASC 842 were as follows:

<i>(in thousands)</i>	<u>Capital Leases</u>
Fiscal year 2020	\$ 486
Fiscal year 2021	489
Fiscal year 2022	460
Fiscal year 2023	3,490
Fiscal year 2024	—
Thereafter.....	<u>—</u>
Total minimum lease payment.....	4,925
Less: amounts representing interest and taxes	<u>(1,291)</u>
Total.....	3,634
Less: current portion included in other accrued liabilities	<u>(102)</u>
Long-term capital lease obligation.....	<u>\$ 3,532</u>

Supplemental cash flow information related to leases are as follows:

<i>(in thousands)</i>	Year Ended
	May 31, 2020
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$7,853
Operating cash flows from finance leases	328
Financing cash flows from finance leases	118
Lease liabilities arising from obtaining right-of-use assets:	
Operating leases	\$3,752

10. Commitments and Contingencies

Purchase Commitments

At May 31, 2020, the Company was committed to purchase \$87.7 million of produce and other materials. For the fiscal years ended May 31, 2020, May 26, 2019, and May 27, 2018, purchases related to long term commitments under take or pay agreements were \$3.4 million, \$0.5 million, and \$0.0 million, respectively.

Legal Contingencies

In the ordinary course of business, the Company is from time to time involved in various legal proceedings and claims.

The Company makes a provision for a liability relating to legal matters when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These provisions are reviewed at least each fiscal quarter and adjusted to reflect the impacts of negotiations, estimate settlements, legal rulings, advice of legal counsel and other information and events pertaining to a particular matter. Legal fees are expensed in the period in which they are incurred.

Claims Alleging Unfair Labor Practices

Curation Foods has been the target of a union organizing campaign which has included 3 unsuccessful attempts to unionize Curation Foods' Guadalupe, California processing plant. The campaign has involved a union and over 100 former and current employees of Pacific Harvest, Inc. and Rancho Harvest, Inc. (collectively "Pacific Harvest"), Curation Foods' former labor contractors at its Guadalupe, California processing facility, bringing legal actions before various state and federal agencies, the California Superior Court, and initiating over 100 individual arbitrations against Curation Foods and Pacific Harvest.

The legal actions consisted of various claims, all of which were settled in fiscal year 2017. Under the settlement agreement, the plaintiffs were to be paid in three installments. The Company and Pacific Harvest each agreed to pay one half of the settlement payments. The Company paid the entire first two installments and Pacific Harvest agreed to reimburse the Company for its \$2.1 million portion. As of May 31, 2020, the outstanding balance of the receivable was \$1.2 million. The Company makes ongoing estimates relating to the collectability of receivables. A reserve is established for any note when there is reasonable doubt that the principal or interest will be collected in full. The Company may write-off uncollectable receivables after collection efforts are exhausted. During the fiscal year 2020, the Company's review for collectability concluded that a receivable reserve of \$1.2 million would be recorded. The Company's conclusion regarding collectability changed as a result of Pacific Harvest communicating their refusal to pay combined with their brining claims against the Company. As of May 31, 2020, the reserve balance remained at \$1.2 million.

Compliance Matters

As previously disclosed, on December 1, 2018, the Company acquired all of the voting interests and substantially all of the assets of Yucatan Foods (the "Yucatan Acquisition"), which owns a guacamole manufacturing plant in Mexico called Procesadora Tanok, S de RL de C.V. ("Tanok").

On October 21, 2019, the Company retained Latham & Watkins, LLP to conduct an internal investigation relating to potential environmental and Foreign Corrupt Practices Act ("FCPA") compliance matters associated with regulatory permitting at the Tanok facility in Mexico. The Company subsequently disclosed to the U.S. Securities and Exchange

Commission (“SEC”) and the U.S. Department of Justice (“DOJ”) the conduct under investigation, and these agencies have commenced an investigation. The Company has also disclosed the conduct under investigation to the Mexican Attorney General’s Office, which has commenced an investigation, and to Mexican regulatory agencies. The Company is cooperating in the government investigations and requests for information. The conduct at issue began prior to the Yucatan Acquisition, and the agreement for the Yucatan Acquisition provides the Company with certain indemnification rights that may allow the Company to recover the cost of a portion of the liabilities that have been and may be incurred by the Company in connection with these compliance matters. At this stage, the ultimate outcome of these or any other investigations or potential claims that may arise from the matters under investigation is uncertain and the Company cannot reasonably predict the timing or outcomes, or estimate the amount of net loss after indemnification or insurance recovery, or its effect, if any, on its financial statements. Separately, there are indemnification provisions in the purchase agreement that allow the Company to recover costs for breach of warranty, etc. from the seller. Because recovery of amounts are contingent upon a legal settlement, no amounts have been recorded as recoverable costs through May 31, 2020. Nor are there any insurance claims recorded as they are similarly contingent.

Other Litigation Matters

On February 10, 2020, a complaint was filed against Curation Foods in the United States District Court for the Northern District of Georgia, *Printpack, Inc. v. Curation Foods, Inc.*, alleging breach of contract pertaining to Curation Foods’ purchase of certain poly film packaging from the plaintiff. The plaintiff was seeking an unspecified amount of monetary damages, litigation expenses, and interest. Through several negotiations and discussions between the Company and Printpack, an agreement was reached and a Notice of Voluntary Dismissal was filed on May 29, 2020. This dismisses the case against the Company with no other further legal action required.

On February 14, 2020, a complaint was filed against the Company, Curation Foods, the Company’s current CEO Albert Bolles, the Company’s former Chief Financial Officer Gregory Skinner, and other defendants (collectively, the “Landec Parties”) in Santa Barbara County Superior Court, entitled *Pacific Harvest, Inc., et al. v. Curation Foods, Inc., et al.* (No. 20CV00920). The case was brought by Pacific Harvest, Inc. (“Pacific”) and Rancho Harvest, Inc. (“Rancho”), two related companies that have provided labor and employee staffing services to Curation Foods. Among other things, Pacific and Rancho allege that Curation Foods wrongfully decreased its use of Pacific’s staffing services and misappropriated Pacific’s trade secrets when Curation Foods increased its use of another staffing company and transitioned Pacific’s employees to the other staffing company. Pacific and Rancho also allege that Curation Foods breached agreements between the parties related to a loan from Curation Foods. Based on this alleged breach, Pacific and Rancho have ceased making payments. Plaintiffs assert claims for breach of contract, breach of the implied covenant of good faith and fair dealing, intentional interference with contracts and potential economic advantage, misappropriation of trade secrets under California’s Uniform Trade Secrets Act, business practices in violation of California Unfair Competition Law, fraud, defamation, violation of California Usury Law, breach of fiduciary duty, and declaratory relief regarding the parties’ rights and obligations under certain of the parties’ contracts. The Landec Parties have not yet appeared in this action. Given the preliminary stage of the litigation, at this time the Company is unable to determine whether any loss is probable or reasonably estimate a range of such loss, and accordingly has not accrued any liability associated with these matters. The Company intends to defend and pursue its interests in this case vigorously.

11. Business Segment Reporting

The Company operates using three strategic reportable business segments, aligned with how the Chief Executive Officer, who is the chief operating decision maker (“CODM”), manages the business: the Curation Foods segment, the Lifecore segment, and the Other segment.

The Curation Foods business includes (i) four natural food brands, including Eat Smart, *O* Olive Oil & Vinegar, Yucatan Foods, and Cabo Fresh, (ii) BreatheWay® activities, and (iii) activity related to our 26.9% investment in Windset. The Curation Foods segment includes activities to market and pack specialty packaged whole and fresh-cut fruit and vegetables, the majority of which incorporate the BreatheWay specialty packaging for the retail grocery, club store and food services industry and are sold primarily under the Eat Smart brand and various private labels. The Curation Foods segment also includes sales of BreatheWay packaging to partners for fruit and vegetable products, sales of olive oils and wine vinegars under the *O* brand, sales of avocado products under the brands Yucatan Foods and Cabo Fresh, and activity related to our investment in Windset.

The Lifecore segment sells products utilizing hyaluronan, a naturally occurring polysaccharide that is widely distributed in the extracellular matrix of connective tissues in both animals and humans, and non-HA products for medical use primarily in the Ophthalmic, Orthopedic and other markets.

The Other segment includes corporate general and administrative expenses, non-Curation Foods and non-Lifecore interest income and income tax expenses. Corporate overhead is allocated between segments based on actual utilization and relative size.

All of the Company's assets are located within the United States of America except for the production facility in Mexico, which was acquired by the Company as a result of the Yucatan Foods acquisition. The following table presents our property and equipment, net by geographic region (in millions):

	Year Ended	
	May 31, 2020	May 26, 2019
Property and equipment, net		
United States.....	\$ 179.1	\$ 186.3
Mexico.....	13.2	13.7
Total property and equipment, net.....	<u>\$ 192.3</u>	<u>\$ 200.0</u>

The Company's international sales by geography are based on the billing address of the customer and were as follows (in millions):

	Year Ended		
	May 31, 2020	May 26, 2019	May 27, 2018
Canada	\$ 76.4	\$ 83.6	\$ 78.0
Belgium.....	\$ 13.8	\$ 15.1	\$ 17.2
Ireland.....	\$ 4.0	\$ 5.0	\$ 4.1
All Other Countries.....	\$ 7.8	\$ 5.1	\$ 3.6

Operations by segment consisted of the following (in thousands):

Year Ended May 31, 2020	Curation			Total
	Foods	Lifecore	Other	
Product sales	\$ 504,533	\$ 85,833	\$ —	\$ 590,366
Gross profit	42,105	32,883	—	74,988
Net income (loss) from continuing operations	(39,088)	11,749	(10,852)	(38,191)
Identifiable assets	249,217	165,461	126,635	541,313
Depreciation and amortization	13,240	5,008	96	18,344
Capital expenditures	15,944	10,612	130	26,686
Dividend income	1,125	—	—	1,125
Interest income	37	—	66	103
Interest expense, net	5,504	—	4,099	9,603
Income tax (benefit) expense	(13,028)	3,346	(3,434)	(13,116)
Year Ended May 26, 2019				
Product sales	\$ 481,686	\$ 75,873	\$ —	\$ 557,559
Gross profit	49,305	31,698	—	81,003
Net income (loss) from continuing operations	(6,229)	12,070	(3,719)	2,122
Identifiable assets	367,352	145,558	6,181	519,091
Depreciation and amortization	10,360	4,140	730	15,230
Capital expenditures	30,583	12,965	1,186	44,734
Dividend income	1,650	—	—	1,650
Interest income	112	—	33	145
Interest expense, net	3,278	—	1,952	5,230
Income tax (benefit) expense	(1,373)	4,024	(1,133)	1,518
Year Ended May 27, 2018				
Product sales	\$ 458,800	\$ 65,427	\$ —	\$ 524,227
Gross profit	49,770	28,568	—	78,338
Net income (loss) from continuing operations	17,010	11,631	(2,880)	25,761
Identifiable assets	264,067	129,342	11,294	404,703
Depreciation and amortization	8,196	3,679	537	12,412
Capital expenditures	13,052	16,454	4,084	33,590
Dividend income	1,650	—	—	1,650
Interest income	93	—	118	211
Interest expense, net	1,554	—	396	1,950
Income tax (benefit) expense	(9,748)	2,638	(2,253)	(9,363)

12. Quarterly Consolidated Financial Information (unaudited)

The following is a summary of the unaudited quarterly results of operations for fiscal years 2020 and 2019 (in thousands, except for per share amounts):

Fiscal Year 2020	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual
Revenues.....	\$ 138,714	\$ 142,593	\$ 152,928	\$ 156,131	\$ 590,366
Gross profit	15,336	15,514	20,047	24,091	74,988
Net income (loss) from continuing operations.....	(4,784)	(6,740)	(11,518)	(15,149)	(38,191)
Net income (loss) applicable to common stockholders	(4,784)	(6,740)	(11,518)	(15,149)	(38,191)
Net income (loss) per basic share from continuing operations.....	\$ (0.16)	\$ (0.23)	\$ (0.39)	\$ (0.52)	\$ (1.31)
Net income (loss) per diluted share from continuing operations.....	\$ (0.16)	\$ (0.23)	\$ (0.39)	\$ (0.52)	\$ (1.31)
Fiscal Year 2019	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual
Revenues.....	\$ 124,668	\$ 124,557	\$ 155,554	\$ 152,780	\$ 557,559
Gross profit	16,337	16,885	21,569	26,212	81,003
Net income (loss) from continuing operations.....	335	(113)	1,533	367	2,122
Net income (loss) applicable to common stockholders	190	(584)	1,067	(262)	411
Net income (loss) per basic share from continuing operations.....	\$ 0.01	\$ —	\$ 0.05	\$ 0.01	\$ 0.07
Net income (loss) per diluted share from continuing operations.....	\$ 0.01	\$ —	\$ 0.05	\$ 0.01	\$ 0.07

13. Discontinued Operations

Now Planting and Food Export

During the fourth quarter of fiscal year 2019, the Company discontinued its Now Planting business, which resided in its Curation Foods segment. During the fourth quarter of fiscal year 2018, the Company discontinued its Food Export business segment. As a result, the Company met the requirements to report the results of Now Planting and Food Export as discontinued operations and to classify any assets and liabilities as held for abandonment.

The carrying amounts of the major classes of assets and liabilities of Now Planting and Food Export business segment included in assets and liabilities of discontinued operations are as follows (in thousands):

	Year Ended	
	May 31, 2020	May 26, 2019
Current and other assets, discontinued operations:		
Cash and cash equivalents	\$ —	\$ —
Accounts receivable.....	—	—
Inventory.....	—	—
Other assets.....	—	—
Total assets, discontinued operations.....	\$ —	\$ —
Other current liabilities, discontinued operations:		
Accounts payable.....	\$ —	\$ 51
Accrued expenses and other current liabilities	—	14
Total other current liabilities, discontinued operations.....	\$ —	\$ 65

Once Now Planting and Food Export businesses were discontinued, the operations associated with these businesses qualified for reporting as discontinued operations. Accordingly, the operating results, net of tax, from discontinued operations are presented separately in the Company's Consolidated Statements of Operations and the Notes to the Consolidated Financial Statements have been adjusted to exclude Now Planting in fiscal year 2019 and Food Export in fiscal year 2018. Components of amounts reflected in (loss) income from discontinued operations, net of tax are as follows (in thousands):

	Year Ended		
	May 31, 2020	May 26, 2019	May 27, 2018
Revenues.....	\$ —	\$ 548	\$ 29,222
Cost of sales.....	—	(1,649)	(27,619)
Research and development.....	—	(102)	—
Selling, general and administrative.....	—	(1,035)	(2,522)
Other.....	—	—	(269)
Loss from discontinued operations before taxes.....	—	(2,238)	(1,188)
Income tax benefit.....	—	527	350
Loss from discontinued operations, net of tax.....	\$ —	\$ (1,711)	\$ (838)

Cash provided by (used in) operating activities by the Now Planting business totaled \$0.0 million, \$(1.3) million, and \$0.0 million for the fiscal years ended May 31, 2020, May 26, 2019, and May 27, 2018, respectively. Cash provided by (used in) operating activities by the Food Export business totaled \$0.0 million, \$0.0 million, and \$0.6 million for the fiscal years ended May 31, 2020, May 26, 2019, and May 27, 2018, respectively.

14. Restructuring Costs

During fiscal year 2020, the Company announced a restructuring plan to drive enhanced profitability, focus the business on its strategic assets and redesign the organization to be the appropriate size to compete and thrive. This includes a reduction-in-force, a reduction in leased office spaces and the sale of non-strategic assets.

In January 2020, the Company decided to divest its salad dressing plant in Ontario, California. In the third quarter of fiscal year 2020, the Company (1) designated the fixed assets of its office and manufacturing space located in Ontario, California, as assets held for sale, and (2) recognized a \$10.9 million impairment loss, which is included in Restructuring costs within the Consolidated Statements of Operations. The remaining net carrying value of \$2.6 million is included in Property and equipment, net within the Consolidated Balance Sheets as of May 31, 2020. Liabilities of \$0.3 million and \$2.9 million related to these assets are included in Current portion of lease liabilities and Long-term lease liabilities, respectively, within the Consolidated Balance Sheet. The Company expects to complete this divestiture within the first half of fiscal year 2021.

The Company will also close its leased Santa Clara, California and Los Angeles, California offices.

During the fiscal year ended May 31, 2020, the Company decided to modify BreatheWay's primary business model and redesigned and re-engineered equipment used in the BreatheWay business. As a result of this re-engineering, during the fiscal year ended May 31, 2020 the Company recorded a \$1.9 million impairment loss.

The following table summarizes the restructuring costs recognized in the Company's Consolidated Statements of Operations, by Business Segment:

<i>(In thousands)</i>	Curation Foods	Lifecore	Other	Total
<u>Year Ended May 31, 2020</u>				
Asset write-off costs.....	\$ 12,662	\$ —	\$ 418	\$ 13,080
Employee severance and benefit costs.....	1,468	—	784	2,252
Lease costs.....	392	—	26	418
Other restructuring costs.....	1,024	—	511	1,535
Total restructuring costs.....	\$ 15,546	\$ —	\$ 1,739	\$ 17,285

15. Subsequent Events

Debt Covenant Amendment

As disclosed in Note 7 - Debt, on July 15, 2020, the Company entered into the Eighth Amendment, which among other things, (i) in relation to the covenant calculations modified the definition of EBITDA to increase the limit on permitted exclusions for certain unusual, extraordinary or one-time cash items for each fiscal quarter ending on or after February 28, 2021, to a maximum of 20% of EBITDA, and (ii) restricted the Company from making Capital Expenditures over certain thresholds. Interest continues to be based on the Company's Total Leverage Ratio, now at a revised per annum Applicable Rate of either (i) the prime rate plus a spread of between 0.75% and 3.50% or (ii) the Eurodollar rate plus a spread of between 1.75% and 4.50%, plus, in each case, a commitment fee, as applicable, of between 0.15% and 0.55%, as further described in the Eighth Amendment. In connection with the execution of the Eighth Amendment, the Company paid \$0.3 million in fees to the Lenders.

Ontario, California Salad Dressing Plant

On August 7, 2020 the Company assigned the lease and sold the corresponding assets related to its salad dressing plant in Ontario, California. The net carrying amount of these assets of \$2.6 million are classified as assets held for sale and are included in Property and equipment, net within the Consolidated Balance Sheets as of May 31, 2020. The Company received net cash proceeds of \$4.6 million in connection with the sale. The Company estimates that it will record a \$2.6 million gain on disposal subsequent to fiscal year end 2020 in connection with this transaction.

Hanover, Pennsylvania Manufacturing Facility

In connection with the Company's strategic initiative, Project SWIFT, on June 25, 2020 the Board of Directors approved a plan to close Curation Foods' underutilized manufacturing operations in Hanover, Pennsylvania ("Hanover"), sell the building and assets related thereto, and consolidate its operations into its manufacturing facilities in Guadalupe, California and Bowling Green, Ohio. The \$17.2 million carrying value of these assets are included in Property and equipment, net on the consolidated Balance Sheets as of May 31, 2020 and were not classified as assets held for sale as the plans to sell were not finalized until subsequent to fiscal year end 2020.

The Company is in the process of marketing Hanover for sale and assessing the Hanover assets' fair value in relation to their carrying value and anticipates recording an impairment based on the current strategic plans for the assets. The Company expects to complete its analysis by the end of its first quarter of fiscal year 2021. The Company expects to complete the sale of its Hanover assets during its second quarter of fiscal year 2021.

COVID-19 Pandemic

There are many uncertainties regarding the current novel coronavirus ("COVID-19") pandemic, including the scope of scientific and health issues, the anticipated duration of the pandemic, and the extent of local and worldwide social, political, and economic disruption it may cause. The COVID-19 pandemic has had and we believe will continue to have significant adverse impacts on many aspects of the Company's operations, directly and indirectly, including with respect to sales, customer behaviors, business and manufacturing operations, inventory, the Company's employees, and the market generally, and the scope and nature of these impacts continue to evolve each day. The Company expects to continue to assess the evolving impact of the COVID-19 pandemic, and intends to continue to make adjustments to its responses accordingly.

(b) Index of Exhibits.

Exhibit Number	Exhibit Title
3.1	Certificate of Incorporation of the Registrant, incorporated herein by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on November 7, 2008.
3.2	Amended and Restated By-Laws of the Registrant, incorporated herein by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on October 16, 2012.
3.3	Amendment No. 1 to By-Laws of the Registrant, incorporated herein by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on May 7, 2019.
3.4	Amendment No. 2 to By-Laws of the Registrant, incorporated herein by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on May 24, 2019.
4.1+	Description of Capital Stock.
10.1	Form of Indemnification Agreement incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on October 17, 2018.
10.2	Agreement and Plan of Merger between Landec Corporation, a California corporation, and the Registrant, dated as of November 6, 2008, incorporated herein by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed on November 7, 2008.
10.3*	Landec Corporation 2009 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed on October 19, 2009.
10.4*	Form of Stock Grant Agreement for the Landec Corporation 2009 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.2 to the Registrant's Current Report on Form 8-K filed on October 19, 2009.
10.5*	Form of Notice of Stock Option Grant and Stock Option Agreement for the Landec Corporation 2009 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.3 to the Registrant's Current Report on Form 8-K filed on October 19, 2009.
10.6*	Form of Stock Unit Agreement for the Landec Corporation 2009 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.4 to the Registrant's Current Report on Form 8-K filed on October 19, 2009.
10.7*	Form of Notice of Grant of Stock Appreciation Right and Stock Appreciation Right Agreement for the Landec Corporation 2009 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.5 to the Registrant's Current Report on Form 8-K filed on October 19, 2009.
10.8*	Landec Corporation Nonqualified Deferred Compensation Plan, incorporated herein by reference to the Registrant's Annual Report on Form 10-K filed on August 7, 2013.
10.9*	Landec Corporation 2013 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed on October 11, 2013.
10.10*	First Amendment to the Landec Corporation 2013 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed on October 23, 2017.
10.11*	Form of Stock Grant Agreement for the Landec Corporation 2013 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed on October 11, 2013.
10.12*	Form of Notice of Stock Option Grant and Stock Option Agreement for the Landec Corporation 2013 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed on October 11, 2013.
10.13*	Form of Stock Unit Agreement for the Landec Corporation 2013 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed on October 11, 2013.

Exhibit Number	Exhibit Title
10.14*	Form of Notice of Grant of Stock Appreciation Right and Stock Appreciation Right Agreement for the Landec Corporation 2013 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed on October 11, 2013.
10.15*	Landec Corporation 2019 Stock Incentive Plan, including the forms of awards attached thereto, incorporated herein by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed on October 21, 2019. 2019 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K dated October 21, 2019.
10.16*	Employment Agreement between the Registrant and Gregory S. Skinner effective as of January 31, 2019, incorporated herein by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on February 5, 2019.
10.17	Loan Agreement dated February 26, 2016 among the Registrant, Apio, Inc., Apio Cooling LP and CF Equipment Loans LLC (successor-in-interest to General Electric Capital Corporation) incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on March 3, 2016.
10.18	Promissory Note dated February 26, 2016 issued by Apio to CF Equipment Loans, LLC, incorporated herein by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on March 3, 2016.
10.19	Promissory Note dated February 26, 2016 issued by Apio to CF Equipment Loans, LLC, incorporated herein by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed on March 3, 2016.
10.20	Guaranty dated February 26, 2016 between the Registrant and CF Equipment Loans, LLC, incorporated herein by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K filed on March 3, 2016.
10.21	Credit Agreement, dated September 23, 2016, by and among the Registrant, the other loan parties party thereto, JPMorgan Chase Bank, N.A., BMO Harris Bank N.A., and City National Bank, incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on September 29, 2016.
10.22	Pledge and Security Agreement, dated September 23, 2016, by and among the Registrant, the other grantors party thereto, and JPMorgan Chase Bank, N.A., incorporated herein by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on September 29, 2016.
10.23	Fourth Amendment and Joinder to the Credit Agreement and Other Loan Documents dated November 30, 2018 by and among the Registrant, the other loan parties and new loan parties party thereto, BMO Harris Bank N.A., City National Bank, and JPMorgan Chase Bank, N.A, incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on December 6, 2018.
10.24	Sixth Amendment to Credit Agreement, dated October 25, 2019, by and among the Registrant, the other loan parties party thereto, BMO Harris Bank N.A., City National Bank, and JPMorgan Chase Bank, N.A., incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on October 30, 2019.
10.25	Seventh Amendment to Credit Agreement, dated March 19, 2020, by and among the Registrant, the other loan parties party thereto, BMO Harris Bank N.A., City National Bank and JPMorgan Chase Bank, N.A (incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on March 25, 2020).
10.26	Limited Waiver and Eighth Amendment to Credit Agreement, dated July 15, 2020, by and among the Registrant, the other loan parties party thereto, BMO Harris Bank, N.A and JPMorgan Chase Bank, N.A. (incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on July 17, 2020).
10.27*	Long-Term Incentive Plan for Fiscal Year 2020, incorporated herein by reference to Registrant's Current Report on Form 8-K filed on July 24, 2017.
10.28*	Long-Term Incentive Plan for Fiscal Year 2021, incorporated herein by reference to the Registrant's Current Report on Form 8-K filed on July 30, 2018.

**Exhibit
Number****Exhibit Title**

10.29	Settlement Agreement amongst the Registrant, Apio, Inc., Rancho Harvest, Inc. and Pacific Harvest, Inc. and the plaintiffs named therein and Addendum to the Settlement Agreement effective as of May 5, 2017, incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on May 10, 2017.
10.30	Purchase Agreement dated as of April 26, 2018, by and between Apio, Inc. Michael R. Mills, San Ysidro Farms, Inc., B&D Farms, Mahoney Brothers, and RCM Farms, LLC, incorporated herein by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed on May 2, 2018.
10.31	Letter Agreement dated May 22, 2018 among the Registrant, Nelson Obus and Wynnefield Capital, Inc. incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on May 25, 2018.
10.32	Capital Contribution and Partnership Interest and Stock Purchase Agreement dated December 1, 2018 by and among Apio, Inc., a Delaware Corporation, Yucatan Foods, L.P., a Delaware limited partnership ("Yucatan"), Camden Fruit Corporation, a California corporation, Landec Corporation, a Delaware corporation, in its capacity as guarantor, Ardeshir Haerizadeh, as an equityholder representative, and the equityholders of Camden and Yucatan, incorporated herein by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed on December 6, 2018.
10.33+	Landec Corporation Executive Change in Control Severance Plan.
21.1+	Subsidiaries of the Registrant
23.1+	Consent of Independent Registered Public Accounting Firm
24.1+	Power of Attorney – See signature page
31.1+	CEO Certification pursuant to section 302 of the Sarbanes-Oxley Act of 2002
31.2+	CFO Certification pursuant to section 302 of the Sarbanes-Oxley Act of 2002
32.1+	CEO Certification pursuant to section 906 of the Sarbanes-Oxley Act of 2002
32.2+	CFO Certification pursuant to section 906 of the Sarbanes-Oxley Act of 2002
101.INS**	XBRL Instance
101.SCH**	XBRL Taxonomy Extension Schema
101.CAL**	XBRL Taxonomy Extension Calculation
101.DEF**	XBRL Taxonomy Extension Definition
101.LAB**	XBRL Taxonomy Extension Labels
101.PRE**	XBRL Taxonomy Extension Presentation
*	Represents a management contract or compensatory plan or arrangement
**	Information is furnished and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section, nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such filing
+	Filed herewith.
#	Confidential treatment requested as to certain portions. The term "confidential treatment" and the mark "*" as used throughout the indicated Exhibit means that material has been omitted.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Santa Maria, State of California, on August 14, 2020.

LANDEC CORPORATION

By: /s/ Brian McLaughlin

Brian McLaughlin

*Chief Financial Officer and
Vice President of Finance and Administration*

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Albert D. Bolles and Brian McLaughlin, and each of them, as his or her attorney-in-fact, with full power of substitution, for him or her in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming our signatures as they may be signed by our said attorney-in-fact to any and all amendments to said Report on Form 10-K.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report on Form 10-K has been signed by the following persons in the capacities and on the dates indicated:

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Albert D. Bolles, Ph.D.</u> Albert D. Bolles, Ph.D.	President and Chief Executive Officer (Principal Executive Officer) and Director	August 14, 2020
<u>/s/ Brian McLaughlin</u> Brian McLaughlin	Chief Financial Officer and Vice President of Finance and Administration (Principal Financial Officer and Principal Accounting Officer)	August 14, 2020
<u>/s/ Craig Barbarosh</u> Craig Barbarosh	Director	August 14, 2020
<u>/s/ Deborah Carosella</u> Deborah Carosella	Director	August 14, 2020
<u>/s/ Frederick Frank</u> Frederick Frank	Director	August 14, 2020
<u>/s/ Katrina Houde</u> Katrina Houde	Director	August 14, 2020
<u>/s/ Charles Macaluso</u> Charles Macaluso	Director	August 14, 2020
<u>/s/ Nelson Obus</u> Nelson Obus	Director	August 14, 2020
<u>/s/ Tonia Pankopf</u> Tonia Pankopf	Director	August 14, 2020
<u>/s/ Andrew K. Powell</u> Andrew K. Powell	Director	August 14, 2020
<u>/s/ Catherine A. Sohn</u> Catherine A. Sohn	Director	August 14, 2020

Non-GAAP Financial Measures & Reconciliations

EBITDA, adjusted EBITDA, and adjusted EPS are non-GAAP financial measures. The Company defines EBITDA as earnings before the fair market value change of the Company's investment in Windset, interest expense, income tax expense, and depreciation and amortization. The Company defines adjusted EBITDA as EBITDA before certain restructuring and other non-recurring charges and before impairment of goodwill and intangibles charges. The Company defines adjusted EPS as diluted net income per share before certain restructuring and other non-recurring charges, net of tax, and before impairment of goodwill and intangibles charges, net of tax. The tables below present the reconciliations of these non-GAAP financial measures to their respective most directly comparable financial measures calculated in accordance with GAAP and other supplemental information.

The Company has disclosed these non-GAAP financial measures to supplement its consolidated financial statements presented in accordance with GAAP. These non-GAAP financial measures exclude/include certain items that are included in the Company's results reported in accordance with GAAP. Management believes these non-GAAP financial measures provide useful additional information to investors about trends in the Company's operations and are useful for period-over-period comparisons. These non-GAAP financial measures should not be considered in isolation or as a substitute for the comparable GAAP measures. In addition, these non-GAAP financial measures may not be the same as similar measures provided by other companies due to the potential differences in methods of calculation and items being excluded/included. These non-GAAP financial measures should be read in conjunction with the Company's consolidated financial statements presented in accordance with GAAP.

ANNUAL ADJUSTED EBITDA

(UNAUDITED AND IN THOUSANDS)	CURATION FOODS	LIFECORE	OTHER	TOTAL
12 Months Ended May 31, 2020				
Net (loss) income from continuing operations	\$ (39,088)	\$ 11,749	\$ (10,852)	\$ (38,191)
FMV change in Windset investment	4,200	-	-	4,200
Interest expense, net of interest income	5,467	-	4,033	9,500
Income tax (benefit) expense	(13,028)	3,346	(3,434)	(13,116)
Depreciation and amortization	13,240	5,008	96	18,344
Total EBITDA	(29,209)	20,103	(10,157)	(19,263)
Restructuring and other non-recurring charges ¹	20,697	-	7,634	28,331
Impairment of goodwill and intangibles ²	12,953	-	-	12,953
Total adjusted EBITDA	\$ 4,441	\$ 20,103	\$ (2,523)	\$ 22,021
Twelve Months Ended May 26, 2019				
Net (loss) income from continuing operations	\$ (6,228)	\$ 12,070	\$ (3,719)	\$ 2,122
FMV change in Windset investment	(1,600)	-	-	(1,600)
Interest expense, net of interest income	3,166	-	1,919	5,085
Income tax (benefit) expense	(1,374)	4,023	(1,131)	1,518
Depreciation and amortization	10,204	4,140	886	15,230
Total EBITDA	4,168	20,233	(2,045)	22,355
Restructuring and other non-recurring charges	969	-	726	1,695
Impairment of goodwill and intangibles	2,000	-	-	2,000
Total adjusted EBITDA	\$ 7,137	\$ 20,233	\$ (1,319)	\$ 26,050

1 During fiscal year 2020, the Company announced a restructuring plan to drive enhanced profitability, focus the business on its strategic assets and redesign the organization to be the appropriate size to compete and thrive. This includes a reduction-in-force, a reduction in leased office spaces, and the sale of non-strategic assets. In addition, the Company incurred certain non-recurring charges during fiscal year 2020, primarily related to potential environmental and compliance matters at Curation Foods' Avocado Products' factory in Mexico, impairment of fixed assets and other assets, and other restructuring related consulting costs.

2 These impairments are related to Curation Foods' goodwill, trademarks and tradenames, and customer relationships with respect to its O Olive Oil and Vinegar and Yucatan brands.

Non-GAAP Financial Measures & Reconciliations (continued)

QUARTERLY ADJUSTED EBITDA

(UNAUDITED AND IN THOUSANDS)	CURATION FOODS	LIFECORE	OTHER	TOTAL
Three Months Ended August 25, 2019				
Net (loss) income from continuing operations	\$ (2,171)	\$ (1,395)	\$ (1,218)	\$ (4,784)
FMV change in Windset investment	-	-	-	-
Interest expense, net of interest income	1,356	-	694	2,050
Income tax (benefit) expense	(586)	(465)	(314)	(1,365)
Depreciation and amortization	3,205	1,185	23	4,413
Total EBITDA and Adjusted EBITDA	\$ 1,804	\$ (675)	\$ (815)	\$ 314
Three Months Ended November 24, 2019				
Net (loss) income from continuing operations	\$ (8,348)	\$ 3,459	\$ (1,851)	\$ (6,740)
FMV change in Windset investment	(200)	-	-	(200)
Interest expense, net of interest income	1,364	-	780	2,144
Income tax (benefit) expense	(1,723)	919	(361)	(1,165)
Depreciation and amortization	3,143	1,248	23	4,414
Total EBITDA	(5,764)	5,626	(1,409)	(1,547)
Restructuring and other non-recurring charges ¹	1,206	-	1,168	2,374
Total adjusted EBITDA	\$ (4,558)	\$ 5,626	\$ (241)	\$ 827
Three Months Ended February 23, 2020				
Net (loss) income from continuing operations	\$ (12,636)	\$ 4,910	\$ (3,792)	\$ (11,518)
FMV change in Windset investment	-	-	-	-
Interest expense, net of interest income	1,376	-	789	2,165
Income tax (benefit) expense	(4,901)	1,467	(1,876)	(5,310)
Depreciation and amortization	3,356	1,272	22	4,650
Total EBITDA	(12,805)	7,649	(4,857)	(10,013)
Restructuring and other non-recurring charges	12,704	-	4,070	16,774
Total adjusted EBITDA	\$ (101)	\$ 7,649	\$ (787)	\$ 6,761
Three Months Ended May 31, 2020				
Net (loss) income from continuing operations	\$ (15,935)	\$ 4,775	\$ (3,989)	\$ (15,149)
FMV change in Windset investment	4,400	-	-	4,400
Interest expense, net of interest income	1,370	-	1,770	3,140
Income tax (benefit) expense	(5,817)	1,426	(885)	(5,276)
Depreciation and amortization	3,536	1,303	27	4,866
Total EBITDA	(12,446)	7,504	(3,077)	(8,019)
Restructuring and other non-recurring charges ¹	6,789	-	2,397	9,186
Impairment of goodwill and intangibles ²	12,953	-	-	12,953
Total adjusted EBITDA	\$ 7,296	\$ 7,504	\$ (680)	\$ 14,120

¹ During fiscal year 2020, the Company announced a restructuring plan to drive enhanced profitability, focus the business on its strategic assets and redesign the organization to be the appropriate size to compete and thrive. This includes a reduction-in-force, a reduction in leased office spaces, and the sale of non-strategic assets. In addition, the Company incurred certain non-recurring charges during fiscal year 2020, primarily related to potential environmental and compliance matters at Curation Foods' Avocado Products' factory in Mexico, impairment of fixed assets and other assets, and other restructuring related consulting costs.

² These impairments are related to Curation Foods' goodwill, trademarks and tradenames, and customer relationships with respect to its O Olive Oil and Vinegar and Yucatan brands.

Non-GAAP Financial Measures & Reconciliations (continued)

1ST & 2ND HALF ADJUSTED EBITDA

(UNAUDITED AND IN THOUSANDS)	CURATION FOODS	LIFECORE	OTHER	TOTAL
1st Half of FY20				
Net (loss) income from continuing operations	\$ (10,519)	\$ 2,064	\$ (3,069)	\$ (11,524)
FMV change in Windset investment	(200)	-	-	(200)
Interest expense, net of interest income	2,720	-	1,474	4,194
Income tax (benefit) expense	(2,309)	454	(675)	(2,530)
Depreciation and amortization	6,348	2,433	46	8,827
Total EBITDA	(3,960)	4,951	(2,224)	(1,233)
Restructuring and other non-recurring charges ¹	1,206	-	1,168	2,374
Total adjusted EBITDA	\$ (2,754)	\$ 4,951	\$ (1,056)	\$ 1,141
2nd Half of FY20				
Net (loss) income from continuing operations	\$ (28,571)	\$ 9,685	\$ (7,781)	\$ (26,667)
FMV change in Windset investment	4,400	-	-	4,400
Interest expense, net of interest income	2,746	-	2,559	5,305
Income tax (benefit) expense	(10,718)	2,893	(2,761)	(10,586)
Depreciation and amortization	6,892	2,575	49	9,516
Total EBITDA	(25,251)	15,153	(7,934)	(18,032)
Restructuring and other non-recurring charges ¹	19,493	-	6,467	25,960
Impairment of goodwill and intangibles ²	12,953	-	-	12,953
Total adjusted EBITDA	\$ 7,195	\$ 15,153	\$ (1,467)	\$ 20,881

ADJUSTED EPS

(UNAUDITED AND IN THOUSANDS)	THREE MONTHS ENDED		TWELVE MONTHS ENDED	
	May 31, 2020	May 26, 2019	May 31, 2020	May 26, 2019
Diluted net (loss) income per share from continuing operations	\$ (0.52)	\$ 0.01	\$ (1.31)	\$ 0.07
Restructuring and other non-recurring charges, net of tax, per diluted share ¹	\$ 0.23	\$ -	\$ 0.72	\$ -
Impairment of goodwill and intangibles, net of tax, per diluted share ²	\$ 0.34	\$ 0.06	\$ 0.33	\$ 0.06
Total adjusted EBITDA	\$ 0.05	\$ 0.07	\$ (0.26)	\$ 0.13

1 During fiscal year 2020, the Company announced a restructuring plan to drive enhanced profitability, focus the business on its strategic assets and redesign the organization to be the appropriate size to compete and thrive. This includes a reduction-in-force, a reduction in leased office spaces, and the sale of non-strategic assets. In addition, the Company incurred certain non-recurring charges during fiscal year 2020, primarily related to potential environmental and compliance matters at Curation Foods' Avocado Products' factory in Mexico, impairment of fixed assets and other assets, and other restructuring related consulting costs.

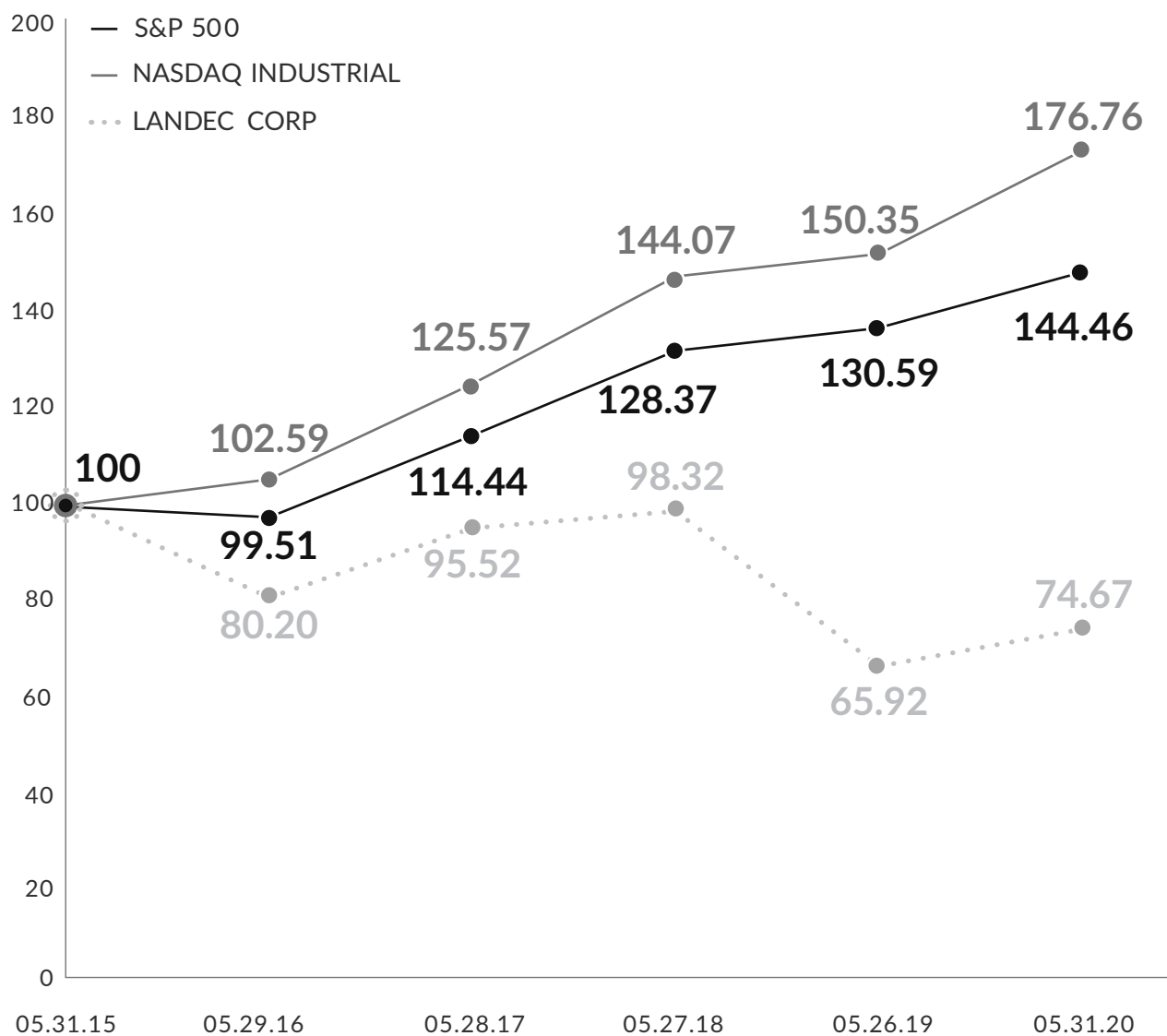
2 These impairments are related to Curation Foods' goodwill, trademarks and tradenames, and customer relationships with respect to its O Olive Oil and Vinegar and Yucatan brands.

Comparison of 5 Year Cumulative Total Return

The graph below matches Landec Corporation's cumulative 5-Year total shareholder return on common stock with the cumulative total returns of the S&P 500 index and the NASDAQ Industrial index. The graph tracks the performance of a \$100 investment in our common stock and in each index (with the reinvestment of all dividends) from 05.31.15-05.31.20.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Landec Corporation, the S&P 500 Index and the NASDAQ Industrial Index



	05.31.15	05.29.16	05.28.17	05.27.18	05.26.19	05.31.20
Landec Corporation	100.00	80.20	95.52	98.32	65.92	74.67
S&P 500	100.00	99.51	114.44	128.37	130.59	144.46
NASDAQ Industrial	100.00	102.59	125.47	144.07	150.35	176.76

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

* \$100 invested on 5/29/15 in stock and index, including reinvestment of dividends. Indexes calculated on month-end basis.

CORPORATE HEADQUARTERS

Landec Corporation
2811 Airpark Blvd.
Santa Maria, California 93455

(650) 306-1650

NUMERICAL REPORTING

Fiscal 2020 results, amounts and percentages noted in the 2020 Annual Report are subject to rounding.

STOCK LISTING

The Company's common stock is traded on the Nasdaq Global Select Market under the symbol LNDC. The Company has filed an annual report on Form 10-K with the Securities and Exchange Commission. Stockholders may obtain a copy of this report and Form 10-K without charge by writing the Company at our corporate address, listed above.

STOCKHOLDER'S INFORMATION

Transfer Agent and Registrar

The stock transfer agent and registrar for Landec Corporation is Broadridge. Stockholders who wish to transfer their stock, or change the name in which the shares are registered, should contact:

Broadridge Corporate Issuer
Solutions, Inc.
PO Box 1342
Brentwood, NY 11717

(800) 733-1121

FORWARD-LOOKING STATEMENTS

Except for historical information contained here, in the matters discussed in the enclosed materials are forward-looking statements that involve certain risks and uncertainties that could cause actual results to differ materially including risks detailed from time to time in the Company's filings with the Securities and Exchange Commission.

LEGAL

Independent Registered Public Accounting Firm

Ernst & Young LLP
San Francisco, CA

Corporate Counsel

Latham and Watkins LLP
Los Angeles, CA

TRADEMARKS

The following are some of the official trademarks of Landec Corporation:

Landec®

Intelimer®

Lifecore® Biomedical

Yucatan®

BreatheWay®

Cabo Fresh®

Eat Smart®

Corgel® BioHydrogel

O Olive Oil & Vinegar®

LANDEC CORPORATION

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